Annual Report 2007

Key Figures

	ISS Holding A/S		ISS A/S		ISS Holding A/S
Amounts in DKK millions (unless otherwise stated)	**2007**	**2006**	**2005**	**2004**	**2005**
Revenue	63,922	55,772	46,440	40,355	31,741
Operating profit before other items	3,835	3,234	2,650	2,260	1,932
EBITDA [1]	4,484	3,764	2,955	2,698	1,979
Adjusted EBITDA [1], [2]	4,680	3,979	3,309	2,877	2,383
Operating profit [3]	3,639	3,019	2,296	2,081	1,528
Net finance costs	(3,017)	(2,351)	(521)	(335)	(1,721)
Profit before goodwill impairment/amortisation of brands and customer contracts	376	226	1,281	1,225	(410)
Net profit/(loss) for the year [4]	(442)	(809)	948	837	(945)
Additions to property, plant and equipment, gross	938	907	775	700	576
Cash flow from operating activities	3,713	3,195	1,598	2,272	2,109
Investments in intangible assets, property, plant and equipment, net	(715)	(843)	(549)	(583)	(372)
Total assets	55,348	52,253	31,865	30,805	46,456
Goodwill	27,593	26,178	16,592	15,384	22,995
Carrying amount of net debt [1]	29,245	26,271	15,905	7,462	22,741
Total equity [4]	5,518	5,980	2,285	8,822	6,774
Financial ratios [1]					
Operating margin before other items, %	6.0	5.8	5.7	5.6	6.1
Interest coverage	1.6	1.7	6.3	8.6	1.4
Cash conversion, % [5]	99	102	91	108	145
Employees on full-time, %	68	66	61	57	61
Number of employees	438,100	391,400	310,800	273,500	310,800
Growth					
Organic growth, %	6.0	5.5	3	1.5	-
Acquisitions, net, %	9	15	11	11	-
Total revenue, %	15	20	15	12	-
Currency adjustments, %	(0)	0	1	(0)	-
Operating profit before other items, %	19	-	17	12	-
Other Financial Measures (unaudited) [6]					
Pro Forma Adjusted EBITDA	4,866	4,203			
Pro Forma Net Debt	29,981	27,714			
Pro Forma Net Debt / Pro Forma EBITDA	6.16x	6.59x			

Note: Except for the key figures that can be directly derived from the consolidated financial statements on pages 85-146 of this report, the key figures and ratios above are not measures of financial performance under Danish GAAP or IFRS. The Group includes these financial measures because it believes that they are appropriate measures of the Group's financial performance. Other companies, including those in ISS's industry, may calculate similarly titled financial measures differently.

ISS Holding A/S was founded on 11 March 2005, while the activities of ISS were acquired on 9 May 2005. Consequently, the 2005 figures do not represent full year figures and it is therefore not possible to conduct a proper comparison with the 2005 figures. For illustrative purposes key figures for ISS A/S for 2004 and 2005 have been included in the overview.

The applied accounting principles are described in note 1, Significant accounting policies to the consolidated financial statements.

[1] See page 169 for definitions.

[2] Adjusted EBITDA, as calculated by the Group, represents Operating profit before other items plus Depreciation and amortisation. 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 those items recorded under Other income and expenses, net, in which the Group includes income and expenses that it believes do not form part of the Group's normal ordinary operations, such as gains and losses arising from divestments, the winding up of operations, disposals of property, restructuring 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.

[3] Excluding Goodwill impairment and write-down and Amortisation of brands and customer contracts.

[4] Including minority interests.

[5] In 2007, the definition of cash conversion has been aligned with the operational definition of cash conversion used by the Group. The comparative figures have been restated accordingly.

[6] The Pro Forma adjusted financial information is for informational purposes only. See page 170 for further information on Other Financial Measures.

ISS at a Glance

With more than 200,000 Business-to-Business customers worldwide, ISS is one of the world's largest commercial providers of Facility Services. The company has operations in 50 countries in Europe, Asia, Pacific, Latin America and the USA.

ISS is among Europe's largest private employers, the vast majority of its more than 438,000 employees are in the front-line delivery of services.

Through a network of local operations, ISS offers Facility Services on an international scale, leveraging knowledge and experience between countries to the benefit of its customers. It is ISS's ambition to develop partnerships with its customers, enabling them to focus attention and resources on their core business by outsourcing a broad range of support services to ISS.

Facility Services

ISS's core business is to manage and deliver Facility Services, covering a range of business support services within Cleaning, Office Support, Property Services, Catering, Security and Facility Management.

The services are delivered as Single Services, Multi Services or as an Integrated Facility Services (IFS) solution with on-site management through a single point of contact with the customer.

Organisation

ISS's head office is located in Copenhagen, Denmark. The business is managed through a country-based organisation. This structure enables the Group to customise its service offering to meet local demands while at the same time offering cross-border solutions.

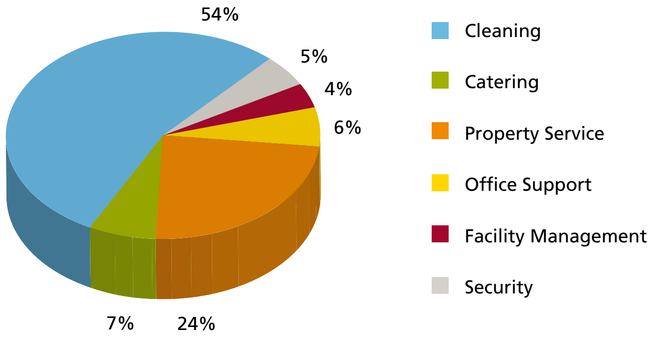
Ownership

ISS Equity A/S, a company indirectly owned by funds advised by EQT Partners and Goldman Sachs Capital Partners, is the owner and single shareholder of ISS Holding A/S.

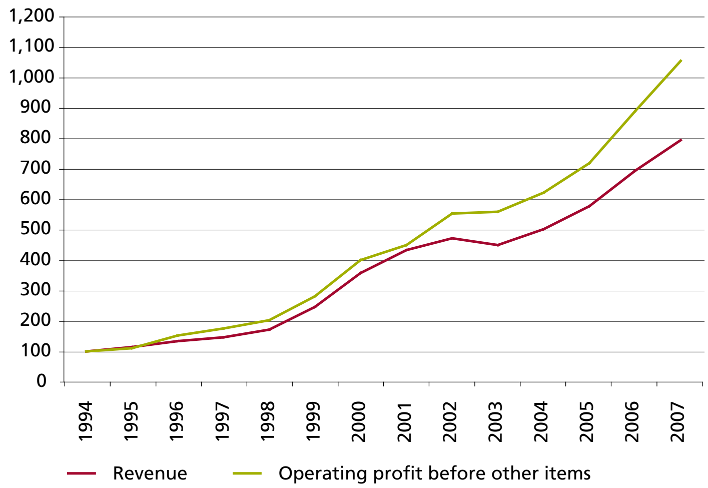
ISS milestones

1901	The predecessor of ISS, Kjøbenhavn-Frederiksberg Nattevagt (Copenhagen-Frederiksberg Night Watch), founded in Copenhagen, Denmark as a small security company with 20 night watchmen
1934	ISS entered the cleaning business with the establishment of Det Danske Rengørings Selskab A/S (The Danish Cleaning Company) as an independent subsidiary of the security company
1946	The first geographical expansion outside Denmark: Swedish subsidiary established
1968	The company adopted the ISS name
1973	Overseas expansion started
1975	Group revenue reached DKK 1 billion
1977	ISS shares listed on the Copenhagen Stock Exchange
1989	The total number of employees in the Group reached 100,000
1997	Strategy aim2002 launched. This strategy focused on multi services – selling a number of services to the same customer
1999	ISS acquired Abilis, the second largest European provider of cleaning and specialised services, in a DKK 3.6 billion

Revenue by service 2007



Development in revenue and operating profit before other items 1994-2007



Revenue/Operating profit before other items is based on official Annual Reports for ISS A/S.

Management

Decisions regarding ISS's strategy and financing are the responsibility of the Board of Directors and Executive Group Management of ISS A/S. Jørgen Lindegaard is Chief Executive Officer of ISS A/S.

History

The history of ISS goes back in time more than a hundred years. The ISS Group was founded as a small Danish security company in 1901. Selected key milestones of the Group's history are listed below.

Vision

Lead Facility Services globally by leading Facility Services locally.

acquisition, the Group's largest ever. Abilis had about 50,000 employees and annual revenues of DKK 5.2 billion in 1998. The total number of employees in the Group reached 200,000

2000 A new five-year strategy, create2005, launched, introducing the Facility Services concept

2003 ISS's first major pan-European Integrated Facility Services contract signed

2005 A new strategy was introduced aiming at a continuous transformation of ISS towards an Integrated Facility Services company. ISS A/S was acquired by ISS Holding A/S, a company indirectly owned by funds advised by EQT Partners and Goldman Sachs Capital Partners, and de-listed from the Copenhagen Stock Exchange. The total number of employees in the Group reached 300,000

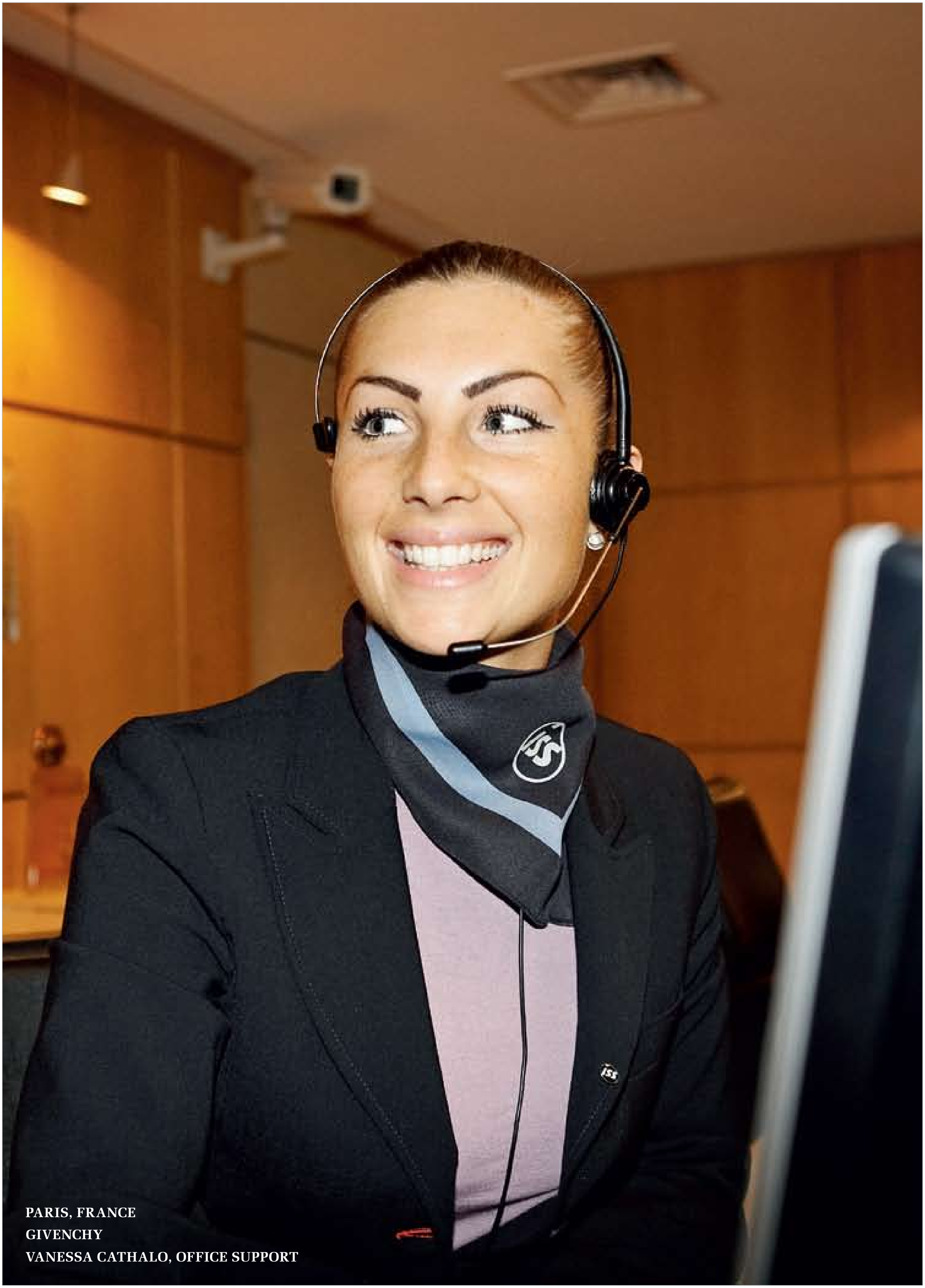
2006 Group revenue passed DKK 50 billion. ISS made the second-largest acquisition in company history, when acquiring the outstanding 51% of the shares in Tempo Services Ltd. in Australia

2007 Group revenue passed DKK 60 billion. ISS entered the US market through the acquisition of Sanitors Inc. The total number of employees in the Group reached 400,000.

Annual Report 2007
ISS Holding A/S

PARIS, FRANCE
ISS HEADQUARTERS
SILVIA RENDO, CLEANING

Contents



PARIS, FRANCE
GIVENCHY
VANESSA CATHALO, OFFICE SUPPORT

Letter to Our Stakeholders

For the ISS Group, 2007 was characterised by profitable growth, expansion of operations into new strategically important geographies and broadening of the service offering.

In line with ISS's overall vision to lead Facility Services globally – by leading Facility Services locally, the Group continued to develop towards providing more advanced Integrated Facility Services solutions based on best-in-class single services offered within the five business pillars, Cleaning, Catering, Property Services, Office Support, and Security.

ISS maintained its operational focus on profitability, organic growth and cash flow while continuing investments in the business through acquisitions, e.g. in the two new ISS countries, the USA and Taiwan.

For the fourth consecutive year, ISS improved its organic growth rate, from 5.5% in 2006 to 6.0% in 2007. The organic growth was fuelled by positive performances in all regions, with Asia, Latin America and Central and Eastern Europe delivering double-digit organic growth rates.

ISS emphasises that the Group's growth is based on operational efficiency and profitability. In 2007, this resulted in the highest annual operating margin before other items for more than a decade: 6.0%, up from 5.8% the year before. Operating profit before other items increased by DKK 0.6 billion, or 19% compared with 2006. Net cash inflow from operating activities increased from DKK 3.2 billion to DKK 3.7 billion.

Total Group revenue reached just under DKK 64 billion, another record and a 15% increase from 2006. Revenue from Cleaning grew by 8%, while Cleaning's share of total revenue decreased from 57% to 54%, illustrating the continued broadening of ISS's service offering. The strategic development to become the leading provider of Integrated Facility Services was illustrated by the fact that IFS solutions accounted for 15% of total Group revenue in 2007.

During the year, ISS completed 67 acquisitions worldwide aimed at strengthening the Group's service offering and pursuing opportunities in new geographies. The most significant acquisition was Sanitors Inc. in the USA.

In 2007, ISS continued the development of single-service excellence concepts and initiatives for knowledge and best-practice sharing. Furthermore, ISS established a global Corporate Client organisation to drive new sales, to operate and support multinational clients and to further support the development of Integrated Facility Services. In 2007, ISS also initiated the "Service Culture – The ISS Way" programme to further define and develop a strong and characteristic corporate culture and an ISS approach to service management for all country organisations.

Group COO Flemming Schandorff, who has served ISS for more than 30 years, decided to retire at the end of March 2008. We wish to thank Flemming for his significant and highly valuable contribution to ISS over the years and wish him the best for the future.

During 2007, ISS welcomed employee number 400,000 and by the end of the year, that number had grown to 438,000 people worldwide, underlining that ISS is not only a "people company" but also one of the biggest employers in Europe and in many of the individual countries with ISS operations. On behalf of the management of ISS, we would like to welcome the many new employees who joined the company during 2007, and to express our gratitude to all our employees for their dedicated work. They are the primary reason for the successful performance of ISS.

Yours faithfully,

Sir Francis Mackay
Chairman

Jørgen Lindegaard
Group Chief Executive Officer

MALMO, SWEDEN
DAIMLER CHRYSLER
ELVIN MULABDI´C, FREDRIK LARSSON, LOTTA WALLSTRÖM
AND JAN FLOD, PROPERTY SERVICES

Company Report

Business highlights of the year

During 2007, ISS Holding A/S (ISS or the Group) continued to develop the business towards achieving the targets set out in the Group strategy. Simultaneously, ISS maintained its operational focus on profitability, organic growth, cash flow and ongoing investments in the business through acquisitions.

The overall vision of ISS is to "Lead Facility Services globally – by leading Facility Services locally."

ISS is focused on achieving adequate regional presence across the globe. In 2007, ISS continued its global development by establishing operations in the USA and Taiwan, building up critical mass of services in selected countries, and expanding further organically and through acquisitions in growth regions such as Asia, Latin America and Central and Eastern Europe.

A prerequisite for being a leading Facility Services company is the continuous focus on being the best in class provider of each of the individual single services. In 2007, ISS continued the development of single-service excellence concepts and initiatives for knowledge and best-practice sharing. Furthermore, ISS broadened its service offering in line with

Performance highlights

- Revenue increased 15% to DKK 63.9 billion
- Organic growth was 6.0%, up from 5.5% in 2006
- Operating margin before other items was 6.0% compared with 5.8% in 2006
- Cash flow from operations increased from DKK 3.2 billion in 2006 to DKK 3.7 billion
- Financial deleveraging continued with a decrease from 6.59x pro forma EBITDA to 6.16x pro forma EBITDA

customer demand and continued building critical mass within Office Support, Catering and Security.

In addition, a global Corporate Client organisation was established in 2007, with the purpose of driving new sales, operating and supporting multinational clients as well as further supporting the development of Integrated Facility Services.

ISS also initiated the "Service Culture – The ISS Way" programme to further define and develop a strong and characteristic corporate culture and an ISS approach to service management for all country organisations.

In 2007, ISS reached a significant milestone, as Group revenue passed DKK 60 billion. Total Group revenue amounted to DKK 63.9 billion, an increase of 15% from 2006. The continued broadening of the service offering is illustrated by continued development in the composition of the services offered by ISS. From 2006 to 2007, the revenue from Cleaning grew by 8%, while Cleaning's share of total Group revenue was diluted as planned from 57% to 54%. In addition, many country operations continued the development towards becoming Integrated Facility Services ("IFS") providers, as IFS accounted for 15% of total Group revenue in 2007.

The increasing trend in organic growth rates was sustained, with an increase of 0.5 percentage points to 6.0% in 2007. The increase was driven by positive performance in all regions, with Asia, Latin America and Central and Eastern Europe achieving double-digit organic growth rates.

The Group's continued focus on operational efficiency led to an increase in the operating margin before other items from 5.8% in 2006 to 6.0% in 2007, the highest for more than three decades. Operating profit before other items increased by DKK 601 million, or 19% compared with 2006.

ISS generated positive cash flow and increased the net inflow from operating activities from DKK 3.2 billion in 2006 to DKK 3.7 billion, due primarily to the increase in operating profit before other items.

ISS continued to invest in acquisitions in order to strengthen its service offering and to pursue opportunities in new geographies with high growth potential. During 2007, ISS completed a total of 67 acquisitions with total annual revenue estimated at approximately DKK 4.5 billion. The most significant acquisition was that of Sanitors Inc. in the USA. This step was in line with the stated vision of becoming the global leader in Facility Services.

In June 2007, ISS completed the refinancing of a portion of the Group's existing debt. The purpose of the refinancing was to raise additional funding to support continued acquisitions and organic growth initiatives, increase financing flexibility and optimise the Group's funding structure, thereby reducing the average cost of debt. The refinancing will, on a like-for-like basis, provide ISS with a future annual cash interest saving of approximately DKK 200 million. As a consequence of the refinancing, ISS realised a one-off increase in net finance costs of DKK 560 million, which included non-cash accounting losses and financing fees of DKK 497 million.

At the end of the year, ISS employed more than 438,000 people worldwide. This meant that since year-end 2006, roughly 47,000 more employees had joined the company as a result of either organic growth or through acquisitions.

Financials

Income statement

Revenue increased by DKK 8.1 billion or 15% from DKK 55.8 billion in 2006 to DKK 63.9 billion in 2007, driven by organic growth of 6% and growth from acquisitions of 10%. This was partly offset by negative growth of 1% from divestments while foreign currency adjustments at Group level evened out. All regions contributed to the revenue growth, headed by double-digit organic and acquisitive growth in the growth economies of Asia, Latin America and Central and Eastern Europe.

Operating profit before other items increased by 19% to DKK 3.8 billion and the operating margin was further increased to 6.0% compared with 5.8% in 2006. In line with previous years, changes in social legislation, pensions and a number of non-recurring items affected the Group in 2007, including curtailment gains related to defined benefit plans, release of provisions following settlement of legal cases and workers' compensation incentives received. These were partly offset by write-offs relating to the landscaping activities in Ireland and security activities in the Netherlands as well as investments in growth and business development.

Net finance costs increased from DKK 2.4 billion in 2006 to DKK 3.0 billion in 2007, and were negatively impacted by one-off finance charges following the refinancing of a portion

Operating results

	Revenue			Operating profit before other items			Operating margin before other items	
	DKK millions			DKK millions				
	2007	2006	Change	2007	2006	Change	2007	2006
Nordic [1]	16,488	15,475	7 %	1,162	987	18 %	7.0 %	6.4 %
Western Europe [2]	37,709	33,666	12 %	2,356	2,139	10 %	6.2 %	6.4 %
Central and Eastern Europe [3]	1,226	935	31 %	91	59	54 %	7.4 %	6.3 %
Asia [4]	2,409	1,818	33 %	158	113	40 %	6.6 %	6.2 %
Latin America [5]	1,484	1,049	41 %	86	50	72 %	5.8 %	4.8 %
USA [6]	1,100	N/A	N/A	62	N/A	N/A	5.6 %	N/A
Pacific [7]	3,519	2,846	24 %	225	176	28 %	6.4 %	6.2 %
Corporate/eliminations	(13)	(17)	(24)%	(305)	(290)	5 %	(0.5)%	(0.5)%
Total	**63,922**	**55,772**	**15 %**	**3,835**	**3,234**	**19 %**	**6.0 %**	**5.8 %**

[1] Nordic comprises Denmark, the Faroe Islands, Finland, Greenland, Iceland, Norway and Sweden.

[2] Western Europe comprises Austria, Belgium and Luxembourg, France, Germany, Greece, Ireland, Israel, Italy, the Netherlands, Portugal, Spain, Switzerland, Turkey and the United Kingdom.

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

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

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

[6] USA was established as a region through the acquisition of Sanitors Inc. in June 2007.

[7] Pacific comprises Australia and New Zealand.

of the Group's existing debt as well as the increase in debt as a result of acquisitions in 2007. In line with objectives, the Group's financial leverage, on a multiple basis, was further reduced with a decrease from 6.59x pro forma EBITDA in 2006 to 6.16x pro forma EBITDA in 2007.

Profit before goodwill impairment/amortisation of brands and customer contracts increased by DKK 150 million or 66% from DKK 226 million in 2006 to DKK 376 million in 2007, as a result of the above as well as lower income tax expenses.

Net loss decreased from a loss of DKK 809 million in 2006 to a loss of DKK 442 million in 2007. When adjusted for the effect of approximately DKK 480 million, net of tax, arising from amortisation of the customer contracts, that were recognised at the time of acquisition of ISS A/S in May 2005, as well as the non-cash accounting losses and financing fees of approximately DKK 370 million, net of tax, ISS's adjusted net profit was approximately DKK 400 million.

Cash flow statement

Cash flow from operating activities was a net inflow of DKK 3.7 billion in 2007, an increase of DKK 0.5 billion from DKK 3.2 billion in 2006. The improvement was due primarily to the increase in operating profit before other items of DKK 0.6 billion, partly offset by higher tax payments and a cash outflow related to changes in working capital. In spite of an organic growth rate of 6.0% in 2007, changes in working capital were close to neutral with a cash outflow of DKK 44 million. As a result, cash conversion was 99% in 2007, compared with 102% in 2006. Generally, the cash flow from operating activities, and thereby cash conversion for individual periods, depends on the timing of a number of payments towards the end of individual months and years.

Cash flow from investing activities was a cash outflow of DKK 3.7 billion, predominantly affected by a cash outflow of DKK 3.0 billion related to acquisitions. Investments in intangible assets and property, plant and equipment, net, were DKK 0.7 billion.

Cash flow from financing activities was a net cash inflow of DKK 0.3 billion in 2007. This was primarily the result of increased indebtedness to fund acquisitions, partly offset by interest payments of DKK 2.4 billion. Furthermore, proceeds from issuance of share capital amounted to DKK 0.2 billion as proceeds from shares and warrants issued by ISS's ultimate parent, FS Invest S.à r.l (FS Invest) in 2006 under its Management Participation Programme, were made available to ISS.

Carrying amount of net debt

Carrying amount of net debt amounted to DKK 29.2 billion at 31 December 2007, an increase of DKK 2.9 billion from DKK 26.3 billion at 31 December 2006. The increase was due primarily to acquisitions in 2007. At 31 December 2007, long-term debt was DKK 30.9 billion, short-term debt amounted to DKK 1.0 billion, while securities, cash and cash equivalents and net payables to affiliates related to joint taxation were DKK 2.7 billion.

XINZHUANG, CHINA
XU LEI, SECURITY

Business development

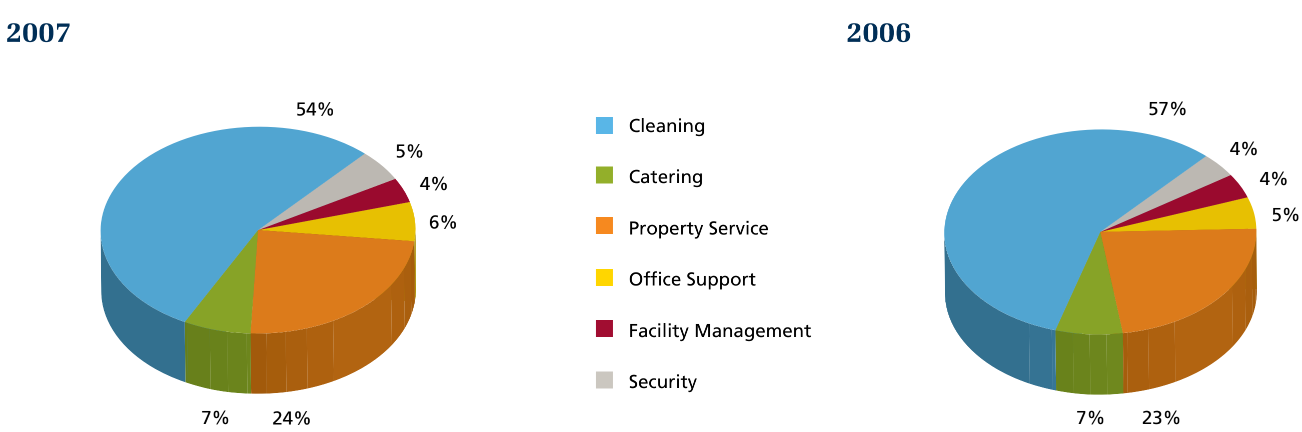
In line with the Group strategy, ISS continues to strengthen the services offered to the clients. Country operations continued the ongoing effort to strengthen single services and to improve the way in which these services are delivered.

In collaboration with a large number of ISS countries, the ISS Head Office launched a programme of "Knowledge Forums" within selected business areas. The objective of the Knowledge Forums is to facilitate international knowledge sharing and make best-practice deployment available for all ISS countries based on a practical understanding of ISS's core services. The forums are an important element in building and maintaining best-in-class services in ISS.

ISS focuses on delivering site-based services, where ISS staff become an integrated part of the clients' daily operations. However, in selected regions ISS also offers certain route-based services, e.g. pest control, landscaping and other property services in line with client demand.

ISS distinguishes between services offered and the way in which these services are delivered. The **services** offered include: Cleaning, Catering, Property Services, Office Support, Security and Facility Management. The way the services are delivered (**delivery model**) includes: Single Services, Multi Services and Integrated Facility Services.

Development in revenue by service



Services

Cleaning

ISS's offering within Cleaning encompasses a range of services within daily office cleaning, hospital cleaning, food hygiene, industrial cleaning, cleaning in transport systems, dust control, washroom services and specialised cleaning e.g. of windows, communication equipment etc.

In 2007, Cleaning continued to be ISS's largest business, accounting for 54%, or DKK 34.8 billion of total Group revenue, compared with 57% in 2006. Measured by revenue, Cleaning grew by 8% from 2006. During 2007, ISS acquired 19 companies specialised in cleaning in 15 different countries, which in total added DKK 1.7 billion to the Group's annual revenue.

In line with the strategy to broaden the service offering, Cleaning's relative share of ISS's total revenue continued to dilute according to plan and has been reduced by more than 10 percentage points since 2004, while growing by more than 30 percent in terms of revenue.

In terms of competency and quality development, the regional Cleaning Excellence expert teams continued rolling out the Cleaning Excellence concept throughout the ISS regions. This process involves supporting the countries with optimal solutions, the most efficient planning and delivery tools and methods, training, improved logistics, efficient supply chain and cost reductions. When implemented, the concept will also contribute to improved ergonomics for the cleaning staff as well as reduced environmental effects.

Large Cleaning Excellence projects were finalised during 2007 in Denmark, Iceland and Switzerland, with continued follow-up attention from regional Cleaning Excellence Teams. Furthermore, new Cleaning Excellence projects were initiated in Australia, Belgium, Chile, Italy, the Netherlands, Russia, Spain and the USA and these projects are in progress. In 2008, similar Cleaning Excellence projects will be launched in Austria, Finland, Germany, Ireland, Israel, Latvia, Mexico, New Zealand and Portugal.

