Annual Report 2006

FS Funding A/S

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Contents

Key Figures

Amounts in DKK millions	2006	2005 [1]
Revenue	55,772	31,741
Operating profit before other items	3,234	1,932
Operating margin before other items, %	5.8	6.1
Operating profit	3,019	1,528
Net finance costs	(2,351)	(1,721)
Profit/(loss) before impairment/amortisation of intangibles	226	(410)
Net profit/(loss) for the year	(809)	(945)
Investments in property, plant and equipment, gross	867	426
Total assets	52,253	46,456
Goodwill	26,178	22,995
Carrying amount of net debt [2]	26,271	22,741
Total equity	5,980	6,774

[1] The company was founded on 11 March 2005, while the activities of ISS were acquired on 9 May 2005. Consequently it is not possible to conduct a proper comparison between the 2006 and the 2005 figures.
[2] Excluding receivable/payable from/(to) affiliate regarding joint tax contribution.

Other Financial Measures (unaudited)

	As of and for the 12-month period ended			
Amounts in DKK millions	31 March 2006	30 June 2006	30 September 2006	31 December 2006
Pro forma adjusted EBITDA	3,639	3,795	4,027	4,203
Interest-bearing net debt	27,004	27,552	28,571	27,714
Seasonality adjusted interest-bearing net debt	26,502	26,957	27,708	27,714
Interest-bearing net debt / pro forma adjusted EBITDA	7.42	7.26	7.09	6.59
Seasonality adjusted interest-bearing net debt / pro forma adjusted EBITDA	7.28	7.10	6.88	6.59

Note: The Pro Forma adjusted financial information set out above is unaudited and for informational purposes only. This information does not represent the results the Group would have achieved had each of the acquisitions and divestments during the period 1 January 2006 – 31 December 2006 occurred on 1 January 2006.

FS Funding includes these financial measures because it believes that they are useful measures of the Group's results of operations and liquidity; however, these items are not measures of financial performance under IFRS and should not be considered as a substitute for operating profit, net profit, cash flow or other financial measures computed in accordance with IFRS. Other companies, including those in the Group's industry, may calculate similarly titled financial measures differently from the Group. Because all companies do not calculate these financial measures in the same manner, FS Funding's presentation of such financial measures may not be comparable to similarly titled measures of other companies. Funds depicted by certain of these measures may not be available for management's discretionary use due to covenant restrictions, debt service payments and other commitments. In addition, the calculations of some of these financial measures take into account estimates of pre-acquisition and post-acquisition results, which by their nature are uncertain.

See appendix on pages 121-126 of this report for further information on Other Financial Measures.

Company Report

FS Funding A/S ("FS Funding") was incorporated in March 2005 for the purpose of the acquisition of ISS A/S ("ISS"), an international provider of Facility Services within cleaning, office support services, property services, catering and integrated facility services. FS Funding is a 100% owned subsidiary of FS Equity A/S, which is ultimately controlled by funds advised by EQT Partners ("EQT") and Goldman Sachs Capital Partners ("GS Capital Partners"). EQT is one of Europe's leading private equity firms. GS Capital Partners is managed by the Principal Investment Area of Goldman Sachs, a global leader in corporate equity and mezzanine investing.

FS Funding is a holding company, and its primary assets consist of shares in ISS and cash in its bank accounts. FS Funding has no revenue generating operations of its own, and therefore FS Funding's cash flow and ability to service its indebtedness, will depend primarily on the operating performance and financial condition of ISS and its operating subsidiaries, and the receipt by FS Funding of funds from ISS and its subsidiaries etc. in the form of dividends or otherwise.

Consequently, the comments and analysis set out below is primarily based on the development in ISS and its subsidiaries etc. (together with FS Funding A/S referred to as "FS Funding").

Business highlights of the year

During 2006, FS Funding continued to develop the business towards achieving the targets set out in the Group strategy. Further steps were taken towards offering Integrated Facility Services ("IFS") in more countries and to more clients. Simultaneously, the single service offering, which forms the foundation for all ISS operations, was strengthened, as were management capabilities.

Focus on profitability, organic growth, cash flows, and on-going investment in the business through acquisitions was maintained.

As a result, ISS passed a new milestone in 2006, as its revenue exceeded more than DKK 50 billion. ISS's revenue was DKK 55.8 billion, an increase of 20% from 2005, the highest growth rate in a single year since 2001.

ISS's organic growth increased from 3% in 2005 to 5.5%, the highest level since the year 2000. The positive performance in organic growth was driven by improvements in all regions, with Asia and Latin America seeing double-digit organic growth rates.

The focus on profitability resulted in an increase in the operating margin before other items from 5.7% in 2005 to 5.8% in 2006.

FS Funding generated positive cash flows and increased the net inflow from operating activities from DKK 2.1 billion in 2005 to DKK 3.2 billion, primarily due to the increase in operating profit before other items.

ISS continued to invest in acquisitions in order to strengthen its service offerings and to pursue opportunities in new geographies with high growth potential. The acquisitions encompassed several companies with a broad-ranged service offering, including the acquisition of the outstanding 51% of the shares in Pacific Service Solutions Pty Ltd., the parent company of Tempo Services Ltd ("Tempo") in Australia, which by itself is expected to add DKK 2.9 billion to the annual revenue and establish ISS as a leading provider of Facility Services in the Australian market, as well as broad-ranged service companies in Germany and Switzerland.

Mexico and the Philippines were added to the country list in 2006 through acquisitions establishing platforms in cleaning services. Furthermore, in early 2007, platforms were established in Taiwan through acquisitions, and operations in Bosnia and Herzegovina were started up greenfield.

The combination of acquisitions and organic growth meant that ISS employed more than 391,000 people worldwide at the end of the year – roughly 80,000 more employees than the year before.

2006 also brought changes in management. On 31 August, Jørgen Lindegaard, then a member of the Board of Directors of FS Funding, was appointed new Group Chief Executive Officer of FS Funding and ISS A/S. Subsequently, the Executive Group Management of FS Funding and ISS A/S was formed, consisting of Jørgen Lindegaard, Group Chief Executive Officer, Jeff Gravenhorst, Group Chief Financial Officer and Flemming Schandorff, Group Chief Operating Officer.

In addition, the ISS management structure was changed. The corporate responsibility was split up into four regional divisions, each headed by a COO reporting to the Group COO. The objective was to further strengthen focus on operations and improve the organisation's ability to facilitate development, knowledge sharing and benchmarking between the country organisations, aided by the newly established Competence Centres in IFS, Cleaning and Office Support. The region COOs are members of the newly established Operational Board, which is part of the top management structure.

Financials

FS Funding had no operating activities prior to the acquisition of ISS on 9 May 2005, thus it is not possible to conduct a proper comparison of the financial year ended 31 December 2006 with the financial period ended 31 December 2005. Consequently, the analysis of financials including comparative figures set out below is based on the operating activities of ISS, unless otherwise stated.

Income statement

Following ISS's positive cash flow and operating margin performances in recent years, ISS decided in the beginning of 2004 to strengthen the focus on organic revenue growth. This was sustained in 2006 and resulted in a further improvement of the organic growth rate to 5.5% from 3% in 2005. The organic growth was in particular driven by 15% growth in the overseas region headed by double-digit organic growth rates in the growth economies of Asia and Latin America. Organic growth also increased from 2% in 2005 to 6% in Northern Europe, while an organic growth rate of 4% was maintained in Continental Europe.

Revenue increased 20% to DKK 55.8 billion in 2006 from DKK 46.4 billion in 2005 driven by the increase in organic growth and 17% growth from acquisitions. This was partly offset by negative growth of 2% from divestments and the discontinuation of the hospital cleaning services business in Germany, which was initiated in 2005. Foreign currency adjustments were generally flat.

Operating profit before other items increased by 22% to DKK 3.2 billion and the operating margin before other items was 5.8% compared with 5.7% in 2005. In line with previous years, changes in social legislation, pensions and a number of non-recurring items affected the Group in 2006, including a curtailment gain related to defined benefit pension plans in the Netherlands, which was partly offset by restructuring costs in Finland and margin-dilutive acquisitions in Australia and Mexico as well as investments in organic growth.

Net finance costs in FS Funding increased from DKK 1.7 billion in 2005 to DKK 2.4 billion in 2006 due to the increase in financial leverage in the second half of 2005 and in 2006.

As a result of the above, profit before impairment/-amortisation of intangibles in FS Funding increased by DKK 0.6 billion compared with 2005 to DKK 0.2 billion.

FS Funding's loss for the year amounted to DKK 809 million compared with a loss of DKK 945 million in 2005, negatively impacted by amortisation of brands and customer contracts and related customer relationships including values recognised as part of the purchase price allocation at the time of the acquisition of ISS, of DKK 785 million net of tax compared to DKK 535 million for the period 9 May – 31 December 2005 and an impairment loss of DKK 250 million related to ISS Finland.

Cash flow statement

The cash flow from operating activities in FS Funding was a net inflow of DKK 3.2 billion, an increase of DKK 1.1 billion from DKK 2.1 billion for the period 9 May – 31 December 2005.

Interest paid, net in FS Funding, which is included in cash flow from financing activities, was a cash outflow of approximately DKK 2.3 billion compared with a cash outflow of DKK 1 billion for the period 9 May – 31 December 2005.

Interest-bearing debt, net

The carrying amount of net debt in FS Funding amounted to DKK 26.3 billion at 31 December 2006 compared to DKK 22.7 billion at 31 December 2005. The carrying amount of net debt at year-end 2006 included non-interest-bearing items amounting to DKK 1.4 billion which were primarily related to the market price adjustment on ISS Global's Euro Medium Term Notes and unamortised net gain on interest rate swaps, which will be included in the income statements for the financial years 2007-2014. Accordingly interest-bearing debt, net amounted to DKK 27.7 billion at year-end 2006, an increase of DKK 3.7 billion from DKK 24 billion at year-end 2005. The increase in interest-bearing debt, net, was primarily due to acquisitions made during the year.

Business development

In 2006, ISS continued the strategic transformation towards Integrated Facility Services.

Country operations generally continued the process towards becoming Facility Services providers. The service offering within Cleaning, Office Support, Property Services and Catering and the management capabilities were strengthened, as was the offering of more IFS solutions.

A group of ISS countries are advancing towards IFS and already have a number of IFS-clients and contracts.

Other ISS countries still have some way to go before they can provide the necessary service offering and management capabilities for more advanced IFS-solutions. Generally, this depends on aspects related to local business conditions.

Consequently, the development of local IFS providers throughout the ISS Group will inevitably vary in terms of pace and timing.

Nevertheless, in line with the Group strategy, ISS continues to build a broader service offering to the clients. This is illustrated by the development from 2004 to 2006 in the composition of the services offered by ISS. In only two years, Cleaning's share of total Group revenue has decreased from 67% to 57%. During the same time span, Office Support services have increased from 2% to 8% and IFS have increased from 3% to 7% of Group revenue.

Following the acquisition of major security companies in Thailand, Turkey and the United Kingdom as well as the security services division of Tempo in Australia, Security Services will be added as a fifth pillar of the business structure from 2007 (see the strategy section set out on pages 13-15 of this report).

Single services form the foundation for ISS in its development towards IFS. It is important for ISS to be able to deliver services of the highest quality. In general, ISS will seek to gain critical mass in one business area before expanding into new ones. To support single service excellence, ISS has established Competence Centres within Cleaning and Office Support in order to ensure knowledge sharing, the development of best practice and benchmarking across the ISS Group.

Cleaning

Cleaning accounted for 57% of total Group revenue in 2006 compared to 61% in 2005. Measured by revenue, Cleaning grew by 11% from 2005 and maintained its position as ISS's largest business area.

In order to support and develop ISS's service offering in Cleaning, the Cleaning Competence Centre was strengthened in 2006. ISS established a number of regional expert teams in Cleaning Excellence, whose objective is to roll out the Cleaning Excellence concept in every ISS country.

The Cleaning Excellence teams support the countries with optimal solutions, the most efficient tools and methods, training, improved logistics, efficient supply chain and cost reductions. When implemented, the concept also contributes to improved ergonomics for the cleaning staff as well as reduced environmental effects. In 2006, Cleaning Excellence was introduced in Sweden, Denmark, Iceland, Ireland, Spain and Switzerland.

ISS set up in most countries by establishing a platform of cleaning services and subsequently expanding into other relevant business areas. This was the case, when ISS established operations in new geographies in 2006. Mexico and the Philippines were both added to the country list through acquisitions of cleaning companies. The establishment of ISS operations in Taiwan in January 2007 was also done through acquisitions, providing ISS with a country platform, which to a large extent is specialised in cleaning.

In other geographies, ISS added density to its cleaning platform during 2006 through 25 bolt-on acquisitions.

Property Services

In 2006, revenue in Property Services increased approximately DKK 1.4 billion and represented 22% of total Group revenue compared with 23% in 2005.

During the year, ISS expanded its offering of property services to new geographies and increased density in other markets, where the services were already being offered. The position in landscaping was further consolidated through acquisitions in e.g. Sweden and Singapore. The offering of building maintenance and technical services was strengthened, most notably in Switzerland, with the acquisition of Edelweiss Facility Management AG ("Edelweiss"). The platform for delivering pest control services was enhanced in France and several other European countries and the service was established in Slovakia, Turkey and the Czech Republic.

Office Support

In 2006, Office Support accounted for approximately 8% of total Group revenue compared to 4% in 2005. The offering of office support services was strengthened through the start-up of greenfield operations and through bolt-on acquisitions.

In particular, Norway and Sweden added competencies in this business area through a total of eleven acquisitions that provided a range of services within temporary staffing, plant services and document handling. ISS Austria also acquired temporary staffing competencies, and the acquisitions of Tempo and Pegasus Security Holdings Ltd. ("Pegasus") equipped ISS Australia and ISS UK with security services.

Catering

Catering accounted for about 6% of total Group revenue which was largely unchanged from 2005. The offering of catering services was expanded on the Norwegian market through three acquisitions. The largest single catering acquisition, Norfolk International Ltd. ("Norfolk") was completed in Israel, where ISS established a catering operation. The acquisition approximately doubled the annual revenue of ISS Israel. Furthermore, ISS established or expanded its Catering Services in several other countries in 2006.

Integrated Facility Services

Integrated Facility Services is a cornerstone in ISS's services offering. In 2006, Integrated Facility

Services generated revenue of DKK 4.1 billion equivalent to 7% of total revenue compared to 6% in 2005.

During the year, ISS strengthened its capabilities within Integrated Facility Services in several countries. In addition to the acquisition of Tempo in Australia, ISS Switzerland acquired Edelweiss, one of the country's larger Facility Services companies. In Germany, ISS acquired DEBEOS, a subsidiary of the DaimlerChrysler Group and a leading provider of Facility Services to the DaimlerChrysler Group.

Acquisitions

ISS's acquisition strategy builds on three priorities. First, acquisitions have to fit with the Group strategy, by underpinning the building of the IFS competencies by possessing growth potential and by adhering to the ISS corporate values. Secondly, acquisitions must be value accretive for ISS. Thirdly, the associated risks and the related integration process must be manageable.

In 2006, ISS continued the pace of acquisitions from the last two years in line with these three priorities and the Group strategy. ISS completed 104 acquisitions in 36 countries, 91 of which had estimated annual revenue of less than DKK 100 million. The acquisitions added annualised revenue of approximately DKK 8.4 billion and around 64,000 employees to ISS during the year.

The activities acquired were diversified across all regions of the world, in which ISS operates, and covered all main business areas, Cleaning, Catering, Office Support, Property Services, as well as Security Services, which from 2007 will constitute the fifth pillar of the IFS house. In addition, ISS acquired several broad-ranged service companies.

Pegasus Security Holdings Ltd.

In January, ISS acquired Pegasus Security Holdings Ltd. The acquisition added approximately DKK 0.4 billion in annual revenue and approximately 1,600 employees to ISS UK. The acquisition supplied ISS UK with a new business area, Security Services, the fifth pillar of the IFS house, essentially making the United Kingdom operations capable of delivering the full service package on a national scale.

Tempo Services Ltd.

In February, ISS acquired the outstanding 51% of the shares in the Australian company Tempo, which were previously held by investors managed by DB Capital Partners. The acquisition of Tempo added approximately DKK 2.9 billion in annual revenue as well as more than 17,000 employees to the Group workforce. Representing annual revenue of approximately 5% of Group revenue for 2006, the acquisition was the second largest acquisition in ISS history.

Essentially, the acquisition of Tempo led to a complete transformation of ISS Australia, which was previously a fairly small country operation primarily offering pest control and washroom services. The acquisition grew ISS Australia manifold in terms of revenue and staff, expanded its service offering substantially towards Integrated Facility Services and extended its regional coverage to nationwide coverage.

Norfolk International Ltd.

In May, ISS acquired Norfolk in Israel, a catering company specialising in institutional and in-flight catering. The acquisition added approximately DKK 0.4 billion in annual revenue and approximately 1,700 employees. The acquisition doubled the annual revenue of ISS Israel and gave the Israeli operations a well-established business platform in the catering segment.

Edelweiss Facility Management AG

In July, ISS acquired Edelweiss, one of the largest Facility Services companies in Switzerland with nationwide coverage. The acquisition added, approximately DKK 0.7 billion in annual revenue.

The acquisition supplied the Swiss business with an all-new platform within Integrated Facility Services.

DEBEOS GmbH

In November, ISS acquired DEBEOS, Daimler-Chrysler Objektmanagement und Service GmbH, which was DaimlerChrysler's internal Facility Services company offering a range of services within technical maintenance services, catering, internal logistics, security, staffing etc. The acquisition added annual revenue of approximately DKK 0.5 billion.

The acquisition is expected to increase annual revenue in Germany by approximately 30% and provided the German organisation with entirely new capabilities and a strong platform within Integrated Facility Services as well as new contracts with large clients.

A full list of acquisitions is presented in note 11 to the consolidated financial statements.

New geographies

During the last few years, ISS has entered ten new geographies, including high growth countries such as Russia, Turkey, India and Mexico, while also significantly increasing investments in China. It is part of the Group strategy to establish operations in new geographies in order to pursue business opportunities in markets, which are currently characterised by relatively high growth rates, and which are expected to deliver strong economic growth and expanding markets in the future.

Consequently, most of the new geographies with ISS operations are found in growth regions like Asia, Latin America and Eastern Europe where ISS intends to leverage on its competencies and experience from its European platform. This was also the case with the new geographies, in which ISS set up a presence in 2006.

In May 2006, ISS established operations in Mexico through a combined take-over of two cleaning companies, San Rafael S.A. and Tap New S.A. The acquisitions added annual revenue of approximately DKK 0.3 billion and 9,500 employees to ISS.

In July 2006, ISS expanded its Asian operations into the Philippines through the acquisition of the cleaning company Gayren Maintenance Services. In the beginning of 2007, ISS set up operations in Taiwan through two acquisitions.

The acquisitions in the Philippines and Taiwan, respectively the 10th and 11th ISS countries in Asia, confirmed the intention to invest in the high growth Asian region.

Finally, also in early 2007, operations were established greenfield in Bosnia and Herzegovina.

Regional development

Northern Europe

Revenue in Northern Europe increased by 13% from DKK 20.3 billion in 2005 to DKK 23.1 billion. The increase was driven primarily by 7% growth from net acquisitions, with all countries in Northern Europe except Russia making new acquisitions during the year. Organic revenue growth increased from 2% in 2005 to 6%, mainly driven by organic growth in Norway, Sweden and the United Kingdom, and partly offset by negative growth in Finland.

The operating profit before other items in Northern Europe increased 12% to DKK 1.5 billion. The operating margin for the region was in 2006 unchanged at 6.4% compared with 2005 as positive performances, particularly in Sweden and the United Kingdom, were offset by negative developments in the operating margins in Finland and Denmark. Furthermore, the operating margin in 2005 was positively impacted by nonrecurring income related to the settlement of a defined benefit pension plan in Norway.

ISS UK, the second largest operation in ISS, increased its organic growth rate to 5%, which together with net acquisitive growth of 9% increased revenue to DKK 6.9 billion. In spite of competitive market conditions in commercial cleaning, UK maintained its market position and made progress, particularly in Integrated Facility Services, Landscaping and Security Services - the latter through the acquisition of Pegasus Security Holdings Ltd.

The operating margin increased from 6.1% in 2005 to 6.3%, fuelled by increases in Integrated Facility Services and route-based services as well as a continued strong performance in the damage control business.

In 2006, the United Kingdom reported a gain of DKK 62 million on the a sale of a Private Finance Initiative (“PFI”) stake, which was offset by restructuring costs related to the consolidation of seven properties in the south of England and outsourcing of certain related functions. These items were included in other income and expenses in the consolidated financial statements.

ISS Norway achieved organic growth of 11% resulting from investments in organic growth initiatives in 2005 and high activity levels on contracts with oil and gas projects, where Norway is responsible for managing employee facilities, such as quasi hotels, delivering catering, cleaning, and welfare services. Furthermore, the damage control activities contributed to the positive performance in organic growth. In addition to organic growth, Norway continued to develop its Facility Services offering through acquisitions, mainly within catering, temporary staffing and building maintenance.

The operating margin was slightly down, to 7.2% from 7.3% in 2005. This was primarily due to non-recurring income in 2005 related to the settlement of a defined benefit pension plan, which increased the operating margin in 2005. In addition, operating margin pressure in the cleaning and landscaping activities were offset by cost reductions following the consolidation of the branch structure in 2005, which was part of the Group Restructuring Project initiated in 2005.

ISS Denmark saw organic growth of 3% in 2006. This included revenue from the start-up of its largest Integrated Facility Services contract with the telecom operator TDC in March 2006.

The operating margin declined from 7.1% in 2005 to 6.6%, partly due to the start-up of certain new contracts and the impact of non-recurring income recognised in 2005. In 2006, Denmark included a gain from the sale of a call option related to property of DKK 108 million recognised in other income and expenses, which was partly offset by costs of DKK 29 million related to redundancy payments as part of the restructuring of certain business areas.

The organic growth in **ISS Sweden** increased to approximately 10% in 2006 compared with a negative organic growth of 4% the year before. This was the result of the growth strategy introduced in 2005 with greater attention to organic growth in 2006. This led to start-up of large Facility Services contracts with the train operator, Storstockholms Lokaltrafik, and the power plant, Forsmark Kraftgrupp. In total, revenue in Sweden increased to DKK 3.6 billion, also supported by 2% growth from net acquisitions.

Continuing the positive development from 2005, Sweden further increased the operating margin in 2006 from 4.2% to 6.4%. The improvement was the result of a turnaround initiated in 2004 and cost savings that materialised from investments under the Group Restructuring Project in 2005.

ISS Finland reported a negative performance in 2006. The organic growth rate turned negative by 2% as business conditions deteriorated in a declining market. Revenue increased to DKK 3.2 billion, supported by 3% growth from net acquisitions.

The challenging market resulted in margin pressure, depressing the operating margin before other items by 2.5 percentage points to 5.0% partly due to costs related to a turnaround plan, initiated in 2006, which included restructuring of the country management. Due to deterioration in business conditions in a declining market, and thus lower expectations for future earnings combined with an increase in the discount rate applied, an impairment loss of DKK 250 million regarding the goodwill allocated to ISS Finland has been recognised in 2006.

Continental Europe

Revenue in Continental Europe was DKK 26.2 billion, a 13% increase over 2005. The increase was due primarily to 10% growth from acquisitions, which was partly offset by negative growth of 1% from divestments and the discontinuation of the hospital cleaning services business in Germany. The level of organic growth in the region was 4%, almost unchanged from 2005 and primarily stemming from organic growth in France, Spain and Austria. With an organic growth rate of 30% in 2006, the organisation in Turkey, which was established in 2005, also supported organic growth in the region.

The operating profit before other items in Continental Europe increased 17% to DKK 1.7 billion. The operating margin before other items in Continental Europe increased from 6.2% in 2005 to 6.4% in 2006 as margin increases in Germany, the Netherlands and Switzerland were partly offset by margin decreases in France and Austria.

ISS France, the largest ISS country in terms of volume as well as number of employees, increased revenue to DKK 9.6 billion or by 9% in 2006. The revenue growth was driven by equal contributions from organic growth and net acquisitions. In particular, the offering of office support services and pest control was further strengthened through acquisitions in 2006.

The operating margin in France decreased from 6.4% in 2005 to 6.2%. The development was primarily due to lower profitability in Property Services.

ISS Netherlands increased revenue by 7% to DKK 3.5 billion in 2006, driven almost entirely by net acquisitions. Organic growth remained at 1% in a challenging market with fierce price competition.

The operating margin increased from 6.1% to 7.0%, favourably impacted by a curtailment gain related to defined benefit pension plans of DKK 98 million. This was partly offset by lower profitability in general cleaning and losses in the damage control business.

ISS Spain continued the positive trend, lifting revenue by 17% to DKK 3.1 billion, of which 6 percentage points were organic and primarily stemmed from the hospitals sector. Bolt-on acquisitions within cleaning and building maintenance increased density and added 11% to revenue in 2006.

The upward trend in the operating margin continued in 2006 with an increase from 5.9% to 6.1%, primarily driven by improvements in cleaning services.

ISS Belgium grew revenue by 8% to DKK 2.5 billion in 2006, primarily due to acquisitions. Organic growth declined from 4% in 2005 to 3%. A restructuring of the sales organisation has been initiated with the aim of improving organic growth.

The operating margin before other items increased from 6.2% last year to 6.5% in 2006, primarily due to enhanced profitability in cleaning services.

ISS Switzerland increased revenue by 34% to DKK 1.9 billion, mainly due to acquisitive growth. The most significant acquisition in 2006 was Edelweiss, which strengthened the Facility Services competencies of ISS's Facility Services offering on the Swiss market.

The operating margin before other items in Switzerland increased from 6.8% in 2005 to 7.6% as a result of the better than expected performance in most business areas, which was partly offset by a negative development in certain parts of the landscaping business.

After several years of negative organic growth, **ISS Germany** continued the positive trend seen at the end of 2005 and achieved organic growth of 7% in 2006, driven by increasing activity in the damage control segment. In late 2006, the market position of Germany was strengthened through the acquisition of DEBEOS, DaimlerChrysler's internal facility services company. Germany generated total revenue of DKK 1.8 billion in 2006, an increase of 3% including the negative impact of approximately DKK

0.3 billion from the discontinuation of the hospital cleaning services segment announced in 2005.

The operating margin increased from 3.2% in 2005 to 4.0% in 2006 as a result of margin increases in cleaning services as well as in the damage control business.

Continuing the trend from previous years, ISS Austria generated above average organic growth of 9% in 2006, which together with acquisitive growth of 7% lifted revenue to DKK 1.6 billion.

The operating margin fell from 7.7% in 2005 to 6.7%, primarily due to increases in staff costs, which could not be fully passed on through price increases. The office support business developed favourably in terms of operating margin.

ISS Turkey expanded its services by establishing pest control operations. Furthermore, the existing platform was strengthened through two bolt-on acquisitions in security and cleaning services. Total revenue was DKK 0.5 billion, an increase of 81% compared with last year, of which approximately 30% was attributable to organic growth.

In spite of the rapid growth, the Turkish organisation remained focused on profitability which resulted in an operating margin increase from 5.7% to 6.2%.

Overseas

Overseas reported revenue of DKK 6.5 billion in 2006, up 155% from 2005. The improvement was driven by acquisitive growth of 138%, with the largest contribution stemming from the acquisition of the remaining 51% of the shares in Tempo in Australia, and organic growth of 15%. The organic growth was primarily fuelled by double digit organic growth rates in the growth economies of Asia and Latin America. Currency adjustments increased revenue by approximately 2%.

The operating profit before other items in Overseas increased 151% to DKK 0.4 billion. The operating margin fell from 6.0% in 2005 to 5.9% in 2006, in line with expectations, as operating margin increases in Asia were offset by the effect of the margin-dilutive acquisitions in Mexico and Australia.

ISS Australia boosted its revenue to DKK 2.7 billion, due to the acquisition of Tempo. The integration of Tempo progressed during 2006 and Australia has developed into an Integrated Facility Services provider able to deliver the full service package.

The operating margin declined in Australia as a result of the consolidation of Tempo from March 2006. The business acquired had a significantly lower operating margin than the existing ISS business in Australia, pushing down the operating margin, as expected, from 11.8% in 2005 to 6.4% in 2006.

The markets in **Asia** boasted the highest growth rates in ISS in 2006. In two years, during 2004-2006, revenue has almost doubled to DKK 1.8 billion. In 2006, the increase was 55%, fuelled by organic growth of 17%, acquisitive growth of 36% and currency adjustments of 2%. In particular, China, India and Indonesia led the organic revenue expansion with organic growth rates in excess of 25%. The largest contribution to acquisitive growth stemmed from the acquisition of Eastpoint acquired in late 2005, which added Facility Services to the service offering in Hong Kong. ISS also entered the Philippine market in 2006 through the acquisition of a local cleaning service provider.

The operating margin in Asia was up by approximately 0.4 percentage points to 6.8% in 2006. The increase in profitability was primarily fuelled by margin improvements in Hong Kong, Indonesia, Singapore and Thailand.

ISS's operations in Latin America delivered strong growth and expansion. Revenue for the entire region increased by 75% to DKK 1.0 billion, driven by acquisitions of 52%, organic growth of 16% and positive currency adjustments of 7%. The acquisitive growth primarily stemmed from the acquisitions of San Rafael and Tap New with estimated annual revenue of DKK 0.3 billion, which established ISS as a cleaning service provider in the Mexican market. Furthermore, revenue in Chile was more than doubled through the acquisition of the cleaning company Lyon y Compañia Ltda. making ISS one of the largest providers of cleaning services in the country. With the exception of Uruguay, organic growth was positive in all Latin American countries, with Chile and Argentina delivering double-digit organic growth rates.

In line with expectations, the operating margin in Latin America declined from 5.1% in 2005 to 4.8% in 2006. This was primarily a result of the margin-dilutive effect from the country establishment in Mexico in 2006.

ISS Israel largely doubled its annual revenue to DKK 0.8 billion through the acquisition of Norfolk, establishing catering as a new service in Israel's Facility Services offering. The revenue growth was also supported by organic growth of 8%.

The operating margin increased from 6.1% to 6.7%, positively impacted by Norfolk, which had a higher margin than the existing ISS business in Israel.

Change of management

The management team of FS Funding formally consists of the Executive Group Management. As FS Funding has no operating activities of its own it relies on the management team of ISS, which apart from the Executive Group Management consists of the

Operational Board and certain senior officers responsible for the day-to-day operations of the ISS Group. Consequently, the management changes described below also include management changes in ISS.

On 31 August 2006, FS Funding announced that Jørgen Lindegaard had been appointed new CEO of FS Funding including ISS A/S, ISS Management A/S and FS Equity A/S. Simultaneously, Jørgen Lindegaard stepped down from the Board of Directors of FS Funding.

Jørgen Lindegaard (57) had been a member of the Board of Directors of FS Funding since 6 April 2006. Before joining FS Funding, he had held CEO positions in the SAS Group, KTAS and GN Store Nord.

Simultaneously, Sir Francis Mackay was elected to the Board of Directors of FS Equity A/S, FS Funding A/S and ISS A/S to replace Jørgen Lindegaard and was appointed Vice Chairman of the Board. Until the end of July 2006, Sir Francis Mackay was Chairman of Compass Group.

On 17 October 2006, ISS introduced a new structure of the ISS Group's management at ISS's head office in Copenhagen. With the new management structure, ISS established an Operational Board in order to further strengthen focus on and support for country operations.

The Executive Group Management, ISS's Operational Board and the ISS Management Team constitute the key management levels of the new structure.

The **Executive Group Management** of FS Funding A/S and ISS A/S consists of Group CEO Jørgen Lindegaard, Group COO Flemming Schandorff and Group CFO Jeff Gravenhorst.

The **Operational Board** consists of four COOs, who are each responsible for a region or a number of countries, as well as the Head of Group M&A and the Executive Group Management.

The **ISS Management Team**, consists of the Group heads of Human Capital, IT, Treasury and the Legal Department, as well as the Executive Group Management and the Operational Board. Effective as of 1 January 2007, the activities and employees of ISS-Management A/S were transferred to ISS A/S as part of a streamlining of the ISS corporate structure.

Incentive programme

The Principal Shareholders of FS Funding, funds advised by EQT Partners and Goldman Sachs Capital Partners, have established a management participation programme, under which the Executive Group Management and a number of senior officers of the Group were offered to make an investment. The programme is structured as a combination of direct and indirect investments in a mix of shares and warrants of FS Invest S.à r.l ("FS Invest"), FS Funding's ultimate parent. The programme was rolled out in July 2006 and from the outset 138 eligible officers covering 38 countries participated in the programme. The total management investment under the programme amounted to approximately DKK 176 million.

Non-executive members of the Board of Directors (except representatives of the Principal Shareholders) have been offered to participate in a directors participation programme, under which they have invested in a mix of shares and warrants of FS Invest. In addition they have co-invested with the Principal Shareholders.

Financing

Depending on market conditions, FS Funding may consider raising additional funding in the debt capital markets in 2007 to support continued progress in line with the Group strategy, including further investments in acquisitions and organic growth initiatives.

Subsequent events

ISS has made a number of acquisitions subsequent to 31 December 2006. The acquisitions in Taiwan have already been mentioned above. All acquisitions concluded between 1 January 2007 and 28 February 2007 are listed in note 11 to the consolidated financial statements.

The Danish Minister of Taxation has in first quarter 2007 published a draft bill for public hearing. The proposed amendments in the draft bill are significant and include reduction of the statutory corporate tax rate, restrictions on the deduction of interest expenses and amendments to controlled foreign company (CFC) taxation. The impact on FS Funding depends on the final conditions of the bill. Primarily as a result of the substantial indebtedness of FS Funding the bill is expected to have an adverse effect on the tax position in the Danish part of FS Funding.

Apart from the above and the events described in this Annual Report, FS Funding is not aware of events subsequent to 31 December 2006, which are expected to have a material impact on FS Funding's financial position.

Outlook

The outlook set out below should be read in conjunction with "Forward-looking statements" (see page 12) and the description of risk factors set out on pages 22-30 of this report.

In 2007, ISS will continue its strategic directions towards offering Integrated Facility Services and strengthening single service excellence and maintain its focus on its key operational objectives (i) cash flow; (ii) operating margin; and (iii) profitable organic growth. Furthermore, the Group intends to continue its strategy of making acquisitions to increase local scale and broadening its service competencies.

At the prevailing currency rates and including acquisitions and divestments completed up to 10 April 2007, FS Funding expects that revenue will increase by more than 10% and that the operating margin will be maintained at the current level in 2007.

FS Funding is expected to continue to generate net accounting losses in the foreseeable future, as a consequence of the significant indebtedness as well as non-cash expenses deriving from amortisation of intangible assets relating to the purchase price allocation conducted in connection with the change of ownership.

Forward-looking statements

This report may contain forward-looking statements. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words ''may'', "will", "should", ''expect'', ''anticipate'', ''believe'', ''estimate'', ''plan'', "predict", ''intend'' or variations of these words, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements. FS Funding has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of FS Funding. Although FS Funding 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 as a result of the matters described in the Risk Factors beginning on page 22 of this report, including: changes in demand for the services offered by FS Funding; risks related to FS Funding's growth strategy; risks related to the Group's substantial indebtedness; FS Funding's ability to operate profitably; FS Funding's exposure to currency-related risks; complexities related to compliance with regulatory requirements of many jurisdictions; FS Funding's dependence on its management team and qualified personnel; FS Funding's potential liability for acts of its employees; the threat, institution or adverse determination of claims against FS Funding; potential environmental liabilities; and changes in laws and regulations. As a result, you should not rely on these forward-looking statements. FS Funding 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.

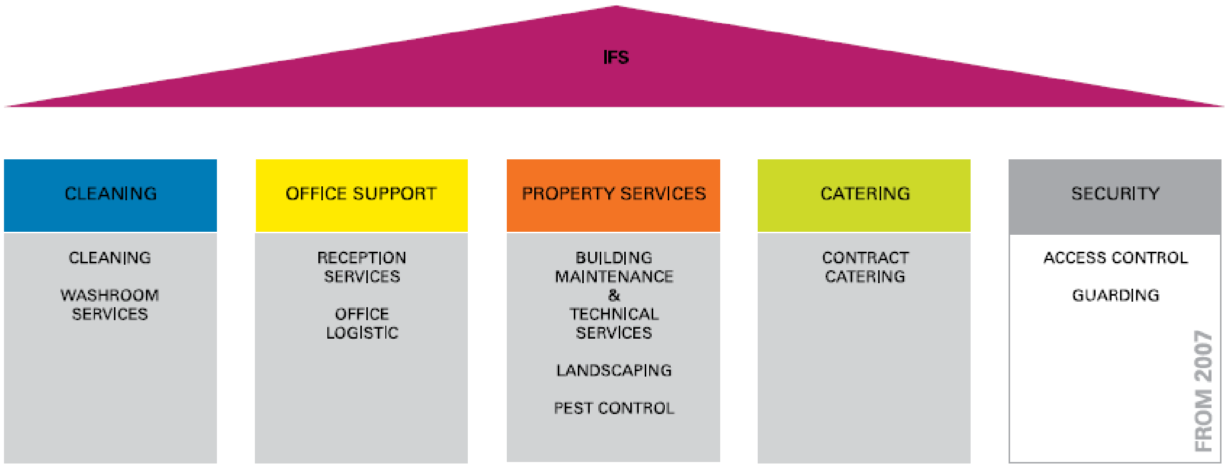
Governing text

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

Financial Calendar

Date	Event
10 April 2007	Annual Report 2006
25 May 2007	Interim Report, January – March 2007
29 August 2007	Interim Report, January – June 2007
29 November 2007	Interim Report, January – September 2007

Strategy



In 2005, FS Funding through ISS A/S ("ISS") announced the new strategy, Route 101. Route 101 is a destination plan that describes ISS in terms of service offerings, organisation, geography, etc. The destination described in Route 101 is a Facility Services company with revenue of DKK 101 billion. ISS will continue to work towards this goal following the vision: "Lead Facility Services globally".

To further operationalise this vision, ISS in the spring of 2007 introduced the "ISS Strategy Plan 2007-2009".