In 2007, two Knowledge Forums were conducted, which focused on cleaning issues, more specifically within the hospital sector and food hygiene services.

Property Services

ISS's offering within Property Services encompasses building maintenance, landscaping, pest control and damage control.

In 2007, revenue in Property Services grew by approximately DKK 2.6 billion to DKK 15.2 billion and represented 24% of total Group revenue compared with 23% in 2006.

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. the United Kingdom and France, while the non-strategic project/construction-based landscaping activities in Ireland were divested in 2007. The offering of building maintenance and technical services was strengthened primarily through the acquisition of Adviance Ltd. in the United Kingdom. The platform for delivering pest control services was enhanced, most notably in Mexico, with the acquisition of Martex, the "household name" within pest control in Mexico, and in Belgium with the acquisition of Hunt & Ondes, which significantly expanded ISS Belgium's existing pest control activities.

Pest control, which is a growing service area in many ISS countries, was also the subject of a Knowledge Forum session held in 2007.

Office Support

ISS's offering within Office Support encompasses the running of receptions, internal mail handling, scanning and other office logistics, call centres, manpower supply, and outplacement services.

In 2007, Office Support accounted for approximately 6% of total Group revenue compared with 5% in 2006. In absolute figures, revenue in Office Support increased by almost DKK 1 billion to DKK 3.9 billion. ISS's service offering within Office Support was strengthened through a number of acquisitions in several countries. For example, ISS acquired one of Turkey's leading call-centre businesses, CMC, and seven companies specialised in manpower & staffing, including Group Suprema in Portugal.

The activities within the Office Support division included a Knowledge Forum held at ISS's head office in Copenhagen in March 2007.

Catering

ISS's offering within Catering includes in-house restaurants, catering services e.g. for meetings and events, executive dining and coffee solutions.

Catering accounted for about 7% or DKK 4.2 billion of total Group revenue, equalling an increase in revenue of DKK 0.6 billion compared with 2006. As a strategic step towards building new competencies and offerings, Catering was significantly expanded in Asia through three catering acquisitions in India, Indonesia and the Philippines with combined annual revenue amounting to more than DKK 100 million – and adding 2,500 employees. ISS also made strategically important catering acquisitions in the larger and more mature markets in Belgium, the United Kingdom and Spain, adding more than DKK 600 million in annual revenue.

Security

ISS's offering within Security includes primarily manned guarding, access control and patrolling.

In 2007, Security was extracted as an individual business area and added as a fifth "pillar" to the IFS House. Annual revenue amounted to DKK 3.4 billion, equivalent to 5% of total revenue. In 2006, revenue from Security accounted for 4% of annual revenue. In total, organic and acquisitive growth amounted to almost DKK 1 billion.

The offering of Security was expanded through acquisitions of security companies and capabilities in Taiwan, Hungary, Indonesia and Israel.

ISS Thailand, which has a well-developed offering within Security, hosted a Knowledge Forum focusing on Security in 2007.

Facility Management (FM)

ISS's offering within Facility Management includes on-site management of facility services, change management, space management and consulting.

Facility Management generated revenue of DKK 2.5 billion, equivalent to 4% of total revenue. This was the same relative share as in 2006, but constituted growth of almost DKK 0.4 billion in revenue. Following several major acquisitions of FM companies, e.g. in Germany and Switzerland in 2006, ISS strengthened its capabilities and offering within Facility Management services in several countries.

Delivery model

Fundamentally, ISS's delivery models include three different ways of delivering services to the clients.

Service solutions are offered as Single Services, Multi Services or Integrated Facility Services. Generally, ISS delivers the services through its own personnel. The use of third party suppliers is usually reserved for special service deliveries, which normally comprise a limited part of a service contract.

In **Single-Service** outsourcing, the customer buys one service solution from ISS, e.g. outsourcing of cleaning. For single-service deliveries, ISS distinguishes between key account single-service customers and other customers.

In **Multi-Service** outsourcing, which consists of two or more services but is not a fully integrated solution, the customer achieves the same benefits as with single-service outsourcing only for each outsourced service area as well as benefits of service integration where possible.

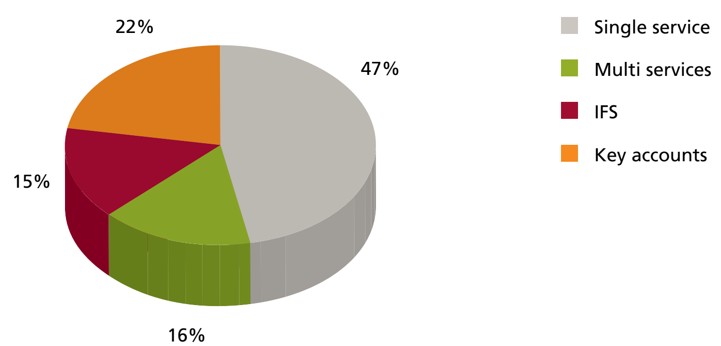
In an **Integrated Facility Services** solution, ISS delivers two or more services under one contract and with a single point of contact on-site, and ISS takes over all or most of the Facility Services functions at the customer's premises. The customer receives both the full potential of single-service outsourcing and the advantages of integrating services.

ISS continues to develop and strengthen the Single Service delivery. Similarly, ISS strengthens the offering to the clients by building up Multi Services and Integrated Facility Services Solutions.

IFS constituted around 15%, or DKK 9.7 billion, of total annual revenue in 2007, roughly DKK 2 billion more than in 2006.

Revenue by delivery

2007



Acquisitions and new geographies

ISS completes acquisitions every year to further broaden its service offering, geographical coverage and establish critical mass. The acquisitions are based on careful screening selections and appropriate due diligence processes to ensure that the acquired companies match the corporate values of ISS, add value and growth potential, and that the risks and integration processes connected with acquisitions are manageable.

Since the turn of the millennium, ISS has acquired more than 575 companies around the world, adding approximately DKK 35 billion in annual revenue. During 2007, ISS completed 67 acquisitions spread across 33 countries, including two country establishments and nine platform-developing acquisitions. Sixty of the acquisitions had estimated average annual revenue of less than DKK 30 million, confirming the strategy of limiting integration risks. The acquisitions added annualised revenue of approximately DKK 4.5 billion and almost 33,000 employees to ISS.

The activities acquired were diversified across all regions and all business areas where ISS has operations. 3% of total acquired revenue was in Security, which from 2007 became the fifth "pillar" in the IFS house. The largest business area, Cleaning, also accounted for the largest part of acquired revenue with 38%, heavily impacted by the acquisition of Sanitors in the USA. 31% of acquired revenue was in Property Services, 16% in Catering, 8% in Office Support – and 4% of the acquired revenue was within Facility Management.

During the last few years, ISS has significantly expanded its geographical footprint. ISS has established operations in new geographies to pursue business opportunities in countries characterised by significant market potential for facility

Acquisitions in 2007

Company	Country	Service type	Annual revenue, DKK millions [1]
Sanitors, Inc.	USA	Cleaning, Property Services, Security Services	1,822
Carlos Rocha	Spain	Catering	408
Adviance Ltd.	United Kingdom	Property Services	207
Topman	Taiwan	Cleaning, Security Services, FM	147
Aircon	Norway	Cleaning	107
BD Food Invest	Belgium	Catering	103
Caterhouse Ltd. (Schools)	United Kingdom	Catering	102
7 acquisitions with more than DKK 100 million in revenue			**2,896**
60 acquisitions with less than DKK 100 million in revenue			**1,644**
Total			**4,540**

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

services and future prospects for strong economic growth. Consequently, ISS has expanded operations to high growth countries like China, India, Mexico and a number of countries in Central and Eastern Europe. Since 2004, ISS has established operations in 11 countries.

In 2007, ISS passed a new milestone by entering the world's largest economy, the USA, through the acquisition of Sanitors Inc. This step was in line with the stated vision of becoming the global leader in Facility Services as the US market is the largest market for outsourcing of facility services. In March 2008, ISS further strengthened its presence in the USA through the acquisition of BGM Industries adding DKK 500 million in estimated annual revenue.

Another new country added to the ISS country list during the year was Taiwan, which ISS entered through a joint acquisition of Topman and the smaller company Fealty Properties Management Co. Ltd., which specialises in providing Facility Management and mechanical & engineering services. By combining the strengths of Topman and Fealty with ISS's international concepts, the objective for ISS Taiwan is to lead the Taiwanese facility services market in virtually all customer segments.

Also in early 2007, ISS established greenfield operations in Bosnia and Herzegovina.

ISS usually enters a new country by establishing a starting platform of cleaning services and subsequently expanding into other relevant business areas. This is also the case in the USA and Taiwan, where acquisitions primarily brought cleaning services and contracts under the ISS brand. However, the acquired companies in these countries also offered additional business services e.g. property services, and the entry into Taiwan included facility management activities.

In existing ISS geographies, ISS broadened its service offering and geographical coverage and continued building up critical mass within office support, catering and security services through acquisitions in 2007.

In 2007, ISS completed the following larger and strategic acquisitions in new and existing ISS countries:

Topman – Taiwan

In January, ISS acquired Topman, a leading Taiwanese provider of cleaning and security services for department stores, commercial properties, condominiums and hospitals, with more than 20 years of experience in the industry. With offices in 10 cities, the acquisition immediately ensured ISS market coverage across all of Taiwan. Among ISS Taiwan's clients is the Taipei Metro Tower - a landmark building in the capital city of Taipei.

Aircon – Norway

In March, ISS acquired the remaining 60% of the Aircon Group in Norway. The initial 40% of Aircon was acquired by ISS in 2004. Aircon is the second-largest provider of general cleaning services in Norway and the only provider with national coverage besides ISS. Aircon's customer base includes both private, commercial and public customers and the acquisition has strengthened ISS's position within the Business-to-Business cleaning segment in Norway. The acquisition added approximately DKK 107 million in annual revenue.

Caterhouse Limited – United Kingdom

In April, ISS acquired Caterhouse Limited, a catering company that supplies quality and nutritional meals to high schools in Central London and Essex in the United Kingdom.

Caterhouse prepares and cooks school meals from fresh ingredients, and ISS will benefit from winning new tenders

EINDHOVEN, NETHERLANDS
DAF TRUCKS
D. DE TURCK, CLEANING

on the basis of this proven ability to provide healthy and nutritionally compliant school meals. The acquisition added approximately DKK 102 million in annual revenue.

Adviance Technical Services Limited – United Kingdom

In May, ISS acquired Adviance Technical Services Limited, a property services company specialising in maintenance of mechanical and electrical building services for industrial and commercial clients in the United Kingdom.

The acquisition supplied the ISS UK business with engineering credibility and critical mass to win large contracts. It also ensured national coverage, including the ability to service both large single sites and dispersed portfolios. The acquisition added approximately DKK 207 million in annual revenue and the acquired competencies materially contributed to a significant IFS contract that was won following the acquisition.

Sanitors Inc. – USA

In June, ISS entered the USA through the acquisition of Sanitors Inc., taking an important strategic step to fulfil the ambition to lead Facility Services globally. Sanitors Inc. had annual revenue of approximately DKK 1.8 billion, 10,000 employees and a service offering in cleaning, building maintenance, landscaping and security. Sanitors Inc. operates through eight divisions in 42 of the 50 states in the USA.

The acquisition of Sanitors Inc. provided ISS with a strong US platform with a solid mix of services, nationwide coverage, a consistent financial performance and a strong reputation in the market. As a large acquisition, Sanitors provided ISS with the necessary market leverage from the outset, yet had a manageable size in line with ISS's acquisition strategy.

B.D. Food Invest SA – Belgium

In August, ISS expanded its business in the Belgian market through the acquisition of B.D. Food Invest SA, one of the largest catering companies in the southern part of Belgium.

BD Food Invest provides mainly catering for hospitals, refugee centres and schools and the company has a meticulous focus on quality. In addition, the company has important know-how with regard to special diets for people with specific needs. The acquisition added approximately DKK 103 million in annual revenue.

Shivas Hotliers and Caterers Pvt. Ltd. – India

In November, ISS acquired the largest catering business in southern India, Shivas Hotliers and Caterers Pvt. Ltd. The company offers catering services and canteen management, primarily to industrial corporations, and added approximately DKK 39 million in annual revenue and 1,500 employees. The acquisition meant that ISS expanded its catering operations significantly in a fast-growing facility services market.

Carlos Rocha – Spain

In December, ISS acquired Carlos Rocha, which is a well-established catering company in Spain. Carlos Rocha is specialised in contract catering services for hospitals and other healthcare centres. The top five customers are public hospitals and 90% of the revenue is related to public customers, while the remaining 10% is related to Business-to-Business customers.

The acquisition of Carlos Rocha is an important strategic move, as ISS has entered the growing Spanish catering market via the sixth-largest player. Furthermore, it is a natural step towards the fulfilment of the Integrated Facility Services strategy. The acquisition added approximately DKK 408 million in annual revenue.

Regional and country development

To reflect ISS's geographical expansion in recent years and the differences between consolidated regions and growth regions, the regional split was changed in 2007 to the following regions: Nordic, Western Europe, Central and Eastern Europe, Asia, Latin America, the USA and Pacific.

Nordic

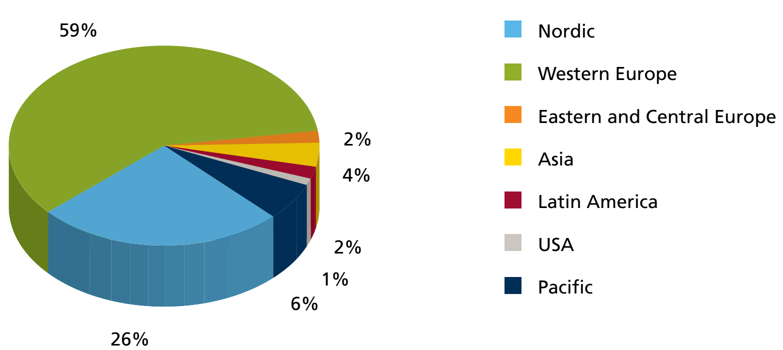
In 2007, revenue in the Nordic region increased from DKK 15,475 million in 2006 to DKK 16,488 million in 2007. The increase was driven by 4% organic growth and 2% growth from net acquisitions, while currency adjustments increased revenue by approximately 1%.

Operating profit before other items in the Nordic region increased to DKK 1,162 million, up from DKK 987 million. The operating margin for the region was 7.0% in 2007, up from 6.4% in 2006.

A strong overall performance characterised the activities for **ISS Norway** in 2007 with revenue of DKK 5,324 million, up from DKK 4,758 million, and with an organic growth rate of 6%. The growth was realised mainly as a result of increased activity in Property Services, FM and Office Support divisions. The growth also stems from a low loss rate of contracts, which was the result of customer retention procedures initiated in 2005. In the second half of 2007, ISS Norway experienced high additional social costs in relation to pre-retirement payments. Operating profit before other items was DKK 381 million, equal to an unchanged operating margin of 7.2%, which was positively impacted by a curtailment gain related to defined benefit plans of DKK 13 million.

The organic growth in **ISS Sweden** was 5% in 2007 which, combined with a net acquisitive growth of 3%, increased revenue from DKK 3,558 million in 2006 to DKK 3,861 million in 2007. ISS Sweden further increased the operating margin from 6.4% in 2006 to 6.9% in 2007 and achieved an operating profit before other items of DKK 266 million. The 2007 result was positively impacted by a strong per-

2007 Revenue > By regions



formance related to key accounts as well as a recognised curtailment gain related to defined benefit pension plans of DKK 32 million. This was partly offset by lower profitability in the landscaping division and part of the cleaning business.

Competition within the cleaning and property services industries intensified significantly in Denmark in 2007, which resulted in a slightly negative organic growth for **ISS Denmark**. ISS Denmark was able to maintain revenue of DKK 3,713 million, slightly below the revenue of DKK 3,748 million in 2006. The operating margin was 5.5% in 2007, compared with 6.6% in 2006. The 2007 result was negatively impacted by one-off costs related to administration and payment of overtime wages amounting to approximately DKK 20 million.

ISS Denmark appointed a new Country Manager and a new management team in 2007, who have focused on increasing profitability across business areas.

ISS Finland successfully completed the turnaround plan initiated in 2006, with all business areas now performing better than last year, in line with expectations, and with Property Services doing particularly well.

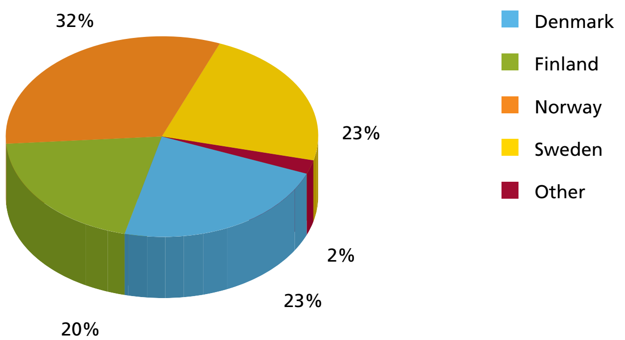
The organic growth rate was improved from a negative rate of 2% in 2006 to positive growth of 5% in 2007. Revenue increased to DKK 3,317 million, and operating profit before other items was DKK 292 million, compared with DKK 157 million in 2006, equalling an operating margin of 8.8%, up from 5.0% in 2006.

Following the completion of the turnaround plan for ISS Finland, a new country manager has been announced to take over in 2008.

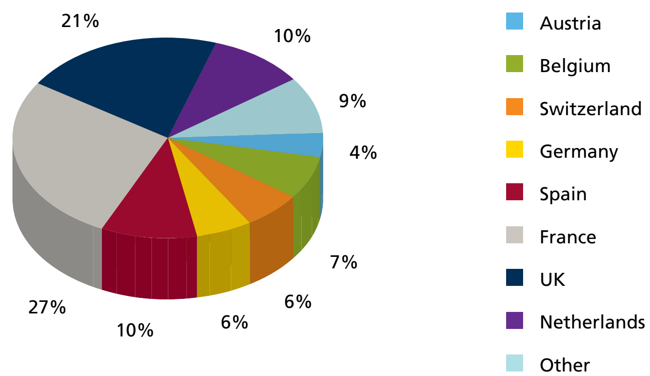
Western Europe

In 2007, revenue in the Western European region increased from DKK 33,666 million in 2006 to DKK 37,709 million. The increase was driven by 7% growth from net acquisitions

2007 Revenue > Nordic



2007 Revenue > Western Europe



and 6% organic revenue growth while currency adjustments decreased revenue by approximately 1%.

The operating profit before other items in Western Europe increased to DKK 2,356 million. The operating margin for the region was 6.2% in 2007 compared with 6.4% in 2006.

ISS France, the largest ISS country operation, passed a milestone in 2007 by reaching revenue of over DKK 10 billion (DKK 10,144 million). The performance varied between the business areas in France: Cleaning, Pest Control and Landscaping performed very well, but their positive development was offset by negative performances primarily by the project-based energy business. The energy business is not part of the Facility Services strategy for ISS France and in February 2008, ISS France completed a divestment of its remaining energy activities.

Organic growth for 2007 was 3%, the operating profit before other items was DKK 632 million compared with DKK 595 million in 2006, and the operating margin was 6.2%, unchanged from 2006. The 2007 result was negatively impacted by losses of DKK 42 million in the energy division, which was partly offset by release of provisions following a settlement of social charges of approximately DKK 37 million.

ISS UK, the second-largest country operation in ISS, maintained its market position in a very competitive market and continued to make strong progress. ISS UK increased its organic growth rate to an impressive 9%, which together with a net acquisitive growth of 5% increased revenue to DKK 7,809 million in 2007, up from DKK 6,877 million in 2006. This was accomplished even though the revenue in ISS UK was influenced by the exchange rate of the pound sterling devaluating against the Danish krone in the fourth quarter of 2007.

ISS UK's operating profit before other items was DKK 526 million, up from DKK 433 million the year before, and the operating margin increased significantly from 6.3% in 2006 to 6.7% in 2007, fuelled by increased activities in Damage Control and Mediclean.

In 2007, **ISS Spain** increased revenue to DKK 3,775 million, up from DKK 3,142 million, representing growth of 20% compared with 2006. Organic growth represented 8% of the revenue growth, which was driven mainly by the maintenance division in Property Services. The remaining 12% revenue of growth came from the five acquisitions that ISS Spain completed during the year. The most significant acquisition was Carlos Rocha, whereby ISS Spain entered the Spanish catering market as the sixth-largest provider of catering services, with an annual revenue of approximately DKK 400 million.Catering is expected to open substantial cross-selling opportunities and be a catalyst for organic growth. Furthermore, ISS Spain continued to consolidate its position within the maintenance sector with the acquisition of Mainsa. The completed acquisitions supported ISS Spain's strategic objective of national coverage and critical mass within the various service offerings.

In addition, ISS Spain delivered an operating margin of 6.4%, the highest in more than a decade, and an operating profit before other items of DKK 242 million compared with DKK 192 million in 2006.

Overall, 2007 was challenging for **ISS Netherlands**. The Cleaning business performed well but this was partially off-set by disappointing performances, particularly in Security and Landscaping. Revenue increased from DKK 3,481 million in 2006 to DKK 3,654 million, while operating profit before other items was down from DKK 244 million in 2006 to DKK 220 million in 2007, equalling an operating margin of 6.0%.In 2007, operating profit before other items was positively impacted by release of provisions following settlement of legal cases and claims of approximately DKK 25 million. In 2006, the operating profit before other items was favourably impacted by a curtailment gain of DKK 98 million related to defined benefit pension plans.

In 2007, a restructuring of the Cleaning operation was initiated in order to meet demands from both site-based and route-based customers.

ISS Belgium and Luxembourg performed according to plan and the integration of the acquired pest control company, Hunt & Ondes in Belgium, was completed successfully. Revenue increased from DKK 2,534 million to DKK 2,888 million and the growth rate of 14% was a combination of 7% net acquisitive growth and 7% organic growth. Operating profit before other items amounted to DKK 204 million in 2007, compared with DKK 165 million in 2006, representing an increase in operating margin from 6.5% to 7.1%.

A particularly strong performance in Damage Control resulted in an increase in revenue in **ISS Germany** from DKK 1,842 million in 2006 to DKK 2,235 million in 2007. The organic growth rate was 4% and the acquisitive growth was 17%. The acquisitive growth was related primarily to the full effect of the acquisition of Debeos, now part of FM services, which was acquired in 2006. The expansion within FM services is in line with the objective of offering more integrated services. The operating profit before other items was up from DKK 74 million to DKK 91 million. Both FM services and the Damage Control business contributed to a higher operating margin than the 4.1% average operating margin for Germany.

ISS Switzerland showed impressive growth of 19% in 2007, with 6% stemming from organic growth and 18% from net acquisitive growth, while currency adjustments decreased revenue by 5%. This growth largely related to extensive cross-selling and the start-up of new contracts. Secondly, the full effect of the acquisition of Edelweiss in 2006, now FM services, continued to contribute positively to the development of the IFS strategy, aiming at selling more integrated services.

Revenue from Switzerland increased from DKK 1,875 million in 2006 to DKK 2,228 million in 2007. Operating profit before other items was DKK 186 million, up from DKK 143 million in 2006. The operating margin was 8.4%, up from 7.6%. The improvement in the operating margin related primarily to Cleaning, which contributed a higher performance due to continuous improvement in operational efficiency.

During 2007, it was difficult for **ISS Austria** to recruit new employees for some of the existing contracts within Office Support and Manpower, which became a hindrance for the optimal start-up of new contracts. Revenue was up from DKK 1,589 million in 2006 to DKK 1,737 million in 2007, stemming from net acquisitive growth of 6% and organic growth of 3%. Operating profit before other items was DKK 100 million, slightly lower than the DKK 106 million in 2006, and the operating margin was 5.8% compared with 6.7% in 2006.

ISS Israel continued its strong performance in 2007, with revenue of DKK 900 million, up from DKK 769 million in 2006, supported by strong growth rates in Catering and Cleaning. The growth was 17%, of which 8% was organic growth. Furthermore, ISS Israel entered into the Pest Control market by acquiring one of the market leaders, Eitan Amichai in 2007. The operating margin increased from DKK 51 million to DKK 58 million and reached 6.5% compared with 6.7% in 2006.

ISS Turkey achieved impressive growth in 2007. Revenue increased from DKK 539 million in 2006 to DKK 816 million in 2007, and operating profit increased to DKK 55 million, up from DKK 33 million in 2006. The operating margin was strong at 6.8% compared with 6.2% in 2006. The revenue growth of 51% was equally divided between organic growth and acquisitive growth and came primarily from Cleaning, Security, Pest Control and the newly acquired call centre company CMC.

The results in **ISS Ireland** were heavily impacted by the performance of the Landscaping business. Revenue fell from DKK 575 million in 2006 to DKK 486 million in 2007.

ISS Ireland realised an operating loss before other items of DKK 31 million, down DKK 80 million compared with 2006, impacted primarily by the performance of the landscaping division, resulting in a negative operating margin of 6.5%. Based on a strategic decision to divest project/construction-based landscaping activities, ISS Ireland divested the landscaping division in August 2007, resulting in a loss of DKK 43 million presented in Other income and expenses, net.

A new management team was appointed in August 2007, and the remaining business areas are performing according to plan, illustrated by two large recent contract wins.

ISS Greece performed a turnaround in 2007, following the loss of a major part of its business in Manpower in 2006, and delivered impressive revenue growth of 39% in 2007, with 14% stemming from organic growth and the remaining from acquisitive growth. Operating profit before other items increased from DKK 15 million to DKK 23 million and the operating margin was 7.1%. This performance has established the platform for further growth expected from the acquisition of the cleaning-based company Piotita Zois in November 2007, and the entry into the security market with the acquisition of Aspis Security in 2008.

Central and Eastern Europe

In 2007, revenue in the Central and Eastern European region increased by 31% from DKK 935 million in 2006 to DKK 1,226 million. The increase was driven primarily by strong organic growth of 16% and 13% from net acquisitions while currency adjustments increased revenue by approximately 2%.

Operating profit before other items in Central and Eastern Europe was DKK 91 million, and the operating margin for the region was 7.4% in 2007, up from 6.4% in 2006.

ISS Czech Republic improved many of its existing cleaning contracts and developed strongly within technical Facility Management following the acquisitions of Optimal in 2006 and Ryvola in 2007. This resulted in an increase in revenue from DKK 325 million in 2006 to DKK 380 million in 2007. Operating profit before other items increased from DKK 27 million in 2006 to DKK 31 million in 2007 with an operating margin of 8.3%. Revenue growth was 15% with 2% deriving from organic growth.

During 2007, **ISS Slovakia** achieved significant increases in both new sales and customer retention. This resulted in revenue of DKK 266 million in 2007, up from DKK 172 million in 2006. Organic growth was an impressive 25% while growth from net acquisitions amounted to 18%, and currency adjustments increased revenue by an additional 12%. The Cleaning, technical Facility Management and Manpower services division were the main contributors to the increased revenue. Operating profit before other items grew from DKK 14 million in 2006 to DKK 23 million in 2007, resulting in an operating margin of 8.6%.

Asia

In 2007, the markets in Asia continued to boast the highest growth rates in ISS. The increase in revenue was 33%, fuelled by organic growth of 19% and acquisitive growth of 20%, partly off-set by negative currency adjustments of 6%. In particular, China, India, Indonesia and the Philippines led the organic revenue expansion with organic growth rates in excess of 40%. The largest contribution to acquisitive growth stemmed from the country establishment in Taiwan, through the acquisition of the companies Topman and Fealty completed in January 2007, which established a Cleaning, Security and Facility Management platform in Taiwan.

PHOENIX, ARIZONA, USA
OPTIMA CAMEL VIEW VILLAGE
LUKE SYDNOR AND TOM ALNDAUER, PROPERTY SERVICES

The operating margin in Asia was 6.6% in 2007, up from 6.2% in 2006. The increase in profitability was fuelled primarily by margin improvements in China, Hong Kong, India, Indonesia, Singapore and Thailand, as well as the establishment in Taiwan.

Operational improvements ensured good results for **ISS Hong Kong** in 2007. The growth achieved was 9%, with 11% stemming from organic growth, 9% from acquisitive growth, net, partly offset by negative currency adjustments of 11%. Revenue increased from DKK 697 million to DKK 761 million in 2007, and operating profit before other items increased to DKK 58 million with an operating margin of 7.7% compared with 7.1% in 2006.

ISS Singapore grew revenue from DKK 472 million to DKK 515 million in 2007 with an operating profit before other items of DKK 31 million and an operating margin of 6.1% compared with 6.0% in 2006. Organic growth was 11%, while net growth from acquisitions was 3%, partly offset by negative currency adjustments of 5%.

With a revenue increase of 50% from DKK 179 million in 2006 to DKK 268 million in 2007 and an operating margin increase to 10% in 2007, **ISS Indonesia** continued its strong performance. Organic growth was an impressive 43%. Through two acquisitions, ISS Indonesia added security services and catering services to its Facility Services offering in 2007. Measured in number of employees, ISS Indonesia is the third-largest company in the Group. The number of employees rose to 33,000 in 2007.

ISS Taiwan was established in January 2007 through the platform acquisition of Topman within Cleaning, Security and Property Management services, and Fealty within Maintenance and Facility Management services. Revenue in 2007 was DKK 180 million and operating profit before other items was DKK 12 million equalling an operating margin of 6.5%.

Strong organic growth of 58% in **ISS China** and acquisitive growth of 38%, led to an increase in revenue to DKK 159 million in 2007, up from DKK 84 million in 2006, while currency adjustments decreased revenue by 7%. The operating margin was 6.4% compared with an operating margin of 3.3% in 2006, significantly influenced by the investment in growth. The competence-enhancing acquisitions within Facility Management services and technical maintenance services increased the Facility Services capabilities in China.