ISS strategy plan 2007-2009

The ISS Strategy Plan 2007-2009 is not a new direction for the Group. The strategy of transforming ISS into the leading global Facility Services company remains the same. The ISS Strategy Plan 2007-2009 further details the initiatives needed to fulfil the vision.

Facility services

ISS continues the process of transforming itself into a Facility Services company. In response to customer demand, ISS has established operations in security services through acquisitions in several geographies. To further strengthen its strategic focus on developing these services, Security, including access control and guarding services, has been added as a fifth pillar in ISS's "IFS house" as illustrated above. This means that ISS wants to offer a wide range of services supported by the five pillars of the IFS House:

- Cleaning
- Office Support
- Property Services
- Catering
- Security

Service solutions are offered to the customer as single services, multi services or Integrated Facility Services ("IFS").

In a single service outsourcing the customer buys one service solution from ISS, e.g. outsourcing of cleaning or property services. The customer thereby enjoys the benefits of outsourcing to ISS and can capitalise on service know-how and best practices, labour management and handling of all HR issues, procurement benefits, reduced financial administration of the outsourced service area, increased operational flexibility, etc.

In a multi service outsourcing the customer achieves the same benefits as single service outsourcing only for each outsourced service area as well as benefits of service integration where possible.

In an Integrated Facility Services solution ISS takes over all or most of the service functions at the customer's premises, provided the services are within the pillars of the IFS house. The customer thereby receives the full potential of single service outsourcing and benefits from an ISS on-site management solution that exploits the synergy potential, and as a result provides the customer with an integrated and cost effective solution.

Through the acquisitions of broad-ranged service companies in Germany, Switzerland and the United Kingdom, ISS is able to provide management of Facility Services. The acquired capabilities have provided an approach to clients where ISS is able to offer management of services, delivered either through subcontracting or through own service provisions depending on the preference of the client.

An IFS implementation team was established in 2006 with the primary focus of accelerating the IFS implementation in selected countries. The team consists of four experienced specialists with an overlying mission of providing operational support in winning, bidding, transitioning and operating the first IFS contract within a country. The prioritised countries in 2006 were Spain, Belgium and Switzerland. In 2007, the prioritised countries are Germany, the Netherlands and Australia.

Single service excellence

The foundation for being the leading Facility Services company is a continuous focus on delivering service excellence in every service area. Going forward, ISS will continue to focus heavily on developing single service excellence and spreading it throughout the organisation.

Operational efficiency

ISS will seek to maintain and enhance operational efficiency by retaining its focus on three well-established and prioritised operational objectives for its local managers: (i) cash flow; (ii) operating margin; and (iii) profitable organic growth. In addition, ISS will focus on reducing the financial leverage on a multiple basis.

Cash flow

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

Operating margin

ISS's second objective is to maintain or improve its operating margin, which increased from 5.1% in 2000 to 5.8% in 2006. ISS will seek to generate operational efficiencies by increasing its local market positions and operational densities, as well as through the implementation of company-wide best practices.

Profitable organic growth

ISS's third objective is to continue to leverage its international market position and service offering in order to increase its local market positions and drive organic growth. To do this, ISS established a Sales Excellence Centre in 2006 to create sales systems and to promote benchmarking and the sharing of best practices between countries. ISS continues to work with a wide range of initiatives to: (i) attract new customers; (ii) increase customer retention rates, including through the establishment of dedicated key account teams; and (iii) cross-sell related services, such as pest control and washroom services, to existing customers. Additionally, ISS has established a market presence and operating platforms in selected high-growth economies, particularly in Latin America and Asia.

Reduce financial leverage

Following the acquisition of ISS A/S by FS Funding A/S, ISS is determined also to seek to reduce, on a multiple basis, the financial leverage of the FS Funding Group, which increased as a result of the acquisition. This is expected to be achieved primarily through growth in ISS's operating profit through a continued focus on cash flow, operating margin, organic growth and acquisitions. However, as a result of this growth strategy, ISS expects to incur additional debt in the future. The extent and timing of the FS Funding Group's deleveraging on a multiple basis will, however, depend upon, among other things, ISS's cash flow generation and the scale and timing of payments related to its future acquisition activities, which may temporarily increase its leverage on a multiple basis in terms of net debt to pro forma adjusted EBITDA.

Growth

A wide range of initiatives will underpin organic growth spanning from further investment in the growth economies of the world via an enhanced sales force and training to new customer retention initiatives.

ISS expects to continue to make acquisitions to facilitate its strategy of increasing local scale and broadening its local service offerings. Since the beginning of 2000, ISS has acquired and integrated more than 500 businesses, more than 450 of which were acquisitions of relatively small businesses with annual revenues of less than DKK 100 million (EUR 13.4 million). The two largest acquisitions to date have been Abilis in France in 1999 and Tempo in Australia in 2006 which on the date of the respective acquisitions had estimated annual revenue of approximately DKK 5.2 billion and approximately DKK 2.9 billion. Apart from Tempo, the two largest acquisitions in 2006 were Edelweiss in Switzerland (estimated annual revenue of DKK 0.7 billion) and DEBEOS in Germany (estimated annual revenue of DKK 0.5 billion). ISS expects to continue focusing primarily on smaller acquisitions, which it believes will reduce the risks relating to individual acquisitions and enable it to leverage the experience of local management teams throughout its countries of operation. ISS cannot provide any assurance, however, that it will not pursue larger acquisitions in the future.

It is important to emphasize that acquisition driven revenue growth will vary widely from year to year, among other things depending on opportunities, organisational capability, financial resources, etc.

and thus acquisition speed could deviate significantly from the range mentioned above.

Geography

ISS intends to increasingly focus on the BRIC-countries (Brazil, Russia, India and China) as well as other growth markets, particularly located in Eastern Europe, Latin America and Asia.

In 2006, ISS established country operations in Mexico and the Philippines and in January 2007, ISS set up operations in Taiwan. Furthermore, the presence in Turkey was significantly expanded in 2006 through an acquisition. ISS is currently analysing the US market in preparation for a possible US entry.

Organisation

As a foundation for the strategy plan, ISS is transforming its organisation to allow it to focus on accelerating the service development. Head office resources focusing specifically on China and India have been appointed. Organisational resources have also been added for Eastern Europe, Russia, Australia and Latin America in order to support the development of these geographies.

Training and education is key to the strategy plan. ISS will invest even more in these areas in order to continue to accelerate its transformation towards Integrated Facility Services.

Branding

As a part of the transformation to a global Facility Services company, ISS will invest further in strengthening the ISS brand across the world.

Systems and methodologies

ISS will invest further in systems and methodologies. A “Corporate Solution”, i.e. a standardised IT-business solution, has been further developed and implemented in a number of countries. Shared initiatives in a number of areas such as planning tools, facility service management systems, etc. have been developed and will be implemented going forward.

Corporate Governance

FS Funding A/S ("FS Funding") has no operating activities of its own. FS Funding is as the owner of ISS A/S ("ISS" or the Group) subject to the same corporate governance policies as ISS. The following section describes corporate governance policies applicable in ISS.

Corporate governance policies and procedures

ISS is committed to good corporate governance. This is a practice fundamental to all ISS's activities as it benefits stakeholders and the business itself.

Accordingly, although ISS was delisted from the Copenhagen Stock Exchange in 2005 following a public tender offer by FS Funding, the company continues to apply corporate policies and procedures based on the recommendations applicable to companies listed on the Copenhagen Stock Exchange. However, being privately held, some of the recommendations primarily targeted at companies with a broad shareholder base are not relevant for ISS.

Shareholders

ISS is a limited liability company incorporated and operating under Danish law. The company is a wholly owned subsidiary of FS Funding, which is indirectly owned by funds advised by EQT Partners ("EQT") and GS Capital Partners (the "Principal Shareholders").

EQT is a leading private equity group with operations in Northern Europe and Greater China. EQT currently manages approximately EUR 10.5 billion in 10 funds. In total, EQT funds have invested approximately EUR 5 billion in about 50 companies. EQT Partners, acting as exclusive investment advisor to EQT, is headquartered in Stockholm and maintains offices in Copenhagen, Munich, Frankfurt, Helsinki and Hong Kong.

GS Capital Partners is the private equity vehicle through which the Goldman Sachs Group, Inc. conducts its privately negotiated corporate equity investment activities. Since 1986, GS Capital Partners has raised corporate investment vehicles with over USD 26 billion of assets under management. GS Capital Partners is a global private equity group focused on large, sophisticated business opportunities in which value can be created by way of leveraging the resources of Goldman Sachs.

Shareholders' agreement

In connection with the financing and execution of the acquisition of ISS, the Principal Shareholders entered into a shareholders' agreement applying to any entities through which EQT and GS Capital Partners hold their interest in ISS. The description below relates to implications of the shareholders' agreement on ISS.

Under the shareholders' agreement the Board of Directors of ISS (the "Board") shall consist of six members excluding employee representatives. EQT and GS Capital Partners are entitled to nominate three directors each. EQT has the right to nominate the Chairman of the Board, after consultation with GS Capital Partners. In addition, each of EQT and GS Capital Partners is entitled to appoint one deputy member of the Board who shall be entitled to be present at Board meetings, but the two deputy members shall only be entitled to vote if they are standing-in for a Board member who is unable to attend the meeting.

The Board will generally act by simple majority, with the Chairman casting the deciding vote in the event of a tie. However, under the shareholders' agreement, certain actions require special approval of one or both of the Principal Shareholders.

Stakeholders

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

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

The stakeholder approach is also put into practice in dialogues and partnerships with the United Nations (the Global Compact initiative), the European Works Council and Amnesty International's Business Club. Relations with stakeholders are described in further detail in the Stakeholder Review in the Annual Report for 2006 for ISS A/S.

Openness and transparency

In addition to its country-specific websites, ISS has a corporate website: www.issworld.com. Financial statements and other announcements are posted on ISS's website. ISS endeavours to keep the website up to date at all times. Due to ISS's international relations, the website is in English.

ISS has prepared its consolidated financial statements for 2006 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU being effective for financial reporting periods beginning on 1 January 2006, and the statutory order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act. The accounting policies applied are described in note 1 to the consolidated financial statements. The annual reports of ISS include financial as well as non-financial information.

For information about the ISS Group, stakeholders are always welcome to contact ISS's Group Communications Department (info@group.issworld.com). Questions from investors may be directed to Group Treasury of ISS (ir@group.issworld.com).

The tasks of the Board

The Board functions in accordance with the rules set out in the Danish Public Companies Act, the shareholders' agreement and its rules of procedure, which provide guidelines for the Board's work in general and prescribe any special duties assigned to the Chairman of the Board.

ISS remains committed to the Route 101 strategy approved by the Board in 2005. A description of Route 101 is available from the corporate website: www.issworld.com. It contains ISS's visions, goals, core values etc. In addition, detailed plans and business procedures for a number of functions are described in manuals and guidelines.

The Board meets according to a pre-defined meeting schedule. Extraordinary meetings are convened whenever specific matters need attention between scheduled meetings. The Board is briefed about important matters in the periods between Board meetings.

The monthly reporting is the primary, formal communication vehicle between management and the Board. The Board approves the annual budget and receives recommendations on potential large or strategic acquisitions and other information as and when required.

Composition of the Board

The directors are nominated to the Board in accordance with the shareholders' agreement described above. As per 31 December 2006, six directors served on the Board. The six directors were: Leif Östling (Chairman), currently President and Group Chief Executive of Scania AB; Sir Francis Mackay (Vice-chairman), Chairman of Carlton Financial Group; Ole Andersen, head of the Copenhagen office of EQT Partners; Sanjay Patel, co-head of Private Equity in Europe for the Principal Investment Area of Goldman Sachs; Christoph Sander, co-founder and CEO of Casper Limited; and Richard Sharp, Advisory Director of Goldman Sachs International. Peter Korsholm, partner at EQT Partners and Steven Sher, Managing Director for the Principal Investment Area of Goldman Sachs International, were alternate directors. As a result of the transfer of officers and employees from ISS Management A/S to ISS A/S, Flemming Quist, Treasury Manager, joined the board of ISS A/S as employee representative effective as of 1 January 2007. According to Danish law, employees of ISS A/S are entitled to elect a number of representatives to the Board equal to half of the total number of Board members elected by the shareholders. New employee representatives are elected for a four year term with effect from the date of the ordinary general meeting in ISS A/S. No Board committees have been established.

A further description of the Board members is available on page 20 of this report and in note 32 to the consolidated financial statements.

No rules are in place in respect of Board members' directorships in other companies and the company believes that the present composition of the Board does not conflict with good corporate governance.

ISS has a two-tier management structure consisting of the Board of Directors and an Executive Group Management (the "EGM"). The Board supervises the company's activities, its management and organisation. The EGM is responsible for ISS's day-to-day operations. The two bodies are separate and do not have overlapping members.

Executive Group Management

On 31 August 2006, Jørgen Lindegaard assumed the position as CEO of ISS. Jørgen Lindegaard's other directorships are listed in note 32 to the consolidated financial statements. As of 31 August 2006, Jørgen Lindegaard was also appointed CEO of ISS Management A/S succeeding Eric S. Rylberg, who had served for six years.

During 2006, certain operational management services were provided to ISS by ISS Management A/S. As of 1 January 2007, ISS Management A/S transferred its officers and employees to ISS A/S as part of an ongoing process to streamline the Group structure. Consequently, the Management Services Agreement between ISS and ISS Management A/S was terminated on 31 December 2006.

The EGM of ISS consists of Jørgen Lindegaard, Group CEO; Jeff Olsen Gravenhorst, Group CFO; and Flemming Schandorff, Group COO.

The EGM together with COOs Allan Aebischer, Jacob Götzsche, Stig Pastwa, Martin Gaarn Thomsen, and Head of Group M&A, Jens Ebbe Olesen constitute the Operational Board (the "OB"). The primary task of the OB is to coordinate and evaluate acquisitions made by the Group, operational issues in general as well as to discuss and develop new general strategic initiatives.

Further, the EGM, the OB and certain senior officers of ISS constitute the ISS Management Team (the "IMT").

ISS's in-house rules stipulate that no member of the EGM and the IMT can hold more than three directorships in companies outside the ISS Group. Remuneration received in respect of directorships in companies outside the ISS Group by members of the EGM and the IMT are retained by the member and ISS assumes no liability for such directorships. Directorships in companies in the ISS Group held by members of the EGM or the IMT are not remunerated separately.

The members of the EGM have from 1 January 2007 been employed by ISS A/S. No changes were made to their employment terms as a result of the transfer from ISS Management A/S. The employment contracts of the EGM members are subject to termination periods of between 12 and 18 months.

The members of the EGM are remunerated with a combination of a fixed salary and a bonus which is capped at 50% of the fixed salary.

Incentive programme

The Principal Shareholders have established a management participation programme, under which the EGM and a number of senior officers of the Group were offered to make an investment. The programme is structured as a combination of direct and indirect investments in a mix of shares and warrants of FS Invest, ISS's ultimate parent. The programme was rolled out in July 2006 and from the outset 138 eligible officers covering 38 countries participated in the programme. The total management investment under the programme amounted to approximately DKK 176 million.

Non-executive members of the Board (except representatives of the Principal Shareholders) have been offered to participate in a directors participation programme, under which they have invested in a mix of shares and warrants of FS Invest. In addition, they have co-invested with the Principal Shareholders.

Risk management

ISS strives to identify risk factors that may have an adverse effect on the ISS Group's activities, financial position, results and future growth. Some of the risk factors that may have an adverse impact on ISS are described on pages 22-30 of this report.

ISS considers strong controls to be an essential management tool. Accordingly, reasonable care is taken to ensure that a sound framework of controls is in place for safeguarding the business. However, such controls are designed to manage rather than eliminate the risks and can provide only reasonable and not absolute assurance against material misstatements or losses. The policies and procedures set out below reflect the principal features of the ISS Group's control environment.

Overall, the operational and financial risk is managed in accordance with a policy adopted by the Board.

Operational risk management principally focuses on procedures for claims management, entering into contracts, occupational safety, the environment and the safeguarding of physical assets. Operational risk is assessed on the basis of the activities of each operating company, historic and current claims events, and the markets in which the companies operate. Operational risk is monitored and hedged in accordance with ISS Group standards for risk management, risk financing and good operational practice. Operational risk financing is based on insurance and own funding, primarily through local and global insurance programmes including a captive (Global Insurance A/S), all coordinated centrally in ISS.

Financial risk management principally focuses on interest rate risk, currency risk and credit risk. The ISS Group's financial risk management is described in note 31 to the consolidated financial statements.

The policies for operational and financial risk management and the ISS Group's standards are documented and distributed to the operating companies. ISS's Group Risk Management and Group Treasury departments supervise compliance with the standards. The monthly reporting to the Board contains an overview of the status in these areas.

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

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

- Strategy reviews – annual meetings with country managers at which the strategy is discussed and priorities and plans for the coming year are agreed upon
- Business reviews – monthly meetings between regional management and country managers with focus on the current performance and state of the business
- Budgets and financial plans – all countries must prepare budgets and plans for the next financial year in a predefined format. Regional management reviews the budgets and plans with the countries
- Acquisitions – all acquisition proposals must be presented in a predefined acquisition report and valuation model for approval. Board approval is required for large or strategic acquisitions
- Reporting of cash flow forecasts – countries must report the daily cash flow forecast for the coming month on the third working day of each month. Subsequently, actual figures are continuously monitored by ISS's Group Treasury department for deviations from the forecasted figures
- Reporting of financial results – all countries must report a full income statement, balance sheet, portfolio analysis etc. on a monthly basis. Any significant variance from budgets must be explained
- Full year forecasts – all countries must update and report their year-end estimates twice per year.

Auditors

The Board nominates the external auditors for election pursuant to the shareholder's agreement. The nomination is made after an assessment of the competencies, objectivity and independence of the external auditors and the effectiveness of the audit process.

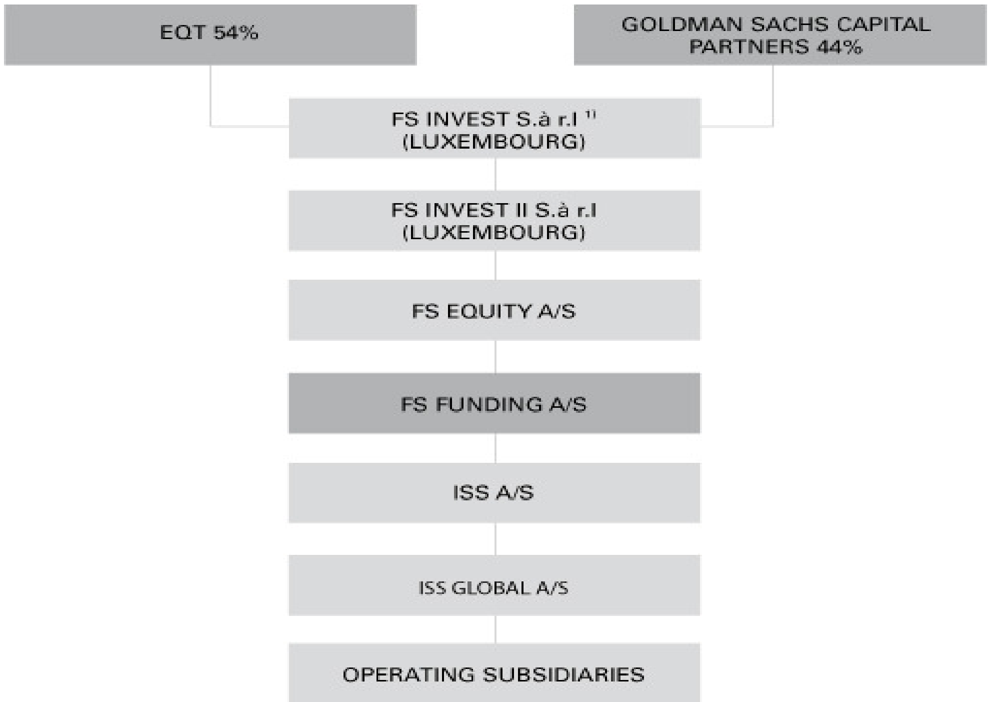
An independent business relationship with the ISS Group's external auditors is essential for the control environment. As part of the safeguards related to independence, the external auditors may not be used for certain non-audit services for ISS including, but not limited to, preparation of accounting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

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

All Board members receive the external auditors' long-form audit reports in connection with the audit of the annual financial statements and any other long-form report.

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

Group Structure



[1] As described in note 32 to the consolidated financial statements, certain members of the Board of Directors, the Executive Group Management and a number of senior officers of the Group have invested, directly or indirectly, in shares in FS Invest S.à r.l. The total number of shares held by these officers is equal to approximately 2% of the total share capital.

Board of Directors of FS Funding A/S

Leif Östling (1945)
Chairman
Member of the Board
since 26 October 2005.

Sir Francis Mackay (1944)
Vice-Chairman
Member of the Board
since 1 September 2006.

Ole Andersen (1956)
Member of the Board
since 27 May 2005.

Richard Sharp (1956)
Member of the Board
since 27 May 2005.

Sanjay Patel (1961)
Member of the Board
since 27 May 2005.

Christoph Sander (1962)
Member of the Board
since 6 April 2006.

Peter Korsholm (1971)
Alternate Director [2].

Steven Sher (1970)
Alternate Director [2].

[2] Alternate Directors are entitled to attend Board meetings, but are only entitled to vote if they are standing-in for a Board member who is unable to attend the meeting.

Executive Group Management of FS Funding A/S

Jørgen Lindegaard (1948)
Group Chief Executive Officer

Jeff Olsen Gravenhorst (1962)
Group Chief Financial Officer

Flemming Schandorff (1948)
Group Chief Operating Officer

Note: The ultimate parent company for which consolidated financial statements are prepared is FS Equity A/S.

Operational Management

Board of Directors of FS Funding A/S

The membership of FS Funding's Board of Directors is identical to that of the Board of Directors of FS Equity A/S and ISS A/S (except for elected employee representatives of ISS A/S).

Management of FS Funding A/S

The management team of FS Funding A/S formally consists of the Executive Group Management. As FS Funding has no operating activities of its own it relies on the management team of ISS, which apart from the Executive Group Management consists of the Operational Board and certain senior officers responsible for the day-to-day operations of the ISS Group.

Management of FS Funding A/S

ISS MANAGEMENT TEAM

OPERATIONAL BOARD

EXECUTIVE GROUP MANAGEMENT

Jørgen Lindegaard (1948) Group Chief Executive Officer Head of Executive Group Management With ISS since 2006	**Jeff Olsen Gravenhorst (1962)** Group Chief Financial Officer With ISS since 2002	**Flemming Schandorff (1948)** Group Chief Operating Officer With ISS from 1973-1994 and since 2000		
Allan Aebischer (1954) Chief Operating Officer With ISS since 1980	**Martin Gaarn Thomsen (1970)** Chief Operating Officer With ISS since 1999	**Jacob Götzsche (1967)** Chief Operating Officer With ISS since 1999	**Stig Pastwa (1967)** Chief Operating Officer With ISS since 1998	**Jens Ebbe Olesen (1962)** Head of Group M&A With ISS since 1998
Helle Havgaard (1959) Head of Group Human Capital With ISS since 2000	**Christian K. Jakobsen (1970)** Group Treasurer With ISS since 2004	**Bjørn Raasteen (1964)** Group General Counsel With ISS since 1999	**Henrik Trepka (1963)** Head of Group IT With ISS since 2005	

Risk Factors

FS Funding has no operating activities of its own. FS Funding is as the owner of ISS subject to the same risk factors as ISS.

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

Risks related to ISS's business and industry

Demand for ISS's services is subject to changes in economic conditions in its markets, as well as outsourcing trends and other factors beyond ISS's control

ISS believes that the potential growth in demand for its services generally correlates with economic conditions, including growth in gross domestic product, in the countries in which it operates. Although the Facility Services industry is normally considered to be less sensitive to economic cycles than a number of other industries, macroeconomic cyclicality – both weak and strong economic activity – presents a challenge for ISS. Periods of recession or deflation may have an adverse impact on prices and on the demand for services, particularly if customers downsize their businesses or reduce their demand for services. If ISS is not able to reduce its costs in line with price declines, then its margins will be reduced.

In addition, in periods of rapid economic growth, ISS may encounter problems in recruiting qualified employees or generally experience increasing staff costs. Although ISS generally seeks to include inflation adjustment clauses in its contracts in order to pass on wage increases to its customers, it may not be able to effectively pass on these increases or manage its costs, in which case its margins would be reduced. As a result of these factors, fluctuations in economic conditions may have a material adverse effect on ISS's business, results of opera-tions and financial condition.

In addition, growth in demand for Facility Services is also influenced by general outsourcing trends. The development of outsourced Facility Services is expected to be more volatile than the Facility Services market as a whole as outsourced Facility Services may be affected by political decisions, public opinion, positive and negative experiences with outsourcing, demand by public institutions and individual users, as well as media coverage of isolated events. These factors may dampen growth in outsourcing, cause contracts to be discontinued or reduce ISS's ability to achieve satisfactory growth rates in the future.

ISS's business is subject to governmental regulation, which may constrain its operations, and its compliance costs may increase in the future

ISS's operations are subject to a variety of laws and regulations. In particular, because of ISS's large work force, laws and regulations relating to labour, employment and immigration affect ISS's operations. ISS's failure to comply with applicable regulations could result in substantial fines, claims relating to violations of social and working environment legislation or revocation of licenses. In addition, changes in such laws and regulations may constrain ISS's ability to provide services to customers or increase the costs of providing such services. For instance, under certain circumstances current EU law allows ISS, in the event that it loses a customer contract, to transfer employees working under the contract to the new provider of the services, and any restriction on ISS's ability to transfer employees under such circumstances could substantially increase ISS's employment costs and restrict its operational flexibility. Changes which result in Facility Services companies employing a greater proportion of workers from traditionally lower wage countries could reduce prices for Facility Services and negatively affect ISS's results. In addition, changes in tax legislation may cause ISS to incur higher costs or reduce ISS's competitiveness relative to in-house service providers. For example, tax regulations in certain countries may discourage the outsourcing of Facility Services. In some countries, tax laws are structured such that if entities in certain sectors out-source their Facility Services, they cannot deduct value added tax, or VAT.

In first quarter 2007, the Danish Minister for Taxation has published a draft bill for public hearing. The proposed amendments in the draft bill are significant and include reduction of the statutory corporate tax rate, restrictions on the deduction of interest expenses and amendments to controlled foreign company (CFC) taxation. The impact on ISS depends on the final conditions of the bill. Primarily as a result of the substantial indebtedness of ISS the bill is expected to have an adverse effect on the tax position in the Danish part of ISS.

ISS seeks to improve working conditions, including through the use of detergents, materials and equipment that ISS considers to be environmentally friendly, as well as through health and safety training programmes and monitoring. The imple-mentation of new work processes, new technology, services, detergents, tools and machinery may, however, have unforeseen effects on the working conditions of ISS's employees. Thus, there can be no assurance that ISS will not be subject to claims relating to employee working conditions, and any such claims, or increased costs necessitated by such claims or regulatory changes, could have a material adverse effect on ISS's business, results of operations and financial condition.

ISS faces strong competition

The Facility Services market is fragmented and has relatively low barriers to entry, particularly with respect to general cleaning services. In addition, in certain markets competitors may resort to illegal or questionable labour practices in order to reduce their wage costs, including the violation of minimum wage laws or the employment of workers imported from less developed countries under conditions that ISS would deem unethical or exploitative. These practices may lead to increased price competition, which could have a material adverse impact on ISS. In addition to competition from other providers of outsourced Facility Services, ISS also faces competition from in-house providers.

Although ISS seeks to differentiate its services from its competitors by focusing on Integrated Facility Services solutions tailored to individual customers in selected market segments, it may not be successful in reducing the effects of competition. Competition may intensify if single service providers begin to offer Integrated Facility Services. In addition, new competitors and changes in the competitive environment may increase competitive pressures or reduce market prices for Facility Services, which could decrease ISS's revenue or margins. A significant loss of customers or sustained reduction in revenue or margins could have a material adverse effect on ISS's business, results of operations and financial condition.

ISS could be harmed if a significant number of customers terminate their service contracts prior to the end of the stipulated contractual term or select another provider following expiration of their contracts

ISS performs the majority of its work for customers under contracts with a stated term and, in some cases, with termination clauses permitting the customer to cancel the contract, at the customer's discretion, following the expiration of an agreed notice period. There can be no assurance that ISS's customers will not exercise their rights to terminate their contracts prior to expiration or that ISS will be successful in negotiating new contracts with customers as such contracts expire. In addition, contract cancellations or dissatisfaction with ISS's services may damage ISS's reputation and make it more difficult for ISS to obtain similar contracts with other customers.

ISS's public sector contracts may be affected by political and administrative decisions

In many countries, the public sector is an important customer segment for ISS. ISS's public sector business may be affected by political and administrative decisions concerning levels of public spending. Moreover, decisions to decrease public spending may result in the termination or downscaling of public sector contracts, which could have a material adverse effect on ISS's business, results of operations and financial condition.

ISS is subject to a number of risks associated with its Facility Services contracts

ISS is subject to a number of risks associated with its Facility Services contracts, in particular its larger and longer-term contracts. The profitability of these contracts will generally depend upon ISS's ability to successfully calculate prices, control costs and manage day-to-day operations under those con-tracts. Higher than anticipated costs associated with these contracts or the failure to adequately manage these contracts may result in the loss of customers or reduced margins or even losses under the contracts. In addition, ISS is normally required to provide indemnities, which does not in all cases exclude consequential losses.

In addition, ISS may enter into agreements with subcontractors for the provision of services under its customer contracts. Reliance on subcontractors reduces ISS's ability to directly control both its workforce and the quality of services provided. Accordingly, ISS is exposed to risks relating to managing subcontractors and the risk that these subcontractors may fail to meet agreed quality benchmarks under the contract or to generally comply with applicable legislative or regulatory requirements. Furthermore, subcontractors may have inadequate insurance coverage or inadequate financial resources to honour claims resulting from damages or losses inflicted on the customer by such subcontractors. Any failure of subcontractors to meet their contractual obligations could harm ISS's reputation, as well as result in customer losses and financial liabilities, any of which could have a material adverse effect on ISS's business, results of operations and financial condition.

ISS faces additional risks with respect to its performance under Integrated Facility Services contracts. Generally, these contracts place greater demands on ISS due to their scope and complexity as compared with single service contracts, and these demands may increase to the extent that the contract involves newly introduced Facility Services. Although ISS seeks to minimise the difficulties associated with its Integrated Facility Services contracts by obtaining a clear understanding of the customer's expectations, including defined success criteria, it may not be able to eliminate these difficulties altogether. ISS's inability to successfully manage its Integrated Facility Services contracts could limit its ability to provide Integrated Facility Services and may have a material adverse effect on ISS's business, results of operations and financial condition.

Adverse changes in ISS's financial position, operating results or cash flows could impact its credit ratings, loan covenants and ability to finance its business

Credit rating agencies and debt investors traditionally use a range of key financial figures, such as operating margin, cash flow from operating activities, cash conversion ratio, results of operations, asset valuations (including any goodwill impairment), interest coverage and debt ratios, to evaluate ISS's financial position and performance. Macroeconomic trends, as well as changes in legislation, impairment of assets, outsourcing and leasing decisions, staffing shortages and other operational issues could cause ISS's key financial figures to fluctuate substantially. An adverse change in these figures, and any resulting change in its credit ratings, may affect ISS's ability to finance its operations, development and growth. ISS evaluates its capital structure regularly with the aim to manage the development in its key financial figures to comply with the covenants specified in its loan agreements. For this purpose, ISS continuously analyses its future capital expenditure requirements. However, if ISS is unsuccessful in maintaining its key financial figures at a satisfactory level, any resulting adverse change in its credit ratings or failure to comply with loan covenants could have a material adverse effect on ISS's business, liquidity, results of operations or financial condition. ISS may also be precluded from borrowing under ISS's lines of credit in those circumstances.

Fluctuations in foreign currency exchange rates and interest rates may affect ISS's results of operations

Although ISS has operations in 49 countries, currency rate fluctuations generally do not have an immediate impact on its business because the revenue and costs of ISS's subsidiaries are usually denominated in the same currency. However, fluctuations in exchange rates may affect ISS to the extent that its interest payments with respect to borrowings are not denominated in the same currencies as ISS's revenue. In addition, currency movements may materially affect the economic environment in which ISS's subsidiaries operate, which could have a material adverse effect on ISS's business, results of operations and financial condition. Further, currency fluctuations may have a significant affect on royalties, dividends and service fees which are paid to ISS in local currency by ISS's subsidiaries. Currency fluctuations may also have a significant impact on the year-on-year growth of revenue, earnings and cash flow when measured in ISS's reporting currency, Danish kroner. Currency fluctuations may cause actual growth rates to fall short of management's forecasts and expectations.

ISS may also be affected by changes in interest rates. Increases in interest rates increase ISS's interest expenses relating to variable rate indebtedness and increase the costs of refinancing existing indebtedness and of issuing new debt. In addition, increases in interest rates increase the funding cost of acquisitions, thereby limiting ISS's ability to grow through acquisitions on a cost effective basis, as well as limiting ISS's ability to implement its growth strategy. Accordingly, higher interest rates could adversely affect cash flow and ISS's ability to service its debt. Although ISS monitors and assesses trends in interest rates on an ongoing basis, there can be no assurance that ISS will be successful in responding to interest rate variations.

ISS's international operations and decentralised organisational structure may subject ISS to additional risks

ISS currently operates in 49 countries, and more than 93% of its total revenue is generated outside Denmark. Because of the international scope of its activities, ISS is subject to a number of risks and challenges, many of which are beyond its control. These include the management of a decentralised international business and the complexities of complying with the legislative and regulatory requirements, including tax rules and social security legislation, of many different jurisdictions. For example, where local tax rules are complex or their applicability is uncertain, compliance with such rules may lead to unforeseen tax consequences. In addition, structuring decisions and local legal compliance may be more difficult due to conflicting laws and regulations, including those relating to, among other things:

- employment, social security and collective bargaining;
- immigration;
- health and safety;
- competition; and

- environmental protection.

ISS is subject to economic risks and uncertainties in the countries in which it operates. Over the past few years, certain of the countries in which ISS operates have experienced economic growth and improved economic stability in certain sectors. However, there can be no assurance that economic growth will continue in the future. Any slowdown in the development of these economies, any deterioration or disruption of the economic environment in the countries in which ISS operates or any reduction in government or private sector spending may have a material adverse effect on ISS's business, financial condition, and results of operations. Furthermore, certain incidents could lead to international tension causing boycotts or otherwise restrict ISS's ability to perform its services. This may have a material adverse effect on ISS's financial condition and results of operations.

ISS is also subject to political and social uncertainties, particularly in some of the developing countries in which it operates, which have been undergoing substantial political transformations. There can be no assurance that the political reforms necessary to complete such transformations will continue. The political systems in these countries may be vulnerable to the populations' dissatisfaction with reforms, social and ethnic unrest and changes in government policies. Any disruption or volatility in the political or social environment in these countries may have a material adverse effect on ISS's business, financial condition, and results of operations.

ISS delegates considerable operational responsibility to its subsidiaries. Although ISS has adopted Group-wide control procedures and reporting and codes of conduct policies and makes regular visits to its individual country operations, there can be no assurance that ISS will not experience incidents of accounting irregularities, unintended accounting misstatements or breaches of local legislation, any of which could, individually or collectively, have a material adverse effect on ISS's business, results of operations and financial condition.

ISS depends on its local management teams and employees, and ISS's inability to attract and retain qualified local managers or a sufficient number of qualified employees could harm its business and prevent ISS from implementing its strategy

ISS has a decentralised organisational structure in which local managers retain substantial autonomy regarding the management of ISS's operations in their markets. As a result, ISS depends to a large extent upon these local managers, and its inability to attract and retain an adequate number of qualified local managers could have a material adverse effect on ISS's business and its ability to meet its objectives. The ability to retain key management personnel in acquired businesses is also important in order to ensure their effective integration into ISS and thus minimise the costs of integration. The resignation of key local managers may have a material adverse effect on ISS's business, results of operations and financial condition.

Employee costs make up ISS's largest single expense, representing approximately 65% of ISS's 2006 revenue, and its competitive strength partly depends upon its ability to attract, train and retain employees. The Facility Services and related industries are, in general, characterised by a relatively high staff turnover. To the extent that ISS is unable to offer satisfactory pay and working conditions, ISS could experience a labour shortage. A labour shortage may also arise due to low unemployment and increased competition for workers, requiring the use of temporary staff, which would likely increase ISS's staff costs. ISS's inability to attract and retain the required number of qualified employees could have a material adverse effect on its business, results of operations and financial condition.

In addition, many sectors of the Facility Services industry involve unionised employees. As these union contracts expire, ISS may be required to renegotiate them in an environment of increasing wage rates. There can be no assurance that ISS will be able to renegotiate union contracts on terms favourable to it or without experiencing a work stoppage.

Consolidation in the Facility Services industry may adversely affect ISS's business

ISS believes that the Facility Services industry will undergo consolidation during the next several years. ISS expects that, in response to such consolidation, it will consider from time to time additional strategies to enhance its business. These may include pursuing strategic alliances or joint ventures or purchase, sale or merger transactions with other companies. In considering any of these strategies, ISS will evaluate, among other things, the potential to leverage existing operations and assets, to the extent permitted under its financial instruments and credit agreements, as well as tax and accounting effects of the proposed transactions. In addition, such strategies could have various other significant consequences, including changes in ISS's management, control or operational or acquisition strategies. There can be no assurance that any one of these strategies will be undertaken or that, if undertaken, any such strategy will be implemented successfully.

ISS also expects to face significant competition in the acquisition of Facility Services businesses from companies that currently pursue, or in the future would pursue, acquisitions as part of their strategies, and competition for acquisitions may increase as the Facility Services industry undergoes continuing consolidation. Such competition could lead to higher prices for target companies limiting ISS's ability to grow through acquisitions on a cost effective basis and limit ISS's ability to implement its growth strategy.

If ISS fails to manage growth and integrate acquired businesses successfully, its business will be adversely affected
ISS's business has grown significantly in recent years, primarily through more than 500 acquisitions since the beginning of 2000. ISS intends to continue to develop and expand its business, including through additional acquisitions. These acquisitions, in addition to ISS's organic growth, may strain ISS's management and financial resources. Among the risks associated with ISS's acquisition strategy, which could materially adversely affect ISS's business, results of operations and financial condition, are the following:

- ISS may incur substantial costs, delays or other operational or financial problems in integrating acquired businesses;
- acquisitions may divert management's attention from the operation of existing businesses;
- ISS may not be able to retain key personnel or customer contracts of acquired businesses; and
- ISS may encounter unanticipated events, circum-stances or legal liabilities related to the acquired businesses.

In addition, there can be no assurance that, following integration into ISS, an acquired operation will be able to maintain its customer base in line with expectations or generate expected margins or cash flows. Although ISS analyses each target, these assessments are subject to a number of assumptions concerning profitability, growth, interest rates and company valuations. There can be no assurance that ISS's assessment of acquisition candidates will prove to be correct as other factors, not accounted for in the analyses, may cause actual developments to differ significantly from ISS's expectations. Furthermore, acquisitions of companies expose ISS to the risk of unforeseen obligations with respect to employees, customers, suppliers and subcontractors of acquired businesses, to public authorities or to other parties. Such obligations may have a material adverse effect on ISS's business, results of operations or financial condition.

ISS's operations and future growth may be affected by competition regulations
ISS is subject to competition laws and regulations at the national and supranational level. Where ISS has a leading market position, these laws and regulations may reduce its operational flexibility and limit ISS's ability to make additional acquisitions and implement its strategy.

Although ISS has issued internal guidelines concerning compliance with competition laws and regulations, individual local managers may act against ISS's instructions and either inadvertently or deliberately violate applicable competition laws and regulations by engaging in prohibited activities such as price fixing or the allocation of markets or customers with competitors. Such actions may harm ISS's reputation and, if ISS is held responsible, the resulting fines and other sanctions could be substantial. Therefore, the occurrence of any such incidents may have a material adverse effect on ISS's business, results of operations and financial condition.

ISS may incur liabilities for the actions of its employees
As with other Facility Services providers, ISS's employees deliver services within buildings and at locations owned or operated by its customers. As a result, ISS may be subject to claims in connection with damage to property, business interruptions, unauthorised use of the customer's property or wilful misconduct or other tortious acts by ISS employees or people who have gained unauthorised access to premises through ISS. Such claims may be substantial and may result in adverse publicity for ISS. Accordingly, these claims could have a material adverse effect on ISS's business, results of operations and financial condition.

ISS may incur liabilities in connection with its pension plans
In certain countries, ISS has pension plans under which ISS has an obligation to provide agreed benefits to current and former employees. ISS's liabilities under defined benefit plans may be significantly affected by changes in the discount rate, the expected return on plan assets, the social security rate, the rate of increase in salaries and pension contributions, changes in demographic variables or other events and circumstances.

There can be no assurance that ISS will not incur additional liabilities relating to its pension plans, and these additional liabilities could have a material adverse effect on ISS's business, results of operations and financial condition. Changes to local legislation and regulation relating to defined benefit plan funding requirements may result in significant deviations in the timing and size of the expected cash contributions under such plans.

In certain countries ISS participates in multiemployer schemes. As the funds are not able to provide the necessary information in order for ISS to account for the schemes as defined benefit plans, there is a risk that the plans are not sufficiently funded, requiring ISS to recognise a provision.

Furthermore, there is a risk that changes to local legi-slation entails that pension plans are reclassified from defined contribution plans to defined benefit plans, requiring ISS to recognise a provision.

ISS may incur liabilities that are not covered by insurance

ISS carries insurance of various types, including workers' compensation, employment practices, pension related and general liability coverage. While ISS seeks to maintain appropriate levels of insurance, not all claims are insurable and there can be no assurance that ISS will not experience major incidents of a nature that are not covered by insurance. Furthermore, the occurrence of several events resulting in substantial claims for damages within a calendar year may have a material adverse effect on ISS. In addition, ISS's insurance costs may increase over time in response to any negative development in ISS's claims history or due to material price increases in the insurance market in general. There can be no assurance that ISS will be able to maintain its current insurance coverage.

ISS could be subject to potential environmental liabilities. The environmental requirements applicable to industrial facilities, including landfill and waste management sites, and to the Facility Services industry, including those mandated by law, by customers and by unions, are becoming increasingly stringent. ISS anticipates that an increasing number of countries will introduce environmental taxes on the use of chemicals, including the cleaning materials that ISS uses. To the extent that ISS is unable to pass the costs of compliance with stricter environmental requirements and taxes on to its customers, its margins may decline, which could have a material adverse effect on ISS's business, results of operations and financial condition. In addition, ISS may be subject to claims resulting from ISS's handling and transportation of hazardous substances at its customers' properties.

ISS presently owns or operates a number of properties at which industrial activities or activities involving the daily handling of hazardous materials take place, including laundry facilities in Denmark and Norway and the waste management facilities in France described below. In the past, ISS owned or operated additional laundry facilities and facilities at which cleaning equipment and materials and security equipment were produced, each of which involved the daily use and handling of hazardous materials. The possible presence of pollution on properties currently or formerly owned, rented or operated by ISS may also result in claims for remediation of or other claims related to such pollution, including claims of property damage or personal injury, which could have a material adverse impact on ISS. Similarly, the value of properties owned by ISS may decrease significantly due to the existence of pollution, resulting in financial losses.

In France, ISS currently operates several waste management facilities and landfills. These sites are used for the collection, pre-treatment, separation, recycling and disposal of nonhazardous waste, although at one of the sites there is temporary storage of liquid hazardous waste. ISS is required to apply for and maintain licenses issued by regulatory authorities in connection with the operation of these waste management and landfill sites. These licenses impose numerous obligations and prohibitions on ISS's operations, including on the types of waste that can be accepted, the stability of deposits, water ingress, leachate management, the use of liners and the investigation and clean-up of environmental impacts to soil and groundwater.

An independent environmental assessment carried out in August 2005 concluded that the waste management and landfill operations of ISS reviewed were in all material respects in compliance with applicable environmental regulations. Regulatory authorities can impose fines or penalties and remediation works in response to any such non-compliance. In addition, under certain circumstances they can modify or revoke ISS's operating licenses, which could force ISS to undertake a managed and controlled closure of these sites and to pay the resulting closure, aftercare and restoration costs. In the past ISS's facilities have not been in full compliance with all such regulations, although ISS has not been subject to material environmental sanctions.

Pursuant to applicable regulations, ISS is required to pay closure, aftercare and restoration costs in connection with its landfill and other waste management facilities in France and to accrue these costs over the operating life of the facilities. In addition, ISS may be held liable for any impact arising from the existence of a landfill for several years after the site has been closed. ISS's site in Diemoz, France is slowly being phased out and is slated for closure in 2007, although ISS is currently seeking an extension of the operating permit to allow this site to operate until 2009. ISS contemplates the closure of another site in 2012 (Mont Mirail). In addition, ISS is planning to phase out its activities at its current site at Bourges, France and move its activities to a new site in June 2007 when construction of the new site is completed. The Bourges site has undergone restoration and ISS is monitoring portions of the site which were polluted.

ISS has established provisions in the amount of approximately DKK 40 million as of 31 December 2006, relating to its anticipated environmental liabilities and waste management contract obligations. In addition, ISS currently maintains performance bonds in the aggregate amount of approximately DKK 27 million as of 31 December 2006, to secure its obligations under local environmental regulations with respect to such facilities. However, ISS's closure, aftercare and restoration costs, unanticipated costs associated with waste management contracts or costs associated with unforeseen environmental problems of a site after its operating life, may exceed ISS's provisions or the amounts available from performance bonds ISS has established to pay for such costs.

ISS may incur substantial liabilities for any failure to meet applicable cleanliness or safety standards, and adverse publicity relating to any actual or alleged failure to meet such standards could damage ISS's reputation

ISS's business is associated with public health and safety, particularly its cleaning of food preparation facilities, hospitals and abattoirs, as well as its cleaning of aircrafts. As a result, ISS may be subject to substantial liabilities if its failure to meet applicable cleanliness or safety standards results in harm to individuals or entities, including, for example, through contamination of food products produced at the facilities that ISS cleans or the outbreak of illness within the hospitals that it services. In addition, ISS could be held responsible for any breaches of airport security by its employees. Although ISS maintains insurance against product and service liability, there can be no assurance that ISS will not incur losses beyond the limits of, or outside the coverage of, ISS's insurance policies. In addition, ISS's reputation could be harmed by any actual or alleged failure to meet appropriate cleanliness or safety standards. Any publicity relating to incidents of this kind could have a material adverse effect on ISS's reputation and, therefore, its business, results of operations and financial condition.

ISS's computer systems may fail or be interrupted, which could potentially harm its business

ISS relies on numerous computer systems that allow it to track and bill its services, communicate with customers, manage its employees and gather information upon which management makes decisions regarding its business. The administration of ISS's business is increasingly dependent on the use of these systems. As a result, system failures or disruptions resulting from computer viruses, hackers or other causes could have a material adverse effect on ISS. In addition, pursuant to contracts with Computer Sciences Corporation and other vendors, ISS outsources the operation and maintenance of certain of its information technology systems to seek to ensure effective management of its information technology resources, as well as to improve the cost efficiency of ISS's information technology infrastructure, systems and applications. ISS relies on the ability of its outsourcing partners to deliver agreed services. Their failure to perform satisfactorily could have an adverse impact on ISS's business, results of operations and financial condition.

ISS's plans include increased development and use of computer systems in countries in which it operates. These plans may be affected by incompatibility of ISS's computer systems and software applications and the reliability of such systems and applications. Currently, ISS does not integrate the computer systems of all acquired businesses with its own computer systems. Non-compatibility between ISS's computer systems and software applications may require additional investment, and additional investment may also be required if system reliability is unsatisfactory. The levels of required investment in and the expenses related to information technology will also depend upon technological advancements and opportunities, market demands, competitive actions and other factors. To protect its competitiveness, ISS may have to allocate further resources to the development of information technology infrastructure and related business processes, which could have a material adverse effect on its business, results of operations and financial condition.

ISS may incur liabilities in connection with past divestments in excess of provisions made

ISS has made provisions in its accounts for claims from purchasers or other parties in connection with divestments. However, there can be no assurance that ISS will not incur liabilities in excess of these provisions, and these excess liabilities, if significant, could have a material adverse effect on ISS's business, results of operations and financial condition.

ISS is subject to external events which are beyond its control

The impact of natural disasters, fires, diseases, epidemics, outbreaks of hostilities or war, acts of terror or other external events is difficult to quantify. Thus, there can be no assurance that such factors will not have a material adverse effect on ISS's business, results of operations or financial condition.

ISS's business may be adversely affected as a result of its substantial indebtedness

ISS and its subsidiaries have and will continue to have a substantial amount of outstanding indebtedness and obligations with respect to the servicing of such indebtedness. The substantial indebtedness could have important consequences, including:

- requring ISS to dedicate a substantial portion of cash flow to make payments on indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures, new acquisitions and other general corporate purposes;
- increasing the vulnerability of ISS to general adverse economic and industry conditions;
- limiting the flexibility of ISS in planning for, or reacting to, changes in its business and in the Facility Services industry;
- limiting the ability of ISS to make acquisitions or take other corporate actions;
- placing ISS at a competitive disadvantage compared with competitors who have less indebtedness in relation to cash flow; and
- limiting the ability of ISS and the ability of ISS's subsidiaries to borrow additional funds and

increasing the cost of any such borrowings, particularly because of the financial and other restrictive covenants contained in the Senior Facilities, the Medium Term Notes, the High Yield Notes and the indentures governing the notes, as well as the security required to be granted in support of the Senior Facilities. References to senior facilities ("Senior Facilities") of FS Funding refer to FS Funding's senior credit facilities and reference to High Yield Notes ("High Yield Notes") refer to High Yield Notes issued by FS Funding A/S.

In addition, to the extent that ISS's debt obligations are based on fixed interest rates, its ability to service these debt obligations could be adversely affected by deflationary periods in which prices for its services may decline, resulting in reduced cash inflows.

Risks related to FS Funding's ownership of ISS and the financing thereof

Changes to the consolidated financial statements of FS Funding and ISS resulting from the acquisition of ISS (the "Acquisition") by FS Funding may negatively affect public perception of the Group's financial condition

The consolidated financial statements of ISS and FS Funding are generally available to the public. Existing and potential creditors, customers, suppliers and others may review these financial statements in order to assess the Group's financial condition. The Acquisition has resulted in significant changes to the consolidated financial statements of ISS which have caused these statements to deviate substantially from its historical consolidated financial statements. For instance ISS has significantly increased its indebtedness and the Acquisition has also resulted in a number of accounting adjustments to FS Funding's financial statements, including purchase price accounting adjustments. These adjustments significantly increased consolidated non-cash expenses, resulting in FS Funding incurring consolidated net losses in 2005 and 2006 and FS Funding expects to continue to generate net accounting losses in the foreseeable future due to these non-cash expenses. Because of such accounting losses and the risk of goodwill impairment and other non-cash charges as well as charges recognised directly in equity, such as actuarial losses, foreign exchange rate adjustments and losses on hedges, there is a risk that FS Funding's equity will become negative. There can be no assurance that the changes to these financial statements will not adversely affect the perception of ISS among third parties, including existing and potential creditors, customers and suppliers, or that the effect of the changes will not adversely affect the willingness of such persons to enter into new contracts with, or to continue to transact business with ISS. Any such damage to ISS's reputation could have a material adverse effect on its business, results of operations and financial condition. In addition, the changes to the financial statements may make it more difficult for FS Funding and ISS to obtain financing on attractive terms and creditors may be more likely to require guarantees or security in connection with the extension of credit.

FS Funding is a holding company and is completely dependent on the cash flow from its operating subsidiaries to service its indebtedness

FS Funding is a holding company, and its primary assets consist of shares in ISS and cash in its bank accounts. FS Funding has no revenue-generating operations of its own, and therefore FS Funding's cash flow and ability to service its indebtedness, will depend primarily on the operating performance and financial condition of ISS and its operating subsidiaries, and the receipt by FS Funding of funds from ISS and its subsidiaries in the form of dividends or otherwise. The operating performance and financial condition of ISS and its operating subsidiaries and the ability of ISS and its subsidiaries to provide funds to FS Funding by way of dividends or otherwise will in turn depend, to some extent, on general economic, financial, competitive, market and other factors, many of which are beyond FS Funding's control.

The Senior Facilities and the High Yield Notes contain covenants that restrict FS Funding and its subsidiaries from making distributions or other payments to creditors unless certain financial tests and other criteria are satisfied. The terms of other agreements to which FS Funding and its subsidiaries may be or become subject may also restrict the ability of its subsidiaries to provide funds to FS Funding. In addition, FS Funding and its subsidiaries may incur other debt in the future that may contain financial or other covenants more restrictive than those contained in the Senior Facilities, the Medium Term Notes or the High Yield Notes. In particular, certain of ISS's subsidiaries may establish working capital or similar debt facilities permitted under the terms of the Senior Facilities and the High Yield Notes that contain such restrictions.

Applicable laws and regulations including local accounting regulations may also limit the amounts that FS Funding's subsidiaries are permitted to pay as dividends or distributions. These restrictions include, among others, prohibitions under Danish and other local laws against the payment of dividends unless such payments are made out of reserves available for distribution.

Goodwill impairment and other non-cash charges in ISS's consolidated income statement, as well as charges recognised directly in equity, such as actuarial losses, foreign exchange rate adjustments and losses on hedges, if incurred, could potentially reduce ISS's reserves available for distribution and thus reduce or prevent dividend payments to FS Funding.

FS Funding believes that ISS's expected cash flows, together with available borrowings, will be sufficient to provide FS Funding with the ability to service its indebtedness. There can be no assurance that future borrowings will be available to FS Funding or ISS in an amount sufficient to enable FS Funding to pay its debt when due or to fund other liquidity needs. If ISS's future cash flows from operations and other capital resources are insufficient for FS Funding to pay its obligations as they mature or to fund liquidity needs of FS Funding and its subsidiaries, FS Funding and its subsidiaries may, among other things be forced to:

- reduce or delay business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital;
- restructure or refinance all or a portion of their debt on or before maturity; or
- forgo opportunities such as acquisitions of other businesses.

There can be no assurance that any of these alternatives can be accomplished on a timely basis or on satisfactory terms, if at all. In addition, the terms of FS Funding's and its subsidiaries' existing and future debt, including the Medium Term Notes, the High Yield Notes and the Senior Facilities, may limit their ability to pursue any of these alternatives.

Restrictions in debt instruments may limit the Group's ability to operate its business

The Senior Facilities, the Medium Term Notes and the High Yield Notes each contain covenants that limit the discretion of management with respect to certain business matters. For example, these covenants will significantly restrict the ability of FS Funding and certain of its subsidiaries to, among other things:

- incur additional debt;
- pay dividends or distributions on, redeem or repurchase the company's shares;
- make certain payments and investments;
- create certain liens;
- transfer or sell assets;
- engage in sale and leaseback transactions;
- merge or consolidate with other entities;
- enter into transactions with affiliates; and
- provide security over assets.

These covenants could materially and adversely affect FS Funding's ability to finance the future operations or capital needs of FS Funding or its subsidiaries or to engage in other business activities that may be in the best interests of FS Funding or its subsidiaries.

The failure by FS Funding or any of its subsidiaries to comply with the terms of their respective debt instruments may result in acceleration of such indebtedness as well as cross defaults under other indebtedness, and FS Funding or its subsidiaries may not have sufficient assets to repay the accelerated indebtedness

If FS Funding or any of its subsidiaries, as the case may be, does not comply with the covenants (including financial tests) and restrictions of the Senior Facilities, the Medium Term Notes or the High Yield Notes and any future new credit facilities, FS Funding could be in default under those agreements, and the debt incurred under those agreements, together with accrued interest, could then be declared immediately due and payable. If a default occurs under the Senior Facilities, the Medium Term Notes or the High Yield Notes, the lenders under such indebtedness could, subject to restrictions on enforcement rights, cause all the outstanding debt obligations thereunder to become due and payable, thereby requiring FS Funding or ISS Global, as the case may be, to apply cash to repay the debt thereunder and/or prevent it from making debt service payments on its other debt. In addition, any default under the Senior Facilities, the Medium Term Notes or the High Yield Notes could lead to an acceleration of debt under other debt instruments that contain cross acceleration or cross default provisions. If the debt under the Senior Facilities, the Medium Term Notes, the High Yield Notes or other debt instruments is accelerated, FS Funding or ISS Global, as the case may be, may not have sufficient assets to repay amounts due thereunder. FS Funding's ability to comply with the provisions of the Senior Facilities, the Medium Term Notes, the High Yield Notes and agreements governing its other debt may be affected by changes in economic or business conditions or other events beyond its control.

FS Funding may not be able to raise the funds necessary to refinance indebtedness at the maturity date

In 2010, EUR 850 million of the Medium Term Notes of ISS Global will mature and EUR 500 million of the Medium Term Notes of ISS Global will mature in 2014. In addition, the Senior Facilities will mature in 2012 and 2013. Furthermore, FS Funding has High Yield Notes in the amount of EUR 1,304 million that will mature in 2016. FS Funding intends to repay the principal amount of such indebtedness and the principal amount of the notes at maturity using funds obtained from other financing sources, rather than with cash from operations. Although FS Funding expects to be able to raise funds to repay such indebtedness as it matures, and to repay the principal amount of the notes at their maturity, through the use of other sources of indebtedness, it may not be able to do so on terms as favourable as its existing indebtedness, if at all. The failure to pay the principal amount of this indebtedness at maturity would constitute an event of default under such indebtedness and would result in a cross-default under the Group's other financing arrangements.

Management Statement

Copenhagen, 10 April 2007

The Board of Directors and the Executive Group Management have today discussed and approved the Annual Report 2006 of FS Funding A/S. The Annual Report 2006 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports.

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2006 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 2006.

Executive Group Management

Jørgen Lindegaard Group Chief Executive Officer	**Jeff Olsen Gravenhorst** Group Chief Financial Officer	**Flemming Schandorff** Group Chief Operating Officer

Board of Directors

Leif Östling Chairman	**Sir Francis Mackay** Vice-Chairman

Ole Andersen	**Sanjay Patel**	**Richard Sharp**	**Christoph Sander**

Independent Auditor's Report

To the shareholders of FS Funding A/S

We have audited the Annual Report of FS Funding A/S for the financial year 1 January - 31 December 2006, pages 1-120, which comprises the Company Report, Management Statement, Financial Review, Income Statement, Cash Flow Statement, Balance Sheet, Statement of Total Recognised Income and Expense and Changes in Equity, Accounting Policies and Notes to the Financial Statements. The Annual Report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements.

Management's responsibility for the Annual Report

Management is responsible for the preparation and fair presentation of the Annual Report in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with Danish and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Annual Report 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's and the Company's assets, liabilities and financial position at 31 December 2006 and of the results of the Group's and the Company's operations and cash flows for the financial year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements.

KPMG C.Jespersen
Statsautoriseret
Revisionsinteressentskab

Copenhagen, 10 April 2007

Finn L. Meyer State Authorised Public Accountant	**Jesper Ridder Olsen** State Authorised Public Accountant

Financial Review

FS Funding A/S ("FS Funding") was incorporated on 11 March 2005, for the purpose of the acquisition of ISS A/S ("ISS"). Apart from the operations of ISS, no operating activities are included in the consolidated financial statements of FS Funding. FS Funding had no operating activities prior to the acquisition of ISS on 9 May 2005, thus it is not possible to conduct a proper comparison of the financial year ended 31 December 2006 with the financial year ended 31 December 2005. Consequently, the analysis of Revenue, Net operating expenses and Operating profit before other items including comparative figures set out below is based on the operating activities of ISS, unless otherwise stated.

The consolidated financial statements of FS Funding as of and for the year ended 31 December 2006 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU being effective for accounting periods beginning on 1 January 2006, and the statutory order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act. The applied accounting policies are described in note 1 to the consolidated financial statements.

Income statement

Revenue

Revenue in FS Funding was DKK 55,772 million in 2006 compared to DKK 31,741 million in 2005.

Revenue in ISS increased by DKK 9,332 million, or 20%, from DKK 46,440 million in 2005 to DKK 55,772 million in 2006, primarily due to 17% growth from acquisitions and organic growth of 5.5%, offset by negative growth of 2% from divestments and the discontinuation of the hospital cleaning services business in Germany.

Northern Europe revenue increased by DKK 2,716 million, or 13%, from DKK 20,338 million in 2005 to DKK 23,054 million in 2006. The increase was related primarily to 7% net growth from acquisitions, of which the acquisition of Pegasus, a UK-based provider of security services acquired in January 2006, contributed the most. Organic growth increased revenue by approximately DKK 1.2 billion, or 6%, mainly due to organic growth in Norway, Sweden and the United Kingdom, partly offset by negative growth in Finland.

Continental Europe revenue increased by DKK 3,034 million, or 13%, from DKK 23,203 million in 2005 to DKK 26,237 million in 2006. The increase was due primarily to 10% growth from acquisitions, of which the acquisition of Edelweiss, a Swiss provider of facility services acquired in July 2006,, contributed the most. This was partly offset by negative growth of 1% from divestments and the discontinued hospital cleaning services business in Germany. ISS estimates that organic growth increased revenue by approximately DKK 1.0 billion, or 4%, which primarily stemmed from organic growth in France, Spain and Austria. With an organic growth rate of 30% in 2006, the organisation in Turkey, which was established in 2005, also supported organic growth in the region.

Overseas revenue increased by DKK 3,941 million, or 155%, from DKK 2,540 million in 2005 to DKK 6,481 million in 2006. The growth was driven by acquisitive growth of 138%, with the largest contribution stemming from the acquisition of the remaining 51% of the shares in Australian-based Tempo with estimated annual revenue of approximately DKK 2.9 billion, and organic growth of 15%, or approximately DKK 0.4 billion. The organic growth was fuelled by double-digit organic growth rates in the growth economies in Asia and Latin America. Currency adjustments increased revenue by approximately 2%.

Staff costs

Staff costs consist of salaries, wages, pension contributions, social security expenses and other employee-related costs, such as bonuses. Staff costs in FS Funding were DKK 36,284 million in 2006 compared to DKK 20,833 million in 2005.

Staff costs in ISS increased by DKK 5,691 million, or 19%, from DKK 30,592 million in 2005 to DKK 36,283 million in 2006. This increase was primarily due to an increase in the overall number of employees as a result of acquisitions and organic growth, partly offset by curtailment gains on defined benefit pension schemes in the Netherlands. Staff costs as a percentage of revenue decreased slightly from 65.9% in 2005 to 65.1% in 2006, primarily as a consequence of growth in geographies and services with a less labour intensive cost structure.

Cost of sales

Cost of sales consists primarily of costs of cleaning supplies, catering supplies and other materials used in ISS's operations related to the recorded revenue. Cost of sales in FS Funding were DKK 4,911 million in 2006, compared to DKK 2,556 million in 2005.

Cost of sales in ISS increased by DKK 1,158 million, or 31%, from DKK 3,753 million in 2005 to DKK 4,911 million in 2006. This increase was due primarily to acquisitions and organic growth.

Organic growth

ISS uses estimates of its organic growth in analysing its revenue, including in the analysis below. Organic growth is intended to represent the percentage change in ISS's revenue as compared to the prior period, excluding changes in revenue attributable to businesses acquired or divested and the effect of changes in foreign exchange rates. Organic growth is not a measure of financial performance under Danish GAP or IFRS and should not be considered as a substitute for operating profit, net profit, cash flow or other financial measures computed in accordance with Danish GAP or IFRS or as a measure of ISS's results of operations.

In calculating organic growth, ISS applies two different methodologies with respect to the revenue generated by acquired businesses, based upon the size of the acquisitions.

Acquisitions of businesses with reported annual revenue of less than DKK 50 million (EUR 7 million)
Acquisitions of businesses with reported annual revenue of less than DKK 50 million (EUR 7 million) and which do not establish an ISS presence in a new jurisdiction are treated as having been integrated into ISS upon acquisition and ISS's calculation of organic growth includes changes in revenue of these acquired businesses from the date of acquisition. Accordingly, for such acquisitions, ISS calculates organic growth by including revenue generated by these acquired businesses in the current period, beginning with the date of acquisition. To establish a comparable base, revenue of the acquired businesses for the comparable prior period is added to ISS's actual prior period consolidated revenue. The prior period revenue is generally based on internal management accounts of the acquired businesses and is subject to adjustments, on a case by case basis, to take into account additional information, available at the time of acquisition, regarding known material positive or negative changes in the acquired businesses, such as contract gains and losses. Such information may come from interim reports, management accounts of the acquired businesses or other sources. The difference between ISS's actual current period consolidated revenue and its adjusted prior period consolidated revenue is deemed by ISS to be its organic growth, which is expressed as a percentage calculated by dividing organic growth calculated in this manner by ISS's actual prior period consolidated revenue. The calculations of organic growth are based on the unaudited internal management accounts of the acquired businesses and related estimates. These organic growth numbers have not been, and cannot be, audited.

Acquisitions of businesses with reported annual revenue of DKK 50 million (EUR 7 million) or more
Prior to 1 January 2005, ISS used the methodology it applies to acquisitions of businesses with reported annual revenue of less than DKK 50 million (EUR 7 million) to acquisitions of businesses with reported annual revenue of DKK 50 million (EUR 7 million) or more, as well as to acquisitions that establish an ISS presence in a new jurisdiction. Since that date, ISS has treated these acquisitions differently. Under the new approach, ISS excludes from its calculation of organic growth any growth generated by such larger acquisitions during the first 12 months of ISS ownership. The determination of current period revenue is straightforward for acquisitions that have not been integrated into ISS's operations, and the revenue from these separate entities is disregarded in calculating organic growth. The determination of current period revenue is more complex for acquired businesses that have been integrated into ISS. In relation to integrated businesses ISS estimates current period revenue based on internal management reports, and exercises discretion in allocating revenue between the integrated and pre-existing operations, which may significantly affect the organic growth calculation. These organic growth numbers have not been, and cannot be, audited.

ISS calculates organic growth by excluding revenue generated by divested businesses from its current period revenue. Such revenue is derived from ISS's unaudited internal management accounts.

ISS revenue growth

Amounts in DKK billions	Northern Europe		Continental Europe		Overseas		Discontinued operations		Total ISS [1]	
Revenue 2005	**20.3**	**100 %**	**23.2**	**100 %**	**2.5**	**100 %**	**0.4**	**100 %**	**46.4**	**100 %**
Foreign currency adjustments	0.0	0 %	(0.0)	(0)%	0.1	2 %	-	-	0.1	0 %
Acquisitions	1.9	9 %	2.3	10 %	3.5	138 %	-	-	7.7	17 %
Divestments	(0.4)	(2)%	(0.1)	(0)%	(0.0)	(0)%	(0.4)	(100)%	(0.8)	(2)%
Phase-out of German hospital cleaning business	-	-	(0.3)	(1)%	-	-	-	-	(0.3)	(1)%
Organic growth	1.2	6 %	1.0	4 %	0.4	15 %	-	-	2.6	6 %
Revenue 2006 [1]	**23.1**	**113 %**	**26.2**	**113 %**	**6.5**	**255 %**	**-**	**-**	**55.8**	**120 %**

[1] Due to rounding, the sum of the growth components may differ from the total figure.

Cost of sales as a percentage of revenue increased from 8.1% in 2005 to 8.8% in 2006 due to increased revenue from services with higher average cost of sales, primarily within Office Support services.

Other operating expenses

Other operating expenses consists primarily of selling and distribution costs, subcontracting costs, administrative expenses, marketing and advertising expenses and vehicle lease payments. Other operating expenses also include costs incurred in respect of professional services, such as audit and legal fees, as well as losses on accounts receivable. Other operating expenses in FS Funding were DKK 10,598 million in 2006 compared to DKK 5,969 million in 2005.

Other operating expenses in ISS increased by DKK 1,803 million, or 21%, from DKK 8,786 million in 2005 to DKK 10,589 million in 2006. This increase was due primarily to acquisitions and organic growth. Other operating expenses as a percentage of revenue increased slightly from 18.9% in 2005 to 19.0% in 2006.

Depreciation and amortisation

Depreciation and amortisation consists of depreciation of property, plant and equipment and amortisation of intangible assets other than goodwill, customer contracts and brands. Depreciation and amortisation in FS Funding was DKK 745 million in 2006 compared to DKK 451 million in 2005.

Depreciation and amortisation in ISS increased by DKK 86 million, or 13%, from DKK 659 million in 2005 to DKK 745 million in 2006. Depreciation and amortisation excluding amortisation of intangibles related to acquisitions remained essentially unchanged, as a percentage of revenue, at 1.3% in 2006 compared with 1.4% in 2005.

Operating profit before other items

Operating profit before other items in FS Funding was DKK 3,234 million in 2006 compared to DKK 1,932 million in 2005.

Operating profit before other items in ISS increased by DKK 594 million, or 22%, from DKK 2,650 million in 2005 to DKK 3,244 million in 2006, due to the factors discussed above, including curtailment gains on defined benefit pension schemes in the Netherlands, which were partly offset by restructuring costs in Finland. Operating profit before other items as a percentage of revenue, i.e. the operating margin, was 5.8% in 2006 compared with 5.7% in 2005, negatively impacted as expected by margin-dilutive acquisitions in Australia and Mexico as well as by investments in organic growth.

The operating profit before other items in Northern Europe increased 12% to DKK 1.5 billion. The operating margin in 2006 was unchanged at 6.4% compared with 2005. The operating margin in ISS UK, the largest country organisation in the region in terms of volume, increased from 6.1% to 6.3%. ISS Sweden continued to increase profitability and increased the operating margin further from 4.2% in 2005 to 6.4% in 2006. The positive developments in Sweden and the United Kingdom were more than offset by negative developments in the operating margins in Finland and Denmark. Furthermore, the operating margin in 2005 was positively impacted by a non-recurring income related to the settlement of a defined benefit pension plan in Norway.

In Continental Europe, the operating profit before other items increased 17% to DKK 1.7 billion. The operating margin was 6.4% in 2006 compared with 6.2% in 2005, as operating margin increases in Switzerland and Germany were offset by decreases in France and Austria. In addition, the operating margin was favourably impacted by income related to curtailment gains on defined benefit pension schemes in the Netherlands.

In Overseas, the operating profit before other items increased 151% to DKK 0.4 billion. The operating margin declined from 6.0% in 2005 to 5.9% in 2006 in line with expectations following margin-dilutive acquisitions in Australia and Mexico. The operating margin declined in Australia as a result of the consolidation of Tempo from March 2006. This acquisition had a lower operating margin than the existing ISS business in Australia and consequently the operating margin fell as expected from 11.8% in 2005 to 6.4% in 2006. The operating margin in Asia increased approximately 0.4 percentage point to 6.8% in 2006. The increased profitability was primarily fuelled by margin improvements in Hong Kong, Indonesia, Singapore and Thailand. In line with expectations, the operating margin in Latin America declined from 5.1% in 2005 to 4.8% in 2006. This was primarily a result of the margin dilutive effect from the country establishment in Mexico in 2006.

Corporate overhead costs decreased from 0.6% of revenue in 2005 to 0.5% of revenue in 2006.

Other income and expenses, net

Other income and expenses, net in FS Funding was a net expense of DKK 109 million in 2006 compared to an expense of DKK 363 million in 2005. Other income and expenses, net included a gain of DKK 108 million on the sale of a call option relating to a property in Denmark and a gain of DKK 62 million related to the sale of a PFI stake in the United Kingdom. These gains were offset by restructuring costs of DKK 100 million related to a re-scoping of the IT outsourcing agreement with CSC from a centralised to a decentralised solution, consolidation costs of DKK 62 million as ISS UK consolidated seven properties in the south of England and outsourced certain related functions as well as severance and redundancy payments at corporate and country management level of DKK 50 million.

In the autumn of 2005, a Group Restructuring Project comprising was initiated certain organisational and structural changes in a number of countries. The project included physical relocations, termination of leaseholds, redundancy payments, and contract restructuring. In 2006, Other income and expenses, net included costs of DKK 35 million relating to the Group Restructuring Project.

Other income and expenses, net in FS Funding in 2005 included costs of DKK 67 million related to the change of ownership of ISS, and DKK 224 million related to the Group Restructuring Project. Furthermore, costs of DKK 53 million related to downscaling and divestment of damage control activities were included in other income and expenses in 2005.

Integration costs

Integration costs in FS Funding were DKK 106 million in 2006 compared to DKK 41 million in 2005 and primarily related to redundancy payments and termination of rental obligations with respect to acquired companies in Australia, France, Hong Kong, Norway and Spain.

Operating profit

Operating profit in FS Funding increased from DKK 1,528 million in 2005 to DKK 3,019 in 2006.

Share of result from associates

Share of result from associates decreased by DKK 30 million from a profit of DKK 13 million in 2005 to a loss of DKK 17 million in 2006.

The development was primarily due to the fact that profit in Tempo was only recognised in share of result from associates from 1 January to 28 February 2006 and management vesting their warrants amounting to DKK 32 million in connection with the acquisition of the outstanding 51% interest in Pacific Service Solutions Pty Ltd., the parent company of Tempo.

Net finance costs

Net finance costs in FS Funding increased from DKK 1,721 million in 2005 to DKK 2,351 million in 2006, including DKK 2,152 million of interest expenses, DKK 138 million of amortisation of financing fees and DKK 174 million of amortisation of market price adjustment and interest swap gains related to the Euro Medium Term Notes issued by ISS Global (the "EMTNs"), with expiry in 2010 and 2014, respectively[1]. In 2005, net finance costs included an expense of approximately DKK 342 million related to amortisation of financing fees.

Income taxes

Income taxes in FS Funding increased from DKK 230 to DKK 425 million in 2006. The effective tax rate was 65.4% in 2006 compared to (127.8)% in 2005, calculated as the consolidated tax provision of DKK 425 million divided by the profit before tax and impairment/amortisation of intangibles of DKK 651 million. The finance costs exceed the taxable profit in the jointly taxed Danish subsidiaries, thus creating a tax loss. This tax loss can be carried forward indefinitely, but only the amount of the tax loss that can be utilised in the foreseeable future has been capitalised as deferred tax assets.

ISS operating results

	Revenue			Operating profit before other items			Operating margin before other items	
	DKK millions			DKK millions				
	2006	2005	Change	2006	2005	Change	2006	2005
Northern Europe	23,054	20,338	13 %	1,464	1,306	12 %	6.4 %	6.4 %
Continental Europe	26,237	23,203	13 %	1,678	1,437	17 %	6.4 %	6.2 %
Overseas	6,481	2,540	155 %	382	152	151 %	5.9 %	6.0 %
Discontinued operations	-	359	(100)%	-	40	(100)%	-	11.1 %
Corporate	-	-		(280)	(285)	(1)%	(0.5)%	(0.6)%
Total ISS	**55,772**	**46,440**	**20 %**	**3,244**	**2,650**	**22 %**	**5.8 %**	**5.7 %**

1) The EMTNs were recognised at quoted market price in the opening balance sheet prepared as part of the purchase price allocation related to the acquisition of ISS (the "Opening Balance Sheet"). Net finance costs in the consolidated financial statements of FS Funding will over the remaining terms of the EMTNs be impacted by an expense equal to the difference between the quoted market price used in the Opening Balance Sheet and the nominal value of the EMTNs. An expense of DKK 198 million was recognised in 2006 and the remaining market price adjustment amounted to DKK 1,110 million as at 31 December 2006.

FS Funding recognised a positive marked-to-market value of interest rate swaps hedging the EMTNs in the Opening Balance Sheet. The interest rate swaps were partially settled in June 2005 and the remaining part was settled in June 2006 resulting in a net gain, which will be recognised in the consolidated financial statements of FS Funding over the remaining term of the EMTNs. In 2006 FS Funding recognised an income of DKK 23 million in the consolidated income statement. The remaining gain of DKK 47 million will be recognised over the remaining term of the EMTNs.

Until 2004, ISS maintained joint taxation with its wholly owned Danish subsidiaries and certain of its wholly owned foreign subsidiaries. Due to changes in applicable laws in 2005, ISS withdrew from this joint taxation arrangement with its foreign subsidiaries with effect from 1 January 2005. As a result of this withdrawal, ISS is subject to re-taxation of tax-deductible losses realised in its foreign jointly-taxed subsidiaries. However, according to the applicable transitional rules, ISS may repay this tax liability gradually over future years as these foreign subsidiaries achieve positive taxable income. Because ISS has historically recognised provisions under deferred taxes to cover the eventual re-taxation, ISS's withdrawal from joint taxation with its foreign subsidiaries is not expected to result in a higher income tax expense in the income statement.