ISS India also continued its strong growth in 2007 with 94% organic growth and 23% net acquisitive growth and more than 10,000 employees. With the acquisition of Shivas Hotliers and Caterers in 2007, ISS India expanded its Catering operations to gain critical mass alongside the already established Cleaning, Building Maintenance, Pest Control and Office Support services. Revenue more than doubled from DKK 45 million in 2006 to DKK 98 million in 2007. The operating margin increased from 1.0% to 2.6% despite continued investments in infrastructure and management.

Since launching operations in India in 2005, ISS has expanded its presence to cover 18 cities, including the country's principal multi-million population metropolises.

Latin America

ISS's operations in Latin America continued to deliver strong growth and expansion in 2007 as a result of the continued focus on service excellence, development of management capabilities and strong sales-team platforms in the region. Cleaning still represents a material percentage of the regional service offerings; however, the countries are rapidly diversifying into new services, especially within building/industrial maintenance. Revenue in Latin America increased from DKK 1,049 million in 2006 to DKK 1,484 million in 2007, driven by strong organic growth of 15% and through acquisitive growth of 30%, while currency adjustments reduced revenue by 4%. Argentina, Chile, Brazil and Uruguay all delivered double-digit organic growth. The operating margin for 2007 was 5.8% compared with 4.8% in 2006, with ISS Brazil as the main contributor.

ISS Brazil experienced strong revenue growth in 2007, up from DKK 580 million in 2006 to DKK 808 million. Operating profit before other items increased from DKK 33 million to DKK 50 million at an operating margin of 6.2%. ISS Brazil experienced good growth both in Cleaning and Industrial maintenance and expanded its capabilities with the acquisition of Semco Manutencao Volante Ltda, which provides route-based technical maintenance.

Revenue for 2007 in **ISS Mexico** increased to DKK 292 million, up from DKK 213 million in 2006. Operating profit before other items more than doubled from DKK 6 million in 2006 to DKK 13 million in 2007 with an operating margin of 4.4%. ISS Mexico expanded its service offering through the purchase of Martex, one of Mexico's most reputable pest control companies with a presence in all major regions in Mexico.

USA

ISS entered the USA in June 2007 through the acquisition of Sanitors, Inc. During the last seven months of 2007, **ISS USA** generated revenue of DKK 1,100 million and operating profit before other items of DKK 62 million. The operating margin was 5.6%, which is in line with expectations. In March 2008, ISS further strengthened its presence in the USA through the acquisition of BGM Industries, adding DKK 500 million in estimated annual revenue.

Pacific

In 2007, the Pacific region, consisting of ISS Australia and ISS New Zealand, increased revenue by 24% to DKK 3,519 million, primarily from acquisitive growth of 15% and organic growth of 6%, while currency adjustments increased revenue by 3%. Operating profit before other items increased to DKK 225 million, up from DKK 176 million in 2006, while the operating margin increased from 6.2% in 2006 to 6.4%.

ISS Australia increased revenue from DKK 2,691 million in 2006 to DKK 3,307 million in 2007. This revenue growth reflects the full-year contribution from the acquisition of the Tempo Group, which was consolidated from March 2006, together with steady organic growth led by the Security division, which constitutes 36% of the Australian operations. Operating profit before other items also grew from DKK 171 million to DKK 212 million, delivering a consistent 6.4% operating margin, positively impacted by income related to workers' compensation incentives of DKK 34 million received from the Australian government.

During 2007, the Australian Cleaning operations went through a period of restructuring to better equip the business to meet the growing demands of its larger customers. The IFS division also actively implemented initiatives in order to pursue the emerging multi-service opportunities in the rapidly expanding government and natural resources sectors.

Similar growth was achieved in **ISS New Zealand** where revenue increased from DKK 155 million in 2006 to DKK 213 million in 2007, equivalent to an organic growth rate of 9%. Operating profit before other items almost tripled from DKK 5 million to DKK 14 million with an operating margin of 6.4%, compared with 3.3% in 2006.

This result was achieved through significant cross-selling improvements, coupled with a strong performance by the security division. Conditions within the cleaning market continued to be challenging, however through cost control and contract reviews, improvements were achieved.

Feasibility Study of Initial Public Offering (IPO)

On 14 June 2007, ISS informed the public that EQT Partners and Goldman Sachs Capital Partners, co-shareholders in ISS, were reviewing the feasibility of an Initial Public Offering of ISS. Based on the current market conditions, the co-shareholders of ISS decided not to launch an IPO process.

Management changes

On 13 December 2007, ISS announced that Group COO Flemming Schandorff had decided to retire on 31 March 2008. The former Group CFO, Jeff Gravenhorst, was appointed new Group COO and took over the responsibilities on 1 April 2008.

ISS is in the process of finding a new Group CFO and until then, Jeff Gravenhorst will continue to act as Group CFO as well.

Subsequent events

ISS has made a number of acquisitions subsequent to 31 December 2007. All acquisitions concluded between 1 January 2008 and 29 February 2008 are listed in note 11, Acquisition and divestment of businesses, to the consolidated financial statements.

On 29 February 2008, the remaining part of the energy activities in France, classified as assets and liabilities held for sale on 31 December 2007, were sold. In addition, in February 2008, ISS announced the acquisition of Aspis Security in Greece (subject to government approval) and in March 2008 the acquisition of BGM Industries in the USA.

Apart from the above and the events described in this Annual Report, ISS is not aware of events subsequent to 31 December 2007, that are expected to have a material impact on ISS's financial position.

Outlook

The outlook set out below should be read in conjunction with "Forward-looking statements" (see box) and the description of Risk management on pages 42-44 of this report.

In 2008, ISS will continue its strategic direction towards offering Integrated Facility Services, strengthening single-service excellence and maintaining its focus on key operational objectives (i) cash flow, (ii) operating margin, and (iii) profitable organic growth. The initiatives to improve efficiencies include the continued development of single-service excellence concepts of knowledge and best-practice sharing, further strengthening the global Corporate Client organisation and rolling out the "Service Culture - The ISS Way" programme. Furthermore, the Group intends to continue its strategy of acquiring companies to increase local scale and broadening its service competencies. Finally, ISS is also determined to seek to reduce, on a multiple basis, the financial leverage of the Group.

At the prevailing currency rates and including acquisitions and divestments completed up to 16 April 2008, ISS expects that revenue will increase by more than 10% compared with 2007, and that the operating margin will be maintained at the current level in 2008.

Depending on market conditions, ISS may consider raising additional funding in the debt capital markets in 2008 to support continued progress in line with the Group strategy, including further investments in acquisitions and organic growth initiatives.

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. ISS has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of ISS. Although ISS believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the facility service industry in general or ISS in particular including those described in this report and other information made available by ISS.

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

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.

MADRID, SPAIN
EUROPASTRY
CARLOS SAEZ PERZA, CLEANING

Segmental Summary

Country	DKK millions		Operating margin %	Revenue growth, %				Number of employees at year-end
	External revenue	Operating profit before other items		Organic	Acquisition, net of divestments	Currency	Total	
2007								
France	10,144	632	6.2	3	2	(0)	5	42,388
United Kingdom	7,809	526	6.7	9	5	(0)	14	42,227
Norway	5,324	381	7.2	6	5	1	12	13,755
Sweden	3,861	266	6.9	5	3	1	9	10,417
Spain	3,775	242	6.4	8	12	(0)	20	27,371
Denmark	3,703	205	5.5	0	(1)	-	(1)	10,994
Netherlands	3,654	220	6.0	2	3	(0)	5	20,941
Finland	3,317	292	8.8	5	0	(0)	5	12,243
Australia	3,307	212	6.4	6	14	3	23	13,194
Belgium and Luxembourg	2,888	204	7.1	7	7	(0)	14	10,661
Germany	2,235	91	4.1	4	17	(0)	21	12,534
Switzerland	2,228	186	8.4	6	18	(5)	19	9,415
Austria	1,737	100	5.8	3	6	(0)	9	8,313
USA	1,100	62	5.6	0	0	0	0	10,524
Israel	900	58	6.5	8	10	(1)	17	8,133
Turkey	816	55	6.8	26	24	1	51	14,027
Brazil	808	50	6.2	10	26	3	39	14,788
Hong Kong	761	58	7.7	11	9	(11)	9	9,451
Singapore	515	31	6.1	11	3	(5)	9	5,688
Portugal	499	37	7.3	11	26	(0)	37	7,216
Ireland	486	(31)	(6.5)	(5)	(10)	(0)	(15)	2,650
Czech Republic	380	31	8.3	2	13	2	17	6,835
Greece	329	23	7.1	14	25	(0)	39	3,124
Mexico	292	13	4.4	10	36	(10)	36	11,455
Thailand	279	21	7.4	20	2	9	31	13,148
Indonesia	268	27	10.0	43	20	(13)	50	32,609
Slovakia	266	23	8.6	25	18	12	55	5,374
New Zealand	213	14	6.4	9	23	5	37	1,946
Italy	206	20	9.9	(1)	5	(0)	4	930
Chile	191	13	6.6	16	18	(10)	24	6,394
Taiwan	180	12	6.5	0	0	0	0	1,845
Iceland	173	13	7.7	15	4	(1)	18	835
Argentina	171	9	5.0	49	44	(15)	78	3,913
China	159	10	6.4	58	38	(7)	89	12,092
Slovenia	136	8	6.2	24	3	(4)	23	1,302
Estonia	123	6	4.6	10	4	1	15	1,800
Romania	107	18	17.2	48	18	(1)	65	2,307
India	98	3	2.6	94	23	1	118	10,730
Greenland	91	6	7.0	9	(1)	-	8	267
Poland	85	3	3.3	(3)	20	3	20	1,784
Malaysia	71	3	3.7	3	(13)	(2)	(12)	2,374
Hungary	51	2	4.3	28	40	8	76	548
Russia	49	(2)	(3.1)	58	0	(5)	53	676
Philippines	40	3	8.4	43	436	(8)	471	2,286
Croatia	24	0	0.1	14	0	(0)	14	361
Uruguay	22	2	7.3	109	168	(10)	267	878
Sri Lanka	20	1	2.9	9	0	(18)	(9)	4,898
Brunei	17	2	11.9	2	(3)	(5)	(6)	254
Faroe Islands	9	(0)	(2.1)	(3)	0	-	(3)	34
Bosnia and Herzegovina	5	0	4.6	0	0	0	0	51
Regional cost, not allocated to countries	0	(21)	0.0					
Total regions	**63,922**	**4,140**	**6.5**	**6**	**9**	**(0)**	**15**	**437,980**
Corporate functions	-	(305)	(0.5)	-	-	-	-	102
Group	**63,922**	**3,835**	**6.0**	**6**	**9**	**(0)**	**15**	**438,082**

GOLDEN GATE BRIDGE, SAN FRANCISCO, CALIFORNIA, USA
FIDEL RODRIGUEZ, FACILITY SERVICES

Strategy

Everything we do at ISS is guided by our vision:

"Lead Facility Services globally – by leading Facility Services locally"

Lead globally with a presence in all main regions and countries.

Lead locally with leading positions in all established markets and the ambition to quickly achieve this position in new markets.

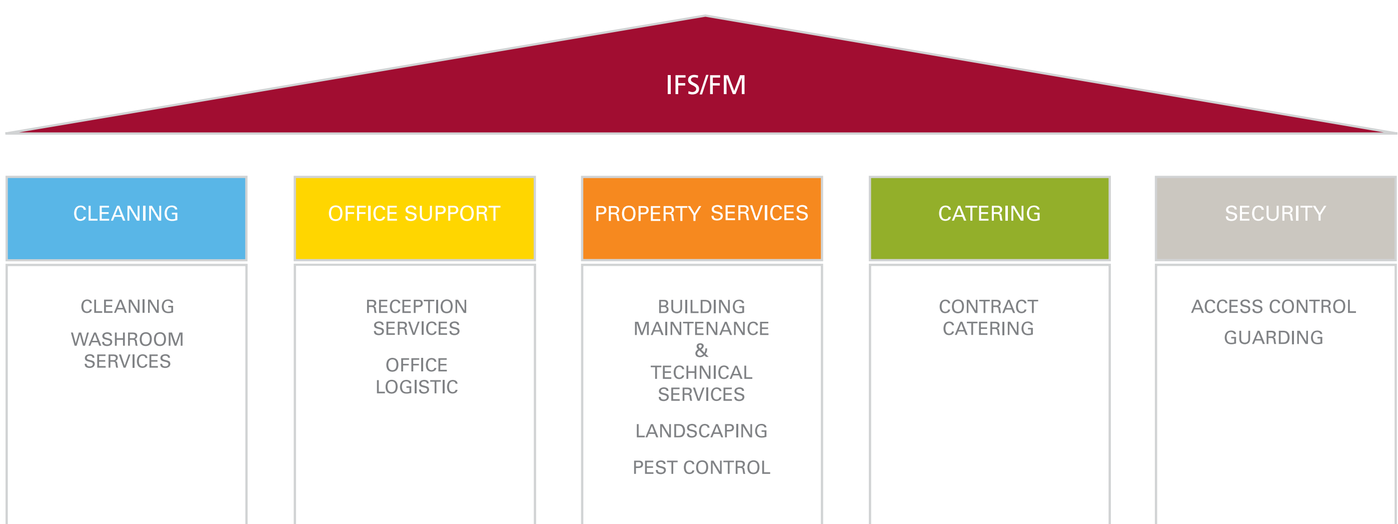
Lead the industry by offering best-in-class Single Services, Multi Services and Integrated Facility Services (IFS).

In 2007, ISS updated the implementation plan on its strategic objectives in the "ISS Strategy Plan 2007-2009". The ISS Strategy Plan 2007-2009 is a continuation and development of the previous strategy plans and further details the initiatives needed to fulfil the ISS vision.

Service offering

ISS is a global Facility Services company. In 2007, ISS further strengthened its global delivery capability by adding new service areas in several countries and by expanding existing service areas through organic growth and acquisitions. In response to customer demand, ISS has established operations in security services through acquisitions in several geographies. To further strengthen the strategic focus on developing this business area, Security, including access control and guarding services, was from the outset of 2007 added as a fifth pillar in ISS's "IFS House" as illustrated below. This means that ISS can offer a wide range of services within the IFS House:

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



Delivery model

Service solutions are offered to the customer as Single Services, Multi Services or Integrated Facility Services and are generally self-delivered by ISS.

In 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, HR management, procurement benefits, reduced financial administration of the outsourced service area, increased operational flexibility, etc.

In multi-service outsourcing (two or more services without the full integration of IFS) the customer achieves the same benefits as with single-service outsourcing for each outsourced service area as well as benefits of service integration where possible.

In an Integrated Facility Services solution (two or more services under one contract and with a single point of contact on-site), ISS takes over all or most of the Facility Service functions at the customer's premises. The customer thereby receives both the full potential of single-service outsourcing and the advantages of integrating services. By integrating services, ISS can drive further cost synergies and increase simplicity, efficiency and flexibility for the customer by providing a single point of contact, and utilise best practice across service areas.

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 and spreading single-service excellence throughout the organisation.

In 2007, significant resources were added to the Cleaning Excellence initiative, as cleaning is still ISS's largest single service area. The purpose of the Cleaning Excellence concept is to support the ISS countries in delivering optimal performance, using the most efficient tools and methods, superior training, improved logistics, efficient supply chain, cost reductions and gap-closing tool processes.

To facilitate knowledge sharing and best practices between countries and within the service lines, ISS has established Knowledge Forums within all key service areas. These forums are sponsored by a COO or Regional Director and focus on both general knowledge sharing and the implementation of specific service-excellence initiatives.

Development and methodology

ISS continued the development of new services, delivery models, systems and methodologies in 2007 to fulfil its vision of being the leading global Facility Services company.

Global Corporate Client organisation

To further leverage and develop ISS's position as the leading global Facility Services company and provide excellent service for our multinational clients, in November 2007 ISS decided to introduce a global Corporate Client organisation. The purpose of the Corporate Client organisation is to:

> drive New Business Sales with selected multinational customers
> serve multinational clients through a key account organisation
> support 100% retention of existing multinational customers
> support further development of IFS within the countries

IFS implementation

An IFS implementation team was established in 2006 with the primary focus of accelerating the IFS implementation in selected countries. The team consists of experienced specialists with an overlying mission of providing operational support in winning, bidding, transitioning and operating the first IFS contract within a country. Going forward, this team will be an integrated part of the Corporate Client organisation, working with both building IFS competencies in the countries and operating multinational IFS contracts.

Service Culture – The ISS Way

In 2007, ISS decided to establish the "Service Culture – The ISS Way" programme to further define and develop a strong and characteristic corporate culture and an ISS approach to service management for all country organisations to implement. The aim of Service Culture – The ISS Way is to achieve specific improvements in customer retention and employee satisfaction by educating the organisation in service management and the ISS values. It is the ambition that the programme will have a positive short and long-term effect on both customer satisfaction and employee motivation. Service Culture – The ISS Way is a cornerstone towards maintaining and further improving the ISS position as one of the world's leading service organisations.

Systems and methodologies

ISS will invest further in systems and methodologies.

In 2007, ISS's IT business solutions were 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 further implemented.

Operational objectives

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 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 level of positive cash flow from operations exceeding its obligations to service its credit facilities.

Operating margin

ISS's second objective is to maintain or improve its operating margin, which increased from 5.8% in 2006 to 6.0% in 2007. ISS will seek to generate further operational efficiencies by increasing its local market positions and operational densities, as well as through the implementation of company-wide best practices. In 2007, ISS increased its market position and service offering in especially the high-growth economies, and introduced regional Cleaning Excellence teams.

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. 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-selling related services, such as security and pest control, to existing customers. Additionally, ISS has increased its market presence and operating platform in selected high-growth economies, particularly in Latin America, Asia and Eastern Europe.

Reduce financial leverage

ISS is determined to seek to reduce the financial leverage of the Group on a multiple basis. 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 ISS'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 and geography

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 for new customer retention initiatives.

ISS intends to continue to focus on the high-growth economies in Latin America, Asia and Central and Eastern Europe. In 2007, ISS experienced revenue growth of 33% in Asia, including a new country establishment in Taiwan. Revenue growth in Central & Eastern Europe was 31% in 2007 while revenue grew in Latin America by 41% compared with 2006.

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 575 businesses, of which more than 500 were acquisitions of relatively small businesses with annual revenue of less than DKK 100 million (EUR 13.4 million).

In 2007, ISS entered the US Facility Services market through the acquisition of Sanitors Inc. Sanitors has annual revenue of approximately DKK 1.8 billion, 10,000 employees and a service offering in cleaning, building maintenance, landscaping and security. The company operates in 42 of the country's 50 states. With the acquisition of Sanitors, ISS has created a strong platform for future organic and acquisitive growth in the US market. ISS intends to build on this platform by expanding its geographical coverage in the USA and further strengthening delivery capabilities within the service areas where ISS is already present.

ISS expects to continue focusing primarily on smaller bolt-on 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 emphasise 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 level mentioned above.


SINGAPORE
CAFÉ AT SINGAPORE GENERAL HOSPITAL
JIMMY LIM, CATERING

Corporate Governance

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's shares are not publicly listed, to some extent the Group applies corporate policies and procedures based on the recommendations applicable to companies listed on the OMX Nordic Exchange Copenhagen. 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's share capital is indirectly owned primarily by funds advised by EQT Partners (EQT) and GS Capital Partners (together with EQT the "Principal Shareholders").

EQT is a leading private equity group with operations in Northern Europe and Greater China. EQT currently manages approximately EUR 11 billion in 12 funds. In total, EQT funds have invested approximately EUR 6 billion in about 60 companies. EQT Partners, acting as exclusive investment advisor to EQT, is headquartered in Stockholm and maintains offices in Copenhagen, Frankfurt, Helsinki, Hong Kong, Munich, New York, Oslo and Shanghai.

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 thirteen corporate investment vehicles aggregating over USD 56 billion of capital (including mezzanine funds). GS Capital Partners is a global private equity group focused on large, sophisticated business opportunities in which value can be created through leveraging the resources of Goldman Sachs.

Shareholders' agreement

The Principal Shareholders have 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 for 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 be entitled to vote only if they are substitutes 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 by 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. This commitment is vested in ISS's four corporate values: honesty, entrepreneurship, responsibility and quality, based on the recognition that stakeholder value is directly connected to 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 on pages 51-64.

Openness and transparency

In addition to its country-specific websites, ISS has a corporate website at www.issworld.com on which financial statements and other announcements are posted. 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 2007 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU with effect for financial reporting periods beginning on 1 January 2007, 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 Board

ISS has a two-tier management structure consisting of the Board of Directors (the Board) and the 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.

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 follows the ISS Strategy Plan 2007-2009 approved by the Board in spring 2007. A description of the Group strategy is available from the corporate website: www.issworld.com. It contains ISS's visions, goals, core values etc.

The Board convenes at least six times a year. 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 strategy plan, the annual budget and large or strategic acquisitions based on recommendations from the Acquisition Committee (see "Board Committees" below).

The directors are nominated to the Board in accordance with the shareholders' agreement described above. As per 31 December 2007, six directors and one alternate director served on the Board:

- Sir Francis Mackay (Chairman), Chairman of Carlton Partner LLP;
- Leif Östling (Vice-Chairman), President and Group Chief Executive of Scania AB;
- Ole Andersen, Head of the Copenhagen office of EQT Partners and Senior Partner at 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;
- Steven Sher, Managing Director for the Principal Investment Area of Goldman Sachs International; and
- Peter Korsholm (alternate director), Partner at EQT Partners.

A further description of the Board members is available on page 47 of this report and in note 32 to the consolidated financial statements.

Board committees

The Board has established the following four committees that all report to the Board.

The Acquisition Committee considers ISS's procedures for acquisitions and integration, effected acquisitions and the acquisition pipeline. The committee consists of at least three members of the Board (currently Christoph Sander, Peter Korsholm and Steven Sher), and the Group CEO, Group CFO and Head of Group M&A participate in its meetings. The committee is convened at least six times a year.

The Remuneration Committee considers remuneration packages and incentive schemes for ISS Management Team members, compensation levels and bonus systems in general, and the status of the Management Participation Programme. The committee consists of at least three members of the Board (currently Francis Mackay, Ole Andersen and Sanjay Patel), and the Group CEO participates in its meetings. The committee is convened at least twice a year.

The Financing Committee considers ISS's capital structure, financing of future investments and hedging policies. The committee consists of at least two members of the Board (currently Peter Korsholm and Steven Sher), and the Group CFO and Head of Group Treasury participate in its meetings. The committee is convened at least twice a year.

The Audit Committee evaluates ISS's external financial reporting, main accounting principles and estimates, and systems of internal controls and risk management. Further, the committee considers the relationship to ISS's external auditor and reviews the audit process. The committee consists of at least three members of the Board (currently Leif Östling, Christoph Sander, Steven Sher and Peter Korsholm), and the Group CFO participates in its meetings. The committee is convened at least twice a year.

Executive Group Management

The Executive Group Management of ISS consists of Jørgen Lindegaard, Group CEO; Jeff Gravenhorst, Group COO and Group CFO (the "EGM"). Flemming Schandorff was Group COO until 31 March 2008, when Jeff Gravenhorst took over the responsibilities as Group COO. ISS is in the process of finding a new Group CFO and until then, Jeff Gravenhorst will continue to act as Group CFO as well.

The EGM together with COOs Allan Aebischer, Jacob Götzsche, Stig Pastwa and Martin Gaarn Thomsen, Head of Group M&A Jens Ebbe Olesen, Head of Group Development Magnus Åkerberg and Head of Group Treasury Christian Kofoed Jakobsen 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).

The members of the IMT are remunerated with a combination of a fixed salary and a bonus, which is capped at 50% of their fixed salary. The employment contracts of the IMT members are subject to termination periods of between 12 and 18 months. Directorships in companies in the ISS Group held by members of the IMT are not remunerated separately.

No member of the IMT is permitted to hold directorships in companies outside the ISS Group unless specific consent is granted. Remuneration received in respect of such external directorships is retained by the member, and ISS assumes no liability for such directorships.

Country management

ISS has country management teams in each of the countries in which it operates, that are structured based on ISS principles and experience as well as local legislation and practice. ISS delegates substantial autonomy and considerable powers to the country management teams including management of operations in their relevant markets, financial reporting, local tax and compliance with local legislation and practices. A description of the country management teams can be found on the ISS website or in the annual report for each relevant country.

Management Participation Programme

The Principal Shareholders have established a Management Participation Programme, under which the IMT and a number of senior officers of the Group were given the opportunity to make investments. 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. As of 31 December 2007, the investments amounted to DKK 191 million in total for 139 executives and officers. As part of the programme, warrants in FS Invest were granted of which 532,012 were outstanding as of 31 December 2007.

Non-executive members of the Board (except representatives of the Principal Shareholders) have been given the opportunity to participate in a directors' participation programme, under which they have invested in a mix of FS Invest shares and warrants amounting to approximately DKK 6.4 million in total. In addition, they have co-invested with the Principal Shareholders for approximately DKK 17.6 million in total.

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. For a detailed, non-exhaustive listing of the risk factors, which the Group is subject to, reference is made to the High Yield Offering Memorandum.

ISS considers strong controls to be an essential management tool. Accordingly, care is taken to ensure that a sound framework of controls is in place for safeguarding the business. 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, operational and financial risk are managed in accordance with a policy adopted by the Board. In addition, detailed plans and business procedures for a number of functions are described in manuals and guidelines.

Operational risk management focuses principally on procedures for claims management, entering into contracts, occupational safety, environment and 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 mitigated 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.

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

Financial risk management focuses principally 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

MUMBAI, INDIA
DELOITTE
RAJENDRA PATIL, CLEANING

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 these standards. 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. Controller visits take place according to a plan for the year approved by the Audit Committee and in accordance with the control procedures and standards defined in ISS's control 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 auditor. The controllers perform follow-up reviews 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.
- Business reviews – monthly meetings between regional management and country managers with a 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 managements review 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 a year.

Auditor

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

An independent business relationship with the ISS Group's external auditor is essential for the control environment. As part of the safeguarding measures to ensure independence, the external auditor 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 auditor in relation to risk management by exchanging controller reports and audit reports and by generally sharing relevant knowledge.

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

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

RANDERS, DENMARK
DANISH CROWN
BENT NIELSEN, CATERING

SIR FRANCIS MACKAY

LEIF ÖSTLING

OLE ANDERSEN

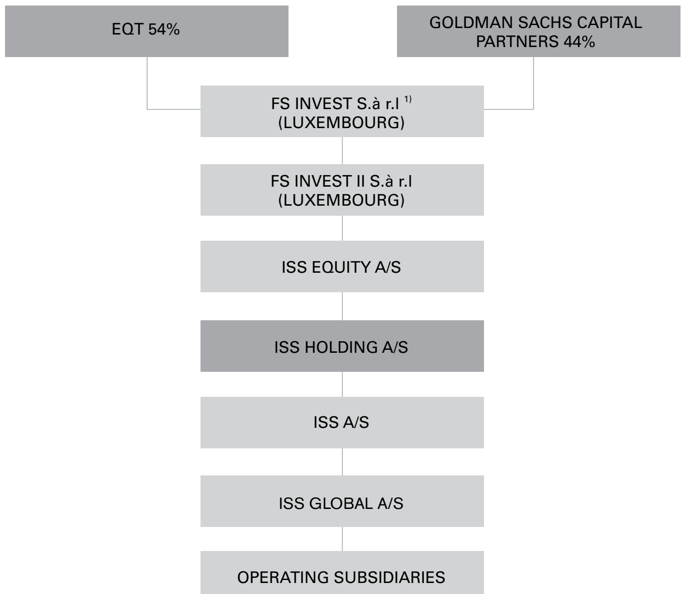
SANJAY PATEL

STEVEN SHER

CHRISTOPH SANDER

PETER KORSHOLM

Group Structure



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

Board of Directors of ISS Holding A/S

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

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

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

Steven Sher (1970)
Member of the Board
since 12 December 2007.

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].

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

Board of Directors of ISS Holding A/S

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

Note: The ultimate parent company for which consolidated financial statements are prepared is FS Invest S.à r.l. The consolidated financial statements can be obtained from FS Invest S.à r.l, 9-11 Grand Rue, L-1661 Luxembourg.

JØRGEN LINDEGAARD

JEFF GRAVENHORST

ALLAN AEBISCHER

MARTIN GAARN THOMSEN

JACOB GÖTZSCHE

STIG PASTWA

JENS EBBE OLESEN

CHRISTIAN K. JAKOBSEN

MAGNUS ÅKERBERG

HELLE HAVGAARD

BJØRN RAASTEEN

HENRIK TREPKA

Operational Management

Executive Group Management of ISS Holding A/S

Jørgen Lindegaard (1948)
Group Chief Executive Officer

Jeff Gravenhorst (1962)
Group Chief Operating Officer and
Group Chief Financial Officer

Management of ISS Holding A/S

The management team of ISS Holding A/S formally consists of the Executive Group Management. As ISS Holding has no operating activities of its own, it relies on the management team of ISS A/S, 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 ISS Holding 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 Gravenhorst (1962)
Group Chief Operating Officer
Group Chief Financial Officer
With ISS since 2002

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

Christian K. Jakobsen (1970)
Group Treasurer
With ISS since 2004

Magnus Åkerberg (1963)
Head of Group Development
With ISS since 2007

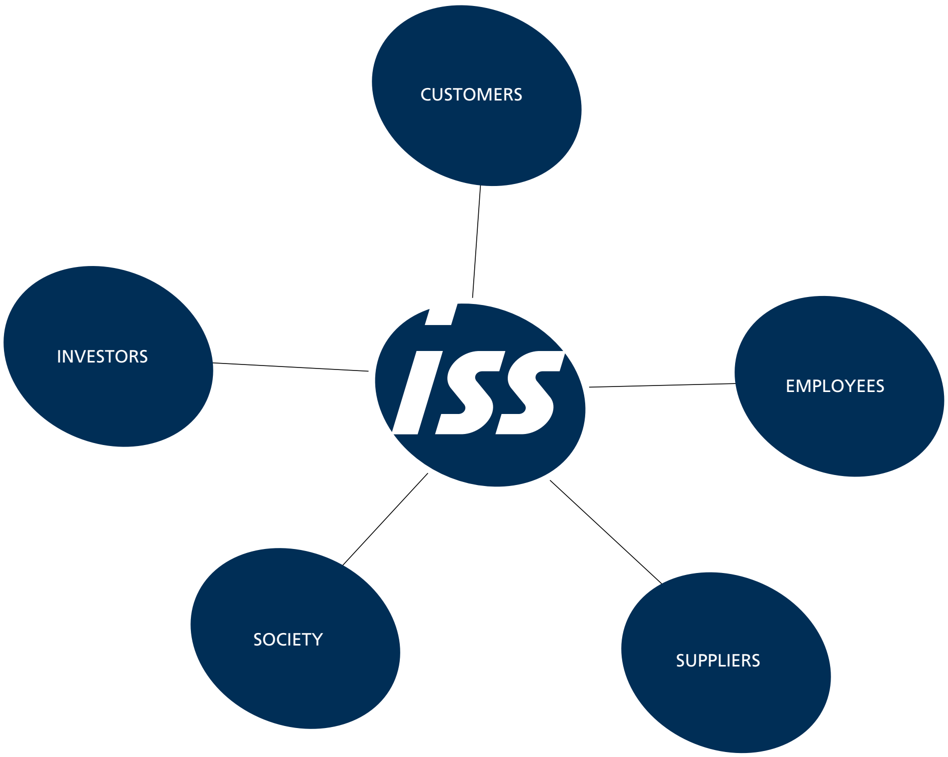
Helle Havgaard (1959)
Head of Group Human Capital
With ISS since 2000

Bjørn Raasteen (1964)
Group General Counsel
With ISS since 1999

Henrik Trepka (1963)
Head of Group IT
With ISS since 2005

SINGAPORE
LAI GAI FOON AND DJIN TUAN
PROPERTY SERVICES

Stakeholder Review



ISS wants to conduct its business around the world in a sustainable way. As a global company operating in 50 countries and employing more than 438,000 employees, ISS influences the lives of many people and has a considerable interface with societies around the world.

The following section describes ISS's relations with stakeholder groups, which are all contributors to and beneficiaries from the value creation at ISS. For information about risk factors that could adversely effect the interests of stakeholders, please refer to the Risk management description on pages 42-44 of this report.

Society

For ISS, sustainability is part of day-to-day operations and daily interaction with society in general, locally as well as globally. Principles and policies form the framework of corporate sustainability. Conduct in day-to-day business is crucial for putting the principles into practice, and ensuring a high standard of sustainable behaviour.

This presents challenges to any company wanting to do business in a sustainable way, because economic, social and environmental issues are inevitably interconnected. For ISS, however, it is essential to build and maintain relations based on commitment and trust with various stakeholders in society. ISS believes that this is beneficial to society as well as the company.

Therefore, ISS continuously works to ensure that employees and business partners are treated fairly, that environmental impacts of ISS's operations are reduced, and that ISS acts as a good corporate citizen in the communities in which it operates.

As an example of corporate citizenship, employees of ISS Spain created the foundation "Una Sonrisa Más" (One More Smile) in 2007, with the objective of promoting the creation of stable employment in Third World countries. This will be achieved by funding projects giving access to professional training and education, access to funding through micro-credits and access to local marketplaces.

The foundation is supported by the two main trade unions in Spain (CC.OO. & UGT). Their General Secretaries have kindly agreed to become Patrons of the foundation. The foundation is financed through voluntary donations by ISS employees. All employees are asked to contribute the money from decimal points on their salaries. More than 1,000 ISS employees have already joined the foundation. At the moment, the foundation collects over EUR 2,000 per month, and ISS Spain is supporting the initiative by covering all administration costs. Therefore, everything collected goes directly to the projects.

The first country financed by the Foundation is Ecuador (from where the largest number of immigrants working in ISS Spain originate). The project consists of the creation of six micro companies that will provide employment for 371 people.

United Nations Global Compact

ISS has been a signatory and supporter of the United Nations Global Compact since its inception in 1999. In line with membership regulations, ISS endeavours to comply with the ten Global Compact principles, and participates in The Global Compact Nordic Network, which assembles Nordic Global Compact members.

The core of the UN Global Compact comprises principles concerning human rights, labour rights, anti-corruption and environmental protection. The Global Compact calls for companies to:

> support and protect international human rights and to ensure that they are not complicit in abuse
> uphold the freedom of association, recognition of collective bargaining, elimination of forced labour, child labour and discrimination at work
> implement a precautionary approach to environmental challenges, promote environmental responsibility and environmentally friendly technologies
> work against all forms of corruption, including extortion and bribery.

ISS joined the Amnesty Business Forum in 2002 to discuss human rights protection with Amnesty International Denmark and a group of companies headquartered in Denmark, and ISS maintains the dialogue with Amnesty International regarding human rights issues.

ISS is also among the founding members of Rådet for Bæredygtig Erhvervsudvikling (the Danish Council for sustainable business development). The council was established in 2006 by a group of Danish companies to strengthen sustainable development of products and services.

The ISS Code of Conduct

In 2003, the Board of Directors adopted an "ISS Code of Conduct".

The Code of Conduct constitutes the key operational framework for ISS's proper conduct and corporate responsibility concerning the protection of human rights, areas of employee conduct, anti-corruption and bribery, compliance with competition rules, business partner relations and workplace standards in accordance with the UN Global Compact Principles.

Since the adoption of the ISS Code of Conduct, ISS has communicated and enforced its standards across the Group. The code has been widely distributed throughout the Group and only the smallest and most recent member countries have not yet translated the Code of Conduct into local languages. ISS's commitment to human rights protection has been communicated to suppliers, major customers and employees by means of leaflets, meetings, management training sessions, employee magazines etc. Local country managers are responsible for compliance. When acquiring new companies and entering new markets and joint venture opportunities, ISS promotes business conducted in compliance with the ISS Code of Conduct.

Human and labour rights

The UN Global Compact calls for companies to:

- *support and protect international human rights and ensure that they are not complicit in abuse*
- *uphold the freedom of association, recognition of collective bargaining, and elimination of forced labour, child labour and discrimination at work*

ISS profoundly respects and aims to support and protect human rights. ISS recognises labour rights and maintains close ties and an open dialogue with unions. In 2003, ISS signed a letter of agreement with Union Network International (UNI) committing itself to 12 fundamental principles in the workplace. The principles are based on ILO conventions and cover the following areas: Forced/bonded labour, discrimination, child labour, freedom of association, unions, legal minimum wages, working hours, health and safety, harassment, training, employers' obligations and environmental protection. UNI has in turn pledged to address and disclose companies that undermine fundamental standards in the service industry. A renewal of the agreement between ISS and UNI is currently under negotiation.

ISS uses no forced, compulsory or child labour and tolerates no form of discrimination.

ISS takes an active role in employing vulnerable groups. As a large employer, ISS has both the capability and the motivation to conduct training and reintegration programmes for immigrants, long-term unemployed or other groups for whom it is difficult to gain access to the labour market. ISS often forms partnerships with local authorities in order to establish and run employment programmes with this aim.

ISS has taken initiatives in this field in more than two-thirds of the countries. Positions are found both in administrative and service-operative functions.

For example, in 2007, ISS Denmark was awarded a "Diversity Prize" by the City of Copenhagen, Denmark's capital city, due to ISS's work on welcoming immigrants from diverse backgrounds into the company and make them part of an effective service solution for customers regardless of ethnic origin, language skills, religious beliefs etc. In 2007, ISS Denmark was also one of three nominees for the national "Integration Award" co-sponsored by the Danish Ministry of Employment. Approximately 38% of ISS's Danish workforce comprises immigrants from 125 different nationalities.

Since establishing operations in India in 2005, ISS has worked to create more awareness of and focus on better working conditions through training and career development. ISS India hires employees who have dropped out of school and live in slums. These people experience a major change in lifestyle when working in an office. ISS dedicates a significant amount of time and resources to training these employees to follow a career with the company. ISS India has many employees who were originally hired as cleaning assistants but are now working as managers for the company.

During 2007, Mexico was hit by several natural disasters such as storms and hurricanes. The winter was especially hard with storms resulting in huge floods. ISS Mexico supplied food and clothing to all employees who were directly affected by the disaster. ISS Mexico has also made sure that all employees are registered in the social system and can receive medical attention in case of sickness.

Environmental protection

The Global Compact calls for companies to implement a precautionary approach to environmental challenges, and promote environmental responsibility and environmentally friendly technologies.

Environmental protection is a key component of ISS's overall approach to sustainable development. The corporate environmental policy provides a Group-wide framework for local environmental policies and initiatives and spells out ISS's key environmental objectives:

> minimise emissions and effluents (primarily arising from transport and use of chemicals in cleaning)
> minimise the use of energy and water
> reduce, manage and recycle waste
> use safe products and materials

ISS's country organisations implement local environmental policies and management systems based on corporate policies. In most countries, the environmental policies and systems are already in place and many of them are ISO 14001 certified. In addition, environmental responsibility is promoted through staff training and awareness programmes.

ISS aims at increasing fuel efficiency by raising the share of diesel-fuelled cars in its fleet management programme. Diesel-fuelled cars account for almost 82% of the entire ISS fleet and the aim is to gradually increase this percentage. Approximately 3,700 cars were added to the car fleet during 2007, so with 18,000 vehicles on the roads, the high proportion that are fuelled by diesel has lowered fuel consumption per kilometre, offering a potential for considerable environmental benefits.

Cleaning Excellence works to reduce the environmental impact from the use of chemicals through the ISS Q3E cleaning standard. Focusing on Quality, Environment, Employees, and Efficiency (Q3E) provides savings in terms of chemicals and water usage.

Through Office Support Services, ISS offers scanning of documents to electronic format and thereby reduces the amount of paper copies. Additionally, ISS offers paper destruction i.e. paper is first shredded and then sent for recycling.

Anti-corruption

The Global Compact calls for companies to work against all forms of corruption, including extortion and bribery. ISS welcomes the tenth Global Compact principle on anti-corruption. The ISS Code of Conduct expresses a clear commitment to combating all forms of corruptive practice. Through the ISS Code of Conduct, the anti-corruption position is communicated to the entire Group.

During 2007, the ISS University hosted a range of training seminars covering sustainability and the Code of Conduct. More than 200 ISS managers from around the world attended the seminars. At these sessions, ISS's approach to sustainability, including anti-corruption was presented and the participants were engaged in dilemma training on these issues.

The appointment of ombudsmen in the local organisations has improved the procedure for raising concerns, for example about all types of breaches of the ISS Code of Conduct. Employees can confidentially report what they see as breaches of the Code or other wrongful behaviour to the local ISS ombudsman, if normal organisational reporting channels cannot be used.

Customers

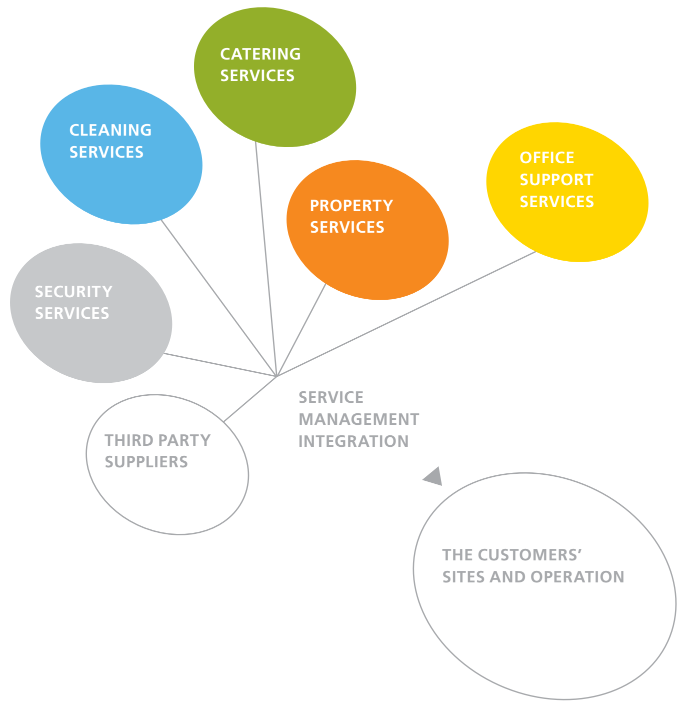
Service integration and extension

ISS's experience is that both owners and users of facilities can benefit from outsourcing support services. Customers can optimise their non-core services by outsourcing and applying ISS's core business model. Potential cost savings and quality improvements generally depend on whether customers outsource single services or outsource a range of services to a supplier of IFS solutions. The more services and the higher the level of service integration, the greater the potential savings and quality improvements.

Therefore, ISS's ability to integrate and deliver a broad range of support services to customers through a single point of contact provides a competitive advantage. As part of the service solution, ISS can manage the entire service delivery and ensure staff flexibility, quality of service and reliability in a cost efficient manner, allowing customers to direct their resources towards developing and managing their core businesses.

ISS expects the market for integrated services to outperform growth on average compared with single services. In 2007, ISS continued to focus on the transformation towards multi-integrated service delivery by building IFS competences to suit the increasing customer demand. As a foundation for the transformation, ISS continued to deliver and develop single-service excellence.

The customer interface in Facility Services



Contracts

ISS holds a strong position in both the private and public sectors. The customer portfolio spans countries and industries and includes a mix of customers ranging from office buildings, manufacturing sites to airports and hospitals. ISS holds a strong position in most markets and sectors, and services a number of the largest national and international organisations. ISS's contracts with customers vary in scope, complexity and length of contract, thereby entailing different opportunities and exposures.

Quality

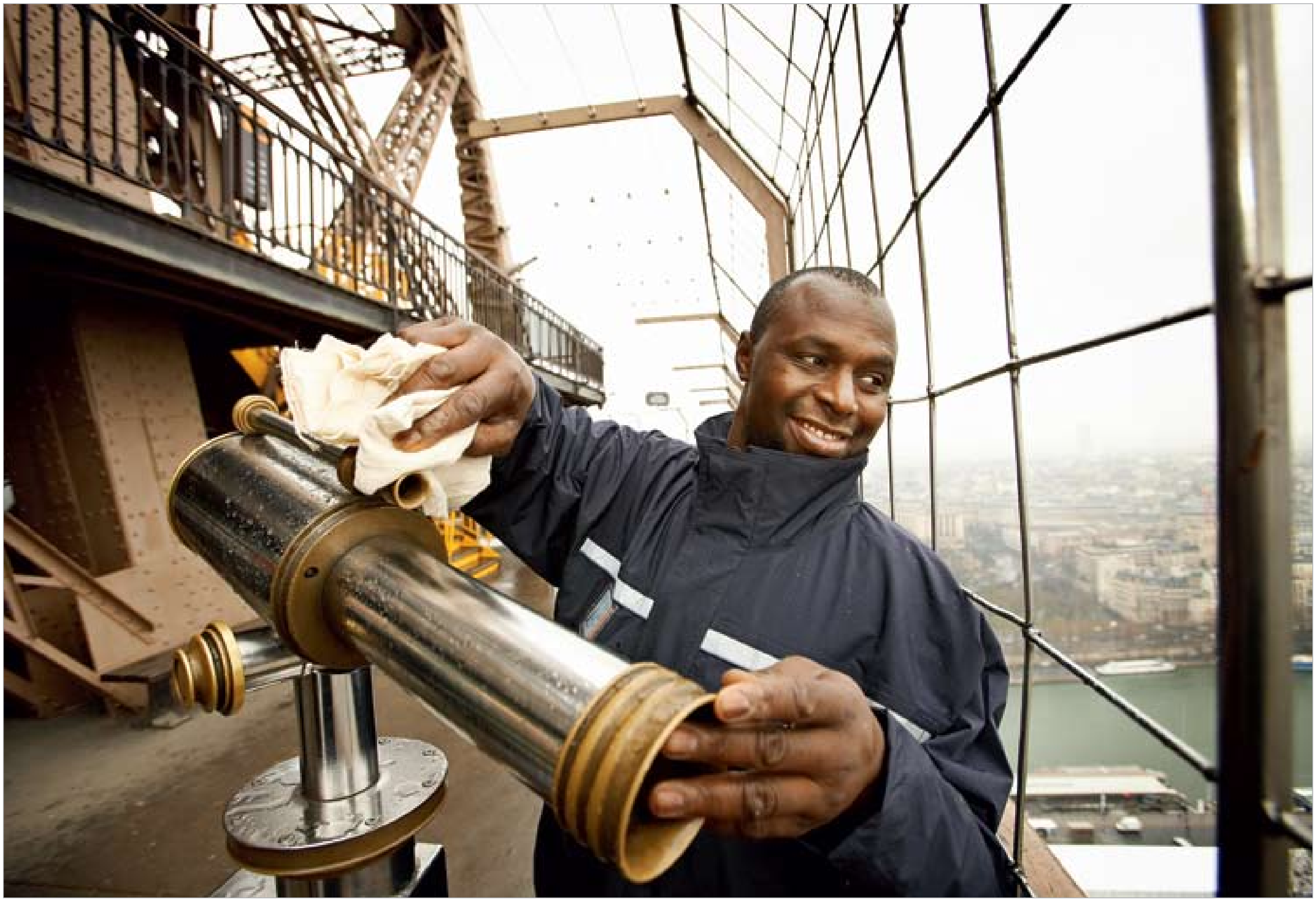
Customer relations rely on ISS's ability to deliver the agreed quality. For larger contracts, the quality of the service delivery is often measured against defined quality benchmarks stipulated in Service Level Agreements (SLA). Most ISS operations have adopted a formalised quality approach. Generally, ISS uses ISO-certified quality management systems, and a number of countries have implemented total quality and Business Excellence models. ISS is currently developing a corporate quality system using best practices to be implemented in major contracts.

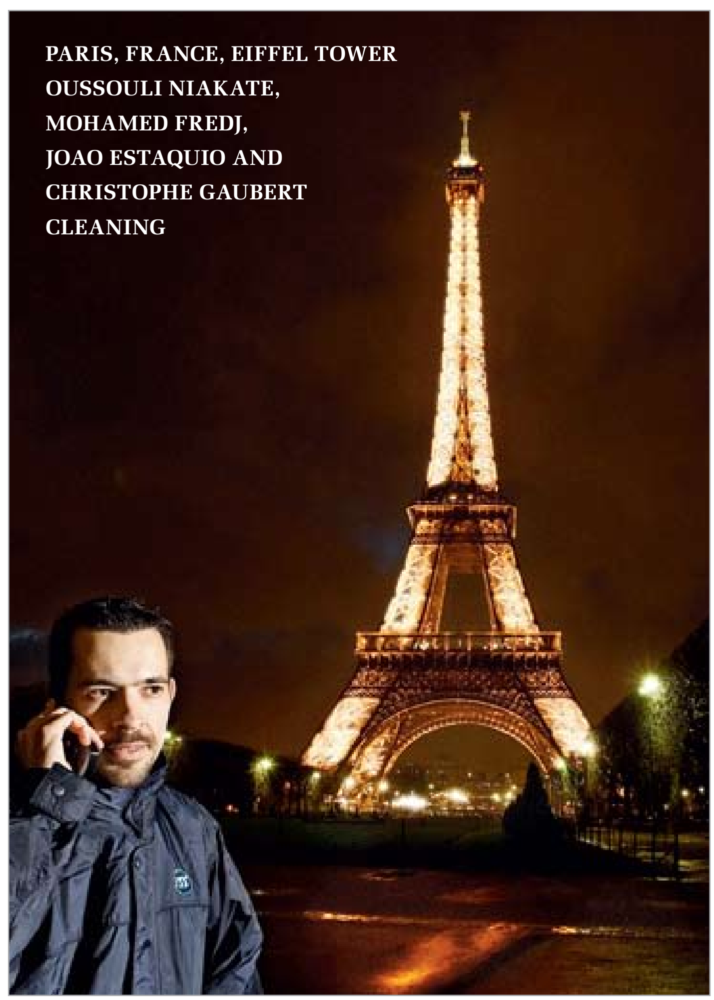
International customers and IFS implementation

The central IFS Implementation function established in parallel with Corporate Clients in 2006 has proven successful. A number of new accounts have been developed, also in countries with single-service capacity but where IFS skills were less developed. Furthermore, the rate of enquiries for pan-country proposals increased in 2007 as the market became aware of this central point of contact. This approach will be reinforced during 2008 to supplement the existing in-country and Corporate Client capacity and solutions.

ISS strives to handle both new opportunities in the marketplace and develop existing national clients with a global presence. This strategy has been successful, as several new corporate clients were added to the portfolio and ISS has now reached a good position on the international outsourcing market. The existing customer base represents a major growth potential as customers are increasingly consolidating the number of suppliers in regions or even globally. Following the implementation of new Corporate Clients the know-how related to servicing these clients has been considerably enhanced and ISS is now well-established in terms of handling this kind of contract.

One of the key requests from ISS's corporate clients is to streamline the service delivery and service standards across countries. In this respect, ISS holds a unique position based on its global presence, corporate competence centres, ongoing knowledge exchange among the ISS countries and continuous development of local self-perform service capacity. In addition, ISS continues to implement standard management reporting and IT solutions across the business, with our Corporate Clients supporting performance monitoring against agreed Key Performance Indicators (KPIs). ISS undertakes benchmarking of its performance to secure ongoing improvement of the relationships and to improve contract wins and retention rates. This structured approach also allows clients to benchmark against market standards.





PARIS, FRANCE, EIFFEL TOWER
OUSSOULI NIAKATE,
MOHAMED FREDJ,
JOAO ESTAQUIO AND
CHRISTOPHE GAUBERT
CLEANING

Employees

In 2007, the number of ISS employees rose by 47,000, an increase of more than 12% compared with the year before. A large number of these additional employees joined as a result of ISS entering the US market but an even higher number resulted from organic growth. At the end of 2007, ISS had more than 438,000 employees in Europe, Asia, Pacific, Latin America and the USA.

Human capital

The ISS Human Capital Vision "to be the preferred employer in our industry" was made explicit in 2007. Aligned with the Group strategy, it focuses on: upgrading leadership and management capabilities, enhancing customers' service experience, integrating acquired businesses, and ensuring competitiveness through cost efficiency.

The HR strategy will be implemented through "ISS International HR Standards", which will be the future framework for local HR initiatives. To ensure relevance, human resource executives from across the Group collaborated on formulating these minimum standards during the International HR Community meetings. The other main topics were employee appraisals and performance management, which are to be implemented in 2008. A new web-based knowledge sharing platform was introduced to facilitate international relations.

Training remains the cornerstone in the Human Capital Strategy. Resources are invested in staff and management development – ranging from basic skills training through middle management programmes to full corporate MBAs.

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

Two participants from the first intake of the ISS MBA programme graduated in 2007. The eleven participants of the second intake commenced their dissertation process and the last two intakes continued with their studies. In line with Group strategy, it was decided to decentralise the MBA programme and to work locally with universities and business schools.

To a large extent, ISS has completed the roll-out of the IFS concept in 2007 through the IFS Academy. The initial need for IFS knowledge has thereby been met, and the IFS implementation team and local initiatives are taking over. A master class for top management was developed to provide general IFS training at strategic level. As in previous years, the ISS University programme portfolio consisted of internal and external seminars designed in cooperation with suppliers such as IMD, Henley Management College and INSEAD. The management introduction programme, ISS Advantage, dominated the activities, but separate training in disciplines such as Integration of acquired businesses and Negotiation skills was also delivered. During the year, approximately 700 senior managers and specialists from the entire Group

Employee indicators [1]	2007	2006	2005
Number of employees	438,100	391,400	310,800
Share of employees working full-time	68%	66%	61%
Total employee turnover	55%	51%	50%
Share of employees with less than one year of seniority	37%	33%	34%
Share of employees with one to five years of seniority	37%	39%	38%
Share of employees with five years or more of seniority	26%	28%	28%

[1] The figures are unaudited

ISS implements International HR Standards to help improve performance

ISS is a people business. Well-trained and highly motivated employees are vital for running a successful business with superior performance and competitive costs. Therefore, during 2006 and 2007, ISS International HR Community worked on defining key focus areas. This work resulted in the first set of "ISS International HR Standards" which is to be taken into account in future local business strategies.

Efforts to develop and grow the business and improve performance focus on people management and are not only a question of treating employees well. This initiative therefore considers where ISS is today, as well as future initiatives.

Firstly, all ISS units must incorporate each of the 11 focus areas in their HR strategies in order to be an attractive employer.

Secondly, the requirements defined under each of the eleven focus areas serve as minimum standards across ISS. The timing of the implementation of the standards will naturally vary according to local business environments.

These standards are made very explicit. However, as many countries are already well above the minimum requirements, they will also serve to underline the ISS philosophy in terms of people management.

In line with the geographic and cultural diversity of ISS, the decentralised structure will be supported. Consequently, this is not a roll-out of one best practice or a universal manual on the issue.

Establishing international minimum standards will ensure that HR strategies are aligned with the business strategy, and that competitive advantages are gained by developing and retaining our employees.

The goal is that by the end of 2009, all countries will be in full compliance with ISS International HR Standards.

ISS International HR Standards

ISS always operates in compliance with local laws and regulations, and the goal is that local HR strategies reflect this initiative. ISS will continue the implementation during 2008 and 2009 to make sure that all countries are in compliance with each of the 11 topics.

> **Recruitment**
The recruitment process continues until the applicant has started the job and received introduction training – or has received a rejection

> **Employee Appraisals and Reviews**
It is our intention to develop our organisation through developing the people in it and to gain commitment in order to maximise individual performance

> **Motivation and Loyalty**
The Service Profit Chain is the backbone of the HR strategy because satisfied employees are a precondition for retaining customers and creating value

> **Employee Relations**
Managers and employees treat each other with mutual respect and leadership is exercised to empower all employees to act

> **Training and Development**
Ensures constant high-quality service delivery by improving job performance and by preparing employees for new challenges

> **Talent Management**
Our talent consists of current and future high performers who are entrepreneurs in spirit and who challenge conventional thinking

> **Managing Sickness and Absenteeism**
We ensure that the working environment is healthy and does not contribute to sickness

> **Reporting and Monitoring**
Provides tangible evidence of the value added by HR initiatives. To ensure that HR has a direct impact on business results, efforts are systematically measured

> **HR Support for M&A and Contract Integration**
HR issues are taken into account from the initial stages of the acquisition process and form an integral part of the value proposition

> **Health and Safety**
It is a shared responsibility that rules and regulations on health and safety are always respected

> **Remuneration, Benefits and Incentives**
As part of the employment relationship, we pay the correct salary on time

attended a total of 38 workshops and programmes at ISS University.

The growth ambitions in the Group strategy have increased the emphasis on talent management and succession planning. A performance management system has been developed for this purpose, which provides an overview while encouraging performance through managing by objectives. The system has been introduced to the Group head office and will be rolled out to the country management teams during 2008.

Employee loyalty

The service industry in general has high levels of employee turnover, as part of the industry is often considered suitable for short-term or secondary employment. ISS pursues a range of strategies to retain its employees by offering more full-time and daytime work, multi-task jobs, teamwork, skills development, career opportunities, leisure activities etc. In 2007, the share of full-time employees (working 25 hours or more a week) rose to 68%. This indicator is important, as, on average, full-time employees develop stronger ties with ISS. The distribution of employee seniority (in years) provides another perspective on employee loyalty within ISS. In 2007, approximately 63% of the Group's employees had been with ISS for more than one year. Positive organic growth caused this percentage to fall in comparison with 2006, however, the number of employees with more than one year's seniority increased by 12%.

Managing attendance

Health and safety is a Group-wide focus area. All ISS countries have individual strategic business incentives to improve their health and safety to retain and recruit employees, comply with local laws and regulations and minimise insurance expenses. As a result, several local health and safety initiatives have been implemented, e.g. a number of countries have implemented projects to minimise sick leave and increase employee well-being.

Equal opportunities

ISS rewards its people solely on the basis of merit. When recruiting, developing and promoting ISS, operations focus on individual capabilities and qualifications of a candidate and under no circumstances on the person's gender, age, ethnic

Immigrants in management

ISS Denmark has established a management training programme for employees from immigrant backgrounds. The goal is to train 300 employees over a period of four years to fill management positions.

Experience shows that employees with non-Danish backgrounds face a complex variety of challenges in order to become managers. A lack of language and computer skills is the most tangible challenge. Reluctance within the organisation or amongst customers is an issue, and there is a widespread tendency among ethnic minorities to have limited career aspirations. These challenges have a high impact and are much more difficult to address. By matching each talent with an ethnic Danish mentor from within the organisation, awareness in general is created and hopefully, traditional barriers will be reduced.

"Approximately 40 percent of our staff come from non-Danish backgrounds, but they comprise less than five percent of our managers. We cannot accept that our management teams do not reflect the mix of our staff in general. We consider it our responsibility to contribute to development and integration," says HR Director Finn Vestergaard from ISS Denmark.

origin, religion, political views etc. Thanks to the corporate culture and aided by language courses and adapted training materials, today ISS is an employer of choice for many immigrants and ethnic minorities. In countries such as Belgium, Denmark, France, Norway, Sweden and the United Kingdom, ISS is among the largest employers of ethnic minorities.

European Works Council

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

A total of 13 countries as well as representatives from the Danish Union 3F and the Union Network International took part in the 2007 annual meeting. The participants primarily discussed safety on the work floor and the introduction of new ISS uniforms. Negotiations on a new agreement between ISS and EWC were initiated but the final result is pending.