FS Funding is jointly taxed with all Danish resident affiliates. The Danish income tax payable is allocated between the jointly taxed Danish companies on the basis of their respective shares of taxable income (full absorption including reimbursement of tax deficits).

The Danish Minister of Taxation has in first quarter 2007 published a draft bill for public hearing. The proposed amendments in the draft bill are significant and include reduction of the statutory corporate tax rate, restrictions on the deduction of interest expenses and amendments to controlled foreign company (CFC) taxation. The impact on FS Funding depends on the final conditions of the bill. Primarily as a result of the substantial indebtedness of FS Funding the bill is expected to have an adverse effect on the tax position in the Danish part of FS Funding.

Goodwill impairment and write-down

The intangibles of FS Funding almost entirely relate to the intangibles allocated in the purchase price allocation following the take-over of ISS A/S on 9 May 2005. At the date of take-over, the value in use of all individual CGUs was identical to or close to the carrying amount. Consequently a decline in value in use of an individual CGU subsequent to the purchase price allocation will trigger impairment. In 2006 goodwill impairment and write-down amounted to a loss of DKK 250 million. The loss related to FS Funding's business in Finland and was recognised following impairment tests. The impairment loss was caused by deterioration in business conditions in a declining market, and thus lower expectations for future earnings combined with an increase in the discount rate applied.

Amortisation of brands and customer contracts

Amortisation of brands and customer contracts in FS Funding amounted to DKK 1,115 million in 2006, an increase from DKK 757 million in 2005. The amortisation was primarily related to customer contract portfolios and related customer relationships, which generally are amortised over the estimated useful lives of such portfolios and relationships using the declining balance method. The value of local brands is amortised over the useful lives of such brands. The useful life of the ISS brand is deemed indefinite and consequently, FS Funding does not amortise the value of the ISS brand.

Tax effect

Tax effect of goodwill impairment and write-down and amortisation of brands and customer contract portfolios and related customer relationships in FS Funding, which is presented separately in the income statement to show the effective tax percentage before impairment/amortisation of intangibles was DKK 330 million in 2006 and DKK 222 million in 2005.

Net Loss

Net loss in FS Funding decreased from a loss of DKK 945 million in 2005 to a loss of DKK 809 million in 2006. The net loss was impacted by net finance costs as well as non-cash charges related to amortisation of brands and customer contract portfolios and related customer relationships, net of tax. In 2006, a loss of DKK 827 million was attributable to the equity holders of FS Funding, whereas a profit of DKK 18 million was attributable to minority interests.

Cash Flow Statement

Compared to prior years, the presentation of Interest paid, net in the cash flow statement has been changed to better reflect the distinction between operating and financing activities following the acquisition of ISS by FS Funding. Interest paid is now included in cash flow from financing activities instead of cash flow from operating activities. Comparative figures have been restated accordingly.

Cash flow from operating activities

Cash flow from operating activities in FS Funding was a net inflow of DKK 3,195 million in 2006. Cash inflow related to working capital was DKK 50 million, primarily stemming from an increase in trade payables of DKK 609 million. This was partly offset by an increase in trade receivables of DKK 564 million, which was driven by organic growth. In 2005, changes in working capital were a cash inflow of DKK 870 million. However, adjusting for ISS's pre-acquisition cash outflow of DKK 1,059 million in 2005 the working capital cash inflow was DKK 239 million higher than in 2005.

Cash outflow from changes in provisions decreased from DKK 206 million in 2005 to DKK 166 million in 2006. The cash outflow in 2006 was primarily payments related to pension plans in the

Netherlands and Switzerland as well as payments related to settlement of legal cases in France.

Income taxes paid, net amounted to DKK 324 million in 2006 compared to DKK 569 million in 2005. The decrease was mainly due to additional tax payments in 2005 of approximately DKK 95 million relating to the years 2001-2004, a tax payment in 2005 of DKK 160 million resulting from an advanced payment on tax on interest rate swaps.

Payments related to Other income and expenses, net amounted to DKK 239 million in 2006, a decrease of DKK 53 million compared to 2005. Payments related to the Group Restructuring Project was a cash outflow of DKK 132 million, severance and redundancy payments at corporate and country management level amounted to DKK 31 million and payments of DKK 25 million related to the discontinuation of Germany hospital cleaning services business.

Integration costs paid amounted to DKK 105 million in 2006 compared to DKK 77 million in 2005. The costs related mainly to the acquisition of Tempo and acquisitions in France, Norway, Germany, Spain and Hong Kong.

Cash flow from investing activities

Cash flow from investing in FS Funding activities in 2006 was a cash outflow of DKK 4,280 million, predominantly affected by a cash outflow of DKK 3,552 million related to acquisitions. These comprised the acquisition of Tempo as well as a number of smaller acquisitions, including broad-ranged service companies in Germany and Switzerland, a security service provider in the United Kingdom and a catering company in Israel. This outflow was offset by proceeds from divestments of DKK 68 million, most significantly the sale of industrial services activities in Sweden. Investments in intangible assets and property, plant and equipment, net, (which excludes goodwill, brands and customer contract portfolios and related customer relationships) were DKK 843 million, representing 1.5% of revenue. Investments in financial assets, net, were an inflow of DKK 47 million in 2006.

Net cash flow from investing activities represented an outflow of DKK 20,848 million in 2005, primarily related to the acquisition of ISS on 9 may 2005 as well as a number of smaller acquisitions during the period from 9 May 2005 to 31 December 2005. This was partly offset by proceeds from divestments of DKK 267 million, primarily DKK 206 million related to the sale of the Health Care operations and the joint venture stake in Japan.

Cash flow from financing activities

Cash flow from financing activities in FS Funding amounted to a cash inflow of DKK 1,512 million in 2006. This was primarily the result of increased indebtedness to fund acquisitions, net proceeds from an issue of high yield notes, and a net DKK 500 million upsizing of the senior facilities, partly offset by repayment of a subordinated bridge facility and a subordinated shareholder loan. Interest paid, net amounted to DKK 2,330 million, primarily due to the increased indebtedness to fund acquisitions. Due to the significant indebtedness of FS Funding, a significant part of cash flow will be used to pay interest going forward.

Net Cash flow from financing activities represented an inflow of DKK 20,553 million in 2005. The inflow was primarily due to an increased indebtedness related to the financing of the acquisition of ISS on 9 May 2005 of DKK 14,117 million and proceeds from a DKK 7,693 million capital increase in May 2005. Interest paid, net amounted to DKK 982 million from net financing costs of DKK 1,496 million, partly offset by a gain on settlement of interest rate swaps of DKK 514 million. Settlement of options and warrants issued by ISS resulted in a cash outflow of DKK 219 million. Dividends paid to shareholders were a cash outflow of DKK 49 million related solely to dividend withheld tax. Net payments to minority interests amounted to DKK 7 million.

Balance sheet

Total assets

Total assets amounted to DKK 52,253 million at 31 December 2006, of which DKK 39,025 million were non-current assets, primarily intangible assets, and DKK 13,228 million were current assets, primarily trade receivables of DKK 9,281 million.

Intangible assets

Intangible assets increased by DKK 3,360 million from DKK 32,672 million at 31 December 2005 to DKK 36,032 million at 31 December 2006. Intangible assets were primarily related to goodwill, customer contract portfolios and related customer relationships and brands. Intangible assets primarily relate to the acquisition of ISS on 9 May 2005, where a carrying amount of intangible assets of DKK 31,844 million, of which DKK 22,035 million related to goodwill was recognised in FS Funding's balance sheet.

The largest amount of goodwill relates to the Group's operations in France, representing approximately 20% of the total carrying amount of goodwill. At 31 December 2006, goodwill stood at DKK 26,178 million, an increase of DKK 3,183 million, or 14%, from DKK 22,995 million in 2005. Additions related to acquisitions in 2006 amounted to DKK 3,500 million while negative currency adjustments reduced goodwill by DKK 67 million. Goodwill included an impairment loss of DKK 250 million related to FS Funding's business in Finland.

Customer contract portfolios and related customer relationships increased by DKK 124 million to DKK

8,002 million at 31 December 2006, from DKK 7,878 million at 31 December 2005. Additions of DKK 1,271 million from acquisitions were partly offset by DKK 39 million of foreign exchange adjustments and amortisation of DKK 1,111 million.

Investment in associates

Investment in associates decreased from DKK 132 million at 31 December 2005, to DKK 66 million at 31 December 2006, primarily a result of the acquisition of the remaining shares in Tempo taking the stake from 49% in 2005 to 100% in 2006.

Deferred tax assets

Deferred tax assets in FS Funding decreased from DKK 599 million at 31 December 2005 to DKK 525 million at 31 December 2006. Deferred tax assets are mainly related to provisions where the tax deduction is deferred and to tax losses carried forward. The deferred tax assets regarding tax losses amounted to DKK 863 million, gross, of which DKK 201 million has been recognised representing the tax losses expected to be utilised in the foreseeable future.

Other financial assets

Other financial assets in FS Funding increased from DKK 234 million at 31 December 2005 to DKK 239 million at 31 December 2006. Other financial assets comprised mainly investments in Private Finance Initiatives (PFI) in the United Kingdom, cost related to Public Private Partnerships (PPP)/PFI contracts in the United Kingdom, and regulatory long-term loans.

Trade receivables

Trade receivables in FS Funding increased 23% from DKK 7,564 million at 31 December 2005 to DKK 9,281 million at 31 December 2006. The increase was primarily due to organic growth and acquisitions in 2006.

Other receivables

Other receivables in FS Funding increased from DKK 844 million at 31 December 2005 to DKK 924 million at 31 December 2006. Other receivables primarily comprised prepayments and the marked-to-market value of interest rate swaps.

Securities

Securities in FS Funding were unchanged at DKK 59 million at 31 December 2006 compared to 31 December 2005.

Cash and cash equivalents

Cash and cash equivalents in FS Funding increased from DKK 1,804 million at 31 December 2005 to DKK 2,216 million at 31 December 2006, of which DKK 1,330 million resided at Group level and the remainder resided at country level. The cash position was positively impacted by the working capital inflow in Q4 2006. The cash position during the month may fluctuate significantly as a result of frequency and timing of cash collection and salary payments.

Total equity

Total equity decreased in FS Funding from DKK 6,774 million at 31 December 2005 to DKK 5,980 million at 31 December 2006, of which DKK 5,917 million was equity attributable to the equity holders of FS Funding.

Net income and expenses recognised directly in equity increased equity by DKK 26 million. This included negative currency adjustments relating to investments in foreign subsidiaries of DKK 114 million and realised and unrealised net gain on hedges of DKK 132 million. Actuarial gains, net, on defined benefit pension schemes amounted to DKK 46 million. The gains were primarily related to the Group's pension schemes in the Netherlands, Norway, Sweden, Switzerland and the United Kingdom. As described in note 1 to the consolidated financial statements, such gains are taken directly to equity. Reversal of fair value adjustments related to the sale of a PFI equity stake in the United Kingdom reduced equity by DKK 18 million, and share-based payments expensed in the income statement were offset by an increase in equity of DKK 14 million. The tax effect of entries recognised directly in equity was a decrease of DKK 34 million.

The net loss for the year attributable to the equity holders of FS Funding was DKK 827 million.

The equity ratio, defined as total equity relative to total assets, decreased from 14.6% at 31 December 2005, to 11.4% at 31 December 2006.

Pensions and similar obligations

Pensions and similar obligations in FS Funding amounted to DKK 885 million at 31 December 2006, against DKK 833 million at 31 December 2005. The majority of the Group's pension plans are defined contribution plans. The Group's contributions to such plans are accrued and expensed on an ongoing basis. In certain countries, mainly in France, Germany, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom, FS Funding has defined benefit plans. As mentioned above, actuarial gains, net, of DKK 46 million were taken directly to equity. The net liability for the defined benefit plans amounted to DKK 844 million at 31 December 2006, representing an increase from DKK 801 million at 31 December 2005, primarily due to additions from acquired companies, partly offset by actuarial gains. Based on the current discount rates ranging between 2.9% and 6.5%, pension costs related to defined benefits plans are expected to amount to approximately DKK 168 million in 2007. A simultaneous change in the discount rates of 0.5 percentage point is estimated to increase or decrease, as the case may be, the costs in 2007 to approximately DKK 169 million or approximately DKK 156 million, all other things being equal. For detailed information on pension obligations, please see note 26 to the consolidated financial statements.

Other provisions

Other provisions in FS Funding were DKK 745 million at 31 December 2006, of which DKK 414 million had an estimated maturity of less than one year. Comparative figures at 31 December 2005 were DKK 719 million and DKK 480 million, respectively. Provisions related to acquisitions, mainly redundancy payments and termination of rental of properties, amounted to DKK 64 million against DKK 59 million at 31 December 2005. The remaining provisions comprise various obligations incurred in the ordinary course of business, e.g. labour related obligations, legal obligations, contract closures etc.

Other liabilities

Other liabilities in FS Funding amounted to DKK 10,068 million at 31 December 2006 compared to DKK 8,110 million at 31 December 2005. Other liabilities mainly consist of accrued wages and holiday allowances, tax withholdings, VAT and other payables and accrued expenses.

Carrying amount of net debt

Carrying amount of net debt in FS Funding amounted to DKK 26,271 million, at 31 December 2006 an increase of DKK 3,528 million from DKK 22,741 million at 31 December 2005. The increase was primarily due to acquisitions in 2006. At 31 December 2006, Long-term debt was DKK 27,625 million, short-term debt amounted to DKK 1,015 million while securities, cash and cash equivalents and receivable from affiliates related to joint taxation were DKK 2,369 million.

The long-term debt includes DKK 9,439 million related to senior subordinated notes from FS Funding A/S's high yield offering in May 2006. This high yield offering comprises two tranches; a EUR 454 million tranches with a coupon of 8.875% per annum and a EUR 850 million floating rate tranche bearing interests at a rate per annum equal to 3 month Euribor plus 6.625%, reset quarterly. Both tranches expire on 15 May 2016. The main purpose of the offering was to refinance a high yield bridge facility and a payment-in-kind bridge facility.

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

1 January – 31 December. Amounts in DKK millions

Note		2006	2005 [1]		
		Total	Continuing operations	Discontinued operations	Total
2	**Revenue**	**55,772**	**31,613**	**128**	**31,741**
3, 4	Staff costs	(36,284)	(20,751)	(82)	(20,833)
20	Cost of sales	(4,911)	(2,549)	(7)	(2,556)
5	Other operating expenses	(10,598)	(5,944)	(25)	(5,969)
14, 16	Depreciation and amortisation	(745)	(449)	(2)	(451)
2	**Operating profit before other items**	**3,234**	**1,920**	**12**	**1,932**
6	Other income and expenses, net	(109)	(363)	-	(363)
	Integration costs	(106)	(41)	-	(41)
2	**Operating profit**	**3,019**	**1,516**	**12**	**1,528**
2, 17	Share of result from associates	(17)	13	-	13
7	Net finance costs	(2,351)	(1,718)	(3)	(1,721)
	Profit/(loss) before tax and impairment/ amortisation of intangibles	**651**	**(189)**	**9**	**(180)**
8	Income taxes	(425)	(227)	(3)	(230)
	Profit/(loss) before impairment/ amortisation of intangibles	**226**	**(416)**	**6**	**(410)**
9, 14, 15	Goodwill impairment and write-down	(250)	-	-	-
14	Amortisation of brands and customer contracts [2]	(1,115)	(757)	(0)	(757)
8	Tax effect	330	222	-	222
	Net profit/(loss) for the year / period	**(809)**	**(951)**	**6**	**(945)**
	Attributable to:				
	Equity holders of FS Funding	(827)	(960)	6	(954)
	Minority interests	18	9	-	9
	Net profit/(loss) for the year / period	**(809)**	**(951)**	**6**	**(945)**

[1] All amounts in the consolidated financial statements in 2005 cover the period from the foundation date, 11 March, to 31 December 2005. Apart from the operation of ISS acquired 9 May 2005 no operating activities were included in the consolidated financial statements in 2005.

[2] Includes customer contract portfolios and related customer relationships.

CONSOLIDATED CASH FLOW STATEMENT

1 January – 31 December. Amounts in DKK millions

Note		2006	2005
2	Operating profit before other items	3,234	1,932
14, 16	Depreciation and amortisation	745	451
10	Changes in working capital	50	870
	Changes in provisions	(166)	(206)
8	Income taxes paid, net	(324)	(569)
	Payments related to other income and expenses, net	(239)	(292)
	Payments related to integration costs	(105)	(77)
2	**Cash flow from operating activities**	**3,195**	**2,109**
11	Acquisition of businesses	(3,552)	(21,455)
11	Divestment of businesses	68	267
12	Investments in intangible assets and property, plant and equipment, net	(843)	(372)
12	Investments in financial assets, net	47	712
	Cash flow from investing activities	**(4,280)**	**(20,848)**
13	Net proceeds from financing	3,850	14,117
	Interest paid, net [1)]	(2,330)	(982)
	Proceeds from issuance of share capital	-	7,693
	Dividends paid to shareholders	-	(49)
	Options and warrants settled	-	(219)
	Minority interests	(8)	(7)
	Cash flow from financing activities	**1,512**	**20,553**
	Total cash flow	**427**	**1,814**
	Cash and cash equivalents at beginning	1,804	1
	Total cash flow	427	1,814
	Foreign exchange adjustments	(15)	(11)
23	**Cash and cash equivalents at 31 December**	**2,216**	**1,804**

[1)] Compared to 2005, Interest paid, net has in 2006 been reclassified from cash flow from operating activities to cash flow from financing activities. In 2005, Interest paid, net included a cash inflow of DKK 514 million in cash flow from settlement of interest rate swaps.

CONSOLIDATED BALANCE SHEET

At 31 December. Amounts in DKK millions

Note		2006	2005
	Assets		
14, 15	Intangible assets	36,032	32,672
16	Property, plant and equipment	2,163	1,956
17	Investments in associates	66	132
8, 18	Deferred tax assets	525	599
19	Other financial assets	239	234
	Total non-current assets	**39,025**	**35,593**
20	Inventories	324	300
21	Trade receivables	9,281	7,564
21	Contract work in progress	207	153
8	Tax receivables	217	139
22	Other receivables	924	844
23	Securities	59	59
23	Cash and cash equivalents	2,216	1,804
	Total current assets	**13,228**	**10,863**
	Total assets	**52,253**	**46,456**
	Equity and liabilities		
	Total equity attributable to equity holders of FS Funding	5,917	6,714
	Minority interests	63	60
24	**Total equity**	**5,980**	**6,774**
25	Long-term debt	27,625	15,699
26	Pensions and similar obligations	885	833
8, 18	Deferred tax liabilities	3,173	3,302
27	Other provisions	331	239
	Total long-term liabilities	**32,014**	**20,073**
28	Short-term debt	1,015	8,986
	Trade payables	2,595	1,952
8	Tax payables	167	81
29	Other liabilities	10,068	8,110
27	Other provisions	414	480
	Total current liabilities	**14,259**	**19,609**
	Total liabilities	**46,273**	**39,682**
	Total equity and liabilities	**52,253**	**46,456**

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSE AND CHANGES IN EQUITY

At 31 December. Amounts in DKK millions

	Attributable to equity holders of FS Funding						
2006	Share capital	Retained earnings	Cumula-tive fx adj.	Realised gain/(loss) on hedges	Unrealised gain/(loss) on hedges	Minority interests	Total equity
Total recognised income and expense							
Net profit/(loss) for the year	-	(827)	-	-	-	18	(809)
Foreign exchange adj. of subsidiaries and minorities	-	-	(110)	-	-	(4)	(114)
Gain/(loss) on hedges, net	-	-	-	14	118	-	132
Actuarial gains, net	-	46	-	-	-	-	46
Share-based payments [1]	-	14	-	-	-	-	14
Fair value adjustment of PFI investments	-	(18)	-	-	-	-	(18)
Tax of entries recognised directly in equity	-	(13)	-	(3)	(18)	-	(34)
Net income and expense recognised directly in equity	**-**	**29**	**(110)**	**11**	**100**	**(4)**	**26**
Total recognised income and expense for the year	**-**	**(798)**	**(110)**	**11**	**100**	**14**	**(783)**
Equity at 1 January 2006	**100**	**6,514**	**124**	**(18)** [2]	**(6)** [2]	**60**	**6,774**
Changes in equity							
Total recognised income and expense for the year	-	(798)	(110)	11	100	14	(783)
Impact from acquired and divested companies, net	-	-	-	-	-	(4)	(4)
Dividends paid	-	-	-	-	-	(7)	(7)
Total changes in equity	-	**(798)**	**(110)**	**11**	**100**	**3**	**(794)**
Equity at 31 December 2006	**100**	**5,716**	**14**	**(7)** [2]	**94** [2]	**63**	**5,980**

[1] Mainly related to associates.
[2] Net of taxes.

Continues

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSE AND CHANGES IN EQUITY

At 31 December. Amounts in DKK millions

	Attributable to equity holders of FS Funding						
2005	Share capital	Retained earnings	Cumula-tive fx adj.	Realised gain/(loss) on hedges	Unrealised gain/(loss) on hedges	Minority interests	Total equity
Total recognised income and expense							
Net profit/(loss) for the period	-	(954)	-	-	-	9	(945)
Foreign exchange adj. of subsidiaries and minorities	-	-	125	-	-	3	128
Gain/(loss) on hedges, net	-	1	-	(24)	(8)	-	(31)
Actuarial losses, net	-	(119)	-	-	-	-	(119)
Other	-	(38)	-	-	-	-	(38)
Tax on entries recognised directly in equity	-	30	-	6	2	-	38
Net income and expense recognised directly in equity	**-**	**(126)**	**125**	**(18)**	**(6)**	**3**	**(22)**
Total recognised income and expense for the period	**-**	**(1,080)**	**125**	**(18)**	**(6)**	**12**	**(967)**
Equity at 11 March 2005	**1**	**-**	**-**	**-**	**-**	**-**	**1**
Changes in equity							
Total recognised income and expense for the period	-	(1,080)	125	(18)	(6)	12	(967)
Acquisition of ISS A/S 9 May 2005	-	-	-	-	-	71	71
Impact from acquired and divested companies, net	-	-	(1)	-	-	(16)	(17)
Dividends paid	-	-	-	-	-	(7)	(7)
Share issue	99	7,594	-	-	-	-	7,693
Total changes in equity	**99**	**6,514**	**124**	**(18)**	**(6)**	**60**	**6,773**
Equity at 31 December 2005	**100**	**6,514**	**124**	**(18)** [1]	**(6)** [1]	**60**	**6,774**

[1] Net of taxes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Significant accounting policies

The consolidated financial statements of FS Funding A/S as of and for the year ended 31 December 2006, comprise FS Funding A/S and its subsidiaries (together referred to as "the Group") and the Group's interests in associates and jointly controlled entities.

STATEMENT OF COMPLIANCE
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU being effective for accounting periods beginning on 1 January 2006, and the statutory order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act.

Amendments to IAS 21, "The Effects of Changes in Foreign Exchange Rates", and IAS 39, "Financial Instruments: Recognition and Measurement", both being effective for accounting periods beginning on 1 January 2006, have had no impact on the consolidated financial statements of FS Funding A/S.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the change described below in respect of the changed classification of Interest paid in the cash flow statement.

BASIS OF PREPARATION
The consolidated financial statements have been prepared on the historical cost basis, as modified by the revaluation of available-for-sale financial assets, and financial assets and liabilities (including derivative financial instruments) at fair value through the income statement.

CHANGES IN ACCOUNTING POLICIES
Compared to prior years, the presentation of Interest paid in the cash flow statement has been changed. To better reflect the distinction between operating and financing activities, interest paid is now included in cash flow from financing activities instead of cash flow from operating activities. Comparative figures have been restated accordingly.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The Group believes the following are the areas involving critical accounting estimates and judgements used in the preparation of the consolidated financial statements:

- revenue recognition and determination of deferred income
- the valuation of identifiable assets, liabilities and contingent liabilities in connection with the acquisition of subsidiaries/operations
- the impairment testing of goodwill, brands, customer contract portfolios and related customer relationships, and any other acquisition related intangible assets
- the actuarial calculations regarding pension benefits
- the valuation of provisions other than pension benefits
- the assessment of ongoing litigations and the valuation of contingent liabilities
- the valuation of tax assets and
- bad debt provisions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

BASIS OF CONSOLIDATION
Subsidiaries The consolidated financial statements include FS Funding A/S and all subsidiaries in which FS Funding A/S, directly or indirectly, holds more than 50% of the voting rights or otherwise has a controlling interest.

The consolidated financial statements are based on the financial statements of FS Funding A/S and the individual subsidiaries by adding items of a similar nature.

Associates Entities, which are not regarded as subsidiaries, but in which the Group holds investments and exercises a significant, but not a controlling influence are regarded as associates. The proportionate share of the associate's profit or loss after tax is recognised in the income statement in the consolidated financial statements in accordance with the equity method.

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

Continues

1. Significant accounting policies (continued)

Transactions eliminated on consolidation Intra-group balances and any unrealised gains and losses on income and expenses arising from intra-group transactions are eliminated when preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Business combinations Acquired entities are included in the consolidated financial statements as from the date when control commences. Entities that are divested or wound-up are included until the date where control ceases or the entity is wound-up. Comparative figures are not restated for entities acquired, divested or wound-up.

Acquisitions are treated in accordance with the purchase method, under which identifiable assets, liabilities and contingent liabilities of acquired entities are recognised in the balance sheet at fair value at the date of acquisition. Identifiable intangible assets are recognised if separable or if they arise from contractual or other legal rights, provided that the fair value can be measured reliably. Tax impact related to fair value adjustments is taken into account.

Excess cost of acquisition over the fair value of acquired assets, liabilities and contingent liabilities is capitalised as goodwill. Goodwill is allocated to cash-generating units and tested for impairment annually. The first impairment test is prepared no later than at the end of the year of acquisition.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected, adjustments made within twelve months of the acquisition date to the provisional fair value of acquired assets, liabilities and contingent liabilities or cost of the acquisition, are adjusted to the initial goodwill. The adjustment is calculated as if it was recognised at the acquisition date. Comparative figures are restated. Subsequent to this period, goodwill is only adjusted for changes in estimates of the cost of the acquisition being contingent on future events. However, subsequent realisation of deferred tax assets not recognised on acquisition will result in the recognition in the income statement of the tax benefit concurrently with a write-down of the carrying amount of goodwill to the amount that would have been recognised if the deferred tax asset had been recognised at the time of the acquisition.

Gains or losses on the divestment or winding-up of subsidiaries or associates are measured as the difference between the sales or winding-up sum adjusted for directly related divestment or winding-up costs and the carrying amount of the net assets at the time of disposal or winding-up including any carrying value of goodwill. Accumulated exchange rate adjustments on divested or wound-up subsidiaries or associates recognised in equity are included in the income statement under Net finance costs at the time of divestment or wind-up.

Foreign currency Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Danish kroner, which is the functional and presentation currency of FS Funding A/S.

Transactions in foreign currency are translated into the functional currency at the exchange rate ruling at the date of transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

The income statements of foreign subsidiaries are translated into Danish kroner using the average exchange rates prevailing during the year, whereas balance sheet items are translated by applying the exchange rates ruling at the balance sheet date.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity having a functional currency different from Danish kroner are treated as assets and liabilities belonging to the foreign entity and translated into Danish kroner at the exchange rates ruling at the balance sheet date.

Realised and unrealised exchange gains and losses are included in the income statement under Net finance costs, except gains/losses arising from the translation of:

- the opening balances of net assets of foreign subsidiaries/joint ventures and investments in associates to exchange rates ruling at the balance sheet date
- the income statements of foreign subsidiaries/joint ventures and the share of result from associates from average exchange rates to exchange rates ruling at the balance sheet date
- long-term intra-group balances which are considered an addition to the net assets of subsidiaries/joint ventures
- loans in foreign currency and derivatives hedging net investments in foreign subsidiaries/joint ventures.

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

Continues

1. Significant accounting policies (continued)

INCOME STATEMENT

Revenue comprises the value of services provided during the year less VAT and duties as well as price and quantity discounts. Revenue is recognised when it is realised or realisable and earned. Revenue is considered to have been earned when the Group has substantially accomplished what it must do to be entitled to the revenue. Contract work in progress is recognised using the percentage-of-completion method based on the value of work completed at the balance sheet date.

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

Government grants Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement on a systematic basis over the useful lifetime of the asset.

Operating expenses **Staff costs** comprises salaries and wages, pensions, social security expenses and other employee related expenses. **Cost of sales** comprises materials consumption related to the recorded revenue. **Other operating expenses** includes expenses related to the operation of service equipment and other non-current assets, external assistance as well as other selling, distribution and administrative expenses, including expenses related to marketing, transportation, operating leases, subcontractors, audit, legal assistance, losses and loss provisions on receivables etc.

Share-based compensation The fair value of equity-settled share-based compensation plans, is recognised as an expense with a corresponding increase in equity. The fair value is fixed at grant date and allocated over the vesting period. The fair value of the options and warrants granted is measured using the Black-Scholes valuation method taking the terms and conditions upon which they were granted into account. Non-market vesting conditions are included in the assumptions about the number of options and warrants that are expected to become exercisable. At each balance sheet date, the Group revises this estimate. The Group recognises the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. Adjustments relating to prior years are included in the income statement in the year of adjustment.

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

Other income and expenses, net consists of income and expenses, both recurring and non-recurring, that the Group does not consider to be part of normal ordinary operations, such as gains and losses arising from divestments, the winding-up of operations, disposals of property, restructurings and certain acquisition related costs.

Integration costs includes costs regarding the acquiring Group company and the acquired company that are a consequence of the integration. Integration costs include costs of compensating employees for termination of their employment, closing facilities, and termination of subscriptions and agreements.

Share of result from associates comprises the share of result after tax in associates.

Net finance costs comprises interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on derivatives that do not qualify for hedge accounting.

Income taxes consists of income tax and changes in deferred tax. Deferred tax is recognised based on the balance sheet liability method and comprises all temporary differences between accounting and tax values of assets and liabilities. Furthermore, a deferred tax liability is recognised for expected re-taxation of tax-deductible losses realised in foreign subsidiaries previously included under Danish joint taxation.

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

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

Continues

1. Significant accounting policies (continued)

The recognised income tax is allocated to Income taxes, Tax effect of goodwill impairment and write-down and amortisation of brands and customer contracts and Equity, as applicable.

FS Funding A/S is jointly taxed with all Danish resident affiliates. The Danish income tax payable is allocated between the jointly taxed Danish companies based on their proportion of taxable income (full absorption including reimbursement of tax deficits). The jointly taxed companies are included in the Danish tax on account scheme. Additions, deductions and allowances are recognised under Net finance costs.

Goodwill impairment and write-down and **Amortisation of brands and customer contracts** are presented in separate line items below operating profit as this presentation is seen to provide a clearer view of the Group profitability. The tax effect of goodwill impairment and write-down and amortisation of customer contracts is presented in a separate line item in connection with these two line items.

CASH FLOW STATEMENT

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

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

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

Cash flow from operating activities comprises Operating profit before other items adjusted for non-cash items, changes in working capital and provisions and payments regarding income taxes, other income and expenses and integration costs.

Cash flow from investing activities comprises cash flow from acquisition and divestment of businesses as well as the purchase and sale of non-current assets.

Cash flow from financing activities comprises proceeds from and repayment of loans, interest, dividends, proceeds from share issues, purchase and sale of treasury shares, cash flow related to derivatives hedging net investments and dividends to Minority interests.

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

BALANCE SHEET

Business combinations are accounted for using the purchase method as described under “Basis of consolidation”.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units. The determination of cash-generating units follows the level of monitoring for internal management purposes. This is generally equal to country level. Goodwill is tested for impairment annually and whenever there is an indication that goodwill may be impaired.

An impairment loss is recognised whenever the carrying amount of a cash-generating unit exceeds its recoverable amount. The recoverable amount is calculated as the greater of net selling price and value in use. In assessing value in use the estimated future cash flows are discounted to their present value. An impairment loss is not reversed.

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

The valuation of acquired brands is based on a discounted cash flow model using the after-tax royalty payments (the royalty relief method). Cash flows are discounted on an after tax basis using the local Weighted Average Cost of Capital (WACC) plus a risk premium for the assumed risk inherent in the brand.

The net present value of the cash flow is increased with an estimated portion of the discounted tax amortisation benefit applicable for a potential buyer based on the local tax amortisation opportunity available for brand names when bought as a trade and asset purchase. The tax amortisation benefit is discounted. This increased value of the brand equals the fair value at the date of acquisition.

Continues

1. Significant accounting policies (continued)

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

The value of brands is tested for impairment as part of the impairment test.

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

The valuation of customer contract portfolios and related customer relationships is based on a discounted cash flow model using an 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. A contributory asset charge as a cost or return requirement for assets supporting the intangible asset has been included in the model. Cash flows are discounted on an after tax basis using the local Weighted Average Cost of Capital (WACC) plus a risk premium for the assumed risk inherent in customer contract portfolios and related customer relationships.

The net present value of the cash flow is increased with an estimated portion of the discounted tax amortisation benefit applicable for a potential buyer based on the local tax amortisation opportunity available for customer contract portfolios and customer relationships when bought as a trade and asset purchase. The tax amortisation benefit is discounted. This increased value of customer contract portfolios and related customer relationships equals the fair value at the date of acquisition.

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

The value of customer contract portfolios and related customer relationships is tested for impairment as part of the impairment test.

Software and other intangible assets and property, plant and equipment are measured at cost less accumulated amortisation, depreciation, impairment loss and write-down.

Cost of assets includes cost price as well as costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. To the cost price is added the estimated cost of dismantling and removing the item and restoring the site on which it is located to the extent that this cost is recognised as a provision.

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

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

Amortisation and depreciation is provided on a straight-line basis over the expected useful lives of the assets taking into account the estimated residual value. The amortisation and depreciation methods, useful lives and residual values are reassessed annually.

Non-current assets	**Expected useful life**
Software and other intangible assets	5-10 years
Buildings	20-40 years
Leasehold improvements	Over the lease term
Plant and equipment	3-10 years

If the estimated useful lives of the assets or the estimated residual value is changed the impact on the amortisation and depreciation is recognised prospectively.

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

Continues

1. Significant accounting policies (continued)

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

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

Costs related to tenders for public offers for PPP (Public Private Partnership)/PFI (Private Finance Initiative) contracts are recognised in the income statement as incurred. If the Group is awarded status as preferred bidder, directly attributable costs and investments from that date, if any, are recognised under Financial assets. For PPP/PFI contracts awarded, the costs are amortised over the term of the contract. If the Group is not awarded the contract, all costs are recognised in the income statement.

Investments in PFI contracts are classified as available-for-sale and are measured at fair value at the balance sheet date, with any resulting gains or losses being recognised directly in equity. When these investments are de-recognised, the cumulative gain or loss previously recognised directly in equity is recognised in the income statement. The fair value is the quoted bid price at the balance sheet date.

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

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

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

Securities are measured at fair value at the balance sheet date, with any resulting gains or losses recognised directly in the income statement.

Treasury shares Proceeds related to the acquisition or disposal of treasury shares are taken directly to equity.

Dividends are recognised in the period in which they are declared.

Financial liabilities are initially measured at the value of the proceeds received less related transaction costs. Subsequently, financial liabilities are measured at amortised cost, equal to the capitalised value when applying a constant effective rate of interest, and the difference between the proceeds initially received and the nominal value is recognised in the income statement over the loan period.

Pensions and similar obligations Net obligations in respect of defined benefit pension plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. Discount rates are based on the market yield of high quality corporate bonds or government bonds in the country concerned approximating to the terms of the Group's pension obligations. The calculations are performed by a qualified actuary using the Projected Unit Credit Method. When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the income statement on a straight-line basis over the average period until the benefits vest. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

All actuarial gains and losses are recognised directly in equity.

Net pension assets are only recognised to the extent that the Group is able to derive future economic benefits in the way of refunds from the plan or reductions of future contributions.

Continues

1. Significant accounting policies (continued)

Other provisions comprises obligations concerning labour related matters, self-insurance, integration costs related to acquisitions, dismantling costs, and various other operational issues. The provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Derivatives are measured at fair value calculated according to generally accepted valuation methods and recognised in Other receivables or Other liabilities.

For derivatives hedging the fair value of recognised assets and liabilities the value of the hedged asset or hedged liability is also stated at fair value in respect of the risk being hedged. When a hedging instrument expires or is sold, terminated or exercised but the hedged asset or hedged liability with a determinable maturity still exist, the adjustment recorded as part of the carrying amount of the hedged item is amortised to the income statement from that date onwards using the effective interest method.

The effective part of the changes in the fair value of derivatives hedging future transactions is recognised directly in equity, net of tax. On realisation of the hedged item, value changes recognised under equity are reversed and recognised together with the hedged item. When a hedging instrument expires or is sold, terminated or exercised but the hedged future transactions are still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs.

Derivatives that qualify as net investment hedges of subsidiaries, joint ventures and associates are recognised directly in equity, net of tax.

For derivatives, which do not comply with the hedge accounting conditions, changes in fair value are recognised as Net finance costs in the income statement as they occur.

Non-current assets held for sale Assets are classified as held for sale when the carrying amount of the assets will primarily be recovered through a sale within 12 months according to a formal plan rather than through continuing use. Assets held for sale are recognised at the lower of the carrying amount and fair value less costs to sell. Assets held for sale are not amortised or depreciated. Impairment losses on initial classification as held for sale are included in the income statement. The same applies to gains and losses on subsequent remeasurement. Assets and related liabilities are separated in the balance sheet and the main elements are specified in the notes to the financial statements.

Discontinued operations comprises a component of the Group's business that represent a separate major line of business or geographical area of which the operations and cash flows can be clearly distinguished, i.e. as a minimum a cash-generating unit. Classification as discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. The profit or loss is separated in the income statement, assets and related liabilities are separated in the balance sheet, and the cash flows from operating, investing and financing activities are disclosed in the notes to the financial statements.

Amounts in DKK millions

2. Segment information

In line with the internal management structure, the geographical segment is the primary segment.

Geographical (Primary Segment)	External revenue	Total revenue 1)	Operating profit before other items	Operating margin %	Operating profit 2)	Share of result from associates	Cash flow from operating activities 2)
2006							
France	9,641	9,642	595	6.2	573	0	729
United Kingdom	6,877	6,879	433	6.3	419	-	493
Norway	4,758	4,758	341	7.2	331	4	328
Denmark 3)	3,744	3,757	248	6.6	329	-	244
Sweden	3,558	3,558	226	6.4	224	4	238
Netherlands	3,481	3,481	244	7.0	248	1	206
Finland	3,173	3,173	157	5.0	150	0	210
Spain	3,142	3,142	192	6.1	184	-	147
Australia	2,691	2,691	171	6.4	133	(26)	134
Belgium and Luxembourg	2,534	2,534	165	6.5	163	-	148
Switzerland	1,875	1,875	143	7.6	134	-	213
Germany	1,842	1,842	74	4.0	69	-	30
Asia 4)	1,817	1,818	124	6.8	111	0	96
Austria	1,589	1,589	106	6.7	105	-	53
Latin America 5)	1,049	1,049	50	4.8	45	-	(10)
Central and Eastern Europe 6)	933	933	60	6.4	57	-	51
Israel	769	769	51	6.7	45	-	52
Ireland	575	575	49	8.5	49	-	23
Turkey	539	539	33	6.2	32	-	31
Portugal	364	364	25	6.8	25	-	38
Greece	237	237	15	6.4	15	-	1
Italy	199	199	23	11.8	23	-	11
New Zealand	155	155	5	3.3	4	-	8
Iceland	146	146	12	8.0	11	-	11
Greenland	84	84	4	4.5	3	-	6
Regional items, not allocated to countries	-	-	(22)	-	(24)	-	(55)
Total operations	**55,772**	**55,789**	**3,524**	**6.3**	**3,458**	**(17)**	**3,436**
Corporate functions/eliminations	-	(17)	(290)	-	(439)	-	(241)
Total	**55,772**	**55,772**	**3,234**	**5.8**	**3,019**	**(17)**	**3,195**

1) Internal revenue has not been disclosed due to immateriality.
2) Before internal royalty to corporate functions.
3) Including the Faroe Islands
4) Asia comprises Brunei, China, Hong Kong, India, Indonesia, Malaysia, the Philippines, Singapore, Sri Lanka and Thailand.
5) Latin America comprises Argentina, Brazil, Chile, Mexico and Uruguay.
6) Central and Eastern Europe comprises the Czech Republic, Croatia, Estonia, Hungary, Poland, Romania, Russia, Slovenia and Slovakia.

Continues

Amounts in DKK millions

2. Segment information (continued)

Geographical (Primary Segment)	Segment assets	Investments in assets [1]	Investments in associates	Depreciation and amortisation	Goodwill impairment and write-down	Amortisation of brands and customer contracts	Segment liabilities	Number of employees at year-end
2006								
France	10,169	(165)	3	161	-	178	7,542	41,109
United Kingdom	5,233	(53)	-	67	-	146	2,906	39,170
Norway	4,026	(82)	44	59	-	95	2,001	14,907
Denmark [2]	3,362	(71)	-	54	-	89	994	12,770
Sweden	2,722	(18)	14	32	-	49	2,129	11,117
Netherlands	3,406	(40)	3	31	-	75	2,052	21,534
Finland	3,805	(60)	1	62	250	98	1,938	12,061
Spain	2,613	(13)	-	17	-	60	2,016	24,470
Australia	2,312	(26)	-	27	-	40	2,216	16,416
Belgium and Luxembourg	2,341	(29)	-	22	-	51	975	10,404
Switzerland	1,833	(38)	-	33	-	45	828	8,821
Germany	1,792	(36)	-	21	-	14	733	12,956
Asia [3]	1,547	(42)	1	32	-	35	753	72,776
Austria	1,679	(8)	-	8	-	41	1,201	8,530
Latin America [4]	712	(18)	-	12	-	11	614	32,679
Central and Eastern Europe [5]	908	(32)	-	18	-	24	461	19,392
Israel	631	(5)	-	8	-	14	363	8,130
Ireland	671	(16)	-	10	-	16	263	2,948
Turkey	338	(10)	-	4	-	5	212	10,835
Portugal	328	(6)	-	5	-	7	179	4,625
Greece	370	(3)	-	3	-	7	230	2,038
Italy	257	(3)	-	3	-	9	199	567
New Zealand	162	(2)	-	2	-	2	129	1,934
Iceland	93	(2)	-	2	-	3	24	806
Greenland	91	(1)	-	6	-	1	54	268
Regional items, not allocated to countries	2,397	-	-	-	-	-	42	-
Total operations	**53,798**	**(779)**	**66**	**699**	**250**	**1,115**	**31,054**	**391,263**
Corporate functions / eliminations [6]	(1,545)	(64)	-	46	-	-	15,219	93
Total	**52,253**	**(843)**	**66**	**745**	**250**	**1,115**	**46,273**	**391,356**

[1] Investment in intangible assets and property, plant and equipment, net.
[2] Including the Faroe Islands.
[3] Asia comprises Brunei, China, Hong Kong, India, Indonesia, Malaysia, the Philippines, Singapore, Sri Lanka and Thailand.
[4] Latin America comprises Argentina, Brazil, Chile, Mexico and Uruguay.
[5] Central and Eastern Europe comprises the Czech Republic, Croatia, Estonia, Hungary, Poland, Romania, Russia, Slovenia and Slovakia.
[6] Includes eliminations of intra-group balances and investments.

Continues

Amounts in DKK millions

2. Segment information (continued)

Geographical (Primary Segment)	External revenue	Total revenue [1]	Operating profit before other items	Operating margin %	Operating profit [2]	Share of result from associates	Cash flow from operating activities [2]
2005							
France	6,036	6,036	408	6.8	360	0	563
United Kingdom	4,077	4,079	251	6.2	227	-	361
Norway	2,650	2,650	212	8.0	170	1	133
Denmark [3]	2,329	2,338	175	7.5	142	-	236
Netherlands	2,216	2,216	176	8.0	161	0	297
Sweden (excluding Health Care)	2,160	2,162	104	4.8	33	-	173
Finland	2,094	2,094	184	8.8	180	1	222
Spain	1,851	1,851	125	6.8	115	-	138
Belgium and Luxembourg	1,582	1,582	100	6.3	93	-	129
Germany	1,184	1,184	37	3.1	3	0	73
Switzerland	989	989	79	8.0	69	-	115
Austria	955	955	76	8.0	76	-	18
Asia [4]	859	859	54	6.3	54	-	86
Central and Eastern Europe [5]	436	436	27	6.2	25	-	48
Latin America [6]	435	435	22	5.2	20	-	18
Ireland	321	321	27	8.5	27	-	36
Israel	255	255	16	6.2	9	-	7
Australia	247	247	29	11.8	22	11	22
Turkey	225	225	14	6.2	14	-	11
Portugal	204	204	15	7.2	15	-	25
Italy	145	145	22	14.9	21	-	20
Greece	143	143	9	6.4	9	-	12
Iceland	94	94	4	4.5	4	-	8
Greenland	70	70	3	4.3	(1)	-	11
New Zealand	56	56	2	2.8	2	-	1
Regional items, not allocated to countries	-	-	(14)	-	(14)	-	(35)
Total continuing operations	**31,613**	**31,626**	**2,157**	**6.8**	**1,836**	**13**	**2,728**
Japan	25	25	0	-	0	-	0
Health Care	103	103	12	11.7	12	-	19
Discontinuing operations	**128**	**128**	**12**	**9.4**	**12**	**-**	**19**
Corporate functions / eliminations	-	(13)	(237)	-	(320)	-	(638)
Total	**31,741**	**31,741**	**1,932**	**6.1**	**1,528**	**13**	**2,109**

[1] Internal revenue has not been disclosed due to immateriality.

[2] Before internal royalty to corporate functions. Compared to 2005, interest paid has in 2006 been reclassified from cash flow from operating activities to cash flow from financing activities. Comparative figures have been restated accordingly.

[3] Including the Faroe Islands.

[4] Asia comprises Brunei, China, Hong Kong, India, Indonesia, Malaysia, Singapore, Sri Lanka and Thailand.

[5] Central and Eastern Europe comprises the Czech Republic, Croatia, Estonia, Hungary, Poland, Romania, Russia, Slovenia and Slovakia.

[6] Latin America comprises Argentina, Brazil, Chile and Uruguay.

Continues

Amounts in DKK millions

2. Segment information (continued)

Geographical (Primary Segment)	Segment assets	Investments in assets [1]	Investments in associates	Depreciation and amortisation	Amortisation of brands and customer contracts	Segment liabilities	Number of employees at year-end
2005							
France	10,086	(88)	3	106	132	6,837	40,168
United Kingdom	5,015	(38)	-	43	101	2,742	38,015
Norway	3,758	(27)	45	46	67	1,759	9,528
Denmark [2]	3,239	(27)	-	35	69	1,021	12,424
Netherlands	3,079	(1)	4	21	58	1,849	21,024
Sweden (excluding Health Care)	2,373	(19)	-	33	32	1,748	10,156
Finland	4,106	(30)	1	44	70	1,932	12,488
Spain	2,200	(10)	-	10	41	1,771	20,664
Belgium and Luxembourg	2,266	(8)	-	13	37	1,071	10,921
Germany	1,387	(10)	1	12	11	696	13,982
Switzerland	1,409	(20)	-	17	23	755	7,393
Austria	1,791	(3)	-	5	31	1,063	7,477
Asia [3]	1,371	(26)	-	14	19	553	50,043
Central and Eastern Europe [4]	673	(11)	-	7	13	259	15,258
Latin America [5]	282	(8)	-	6	5	193	17,394
Ireland	622	(11)	-	5	15	231	2,950
Israel	231	(5)	-	4	3	100	5,891
Australia	729	(8)	78	6	10	548	860
Turkey	204	(4)	-	3	2	77	5,953
Portugal	352	0	-	3	5	261	4,058
Greece	272	(3)	-	1	3	129	1,490
Italy	256	(1)	-	3	6	197	590
Iceland	99	(2)	-	2	2	23	694
Greenland	96	(3)	-	4	1	61	291
New Zealand	42	(1)	-	1	1	31	1,042
Regional items, not allocated to countries	3,148	-	-	-	-	921	-
Total continuing operations	**49,086**	**(364)**	**132**	**444**	**757**	**26,828**	**310,754**
Japan	-	(0)	-	0	-	-	-
Health Care	-	(2)	-	2	0	-	-
Discontinuing operations	**-**	**(2)**	**-**	**2**	**0**	**-**	**-**
Corporate functions / eliminations [6]	(2,630)	(6)	-	5	-	12,854	91
Total	**46,456**	**(372)**	**132**	**451**	**757**	**39,682**	**310,845**

[1] Investment in intangible assets and property, plant and equipment, net.
[2] Including the Faroe Islands.
[3] Asia comprises Brunei, China, Hong Kong, India, Indonesia, Malaysia, Singapore, Sri Lanka and Thailand.
[4] Central and Eastern Europe comprises the Czech Republic, Croatia, Estonia, Hungary, Poland, Romania, Russia, Slovenia and Slovakia.
[5] Latin America comprises Argentina, Brazil, Chile and Uruguay.
[6] Includes eliminations of intra-group balances and investments.

Continues

2. Segment information (continued)

The business segment is the secondary segment, and is based on the main service areas defined in the Group's strategy plan. As the Group does not fully allocate balances to the service areas within Facility Services, only revenue is disclosed for the different service areas within the business segment.

Business (Secondary Segment)	2006	2005
External revenue		
Cleaning Services	31,408	19,424
Office Support Services	4,687	1,099
Property Services	12,097	7,354
Catering Services	3,489	1,706
Integrated Facility Services	4,091	2,030
Continuing operations	**55,772**	**31,613**
Japan	-	25
Health Care	-	103
Discontinued operations	**-**	**128**
Total	**55,772**	**31,741**

3. Staff costs	2006	2005
Wages and salaries	27,877	15,795
Pension costs, defined benefit plans	51	21
Pension costs, defined contribution plans	1,311	830
Social charges and other costs	7,045	4,187
Staff costs	**36,284**	**20,833**
Average number of employees	362,677	303,882

Remuneration to the Board of Directors and Key Management of the Group

	2006		2005	
DKK thousands	Board of Directors	Key Management [1)]	Board of Directors	Key Management [1)]
Salaries and fees	1,356	29,426	-	13,514
Bonus	-	23,994	-	57,743
Pension	-	449	-	410
Severance payments [2)]	-	28,000	-	-
Settlement of stock options	-	-	-	100,311
Total	**1,356**	**81,869**	**-**	**171,978**

[1)] In 2006, Key Management of the Group comprised the former Managing Director of FS Funding A/S and the former Executive Management Board of ISS Management A/S up until the 31 August 2006 and the current Executive Group Management of FS Funding A/S for the remainder of 2006. The comparative figures for 2005 have been restated to reflect the comparative group of persons. The normalised annual remuneration to the current Executive Group Management of the Group is approximately DKK 23 million.

[2)] Included in Other income and expenses, net.

Amounts in DKK millions

4. Share-based payments

Warrant programmes

At 1 January 2006, certain members of Key Management and senior managers of the Group held warrants issued under two warrant programmes.

1999 warrant programme

At 1 January 2006, 663,000 warrants were outstanding under the 1999 warrant programme. All of these warrants expired out-of-the money on 6 May 2006.

2000 warrant programme

At 1 January 2006, 322,000 warrants were outstanding under the 2000 warrant programme. The subscription price ranged from DKK 514 to DKK 522 and the warrants were exercisable for a period of 30 days following the announcement of the annual results for the years 2003-2006. The outstanding warrants are exercisable within a period of 30 days following the announcement of the Group's Annual Report 2006. The warrants expire on 10 May 2007. The Group believes that the value of the outstanding warrants under the 2000 Warrant programme was insignificant at 31 December 2006.

FS Invest warrant programme

In July 2006, funds advised by EQT Partners and Goldman Sachs Capital Partners (the "Principal Shareholders") established a management participation programme. As part of the programme, Key Management and senior managers of the Group were granted a total of 784,272 warrants in FS Invest S.à r.l ("FS Invest"), FS Funding's ultimate parent. The warrants were issued in two series, A and B, both expiring on 1 June 2014. The estimated FS Invest share price at the time of the grant was DKK 1,019 per share. The warrants entitle the holder to subscribe for FS Invest shares at an exercise price of DKK 2,039 and DKK 2,549 per share for warrants in series A and series B, respectively, in a proportion which is determined by the exercise restrictions set out below. The warrants are exercisable for a period of 30 business days prior to and ending on 1 June 2014.

The warrants under the above-mentioned programme are non-transferable.

FS Invest warrants granted to Key Management and senior managers of the Group in 2006

	Key Management		Senior managers		Total	
	Series A	Series B	Series A	Series B	Series A	Series B
Warrants granted in 2006	-	356,976	32,882	394,414	32,882	751,390
Warrants forfeited in 2006	-	(231,552)	(1,515)	(8,839)	(1,515)	(240,391)
Outstanding at 31 December 2006	**-**	**125,424**	**31,367**	**385,575**	**31,367**	**510,999**

In total, 784,272 warrants were granted under series A and B, 241,906 warrants were forfeited in 2006 and at 31 December 2006, the number of outstanding warrants was 542,366.

Accounting

In accordance with the provisions of IFRS 2 Share-based Payment, ISS applies IFRS 2 to grants of warrants that were granted after 7 November 2002, and had not yet vested at 1 January 2005.

Share-based payments not within the scope of IFRS 2

The outstanding warrants issued by ISS A/S are not within the scope of IFRS 2, and the fair value of these instruments has not been expensed in the income statement.

Share-based payments within the scope of IFRS 2

The FS Invest warrants granted to Key Management and senior managers of the Group are within the scope of IFRS 2. The share-based payment transactions including FS Invest warrant grants to Group officers are accounted for as equity-settled transactions in the consolidated financial statements of the Group. In 2006, expenses of DKK 1 million were recognised in the consolidated financial statements under Other income and expenses, net.

Continues

Amounts in DKK millions

4. Share-based payments (continued)

Valuation
2000 warrant programme
Taking into consideration that

- the exercise price of all outstanding warrants under the 2000 warrant programme is above DKK 465, which is equal to the share price paid by FS Funding when it acquired ISS A/S in 2005
- the exercise price of outstanding warrants, according to their terms, will not be adjusted for dividends
- ISS A/S has subsequently paid interim dividends in excess of DKK 8 billion.

The Group believes that the value of the outstanding warrants under the 2000 warrant programme was insignificant at 31 December 2006.

FS Invest warrant programme
The estimated value of warrants issued by FS Invest is measured by the Black-Scholes option pricing model based on the following assumptions and exercise restrictions:

Assumptions

	Series A	Series B
Share price (DKK)	1,019	1,019
Exercise price	2,039	2,549
Volatility	20%	20%
Risk free interest rate (8 year swap rate)	3.60%	3.60%
Dividend per share (DKK)	0	0
Time to maturity (years)	8	8
Number of FS Invest shares outstanding	7,686,537	7,686,537
Number of FS Invest warrants outstanding	2,202,812	2,202,812

Exercise restrictions

The warrants are subject to exercise restrictions depending on the share price at the time of exercise (the “Exercise Share Price”):

- If the Exercise Share Price is equal to or above DKK 6,114, 100% of the granted warrants can be exercised;
- If the Exercise Share Price is equal to or above DKK 4,076 and below DKK 6,114, 90% of the granted warrants can be exercised;
- If the Exercise Share Price is equal to or above DKK 3,312 and below DKK 4,076, 85% of the granted warrants can be exercised;
- If the Exercise Share Price is equal to or above DKK 3,057 and below DKK 3,312, 80% of the granted warrants can be exercised;
- If the Exercise Share Price is equal to or above DKK 2,803 and below DKK 3,057, 75% of the granted warrants can be exercised;
- If the Exercise Share Price is equal to or above DKK 2,547 and below DKK 2,803, 65% of the granted warrants can be exercised;
- If the Exercise Share Price is equal to or above DKK 2,293 and below DKK 2,547, 45% of the granted warrants can be exercised;
- If the Exercise Share Price is equal to or above DKK 2,038 and below DKK 2,293, 10% of the granted warrants can be exercised.

FS Invest and ISS are privately held companies and therefore it is not possible to apply market data to measure the volatility of the underlying share. A volatility of 20% has been applied in the Black-Scholes valuation. This is on level with the volatility, which can be measured for the period January 2004 to the de-listing of the ISS share in June 2005 using weekly observations of market data.

The risk free interest rate applied in the Black-Scholes model is the Euro swap rate with a duration matching the time to maturity of the warrants. At the time of the grant, an eight year swap rate of 3.6% was used to estimate the Black-Scholes value.

Applying these assumptions, the Group estimates that the value of the warrants granted under the FS Invest Warrant programme was DKK 25 million at the time of the grant in July 2006. In accordance with IFRS 2, these warrants will be expensed in the income statement over the vesting period from July 2006 to June 2014. In 2006, expenses of DKK 1 million were recognised in the consolidated financial statements under Other income and expenses, net.

Amounts in DKK millions

5. Fees to auditors	2006	2005
KPMG		
Audit fees [1)]	34	21
Other audit related services	10	7
Tax and VAT advisory services	7	7
Other services [2)]	23	16
Total KPMG	**74**	**51**

[1)] Audit fees comprised audits of the consolidated and local Annual Reports.
[2)] Other services mainly comprised work related to acquisitions such as financial and tax due diligence etc.

6. Other income and expenses, net	2006	2005
Gain on sale of option [1)]	108	-
Gain on sale of Private Finance Initiative stake in the United Kingdom [2)]	62	-
Gain on sale of properties	7	-
Other income	**177**	**-**
Re-scoping of IT outsourcing agreement [3)]	(100)	-
Consolidation projects in the United Kingdom [4)]	(62)	-
Redundancy and severance payments relating to organisational changes [5)]	(50)	-
Costs related to change of ownership of ISS [6)]	0	(67)
Group Restructuring project [7)]	(35)	(224)
Costs related to downscaling and divestment of Damage Control units [8)]	(2)	(53)
Loss on divestment of building maintenance business in the United Kingdom	-	(4)
Other	(37)	(15)
Other expenses	**(286)**	**(363)**
Other income and expenses, net	**(109)**	**(363)**

1) Sale of a call option held by the Group related to property located in Denmark net of selling costs and write-down of fixtures.
2) Sale of the Group's interest (PFI-stake) in Catalyst Healthcare (Worchester) Ltd. which operates certain facilities at Worchester Hospital in the United Kingdom resulted in a gain of DKK 62 million.
3) The Group has as part of its outsourcing of the operation and maintenance of certain of its information technology systems incurred re-scoping costs, primarily as a result of change in the IT outsourcing agreement from a centralised to a decentralised solution.
4) The Group has initiated projects in the United Kingdom comprising a consolidation of seven properties in the South of England and outsourcing of certain related functions. The projects include termination of leaseholds, redundancy payments, write-off of fixed assets and relocation costs.
5) The Group has in 2006 carried out organisational changes at both corporate level and country management level and thereby incurred severance and redundancy payments.
6) Costs related to the change of ownership of ISS included fees to financial advisors, lawyers, auditors etc.
7) In the autumn of 2005, a Group Restructuring Project was initiated comprising certain organisational and structural changes to reduce ongoing costs in a number of countries. The project included physical relocations, termination of leaseholds, redundancy payments, and contract restructuring.
8) A downzising of the Group's Damage Control activities in Denmark, Norway and Sweden and the divestment of Damage Control activities in Israel and Sweden led to costs of DKK 2 million (DKK 53 million in 2005).

Amounts in DKK millions

7. Net finance costs	2006	2005
Interest income etc.	96	78
Amortised gain from settlement of interest rate swaps, net [1)]	23	12
Foreign exchange gain	111	2
Financial income	**230**	**92**
Interest expenses etc.	(2,152)	(1,094)
Interest expenses to affiliates	(51)	(71)
Market price adjustment of bond loans in the period, net	(197)	(127)
Amortisation of financing fees	(138)	(342)
Foreign exchange loss	(43)	(179)
Financial expenses	**(2,581)**	**(1,813)**
Net finance costs	**(2,351)**	**(1,721)**

[1)] FS Funding recognised a positive marked-to-market value of interest rate swaps hedging the Euro Medium Term Notes in the Opening Balance Sheet. The interest rate swaps hedging ISS Global's Euro Medium Term Notes were partially settled in June 2005 and the remaining part was settled in June 2006 resulting in a net gain, which will be recognised in the consolidated income statement over the remaining term of the Euro Medium Term Notes. The remaining unrecognised net gain of DKK 47 million at 31 December 2006 (DKK 113 million at 31 December 2005) will be recognised in the income statement in the financial years 2007 - 2014 corresponding to the remaining term of the Euro Medium Term Notes (see note 25, Long-term debt).

Amounts in DKK millions

8. Taxes

	2006			2005		
	Income taxes	Tax payables/ (receivables)	Deferred tax liabilities/ (assets)	Income taxes	Tax payables/ (receivables)	Deferred tax liabilities/ (assets)
Balance at 1 January	-	(58)	2,703	-	-	-
Acquisition of ISS A/S 9 May 2005	-	-	-	-	13	3,109
Foreign exchange adjustments	-	(7)	(5)	-	(1)	2
Additions from acquired companies, net	-	30	155	-	32	64
Adjustments relating to prior years, net	(34)	34	-	(11)	18	(7)
Tax regarding other equity movements	-	21	13	-	(38)	-
Tax on profit before impairment/ amortisation of intangibles [1)]	(391)	279	112	(219)	463	(244)
Subtotal	**(425)**	**299**	**2,978**	**(230)**	**487**	**2,924**
Tax effect of impairment/ amortisation of intangibles	330	-	(330)	222	(1)	(221)
Reclassification of joint taxation contribution	-	(25)	-	-	25	-
Tax paid, net	-	(324)	-	-	(569)	-
Taxes at 31 December	**(95)**	**(50)**	**2,648**	**(8)**	**(58)**	**2,703**
Tax receivables/deferred tax assets		(217)	(525)		(139)	(599)
Tax payables/deferred tax liabilities		167	3,173		81	3,302
Income tax, net/deferred tax, net		**(50)**	**2,648**		**(58)**	**2,703**

Computation of effective tax rate	2006	2005
Statutory income tax rate in Denmark	28.0 %	28.0 %
Foreign tax rate differential, net	0.6 %	(5.8)%
	28.6 %	22.2 %
Non-tax deductible expenses less non-taxable income	6.9 %	(14.4)%
Adjustments relating to prior years, net	5.3 %	(6.1)%
Change of valuation of net tax assets	20.8 %	(128.9)%
Effect of changes in tax rates	1.3 %	(3.3)%
Withholding tax	2.5 %	0.0 %
Tax impact of result after tax in associates	0.0 %	2.7 %
Effective tax rate (excluding effect from impairment/amortisation of intangibles)	**65.4 %**	**(127.8)%**

[1)] Intangibles cover the value of goodwill and customer contract portfolios and related customer relationships.

Amounts in DKK millions

9. Goodwill impairment and write-down	2006	2005
Impairment	250	-
Write-down	-	-
Goodwill impairment and write-down	**250**	-

Goodwill impairment of DKK 250 million in 2006 related to ISS Finland. For further description see note 15, Impairment tests. No Goodwill impairment or write-down was recognised in 2005.

10. Changes in working capital	2006	2005
Changes in inventories	5	(2)
Changes in trade receivables etc.	(564)	142
Changes in payables etc.	609	730
Changes in working capital	**50**	**870**

Amounts in DKK millions

11. Acquisition and divestment of businesses

The Group made 104 acquisitions during 2006 (66 during 11 March - 31 December 2005). The total purchase price amounted to DKK 4,145 million (DKK 24,071 million in 2005). The total annual revenue of the acquired businesses (unaudited approximate figure) is estimated at approximately DKK 8,408 million (DKK 47,569 million in 2005) based on expectations at the time of acquisition. The balance sheet items etc. relating to acquisitions and divestments (including adjustments to acquisitions and divestments in prior years) are specified below:

	Acquisition of Pacific Service Solutions Pty Ltd. [1]		Total acquisitions		
Acquisitions and divestments in 2006	Net book value before takeover	Fair value at takeover	Net book value before takeover	Fair value at takeover	Total divestments
Goodwill	757	-	854	-	-
Brands	-	-	-	9	-
Customer contract portfolios and related customer relationships	156	295	153	1,274	-
Other non-current assets	86	62	308	351	(68)
Trade receivables	465	465	1,312	1,290	(10)
Other current assets	34	28	469	443	(22)
Other provisions	(67)	(101)	(1)	(166)	(1)
Pensions, deferred tax liabilities and minorities	-	-	(178)	(458)	2
Long-term debt	(1)	(1)	(68)	(77)	-
Short-term debt	(177)	(177)	(336)	(337)	-
Other current liabilities	(452)	(524)	(1,435)	(1,533)	9
Net identifiable assets [2]	**801**	**47**	**1,078**	**796**	**(90)**
Hereof previously recognised as associates	(61)	(61)		(61)	-
Net identifiable assets		**(14)**		**735**	**(90)**
Goodwill [3]		1,062		3,511	-
Loss/(gain) on divestment of businesses		-		-	6
Acquisition costs, net of tax [4]		(6)		(101)	-
Purchase/(sales) price		**1,042**		**4,145**	**(84)**
Cash and cash equivalents in acquired/ divested companies		(20)		(310)	1
Net purchase/(sales) price		**1,022**		**3,835**	**(83)**
Changes in deferred payments		(9)		(398)	13
Changes in prepayments regarding acquisitions in the coming year		-		5	-
Acquisition/divestment costs paid, net of tax		5		110	2
Net payments regarding acquisition/ divestment of businesses		**1,018**		**3,552**	**(68)**

The amount of the acquiree's profit or loss since the acquisition date included in the income statement for the period is not disclosed, since such disclosure is impracticable, as acquired companies are typically merged with (or activities transferred to) existing companies shortly after completion of the acquisition.

[1] In 2006, only the acquisition of the remaining 51% of Pacific Service Solution Pty Ltd. including Tempo Services Ltd. accounted for more than 2% of the Group's revenue on an individual basis.

[2] Settlement of shareholder loans and senior debt in total of DKK 630 million was considered part of the purchase price.

[3] The following intangibles are subsumed into goodwill; i) assembled workforce, ii) technical expertise and technological know how, iii) training expertise and training and recruitment programmes and iv) platform for growth. As the Group is a service company that acquires businesses in order to apply the ISS model and generate value by restructuring and refining the acquired business, the main impact from acquisitions derives from synergies, the value of human resources and the creation of platforms for growth. Furthermore, goodwill includes an adjustment of (DKK 8 million) regarding the acquisition of ISS A/S in 2005.

[4] Acquisition costs, net of tax amounting to DKK 101 million related mainly to the acquisitions of San Rafael S.A. and Tap New S.A in Mexico, Puissance Air in France, Debeos GmbH in Germany, Pegasus Security Holding Ltd. in the United Kingdom, Pacific Service Solution Pty Ltd. including Tempo Services Ltd. in Australia and MPA Securitas Ltd. in Thailand.

Continues

Amounts in DKK millions

11. Acquisition and divestment of businesses (continued)

	Acquisition of ISS A/S		Total acquisitions		
Acquisitions and divestments in 2005	Net book value before takeover	Fair value at takeover	Net book value before takeover	Fair value at takeover	Total divestments
Goodwill	15,592	-	15,595	-	(572)
Brands	-	1,657	-	1,657	-
Customer contract portfolios and related customer relationships	1,318	7,983	1,318	8,650	(21)
Other non-current assets	3,132	3,083	3,305	3,298	(88)
Trade receivables	7,252	7,250	7,760	7,803	(140)
Other current assets	4,682	4,577	5,027	4,925	(122)
Other provisions	(686)	(692)	(718)	(722)	-
Pensions, deferred tax liabilities and minorities	(1,532)	(4,526)	(1,562)	(4,687)	24
Long-term debt	(10,863)	(9,052)	(10,923)	(9,113)	7
Short-term debt	(1,154)	(1,154)	(1,263)	(1,264)	389
Other current liabilities	(8,822)	(9,111)	(9,400)	(9,748)	181
Net identifiable assets	**8,919**	**15**	**9,139**	**799**	**(342)**
Goodwill [1)]		22,035		23,490	-
Loss/(gain) on divestment of businesses		-		-	22
Acquisition costs, net of tax [2)]		(154)		(218)	-
Purchase/(sales) price		**21,896**		**24,071**	**(320)**
Cash and cash equivalents in acquired/divested companies		(2,332)		(2,588)	79
Net purchase/(sales) price		**19,564**		**21,483**	**(241)**
Changes in deferred payments		-		(129)	(26)
Changes in prepayments regarding acquisitions in the coming year		-		(107)	-
Acquisition costs paid, net of tax		139		208	-
Net payments regarding acquisition/ divestment of businesses		**19,703**		**21,455**	**(267)**

The amount of the acquiree's profit or loss since the acquisition date included in the income statement for the period is not disclosed, since such disclosure is impracticable, as acquired companies are typically merged with (or activities transferred to) existing companies shortly after completion of the acquisition.

[1)] The following intangibles are subsumed into goodwill; i) assembled workforce, ii) technical expertise and technological know how, iii) training expertise and training and recruitment programmes and iv) platform for growth. As the Group is a service company that acquires businesses in order to apply the ISS model and generate value by restructuring and refining the acquired business, the main impact from acquisitions derives from synergies, the value of human resources and the creation of platforms for growth.

[2)] Acquisition costs, net of tax, amounting to DKK 218 million related mainly to the acquisitions of ISS A/S, Eastpoint Group in Hong Kong and Proser in Turkey.

Continues

Amounts in DKK millions

11. Acquisition and divestment of businesses (continued)	2006	2005
Pro forma revenue [1]		
Revenue recognised in the income statement	55,772	31,741
Adjustment, assuming all acquisitions in the year were included as of 1 January [2]	2,719	16,601
Revenue for the Group assuming all acquisitions in the year were included as of 1 January [2]	58,491	48,342
Adjustment, assuming all divestments signed in the year were carried out as of 1 January [2]	(101)	(612)
Revenue for the Group assuming all acquisitions and divestments in the year were carried out as of 1 January [2]	**58,390**	**47,730**
Pro forma operating profit before other items [1]		
Operating profit before other items recognised in the income statement	3,234	1,932
Adjustment, assuming all acquisitions in the year were included as of 1 January [2]	186	845
Operating profit before other items for the Group assuming all acquisitions in the year were included as of 1 January [2]	3,420	2,777
Adjustment, assuming all divestments signed in the year were carried out as of 1 January [2]	(3)	(67)
Operating profit before other items for the Group assuming all acquisitions and divestments in the year were carried out as of 1 January [2]	**3,417**	**2,710**

[1] The adjustment for revenue and operating profit before other items assuming all acquisitions and divestments were included as of 1 January is based on estimates of local ISS management in the respective jurisdictions in which such acquisitions and divestments occurred at the times of such acquisitions and divestments or actual results where available. Synergies from acquisitions are not included for periods in which such acquisitions were not controlled by the Group. These adjustments and the computation of total revenue and operating profit before other items calculated on a pro forma basis based on such adjustments are presented for informational purposes only and have not been audited. This information does not represent the results the Group would have achieved had the divestments and acquisitions 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.

[2] For practical purposes the adjustment for 2005 has been made as of 1 January and not 11 March.

Continues

Amounts in DKK millions

11. Acquisition and divestment of businesses (continued)

During 2006, the Group made 104 acquisitions

Company	Country	Income statement consolidated from	Percentage interest	Annual revenue [1)]	Number of employees [1)]
Ejendomsforeningen Danmark	Denmark	January	Activities	0	-
ASM	Portugal	January	Activities	5	17
Sinon International srl	Romania	January	100%	10	365
Sistems Horticulture	Australia	January	Activities	12	35
Frenta Oy	Finland	January	100%	3	4
PH-Palvelut Oy	Finland	January	Activities	3	6
Vaktmestersentralen AS	Norway	January	100%	12	28
Matpartner	Norway	January	Activities	21	20
Aquaris	Norway	January	Activities	5	4
Planteservice	Norway	January	Activities	6	11
Planterike	Norway	January	Activities	2	4
Raise Contact Center	Denmark	January	Activities	17	248
Terrakultur Stockholm AB / Codeum Finance AB	Sweden	January	100%	26	65
Agro Top Service SARL	France	January	100%	7	15
National Services Company B.V.	Netherlands	January	100%	20	86
Pegasus Security Holdings Ltd.	United Kingdom	January	100%	427	1,581
MPA Securitas Ltd.	Thailand	January	100%	50	3,500
Cleaning Plus	New Zealand	February	Activities	34	370
Hygeco SAS	France	February	100%	12	14
Charlestown SA	France	February	100%	159	323
Fruktbilen i Stockholm AB	Sweden	February	100%	6	10
Mats & Gun Wahlin AB	Sweden	February	100%	1	2
Optimal Group	Czech Rep	February	100%	74	415
Janco Pest Management	Australia	February	Activities	1	2
Bluebell Hospitality	India	February	Activities	2	90
Grundell Oy	Finland	February	100%	21	80
B&S Virityspalvelu	Finland	February	Activities	8	16
Tempo Services Ltd. [2)]	Australia	March	100%	2,923	17,136
Coffee-team	Norway	March	Activities	6	4
EW Service Group	Switzerland	March	Activities	4	30
OS Verktakar	Iceland	March	Activities	2	12
Mandresa AB	Sweden	March	100%	43	29
JB Security Ltd.	Ireland	March	100%	14	54
Merusa	Spain	March	100%	57	239
K+S Hygiene GmbH	Austria	March	100%	4	12
Münchener Kindl GmbH	Germany	March	100%	83	803
Dr. Rantasa GmbH	Austria	March	100%	70	350
PT Dimas Jaya	Indonesia	March	Activities	10	1,320
Norfolk International	Israel	March	100%	374	1,677
ServiceGroup A.S.	Turkey	March	100%	148	3,000
San Rafael S.A. and Tap New S.A.	Mexico	April	100%	276	9,500
Lyon y Compañia Ltda.	Chile	April	100%	66	2,054
De Kobra Services	Belgium	April	Activities	12	29
El-Partners A/S	Denmark	April	100%	26	28
Demogruppen AB	Sweden	April	100%	40	370
Germtech Hygiene	New Zealand	April	Activities	3	2
Subtotal				**5,105**	**43,960**

[1)] Unaudited approximate figures based on information available at the time of acquisition.

[2)] The acquisition comprised the remaining 51% shares in Pacific Service Solution Ply Ltd. including Tempo Services Ltd., not already owned by the Group.