Suppliers

A strong relationship with the suppliers of ISS remains an integral part of ISS's service delivery. Internationally at Group level as well as locally, ISS is working to reduce the overall number of suppliers and instead establish strategic supplier partnerships in key areas. Working with a few preferred suppliers has a positive impact on ISS's cost efficiency and gives an increased level of delivery certainty.

The use of strategic suppliers also provides the best guarantee that safe and effective products are used, ensuring a stable quality and equally importantly minimising the risk of employee hazards. In return, the strategy offers documented growth opportunities for the selected suppliers.

Group procurement

In 2007, Corporate procurement sustained its focus on increasing the co-operation with the established strategic international suppliers. This was reflected through increased co-operation in all countries. Furthermore, additional strategic suppliers were added within green cleaning-products.

Green chemicals in ISS France

In order to increase the move in the direction of environmentally friendly products being used in ISS France, the international supplier JohnsonDiversey presented a range of eco-labelled products in France in 2007. The ECO-label is symbolised by a flower and is a standard defined by the European Union for environmentally friendly products and services. The costs of verifying and documenting a product to retain the French ECO-label is substantial, and hence only large producers of cleaning chemicals can be expected to qualify. The Country Manager and Divisional Cleaning Director of ISS France decided to adopt the ECO-label products into the ISS range. In 2007, a nationwide bank with more than 250 sites entered into an agreement with ISS France and specifically requested ECO-label chemicals.

The President of France, Nicolas Sarkozy, has presented the "Grenelle de l'environnement" policy targeted specifically at enforcing a more green or environmentally friendly policy. The aim is to reduce pollution in chemical use, car exhausts and other areas.

"The business potential for cleaning companies which can successfully implement a green profile is very promising and the future looks bright," explains the Purchase Manager for ISS France.

The three largest international suppliers all experienced substantial increases between 10% and 50% in their business with ISS. No strategic suppliers were replaced during the year.

Fleet management

Since 2004, ISS has operated a fleet management programme with two global car manufacturers and one global leasing company. During 2005, the programme was rolled out in 14 European countries covering more than 15,000 vehicles. The fleet management programme has been expanded since then and now covers 17 countries and more than 17,000 vehicles, corresponding to approximately 95% of the ISS fleet.

Our global car manufacturer and global leasing procurement agreements were re-negotiated in 2007 as they were due to expire at 31 December 2007. During 2007, ISS obtained tenders from the two existing global car manufacturers and succeeded in closing new three-year agreements with both parties. ISS also successfully re-negotiated its global leasing agreement to continue for another three years. Finally, our agreement with the global fleet management service provider was re-negotiated, to continue for two years. All these new agreements commenced at 1 January 2008.

In 2007, ISS Australia joined the programme. The roll-out of the fleet management programme will continue in 2008, with the goal of eventually covering all ISS vehicles.

LONDON, UNITED KINGDOM
SUNBORN HOTEL
SOUSA MARIA JASMIN, CLEANING

Investors

Shareholders
ISS is indirectly owned by funds advised by EQT Partners and Goldman Sachs Capital Partners that hold 54% and 44% of the share capital, respectively. In addition, certain members of the Board of Directors, the Executive Group Management and a number of senior officers of ISS hold approximately 2% of the share capital through director and management participation programmes.

On 31 December 2007, the share capital of ISS amounted to DKK 100 million, consisting of 100,000,001 shares.

Bonds
In May 2006, ISS issued EUR 454 million of 8.875% subordinated notes and EUR 850 million of floating-rate subordinated notes. In July 2007, the floating-rate subordinated notes were fully redeemed in connection with refinancing a portion of the Group's existing long-term debt.

ISS Global A/S (ISS Global), a wholly owned subsidiary of ISS, listed a Euro Medium Term Note (EMTN) programme on the Luxembourg Stock Exchange in 2003. Under this programme, ISS Global has issued senior unsecured bonds in two tranches, of which EUR 850 million mature in September 2010 and EUR 500 million mature in December 2014 and were outstanding at 1 January 2007.

In connection with the refinancing in July 2007, ISS accepted tender offers for approximately EUR 390 million of the notes that will mature in 2014. Consequently, a total of approximately EUR 960 million was outstanding under the EMTN programme as of 31 December 2007.

Senior credit facilities
On 1 January 2007, ISS had committed senior credit facilities of DKK 14.1 billion under which DKK 9.8 billion were drawn.

In 2007, ISS established DKK 8.5 billion (EUR 1,140 million) of additional senior credit facilities as part of the refinancing of a portion of the Group's existing debt and to raise additional funding for future acquisitions. At 31 December 2007, ISS had senior credit facilities of DKK 22.7 billion under which DKK 17.3 billion were drawn and DKK 1.5 billion was allocated to support performance bonds issued by operating subsidiaries. At 31 December the available undrawn acquisition facilities amounted to DKK 3.1 billion. The senior credit facilities include customary loan covenant clauses. All covenants have been complied with in 2007.

The senior lenders comprise a number of international banks and institutional investors. The senior credit facilities mature in 2012 and 2013.

Second lien facility
In 2007, ISS established DKK 4.5 billion (EUR 600 million) of second lien facility as part of the refinancing of ISS Holding's floating-rate subordinated notes. The second lien facility includes customary loan covenant clauses. All covenants have been complied with in 2007.

The second lien lenders comprise a number of international institutional investors. The second lien facility matures in 2015.

Credit ratings
Standard & Poor's have assigned a B+ long-term credit rating to ISS and its subsidiaries, ISS Global and ISS A/S, and Moody's have assigned ISS and ISS A/S a B2 corporate rating.

Moody's have assigned the subordinated notes issued by ISS a Caa1 rating, and Standard & Poor's have assigned the subordinated notes issued by ISS and the bonds issued under ISS Global's EMTN programme a B- rating.

Corporate Credit Ratings

Standard & Poor’s	B+
Moody’s	B2

ISS Holding A/S bonds

Issuer	ISS Holding A/S
Bloomberg	ISS DC
Standard & Poor’s rating	B-
Moody’s	Caa1
Listing	Luxembourg
Amount outstanding	EUR 454 million
Maturity date	15 May 2016
Coupon	8.875%
ISIN securities code	XS0253470644
Reuters	DK025347064=
Lead managers	Citigroup, Goldman Sachs

Global A/S EMTN bonds

Issuer	ISS Global A/S
Bloomberg	ISS DC
Standard & Poor’s rating	B-
Listing	Luxembourg

EMTNs due 2010

Amount outstanding	EUR 850 million
Maturity date	18 September 2010
Coupon	4.75%
ISIN securities code	XS0176317054
Reuters	DK017631705=
Lead managers	HSBC, Nordea, Société Generale

EMTNs due 2014

Amount outstanding	EUR 110 million
Maturity date	8 December 2014
Coupon	4.50%
ISIN securities code	XS0206714247
Reuters	DK020671424=
Lead managers	Deutsche Bank, Nordea, Société Generale

PRAGUE, CZECH REPUBLIC
PRAGUE AIRPORT
JOSEF RUDOLF AND JIRÍ ZACH
CLEANING

Management Statement

Copenhagen, 16 April 2008

The Board of Directors and the Executive Group Management have today discussed and approved the Annual Report 2007 of ISS Holding A/S. The Annual Report 2007 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 2007 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 2007.

Executive Group Management

Jørgen Lindegaard
Group Chief
Executive Officer

Jeff Gravenhorst
Group Chief
Operating Officer
Group Chief
Financial Officer

Board of Directors

Sir Francis Mackay
Chairman

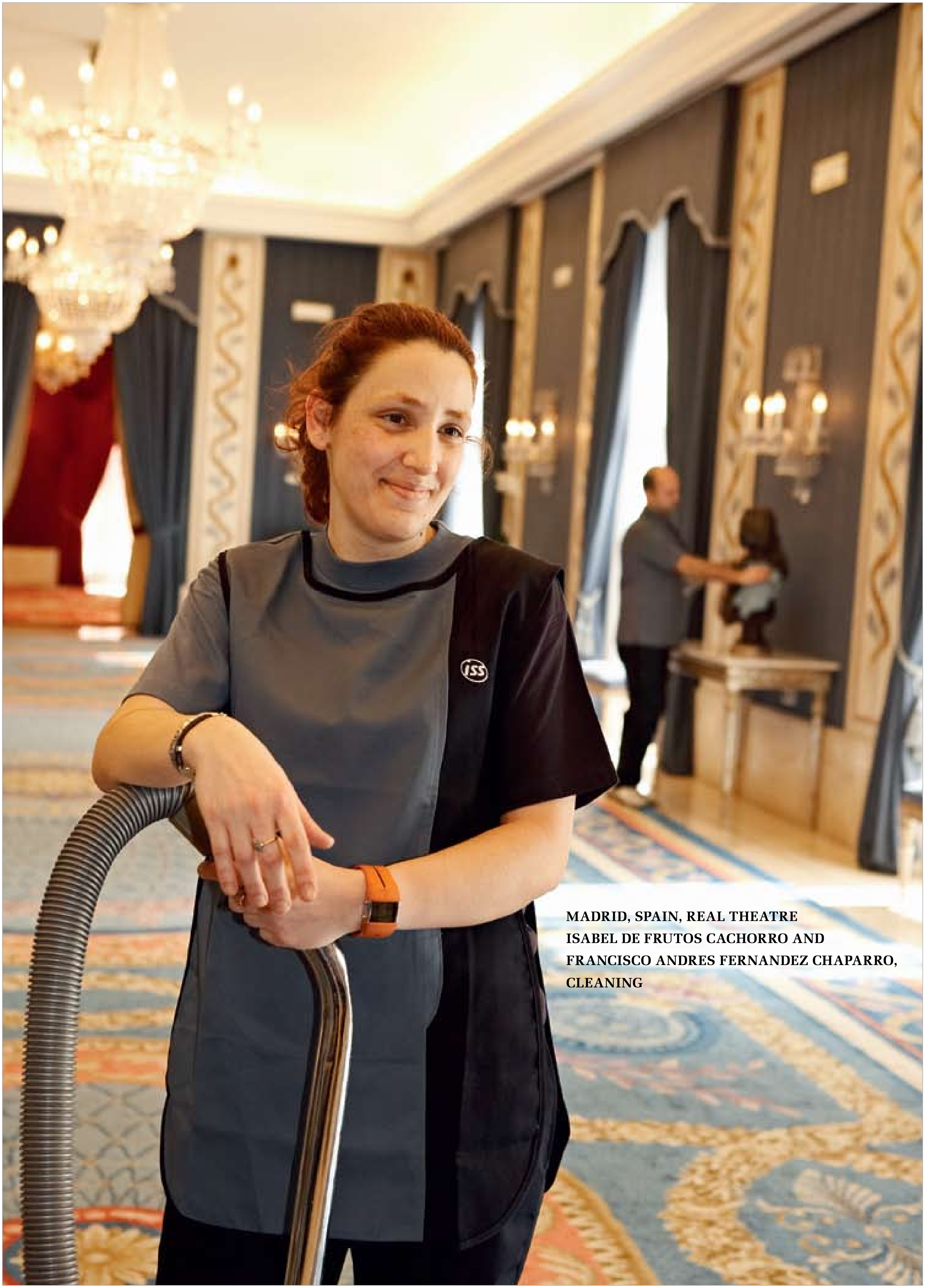
Leif Östling
Vice-Chairman

Ole Andersen

Sanjay Patel

Steven Sher

Christoph Sander



MADRID, SPAIN, REAL THEATRE
ISABEL DE FRUTOS CACHORRO AND
FRANCISCO ANDRES FERNANDEZ CHAPARRO,
CLEANING

Independent Auditor's Report

To the shareholders of ISS Holding A/S

We have audited the Annual Report of ISS Holding A/S for the financial year 1 January - 31 December 2007, pages 1-169, 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 and Notes to the Financial Statements for the Group as well as for the parent company. 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.

Auditor's 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 auditor's judgement, 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

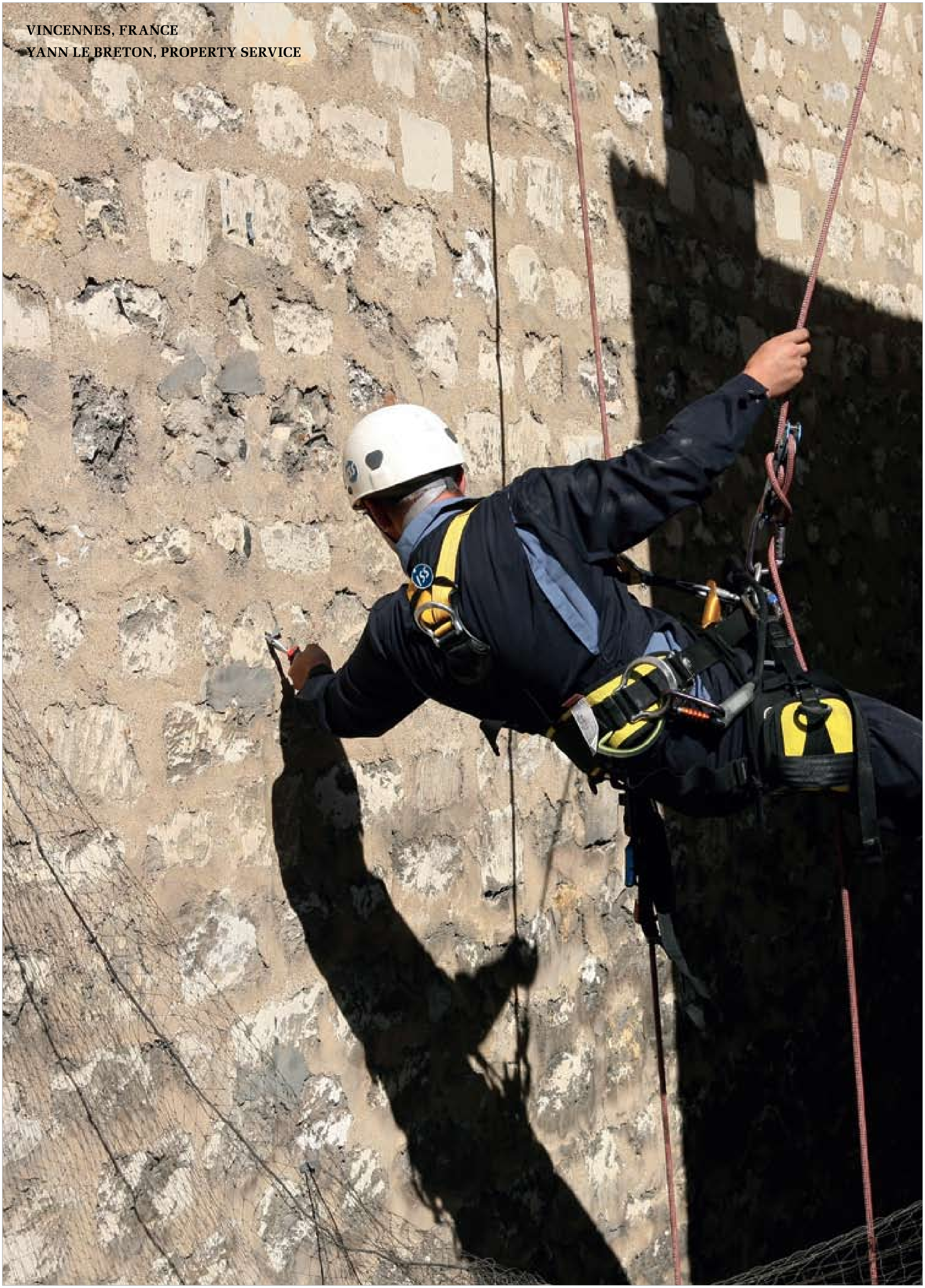
In our opinion, the Annual Report gives a true and fair view of the Group's and the Company's assets, liabilities and financial position at 31 December 2007 and of the results of the Group's and the Company's operations and cash flows for the financial year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements.

KPMG C.Jespersen
Statsautoriseret Revisionsinteressentskab

Copenhagen, 16 April 2008

Jesper Ridder Olsen	**Claus Kronbak**
State Authorised	State Authorised
Public Accountant	Public Accountant

VINCENNES, FRANCE
YANN LE BRETON, PROPERTY SERVICE



Financial Review

The consolidated financial statements of ISS as of and for the year ended 31 December 2007 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 2007, 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

To reflect ISS's geographical expansion in recent years and the differences between consolidated regions and growth regions, the regional split was changed in 2007 to the following regions: Nordic, Western Europe, Central and Eastern Europe, Asia, Latin America, USA and Pacific. The comments in the following sections are based on the figures for the new regions and comparative figures have been restated.

Revenue

Revenue increased by DKK 8,150 million, or 15%, from DKK 55,772 million in 2006 to DKK 63,922 million in 2007, due primarily to 10% growth from acquisitions and organic growth of 6%, partly offset by negative growth of 1% from divestments.

Nordic revenue increased by DKK 1,013 million, or 7%, from DKK 15,475 million in 2006 to DKK 16,488 million in 2007. The increase related primarily to organic growth, which increased revenue by 4%, due mainly to organic growth in Norway, Sweden and Finland. Acquisitions, net of divestments, accounted for growth of 2%, driven by acquisitions in Norway and Sweden. Currency adjustments increased revenue by approximately 1%.

In Western Europe, revenue increased by DKK 4,043 million, or 12%, from DKK 33,666 million in 2006 to DKK 37,709 million in 2007. The increase was due primarily to 7% growth from acquisitions and divestments, net. Organic growth increased revenue by 6%, which stemmed primarily from organic growth of 9% in the United Kingdom and 8% in Spain. Turkey, Portugal and Greece all achieved double-digit organic and acquisitive growth in 2007. With the exception of Ireland and Italy, organic growth was positive in all countries in the region. Currency adjustments reduced revenue by approximately 1%.

Revenue in Central and Eastern Europe increased by DKK 291 million, or 31%, from DKK 935 million in 2006 to DKK 1,226 million in 2007. The growth was driven primarily by organic growth of 16%. Acquisitions, net of divestments, accounted for growth of 13%, stemming primarily from the acquisition of Ryvola in the Czech Republic and Slovakia. Currency adjustments increased revenue for the region by approximately 2%.

In Asia, revenue increased by DKK 591 million, or 33%, from DKK 1,818 million in 2006 to DKK 2,409 million in 2007. The increase was due primarily to 20% growth from acquisitions and divestments, net, and organic growth of 19%, driven mainly by Indonesia, China and India. In addition, the majority of the countries in the region realised double-digit organic growth figures. Currency adjustments decreased revenue for the region by approximately 6%.

In Latin America, revenue increased by DKK 435 million,

Operating results

	Revenue			Operating profit before other items			Operating margin before other items	
	DKK millions			DKK millions				
	2007	2006	Change	2007	2006	Change	2007	2006
Nordic [1]	16,488	15,475	7 %	1,162	987	18 %	7.0 %	6.4 %
Western Europe [2]	37,709	33,666	12 %	2,356	2,139	10 %	6.2 %	6.4 %
Central and Eastern Europe [3]	1,226	935	31 %	91	59	54 %	7.4 %	6.3 %
Asia [4]	2,409	1,818	33 %	158	113	40 %	6.6 %	6.2 %
Latin America [5]	1,484	1,049	41 %	86	50	72 %	5.8 %	4.8 %
USA [6]	1,100	N/A	N/A	62	N/A	N/A	5.6 %	N/A
Pacific [7]	3,519	2,846	24 %	225	176	28 %	6.4 %	6.2 %
Corporate/eliminations	(13)	(17)	(24)%	(305)	(290)	5 %	(0.5)%	(0.5)%
Total	**63,922**	**55,772**	**15 %**	**3,835**	**3,234**	**19 %**	**6.0 %**	**5.8 %**

1) Nordic comprises Denmark, the Faroe Islands, Finland, Greenland, Iceland, Norway and Sweden.
2) Western Europe comprises Austria, Belgium and Luxembourg, France, Germany, Greece, Ireland, Israel, Italy, the Netherlands, Portugal, Spain, Switzerland, Turkey and the United Kingdom.
3) Central and Eastern Europe comprises Bosnia and Herzegovina, Croatia, the Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia and Slovenia.
4) Asia comprises Brunei, China, Hong Kong, India, Indonesia, Malaysia, the Philippines, Singapore, Sri Lanka, Taiwan and Thailand.
5) Latin America comprises Argentina, Brazil, Chile, Mexico and Uruguay.
6) USA was established as a region through the acquisition of Sanitors Inc. in June 2007.
7) Pacific comprises Australia and New Zealand.

Revenue growth, 2007

	Revenue growth, %			
	Organic	Acq./Div., net	Currency	Total growth
Nordic	4	2	1	7
Western Europe	6	7	(1)	12
Central and Eastern Europe	16	13	2	31
Asia	19	20	(6)	33
Latin America	15	30	(4)	41
USA [2]	N/A	N/A	N/A	N/A
Pacific	6	15	3	24
Total	**6**	**9**	**(0)**	**15**

1) For a description of the method applied in estimating organic growth, see page 79.
2) USA was established as a region through the acquisition of Sanitors Inc. in June 2007.

or 41%, from DKK 1,049 million in 2006 to DKK 1,484 million in 2007. This increase was due primarily to 30% growth from acquisitions mainly in Brazil and Mexico. Organic growth increased revenue by 15%, the main contributors being Brazil, Argentina and Chile. Currency adjustments decreased revenue for the region by approximately 4%.

In the USA, revenue was DKK 1,100 million, which was in line with expectations. This revenue related to the country establishment in the USA, via the acquisition of Sanitors Inc., which was completed in June 2007.

Pacific revenue increased by DKK 673 million, or 24%, from DKK 2,846 million in 2006 to DKK 3,519 million in 2007. The increase was due primarily to 15% growth from acquisitions, predominantly the effect of the acquisition of Tempo Services in March 2006. Organic growth increased revenue by 6%, which stemmed from positive organic growth in both Australia and New Zealand. Currency adjustments positively impacted revenue for the region by approximately 3%.

Staff costs

Staff costs consist of salaries, wages, pension contributions, social security expenses and other employee-related costs, such as bonuses. Staff costs increased by DKK 4,714 million, or 13%, from DKK 36,284 million in 2006 to DKK 40,998 million in 2007. This increase was due primarily to an increase in the overall number of employees as a result of acquisitions and organic growth. Staff costs as a percentage of revenue decreased from 65.1% in 2006 to 64.1% in 2007, 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 increased by DKK 703 million, or 14%, from DKK 4,911 million in 2006 to DKK 5,614 million in 2007. This increase was due primarily to acquisitions and organic growth. Cost of sales as a percentage of revenue amounted to 8.8% in 2007, which is at the same level as in 2006.

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 by professional services, such as audit and legal fees, as well as losses on accounts receivable. Other operating expenses increased by DKK 2,032 million, or 19%, from DKK 10,598 million in 2006 to DKK 12,630 million in 2007. This increase was due primarily to acquisitions and organic growth. Other operating expenses as a percentage of revenue increased from 19.0% in 2006 to 19.8% in 2007, mainly relating to increased subcontractor costs as a result of a change in mix of activities in particular towards Facility Management in Germany and Switzerland and increase in Property Services in Spain and the United Kingdom.

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 increased by DKK 100 million, or 13%, from DKK 745 million in 2006 to DKK 845 million in 2007. Depreciation and amortisation excluding amortisation of intangibles related to acquisitions remained unchanged, as a percentage of revenue, at 1.3% in both 2007 and 2006.

Operating profit before other items

Operating profit before other items increased by DKK 601 million, or 19%, from DKK 3,234 million in 2006 to DKK 3,835 million in 2007, due to the factors discussed above. Operating profit before other items as a percentage of revenue,

Organic growth

ISS uses estimates of its organic growth in analysing its revenue, including in the analysis above. Organic growth is intended to represent the percentage change in ISS's revenue as compared with 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 GAAP 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 GAAP or IFRS or as a measure of ISS's results of operations.

In calculating organic growth, ISS applies two different methodologies with respect to 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 unaudited interim reports, management accounts of the acquired businesses or other sources. 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.

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 adjusted to current year exchange rates. The calculations of organic growth are based on the unaudited internal management accounts of the acquired businesses and related estimates. The organic growth numbers have not been, and cannot be, audited.

i.e. the operating margin, was 6.0% in 2007 compared with 5.8% in 2006, as a result of improvements in the operating margin in all regions apart from Western Europe.

The operating profit before other items in the Nordic region increased by 18% to DKK 1,162 million. The operating margin in the region increased from 6.4% in 2006 to 7.0% in 2007. The operating margin in ISS Finland increased from 5.0% in 2006 to 8.8% in 2007 primarily as a result of a successful turn-around process initiated in 2006. ISS Sweden increased the operating margin from 6.4% in 2006 to 6.9% in 2007, positively impacted by a strong performance from key accounts as well as income related to curtailment gains of DKK 32 million on defined benefit pension schemes. ISS Norway maintained an operating margin of 7.2% in 2007, positively impacted by income related to curtailment gains of DKK 13 million on defined benefit pension schemes. The positive developments in Finland and Sweden were partly offset by a negative development in the operating margin in ISS Denmark, which decreased from 6.6% in 2006 to 5.5% in 2007, primarily a result of intense competition especially within Cleaning, and one-off costs related to administration and payment of overtime wages amounting to approximately DKK 20 million.

In Western Europe, operating profit before other items increased by 10% to DKK 2,356 million. The operating margin was 6.2% in 2007 compared with 6.4% in 2006. The operating margin in ISS UK increased from 6.3% to 6.7% equivalent to an increase in operating profit before other items of DKK 93 million. Furthermore, Belgium and Luxembourg, as well as Switzerland, increased their operating margins in 2007, which was partly offset by decreases in the Netherlands and Austria. The operating margins in France, Spain and Germany were maintained or slightly increased in 2007. ISS Ireland was negatively impacted by performance in the landscaping division resulting in an operating margin of a negative 6.5% compared with 8.5% in 2006. Based on a strategic decision to divest project/construction-based landscaping activities, ISS Ireland divested the landscaping division in August 2007.

In Central and Eastern Europe, operating profit before other items increased 54% to DKK 91 million. The increase in profitability was driven primarily by the Czech Republic, Slovakia and Romania. The operating margin was 7.4% in 2007, an increase of 1.1% compared with 2006. Eight out of ten countries in the region contributed to the margin increase.

In Asia, operating profit before other items increased by 40% to DKK 158 million. The operating margin increased from 6.2% in 2006 to 6.6% in 2007. The increased profitability relates primarily to China, Hong Kong and Indonesia, which all presented growth in both operating profit before other items and operating margin in 2007. In addition, ISS's country establishment in Taiwan through two acquisitions at the beginning of 2007 contributed positively, as ISS Taiwan achieved an operating profit before other items of DKK 12 million, equivalent to an operating margin of 6.5%.

Operating profit before other items in Latin America increased by 72% from DKK 50 million in 2006 to DKK 86 million in 2007. The operating margin increased from 4.8% in 2006 to 5.8% in 2007. All countries in the region contributed positively to the increase in operating profit before other items and operating margin. The main contributor was Brazil, with an increase in operating profit before other items of DKK 17 million and an increase in operating margin of 0.5%.

Operating profit before other items in the USA amounted to DKK 62 million in 2007. ISS USA was established in June 2007 through the acquisition of Sanitors Inc. In line with expectations, ISS USA contributed an operating margin of 5.6%.

In the Pacific region, operating profit before other items increased by DKK 49 million or 28% in 2007. The operating margin was slightly improved from 6.2% in 2006 to 6.4% in 2007. Both Australia and New Zealand contributed to the increase in profitability. In Australia, the operating margin was favourably impacted by income of DKK 34 million related to workers' compensation incentives received from the Australian government.

Corporate overhead costs in 2007 were unchanged compared with 2006 at around 0.5% of revenue.

Other income and expenses, net

Other income and expenses, represented a net expense of DKK 129 million in 2007 compared with an expense of DKK 109 million in 2006. Other income and expenses, net, included a gain of DKK 61 million on the sale of a call option relating to a property in Norway and a gain of DKK 41 million related to the sale of a PFI stake in the United Kingdom. These gains were more than offset by losses on divestments of DKK 115 million related mainly to landscaping activities in Ireland and part of the energy activities in France, restructuring costs of DKK 70 million related to office relocation and re-organisational projects in Norway and the Netherlands, costs of DKK 28 million for consolidating properties in central London and Scotland as well as costs related to the IPO feasibility review of DKK 33 million.

Other income and expenses, net, in 2006 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, 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.

Integration costs

Integration costs decreased to DKK 67 million in 2007 compared with DKK 106 million in 2006. Integration costs in 2007 related primarily to redundancy payments and termination of rental obligations with respect to acquired companies in the USA, France, Taiwan, Norway and Spain.

Operating profit [1)]

Operating profit increased by DKK 620, or 21%, from DKK 3,019 million in 2006 to DKK 3,639 million in 2007, due to the factors discussed above.

Share of result from associates

The share of result from associates increased by DKK 25 million from a loss of DKK 17 million in 2006 to a profit of DKK 8 million in 2007.

This development was due primarily to the fact that in 2006 the share of result from associates included a net loss of DKK 26 million from Tempo, negatively impacted by vesting of 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, as per 1 March 2006.