Continues

Amounts in DKK millions

11. Acquisition and divestment of businesses (continued)

Company	Country	Income statement consolidated from	Percentage interest	Annual revenue [1)]	Number of employees [1)]
Personell24 AS	Norway	May	100%	10	3
ISB Bedriejftscatering	Belgium	May	Activities	18	70
Actum Norge AS	Norway	May	100%	17	20
Mayday Bemanning AB	Sweden	May	100%	36	130
Target Excel plc	United Kingdom	May	100%	82	1,282
Monta Mega BVBA	Belgium	May	100%	22	21
Florena AB	Sweden	May	100%	3	6
Fruitservice	Denmark	May	Activities	1	-
Holland Security Group B.V.	Netherlands	May	100%	56	271
Rådgiverne Rekruttering og Utvikling AS	Norway	June	100%	13	5
Bemanningsservice AS	Norway	June	100%	17	6
Bemex AS	Norway	June	100%	69	6
Attensam srl	Romania	June	100%	3	90
SOGEP SAS	France	June	100%	25	122
WRS Reingung AG	Switzerland	June	100%	26	300
Limpiberia S.A.	Spain	June	100%	31	240
Dauzet SAS	France	June	100%	20	218
Coalfer	Spain	June	100%	6	75
Group Ciptamulti Agungjaya	Indonesia	July	Activities	29	4,900
Johnson Environmental Pest Control Ltd.	United Kingdom	July	Activities	5	-
Lunchmaster Restaurang AB	Sweden	July	100%	54	85
Noordelijke Beveiligings Organisatie B.V.	Netherlands	July	100%	165	474
Puissance Air	France	July	100%	212	370
Ræstir	Iceland	July	Activities	11	80
Selas North	Greece	July	100%	84	540
Edelweiss Facility Management	Switzerland	July	100%	732	700
Mistral	Luxembourg	August	100%	1	3
First Security Guard Services Ltd.	New Zealand	August	100%	43	350
SIE	Argentina	August	Activities	16	135
Gayren Maintenance Services	Philippines	August	Activities	15	1,141
JJJ DDD s.r.o.	Slovakia	August	100%	5	9
Grupo Clisa	Spain	August	100%	152	2,602
Shanghai Houban Catering	China	August	Activities	5	269
Mekelenkamp	Netherlands	September	Activities	9	15
First Response	United Kingdom	September	100%	17	20
BJP Manutencao	Brazil	September	100%	71	629
Terminix	Turkey	September	100%	17	84
Aircon Østfold	Norway	September	Activities	2	10
Hydroculture-Scape	Singapore	September	100%	18	105
Perfect Clean	Romania	September	100%	6	230
Wolfson Call Center	Netherlands	September	100%	70	277
TMM Trädgård - & Markmiljö	Sweden	October	Activities	112	160
Sertema	Spain	October	Activities	7	29
D.M.T. Electrical	Ireland	October	Activities	5	5
Ecolocontrol	Spain	October	100%	5	14
Subtotal				**7,428**	**60,061**

[1)] Unaudited approximate figures based on information available at the time of acquisition.

Continues

Amounts in DKK millions

11. Acquisition and divestment of businesses (continued)

Company	Country	Income statement consolidated from	Percentage interest	Annual revenue [1]	Number of employees [1]
Etkin A.S.	Turkey	November	100%	50	979
Oslo Ventilasjon	Norway	November	100%	37	7
Lease Plant International NV	Belgium	November	100%	8	11
Unistaff GmbH	Austria	November	100%	35	302
Sahlman	Finland	November	Activities	1	3
Debeos GmbH	Germany	December	100%	525	582
Biligiri	India	December	100%	5	150
Aktiv Skadedyrskontroll	Norway	December	100%	14	20
Grupo Coinsfri	Spain	December	100%	180	190
GFG Federmann GmbH	Austria	December	100%	46	302
Falcri Ltda	Uruguay	December	100%	11	511
Pan Asia	Hong Kong	December	100%	63	876
APC Praha	Czech Rep	December	100%	5	13
Total				**8,408**	**64,007**

[1] Unaudited approximate figures based on information available at the time of acquisition.

During 2006, the Group divested the following 5 companies/activities

Company/activity	Country	Month of disposal	Annual revenue [1]
Industriservice	Sweden	April	201
ISS Batiservices	France	June	58
Roofing Business	France	July	24
PFI Hospital activities	Slovenia	July	4
Waste Management Business	Estonia	December	3
Total			**290**

[1] Unaudited approximate figures based on information available at the time of divestment.

Continues

Amounts in DKK millions

11. Acquisition and divestment of businesses (continued)

Acquisitions and divestments in 2007 [1]	Total acquisitions Net book value before takeover	 Fair value at takeover
Customer contracts portfolios and related customer relationships	-	117
Other non-current assets	37	37
Trade receivables	47	47
Other current assets	45	45
Pensions, deferred tax liabilities and minorities	(31)	(54)
Long-term debt	(1)	(1)
Short-term debt	(1)	(1)
Other current liabilities	(46)	(46)
Net identifiable assets	**50**	**144**
Goodwill		42
Purchase price		**186**
Cash and cash equivalents in acquired companies		(43)
Net purchase price		**143**

[1] Unaudited figures up until 31 January 2007.

From 1 January to 28 February 2007, the Group made 20 acquisitions [1]

Company	Country	Income statement consolidated from	Percentage interest	Annual revenue [2]	Number of employees [2]
FM-Complete	Austria	January	100%	22	27
Advanced Group	United Kingdom	January	Activities	9	17
JV Strong	United Kingdom	January	100%	98	250
Jobbcoach	Norway	January	Activities	3	2
Karitza KV Holdus	Estonia	January	100%	2	51
Fealty	Taiwan	January	100%	41	82
Topman	Taiwan	January	100%	147	1,700
Prestanet	France	February	100%	16	100
Plantiago	Portugal	February	100%	23	95
Jardi Breiz	France	February	100%	42	50
Omni Net Services	France	February	100%	18	113
Suprema Group	Portugal	February	100%	62	800
PCC	Belgium	February	100%	24	30
Top Service	Argentina	February	100%	42	940
Nadese S.L.	Spain	February	100%	19	140
SMW Brazil	Brazil	February	100%	99	513
Megalimpa	Portugal	February	Activities	9	113
Lux Interim	Luxembourg	March	100%	39	5
J.P.S. servis	Slovakia	March	100%	8	335
Morel SAS	France	March	100%	45	400
Total				**768**	**5,763**

[1] Includes all acquisitions signed prior to 1 March 2007 regardless of consolidation date.
[2] Unaudited approximate figures based on information available at the time of acquisition.

Continues

Amounts in DKK millions

11. Acquisition and divestment of businesses (continued)

From 1 January to 28 February 2007, the Group made 2 divestments [1)]

Company/activity	Country	Month of disposal	Annual revenue [2)]
Move business (non size based)	Finland	February	54
Niaga Suria Group	Malaysia	February	15
Total			**69**

[1)] Includes all divestments completed prior to 1 March 2007.
[2)] Unaudited approximate figures based on information available at the time of divestment.

12. Investments in non-current assets	2006	2005
Purchase of intangible assets[1)] and property, plant and equipment	(982)	(463)
Proceeds on sales of intangible assets and property, plant and equipment	139	91
Investments in intangible assets and property, plant and equipment, net	**(843)**	**(372)**
Investments in securities, net	5	678
Investments in other financial assets, net [2)]	42	34
Investments in financial assets, net	**47**	**712**

[1)] Excluding goodwill, brands and customer contract portfolios and related customer relationships.
[2)] Including sale of Private Finance Initative stake in the United Kingdom.

13. Net proceeds from financing	2006	2005
Long-term and short-term debt at 1 January	(24,685)	-
Acquisition of ISS A/S 9 May 2005	-	(10,206)
Foreign exchange and other adjustments	24	(169)
Additions from acquired and divested companies, net	(414)	225
Fair value adjustments and amortisation of gains/losses related to swaps	92	(133)
Reversal of effect from loan costs	250	85
Recognition of financial lease	(39)	(162)
Market price adjustment of bond loans	(197)	(127)
Financial payments related from/to affiliates, net	179	(81)
Long-term and short-term debt at 31 December	28,640	24,685
Net proceeds from financing	**3,850**	**14,117**

Amounts in DKK millions

14. Intangible assets

	Goodwill	Brands [1]	Customer contracts [2]	Software and other intangible assets	Total
2006					
Cost at 1 January 2006	22,995	1,667	8,632	183	33,477
Foreign exchange adjustments	(67)	(4)	(39)	0	(110)
Additions [3]	3,500	-	-	116	3,616
Additions from acquired companies, net	-	8	1,271	11	1,290
Disposals	-	-	-	(67)	(67)
Transfer to Property, plant and equipment	-	-	-	(3)	(3)
Cost at 31 December 2006	**26,428**	**1,671**	**9,864**	**240**	**38,203**
Impairment, write-down and amortisation at 1 Januar 2006	-	(3)	(754)	(48)	(805)
Foreign exchange adjustments	-	0	3	1	4
Amortisation	-	(4)	(1,111)	(62)	(1,177)
Amortisation from acquired companies, net	-	-	-	(8)	(8)
Impairment	(250)	-	-	-	(250)
Disposals	-	-	-	65	65
Impairment, write-down and amortisation at 31 December 2006	**(250)**	**(7)**	**(1,862)**	**(52)**	**(2,171)**
Carrying amount at 31 December 2006	**26,178**	**1,664**	**8,002**	**188**	**36,032**
2005					
Cost at acquisition of ISS A/S 9 May 2005	22,035	1,657	7,983	169	31,844
Foreign exchange adjustments	53	10	3	-	66
Additions [3]	1,479	-	-	38	1,517
Additions from acquired companies, net	-	-	646	12	658
Disposals	(572)	-	-	(39)	(611)
Transfer from Property, plant and equipment	-	-	-	3	3
Cost at 31 December 2005	**22,995**	**1,667**	**8,632**	**183**	**33,477**
Foreign exchange adjustments	-	-	-	0	0
Amortisation	-	(3)	(754)	(53)	(810)
Amortisation from acquired companies, net	-	-	0	(9)	(9)
Write-down	-	-	-	(24)	(24)
Disposals	-	-	-	39	39
Transfer from Property, plant and equipment	-	-	-	(1)	(1)
Impairment, write-down and amortisation at 31 December 2005	**-**	**(3)**	**(754)**	**(48)**	**(805)**
Carrying amount at 31 December 2005	**22,995**	**1,664**	**7,878**	**135**	**32,672**

[1] The carrying amount of the ISS brand amounted to DKK 1,640 million as at 31 December 2006. The ISS brand 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 cost attached.

[2] Includes customer contract portfolios and related customer relationships.

[3] In 2006, Additions to goodwill included DKK 1,062 million relating to the acquisition of all remaining shares of Pacific Service Solution Pty Ltd. including Tempo Services Ltd., Australia. In 2005, Additions to goodwill included DKK 24 million relating to associates now fully owned.

Amounts in DKK millions

15. Impairment tests

The Group performs impairment tests on intangibles[1)] annually and whenever there is an indication that intangibles may be impaired. As described in note 9 an impairment loss of DKK 250 million has been recognised in 2006.

The Group's intangibles primarily relate to the purchase price allocation following the take-over of ISS A/S as at 9 May 2005. A part of the Group's intangibles relate to acquisitions carried out after the take-over of ISS A/S as at 9 May 2005. Companies acquired after the take-over comprise a diverse portfolio of service types, customer segments, geographical regions, contract sizes and management skills.

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

Acquired companies are typically organisationally integrated and merged with (or activities transferred to) existing Group companies shortly after the completion of the acquisition. Furthermore, synergies and other effects resulting from cooperation with existing Group companies in their geographical or business area normally influence the financial performance of an acquired company. Consequently, after a short period of time, it is generally not possible to track and measure the value of intangibles of the individual acquired companies (or activities) with any reasonable certainty.

As a company based in Europe, the Group assumes the long-term market equity risk premium to be 3.5%. When performing impairment test for individual CGU's, the risk premium applied may be higher than the Group's. When doing acquisitions the Group typically applies a hurdle rate, which is significantly higher than the calculated cost of capital.

The carrying amount of intangibles and the key assumptions[2)] used in the impairment testing for each CGU representing more than 5% of the carrying amount of intangibles are presented below.

	Carrying amount				Applied expected long-term rate		Applied rate
	Goodwill	Brands	Customer contracts [3)]	Total intangibles [1)]	Growth	Margin	Discount rate, net of tax
2006							
France	5,113	320	1,170	6,603	3.0%	6.7%	8.2%
United Kingdom	2,689	219	1,001	3,909	3.0%	6.5%	8.4%
Finland [4)]	2,274	120	862	3,256	3.0%	8.5%	9.1%
Norway	1,955	131	746	2,832	3.0%	7.4%	9.0%
Netherlands [5)]	1,954	122	370	2,446	3.0%	6.5%	8.4%
Denmark	1,798	131	456	2,385	3.0%	7.0%	8.6%
Sweden	1,318	116	341	1,775	3.0%	6.2%	9.0%
Other	9,077	505	3,056	12,638			
Total carrying amount at 31 December 2006	**26,178**	**1,664**	**8,002**	**35,844**			

1) In this context intangibles cover the value of goodwill, brands and customer contracts portfolios and related customer relationships resulting from the acquisition of companies.

2) 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.

3) Includes customer contract portfolios and related customer relationships.

4) The growth in Finland is expected to be 3.3% on average over the next nine years while the margin is expected to be 7.6% on average over the next seven years.

5) The growth in the Netherlands is expected to be 3.2% on average over the next seven years.

Continues

Amounts in DKK millions

15. Impairment tests (continued)

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 turnover 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. The operating margin is based on past performance and expectations for the future market development. The assumptions applied in the short to medium term are based on management's expectations regarding the development in growth and operating margin. The terminal growth rates do not exceed the expected long-term average growth rate including inflation for the business in which the CGU's operate.

Uncertainties reflecting historical performance and possible variations in the amount or timing of the future cash flow is reflected in the discount rate.

In determining the country specific discount rates, which are calculated net of tax, a target ratio of 75/25 between the market value of debt and enterprise value is used. A country specific risk premium has been added to the discount rates to reflect the specific risk associated with each CGU.

The Group's activities in Finland
The intangibles in ISS Finland almost entirely relate to the intangibles allocated in the purchase price allocation following the take-over of ISS A/S as at 9 May 2005. At the date of take-over, the value in use of all individual CGUs was identical to or close to the carrying amount of the CGU at the take-over date. Consequently a decline in value in use of an individual CGU subsequent to the purchase price allocation will trigger an impairment.

The impairment test for ISS Finland has been based on a business plan prepared by the management of ISS Finland applying the assumptions set out below. The impairment test resulted in an impairment loss of DKK 250 million which was caused by a deterioration in business conditions in a declining market, and thus lower expectations for future earnings combined with an increase in the discount rate applied.

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 unit's recoverable amount equals its carrying amount.

	Growth		Margin		Discount rate, net of tax	
	Applied expected long-term rate	Allowed decrease	Applied expected long-term rate	Allowed decrease	Applied rate	Allowed increase
2006						
France	3.0%	0.5%	6.7%	0.6%	8.2%	0.5%
United Kingdom	3.0%	2.3%	6.5%	1.9%	8.4%	2.3%
Finland [1)]	3.0%	0.0%	8.5%	0.0%	9.1%	0.0%
Norway	3.0%	2.7%	7.4%	2.2%	9.0%	2.7%
Netherlands [2)]	3.0%	1.9%	6.5%	1.7%	8.4%	1.9%
Denmark	3.0%	1.2%	7.0%	1.2%	8.6%	1.2%
Sweden	3.0%	>3.0%	6.2%	3.0%	9.0%	5.7%

[1)] The growth in Finland is expected to be 3.3% on average over the next nine years while the margin is expected to be 7.6% on average over the next seven years.
[2)] The growth in the Netherlands is expected to be 3.2% on average over the next seven years.

Continues

Amounts in DKK millions

15. Impairment tests (continued)

	Carrying amount				Applied expected long-term rate		Applied rate
	Goodwill	Brands	Customer contracts[1)]	Total intangibles [2)]	Growth	Margin	Discount rate, net of tax
2005							
France	4,883	320	1,290	6,493	3.0%	6.6%	7.4%
United Kingdom	2,494	216	993	3,703	3.0%	6.4%	7.8%
Finland	2,493	120	960	3,573	3.0%	8.9%	7.8%
Norway	1,892	135	826	2,853	3.0%	7.2%	8.3%
Denmark	1,770	131	544	2,445	3.0%	7.0%	8.0%
Netherlands	1,819	122	379	2,320	3.0%	7.0%	7.9%
Belgium	1,304	86	390	1,780	3.0%	6.5%	6.9%
Germany [3)]	822	63	60	945	3.0%	5.8%	7.9%
Other	5,518	471	2,436	8,425			
Total carrying amount at 31 December 2005	**22,995**	**1,664**	**7,878**	**32,537**			

	Growth		Margin		Discount rate, net of tax	
	Applied expected long-term rate	Allowed decrease	Applied expected long-term rate	Allowed decrease	Applied rate	Allowed increase
2005						
France	3.0%	0.6%	6.6%	0.7%	7.4%	0.6%
United Kingdom	3.0%	1.4%	6.4%	1.4%	7.8%	1.4%
Finland	3.0%	0.8%	8.9%	1.2%	7.8%	0.8%
Norway	3.0%	1.3%	7.2%	1.4%	8.3%	1.3%
Denmark	3.0%	1.3%	7.0%	1.4%	8.0%	1.3%
Netherlands	3.0%	2.2%	7.0%	2.1%	7.9%	2.1%
Belgium	3.0%	1.1%	6.5%	1.4%	6.9%	1.1%
Germany [3)]	3.0%	0.0%	5.8%	0.0%	7.9%	0.0%

[1)] Includes customer contract portfolios and related customer relationships.

[2)] In this context intangibles cover the value of goodwill and customer contracts portfolios and related customer relationships resulting from acquisition of companies.

[3)] For impairment test purposes the growth in Germany is expected to be 1.6% on average over the next five years while the margin is expected to be 4.6% on average over the next eight years.

Amounts in DKK millions

16. Property, plant and equipment

	2006			2005		
	Land and buildings	Plant and equipment	Total	Land and buildings	Plant and equipment	Total
Cost at 1 January	300	1,895	2,195	-	-	-
Acquisition of ISS A/S 9 May 2005	-	-	-	244	1,575	1,819
Foreign exchange adjustments	(3)	(21)	(24)	2	29	31
Additions	10	857	867	17	409	426
Other additions [1)]	-	40	40	63	87	150
Additions from acquired companies, net	3	376	379	(3)	167	164
Disposals	(24)	(587)	(611)	(23)	(369)	(392)
Transfers [2)]	2	1	3	-	(3)	(3)
Cost at 31 December	**288**	**2,561**	**2,849**	**300**	**1,895**	**2,195**
Depreciation at 1 January	(8)	(231)	(239)	-	-	-
Foreign exchange adjustments	0	13	13	(3)	(20)	(23)
Depreciation	(18)	(665)	(683)	(11)	(387)	(398)
Depreciation from acquired companies, net	(2)	(233)	(235)	(0)	(126)	(126)
Disposals	2	456	458	6	301	307
Transfers	-	-	-	-	1	1
Depreciation at 31 December	**(26)**	**(660)**	**(686)**	**(8)**	**(231)**	**(239)**
Carrying amount at 31 December	**262**	**1,901**	**2,163**	**292**	**1,664**	**1,956**

Land and buildings with a carrying amount of DKK 4 million (DKK 18 million in 2005) have been provided as collateral for mortgage debt of DKK 1 million (DKK 5 million in 2005). Plant and equipment with a carrying amount of DKK 6 million (DKK 6 million in 2005) have been provided as collateral for long-term and short-term debt of DKK 0 million (DKK 0 million in 2005). The carrying amount of the Group's Land and buildings under finance leases was DKK 59 million (DKK 63 million in 2005). The carrying amount of the Group's Plant and equipment under finance leases was DKK 207 million (DKK 164 million in 2005).

[1)] In 2006, Other additions to Plant and equipment included DKK 40 million in finance leases. In 2005, Other additions to Land and buildings included DKK 63 million of finance leases, and Other additions to Plant and equipment included DKK 87 million of finance leases.
[2)] In 2006, DKK 3 million was transferred from Intangible assets. In 2005, DKK 3 million was transferred to Intangible assets.

Amounts in DKK millions

17. Associates	2006	2005
Investments in associates		
Cost at 1 January	121	-
Acquisition of ISS A/S 9 May 2005	-	149
Foreign exchange adjustments	(3)	0
Additions	11	6
Additions from acquired companies, net	-	(7)
Disposals [1]	(69)	(27)
Cost at 31 December	**60**	**121**
Revaluation at 1 January	11	-
Foreign exchange adjustments	(1)	-
Net result for the year	(17)	13
Dividends received	(1)	-
Disposals [1]	14	(2)
Revaluation at 31 December	**6**	**11**
Carrying amount at 31 December	**66**	**132**
Receivable from associate	**-**	**179**

							The Group's share		
2006	Country	Revenue	Operating profit	Net result	Assets	Liabilities	Owner-ship %	Equity	Net result
Pacific Service Solutions Pty Ltd. [2]	Australia	437	(22)	(54)	-	-	49	-	(26)
Aircon AS	Norway	131	15	12	46	16	40	12	5
ISS Industriservice AB [3]	Sweden	169	11	7	109	81	49	14	3
Other associates		217	4	4	73	54		8	1
		954	**8**	**(31)**	**228**	**151**		**34**	**(17)**
Goodwill at 31 December 2006								32	-
Total carrying amount at 31 December 2006								**66**	**(17)**

							The Group's share		
2005	Country	Revenue	Operating profit	Net result	Assets	Liabilities	Owner-ship %	Equity	Net result
Pacific Service Solutions Pty Ltd. [2]	Australia	2,174	103	22	1,598	1,435	49	78	11
Grødegaard AS [4]	Norway	38	-	(4)	-	-	48	-	(2)
Aircon AS	Norway	105	10	6	49	29	40	7	3
Other associates		109	3	2	67	42		13	1
		2,426	**116**	**26**	**1,714**	**1,506**		**98**	**13**
Goodwill at 31 December 2005								34	-
Total carrying amount at 31 December 2005								**132**	**13**

[1] Including transfers related to associates now fully owned.
[2] The remaining 51% shareholding in Pacific Service Solutions Pty Ltd. including Tempo Services Ltd. was acquired in February 2006. Operating profit in 2006 is negatively impacted by vesting of warrants amounting to DKK 32 million in connection with the acquisition of the remaining 51% shareholding.
[3] 51% of the 100% shareholding was sold 1 April 2006.
[4] The remaining 52% shareholding was acquired 1 July 2005.

Amounts in DKK millions

18. Deferred tax	2006		2005	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Tax loss carried forward	201	-	247	-
Goodwill	114	161	151	149
Brands	-	501	-	505
Customer contracts [1)]	-	2,387	-	2,342
Property, plant and equipment	158	203	51	159
Provisions	551	-	513	-
Bond loans	-	307	-	363
Losses in foreign subsidiaries under Danish joint taxation	-	68	-	68
Other	80	125	14	93
Set-off within legal tax units and jurisdictions	(579)	(579)	(377)	(377)
Deferred tax	**525**	**3,173**	**599**	**3,302**

The recognition of deferred tax asset regarding tax loss carried forward is supported by expected future profitability in the foreseeable future.

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

Unrecognised tax assets
The Group had unrecognised deferred tax assets regarding tax losses carried forward in the following countries:

	2006			2005		
	Total	Recognised	Unrecognised	Total	Recognised	Unrecognised
Denmark	459	-	459	284	52	232
Germany	295	135	160	324	164	160
Brazil	25	2	23	24	6	18
Belgium	15	2	13	23	15	8
Argentina	5	-	5	2	-	2
New Zealand	2	-	2	-	-	-
Israel	-	-	-	3	1	2
Total			**662**			**422**

The unrecognised tax loss can be carried forward indefinitely in the individual countries. Deferred tax assets relating to tax losses carried forward are only recognised to the extent that it is more likely than not that future taxable profit will be available against which the unused tax losses can be utilised.

[1)] Includes customer contract portfolios and related customer relationships.

19. Other financial assets	2006	2005
Investment in Public Finance Initiatives (PFI)	25	48
Costs related to Public Private Partnerships (PPP)/PFI contracts	58	58
Regulatory long-term loans	43	39
Other	113	89
Other financial assets	**239**	**234**

Amounts in DKK millions

20. Inventories	2006	2005
Raw materials and supplies	102	131
Work in progress	60	52
Finished goods	162	117
Inventories	**324**	**300**
Inventories expensed	**4,911**	**2,556**

21. Trade receivables and contract work in progress	2006	2005
Trade receivables [1]	**9,281**	**7,564**
Provision for doubtful debts included in trade receivables	(225)	(202)
Debtor days [2]	48	47
Contract work in progress		
Contract expenses	221	164
Recognised profits	37	23
Contract work in progress, gross	**258**	**187**
Advances and prepayments	(51)	(34)
Contract work in progress, net	**207**	**153**

[1] The carrying amount of trade receivables approximates their fair values.

[2] Debtor days is calculated by dividing trade receivables with daily revenue including VAT.

22. Other receivables	2006	2005
Receivable from affiliates [1]	94	106
Receivable from associate [2]	-	179
Interest rate swaps [3]	112	27
Prepayments	351	327
Other	367	205
Other receivables [4]	**924**	**844**

[1] Effective interest rate regarding receivable from affiliates was 5.3% (2005: 5.4%).

[2] Effective interest rate regarding receivable from associate was 15.0%.

[3] The marked-to-market value of interest rate swaps.

[4] The carrying amount of other receivables approximates their fair values.

23. Securities, cash and cash equivalents	2006	2005	2006	2005	2006	2005
	Carrying amount		Average effective rate (%)		Average duration (years)	
Bonds [1)]	58	55	4.0	3.1	3.6	1.6
Other	1	4	-	-	-	-
Securities	**59**	**59**				
Cash and cash equivalents [2)]	**2,216**	**1,804**	**3.5**	**2.0**		

1) Listed Danish mortgage bonds.
2) Of the total cash position, DKK 31 million (2005: DKK 51 million) is restricted and DKK 155 million (2005: DKK 0 million) is reserved for amortisation of Term Facility A in accordance with the terms of the Senior Facilities Agreement.

24. Share capital	2006	2005
Share capital (in DKK millions)		
Share capital at 1 January / 11 March	100	1
Capital increase	-	99
Share capital at 31 December	**100**	**100**
Share capital (in thousands of shares)		
Number of shares at 1 January / 11 March	100,000	1,000
Issued during the year	-	99,000
Number of shares at 31 December - fully paid	**100,000**	**100,000**

25. Long-term debt	2006	2005
Euro Medium Term Notes [1]		
Notes due 2010	5,939	5,836
Notes due 2014	3,017	2,929
Interest rate swaps	47	138
Senior facilities [2]		
Term facility A	1,480	1,891
Term facility B	4,973	2,401
Acquisition facilities	2,508	1,304
Subordinated notes [3]		
Floating notes due 2016	6,153	-
8.875% notes due 2016	3,286	-
Debt to affiliate	-	992
Other long-term debt	222	208
Total long-term debt [4]	**27,625**	**15,699**
Fair value of long-term debt [5]	28,815	15,731
Long-term debt is payable as follows:		
1-5 years	7,853	5,607
After 5 years	19,772	10,092
Total	**27,625**	**15,699**
Effective interest rate [6]	6.96%	5.33%

The Group's total long-term debt is denominated in the following currencies:

DKK	2.0%	8.6%
EUR	85.2%	69.0%
GBP	6.7%	9.7%
NOK	2.8%	6.1%
SEK	2.3%	4.7%
USD-related	0.0%	0.0%
Others	1.0%	1.9%
	100.0%	**100.0%**

The Group had no debt convertible into equity.

[1] ISS Global A/S, a wholly owned subsidiary of ISS A/S, listed a Euro Medium Term Note programme in September 2003 and subsequently launched its inaugural issue. The EUR 850 million notes have a maturity of seven years and an annual coupon of 4.75%. In December 2004, ISS Global A/S issued EUR 500 million of notes with a maturity of ten years and an annual coupon of 4.50%. At 31 December 2006, the weighted average interest rate was 4.66% (2005: 4.49%). See also Note 7, Net finance costs.

[2] The senior facilities are subject to customary undertakings, covenants (including financial covenants) and other restrictions. At 31 December 2006 the term facility A and term facility B had weighted average floating interest rates of 5.73% and 6.62% respectively (2005: 4.21% and 6.61%). The acquisition facilities had a weighted average floating interest rate of 5.97% (2005: 4.67%).

[3] In May 2006, FS Funding A/S issued EUR 850 million of euro-denominated subordinated floating notes. The notes bear interest at a rate per annum equal to 3 month Euribor plus 6.625%, reset quarterly, and mature on 15 May 2016. In December 2006, FS Funding A/S partially hedged the interest exposure on the floating notes with a EUR 540 million interest rate swap. Also in May 2006, FS Funding A/S issued EUR 454 million of euro-denominated subordinated notes. The notes have an annual coupon of 8.875%, payable semi-annually in arrears, and mature on 15 May 2016. At 31 December 2006, the weighted average interest rate was 9.84%.

[4] In 2006, financing fees amounting to DKK 376 million (2005: DKK 477 million) have been recognised in long-term debt.

[5] The fair value of long-term debt is based on the quoted market price on the Luxembourg Stock Exchange of the Euro Medium Term Notes and the subordinated notes. For the remaining long-term debt fair value is equal to the nominal value.

[6] Weighted average taking the effect of interest rate hedges into account.

Continues

Amounts in DKK millions

25. Long-term debt (continued)

Finance lease obligations are payable as follows:

	2006			2005		
	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
Within 1 year	101	(13)	88	110	(12)	98
1-5 years	148	(23)	125	92	(12)	80
After 5 years [1]	89	(20)	69	84	(18)	66
	338	**(56)**	**282**	**286**	**(42)**	**244**

[1] Financial lease obligations after five years related to buildings.

26. Pensions and similar obligations

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

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

In certain countries, the Group participates in multi-employer pension schemes. The funds are currently not able to provide the necessary information in order for the Group to account for the schemes as defined benefit plans.

In the Netherlands two curtailment gains have been recognised in the income statement under staff costs. These are a consequence of a reduction in the future benefits of the participants in the defined benefit plan and have resulted in a curtailment gain of DKK 98 million.

Continues

Amounts in DKK millions

26. Pensions and similar obligations (continued)

Actuarial calculations and valuations are performed annually for all major defined benefit plans. The actuarial assumptions vary from country to country due to local conditions. The range of actuarial assumptions used is as follows:

	2006	2005
Discount rates at 31 December [1)]	2.9-6.5%	2.7-5.0%
Expected return on plan assets at 31 December	2.5-6.6%	3.0-6.5%
Future salary increases	1.6-4.1%	2.0-4.0%
Future pension increases	0.3-2.9%	0.3-2.8%

The amounts recognised in the income statement are as follows:

Current service costs	134	64
Interest on obligation	99	66
Expected return on plan assets	(83)	(52)
Recognised past service costs, net	(0)	0
Gains on curtailments and settlements, net	(99)	(57)
Recognised in the income statement as staff costs	**51**	**21**
Actual return on plan assets	**70**	**67**

The amounts recognised in the balance sheet are as follows:

Present value of funded obligations	2,879	1,827
Fair value of plan assets	(2,606)	(1,441)
Funded obligations, net	273	386
Present value of unfunded obligations	567	413
Unrecognised past service costs	1	2
Accumulated effect of asset ceiling	3	-
Net liability	**844**	**801**

Changes in the net liability recognised in the balance sheet are as follows:

Net liability at 1 January before reclassifications	801	-
Reclassifications	26	-
Net liabilities at 1 January after reclassifications	827	-
Acquisition of ISS A/S 9 May 2005 - net liability	-	808
Foreign exchange adjustments	2	-
Additions from acquired companies, net	163	22
Net expenses recognised in the income statement	51	21
Contributions	(156)	(169)
Actuarial (gains)/losses recognised through equity, net	(46)	119
Asset ceiling	3	-
Net liability for defined benefit plans at 31 December	**844**	**801**
Other long-term employee benefits	41	32
Pensions and similar obligations at 31 December	**885**	**833**

[1)] Based on high quality corporate bonds or government bonds.

Continues

Amounts in DKK millions

26. Pensions and similar obligations (continued)	2006	2005
Accumulated net actuarial (gains)/losses in the statement of total recognised income and expense		
Actuarial losses recognised, net	**73**	**119**
Changes in the obligations (funded and unfunded)		
Opening present value of obligation	2,240	-
Acquisition of ISS A/S 9 May 2005	-	2,542
Additions from acquired companies	1,155	28
Reclassifications	27	-
Foreign exchange adjustments	(8)	-
Interest on obligation	99	66
Current service costs	134	64
Benefits paid	(89)	(85)
Employee contributions	54	26
Actuarial (gains)/losses	(59)	134
Recognised past service costs	(0)	0
Liabilities extinguished on settlements and curtailments	(107)	(535)
Closing present value of obligations	**3,446**	**2,240**
Changes in fair value of plan assets are as follows:		
Opening fair value of plan assets	1,441	-
Acquisition of ISS A/S 9 May 2005	-	1,734
Additions from acquired companies	992	6
Reclassifications	1	-
Foreign exchange adjustments	(10)	-
Expected return on plan assets	83	52
Actuarial gains/(losses)	(13)	15
Assets distributed on settlements	(8)	(478)
Contributions	169	167
Benefits paid	(49)	(55)
Fair value of plan assets	**2,606**	**1,441**
The major categories of plan assets as a percentage of total plan assets are as follows:		
Bonds	53%	53%
Equities	26%	33%
Property	11%	6%
Cash	4%	5%
Other	6%	3%
	100%	**100%**

The pension net liability for current and previous years is shown below:

	2006	2005
Closing present value of obligations	3,446	2,240
Fair value of plan assets	(2,606)	(1,441)
Unrecognised past service costs	1	2
Asset ceiling	3	-
	844	**801**
Actuarial (gains)/losses obligations	(59)	134
Actuarial gains/(losses) plan assets	(13)	15

The Group expects to contribute DKK 176 million to its defined benefit plans in 2007.

Amounts in DKK millions

27. Other provisions

	Labour-related items	Self-insurance	Acquisitions	Other	Total
2006					
Carrying amount at 1 January 2006	96	76	59	488	719
Foreign exchange adjustments	(3)	1	(2)	0	(4)
Transfers, net [1]	(1)	5	-	(68)	(64)
Additions from acquired companies, net	8	20	-	138	166
Provisions included in goodwill during the year [2]	-	-	110	-	110
Provisions made during the year (included in the income statement)	53	42	105	162	362
Provisions not used (reversed against the income statement)	(27)	-	-	(73)	(100)
Provisions used during the year	(37)	(24)	(208)	(175)	(444)
Carrying amount at 31 December 2006	**89**	**120**	**64**	**472**	**745**
Expected maturity					
Within 1 year	68	43	48	255	414
1-5 years	18	72	16	181	287
After 5 years	3	5	-	36	44
Carrying amount at 31 December 2006	**89**	**120**	**64**	**472**	**745**
2005					
Acquisition of ISS A/S 9 May 2005	80	64	100	448	692
Foreign exchange adjustments	1	0	0	2	3
Transfers, net [1]	4	-	-	11	15
Additions from acquired companies, net	15	-	-	15	30
Provisions included in goodwill during the period [2]	-	-	67	-	67
Provisions made during the year (included in the income statement)	24	23	41	213	301
Provisions not used (reversed against the income statement)	(9)	(2)	-	(17)	(28)
Provisions not used (reversed against goodwill)	-	-	(7)	-	(7)
Provisions used during the period	(19)	(9)	(142)	(184)	(354)
Carrying amount at 31 December 2005	**96**	**76**	**59**	**488**	**719**
Expected maturity					
Within 1 year	72	43	57	308	480
1-5 years	22	33	2	154	211
After 5 years	2	-	-	26	28
Carrying amount at 31 December 2005	**96**	**76**	**59**	**488**	**719**

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

Labour-related items: In 2006 and 2005, the provision mainly related to obligations in Belgium, Brazil, France, the Netherlands, Spain and Turkey.

Self-insurance: In Australia, Ireland and the United Kingdom, the Group carries an insurance provision on employers' liability. Ireland and the United Kingdom are self-insured up to an annual limit of DKK 43 million (DKK 34 million in 2005) for employers' liability. Australia is self-insured up to a limit of DKK 2 million per claim. The Group has taken out a group third party liability insurance programme. The Group captive insurance company Global Insurance A/S carries part of the risk on the third party liability programme with a maximum annual limit of DKK 42 million (DKK 38 million in 2005).

Acquisitions: The provision includes obligations incurred in the normal course of acquisitions mainly related to transaction costs, redundancy payments and termination of rental of properties.

Other: The provision comprises various obligations incurred in the normal course of business e.g. provision for dismantling costs, operational issues, closure of contracts and legal cases.

[1] In 2006, Transfers consisted of net provisions transferred to Other liabilities and Pensions and similar obligations. In 2005, Transfers consisted of provisions transferred from Other liabilities.

[2] Includes only transaction costs related to acquisitions, as integration costs are included in the income statement.

Amounts in DKK millions

28. Short-term debt	2006	2005
Long-term debt, due within one year	199	1
Senior facilities, term facility B [1)]	-	1,212
Subordinated bridge facility [2)]	-	6,654
Bank loans and overdrafts [3)]	632	940
Finance leases	88	98
Debt to affiliates [4)]	96	81
Short-term debt	**1,015**	**8,986**

[1)] The weighted average effective interest rate regarding senior facilities, term facility B was 5.72%.

[2)] The weighted average effective interest rate regarding subordinated bridge facility was 12.04%.

[3)] Effective interest rate regarding bank loans and overdrafts was 6.9% (2005: 5.3%).

[4)] Effective interest rate regarding debt to affiliates was 8.7% (2005: 8.5%).

29. Other liabilities	2006	2005
Accrued wages and holiday allowances	3,953	3,169
Tax withholdings, VAT etc.	2,726	2,540
Prepayments from customers	460	357
Other payables and accrued expenses	2,929	2,044
Other liabilities	**10,068**	**8,110**

Amounts in DKK millions

30. Contingent liabilities

Senior Facility Agreement

FS Funding A/S has executed a share pledge over its shares in ISS A/S as security for the Group's senior facilities, and a secondary share pledge over such shares as security for the subordinated notes issued by FS Funding A/S.

ISS A/S, ISS Global A/S and certain material subsidiaries of ISS Global A/S in Australia, Belgium, Denmark, Finland, France, the Netherlands, Norway, Spain, Sweden, and the United Kingdom have provided guarantees for ISS Global A/S's borrowings under the senior facilities. The guarantees have been backed up by security over bank accounts, trade receivables, intra-group receivables and intellectual property rights of ISS A/S and these subsidiaries. In addition, the shares in the material subsidiaries and shares in certain of their subsidiaries as well as shares in certain subsidiaries in Austria, Germany, Hong Kong, Ireland, Portugal, Singapore and Switzerland have been pledged. Neither ISS A/S nor any of its direct of indirect subsidiaries have guaranteed or granted any security for FS Funding's borrowing used for financing the acquisition of ISS A/S.

Operating leases

Operating leases consist of leases and rentals of properties, vehicles (primarily cars) and other equipment. The total expense under operating leases in the income statement amounted to DKK 1,692 million (DKK 986 million in 2005). Assuming the current car fleet etc. is maintained, the future minimum lease payments under operating leases are:

	Year 1	Year 2	Year 3	Year 4	Year 5	After 5 years	Total lease payment
At 31 December 2006	1,177	826	578	396	264	428	3,669
At 31 December 2005	1,044	755	516	326	208	308	3,157

Additional future lease payments of DKK 10 million (DKK 26 million in 2005) existed regarding associates at 31 December.