Net finance costs

Net finance costs increased by DKK 666 million to DKK 3,017 million in 2007 from DKK 2,351 million in 2006, and were impacted by one-off finance charges following the refinancing of a portion of the Group’s existing debt as announced on 8 May 2007. Due to lower interest rates on the new credit facilities, the refinancing will provide a future annual cash interest saving of approximately DKK 200 million on a like-for-like basis. As part of the refinancing, ISS Global

[1)] Operating profit excludes Goodwill impairment and write-down and Amortisation of brands and customer contracts.

accepted tender offers in July 2007 for approximately 78% of its outstanding DKK 3,721 million (EUR 500 million) Euro Medium Term Notes (EMTNs) due in 2014. The notes were acquired at a discount to nominal value amounting to DKK 202 million. Due to a market price adjustment of the EMTNs[1] in connection with ISS's acquisition of ISS A/S, the net book value was lower than the redemption value and consequently ISS recognised a net accounting loss of DKK 338 million. Net finance costs were also impacted by a DKK 63 million call premium and an expense of DKK 159 million of financing fees related to the full redemption of ISS's Subordinated Floating Rate Notes. Consequently, one-off finance costs related to the refinancing amounted to DKK 560 million, which included non-cash accounting losses and financing fees of DKK 497 million, leading to a cash impact from interest paid in line with 2006.

In addition, Net finance costs included DKK 2,234 million of net interest expenses, DKK 196 million of amortisation of financing fees, market price adjustment and gains on interest rate swaps related to the EMTNs.

Profit before tax and goodwill impairment/ amortisation of brands and customer contracts

Profit before tax and goodwill impairment/amortisation of brands and customer contracts decreased by DKK 21 million from DKK 651 million in 2006 to DKK 630 million in 2007. This was negatively impacted by higher net finance costs of DKK 666 million, partly as a result of the decision to refinance a portion of the Group's existing debt.

Income taxes

Income taxes decreased from DKK 425 million in 2006 to DKK 254 million in 2007. The effective tax rate was 40.3% in 2007 compared with 65.4% in 2006, calculated as the consolidated tax provision of DKK 254 million divided by the profit before tax and goodwill impairment/amortisation of brands and customer contracts of DKK 630 million.

ISS 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 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.

With effect from 1 July 2007, the Danish Government passed a bill to amend the Corporation Tax Act and various other tax laws. The bill contains, among other things, provisions that limit the right to deduct interests and reduce the possibility of certain tax depreciation.

Due to these changes, the Group will be subject to future limitations in deductibility of the interest expenses in Denmark. Consequently, all Danish tax losses carried forward are now expected to be utilised within the next 3 to 5 years

[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 A/S (Opening Balance Sheet). Net finance costs in the consolidated financial statements of ISS 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. At group level, an expense of DKK 683 million, of which DKK 520 million was related to the redemption of approximately 77.9% of the EMTNs due 2014 was recognised in 2007. The remaining market price adjustment amounted to DKK 427 million as at 31 December 2007.

ISS 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 ISS over the remaining term of the EMTNs. The remaining gain of DKK 55 million will be recognised over the remaining term of the EMTNs.

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giving rise to capitalisation of a deferred tax asset of approximately DKK 300 million. The Group's effective corporate tax rate was positively impacted by this capitalisation, which was partly off-set by write-downs and allowances in respect of tax assets in foreign subsidiaries.

Primarily as a result of the substantial indebtedness of ISS, the bill will have a future adverse effect on the tax position in the Danish part of ISS.

Profit before goodwill impairment/amortisation of brands and customer contracts

Profit before goodwill impairment/amortisation of brands and customer contracts increased DKK 150 million or 66%, from DKK 226 million in 2006 to 376 million in 2007, positively impacted by lower income tax expenses as described above.

Goodwill impairment and write-down

The intangibles of ISS Holding relate primarily 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 2007, Goodwill impairment and write-down amounted to DKK 128 million, of which DKK 70 million related to the divestment of ISS's landscaping business in Ireland and DKK 38 million related to the divestment of ISS's energy business in France. In 2006, goodwill impairment and write-down amounted to DKK 250 million and related to ISS's business in Finland.

Amortisation of brands and customer contracts

Amortisation of brands and customer contracts amounted to DKK 1,101 million in 2007, a decrease from DKK 1,115 million in 2006. The amortisation was primarily related to customer contract portfolios and related customer relationships, which are generally 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, ISS does not amortise the value of the ISS brand.

Tax effect

The tax effect of goodwill impairment and write-down and amortisation of brands and customer contracts, which is presented separately in the income statement to show the effective tax percentage before impairment/amortisation of intangibles, was DKK 411 million in 2007 and DKK 330 million in 2006.

The tax effect related to amortisation of brands and customer contracts is positively impacted by the reduction in corporate income tax rates in several countries in which ISS operates, as the deferred tax liabilities are reduced accordingly.

Net Loss

Net loss decreased from a loss of DKK 809 million in 2006 to a loss of DKK 442 million in 2007, positively impacted by an increase in operating profit of DKK 620 million. The net loss was negatively impacted by higher net finance costs, positively impacted by lower income tax expenses, as well as lower non-cash charges related to amortisation of brands and customer contract portfolios and related customer relationships, net of tax. In 2007, a loss of DKK 468 million was attributable to the equity holders of ISS, whereas a profit of DKK 26 million was attributable to minority interests.

When adjusted for the effect of approximately DKK 480 million, net of tax, arising from amortisation of customer contracts that were recognised at the time of acquisition of ISS A/S in May 2005, as well as the non-cash accounting losses and financing fees of approximately DKK 370 million, net of tax, ISS's adjusted net profit was approximately DKK 400 million.

Cash Flow Statement

Cash flow from operating activities

Cash flow from operating activities was a net inflow of DKK 3,713 million in 2007 an increase of DKK 518 million from DKK 3,195 million in 2006. The improvement was due primarily to the increase in operating profit before other items of DKK 601 million. Cash outflow related to working capital was DKK 44 million (2006: inflow of DKK 50 million), and stemmed mainly from an increase in trade receivables of DKK 520 million (2006: DKK 564 million) which was driven primarily by organic growth. This was partly offset by an increase in trade payables of DKK 474 million (2006: DKK 609 million).

The negative effect from changes in provisions increased to DKK 203 million in 2007 from DKK 166 million in 2006. The amount comprises the effect of net changes in provisions charged to the income statement during 2007 and payments made in relation to such provisions.

Income taxes paid, net, amounted to DKK 434 million in 2007 compared with DKK 324 million in 2006. This increase related primarily to increased corporate income tax paid in foreign operations and an increase in withholding tax payments.

Payments related to Other income and expenses, net amounted to DKK 208 million in 2007, a decrease of DKK 31 million compared with 2006. Payments of DKK 51 million related to the re-scoping of the IT outsourcing agreement with CSC, DKK 46 million related to an office relocation project in Norway, DKK 32 million comprised payments related to consolidation of properties in the United Kingdom and DKK 26 million related to the IPO feasibility review.

Integration costs paid amounted to DKK 78 million in 2007 compared with DKK 105 million in 2006. The costs related mainly to the acquisition of Tempo and acquisitions in France, Belgium, Spain and Norway.

Cash flow from investing activities

Cash flow from investing activities in 2007 was a cash outflow of DKK 3,672 million, affected predominantly by a cash outflow of DKK 2,957 million related to acquisitions. These comprised the acquisition of Sanitors Inc. in the USA as well as a number of other acquisitions, of which the most significant were Hunt & Ondes in Belgium, Adviance and Caterhouse in the United Kingdom, Ryvola in the Czech Republic and Slovakia, Carlos Rocha in Spain, Topman and Fealty in Taiwan, CMC in Turkey and the acquisition of the remaining 60% of the shares in Norwegian Aircon. Investments in intangible assets and property, plant and equipment, net, (which excludes goodwill, brands and customer contract portfolio and related customer relationships) were DKK 715 million, representing 1.1% of revenue. Investments in financial assets, net, were an inflow of DKK 2 million in 2007.

Net cash flow from investing activities represented an outflow of DKK 4,280 million in 2006, related primarily to the acquisition of Tempo Services as well as a number of smaller acquisitions and broad-ranged service companies in Germany and Switzerland. This was partly offset by proceeds from divestments of DKK 68 million, primarily related to the sale of industrial services activities in Sweden.

Cash flow from financing activities

Net cash flow from financing activities amounted to a net cash inflow of DKK 329 million in 2007. This was primarily the result of increased indebtedness to fund acquisitions, partly offset by interest payments of DKK 2,373 million. Furthermore, proceeds from the issuance of share capital amounted to DKK 178 million as proceeds from shares and warrants issued by ISS's ultimate parent, FS Invest, in 2006 under its Management Participation Programme, were made available to ISS.

Net cash flow from financing activities 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.

Cash conversion

Compared with prior years, the definition of cash conversion has been aligned with the operational definition of cash conversion used by ISS. This definition is based on Operating profit before other items, see page 169 for definitions. Comparative figures have been restated accordingly.

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

In spite of an organic growth rate of 6.0% in 2007, changes in working capital were close to neutral with a cash outflow of DKK 44 million. As a result, cash conversion was 99% in 2007 compared with 102% in 2006.

Balance Sheet

Total assets

Total assets amounted to DKK 55,348 million at 31 December 2007, of which DKK 40,228 million were non-current assets, primarily intangible assets, and DKK 15,120 million were current assets, primarily trade receivables of DKK 10,114 million.

Intangible assets

Intangible assets increased by DKK 1,118 million from DKK 36,032 million at 31 December 2006 to DKK 37,150 million at 31 December 2007. Intangible assets related primarily to goodwill, customer contract portfolios and related customer relationships and brands. Intangible assets relate primarily to the acquisition of ISS A/S 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 ISS's balance sheet.

At 31 December 2007, goodwill amounted to DKK 27,593 million, an increase of DKK 1,415 million, or 5%, from DKK 26,178 million in 2006. Additions related to acquisitions in 2007 amounted to DKK 2,136 million while negative currency adjustments reduced goodwill by DKK 299 million. Goodwill was reduced by impairment and write-down of DKK 128 million related primarily to ISS's landscaping activities in Ireland and energy activities in France.

Goodwill relates to acquisitions, including the acquisition of ISS A/S, carried out under varying circumstances and at different stages of macroeconomic cycles. The goodwill is distributed on most of the countries in which the Group operates. The acquired companies, to which the goodwill relates, comprise a diverse portfolio of service types, customer segments, geographical regions, contract sizes and management skills. The largest amount of goodwill relates to the Group's operations in France, representing approximately 18% of the total carrying amount of goodwill.

Customer contract portfolios and related customer relationships decreased by DKK 309 million to DKK 7,693 million

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at 31 December 2007, from DKK 8,002 million at 31 December 2006. Amortisation of DKK 1,096 million and negative foreign exchange adjustments of DKK 129 million were partly offset by additions from acquisitions of DKK 917 million.

Investments in associates

Investments in associates, net, decreased from DKK 66 million at 31 December 2006, to DKK 28 million at 31 December 2007, primarily as a result of the acquisition of the remaining shares in Norwegian Aircon AS, taking the stake from 40% in 2006 to 100% in 2007.

Deferred tax assets

Deferred tax assets increased from DKK 525 million at 31 December 2006 to DKK 598 million at 31 December 2007. Deferred tax assets related mainly to property, plant and equipment and to provisions where the tax deduction is deferred and to tax losses carried forward, primarily related to Danish tax losses capitalised due to a change in the Danish tax legislation. The deferred tax assets regarding tax losses amounted to DKK 738 million, gross, of which DKK 504 million has been recognised, representing the tax losses expected to be utilised in the foreseeable future.

Other financial assets

Other financial assets decreased from DKK 239 million at 31 December 2006 to DKK 229 million at 31 December 2007. Other financial assets comprised mainly investments in Private Finance Initiatives (PFI) in the United Kingdom, costs related to Public Private Partnerships (PPP)/PFI contracts in the United Kingdom, and regulatory long-term loans.

Trade receivables

Trade receivables increased by 9% from DKK 9,281 million at 31 December 2006 to DKK 10,114 million at 31 December 2007. The increase was derived primarily from organic growth and acquisitions in 2007.

Other receivables

Other receivables increased from DKK 924 million at 31 December 2006 to DKK 1,036 million at 31 December 2007. Other receivables comprised mainly prepayments and the marked-to-market value of interest rate swaps.

Assets held for sale

Assets held for sale amounted to DKK 619 million and include the remaining part of the energy activities in France for which a sales process was initiated in June 2007. The sale was finalised on 29 February 2008.

Cash and cash equivalents

Cash and cash equivalents increased from DKK 2,216 million at 31 December 2006 to DKK 2,581 million at 31 December 2007, of which DKK 1,609 million resided at Group level and the remainder resided at country level. The cash position was positively impacted by working capital inflow in Q4 2007. The cash position during the months may fluctuate significantly as a result of the frequency and timing of cash collection and outgoing payments, e.g. salary payments.

Total equity

Total equity decreased from DKK 5,980 million at 31 December 2006 to DKK 5,518 million at 31 December 2007, of which DKK 5,459 million was equity, attributable to the equityholders of ISS Holding A/S.

Net income and expenses recognised directly in equity reduced equity by DKK 169 million. This included negative currency adjustments relating to investments in foreign subsidiaries of DKK 264 million and positive fair value adjustments on hedges of DKK 47 million. Actuarial gains, net, on defined benefit pension schemes amounted to DKK 111 million. The gains related primarily to the Group's pension schemes in the Netherlands, the United Kingdom and Germany. As described in note 1, Significant accounting policies, 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 19 million, and share-based payments expensed in the income statement were offset by an increase in equity of DKK 2 million. The tax effect of entries recognised directly in equity was a decrease of DKK 46 million.

The proceeds from the issuance of share capital in ISS increased equity by DKK 178 million. The total change in equity for the year attributable to the equity holders of ISS was DKK 458 million.

The equity ratio, defined as total equity relative to total assets, decreased from 11.4% at 31 December 2006, to 10.0% at 31 December 2007.

Pensions and similar obligations

Pensions and similar obligations amounted to DKK 724 million at 31 December 2007, against DKK 885 million at 31 December 2006. 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 France, Germany, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom, ISS has defined benefit plans. As mentioned above, actuarial gains of DKK 111 million, including the effect from the asset ceiling, net, were taken directly to equity. The net liability for the defined benefit plans amounted to DKK 672 million at 31 December 2007, representing a decrease from DKK 844 million at 31 December 2006, primarily due to actuarial gains caused by an increase in discount rate. Based on the current discount rates ranging between 3.4% and 11.0%, pension costs related to defined benefits plans are expected to amount to approximately DKK 138 million in 2008. A simultaneous change in the discount rates of 0.5 percentage point is estimated to increase or decrease the costs in 2008 to approximately DKK 118 million or approximately DKK 141 million respectively, all other things being equal. For detailed information on pension obligations, see note 26, Pensions and similar obligations, to the consolidated financial statements.

Liabilities held for sale

Liabilities held for sale amounted to DKK 351 million and included liabilities related to the above-mentioned energy activities in France. The sale was finalised on 29 February 2008.

Other provisions

Other provisions amounted to DKK 653 million at 31 December 2007, of which DKK 327 million had an estimated maturity of less than one year. Comparative figures at 31 December 2006 were DKK 745 million and DKK 414 million, respectively. Provisions related to acquisitions, mainly redundancy payments and termination of property rentals, amounted to DKK 41 million against DKK 64 million at 31 December 2006. The remaining provisions comprise various obligations incurred in the ordinary course of business, e.g. self-insurance obligations, labour-related obligations, legal obligations, contract closures etc.

Other liabilities

Other liabilities amounted to DKK 10,494 million at 31 December 2007 compared with DKK 10,068 million at 31 December 2006. Other liabilities consist mainly of accrued wages and holiday allowances, tax withholdings, VAT and other payables and accrued expenses.

Carrying amount of net debt

The carrying amount of net debt amounted to DKK 29,245 million at 31 December 2007, an increase of DKK 2,974 million from DKK 26,271 million at 31 December 2006. The increase was due primarily to acquisitions in 2007. At 31 December 2007, long-term debt was DKK 30,882 million, short-term debt amounted to DKK 1,039 million while securities, cash and cash equivalents and receivables from affiliates related to joint taxation were DKK 2,680 million.

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Consolidated Financial Statements

Consolidated income statement

1 January – 31 December. Amounts in DKK millions

Note		2007	2006
2	**Revenue**	**63,922**	**55,772**
3, 4	Staff costs	(40,998)	(36,284)
19	Cost of sales	(5,614)	(4,911)
5	Other operating expenses	(12,630)	(10,598)
13, 15	Depreciation and amortisation [1]	(845)	(745)
2	**Operating profit before other items [2]**	**3,835**	**3,234**
6	Other income and expenses, net	(129)	(109)
	Integration costs	(67)	(106)
2	**Operating profit [1]**	**3,639**	**3,019**
2, 16	Share of result from associates	8	(17)
7	Net finance costs	(3,017)	(2,351)
	Profit before tax and goodwill impairment/amortisation of brands and customer contracts	**630**	**651**
8	Income taxes [3]	(254)	(425)
	Profit before goodwill impairment/amortisation of brands and customer contracts	**376**	**226**
9, 13, 14	Goodwill impairment and write-down	(128)	(250)
13	Amortisation of brands and customer contracts [4]	(1,101)	(1,115)
8	Income tax effect [5]	411	330
	Net profit/(loss) for the year	**(442)**	**(809)**
	Attributable to:		
	Equity holders of ISS Holding	(468)	(827)
	Minority interests	26	18
	Net profit/(loss) for the year	**(442)**	**(809)**

[1] Excluding Goodwill impairment and write-down and Amortisation of brands and customer contracts.
[2] Other items comprise Other income and expenses, net, Integration costs, Goodwill impairment and write-down and Amortisation of brands and customer contracts.
[3] Excluding tax effect of Goodwill impairment and write-down and Amortisation of brands and customer contracts.
[4] Includes customer contract portfolios and related customer relationships.
[5] Income tax effect of Goodwill impairment and write-down and Amortisation of brands and customer contracts.

Consolidated cash flow statement

1 January – 31 December. Amounts in DKK millions

Note		2007	2006
2	Operating profit before other items	3,835	3,234
13, 15	Depreciation and amortisation	845	745
10	Changes in working capital	(44)	50
	Changes in provisions	(203)	(166)
8	Income taxes paid, net	(434)	(324)
	Payments related to other income and expenses, net	(208)	(239)
	Payments related to integration costs	(78)	(105)
2	**Cash flow from operating activities**	**3,713**	**3,195**
11	Acquisition of businesses	(2,957)	(3,552)
11	Divestment of businesses	(2)	68
12	Investments in intangible assets and property, plant and equipment, net	(715)	(843)
12	Investments in financial assets, net	2	47
	Cash flow from investing activities	**(3,672)**	**(4,280)**
	Net proceeds from financing [1]	2,538	3,850
	Interest paid, net	(2,373)	(2,330)
	Proceeds from issuance of share capital	178	-
	Minority interests	(14)	(8)
	Cash flow from financing activities	**329**	**1,512**
	Total cash flow	**370**	**427**
	Cash and cash equivalents at 1 January	2,216	1,804
	Total cash flow	370	427
	Foreign exchange adjustments	(5)	(15)
23	**Cash and cash equivalents at 31 December**	**2,581**	**2,216**

[1] Net proceeds from financing consists of proceeds from borrowings of DKK 15,581 million (2006: DKK 14,329 million) and repayment of borrowings of DKK 13,043 million (2006: DKK 10,479 million).

Consolidated balance sheet

At 31 December. Amounts in DKK millions

Note		2007	2006
	Assets		
13, 14	Intangible assets	37,150	36,032
15	Property, plant and equipment	2,223	2,163
16	Investments in associates	28	66
8, 17	Deferred tax assets	598	525
18	Other financial assets	229	239
	Total non-current assets	**40,228**	**39,025**
19	Inventories	249	324
20	Trade receivables	10,114	9,281
20	Contract work in progress	161	207
8	Tax receivables	277	217
21	Other receivables	1,036	924
22	Assets held for sale	619	-
23	Securities	83	59
23	Cash and cash equivalents	2,581	2,216
	Total current assets	**15,120**	**13,228**
	Total assets	**55,348**	**52,253**
	Equity and liabilities		
	Total equity attributable to equity holders of ISS Holding	5,459	5,917
	Minority interests	59	63
24	**Total equity**	**5,518**	**5,980**
25	Long-term debt	30,882	27,625
26	Pensions and similar obligations	724	885
8, 17	Deferred tax liabilities	2,786	3,173
27	Other provisions	326	331
	Total long-term liabilities	**34,718**	**32,014**
28	Short-term debt	1,039	1,015
	Trade payables	2,750	2,595
8	Tax payables	151	167
29	Other liabilities	10,494	10,068
27	Other provisions	327	414
22	Liabilities held for sale	351	-
	Total current liabilities	**15,112**	**14,259**
	Total liabilities	**49,830**	**46,273**
	Total equity and liabilities	**55,348**	**52,253**

Consolidated statement of total recognised income and expense and changes in equity

1 January – 31 December. Amounts in DKK millions

2007	Share capital	Retained earnings	Cumu-lative fx adj.	Realised gain/(loss) on hedges	Unrealised gain/(loss) on hedges	Minority interests	Total equity
	Attributable to equity holders of ISS Holding						
Total recognised income and expense							
Net profit/(loss) for the year	-	(468)	-	-	-	26	(442)
Foreign exchange adj. of subsidiaries and minorities	-	-	(263)	-	-	(1)	(264)
Fair value adjustment of hedges, net	-	-	-	-	134	-	134
Fair value adjustment of hedges, net, transferred to Net finance costs	-	-	-	-	(87)	-	(87)
Actuarial gains, net [1]	-	111	-	-	-	-	111
Share-based payments	-	2	-	-	-	-	2
Fair value adjustment of PFI investments transferred to Other income and expenses, net	-	(19)	-	-	-	-	(19)
Tax of entries recognised directly in equity	-	(34)	-	-	(12)	-	(46)
Net income and expense recognised directly in equity	**-**	**60**	**(263)**	**-**	**35**	**(1)**	**(169)**
Total recognised income and expense for the year	**-**	**(408)**	**(263)**	**-**	**35**	**25**	**(611)**
Equity at 1 January 2007	**100**	**5,716**	**14**	**(7)** [2]	**94** [2]	**63**	**5,980**
Changes in equity							
Total recognised income and expense for the year	-	(408)	(263)	-	35	25	(611)
Share issue	0	178	-	-	-	-	178
Impact from acquired and divested companies, net	-	-	-	-	-	(15)	(15)
Dividends paid	-	-	-	-	-	(14)	(14)
Total changes in equity	**-**	**(230)**	**(263)**	**-**	**35**	**(4)**	**(462)**
Equity at 31 December 2007	**100**	**5,486**	**(249)**	**(7)** [2]	**129** [2]	**59**	**5,518**

[1] Reduced by effect from asset ceiling of DKK 41 million.
[2] Net of taxes.

continues

Consolidated statement of total recognised income and expense and changes in equity

1 January – 31 December. Amounts in DKK millions

	Attributable to equity holders of ISS Holding						
2006	**Share capital**	**Retained earnings**	**Cumu-lative 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)
Fair value adjustment of hedges, net	-	-	-	14	109	-	123
Fair value adjustment of hedges, net, transferred to Net finance costs	-	-	-	-	9	-	9
Actuarial gains, net	-	46	-	-	-	-	46
Share-based payments [1]	-	14	-	-	-	-	14
Fair value adjustment of PFI investments transferred to Other income and expenses, net	-	(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.

Notes to the consolidated financial statements

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

1. Significant accounting policies

The consolidated financial statements of ISS Holding A/S as of and for the year ended 31 December 2007, comprise ISS Holding 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 2007, and the statutory order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act.

The accounting policies set out below have been applied consistently by all entities of the Group to all periods presented in these consolidated financial statements.

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.

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

Changes in accounting policies

The Group has with effect from 1 January 2007 implemented IFRS 7, "Financial Instruments: Disclosures," IAS 1 (revised 2005), "Presentation of Financial Statements" and IAS 32 (revised 2005), "Financial Instruments: Presentation". These standards have impacted the disclosures given in the notes but it has not impacted the recognition and measurement and consequently the accounting policies are unchanged compared to last year. The comparative figures in the notes have been adjusted 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 ISS Holding A/S and all subsidiaries in which ISS Holding 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 ISS Holding 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.

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.

continues

1. Significant accounting policies (continued)

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 ISS Holding 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 transactions are taken directly to equity. The related tax impact is taken into account.

Income statement

Presentation The income statement is presented in accordance with the "nature of expense" method: Goodwill impairment and write-down and Amortisation of brands and customer contracts as well as the Income tax effect hereof are presented in separate line items after Operating profit. This income statement presentation more appropriately reflects the Group's profitability as it is seen to fairly present the financial performance of the Group's activities.

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

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

1. Significant accounting policies (continued)

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 material 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.

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

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 applied for 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.

The recognised income tax is allocated to Income taxes, Tax effect

continues

1. Significant accounting policies (continued)

of goodwill impairment and write-down and amortisation of brands and customer contracts and Equity, as applicable.

ISS Holding 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 includes impairment losses arising from impairment tests as well as write-down of goodwill in connection with divestments.

Amortisation of brands and customer contracts includes amortisation of acquired brands and acquired customer contract portfolios and related customer relationships, impairment losses arising from impairment tests and write-down in connection with divestments.

Income tax effect of Goodwill impairment and write-down and Amortisation of brands and 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 year as well as the Group's cash position at the beginning and the end of the year.

The cash flow statement is prepared using the indirect method based on Operating profit before other 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, which is usually in the range 2-5 years.

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.

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.

continues

1. Significant accounting policies (continued)

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.

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.

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

1. Significant accounting policies (continued)

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 which are designated as fair value through the income statement 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.

Defined benefit plans 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 with a maturity 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. 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.

Any actuarial gains and losses are recognised directly in equity.

Other long-term employee benefits The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The benefit is discounted to determine its present value and the fair value of any related assets is deducted. Discount rates are based on the market yield of high quality corporate bonds or government bonds in the country concerned with a maturity approximating to the terms of the Group's obligations. The calculations are performed by a qualified actuary using the Projected Unit Credit Method.

Any actuarial gains and losses are recognised under Staff costs in the income statement.

Other provisions comprise 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 are 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

continues

1. Significant accounting policies (continued)

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 are expected to primarily be recovered through a sale within 12 months rather than through continuing use. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, 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. When an operation is classified as discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the beginning of the comparative period.

New standards and interpretations not yet adopted IASB has published the following new standards and amendments to existing standards that are not mandatory for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2007.

> 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 but only the presentation and note disclosures.

> Revised IAS 23 Borrowing Costs on the accounting treatment of borrowing costs is effective for annual periods beginning on or after 1 January 2009. As the Group has very few qualifying assets, the Revised IAS 23 is not expected to have a material impact on the consolidated financial statements of the Group.

> IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements are effective for annual periods beginning on or after 1 July 2009. The potential effect is not yet known.

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 2007.

> 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 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 any concessions subject to IFRIC 12. Consequently, IFRIC 12 is not expected to have any impact on the consolidated financial statements of the Group.

> IFRIC 13 Customer Loyalty Programmes is effective for annual periods beginning on or after 1 January 2009. The Group has no and does not expect to enter into any customer loyalty programmes with customers subject to IFRIC 13. Consequently, IFRIC 13 is not expected to have any impact on the consolidated financial statements of the Group.

> IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction is effective for annual periods beginning on or after 1 January 2008. The potential effect of the interpretation is not yet known.