Commitment vehicle leases

On 1 January 2005 the Group entered into a new global car fleet lease framework agreement for three years, including an option for extension for another subsequent three year term. The framework agreement contains an option for the Group to terminate the underlying agreement for an entire country or the entire commitment with four weeks notice, to the end of a quarter subject to payment of a termination amount. The majority of the underlying agreements have a duration of 3-5 years. The disclosed contingent liablity includes the Group's total leasing commitment assuming no early termination of any agreement.

Guarantee commitments

Indemnity and guarantee commitments at 31 December 2006 amounted to DKK 361 million (DKK 243 million in 2005).

Performance guarantees

The Group has issued performance guarantee bonds for service contracts with an annual revenue of DKK 983 million (DKK 869 million in 2005) of which DKK 758 million (DKK 667 million in 2005) were bank-guaranteed performance bonds. Such performance bonds are issued in the ordinary course of business in the service industry.

Outsourcing of IT

The Group has an IT outsourcing agreement with Computer Sciences Corporation (CSC) running until 2015. The Group's contractual obligations related to the agreement at 31 December 2006 amounted to approximately DKK 388 million (DKK 430 million in 2005). The Group and CSC have been in discussions on implications of certain aspects of the outsourcing agreement. These discussions included various claims of each party and have lead to change of scope of the contract. As part of the re-scoping of the IT outsourcing agreement the Group has incurred costs amounting to DKK 100 million, which have been recognised at 31 December 2006 in Other income and expenses, net. The subsequent discussions regarding re-scoping of the contract between the Group and CSC as well as the incurred costs, which have been recognised at 31 December 2006, have resulted in a reduction of the Group's contractual obligations of at least DKK 160 million.

Divestments

The Group makes provisions for claims from purchasers or other parties in connection with divestments and representations and warranties given in relation to such divestments. Management believes that provisions made at 31 December 2006 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.

Continues

30. Contingent liabilities (continued)

Legal proceedings

The Group is party to certain legal proceedings. Management believes that these proceedings (which are to a large extent labour cases incidental to its business) will not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the balance sheet at 31 December 2006.

Other contingent liabilities

The Brazilian tax authorities have filed two claims and raised certain other inquiries against ISS Brazil relating to corporate income tax for the year 1995 on realisation of inflationary gain, federal taxes related to 1999 and other federal taxes and social securities amounting to DKK 87 million. These claims and inquiries are unlikely to be resolved in the short to medium term and the outcome is uncertain.

31. Derivatives

The Group's financial risk management is based on policies approved by the Board of Directors. The Group may use derivatives to hedge financial risks. Hedging of financial risks is managed at corporate level.

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

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

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

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

The Group may choose to hedge the currency exposure on foreign investments by funding such investments in local currencies or entering into hedging transactions. As at 31 December 2006, no such hedging was entered into.

In 2006, the currencies in which the Group's revenue was denominated increased with an average of 0.1% (2005: increased with 1.2%) relative to Danish kroner, increasing the Group's revenue by DKK 58 million (2005: increasing the Group's revenue by DKK 367 million). Currency movements affected the operating profit by an increase of DKK 3 million (2005: an increase of DKK 23 million). The effect of the translation of investments in foreign subsidiaries and the effect of hedge transactions, net of tax, decreased equity by DKK 84 million (2005: increased equity by DKK 102 million).

Interest rate risk is measured by the duration of the net debt. The duration reflects the effect of a simultaneous increase or decrease in the general level of interest rates for the currencies included in the debt portfolio. As at 31 December 2006, the duration of net debt was approximately 4.3 years (31 December 2005: 2.2 years). Thus, all other things being equal, an increase (decrease) of one percentage point in the relevant interest rates would reduce (increase) the market value of net debt by approximately DKK 1,191 million (2005: DKK 544 million). Based on the net debt and taking into account the effect of hedging instruments as at 31 December 2006, a general decrease (increase) of one percentage point in relevant interest rates would reduce (increase) the annual net interest expense by approximately DKK 34 million (2005: DKK 134 million), all other things being equal.

The Group's loan portfolio primarily consists of bonds issued under the EMTN-programme, subordinated notes issued in 2006 and bank loans. A part of the interest payments on the bank loans and a part of the interest payments on the subordinated notes have been swapped from floating into fixed rates (see note 25, Long-term debt). To manage the duration of the net debt, the Group applies derivatives, such as interest rate swaps, futures and options. The deferred gain or loss on the interest rate instruments will be recognised directly in equity, net of tax. On realisation of the hedged item, value changes recognised under equity are reversed and recognised together with the hedged item. When a hedging instrument expires or is sold, terminated or exercised but the hedged future transactions are still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs.

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

Continues

Amounts in DKK millions

31. Derivatives (continued)

Contractual values and unrealised gains and losses are specified below for financial instruments used to hedge the foreign exchange risk and the interest rate risk:

2006 **Financial instruments**	Contractual value	Unrealised gain/(loss) on revaluation to fair value	Included in the income statement for 2006	Taken directly to equity on 31 December 2006	Maturity
Forward foreign currency, purchases					
AUD	22	(0)	(0)	-	2007
CHF	209	(0)	(0)	-	2007
EUR	5,740	1	1	-	2007
GBP	692	(1)	(1)	-	2007
NOK	352	(0)	(0)	-	2007
Others	27	0	0	-	2007
	7,042	**(0)**	**(0)**	**-**	
Forward foreign currency, sales					
AUD	1,474	(5)	(5)	-	2007
HKD	203	0	0	-	2007
SEK	66	0	0	-	2007
USD	183	0	0	-	2007
USD-related	32	(1)	(1)	-	2007
Others	344	(0)	(0)	-	2007
	2,302	**(6)**	**(6)**	**-**	
Interest rate instruments					
Interest rate swap - 2010 (CHF), payer [1)]	179	0	0	0	2010
Interest rate swap - 2010 (EUR), payer [1)]	600	6	0	6	2010
Interest rate swap - 2010 (EUR), payer [1)]	3,132	58	(0)	58	2010
Interest rate swap - 2010 (EUR), payer [2)]	4,026	15	(0)	15	2010
Interest rate swap - 2010 (GBP), payer [1)]	420	2	0	2	2010
Interest rate swap - 2010 (GBP), payer [1)]	1,443	18	0	18	2010
Interest rate swap - 2010 (NOK), payer [1)]	552	7	0	7	2010
Interest rate swap - 2010 (SEK), payer [1)]	503	6	0	6	2010
	10,855	**112**	**(0)**	**112**	
Total financial instruments		**106**	**(6)**	**112**	

Hedging of net investments in foreign subsidiaries at 31 December 2006.

As at 31 December 2006, no such hedging was entered into.

[1)] The swaps convert a major part of the floating rates within the bank loans to fixed interest rate.

[2)] The swap converts a major part of the floating rates on the subordinated notes to fixed interest rate.

Continues

Amounts in DKK millions

31. Derivatives (continued)

Contractual values and unrealised gains and losses are specified below for financial instruments used to hedge the foreign exchange risk and the interest rate risk:

2005 **Financial instruments**	Contractual value	Unrealised gain/(loss) on revaluation to fair value	Included in the income statement for 2005	Taken directly to equity on 31 December 2005	Maturity
Forward foreign currency, purchases					
CHF	124	0	0	-	2006
EUR	5,670	(0)	(0)	-	2006
GBP	454	1	1	-	2006
NOK	445	3	3	-	2006
SEK	289	1	1	-	2006
Others	31	0	0	-	2006
	7,013	**5**	**5**	-	
Forward foreign currency, sales					
AUD	578	(8)	(3)	(5)	2006
CHF	209	(0)	-	(0)	2006
EUR	4,939	0	0	0	2006
GBP	521	0	(0)	-	2006
HKD	214	(2)	(2)	-	2006
NOK	224	(1)	-	(1)	2006
SGD	12	(0)	(0)	-	2006
USD-related	221	(2)	-	(2)	2006
Others	99	(0)	(0)	0	2006
	7,017	**(13)**	**(5)**	**(8)**	
Interest rate instruments					
Interest rate swap - 2014 (EUR), receiver [1)]	1,243	30	(11)	-	2014
Total financial instruments		**22**	**(11)**	**(8)**	

Hedging of net investments in foreign subsidiaries at 31 December 2005	Net investments in foreign subsidiaries	Hedging	Net investments with translation risk	Net investments with translation risk, local currency, millions
AUD	245	(369)	(124)	(27)
CHF	250	(209)	41	9
EUR	4,651	(2,611)	2,040	273
GBP	465	(467)	(2)	(0)
NOK	384	(224)	160	171
SEK	27	-	27	34
USD-related	378	(221)	157	-
Others	765	(70)	695	-
	7,165	**(4,171)**	**2,994**	

[1)] The swap converts one-third of the fixed interest rate on the EUR 500 million bond loan into a floating rate. The expense of DKK 11 million offsets a similar income in the income statement related to the bond loan. Of the DKK 30 million unrealised gain, DKK 27 million represents the positive marked-to-market value of the interest rate swap.

32. Related party transactions

The sole shareholder of FS Funding A/S, FS Equity A/S, has controlling influence in the Group. The ultimate controlling company of the Group is FS Invest S.à r.l ("FS Invest"), which is 54% owned by funds advised by EQT Partners and 44% owned by Goldman Sachs Capital Partners.

Members of the Board of Directors and Executive Group Management
Apart from remuneration as described in note 3, Staff Costs, note 4, Share-based payments and the incentive programmes described below there were no significant transactions with members of the Board of Directors or Executive Group Management during the year.

Incentive Programmes
The Principal Shareholders have offered a management participation programme, under which the Executive Group Management and a number of senior officers of the Group were offered to make an investment. The programme is structured as a combination of direct and indirect investments in a mix of shares and warrants of FS Invest, FS Funding A/S's ultimate parent, amounting to DKK 176 million in total. Furthermore, as described in note 4, Share-based payments, certain officers were granted a total of 784,272 warrants in FS Invest. The management participation programme was rolled out in July 2006 and from the outset 138 eligible officers participated in the programme.

Non-executive members of the Board of Directors (except representatives of the Principal Shareholders) have been offered to participate in a directors participation programme, under which they have invested in a mix of shares and warrants of FS Invest amounting to approximately DKK 6 million in total. In addition they have co-invested with the Principal Shareholders for approximately DKK 17.6 million in total.

Joint ventures and associates
Transactions with joint ventures and associates are limited to transactions related to shared service agreements. There were no significant transactions with joint ventures and associates during the year. All transactions are made on market terms. The significant joint ventures and associates are specified in note 34, Subsidiaries, joint ventures and associates.

In addition to the above and except from intra-group transactions, which have been eliminated in the consolidated accounts, there were no material transactions with related parties and shareholders during the year.

The Group's Board of Directors' and Executive Group Management's external directorships and external executive positions

Board of Directors	Board Member	Executive Position
Leif Östling	Scania AB, AB SKF, Svenskt Näringsliv (Confederation of Swedish Enterprise) and Teknikföretagen (The Association of Swedish Engineering Industries)	President and CEO of Scania AB
Sir Francis Mackay	Chairman Carlton Financial Group and Trustee of English National Opera	None
Ole Andersen	Contex Holding A/S, Aleris AB and BTX Group A/S	Head of the Copenhagen office of EQT Partners
Sanjay Patel	Ahlsell AB	Co-head of Private Equity in Europe for the Principal Investment Area of Goldman Sachs
Christoph Sander	Europackaging Group (MidOcean Partners Appointee) and Casper Limited	Co-founder and CEO of Casper Limited
Richard Sharp	Cognis GmbH & Co. KG	Advisory Director of Goldman Sachs International
Peter Korsholm (alternate)	Contex Holding A/S (deputy director) and BTX Group A/S	Partner at EQT Partners
Steven Sher (alternate)	Ahlsell AB and Rhiag Group Ltd.	Managing Director, Goldman Sachs International, Principal Investment Area

Continues

Amounts in DKK millions

32. Related party transactions (continued)

Executive Group Management	Board Member	Executive Position
Jørgen Lindegaard	Telenor ASA and Efsen Engineering A/S	None
Flemming Schandorff	None	None
Jeff Gravenhorst	None	None

Affiliates

In 2006, the Group had the following transactions with affiliates. All transactions were made on market terms.
- the Group received/paid interest from/to affiliates, see note 7, Net finance costs.
- the Group paid/received joint taxation contribution equal to 28% of taxable income to/from FS Equity A/S (the ultimate parent company in Denmark), see note 8, Taxes.
- the Group and Goldman Sachs have agreed general terms and conditions for the supply of Facility Services to be applied by local ISS operations and local Goldman Sachs affiliates when contracting with each other. Based on these terms and conditions ISS in Switzerland and in Russia have entered into Facility Services agreements with local Goldman Sachs affiliates. The annual revenue from these agreements is estimated at DKK 4.5 million.

Apart from the above there were no other material transactions with related parties and shareholders during the year.

33. Interests in joint ventures

As of 31 December 2006, the Group had interests in 6 joint ventures (6 in 2005). The significant joint ventures are specified in note 34, Subsidiaries, joint ventures and associates. The net profit for the year and the balance sheet items of the Group's interests in the 6 joint ventures are included in the Group's consolidated income statement and balance sheet with the following amounts:

	2006	2005
Revenue	98	120
Operating profit before other items	10	4
Profit before impairment/amortisation of intangibles	10	4
Net profit for the year	**7**	**3**
Intangible assets [1)]	2	0
Property, plant and equipment	4	4
Financial assets	2	0
Current assets	60	62
Total assets	**68**	**66**
Equity	23	33
Long-term liabilities	3	1
Current liabilities	42	32
Total equity and liabilities	**68**	**66**
The Group's part of contingent liabilities (operating leases) in joint ventures	**7**	**8**

[1)] Excluding goodwill arising from the acquisition of the joint ventures.

34. Subsidiaries, joint ventures and associates

FS Funding A/S
ISS A/S
ISS Global A/S

ISS Global A/S

Argentina

Facility Services S.R.L.	100%
ISS Argentina S.A.	100%
Servicios Integrales de Mantenimiento S.A.	100%
Solkin S.A.	100%

Australia

ISS Catering Services Pty Ltd.	100%
ISS Facility Services Australia Ltd.	100%
ISS Facility Services Pty Ltd.	100%
ISS Franchise Services Pty Ltd.	100%
ISS Health Services Pty Ltd.	100%
ISS Holdings Pty Ltd.	100%
ISS Hygiene Services Pty Ltd.	100%
ISS Integrated Services Pty Ltd.	100%
ISS Security Pty Ltd.	100%
Pacific Invest December 2004 Pty Ltd.	100%
Pacific Service Solutions Pty Ltd.	100%
Prestige Property Services Pty Ltd.	100%
Prestige Protection Services Pty Ltd.	100%

Austria

Brunner Schnellreinigungsdienst für Glas und Gebäude GmbH	100%
Coolit Klima- und Kältetechnik GmbH	100%
Dr. Rantasa Instandhaltung GmbH	100%
ISS Airest Bodenabfertigungsdienste GmbH	51%
ISS Alpha Beteiligungsverwaltung GmbH	100%
ISS Austria Holding GmbH	100%
ISS Beta Beteiligungsverwaltung GmbH	100%
ISS Facility Services GmbH	100%
Reif Rein Reinigungs- und Umweltschutz GmbH	100%
Steinbauer GmbH	100%
WBZ Gartengestaltung GmbH	100%

Belgium

ISS Building Services N.V.	100%
ISS Catering N.V.	100%
ISS Hygiene Services N.V.	100%
ISS Industrial Cleaning N.V.	100%
ISS Industrial Services N.V.	100%
ISS N.V.	100%
ISS Office Support N.V.	100%
Party & Dinner N.V.	100%
Van Kerkhoven BVBA	100%

Brazil

BJP Manutenção e Operação de Utilidades Ltda.	100%
ISS Biosystem Saneamento Ambiental Ltda.	100%
ISS Servisystem do Brasil Ltda.	100%

Brunei

ISS Facility Services Sdn. Bhd.	50%
ISS Multi-Clean (Sabah) Sdn. Bhd.	50%

Chile

ISS Chile S.A.	100%
ISS Facility Services S.A.	100%
ISS Servicios Generales Ltda.	100%

China and Hong Kong

Beijing ESGO - Xin Sha Building Services Co. Ltd.	50% **
ISS China Holdings Ltd.	100%
ISS China Holdings I Ltd.	100%
ISS EastPoint Facility Services Ltd.	100%
ISS Facility Services China Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Environmental Services (HK) Ltd.	100%
ISS Greater China Ltd.	100%
ISS Hongrun Facility Services (Shanghai) Ltd.	60%
ISS Mediclean (HK) Ltd.	100%
ISS Nihon Leaskin Co. Ltd.	100%
ISS Thomas Cowan Co. Ltd.	70%
ISS RoboClean (HK) Co. Ltd	100%
LAWN Environmental Protection Ltd.	100%
Pan Asia Security Services Ltd.	100%
Shanghai ISS Houban Catering Management Co, Ltd.	60%

Croatia

ISS Kadroske usluge d.o.o.	100%
ISS Usluzne djelatnosti d.o.o.	100%

Czech Republic

ISS boj proti skudcum s.r.o.	100%
ISS Facility Services s.r.o	100%
ISS Optimal s.r.o.	100%
ISS Sprava Bodov s.r.o.	100%
Maintec s.r.o.	50% *

Denmark

Albertslund Kloakservice ApS	100%
Global Insurance A/S	100%
House of Coffee A/S	100%
ISS Facility Services A/S	100%
ISS Finans A/S	100%
ISS Funding A/S	100%
ISS Holding France A/S	100%

Continues

34. Subsidiaries, joint ventures and associates (continued)

ISS Management A/S	100%
ISS Venture A/S	100%
JWN Data A/S	100%
Media Service A/S	100%
Slotsholmen Teknik A/S	50%

Estonia

ISS Eesti Ou	51%
ISS Haldus Ou	51%
ISS Holding Ou	100%
ISS Namu Serviss Ou	51%
ISS Pastatu Valda Ou	51%

Faroe Islands

P/f ISS Føroyar	55%

Finland

ISS Palvelut Oy	100%
ISS Proko Oy	100%
ISS Security Oy	100%
ISS Teollisuuspalvelut Oy	100%
Suomen Laatutakuu Palvelut Oy	100%

France

Assainic SAS	100%
BSE SAS	100%
Clean Services SARL	100%
Cogepar SAS	100%
CPMS SA	100%
Dauget SAS	100%
Europe Filtration SAS	100%
Europrop SAS	100%
FCF SAS	100%
Force Protection Sarl	100%
FSI SAS	100%
Gabriel Recyclage Sarl	100%
Channel SAS	100%
GIE ISS Services	100%
Groupe F2E SAS	100%
Ifopro Sarl	100%
ISS Abilis France SAS	100%
ISS Accueil & Services SAS	100%
ISS Bati Services SASU	100%
ISS Energie SAS	100%
ISS Environnement SAS	100%
ISS Espaces Verts SAS	100%
ISS Holding Paris SA	100%
ISS Hygiène SASU	100%
ISS Hygiene Services SAS	100%
ISS Logistique et Production SAS	100%
ISS Multiservices SAS	100%
ISS Sécurité SAS	100%
ISS Surete Securite Sarl	100%
Jardem SAS	100%
L'Impeccable SAS	100%
Nature Environnement SAS	100%
Paysages de France SAS	100%
Poirel Parcs & Jardins SAS	100%
Puissance Air SAS	100%
Qualitec SAS	100%
Sede Coppex SASU	100%
Sede Mortis SASU	100%
Sogep SAS	100%
Verts Paysages & Aménagement SAS	100%
ViaPark SAS	100%

Germany

DEBEOS GmbH	100%
ISS Damage Control Deutschland GmbH	100%
ISS Facility Services GmbH	100%
ISS HWD GmbH	100%
ISS HWS GmbH & Co. KG	100%
ISS Personaldienstleistungen GmbH i.L.	100%
ISS Personalservice GmbH	100%
ISS Wäscheservice GmbH & Co. KG	100%
Klaus Harren GmbH	100%
Münchner Kindl Gebäudedienste und Vertrieb GmbH	100%
NOBIS Security GmbH	100%
Vatro Trocknungs- und Sanierungstechnik GmbH & Co. KG	86%
Vatro Verwaltungs GmbH	86%

Greece

ISS Facility Services S.A.	100%
ISS Human Resources S.A.	100%
Selas North S.A.	100%

Greenland

ISS Grønland A/S	100%

Hungary

ISS Servisystem Kft.	100%

Iceland

ISS Island ehf.	100%

India

Cleantec Hospitality Services Pvt Ltd.	100%
ISS Facility Services (India) Pvt Ltd.	100%

Indonesia

Pt. ISS Servisystem	100%

Ireland

Contract Cleaners Ltd.	100%
Corporate Personnel Services Ltd.	100%
Grangemore Landscapes Ltd.	100%
Grangemore Plants Ltd.	100%
ISS Ireland Holding Ltd.	100%
ISS Ireland Ltd.	100%
ISS Hygiene Services Ltd.	100%
Ivernagh Security Services Ltd.	100%

Continues

34. Subsidiaries, joint ventures and associates (continued)

U.S. Security Ltd.	100%

Israel

Catering Ltd.	100%
ISS-Ashmoret Ltd.	90%
ISS Israel Ltd.	100%
ISS-Israel Manpower Services Ltd.	90%
Jet Gourmet Ltd.	100%
M.A.S.H. Machatz Agencies Ltd.	90%
Norfolk Entreprise Ltd.	100%
Norfolk International Ltd.	100%
Norcat Ltd.	100%
Schmul Werner Ltd.	100%

Italy

ISS Facility Services Srl	100%
ISS Hygiene Services Srl	100%

Luxembourg

ISS Facility Services S.A.	100%
Mistral SARL	100%

Malaysia

ISS Facility Services Sdn. Bhd.	30%
ISS Hygiene Services Sdn. Bhd.	100%

Mexico

Decoracion y Manteniminento San Rafael, S.A de C.V.	100%
ISS Centro America, S. de R.L de C.V.	100%
ISS Servicios Gerenciales, S. de R.L de C.V.	100%
ISS Servicios Integrales, S. de R.L de C.V.	100%
Mantenimiento Tecnico Tapnew, S.A de C.V.	100%

Netherlands

Callforsale B.V.	100%
De Logé Schoonmaakdiensten B.V.	100%
Drielanden Bos & Landscapsbouw B.V.	100%
FOS O.G. B.V.	100%
Groene Team B.V.	100%
Holland Security Group B.V.	100%
HR&D Mensenwerk B.V.	100%
Interfoon Call Centers B.V.	100%
Interfoon Management & Consultancy B.V.	100%
ISS Arbo Plus B.V.	100%
ISS Building Maintenance Services B.V.	100%
ISS Catering Services B.V.	100%
ISS Damage Services B.V.	100%
ISS Food Hygiene B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Hospital Services B.V.	100%
ISS Hygiene Services B.V.	100%
ISS Integrated Facility Services B.V.	100%
ISS Landscaping Services B.V.	100%
ISS Nederland B.V.	100%
ISS Reception Services B.V.	100%
National Services Company B.V.	100%
Noorderlijke Beveiligingsorganisatie B.V.	100%
OK@Calls B.V.	100%
Omring Thuisservice B.V.	50% *
Succes@Calls B.V.	100%
Sure@Calls B.V.	100%
TalentGroep Montaigne Facility Management B.V.	100%
Wolfson B.V.	100%
Wolfson Call Center B.V.	100%

New Zealand

Basecare Ltd.	100%
First Security Guard Services Ltd.	100%
ISS Facilities Services Ltd.	100%
ISS Holdings NZ Ltd.	100%
ISS Management Services Ltd.	100%
Tempo Building Services Ltd.	100%

Norway

Actum Norge AS	100%
Aircon Miljø og Renholdssystemer AS	40% **
Aktiv Skadedyrkontroll AS	100%
Eiendomsinvestor AS	49% *
ForvaltningsCompagniet AS	100%
Hero Mottak og Kompetanse AS	50% *
ISS Facility Services AS	100%
ISS Industri AS	100%
ISS Lufthavnservice AS	100%
ISS Personalhuset AS	90%
NSB Trafikservice AS	45% **
Oslo Ventilasjon AS	100%
PSP Procuro Servicepartner AS	100%
Raufoss Beredskap AS	51%
Serveringspartner AS	100%
Varig Gruppen AS	70%

Philippines

ISS Facility Services Phils., Inc.	100%

Poland

ISS Facility Services Sp. z.o.o.	100%

Portugal

ISS Facility Services, Gestão e Manutenção de Edifícios, Lda	100%
ISS Pest Control, Soc. de Desinfecção e Desinfestação, Lda.	100%
ISS Portugal II. Serviços de Gestão Unipessoal, Lda.	100%
ISS Temporary Work, Empresa de Trabalho Temporário, Lda.	100%

Romania

ISS Facility Services S.R.L.	100%
ISS Romania Group S.R.L.	100%
3D Romania S.A.	100%
Perfect Clean Grup S.R.L.	100%
Perfect Clean International S.R.L.	100%
Perfect Clean S.R.L.	100%
Servicii De Intretinere Attensam S.R.L.	100%

Continues

34. Subsidiaries, joint ventures and associates (continued)

Russia	
Facility Services RUS LLC	100%
Singapore	
CDCS-eks Catering Services Pte Ltd.	100%
Gourmet Wok Pte Ltd.	100%
Hydroculture Biocare Pte Ltd.	100%
Hydroculture-Scape Pte Ltd.	100%
ISS Bakery Pte Ltd.	100%
ISS-CDCS Catering Pte Ltd.	100%
ISS Facility Services Pte Ltd.	100%
ISS Hygiene Services Pte. Ltd.	100%
ISS Sanitation Services Pte Ltd.	100%
Serve 1st Services Pte Ltd.	100%
Woko (F&B) Pte Ltd.	100%
Slovakia	
JJJ - DDD spol s.r.o.	100%
ISS Aviation Slovakia spol s.r.o.	100%
ISS Facility Services spol s.r.o.	100%
ISS Optimal spol s.r.o.	100%
ISS Security spol s.r.o.	100%
Slovenia	
ISS Servisystem d.o.o.	100%
Spain	
Fabri Facility Management S.L.	100%
Gelim S.A.	100%
Integrated Service Solutions S.L.	100%
ISS Facility Services S.A.	100%
ISS Higiene Ambiental 3D S.A.	100%
ISS Logística, Producción y Outsourcing S.L.	100%
ISS Salud y Servicios Sociosanitarios S.A.	100%
ISS Serv. Auxiliares y Complem. de Oficinas S.A.	100%
ISS Soluciones de Catering S.A.	100%
ISS Soluciones de Jardinería S.A.	100%
ISS Soluciones de Mantenimiento y Gestión Integral S.A.	100%
Sri Lanka	
ISS Abans Environmental Services (PT) Ltd.	50% *
Sweden	
GK Rengörarna AB	100%
ISS Codeum Finans AB	100%
ISS Demogruppen AB	100%
ISS Ekonomiförvaltning AB	100%
ISS Facility Services AB	100%
ISS Facility Services Holding AB	100%
ISS Industriservice AB	49% **
ISS Landscaping AB	100%
ISS Lemonia AB	100%
ISS Lunchmaster AB	100%
ISS Mandresa AB	100%
ISS Mayday AB	100%
ISS Teleoffice AB	100%
ISS Terrakultur AB	100%
ISS TraffiCare AB	100%
Switzerland	
Erwin Jakober AG	100%
ISS Aviation AG	100%
ISS Bernasconi SA	100%
ISS Facility Services AG	100%
ISS Facility Services AG (Liechtenstein)	100%
ISS FM Services AG	100%
ISS Holding AG	100%
ISS Pest Control AG	100%
Jakober AG	100%
Jakober Transporte und Kanalreinigungs AG	100%
Notter Kanalservice AG	100%
Thailand	
ISS Facility Services Co., Ltd.	100%
MPA Securitas Ltd.	100%
Sara Service Co., Ltd.	100%
Turkey	
Etkin Özel Güvenlik Hitmetleri A.S.	70%
Dört U Hasere Kontrol Hitmetleri A.S.	70%
ISS Tesis Yönetim Hizmetleri A.S.	70%
Proser Koruma ve Güvenlik Hizmetleri A.S.	70%
Service Group Hizmet ve Isletmecilik A.S.	70%
United Kingdom	
First Response Environmental Sevices Ltd.	100%
ISS Damage Control Ltd.	100%
ISS Damage Control (Scotland) Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Finance and Investment (Bishop Auckland) Ltd.	100%
ISS Finance and Investment Ltd.	100%
ISS Mediclean Ltd.	100%
ISS Servicelink Ltd.	100%
ISS UK Holding Ltd.	100%
ISS UK Ltd.	100%
Pegasus Security Group Ltd.	100%
Pegasus Security Holdings Ltd.	100%
RCO Group Ltd.	100%
RCO Support Services Ltd.	100%
Spectrum Franchising Ltd.	100%
Spectrum Holdings Ltd.	100%
Target Clean (West Midlands) Ltd.	100%
Target Excel plc	100%
Uruguay	
ISS Uruguay S.A.	100%
Samilar S.A.	100%

Undertakings of immaterial interest are left out
* Joint venture
** Associates

Amounts in DKK millions

35. Discontinued operations

In 2006 there were no discontinued operations.

In February 2005, the Group sold its Health Care operations to a newly formed joint venture entity, now named Aleris Holding AB ("Aleris"), owned by EQT III Limited, the Group and Aleris's management. In June 2005, the Group sold its interest in Aleris to EQT III Limited.

In September 2005, the Group sold its activities in Japan to Mitsui & Co. Ltd. The sale consisted of a sale of the 50% share in Bussan ISS Holding Co., Ltd., which is a holding company owning all shares of ISS Nesco Ltd.

During 2005 the discontinued operations had cash inflow from operating activities of DKK 18 million, a cash outflow from investing activities of DKK 1 million and a cash outflow from financing activities of DKK 17 million.

The discontinued operations resulted in proceeds of DKK 206 million and a decrease in net assets of DKK 248 million.

During 2005 the discontinued operations had a net profit of DKK 6 million:

	2006	2005
Revenue	**-**	**128**
Expenses	-	(116)
Operating profit before other items	**-**	**12**
Other income and expenses, net	-	-
Operating profit	**-**	**12**
Share of result from associates	-	-
Net finance costs	-	(3)
Income taxes	-	(3)
Profit/(loss) before impairment/amortisation of intangibles	**-**	**6**
Amortisation of customer contracts	-	(0)
Net profit/(loss) for the period	**-**	**6**

36. New accounting standards

IASB has published the following new IFRS that are not mandatory for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2006. Unless otherwise stated the standards have been approved by the EU.

- IFRS 7 Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures is effective for annual periods beginning on or after 1 January 2007. This standard does not have any impact on the recognition and measurement of the Group's financial instruments but only on the disclosure of the financial instruments.

- IFRS 8 Operating Segments on disclosures on operating segments is effective for annual periods beginning on or after 1 January 2009. This standard does not have any impact on recognition and measurement. IFRS 8 has not been approved by the EU.

The following interpretations (IFRIC) have been published but are not mandatory for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2006. Unless otherwise stated the interpretations have been approved by the EU.

- IFRIC 7 Applying Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies is effective for annual periods beginning on or after 1 March 2007. The Group has no entities in countries which presently can be defined as hyperinflation.

- IFRIC 8 Scope of IFRS 2 is effective for annual periods beginning on or after 1 May 2007. The Group recognises all share based payments schemes in accordance with IFRS 2 and does not expect that IFRIC 8 will have any impact on the consolidated financial statements of the Group.

- IFRIC 9 Reassessment of Embedded Derivatives is effective for annual periods beginning on or after 1 June 2006. The Group has no and does not expect to acquire any embedded derivatives. Consequently, IFRIC 9 is not expected to have any impact on the consolidated financial statements of the Group.

- IFRIC 10 Interim Financial Reporting and Impairment prohibits the impairment losses recognised in an interim period on goodwill to be reversed at a subsequent balance sheet date even when no loss, or a smaller loss, would have been recognised at a later date. This is also applicable for investments in equity instruments and investments in financial assets carried at cost. IFRIC 10 is effective for annual periods beginning on or after 1 November 2006 and is not expected to have any impact on the consolidated financial statements of the Group. IFRIC 10 has not been approved by the EU.

- IFRIC 11 IFRS 2 - Group and Treasury Share Transactions is effective for annual periods beginning on or after 1 March 2007. The Group already accounts for intra-group transactions relating to share based payments in accordance with the principles described in IFRIC 11. IFRIC 11 has not been approved by the EU.

- IFRIC 12 Service Concession Arrangements is effective for annual periods beginning on or after 1 January 2008. The Group has no and does not expect to obtain consessions. Consequently, IFRIC 12 is not expected to have any impact on the consolidated financial statements of the Group. IFRIC 12 has not been approved by the EU.

The Group expects to implement these IFRS and IFRIC from the mandatory effective date.

37. Subsequent events

The Danish Minister of Taxation has in first quarter 2007 published a draft bill for public hearing. The proposed amendments in the draft bill are significant and include reduction of the statutory corporate tax rate, restrictions on the deduction of interest expenses and amendments to controlled foreign company (CFC) taxation. The impact on the Group depends on the final conditions of the bill. Primarily as a result of the substantial indebtness of the Group the bill is expected to have an adverse effect on the tax position in the Danish part of the Group.

Apart from the above and the events described in this Annual Report, the Group is not aware of events subsequent to 31 December 2006, which are expected to have a material impact on the Group's financial position.

Parent Company Financial Statements

INCOME STATEMENT OF THE PARENT COMPANY

1 January - 31 December. Amounts in DKK millions

Note		2006	2005 [1)]
2, 3	Staff costs	(1)	-
4	Other operating expenses	(9)	(10)
	Operating profit/(loss) before other items	**(10)**	**(10)**
5	Other income and expenses, net	-	(22)
	Operating profit/(loss)	**(10)**	**(32)**
10	Income from subsidiary	494	403
6	Net finance costs	(911)	(1,163)
	Profit/(loss) before tax	**(427)**	**(792)**
7	Income taxes	191	103
	Net profit/(loss) for the period	**(236)**	**(689)**
	Attributable to:		
	Retained earnings	(236)	(689)
	Net profit/(loss) for the period	**(236)**	**(689)**

[1)] All amounts in the financial statements in 2005 cover the period from the foundation date, 11 March, to 31 December 2005.

CASH FLOW STATEMENT OF THE PARENT COMPANY

1 January - 31 December. Amounts in DKK millions

Note		2006	2005 [1]
	Operating profit/(loss) before other items	(10)	(10)
	Changes in working capital	(11)	17
7	Income taxes received	133	124
	Payments related to other income and expenses, net	-	(22)
	Cash flow from operating activities	**112**	**109**
8	Acquisition of subsidiary	(15)	(22,035)
10	Dividends received from subsidiary	1,260	6,993
	Cash flow from investing activities	**1,245**	**(15,042)**
9	Net proceeds from financing	1,766	7,811
	Interest paid, net [2]	(990)	(1,094)
	Payments to affiliates, net	(2,583)	1,033
	Proceeds from issuance of share capital	-	7,693
	Cash flow from financing activities	**(1,807)**	**15,443**
	Total cash flow	**(450)**	**510**
	Cash and cash equivalents at beginning	511	1
	Total cash flow	(450)	510
11	**Cash and cash equivalents at 31 December**	**61**	**511**

[1] All amounts in the financial statements in 2005 cover the period from the foundation date, 11 March, to 31 December 2005.

[2] Compared to 2005, Interest paid, net has in 2006 been reclassified from cash flow from operating activities to cash flow from financing activities.

BALANCE SHEET OF THE PARENT COMPANY

At 31 December. Amounts in DKK millions

Note		2006	2005
	Assets		
10	Investment in subsidiary	14,694	15,460
10	Receivables from affiliates	369	-
7	Deferred tax assets	-	52
	Total non-current assets	**15,063**	**15,512**
11	Receivables from affiliates	1,207	-
	Other receivables	19	10
11	Cash and cash equivalents	61	511
	Total current assets	**1,287**	**521**
	Total assets	**16,350**	**16,033**
	Equity and liabilities		
12	**Total equity**	**6,781**	**7,005**
13	Long-term debt	9,439	-
11	Debt to affiliates	-	992
	Total long-term liabilities	**9,439**	**992**
14	Short-term debt	-	7,866
11	Debt to affiliates	-	115
	Trade payables	5	24
	Other liabilities	125	31
	Total current liabilities	**130**	**8,036**
	Total liabilities	**9,569**	**9,028**
	Total equity and liabilities	**16,350**	**16,033**

STATEMENT OF TOTAL RECOGNISED INCOME AND EXPENSE AND CHANGES IN EQUITY OF THE PARENT COMPANY

At 31 December. Amounts in DKK millions

2006	Share capital	Retained earnings	Unrealised gain/(loss) on hedges	Total equity
Total recognised income and expense				
Net profit/(loss) for the year	-	(236)	-	(236)
Gain/(loss) on hedges, net	-	-	15	15
Tax of entries recognised directly in equity	-	-	(3)	(3)
Net income and expense recognised directly in equity	**-**	**-**	**12**	**12**
Total recognised income and expense for the year	**-**	**(236)**	**12**	**(224)**
Equity at 1 January 2006	**100**	**6,905**	**-**	**7,005**
Changes in equity				
Total recognised income and expense for the year	-	(236)	12	(224)
Total changes in equity	**-**	**(236)**	**12**	**(224)**
Equity at 31 December 2006	**100**	**6,669**	**12** [1)]	**6,781**

2005	Share capital	Retained earnings	Unrealised gain/(loss) on hedges	Total equity
Total recognised income and expense				
Net profit/(loss) for the year	-	(689)	-	(689)
Total recognised income and expense for the period	**-**	**(689)**	**-**	**(689)**
Equity at 11 March 2005	**1**	**-**	**-**	**1**
Changes in equity				
Total recognised income and expense for the period	-	(689)	-	(689)
Share issue	99	7,594	-	7,693
Total changes in equity	**99**	**6,905**	**-**	**7,004**
Equity at 31 December 2005	**100**	**6,905**	**-**	**7,005**

[1)] Net of taxes.

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

1. Significant accounting policies

STATEMENT OF COMPLIANCE
The financial statements of FS Funding A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU being effective for accounting periods beginning on 1 January 2006 and the statutory order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act.

Amendments to IAS 21, "The effects of Changes in Foreign Exchange Rates", and IAS 39, "Financial Instruments: Recognition and Measurement", both being effective for accounting periods beginning on 1 January 2006, have had no impact on the financial statements of FS Funding A/S.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements except for the change described below in respect of the changed classification of interest paid in the cash flow statement.

BASIS OF PREPARATION
The financial statements have been prepared on the historical cost basis, as modified by the revaluation of available-for-sale financial assets, and financial assets and liabilities (including derivative financial instruments) at fair value through the income statement.

CHANGES IN ACCOUNTING POLICIES
Compared to prior years, the presentation of interest paid in the cash flow statement has been changed. To better reflect the distinction between operating and financing activities following the acquisition of ISS A/S by FS Funding A/S interest paid is now included in cash flow from financing activities instead of cash flow from operating activities. Comparative figures have been restated accordingly.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS
The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. FS Funding A/S believes the following are the areas involving critical accounting estimates and judgements used in the preparation of the financial statements:

• the assessment of ongoing litigation and the valuation of contingent liabilities
• the valuation of tax assets and
• bad debt provisions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognsed in the period in which the estimates are revised if the revisions affect only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

GENERAL
Foreign currency Transactions in foreign currency are translated at the exchange rate ruling at the date of transaction. Monetary assets and liabilities in foreign currency are translated at the exchange rate ruling at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of transaction.

Realised and unrealised exchange gains and losses are included in the income statement under Net finance costs.

INCOME STATEMENT
Operating expenses **Staff costs** comprises salaries, security expenses and other employee related expenses to Key Management**.** **Other operating expenses** include expenses related to administrative expenses, including audit and legal assistance etc.

Share-based compensation The fair value of equity settled, share-based compensation plans, is recognised as an expense with a corresponding increase in equity. The fair value is fixed at grant date and allocated over the vesting period. The fair value of the options and warrants granted is measured using the Black-Scholes valuation method taking the terms and conditions upon which they were granted into account. Non-market vesting conditions are included in the assumptions about the number of options and warrants that are expected to become exercisable. At each balance sheet date, FS Funding A/S revises this estimate. FS Funding A/S recognises the impact of the revision of the original estimates, if any, in the income statement, and a corresponding adjustment to equity over the remaining vesting period. Adjustments relating to prior years are included in the income statement in the year of adjustment.

Continues

1. Significant accounting policies (continued)

Other income and expenses, net comprises of income and expenses, both recurring and non-recurring, that FS Funding A/S does not consider to be normal ordinary operations.

Income from subsidiary comprises dividends declared in the year and gains and losses from divestment of subsidiaries. If dividends declared exceed the accumulated profit since take-over, the dividend is not recognised in the income statement but instead recognised as a write-down in the costs of the investment.

Net finance costs comprises interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and foreign exchange gains and losses.

Income taxes consist of income tax and changes in deferred tax. Deferred tax is recognised based on the balance sheet liability method and comprises all temporary differences between accounting and tax values of assets and liabilities.

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

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

The recognised income tax is allocated to Income taxes and Equity, as applicable.

FS Funding A/S is jointly taxed with all Danish resident affiliates. The Danish income tax payable is allocated between the jointly taxed Danish companies based on their proportion of taxable income (full absorption including reimbursement of tax deficits). The jointly taxed companies are included in the Danish tax on account scheme. Additions, deductions and allowances are recognised under Net finance costs.

CASH FLOW STATEMENT

The cash flow statement shows FS Funding A/S's cash flows for the period stemming from operating, investing and financing activities, the change in cash position during the period as well as FS Funding A/S's cash position at the beginning and the end of the period.

The cash flow statement is prepared using the indirect method based on Operating profit/(loss) before other items.

Cash flow from operating activities comprises Operating profit/(loss) before other items adjusted for non-cash items, changes in working capital, income taxes and other income and expenses.

Cash flow from investing activities comprises investments in or sale of subsidiaries and cash flow from purchase and sale of non-current assets.

Cash flow from financing activities comprises proceeds from and repayment of loans, payments regarding interest, dividends and proceeds from share issues.

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

BALANCE SHEET

Financial assets Investments in subsidiaries are recognised at cost. Investments are written down to the recoverable amount if this is exceeded by the cost. Costs is written down to the extent that the dividends declared exceeds the accumulated profit since take-over.

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

Dividends are recognised in the period in which they are declared.

Continues

1. Significant accounting policies (continued)

Financial liabilities are initially measured at the value of the proceeds received less related transaction costs. Subsequently, financial liabilities are measured at amortised cost, equal to the capitalised value when applying a constant effective rate of interest, and the difference between the proceeds initially received and the nominal value is recognised in the income statement over the loan period.

Derivatives are measured at fair value calculated according to generally accepted valuation methods and recognised in Other receivables or Other liabilities.

For derivatives hedging the fair value of recognised assets and liabilities the value of the hedged asset or hedged liability is also stated at fair value in respect of the risk being hedged. When a hedging instrument expires or is sold, terminated or exercised but the hedged asset or hedged liability with a determinable maturity still exist, the adjustment recorded as part of the carrying amount of the hedged item is amortised to the income statement from that date onwards using the effective interest method.

The effective part of the changes in the fair value of derivatives hedging future transactions is recognised directly in equity, net of tax. On realisation of the hedged item, value changes recognised under equity are reversed and recognised together with the hedged item. When a hedging instrument expires or is sold terminated or exercised but the hedged future transactions are still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs.

For derivatives, which do not comply with the hedge accounting conditions, changes in fair value are recognised as Net finance costs in the income statement as they occur.

2. Staff costs	2006	2005
Salaries	1	-
Staff costs	**1**	-
Average number of employees	1	-

Remuneration to the Board of Directors and Key Management of FS Funding A/S

DKK thousands	2006		2005	
	Board of Directors [1)]	Key Management [2)]	Board of Directors [1)]	Key Management [2)]
Salaries and fees	1,356	5,469	-	-
Bonus	-	4,943	-	-
Severance payments	-	125	-	-
Total	**1,356**	**10,537**	**-**	**-**

[1)] In 2006, remuneration to the Board of Directors was paid by ISS Management A/S. In 2005, no remuneration was paid to the Board of Directors.

[2)] In 2006, Key Management of FS Funding A/S comprised the former Managing Director for the period 1 January - 31 August and current Executive Group Management of FS Funding A/S for the period 1 September - 31 December. The current Executive Group Management of FS Funding A/S was paid by ISS Management A/S. In 2005, no remuneration was paid.

Amounts in DKK millions

3. Share-based payments

Warrant programmes

At 1 January 2006, certain members of Key Management of FS Funding A/S held warrants issued under two warrant programmes.

1999 warrant programme

At 1 January 2006, current members of Key Management held 28,000 warrants under the 1999 warrant programme. All of these warrants expired out-of-the money on 6 May 2006.

2000 warrant programme

At 1 January 2006, current members of Key Management held 16,000 warrants under the 2000 warrant programme. The subscription price ranged from DKK 514 to DKK 522 and the warrants were exercisable for a period of 30 days following the announcement of the annual results for the years 2003-2006. The outstanding warrants are exercisable within a period of 30 days following the announcement of ISS A/S's Annual Report 2006. The warrants expire on 10 May 2007. FS Funding believes that the value of the outstanding warrants under the 2000 warrant programme was insignificant at 31 December 2006.

FS Invest warrant programme

In July 2006, funds advised by EQT Partners and Goldman Sachs Capital Partners (the "Principal Shareholders") established a management participation programme. As part of the programme, Key Management and senior managers of the ISS Group were granted a total of 784,272 warrants in FS Invest S.à r.l ("FS Invest"), FS Funding A/S's ultimate parent. The warrants were issued in two series, A and B, both expiring on 1 June 2014. The estimated FS Invest share price at the time of the grant was DKK 1,019 per share. The warrants entitle the holder to subscribe for FS Invest shares at an exercise price of DKK 2,039 and DKK 2,549 per share for warrants in series A and series B, respectively, in a proportion which is determined by the exercise restrictions set out below. The warrants are exercisable for a period of 30 business days prior to and ending on 1 June 2014.

The warrants under the above-mentioned programmes are non-transferable.

As all senior managers of the ISS Group is employed by ISS Management A/S the table below only contains warrants granted to Key Management of FS Funding A/S. Key Management was only granted warrants under series B.

FS Invest warrants granted to Key Management of FS Funding A/S in 2006

	Key Management
	Series B
Warrants granted in 2006	125,424
Warrants forfeited in 2006	-
Outstanding at 31 December 2006	**125,424**

In total, 125,424 warrants were granted to Key Management of FS Funding A/S under series B. No warrants were forfeited in 2006 and at 31 December 2006, the number of outstanding warrants was unchanged at 125,424.

Accounting

In accordance with the provisions of IFRS 2 Share-based Payment, FS Funding applies IFRS 2 to grants of warrants that were granted after 7 November 2002, and had not yet vested at 1 January 2005.

Share-based payments not within the scope of IFRS 2

The outstanding warrants issued by ISS A/S are not within the scope of IFRS 2, and the fair value of these instruments has not been expensed in the income statement.

Share-based payments within the scope of IFRS 2

The FS Invest warrants granted to Key Management and senior managers of ISS are within the scope of IFRS 2. The share-based payment transactions including FS Invest warrant grants to Key Management of FS Funding A/S are accounted for as equity-settled transactions.

Continues

Amounts in DKK millions

3. Share-based payments (continued)

Valuation

2000 warrant programme

Taking into consideration that

• the exercise price of all outstanding warrants under the 2000 warrant programme is above DKK 465, which is equal to the share price paid by FS Funding A/S when it acquired ISS A/S in 2005
• the exercise price of outstanding warrants, according to their terms, will not be adjusted for dividends
• ISS A/S has subsequently paid interim dividends in excess of DKK 8 billion

FS Funding believes that the value of the outstanding warrants under the 2000 warrant programme was insignificant at 31 December 2006.

FS Invest warrant programme

The estimated value of warrants issued by FS Invest is measured by the Black-Scholes option pricing model based on the following assumptions and exercise restrictions:

Assumptions

	Series B
Share price (DKK)	1,019
Exercise price	2,549
Volatility	20%
Risk free interest rate (8 year swap rate)	3.60%
Dividend per share (DKK)	0
Time to maturity (years)	8
Number of FS Invest shares outstanding	7,686,537
Number of FS Invest warrants outstanding	2,202,812

Exercise restrictions

The warrants are subject to exercise restrictions depending on the share price at the time of exercise (the “Exercise Share Price”):

- If the Exercise Share Price is equal to or above DKK 6,114, 100% of the granted warrants can be exercised;
- If the Exercise Share Price is equal to or above DKK 4,076 and below DKK 6,114, 90% of the granted warrants can be exercised;
- If the Exercise Share Price is equal to or above DKK 3,312 and below DKK 4,076, 85% of the granted warrants can be exercised;
- If the Exercise Share Price is equal to or above DKK 3,057 and below DKK 3,312, 80% of the granted warrants can be exercised;
- If the Exercise Share Price is equal to or above DKK 2,803 and below DKK 3,057, 75% of the granted warrants can be exercised;
- If the Exercise Share Price is equal to or above DKK 2,547 and below DKK 2,803, 65% of the granted warrants can be exercised;
- If the Exercise Share Price is equal to or above DKK 2,293 and below DKK 2,547, 45% of the granted warrants can be exercised;
- If the Exercise Share Price is equal to or above DKK 2,038 and below DKK 2,293, 10% of the granted warrants can be exercised.

FS Invest and FS Funding A/S are privately held companies and therefore it is not possible to apply market data to measure the volatility of the underlying share. A volatility of 20% has been applied in the Black-Scholes valuation. This is on level with the volatility, which can be measured for the period January 2004 to the de-listing of the ISS share in June 2005 using weekly observations of market data.

The risk free interest rate applied in the Black-Scholes model is the Euro swap rate with a duration matching the time to maturity of the warrants. At the time of the grant, an eight year swap rate of 3.6% was used to estimate the Black-Scholes value.

Applying these assumptions, FS Funding estimates that the value of the warrants granted under the FS Invest warrant programme was DKK 4 million at the time of the grant in July 2006. In accordance with IFRS 2, these warrants will be expensed in the income statement over the vesting period from July 2006 to June 2014.

Amounts in DKK millions

4. Fees to auditors	2006	2005
KPMG		
Audit fees [1)]	2	4
Tax and VAT advisory services	-	1
Other services [2)]	4	4
Total fees to auditors	**6**	**9**

[1)] Audit fees comprised statutory audit of the Annual Report.

[2)] Other services mainly comprised work related to the Offering Memorandum in 2006 and to the acquisition of ISS A/S in 2005.

5. Other income and expenses, net	2006	2005
Costs relating to change of ownership of ISS A/S	-	(22)
Other income and expenses, net	**-**	**(22)**

6. Net finance costs	2006	2005
Interest income etc.	5	5
Interest income from affiliates	85	-
Foreign exchange gain	100	-
Financial income	**190**	**5**
Interest expenses etc.	(933)	(596)
Interest expenses to affiliates	(51)	(71)
Amortisation of financing fees	(117)	(338)
Foreign exchange loss	-	(163)
Financial expenses	**(1,101)**	**(1,168)**
Net finance costs	**(911)**	**(1,163)**

Amounts in DKK millions

7. Taxes

	2006			2005		
	Income taxes	Tax payables/ (receivables)	Deferred tax liabilities/ (assets)	Income taxes	Tax payables/ (receivables)	Deferred tax liabilities/ (assets)
Balance at 1 January / 11 March	-	-	(52)	-	-	-
Adjustments relating to prior years, net	(41)	41	-	-	-	-
Tax on equity movements	-	3	-	-	-	-
Tax on profit before tax	232	(284)	52	103	(51)	(52)
Subtotal	**191**	**(240)**	**0**	**103**	**(51)**	**(52)**
Reclassification of joint taxation contribution		107		-	(73)	-
Tax received, net		133		-	124	-
Taxes at 31 December	**191**	**0**	**0**	**103**	**0**	**(52)**

Deferred tax assets	2006	2005
Tax loss carried forward	-	52

Unrecognised tax assets	2006			2005		
	Total	Recognised	Unrecog-nised	Total	Recognised	Unrecog-nised
	451	-	451	284	52	232

FS Funding A/S has unrecognised deferred tax assets (tax loss carried forward). The unrecognised tax loss can be carried forward indefinitely.

A deferred tax liability associated with investment in subsidiary has not been recognised, because FS Funding A/S is able to control the timing of the reversal of the temporary differences and does not expect the temporary differences to reverse in the foreseeable future.

8. Acquisition of subsidiary	2006	2005
Acquisition of outstanding ISS A/S shares	-	(21,896)
Additional purchase of shares in settlement of warrant holders	-	(171)
Proceeds of shares sold to ISS A/S as part of warrant settlement	-	171
Paid acquisition costs to advisors etc.	(15)	(139)
Acquisition of subsidiary	**(15)**	**(22,035)**

Amounts in DKK millions

9. Net proceeds from financing	2006	2005
Long-term and short-term debt at 1 January / 11 March	(7,866)	-
Foreign exchange and other adjustments	(1)	(139)
Reversal of effect from loan costs	194	84
Long-term and short-term debt at 31 December	9,439	7,866
Net proceeds from financing	**1,766**	**7,811**

10. Non-current assets	2006	2005	2006	2005
	Investment in subsidiary		Receivables from affiliates	
Cost at 1 January / 11 March	22,050	-	-	-
Additions	-	22,050	369	-
Cost at 31 December	**22,050**	**22,050**	**369**	**-**
Revaluation at 1 January / 11 March	(6,590)	-	-	-
Dividends received in excess of accumulated profits	(766)	(6,590)	-	-
Revaluation at 31 December	**(7,356)**	**(6,590)**	**-**	**-**
Carrying amount at 31 December	**14,694**	**15,460**	**369**	**-**

Income from subsidiary		
Received dividends	1,260	6,993
Hereof in excess of accumulated profits	(766)	(6,590)
	494	**403**

Subsidiary	Share %	Share %
ISS A/S, Copenhagen, Denmark	100	100

11. Financial assets and liabilities	2006	2005	2006	2005
	Carrying amount		Effective interest rate (%)	
Receivables from affiliates, non-current	369	-	8.8	-
Receivables from affiliates, current	1,207	-	7.3	-
Cash and cash equivalents	61	511	3.0	2.4
Debt to affiliates, long-term	-	992	-	13.9
Debt to affiliates, current	-	115	-	8.5

12. Share capital	2006	2005
Share capital (in DKK millions)		
Share capital at 1 January / 11 March	100	1
Capital increase	-	99
Share capital at 31 December	**100**	**100**
Number of shares (in thousands of shares)		
Number of shares at 1 January / 11 March	100,000	1,000
Issued during the year	-	99,000
Number of shares at 31 December - fully paid	**100,000**	**100,000**

13. Long-term debt	2006	2005
Subordinated notes [1]		
Floating notes due 2016	6,153	-
8.875% notes due 2016	3,286	-
Total long-term debt [2]	**9,439**	**-**
Fair value of long-term debt [3]	9,957	-
Long-term debt is payable as follows:		
After 5 years	9,439	-
Total	**9,439**	**-**
Effective interest rate [4]	9.8%	**-**

[1] In May 2006, FS Funding A/S issued EUR 850 million of euro-denominated subordinated floating notes. The notes bear interest at a rate per annum equal to 3 month Euribor plus 6.625%, reset quarterly, and mature on 15 May 2016. In December 2006, FS Funding A/S partially hedged the interest exposure on the floating notes with a EUR 540 million interest rate swap. Also in May 2006, FS Funding A/S issued EUR 454 million of euro-denominated subordinated notes. The notes have an annual coupon of 8.875%, payable semi-annually in arrears, and mature on 15 May 2016.

[2] In 2006, financing fees amounting to DKK 304 million have been recognised in long-term debt.

[3] The fair value of the subordinated notes is based on the quoted market price on the Luxembourg Stock Exchange.

[4] Weighted average interest rate taking the effect of interest rate hedges into account.

14. Short-term debt	2006	2005
Bank loans (term loan B)	-	1,212
Bank loans (High Yield bridge)	-	6,654
Short-term debt	**-**	**7,866**

The bank loans were repaid in connection with the issue of subordinated notes, see note 13, Long-term debt.

Amounts in DKK millions

15. Contingent liabilities

Senior Facility Agreement

FS Funding A/S has executed a share pledge over its shares in ISS A/S as security for ISS's senior facilities, and a secondary share pledge over such shares as security for the subordinated notes issued by FS Funding A/S.

ISS A/S, ISS Global A/S and certain material subsidiaries of ISS Global A/S in Australia, Belgium, Denmark, Finland, France, the Netherlands, Norway, Spain, Sweden and the United Kingdom have provided guarantees for ISS Global A/S' borrowings under the senior facilities. The guarantees have been backed up by security over bank accounts, trade receivables, inter-group receivables and intellectual property rights of ISS A/S and these subsidiaries. In addition, the shares in the material subsidiaries and shares in certain of their subsidiaries as well as shares in certain subsidiaries in Austria, Germany, Hong Kong, Ireland, Portugal, Singapore and Switzerland have been pledged. Neither ISS A/S nor any of its direct or indirect subsidiaries have guaranteed or granted any security for FS Funding A/S' borrowing used for financing the acquisition of ISS A/S.

VAT

FS Funding A/S and certain Danish affiliates are jointly registered for VAT and are jointly liable for the payment hereof.

16. Derivatives

FS Funding A/S' financial risk management is based on policies approved by the Board of Directors. FS Funding A/S may use derivatives to hedge financial risks.

Interest rate risk is measured by the duration of the net debt. The duration reflects the effect of a simultaneous increase or decrease in the general level of interest rates for the currencies included in the debt portfolio. As at 31 December 2006, the duration of net debt was approximately 4.6 years. Thus, all other things being equal, an increase (decrease) of one percentage point in the relevant interest rates would reduce (increase) the market value of net debt by approximately DKK 452 million. Based on the net debt and taking into account the effect of hedging instruments as at 31 December 2006, a general decrease (increase) of one percentage point in relevant interest rates would reduce (increase) the annual net interest expense by approximately DKK 23 million, all other things being equal.

FS Funding A/S' loan portfolio consists of subordinated notes, issued in May 2006. A part of the interest payments on the Subordinated notes have been swapped from floating into fixed rates. To manage the duration of the net debt, FS Funding A/S applies interest rate swaps. The deferred gain or loss on the interest rate instruments will be recognised directly in equity, net of tax. On realisation of the hedged item, value changes recognised under equity are reversed and recognised together with the hedged item. When a hedging instrument expires or is sold, terminated or exercised but the hedged future transactions are still expected to occur, the cumulative gain or loss at that point remains in equity and is recognised in accordance with the above policy when the transaction occurs.

Credit risk represents the risk of the accounting loss that would be recognised if counterparties failed to perform as contracted. Losses on bad debt relating to individual customers or counterparties have historically been relatively low. FS Funding A/S performs ongoing credit evaluations of the financial condition of FS Funding A/S' counterparties in order to reduce the credit risk exposure.

Contractual values and unrealised gains and losses are specified below for financial instruments used to hedge the foreign exchange risk and the interest rate risk:

	Contractual value	Unrealised gain/(loss) on revaluation to fair value	Included in the income statement for 2006	Taken directly to equity on 31 December 2006	Maturity
Interest rate instruments - FS Funding A/S					
Interest rate swap - 2010 (EUR), payer [1)]	4,026	15	(0)	15	2010

[1)] The swap converts a part of the floating rate for the subordinated notes to fixed interest rate.

17. Related party transactions

The sole shareholder of FS Funding A/S, FS Equity A/S has controlling influence in FS Funding A/S. The ultimate controlling company of FS Funding A/S is FS Invest S.à r.l ("FS Invest"), which is 54% owned by funds advised by EQT Partners and 44% owned by Goldman Sachs Capital Partners.

Members of the Board of Directors and Executive Group Management
Apart from remuneration as described in note 2, Staff Costs, note 3, Share-based payments and the incentive programmes described below there were no significant transactions with members of the Board of Directors or Executive Group Management during the year.

Incentive Programmes
The Principal Shareholders have offered a management participation programme, under which the Executive Group Management and a number of senior officers of the Group were offered to make an investment. The programme is structured as a combination of direct and indirect investments in a mix of shares and warrants of FS Invest, FS Funding A/S's ultimate parent, amounting to DKK 176 million in total. Furthermore, certain officers were granted a total of 784,272 warrants in FS Invest. The management participation programme was rolled out in July 2006 and from the outset 138 eligible officers participated in the programme.

Non-executive members of the Board of Directors (except representatives of the Principal Shareholders) have been offered to participate in a directors participation programme, under which they have invested in a mix of shares and warrants of FS Invest amounting to approximately DKK 6 million in total. In addition they have co-invested with the Principal Shareholders for approximately DKK 17.6 million in total.

FS Funding A/S' Board of Directors' and Executive Group Management's external directorships and external executive positions

Board of Directors	Board Member	Executive Position
Leif Östling	Scania AB, AB SKF, Svenskt Näringsliv (Confederation of Swedish Enterprise) and Teknikföretagen (The Association of Swedish Engineering Industries)	President and CEO of Scania AB
Sir Francis Mackay	Chairman Carlton Financial Group and Trustee of English National Opera	None
Ole Andersen	Contex Holding A/S, Aleris AB and BTX Group A/S	Head of the Copenhagen office of EQT Partners
Sanjay Patel	Ahlsell AB	Co-head of Private Equity in Europe for the Principal Investment Area of Goldman Sachs
Christoph Sander	Europackaging Group (MidOcean Partners Appointee) and Casper Limited	Co-founder and CEO of Casper Limited
Richard Sharp	Cognis GmbH & Co. KG	Advisory Director of Goldman Sachs International
Peter Korsholm (alternate)	Contex Holding A/S (deputy director) and BTX Group A/S	Partner at EQT Partners
Steven Sher (alternate)	Ahlsell AB and Rhiag Group Ltd.	Managing Director, Goldman Sachs International, Principal Investment Area
Executive Group Management		
Jørgen Lindegaard	Telenor ASA and Efsen Engineering A/S	None
Flemming Schandorff	None	None
Jeff Gravenhorst	None	None

Continues

17. Related party transactions (continued)

Affiliates
In 2006 FS Funding A/S had the following transactions with affiliates. All transactions are made on market terms.

- FS Funding A/S paid/received interest from/ to FS Equity A/S and other affiliates, see note 6, Net finance costs
- FS Funding A/S received/paid joint taxation contributíon equal to 28% of taxable income to/from FS Equity A/S (the ultimate parent company in Denmark), see note 7, Taxes.
- FS Funding A/S received dividends from ISS A/S, see note 10, Non current assets - Investment in subsidiary

Apart from the above, there were no other material transactions with related parties and shareholder during the year.

Definitions

EBITDA	=	Operating profit + Depreciation and amortisation
Adjusted EBITDA	=	Operating profit before other items + Depreciation and amortisation
Equity ratio, %	=	$\frac{\text{Total equity x 100}}{\text{Total assets}}$
Carrying amount of net debt	=	Long-term debt + Short-term debt - Receivable from affiliates - Securities - Cash and cash equivalents
Interest-bearing debt, net	=	Carrying amount of net debt – Non-interest-bearing debt, net
Non-interest-bearing debt, net	=	Sum of non-interest-bearing items included in carrying amount of net debt, e.g. marked-to-market value of interest rate swaps, unamortised gains from settlement of interest rate swaps and unamortised loan costs.
Operating margin	=	$\frac{\text{Operating profit before other items}}{\text{Revenue}}$
Operating margin, %	=	$\frac{\text{Operating profit before other items x 100}}{\text{Revenue}}$

APPENDIX:

Other Financial Measures

The estimated pro forma information presented in this appendix is unaudited and for informational purposes only. This information does not represent the results the Group would have achieved had each of the acquisitions and divestments during the period 1 January 2006 – 31 December 2006 occurred on 1 January 2006.

FS Funding includes these financial measures because it believes that they are useful measures of the Group's results of operations and liquidity; however, these items are not measures of financial performance under IFRS and should not be considered as a substitute for operating profit, net profit, cash flow or other financial measures computed in accordance with IFRS. Other companies, including those in the Group's industry, may calculate similarly titled financial measures differently from the Group. Because all companies do not calculate these financial measures in the same manner, FS Funding's presentation of such financial measures may not be comparable to similarly titled measures of other companies. Funds depicted by certain of these measures may not be available for management's discretionary use due to covenant restrictions, debt service payments and other commitments. In addition, the calculations of some of these financial measures take into account estimates of pre-acquisition and post-acquisition results, which by their nature are uncertain.

Adjusted EBITDA

Adjusted EBITDA, as calculated by FS Funding, represents operating profit before other items plus depreciation and amortization. By using operating profit before other items as a starting point for the calculation of adjusted EBITDA instead of operating profit, the Group excludes from the calculation of adjusted EBITDA integration costs relating to acquisitions and items recorded under the line item Other income and expenses, net. This line item includes income and expenses that FS Funding believes are not a part of its normal ordinary operations, such as gains and losses arising from divestments, the winding-up of operations, disposals of property, restructurings and certain acquisition related costs. Some of the items that the Group records under the line item Other income and expenses, net are recurring and some are non-recurring in nature.

RECONCILIATION OF EBITDA TO ADJUSTED EBITDA

	12-month period ended 31 December 2006 (DKK millions)
Operating profit	3,019
Depreciation and amortisation	745
EBITDA	3,764
Other income and expenses, net	109
Integration costs	106
Adjusted EBITDA	**3,979**

ESTIMATED PRO FORMA ADJUSTED EBITDA

	12-month period ended 31 December 2006 (DKK millions)
Adjusted EBITDA	3,979
Estimated pro forma adjusted EBITDA of acquired and divested businesses [1)]	224
Estimated pro forma adjusted EBITDA	**4,203**

[1)] Estimated pro forma adjusted EBITDA of acquired and divested businesses represents the net aggregate estimated adjusted EBITDA for each of the acquired or divested businesses for the period from 1 January 2006 to the date of its acquisition by the Group. These amounts are estimates in part because (i) the historical income statement information that was available for the acquired businesses for the periods from 1 January 2006 to the date of their acquisition by the Group has been converted and adjusted by the Group as described below, and (ii) income statement information was generally not available for any of the acquired businesses for the portions of the twelve-month period ended 31 December 2006 from the dates of the last annual or interim financial statements of the acquired businesses until the date on which they were purchased by the Group.

Continues

ESTIMATED PRO FORMA ADJUSTED EBITDA (CONTINUED)

These estimates are based on estimates of the EBITA of the acquired businesses for pre-acquisition portions of the financial year in which the acquisition occurred and for the preceding financial year and originally included in standardised reports of potential acquisitions prepared in the normal course of business by ISS local management. The definition of EBITA is the same as that of adjusted EBITDA, but after depreciation.

The estimated pro forma adjusted EBITDA for the 12-month period ended 31 December 2006 was prepared using the following methodology:

(i) First, by estimating the annual EBITA of the acquired businesses:
- EBITA estimates of the acquired businesses for historical periods were based on the historical annual or interim financial statements of the Acquired Businesses;
- in some cases, EBITA estimates for historical periods were based on financial statements of the acquired businesses, prepared under relevant local generally accepted accounting principles;
- where the financial statements of the acquired businesses were not audited by the local auditors of such businesses, EBITA for historical periods was estimated with reference to unaudited internal management accounts of those entities;
- EBITA estimates of the acquired businesses were then converted to ISS accounting policies by local ISS management for inclusion in the acquisition reports;
- EBITA estimates included in the acquisition reports did not take account of seasonality or expected synergies, but were adjusted on a case-by-case basis to take into account additional information regarding known material positive or negative changes in the acquired businesses, such as contract gains and losses, available at the time of acquisition from interim reports, management accounts of the acquired businesses and other sources;
- the estimated annual EBITA for each of the acquired businesses was allocated in an equal pro rata amount to each month of the portion of the twelve-month period ended 31 December 2006 prior to its acquisition by ISS;

(ii) Second, by estimating the annual EBITDA of the acquired businesses:
- the total estimated EBITA for all of the acquired businesses was then adjusted to add back an amount of estimated depreciation for each of the acquired businesses for the portion of the twelve-month period ended 31 December 2006 prior to its acquisition by ISS, by applying a rate of depreciation of 1.5% to the revenues of each such entity acquired during the twelve-month period ended 31 December 2006 and allocating the result in equal pro rata amounts to each month of the period;

(iii) Third, by estimating the EBITDA of the smaller divested businesses and discontinued operations:
- the estimated EBITA of the smaller divested businesses and discontinued operations was derived from the unaudited management accounts of those smaller divested businesses and discontinued operations; and
- the total estimated EBITA for all of the smaller divested businesses and discontinued operations was then adjusted to add back an amount of depreciation for each of the smaller divested businesses and discontinued operations, by applying the reported depreciation of the divested entity if the entity was separately reported in the unaudited management accounts or, if the depreciation of the entity was not separately reported in the unaudited management accounts, by applying a rate of depreciation of 1.5% to the revenue of each such entity divested during the twelve-month period ended 31 December 2006.

Interest-bearing net debt

The following table sets forth the Group's consolidated cash and cash equivalents and securities and capitalisation as of 31 December 2006.

The amounts set forth under the column entitled "Consolidated Actual" are derived from and should be read in conjunction with the consolidated financial statements of FS Funding as of and for the period ended 31 December 2006 and the related notes thereto.

CAPITALISATION TABLE

DKK millions	As of 31 December 2006		
	Consolidated Actual	Accounting Adjustments [1]	Consolidated As Adjusted
Cash and cash equivalents and securities:			
Cash and cash equivalents	2,216		2,216
Securities [2]	59		59
Total cash and cash equivalents and securities	**2,275**		**2,275**
Short-term debt:			
Senior facilities [3]:			
Term facility A	199		199
Other short-term debt [4]	816	(96) (iv)	720
Total short-term debt	**1,015**		**919**
Long-term debt:			
Senior facilities [3]:			
Term facility A	1,480	18 (iii)	1,498
Term facility B	4,973	54 (iii)	5,027
Acquisition facilities	2,508	26 (iii)	2,534
Euro Medium Term Notes [5]:			
4.75% Notes due 2010 [a]	5,939	399 (i)	6,338
4.50% Notes due 2014 [b]	3,017	711 (i)	3,728
Subordinated notes [6]:			
Floating Rate Notes due 2016 [a]	6,153	185 (iii)	6,338
8.875% Notes due 2016 [b]	3,286	99 (iii)	3,385
Interest rate swaps	47	(47) (ii)	-
Other long-term debt [7]	222		222
Total long-term debt	**27,625**		**29,070**
Shareholders' funding:			
Shareholders' equity	5,917		5,917
Minority interests	63		63
Total capitalisation	**34,620**		**35,969**
Total interest-bearing net debt [8]	26,365		27,714

Notes:

1) Accounting Adjustments:

(i) Market price adjustments of Euro Medium Term Notes:
The Euro Medium Term Notes issued by ISS Global were recognised in the opening balance sheet at their market price as of 9 May 2005, the date of FS Funding's acquisition of ISS, as part of FS Funding's purchase price allocation prepared in connection with the Acquisition. The difference between this market price and the principal amount is being amortised in the consolidated financial statements of FS Funding over the remaining term of the Euro Medium Term Notes. The unamortised market price adjustment as at 31 December 2006, amounting to DKK 399 million related to the Euro Medium Term Notes due 2010 and DKK 711 million related to the Euro Medium Term Notes due 2014, is reversed in the above table to reflect the principal amount of the Euro Medium Term Notes.

Continues

CAPITALISATION TABLE (continued)

(ii) Realised and unrealised gains on interest rate swaps:
In June 2005 and June 2006, ISS settled the interest rate swaps hedging of the Euro Medium Term Notes issued by ISS Global and realised a gain, which is being recognised in the income statement over the remaining term of the Euro Medium Term Notes. At 31 December 2006, the unamortised portion of the gain amounted to DKK 47 million, which is reversed in the above table to reflect the principal amount of the hedged Euro Medium Term Notes.

(iii) Unamortised financing fees:
According to IFRS, a liability in respect of a loan is recorded at an amount equal to the net proceeds received from such loan and not its principal amount. The difference between the principal amount required to be repaid at maturity and the net proceeds received represents unamortized financing fees and is amortized through the income statement over the term of the relevant liability.

To reflect the principal amount of loan liabilities at 31 December 2006, unamortized financing fees of DKK 18 million related to Term Facility A, DKK 54 million related to Term Facility B, DKK 26 million related to Acquisition Facilities, DKK 185 million related to the Subordinated Floating Rate Notes, and DKK 99 million related to the 8.875% Subordinated Notes are reversed.

(iv) Debt related to joint taxation:
FS Funding and ISS are jointly taxed with FS Equity and its Danish resident subsidiaries. The Danish income tax payable is allocated between the jointly taxed Danish companies based on their proportion of taxable income. At 31 December 2006, the audited consolidated financial statements of FS Funding included a liability of DKK 96 million to FS Equity, the ultimate Danish parent of the Group. In the absence of the joint taxation scheme, this liability would not have been recorded under short-term debt but under tax payables. To adjust for the accounting effect of the joint taxation scheme, DKK 96 million is excluded from short-term debt.

2) Consists mainly of Danish listed government bonds.

3) The senior facilities comprise the following:

(a) term loans in an amount equivalent to DKK 6,724 million (Term facility A in an amount equivalent to DKK 1,697 million, of which DKK 199 million are included in short-term debt and DKK 1,498 million are included in long-term debt, and Term facility B in an amount equivalent to DKK 4,973 million), both of which are fully drawn.

(b) a revolving credit facility (the ‘‘revolving credit facility’’) in an amount equivalent to DKK 2,400 million, of which amounts equivalent to DKK 598 million were drawn as of 31 December 2006. Borrowings under the revolving credit facility are primarily provided by local lenders to certain subsidiaries and are included in other short-term debt and other long-term debt in FS Funding’s consolidated financial statements.

(c) Acquisition facility A in an amount equivalent to DKK 1,425 million, which was fully drawn as at 31 December 2006 and Acquisition facility B in an amount equivalent to DKK 3,500 million of which DKK 1,109 million was drawn as at 31 December 2006.

(d) a letter of credit facility in an amount equivalent to DKK 500 million. Letters of credit are primarily issued in support of borrowings, other than borrowings under the revolving credit facility or the Secured Local Facilities, and, to the extent these borrowings are deemed to constitute indebtedness, the borrowings are included in other short-term debt and other long-term debt in FS Funding’s consolidated financial statements.

The senior facilities have been drawn in certain currencies in addition to Danish Kroner as specified under the Senior Facilities Agreement.

4) Total short-term debt includes borrowings under the revolving credit facility which are primarily provided by local lenders to certain subsidiaries primarily to fund working capital requirements, other local credit facilities and finance leases.

5) Euro Medium Term Notes

(a) In September 2003, ISS Global issued EUR 850 million of Euro Medium Term Notes. The notes have an annual coupon of 4.75%, payable annually in arrears, and mature on 18 September 2010.

(b) In December 2004, ISS Global issued EUR 500 million of Euro Medium Term Notes. The notes have an annual coupon of 4.50%, payable annually in arrears, and mature on 8 December 2014.

Continues

CAPITALISATION TABLE (continued)

6) Subordinated Notes

(a) In May 2006, FS Funding issued EUR 850 million of euro-denominated Subordinated Floating Rate Notes. The notes bear interest at a rate per annum equal to 3 month Euribor plus 6.625%, reset quarterly, and mature on 15 May 2016. As of 31 December 2006, the interest rate of EUR 540 million of the Subordinated Floating Rate Notes was fixed through interest rate swaps.

(b) In May 2006, FS Funding issued EUR 454 million of euro-denominated Subordinated Notes. The notes have an annual coupon of 8.875%, payable semi-annually in arrears, and mature on 15 May 2016.

7) Other long-term debt includes finance leases, mortgage debt and other debt.

8) Total adjusted net debt represents total short-term debt and total long-term debt less total cash and cash equivalents and securities.