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

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

2. Segment information

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

2007 Geographical (primary segment)	External revenue	Total revenue [1]	Operating profit before other items [2]	Operating margin %	Operating profit [2]	Share of result from associates	Cash flow from operating activities [2]
France	10,144	10,144	632	6.2	578	(1)	783
United Kingdom	7,809	7,814	526	6.7	537	-	519
Norway	5,324	5,324	381	7.2	382	1	252
Sweden	3,861	3,861	266	6.9	269	8	294
Spain	3,775	3,775	242	6.4	236	-	198
Denmark	3,703	3,713	205	5.5	191	-	160
Netherlands	3,654	3,654	220	6.0	209	(0)	190
Finland	3,317	3,317	292	8.8	283	1	362
Australia	3,307	3,307	212	6.4	206	-	239
Belgium and Luxembourg	2,888	2,888	204	7.1	203	-	218
Germany	2,235	2,235	91	4.1	95	-	10
Switzerland	2,228	2,228	186	8.4	181	-	162
Austria	1,737	1,737	100	5.8	98	-	132
USA	1,100	1,100	62	5.6	59	-	77
Israel	900	900	58	6.5	58	-	45
Turkey	816	816	55	6.8	57	-	35
Brazil	808	808	50	6.2	50	-	63
Hong Kong	761	761	58	7.7	57	-	54
Singapore	515	515	31	6.1	30	-	38
Portugal	499	499	37	7.3	35	-	35
Ireland	486	486	(31)	(6.5)	(76)	-	(21)
Czech Republic	380	380	31	8.3	31	-	26
Greece	329	329	23	7.1	23	-	19
Mexico	292	292	13	4.4	14	-	(26)
Thailand	279	279	21	7.4	20	-	14
Indonesia	268	268	27	10.0	26	-	27
Slovakia	266	266	23	8.6	23	-	27
New Zealand	213	213	14	6.4	14	-	13
Italy	206	206	20	9.9	20	-	17
Chile	191	191	13	6.6	14	-	11
Taiwan	180	180	12	6.5	15	-	12
Iceland	173	173	13	7.7	14	-	16
Argentina	171	171	9	5.0	8	-	4
China	159	159	10	6.4	10	(1)	14
Slovenia	136	136	8	6.2	8	-	6
Estonia	123	123	6	4.6	6	-	8
Romania	107	107	18	17.2	18	-	18
India	98	98	3	2.6	3	-	(3)
Greenland	91	91	6	7.0	6	-	15
Poland	85	85	3	3.3	2	-	4
Malaysia	71	71	3	3.7	1	-	1
Hungary	51	51	2	4.3	2	-	3
Russia	49	49	(2)	(3.1)	(2)	-	3
Philippines	40	40	3	8.4	3	-	(2)
Croatia	24	24	0	0.1	0	-	(1)
Uruguay	22	22	2	7.3	2	-	(0)
Sri Lanka	20	20	1	2.9	1	-	1
Brunei	17	17	2	11.9	2	-	3
Faroe Islands	9	9	(0)	(2.1)	(0)	-	(0)
Bosnia and Herzegovina	5	5	0	4.6	0	-	(0)
Regional cost, not allocated to countries / eliminations	-	(2)	(21)	0.0	(20)	-	(27)
Total regions	**63,922**	**63,935**	**4,140**	**6.5**	**4,002**	**8**	**4,048**
Corporate functions / eliminations	-	(13)	(305)	(0.5)	(363)	-	(335)
Group	**63,922**	**63,922**	**3,835**	**6.0**	**3,639**	**8**	**3,713**

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

2. Segment information (continued)

2007 Geographical (primary segment)	Segment assets	Investments in assets [3]	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
France	10,148	(201)	2	174	38	156	7,590	42,388
United Kingdom	5,098	(80)	-	67	-	135	2,821	42,227
Norway	4,366	(85)	2	62	-	90	3,592	13,755
Sweden	2,638	(25)	18	39	-	45	2,047	10,417
Spain	3,176	(32)	-	23	4	61	2,318	27,371
Denmark	3,152	94	-	51	16	76	899	10,994
Netherlands	3,472	(3)	3	35	-	64	2,034	20,941
Finland	3,749	(59)	2	57	-	89	1,834	12,243
Australia	2,379	(37)	-	32	-	47	1,890	13,194
Belgium and Luxembourg	2,721	(23)	-	30	-	54	1,329	10,661
Germany	1,710	(46)	0	34	-	18	724	12,534
Switzerland	1,731	(48)	-	45	-	54	707	9,415
Austria	1,684	(9)	-	9	-	39	1,227	8,313
USA	1,195	(7)	-	6	-	24	907	10,524
Israel	704	(13)	-	8	-	12	352	8,133
Turkey	528	(14)	-	8	-	8	370	14,027
Brazil	418	(7)	-	6	-	8	358	14,788
Hong Kong	611	(4)	-	6	-	15	141	9,451
Singapore	416	(8)	-	8	-	7	161	5,688
Portugal	425	(6)	-	6	-	9	272	7,216
Ireland	496	(8)	-	11	70	14	266	2,650
Czech Republic	473	(5)	-	7	-	10	283	6,835
Greece	462	(3)	-	2	-	9	309	3,124
Mexico	220	(2)	-	2	-	3	228	11,455
Thailand	205	(9)	-	4	-	4	114	13,148
Indonesia	171	(5)	-	7	-	3	110	32,609
Slovakia	262	(4)	-	6	-	6	158	5,374
New Zealand	170	(3)	-	2	-	3	142	1,946
Italy	349	(4)	-	3	-	8	211	930
Chile	143	(6)	-	3	-	5	143	6,394
Taiwan	185	(2)	-	1	-	4	120	1,845
Iceland	109	(3)	-	3	-	2	28	835
Argentina	100	(4)	-	2	-	1	42	3,913
China	131	(36)	1	5	-	3	86	12,092
Slovenia	115	(2)	-	1	-	2	63	1,302
Estonia	110	(1)	-	1	-	2	104	1,800
Romania	108	(0)	-	1	-	4	71	2,307
India	152	(6)	-	3	-	1	60	10,730
Greenland	83	(4)	-	5	-	1	45	267
Poland	55	(4)	-	2	-	1	38	1,784
Malaysia	89	(2)	-	2	-	1	37	2,374
Hungary	39	(0)	-	1	-	1	33	548
Russia	19	(1)	-	1	-	-	9	676
Philippines	52	(2)	-	0	-	1	30	2,286
Croatia	16	(1)	-	0	-	0	8	361
Uruguay	20	(1)	-	0	-	0	11	878
Sri Lanka	10	(0)	-	0	-	0	6	4,898
Brunei	56	(1)	-	1	-	1	6	254
Faroe Islands	2	(0)	-	0	-	-	1	34
Bosnia and Herzegovina	2	(0)	-	0	-	-	2	51
Regional cost, not allocated to countries / eliminations [4]	(559)	33	-	-	-	-	(904)	-
Total regions	**54,166**	**(699)**	**28**	**782**	**128**	**1,101**	**33,433**	**437,980**
Corporate functions / eliminations [4]	1,182	(16)	-	63	-	-	16,397	102
Group	**55,348**	**(715)**	**28**	**845**	**128**	**1,101**	**49,830**	**438,082**

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

2. Segment information

2006 Geographical (primary segment)	External revenue	Total revenue [1]	Operating profit before other items [2]	Operating margin %	Operating profit [2]	Share of result from associates	Cash flow from operating activities [2]
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
Sweden	3,558	3,558	226	6.4	224	4	238
Spain	3,142	3,142	192	6.1	184	-	147
Denmark	3,735	3,748	248	6.6	329	-	244
Netherlands	3,481	3,481	244	7.0	248	1	206
Finland	3,173	3,173	157	5.0	150	0	210
Australia	2,691	2,691	171	6.4	133	(26)	134
Belgium and Luxembourg	2,534	2,534	165	6.5	163	-	148
Germany	1,842	1,842	74	4.0	69	(0)	30
Switzerland	1,875	1,875	143	7.6	134	-	213
Austria	1,589	1,589	106	6.7	105	-	53
USA	-	-	-	-	-	-	-
Israel	769	769	51	6.7	45	-	52
Turkey	539	539	33	6.2	32	-	31
Brazil	580	580	33	5.7	32	-	(13)
Hong Kong	696	697	50	7.1	42	-	38
Singapore	472	472	28	6.0	26	-	24
Portugal	364	364	25	6.8	25	-	38
Ireland	575	575	49	8.5	49	-	23
Czech Republic	325	325	27	8.3	27	-	25
Greece	237	237	15	6.4	15	-	1
Mexico	213	213	6	2.8	4	-	(5)
Thailand	213	213	16	7.4	14	-	10
Indonesia	179	179	17	9.8	16	-	18
Slovakia	172	172	14	8.1	14	-	15
New Zealand	155	155	5	3.3	4	-	8
Italy	199	199	23	11.8	23	-	11
Chile	154	154	8	5.2	7	-	7
Taiwan	-	-	-	-	-	-	-
Iceland	146	146	12	8.0	11	-	11
Argentina	96	96	3	3.2	2	-	1
China	84	84	3	3.3	3	0	2
Slovenia	111	111	5	4.6	4	-	(1)
Estonia	107	107	3	2.6	2	-	4
Romania	65	65	15	23.0	15	-	12
India	45	45	0	1.0	0	-	(2)
Greenland	84	84	4	4.5	3	-	6
Poland	71	71	2	2.5	1	-	4
Malaysia	81	81	5	5.7	5	-	5
Hungary	29	29	0	1.2	0	-	(2)
Russia	32	32	(6)	(19.2)	(6)	-	(7)
Philippines	7	7	0	1.0	0	-	(2)
Croatia	21	21	(0)	(1.9)	(0)	-	-
Uruguay	6	6	0	4.8	0	-	1
Sri Lanka	22	22	1	3.1	1	-	1
Brunei	18	18	4	21.7	4	-	2
Faroe Islands	9	9	0	3.0	0	-	-
Bosnia and Herzegovina	-	-	-	-	-	-	-
Regional cost, not allocated to countries / eliminations	-	-	(22)	-	(24)	-	(55)
Total regions	**55,772**	**55,789**	**3,524**	**6.3**	**3,458**	**(17)**	**3,436**
Corporate functions / eliminations	-	(17)	(290)	(0.5)	(439)	-	(241)
Group	**55,772**	**55,772**	**3,234**	**5.8**	**3,019**	**(17)**	**3,195**

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

2. Segment information (continued)

2006 Geographical (primary segment)	Segment assets	Investments in assets 3)	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
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
Sweden	2,722	(18)	14	32	-	49	2,129	11,117
Spain	2,613	(13)	-	17	-	60	2,016	24,470
Denmark	3,360	(71)	-	54	-	89	993	12,729
Netherlands	3,406	(40)	3	31	-	75	2,052	21,534
Finland	3,805	(60)	1	62	250	98	1,938	12,061
Australia	2,312	(26)	-	27	-	40	2,216	16,416
Belgium and Luxembourg	2,341	(29)	-	22	-	51	975	10,404
Germany	1,792	(36)	0	21	-	14	733	12,956
Switzerland	1,833	(38)	-	33	-	45	828	8,821
Austria	1,679	(8)	-	8	-	41	1,201	8,530
USA	-	-	-	-	-	-	-	-
Israel	631	(5)	-	8	-	14	363	8,130
Turkey	338	(10)	-	4	-	5	212	10,835
Brazil	294	(6)	-	7	-	6	234	13,700
Hong Kong	557	(5)	-	7	-	16	329	9,026
Singapore	414	(14)	-	8	-	8	156	5,196
Portugal	328	(6)	-	5	-	7	179	4,625
Ireland	671	(16)	-	10	-	16	263	2,948
Czech Republic	346	(11)	-	4	-	9	169	7,125
Greece	370	(3)	-	3	-	7	230	2,038
Mexico	219	(2)	-	1	-	2	228	10,639
Thailand	177	(4)	-	3	-	4	95	12,330
Indonesia	128	(8)	-	6	-	3	71	23,520
Slovakia	195	(12)	-	7	-	5	98	5,108
New Zealand	162	(2)	-	2	-	2	129	1,934
Italy	257	(3)	-	3	-	9	199	567
Chile	117	(5)	-	2	-	3	116	5,255
Taiwan	-	-	-	-	-	-	-	-
Iceland	93	(2)	-	2	-	3	24	806
Argentina	65	(4)	-	2	-	0	28	2,432
China	33	(5)	1	3	-	(0)	17	9,373
Slovenia	84	(0)	-	2	-	2	33	1,067
Estonia	103	(1)	-	1	-	2	95	1,616
Romania	94	(2)	-	1	-	4	24	1,380
India	56	(4)	-	1	-	1	24	4,578
Greenland	91	(1)	-	6	-	1	54	268
Poland	37	(2)	-	1	-	1	19	1,327
Malaysia	96	0	-	2	-	2	40	2,498
Hungary	14	(1)	-	1	-	0	7	564
Russia	20	(3)	-	1	-	-	10	800
Philippines	14	(1)	-	0	-	0	6	1,032
Croatia	15	(0)	-	0	-	1	6	405
Uruguay	17	(1)	-	0	-	0	8	653
Sri Lanka	11	(0)	-	1	-	0	7	4,886
Brunei	61	(1)	-	1	-	1	8	337
Faroe Islands	2	-	-	0	-	-	1	41
Bosnia and Herzegovina	0	-	-	-	-	-	-	-
Regional cost, not allocated to countries / eliminations 4)	2,397	-	-	-	-	-	42	-
Total regions	**53,798**	**(779)**	**66**	**699**	**250**	**1,115**	**31,054**	**391,263**
Corporate functions / eliminations 4)	(1,545)	(64)	-	46	-	-	15,219	93
Group	**52,253**	**(843)**	**66**	**745**	**250**	**1,115**	**46,273**	**391,356**

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

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. Compared to 2006, the secondary segment has been amended to reflect a pure service type segmentation. In 2006, the secondary segment also included Integrated Facility Services, which reflects a service delivery method rather than an actual service type. Comparative figures have been restated accordingly.

Business (secondary segment)	2007	2006
External revenue		
Cleaning	34,773	32,060
Office Support	3,881	2,936
Property Services	15,186	12,632
Catering	4,198	3,635
Security	3,406	2,427
Facility Management	2,478	2,082
Group	**63,922**	**55,772**

[1] Internal revenue has not been disclosed due to immateriality.
[2] Before internal royalty to corporate functions and excluding Goodwill impairment and write-down and Amortisation of brands and customer contracts.
[3] Investment in intangible assets and property, plant and equipment, net.
[4] Includes eliminations of intra-group balances and investments.

3. Staff costs

3. Staff costs	2007	2006
Wages and salaries	31,613	27,877
Pension costs, defined benefit plans	118	51
Pension costs, defined contribution plans	1,477	1,311
Social charges and other costs	7,790	7,045
Staff costs	**40,998**	**36,284**
Average number of employees	416,961	362,677

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

	2007		2006	
DKK thousands	**Board of Directors**	**Executive Management [1]**	**Board of Directors**	**Executive Management [1]**
Salaries (including benefits) and fees	1,613	17,267	1,356	29,426
Bonus	-	6,510	-	23,994
Pension	-	-	-	449
Severance payments [2]	-	12,833	-	28,000
Total	**1,613**	**36,610**	**1,356**	**81,869**

In relation to severance payment, the members of Executive Management are, in the event of termination, entitled to a severance payment of between 12 - 18 months salary plus benefits.

[1] In 2007, Executive Management of the Group comprise the Executive Group Management of ISS Holding A/S. In 2006, Executive Management of the Group comprised the former Managing Director of ISS Holding A/S and the former Executive Management Board of ISS Management A/S up until 31 August 2006 and the current Executive Group Management of ISS Holding A/S for the remainder of 2006.
[2] Included in Other income and expenses, net.

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

4. Share-based payments

Warrant programmes

At 1 January 2007, certain members of Executive Management and senior managers of the Group held warrants issued under two warrant programmes.

ISS A/S warrant programme

At 1 January 2007, 322,000 warrants issued by ISS A/S were outstanding under the 2000 warrant programme. All of these warrants expired out-of-the money on 10 May 2007.

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, Executive Management and senior managers of the Group were granted warrants in FS Invest S.à r.l ("FS Invest"), ISS Holding 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 programme are non-transferable.

FS Invest warrants granted to Executive Management and senior managers of the Group

	Executive Management		Senior managers		Total	
	Series A	Series B	Series A	Series B	Series A	Series B
Outstanding at 1 January 2007	**-**	**125,424**	**31,367**	**385,575**	**31,367**	**510,999**
Warrants granted in 2007	-	-	-	-	-	-
Warrants forfeited in 2007	-	-	(1,515)	(8,839)	(1,515)	(8,839)
Outstanding at 31 December 2007	**-**	**125,424**	**29,852**	**376,736**	**29,852**	**502,160**

At 1 January 2007, 542,366 warrants were outstanding under the FS Invest warrant programme and no further warrants were granted in 2007. 10,354 warrants were forfeited in 2007 and at 31 December 2007, the number of outstanding warrants was 532,012.

Accounting

In accordance with the provisions of IFRS 2 Share-based Payment, the Group applies IFRS 2 to account for 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 under the ISS A/S 2000 warrant programme were 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 Executive 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 2007, expenses of DKK 2 million were recognised in the consolidated financial statements under Other income and expenses, net.

continues

1 January – 31 December. Amounts in DKK millions

4. Share-based payments (continued)

Valuation

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 at time of grant, July 2006	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 A/S 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 2007, expenses of DKK 2 million were recognised in the consolidated financial statements under Other income and expenses, net.

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

5. Fees to auditors	2007	2006
KPMG		
Audit fees [1]	40	34
Other audit related services	12	10
Tax and VAT advisory services	10	7
Other services [2]	26	23
Total KPMG	**88**	**74**

[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	2007	2006
Gain on sale of Private Finance Initiative stake in the United Kingdom [1]	41	62
Gain on sale of properties [2]	23	7
Gain on sale of option [3]	61	108
Gain on divestments	7	-
Other	14	-
Other income	**146**	**177**
Re-scoping of IT outsourcing agreement [4]	(10)	(100)
IPO feasibility review [5]	(33)	-
Consolidation projects in the United Kingdom [6]	(28)	(62)
Group Restructuring project [7]	-	(35)
Restructuring projects [8]	(70)	-
Redundancy and severance payments relating to organisational changes [9]	(13)	(50)
Loss on divestments [10]	(115)	(17)
Other	(6)	(22)
Other expenses	**(275)**	**(286)**
Other income and expenses, net	**(129)**	**(109)**

[1] Sale of the Group's interest (PFI-stake) in Criterion Healthcare (Bishop Auckland) which operates certain facilities at Bishop Auckland Hospital in the United Kingdom resulted in a gain of DKK 41 million. In 2006, sale of the Group's interest (PFI-stake) in Catalyst Healthcare (Worchester) Ltd. resulted in a gain of DKK 62 million.
[2] In 2007, sale of properties mainly related to sale of buildings within Landscaping activities in the Netherlands.
[3] Sale of a call option held by the Group related to property located in Norway. In 2006, the gain related to sale of a call option related to a property located in Denmark.
[4] 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 amounting to DKK 10 million (DKK 100 million in 2006).
[5] The Group has as part of the IPO feasibility review incurred costs to external advisors.
[6] The Group has initiated projects in the United Kingdom comprising a consolidation of properties in central London and Scotland. The projects include termination of leaseholds, write-off of fixed assets and relocation costs.
[7] In the autumn of 2005, the Group initiated a Group Restructuring Project 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] The Group initiated restructuring projects in Norway and the Netherlands. In Norway an office relocation project was initiated to consolidate several office locations amounting to DKK 55 million. In the Netherlands a restructuring project was initiated to re-organise the organisational setup amounting to DKK 15 million. Both projects included redundancy payments, termination of leaseholds and relocation costs.
[9] In 2007 and 2006, the Group carried out organisational changes at both corporate level and country management level and thereby incurred severance and redundancy payments.
[10] Divestments mainly related to landscaping activities in Ireland and various other countries as well as part of the energy activities in France.

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

7. Net finance costs	2007	2006
Interest income etc.	149	96
Interest income from affiliates	5	-
Amortised gain from settlement of interest rate swaps 1)	23	23
Foreign exchange gain	22	111
Financial income	**199**	**230**
Interest expenses etc. 2)	(2,383)	(2,152)
Interest expenses to affiliates	(5)	(51)
Market price adjustment of bond loans	(169)	(197)
Amortisation of financing fees	(50)	(138)
Loss related to redemption of floating notes 3)	(222)	-
Loss related to partial redemption of EMTNs 4)	(338)	-
Foreign exchange loss	(49)	(43)
Financial expenses	**(3,216)**	**(2,581)**
Net finance costs	**(3,017)**	**(2,351)**

1) The interest rate swaps hedging ISS Global's Medium Term Notes (EMTNs) were partially settled in June 2005 and the remaining part was settled in June 2006 resulting in a net gain to be recognised in the consolidated income statement over the remaining term of the EMTNs. A part of the gain is referred to the partially redeemed EMTNs and was recognised in the income statement in connection with the redemption in July 2007. The remaining unrecognised net gain of DKK 55 million at 31 December 2007 (DKK 47 million at 31 December 2006) will be recognised in the income statement in the financial years 2008 - 2014 corresponding to the remaining term of the EMTNs, see note 25, Long-term debt.

2) In all material aspects related to long-term debt.

3) In July 2007, ISS Holding A/S's subordinated floating rate notes were fully redeemed resulting in a loss of DKK 222 million relating to a call premium of DKK 63 million and financing fees of DKK 159 million previously recognised in long-term debt.

4) In July 2007, 77.9% of the EMTNs due in 2014 were redeemed. The notes were acquired at a discount to nominal value. However, due to the market price adjustment of the EMTNs in connection with ISS Holding A/S's acquisition of ISS A/S in 2005 the net book value was lower than the redemption value resulting in a loss of DKK 338 million.

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

8. Taxes

	2007			2006		
	Income taxes	**Tax payables/ (receivables)**	**Deferred tax liabilities/ (assets)**	**Income taxes**	**Tax payables/ (receivables)**	**Deferred tax liabilities/ (assets)**
Balance at 1 January	-	(50)	2,648	-	(58)	2,703
Adjustment of business combinations [1]	-	-	(110)	-	-	-
Foreign exchange adjustments	-	(3)	(21)	-	(7)	(5)
Additions from acquired companies, net	-	4	173	-	30	155
Adjustments relating to prior years, net	14	(14)	-	(34)	34	-
Tax regarding equity movements	-	12	34	-	21	13
Transfer to assets held for sale	-	-	(30)	-	-	-
Tax on profit before impairment/ amortisation of intangibles [2]	(268)	363	(95)	(391)	279	112
Subtotal	**(254)**	**312**	**2,599**	**(425)**	**299**	**2,978**
Tax effect of impairment/amortisation of intangibles [2]	411	-	(411)	330	-	(330)
Reclassification of joint taxation contribution	-	(4)	-	-	(25)	-
Tax paid, net	-	(434)	-	-	(324)	-
Taxes at 31 December	**157**	**(126)**	**2,188**	**(95)**	**(50)**	**2,648**
Tax receivables/deferred tax assets		(277)	(598)		(217)	(525)
Tax payables/deferred tax liabilities		151	2,786		167	3,173
Income tax, net/deferred tax, net		**(126)**	**2,188**		**(50)**	**2,648**

Computation of effective tax rate	2007	2006
Statutory income tax rate in Denmark	25.0 %	28.0 %
Foreign tax rate differential, net	7.0 %	0.6 %
	32.0 %	28.6 %
Non-tax deductible expenses less non-taxable income	5.3 %	6.9 %
Adjustments relating to prior years, net	(2.2) %	5.3 %
Change of valuation of net tax assets	2.5 %	20.8 %
Effect of changes in tax rates	(7.8) %	1.3 %
Withholding tax	10.5 %	2.5 %
Effective tax rate (excluding effect from impairment/amortisation of intangibles) [2]	**40.3 %**	**65.4 %**

1) The adjustment related to prior year acquisitions.

2) Intangibles cover the value of goodwill, brands and customer contract portfolios and related customer relationships.

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

9. Goodwill impairment and write-down	2007	2006
Impairment [1]	-	250
Write-down [2]	128	-
Goodwill impairment and write-down	**128**	**250**

[1] Goodwill impairment of DKK 250 million in 2006 related to ISS Finland. For further description see note 14, Impairment tests.

[2] Write-down of DKK 128 million in 2007 mainly related to divestment of the landscaping activities in Ireland of DKK 70 million and the energy activities in France of DKK 38 million as well as a number of minor divestments primarily in Denmark.

10. Changes in working capital	2007	2006
Changes in inventories	2	5
Changes in trade receivables etc.	(520)	(564)
Changes in payables etc.	474	609
Changes in working capital	**(44)**	**50**

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

11. Acquisition and divestment of businesses

The Group made 67 acquisitions during 2007 (104 during 2006). The total purchase price amounted to DKK 2,896 million (DKK 4,145 million in 2006). The total annual revenue of the acquired businesses (unaudited approximate figure) is estimated at approximately DKK 4,540 million (DKK 8,408 million in 2006) 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 Sanitors Inc. [1]		Total acquisitions		
Acquisitions and divestments in 2007	**Net book value at takeover**	**Fair value at takeover**	**Net book value at takeover**	**Fair value at takeover [2]**	**Total divestments**
Goodwill	497	-	497	-	(2)
Brands	-	2	-	2	-
Customer contract portfolios and related customer relationships	-	309	-	948	(1)
Other non-current assets	34	28	216	234	(45)
Trade receivables	223	210	793	764	(47)
Other current assets	27	24	275	259	(38)
Other provisions	(18)	(31)	(65)	(82)	-
Pensions, deferred tax liabilities and minorities	(17)	(75)	(35)	(265)	-
Long-term debt	-	-	(91)	(87)	-
Short-term debt	(1)	(2)	(205)	(209)	6
Other current liabilities	(117)	(213)	(633)	(747)	35
Net identifiable assets	**628**	**252**	**752**	**817**	**(92)**
Hereof previously recognised as associates		-		(42)	-
Net identifiable assets		**252**		**775**	**(92)**
Goodwill [3]		706		2,201	-
Loss/(gain) on divestment of businesses		-		-	108
Acquisition/divestment costs, net of tax [4]		(13)		(80)	(48)
Purchase/(sales) price		**945**		**2,896**	**(32)**
Cash and cash equivalents in acquired/divested businesses		(13)		(196)	-
Net purchase/(sales) price		**932**		**2,700**	**(32)**
Changes in deferred payments and earn-outs		5		172	(6)
Changes in prepayments regarding acquisitions in the coming year		-		(1)	-
Acquisition/divestment costs paid, net of tax		12		86	40
Net payments regarding acquisition/divestment of businesses		**949**		**2,957**	**2**

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 2007, only the acquisition of Sanitors Inc. accounted for more than 2% of the Group's revenue on an individual basis.

[2] In accordance with IFRS 3 opening balances are only provisionally determined within the 12 months period from the acquisition date. Fair value adjustments made in 2007 include adjustments relating to net assets from prior years acquisitions of DKK 3 million made within the 12 months period. Furthermore, the purchase price of prior years acquisitions increased by DKK 21 million in 2007, mainly due to inclusion of an earn-out on the acquisition of Tempo Services Ltd. in 2006. As a result goodwill increased by DKK 18 million in 2007 due to adjustments to prior years acquisitions.

[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.

[4] Acquisition costs, net of tax amounting to DKK 80 million related mainly to the acquisitions of Sanitors in the USA, Topman and Fealty in Taiwan, Hanyang in China, Carlos Rocha in Spain and Adviance in the United Kingdom.

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

11. Acquisition and divestment of businesses (continued)

Acquisitions and divestments in 2006	Acquisition of Pacific Service Solutions Pty Ltd [1] Net book value at takeover	Acquisition of Pacific Service Solutions Pty Ltd [1] Fair value at takeover	Total acquisitions Net book value at takeover	Total acquisitions Fair value at takeover [2]	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 [3]	**801**	**47**	**1,078**	**796**	**(90)**
Hereof previously recognised as associates	(61)	(61)		(61)	-
Net identifiable assets		**(14)**		**735**	**(90)**
Goodwill [4]		1,062		3,511	-
Loss/(gain) on divestment of businesses		-		-	6
Acquisition/divestment costs, net of tax [5]		(6)		(101)	-
Purchase/(sales) price		**1,042**		**4,145**	**(84)**
Cash and cash equivalents in acquired/divested businesses		(20)		(310)	1
Net purchase/(sales) price		**1,022**		**3,835**	**(83)**
Changes in deferred payments and earn-outs		(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] In accordance with IFRS 3 opening balances are only provisionally determined within the 12 months period from the acquisition date.

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

[4] 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.

[5] 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

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

11. Acquisition and divestment of businesses (continued)	2007	2006
Pro forma revenue [1]		
Revenue recognised in the income statement	63,922	55,772
Adjustment, assuming all acquisitions in the year were included as of 1 January	1,996	2,719
Revenue for the Group assuming all acquisitions in the year were included as of 1 January	65,918	58,491
Adjustment, assuming all divestments signed in the year were carried out as of 1 January	(181)	(101)
Revenue for the Group assuming all acquisitions and divestments in the year were carried out as of 1 January	**65,737**	**58,390**
Pro forma operating profit before other items [1]		
Operating profit before other items recognised in the income statement	3,835	3,234
Adjustment, assuming all acquisitions in the year were included as of 1 January	152	186
Operating profit before other items for the Group assuming all acquisitions in the year were included as of 1 January	3,987	3,420
Adjustment, assuming all divestments signed in the year were carried out as of 1 January	7	(3)
Operating profit before other items for the Group assuming all acquisitions and divestments in the year were carried out as of 1 January	**3,994**	**3,417**

[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.

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

11. Acquisition and divestment of businesses (continued)

During 2007, the Group made 67 acquisitions [1)]

Company	Country	Consolidated in the income statement	Percentage interest	Annual revenue [2)]	Number of employees [2)]
FM-Complete GmbH	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 Hooldüs OÜ	Estonia	January	100%	2	51
Fealty	Taiwan	January	100%	41	82
Topman	Taiwan	January	100%	147	1,700
Prestanet SAS	France	February	100%	16	100
Jardi Breiz SAS	France	February	100%	42	50
Omni Net Services SAS	France	February	100%	18	113
PCC NV	Belgium	February	100%	24	30
Top Service	Argentina	February	100%	42	940
Nadese S.L.	Spain	February	100%	19	140
SMV Ltda.	Brazil	February	100%	99	513
Plantiago S.A.	Portugal	March	100%	23	95
Groupo Suprema	Portugal	March	100%	62	800
Megalimpa	Portugal	March	Activities	9	113
Lux Interim sárl	Luxembourg	March	100%	39	5
J.P.S. servis s.r.o.	Slovakia	March	100%	8	335
Morel	France	March	100%	45	400
Morwar Spólka z o.o.	Poland	March	100%	17	276
FDV AS	Norway	March	Activities	4	4
Sensa Advena AS	Norway	March	100%	2	5
Actum Rogaland AS	Norway	March	100%	6	6
Erlacher	Austria	March	Activities	4	5
Steinle GmbH	Germany	March	100%	4	4
Aircon	Norway	March	100%	107	380
Pro Exhibition Services	Thailand	April	Activities	5	160
THP SA	France	April	100%	32	370
Ledan Ltda.	Chile	April	100%	12	379
Caterhouse Ltd.	United Kingdom	April	100%	102	875
PT SAS	Indonesia	April	Activities	18	1,470
Hanyang	China	April	100%	35	2,400
Krogab	Norway	May	Activities	5	1
Perfect Choice AS	Norway	May	Activities	16	30
Adviance Ltd.	United Kingdom	June	100%	207	110
Sanitors Inc.	USA	June	100%	1,822	10,136
Hunt BVBA & Ondes NV	Belgium	June	100%	59	75
SEGA Consulting SRL	Romania	June	100%	11	504
Bioimago Lda.	Portugal	July	100%	4	19
KiPa Oy Siilinjärvi	Finland	July	100%	1	2
CMC	Turkey	July	100%	60	850
P Doc	India	July	100%	2	22
Tutti Frutti AS	Norway	July	100%	7	4
Subtotal				**3,310**	**23,850**

1) Includes all acquisitions completed prior to 1 January 2008.

2) Unaudited approximate figures based on information available at the time of acquisition.

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

11. Acquisition and divestment of businesses (continued)

Company	Country	Consolidated in the income statement	Percentage interest	Annual revenue [1]	Number of employees [1]
Goldex-Security Kft.	Hungary	July	Activities	24	550
Virtin Teenus OÜ	Estonia	July	100%	6	150
Ryvola Group	Czech Republic/Slovakia	July	100%	78	469
Grupo Optima	Spain	July	100%	33	256
Tojer d.o.o.	Slovenia	July	100%	15	98
GD Cleaning BVBA	Belgium	July	100%	8	26
Putra Boogasari Buana	Indonesia	August	Activities	11	222
BD Food Invest	Belgium	August	100%	103	170
Italla Office Supply (Posti)	Finland	September	100%	69	301
HRC AS	Norway	September	100%	33	4
Manisa	Spain	September	100%	70	280
Adres	Turkey	September	Activities	12	300
Martex(Rodex)	Mexico	October	100%	13	78
Piotita Zois S.A.	Greece	October	100%	69	650
Kirwan Power Sweeping	Australia	October	100%	17	30
Makati Skyline	Philippines	October	Activities	62	778
Extincteurs Haas SAS	France	November	100%	73	111
Shivas Hotliers and Caterers Pvt. Ltd.	India	November	100%	39	1,534
G.S. Service s.r.l.	Italy	November	100%	51	380
Airsol Canarias S.L.	Spain	December	100%	13	40
Eitan Amichai	Israel	December	Activities	20	52
Carlos Rocha	Spain	December	100%	408	2,150
Magnetik d.o.o.	Slovenia	December	100%	3	5
Total				**4,540**	**32,484**

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

continues

1 January – 31 December. Amounts in DKK millions

11. Acquisition and divestment of businesses (continued)

During 2007, the Group made 14 divestments [1)]

Company/activity	Country	Excluded from the income statement	Annual revenue [2)]
Move Business	Finland	February	44
Niaga Suria Group	Malaysia	February	12
Dust Control	Denmark	March	5
Trio Landscaping	Denmark	March	7
Electronic Security	Taiwan	April	3
Landscaping	Switzerland	April	40
Damage Control BV	Netherland	May	33
Hedelund Landscaping	Denmark	June	8
Kai Thor Catering	Denmark	July	18
Grangemore	Ireland	August	105
Skive Kloak Service	Denmark	August	6
Energie Rhone Alpes	France	August	55
Multi Clean SDH BHD	Brunei	October	4
Food & Hygene	Sweden	October	54
Total			**394**

1) Includes all divestments completed prior to 1 January 2008.
2) Unaudited approximate figures based on information available at the time of divestment.

	Total acquisitions		
Acquisitions and divestments in 2008 [1)]	**Net book value at takeover**	**Fair value at takeover [2)]**	**Total divestments**
Goodwill	-	-	(9)
Customer contract portfolios and related customer relationships	-	20	-
Other non-current assets	3	3	(0)
Trade receivables	31	31	(16)
Other current assets	8	8	(3)
Pensions, deferred tax liabilities and minorities	(1)	(2)	11
Long-term debt	(0)	(0)	-
Short-term debt	(2)	(2)	-
Other current liabilities	(26)	(26)	9
Net identifiable assets	**13**	**32**	**(8)**
Goodwill		33	-
Loss/(gain) on divestment of businesses		-	(4)
Acquisition/divestment costs, net of tax		(3)	-
Purchase/(sales) price		**62**	**(12)**
Cash and cash equivalents in acquired/divested businesses		(5)	2
Net purchase/(sales) price		**57**	**(10)**

1) Unaudited figures up until 31 January 2008.
2) In accordance with IFRS 3 opening balances are generally only provisionally determined within the 12 months period from the acquisition date.

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

11. Acquisition and divestment of businesses (continued)

From 1 January to 29 February 2008, the Group made 10 acquisitions [1)]

Company	Country	Consolidated in the income statement	Percentage interest	Annual revenue [2)]	Number of employees [2)]
Hoguin Espace	France	January	100%	10	21
Kolberg	Norway	January	Activities	17	12
Rengøringscentralen	Denmark	January	100%	24	120
Tefen	Israel	January	100%	26	230
Adams Secuforce Ltd	Hong Kong	January	100%	111	1,627
Triumph Network	India	February	Activities	2	35
Profi-Komfort	Hungary	February	100%	68	1,361
Smartcare	New Zealand	February	Activities	7	85
Kfir	Israel	March	100%	268	4,500
Arena 21	United Kingdom	March	100%	43	114
Total				**576**	**8,105**

[1)] Includes all acquisitions completed prior to 1 March 2008.
[2)] Unaudited approximate figures based on information available at the time of acquisition.

From 1 January to 29 February 2008, the Group made 6 divestments [1)]

Company/activity	Country	Excluded from the income statement	Annual revenue [2)]
Wood Restoration Business	Spain	January	6
EU Business	France	January	25
Slotsholmen	Denmark	January	45
H. Jakober Transport	Switzerland	January	16
ISS Energie	France	March	854
Aquawall	Denmark	March	4
Total			**950**

[1)] Includes all divestments completed prior to 1 March 2008.
[2)] Unaudited approximate figures based on information available at the time of divestment.

12. Investments in non-current assets

	2007	2006
Purchase of intangible assets[1)] and property, plant and equipment [2)]	(965)	(982)
Proceeds on sales of intangible assets and property, plant and equipment	250	139
Investments in intangible assets and property, plant and equipment, net	**(715)**	**(843)**
Investments in securities, net	(21)	5
Investments in other financial assets, net [3)]	23	42
Investments in financial assets, net	**2**	**47**

[1)] Excluding goodwill, brands and customer contract portfolios and related customer relationships.
[2)] Excluding additions related to assets under finance leases.
[3)] Including sale of Private Finance Initiative stake in the United Kingdom.

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

13. Intangible assets

	Goodwill	Brands [1]	Customer contracts [2]	Software and other intangible assets	Total
2007					
Cost at 1 January 2007	26,428	1,671	9,864	240	38,203
Adjustment of business combinations	(110)	-	-	-	(110)
Foreign exchange adjustments	(299)	(21)	(129)	(2)	(451)
Additions [3]	2,136	-	-	133	2,269
Additions from acquired companies, net	(2)	2	917	5	922
Disposals	(99)	-	-	(33)	(132)
Transfer to Assets held for sale	(207)	(15)	(44)	(2)	(268)
Cost at 31 December 2007	**27,847**	**1,637**	**10,608**	**341**	**40,433**
Impairment, write-down and amortisation at 1 January 2007	(250)	(7)	(1,862)	(52)	(2,171)
Foreign exchange adjustments	(4)	1	37	2	36
Amortisation	-	(5)	(1,096)	(80)	(1,181)
Amortisation from acquired companies, net	-	-	4	(3)	1
Write-down	(128)	-	-	-	(128)
Disposals	99	-	-	29	128
Transfer to Assets held for sale	29	-	2	1	32
Impairment, write-down and amortisation at 31 December 2007	**(254)**	**(11)**	**(2,915)**	**(103)**	**(3,283)**
Carrying amount at 31 December 2007	**27,593**	**1,626**	**7,693**	**238**	**37,150**
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 January 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**

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

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

[3] In 2007, Additions to goodwill included DKK 706 million relating to the acquisition of Sanitors, USA. 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.

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

14. 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, Goodwill impairment and write-down, no impairment losses have been recognised in 2007. An impairment loss of DKK 250 million related to the Finnish business was 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 tests 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 3% (2006: 5%) of the carrying amount of intangibles are presented below.

	Carrying amount				Applied expected long-term rate		Applied rate
2007	**Goodwill**	**Brands**	**Customer contracts [3]**	**Total intangibles [1]**	**Growth**	**Margin**	**Discount rate, net of tax**
France [4]	4,949	303	1,013	6,265	3.0%	7.0%	8.2%
United Kingdom	2,603	198	885	3,686	3.0%	6.7%	8.1%
Finland [5]	2,283	120	779	3,182	3.0%	8.0%	8.6%
Norway	2,162	136	754	3,052	3.0%	7.5%	9.1%
Netherlands [6]	1,945	122	307	2,374	3.0%	6.7%	8.7%
Denmark [7]	1,777	131	380	2,288	3.0%	7.0%	9.3%
Belgium	1,546	86	380	2,012	3.0%	7.3%	7.5%
Spain	1,239	90	442	1,771	3.0%	6.2%	8.2%
Sweden	1,261	111	282	1,654	3.0%	6.6%	9.1%
Australia [8]	1,308	10	314	1,632	3.0%	6.5%	10.5%
Switzerland	983	46	336	1,365	3.0%	7.5%	7.7%
Austria	817	49	316	1,182	3.0%	6.6%	8.7%
Germany [9]	980	68	114	1,162	3.0%	5.5%	8.4%
Other	3,740	156	1,391	5,287			
Total carrying amount at 31 December 2007	**27,593**	**1,626**	**7,693**	**36,912**			

[1] In this context intangibles cover the value of goodwill, brands and customer contract 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 France is expected to be 4.3% on average over the next eight years.
[5] The growth in Finland is expected to be 3.9% on average over the next eight years while the margin is expected to be 7.5% on average over the next four years.
[6] The growth in the Netherlands is expected to be 4.0% on average over the next six years.
[7] The margin in Denmark is expected to be 6.5% on average over the next three years.
[8] The growth in Australia is expected to be 5.5% on average over the next seven years.
[9] The growth in Germany is expected to be 3.5% on average over the next three years while the margin is expected to be 4.7% on average over the next eight years.

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

14. 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 revenue growth, operating margin and discount rates.

Value-in-use cash flow projections are based on financial budgets approved by management covering the following financial year. 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 impairment test for ISS Finland has been based on a business plan prepared by management of ISS Finland. Based on the expectations set out in the business plan an impairment loss of DKK 250 million was incurred as at 31 December 2006. A turnaround plan for the operations in Finland, which was initiated in 2006, has been successfully implemented and the performance in 2007 has exceeded original expectations. Given the faster than expected turnaround of the Finnish business, management has updated the business plan slightly. Applying the performance estimates in the updated business plan with an expected long-term growth rate of 3% from 2016 and an estimated long-term margin of 8.0% from 2012 the test performed as at 31 December 2007 shows no impairment.

Sensitivity analysis

A sensitivity analysis on the key assumptions in the impairment testing is presented below. The allowed change represents the percentage points by which the value assigned to the key assumption as applied in the expected long-term rate can change, all other things being equal, before the unit's recoverable amount equals its carrying amount.

	Growth		Margin		Discount rate, net of tax	
2007	**Applied expected long-term rate**	**Allowed decrease**	**Applied expected long-term rate**	**Allowed decrease**	**Applied rate**	**Allowed increase**
France [1]	3.0%	2.1%	7.0%	1.4%	8.2%	1.3%
United Kingdom	3.0%	>3.0%	6.7%	3.0%	8.1%	4.3%
Finland [2]	3.0%	2.0%	8.0%	1.7%	8.6%	1.2%
Norway	3.0%	>3.0%	7.5%	2.7%	9.1%	3.6%
Netherlands [3]	3.0%	>3.0%	6.7%	2.3%	8.7%	2.9%
Denmark [4]	3.0%	1.2%	7.0%	1.3%	9.3%	1.2%
Belgium	3.0%	2.0%	7.3%	2.1%	7.5%	2.0%
Spain	3.0%	2.0%	6.2%	1.7%	8.2%	2.0%
Sweden	3.0%	>3.0%	6.6%	3.8%	9.1%	8.5%
Australia [5]	3.0%	>3.0%	6.5%	1.5%	10.5%	2.1%
Switzerland	3.0%	>3.0%	7.5%	4.4%	7.7%	6.8%
Austria	3.0%	1.3%	6.6%	1.2%	8.7%	1.3%
Germany [6]	3.0%	0.5%	5.5%	0.6%	8.4%	0.4%

[1] The growth in France is expected to be 4.3% on average over the next eight years.

[2] The growth in Finland is expected to be 3.9% on average over the next eight years while the margin is expected to be 7.5% on average over the next four years.

[3] The growth in the Netherlands is expected to be 4.0% on average over the next six years.

[4] The margin in Denmark is expected to be 6.5% on average over the next three years.

[5] The growth in Australia is expected to be 5.5% on average over the next seven years.

[6] The growth in Germany is expected to be 3.5% on average over the next three years while the margin is expected to be 4.7% on average over the next eight years.

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continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

14. Impairment tests (continued)

2006	Carrying amount: Goodwill	Carrying amount: Brands	Carrying amount: Customer contracts [1]	Carrying amount: Total intangibles [2]	Applied expected long-term rate: Growth	Applied expected long-term rate: Margin	Applied rate: Discount rate, net of tax
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 [3]	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 [4]	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**			

2006	Growth: Applied expected long-term rate	Growth: Allowed decrease	Margin: Applied expected long-term rate	Margin: Allowed decrease	Discount rate, net of tax: Applied rate	Discount rate, net of tax: Allowed increase
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 [3]	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 [4]	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] Includes customer contract portfolios and related customer relationships.
[2] In this context intangibles cover the value of goodwill, brands and customer contract portfolios and related customer relationships resulting from acquisition of companies.
[3] 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.
[4] The growth in the Netherlands is expected to be 3.2% on average over the next seven years.

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

15. Property, plant and equipment	2007			2006		
	Land and buildings	**Plant and equipment**	**Total**	**Land and buildings**	**Plant and equipment**	**Total**
Cost at 1 January	288	2,561	2,849	300	1,895	2,195
Foreign exchange adjustments	2	(55)	(53)	(3)	(21)	(24)
Additions [1]	10	928	938	10	897	907
Additions from acquired companies, net	40	309	349	3	376	379
Disposals	(69)	(544)	(613)	(24)	(587)	(611)
Transfers [2]	(5)	(58)	(63)	2	1	3
Cost at 31 December	**266**	**3,141**	**3,407**	**288**	**2,561**	**2,849**
Depreciation at 1 January	(26)	(660)	(686)	(8)	(231)	(239)
Foreign exchange adjustments	-	48	48	0	13	13
Depreciation	(15)	(750)	(765)	(18)	(665)	(683)
Depreciation from acquired companies, net	(23)	(197)	(220)	(2)	(233)	(235)
Disposals	1	398	399	2	456	458
Transfers [2]	-	40	40	-	-	-
Depreciation at 31 December	**(63)**	**(1,121)**	**(1,184)**	**(26)**	**(660)**	**(686)**
Carrying amount at 31 December	**203**	**2,020**	**2,223**	**262**	**1,901**	**2,163**

Land and buildings with a carrying amount of DKK 6 million (DKK 10 million in 2006) have been provided as collateral for mortgage debt of DKK 0 million (DKK 1 million in 2006). Additionally, a minor part of Land and buildings and Plant and equipment in certain countries has been provided as security for the borrowings under the senior facilities, see note 30, Contingent liabilities. The carrying amount of the Group's Land and buildings under finance leases was DKK 0 million (DKK 59 million in 2006). The carrying amount of the Group's Plant and equipment under finance leases was DKK 156 million (DKK 207 million in 2006).

[1] In 2007, additions includes financial leased assets of DKK 111 million (2006: DKK 104 million).

[2] In 2007, DKK 23 million was transferred to Assets held for sale. In 2006, DKK 3 million was transferred from Intangible assets.

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

16. Associates

	2007	2006
Investments in associates		
Cost at 1 January	60	121
Foreign exchange adjustments	1	(3)
Additions	-	11
Disposals [1]	(37)	(69)
Cost at 31 December	**24**	**60**
Revaluation at 1 January	6	11
Foreign exchange adjustments	0	(1)
Net result for the year	8	(17)
Dividends received	(3)	(1)
Disposals [1]	(7)	14
Revaluation at 31 December	**4**	**6**
Carrying amount at 31 December	**28**	**66**

							The Group's share		
2007	**Country**	**Revenue**	**Operating profit**	**Net result**	**Assets**	**Liabilities**	**Ownership %**	**Equity**	**Net result**
NSB Trafikservice AS	Norway	64	4	3	27	22	45	2	1
ISS Industriservice AB	Sweden	245	24	16	127	91	49	18	8
Other associates		153	1	(3)	50	38		8	(1)
		462	**29**	**16**	**204**	**151**		**28**	**8**
Goodwill at 31 December 2007								-	-
Total carrying amount at 31 December 2007								**28**	**8**

							The Group's share		
2006	**Country**	**Revenue**	**Operating profit**	**Net result**	**Assets**	**Liabilities**	**Ownership %**	**Equity**	**Net result**
Pacific Service Solutions Pty Ltd. [2]	Australia	437	(22)	(54)	-	-	-	-	(26)
Aircon AS [3]	Norway	131	15	12	46	16	40	12	5
NSB Trafikservice AS	Norway	51	2	1	21	16	45	0	0
ISS Industriservice AB [4]	Sweden	169	11	7	109	81	49	14	3
Other associates		166	2	3	52	38		8	1
		954	**8**	**(31)**	**228**	**151**		**34**	**(17)**
Goodwill at 31 December 2006								32	-
Total carrying amount at 31 December 2006								**66**	**(17)**

[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 as per 1 March 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] The remaining 60% shareholding was acquired 1 January 2007.

[4] 51% of the 100% shareholding was sold 1 April 2006.

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

17. Deferred tax	2007		2006	
	Deferred tax assets	**Deferred tax liabilities**	**Deferred tax assets**	**Deferred tax liabilities**
Tax losses carried forward	504	-	201	-
Goodwill	65	170	114	161
Brands	-	461	-	501
Customer contracts [1]	-	2,129	-	2,387
Property, plant and equipment	103	60	158	203
Provisions	87	-	455	-
Bond loans	-	134	-	211
Losses in foreign subsidiaries under Danish joint taxation	-	23	-	68
Other	114	84	80	125
Set-off within legal tax units and jurisdictions	(275)	(275)	(483)	(483)
Deferred tax	**598**	**2,786**	**525**	**3,173**

The recognition of deferred tax assets 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:

	2007			2006		
	Total	**Recognised**	**Unrecognised**	**Total**	**Recognised**	**Unrecognised**
Denmark	304	303	1	459	-	459
Germany	239	47	192	295	135	160
Brazil	25	2	23	25	2	23
Belgium	12	8	4	15	2	13
USA	12	10	2	-	-	-
Israel	5	1	4	-	-	-
Argentina	4	-	4	5	-	5
Australia	3	1	2	-	-	-
New Zealand	2	-	2	2	-	2
Total			**234**			**662**

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 in the foreseeable future taking into account any restrictions in utilisation in the local tax legislation.

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

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

18. Other financial assets	2007	2006
Investment in Private Finance Initiatives (PFI) [1]	-	25
Costs related to Public Private Partnerships (PPP)/PFI contracts	61	58
Regulatory long-term loans [2]	46	43
Other	122	113
Other financial assets	**229**	**239**

[1] Investments in PFI's are classified as available-for-sale and measured at fair value at the balance sheet date with any resulting gains or losses being recognised directly in equity.

[2] Regulatory long-term loans are measured at amortised cost with any resulting adjustment being recognised in the income statement.

19. Inventories	2007	2006
Raw materials and supplies	95	102
Work in progress	14	60
Finished goods	140	162
Inventories	**249**	**324**
Inventories expensed	**5,614**	**4,911**

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

20. Trade receivables and contract work in progress	2007	2006
Trade receivables:		
Trade receivables (gross)	10,341	9,506
Provision for doubtful debts	(227)	(225)
Total trade receivables [1]	**10,114**	**9,281**
Trade receivables can be specified as follows:		
Not due	7,586	7,204
Overdue by:		
Between 1 and 60 days	2,041	1,707
Between 61 and 180 days	417	307
Between 181 and 360 days	57	50
More than 360 days	13	13
Total trade receivables	**10,114**	**9,281**
Debtor days [2]	49	48
Contract work in progress:		
Contract expenses	372	221
Recognised profits	61	37
Contract work in progress, gross	**433**	**258**
Advances and prepayments	(272)	(51)
Contract work in progress, net	**161**	**207**

In general the Group does not receive collateral for sales on credit or contract work in progress. However, if collateral is received this is taken into account when assessing the necessary provisions for doubtful debts.

[1] The carrying amount of trade receivables approximates their fair values.
[2] Debtor days are calculated by dividing trade receivables with daily revenue including VAT.

21. Other receivables	2007	2006
Receivables from affiliates [1]	16	94
Interest rate swaps [2]	159	112
Prepayments	404	351
Other	457	367
Other receivables [3]	**1,036**	**924**

[1] Receivables from affiliates are related to a joint taxation scheme with Danish resident affiliates. Effective interest rate regarding receivable from affiliates was 5.8% (2006: 5.3%).
[2] The marked-to-market value of interest rate swaps. Changes in the fair value are recognised in equity.
[3] The carrying amount of other receivables approximates their fair values.

1 January – 31 December. Amounts in DKK millions

22. Assets/Liabilities held for sale

The Group decided in June 2007 to dispose the energy activities in France. A sales process was initiated which resulted in a divestment of the first part of the activities in September 2007. The assets and liabilities attributable to the remaining activity, have been classified as held for sale and are presented separately in the balance sheet at the lower of the carrying amount at the date of the classification as "held for sale" and fair value less costs to sell. Assets are not depreciated or amortised from the date when they are reclassified as held for sale.

The proceeds on disposal of the remaining activity are expected to be lower than the net carrying value of the relevant assets and liabilities, and accordingly, an impairment loss on goodwill of DKK 29 million has been recognised at 31 December 2007. Subsequent to 31 December 2007 the remaining activity has been sold.

	2007	2006
Goodwill	178	-
Other intangibles	58	-
Property, plant and equipment	23	-
Financial assets	3	-
Inventories	50	-
Trade and other receivables	307	-
Assets held for sale	**619**	**-**
Deferred tax liabilities	30	-
Other provisions	8	-
Bank loan	8	-
Trade and other payables	305	-
Liabilities held for sale	**351**	**-**

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

23. Securities, cash and cash equivalents	2007	2006	2007	2006	2007	2006
	Carrying amount		Average effective rate (%)		Average duration (years)	
Bonds [1]	83	58	4.0	4.0	2.7	3.6
Other	-	1	-	-	-	-
Securities	**83**	**59**				
Cash and cash equivalents [2]	**2,581**	**2,216**	**4.1**	**3.5**		

[1] Consists of listed Danish mortgage bonds, measured at fair value through the income statement.

[2] Of the total cash position, DKK 50 million (2006: DKK 31 million) was restricted and DKK 198 million (2006: DKK 155 million) was reserved for amortisation of Term Facility A in accordance with the terms of the Senior Facilities Agreement.

24. Share capital	2007	2006
Share capital (in DKK millions)		
Share capital at 1 January	100	100
Capital increase	0	-
Share capital at 31 December	**100**	**100**
Share capital (in thousands of shares)		
Number of shares at 1 January	100,000	100,000
Issued during the year	0	-
Number of shares at 31 December – fully paid	**100,000**	**100,000**

At 31 December 2007 a total of 100,000,001 shares with a nominal value of DKK 1 per share were issued and fully paid (2006: 100,000,000 shares).

25. Long-term debt

25. Long-term debt	2007	2006
Euro Medium Term Notes [1]		
Notes due 2010	6,046	5,939
Notes due 2014	686	3,017
Interest rate swaps	55	47
Senior facilities [2]		
Term facility A	1,207	1,480
Term facility B	13,246	4,973
Acquisition facilities	1,790	2,508
Second lien facility [3]	4,410	-
Subordinated notes [4]		
Floating notes due 2016	-	6,153
8.875% notes due 2016	3,282	3,286
Other bank loans	52	28
Obligations under finance leases	108	194
Total long-term debt [5]	**30,882**	**27,625**
Fair value of long-term debt [6]	31,233	28,815
Long-term debt is payable as follows:		
1-5 years	8,884	7,853
6-10 years	21,998	19,772
Total	**30,882**	**27,625**
Effective interest rate [7]	6.48%	6.96%
The Group's total long-term debt is denominated in the following currencies:		
DKK	0.1%	2.0%
EUR	89.7%	85.2%
GBP	5.5%	6.7%
NOK	1.9%	2.8%
SEK	1.7%	2.3%
USD-related	0.1%	0.0%
Others	1.0%	1.0%
	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%. EUR 390 million of these notes were redeemed in July 2007. At 31 December 2007, the weighted average interest rate was 4.72% (2006: 4.66%). See also note 7, Net finance costs.

[2] The senior and acquisition facilities are subject to customary undertakings, covenants (including financial covenants) and other restrictions. At 31 December 2007, the term facility A and term facility B had weighted average interest rates of 6.03% and 6.39%, respectively (2006: 5.73% and 6.62%). The acquisition facilities had a weighted average interest rate of 6.72% (2006: 5.97%). In 2007, all covenants have been complied with.

[3] In July 2007, ISS Holding A/S issued EUR 600 million of euro-denominated second lien debt. The debt bears interest at a rate per annum equal to 3 months Euribor plus 3.75%, reset quarterly, and mature on 15 June 2015. ISS Holding A/S has partially hedged the interest exposure on the second lien facility with a EUR 540 million interest rate swap.

[4] In May 2006, ISS Holding A/S issued EUR 850 million of euro-denominated subordinated floating notes. The notes bear interest at a rate per annum equal to 3 months Euribor plus 6.625%, reset quarterly, and mature on 15 May 2016. In December 2006, ISS Holding A/S partially hedged the interest exposure on the floating notes with a EUR 540 million interest rate swap. These notes were fully redeemed in July 2007. Also in May 2006, ISS Holding 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 of both the subordinated notes was 9.84%.

[5] During 2007, financing fees amounting to DKK 198 million (2006: DKK 376 million) have been recognised in long-term debt while accumulated financing fees recognised in long-term debt on 31 December 2007 amounted to DKK 370 million (2006: DKK 382 million).

[6] 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 part of long-term debt fair value is equal to the nominal value.

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

continues

1 January – 31 December. Amounts in DKK millions

25. Long-term debt (continued)

Finance lease obligations are payable as follows:

	2007			2006		
	Minimum lease payments	**Interest**	**Principal**	**Minimum lease payments**	**Interest**	**Principal**
Within 1 year	84	(7)	77	101	(13)	88
1-5 years	113	(6)	107	148	(23)	125
After 5 years [1)]	1	-	1	89	(20)	69
	198	**(13)**	**185**	**338**	**(56)**	**282**

[1)] In 2006, 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.

The Group'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 the Group will not incur additional liabilities relating to its pension plans, and these additional liabilities could have a material adverse effect on the Group's business, results of operations and financial condition. Changes to local legislation and regulations 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, 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. There is a risk that the plans are not sufficiently funded. Furthermore, there is a risk that changes to local legislation will entail that pension plans are reclassified from defined contribution plans to defined benefit plans, requiring the Group to recognise a provision.

In Sweden and Norway curtailment gains totalling DKK 45 million have been recognised in the income statement under staff costs, as a consequence of a reduction in the future benefits of the participants in the defined benefit plan.

continues

1 January – 31 December. 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:

	2007	2006
Discount rates at 31 December [1) 2)]	3.4-11.0%	2.9-6.5%
Expected return on plan assets at 31 December	3.9-6.9%	2.5-6.6%
Future salary increases	2.0-5.0%	1.6-4.1%
Future pension increases	0.3-3.1%	0.3-2.9%

The amounts recognised in the income statement are as follows:

	2007	2006
Current service costs	156	134
Interest on obligation	123	99
Expected return on plan assets	(116)	(83)
Recognised past service costs, net	(0)	(0)
Gains on curtailments and settlements, net	(45)	(99)
Recognised in the income statement as staff costs	**118**	**51**
Actual return on plan assets	**65**	**70**

The amounts recognised in the balance sheet are as follows:

	2007	2006
Present value of funded obligations	2,736	2,879
Fair value of plan assets	(2,617)	(2,606)
Funded obligations, net	119	273
Present value of unfunded obligations	508	567
Unrecognised past service costs	1	1
Accumulated effect of asset ceiling	44	3
Net liability	**672**	**844**

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

	2007	2006
Net liability at 1 January before reclassifications	844	801
Reclassifications	(5)	26
Net liability at 1 January after reclassifications	839	827
Foreign exchange adjustments	(17)	2
Additions from acquired companies, net	37	163
Net expenses recognised in the income statement	118	51
Contributions	(194)	(156)
Actuarial (gains)/losses recognised through equity, net	(152)	(46)
Asset ceiling	41	3
Net liability for defined benefit plans at 31 December	**672**	**844**
Other long-term employee benefits	52	41
Pensions and similar obligations at 31 December	**724**	**885**

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

2) The discount rate in Switzerland was 3.40% representing 49% of the gross obligation (2006: discount rate of 2.85% and 48% of the gross obligation). The discount rate in the euro countries was between 5.15% and 5.25% representing 29% of the gross obligation (2006: discount rate of 4.25% and 29% of the gross obligation).

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

26. Pensions and similar obligations (continued)	2007	2006
Accumulated net actuarial (gains)/losses in the statement of total recognised income and expense:		
Actuarial (gains)/losses recognised, net	**(79)**	**73**
Changes in the obligations (funded and unfunded):		
Opening present value of obligation	3,446	2,240
Additions from acquired companies	37	1,155
Reclassifications	(48)	27
Foreign exchange adjustments	(108)	(8)
Interest on obligation	123	99
Current service costs	156	134
Benefits paid	(91)	(89)
Employee contributions	65	54
Actuarial (gains)/losses	(200)	(59)
Recognised past service costs	(0)	(0)
Liabilities extinguished on settlements and curtailments	(136)	(107)
Closing present value of obligations	**3,244**	**3,446**
Changes in fair value of plan assets are as follows:		
Opening fair value of plan assets	2,606	1,441
Additions from acquired companies	-	992
Reclassifications	(43)	1
Foreign exchange adjustments	(91)	(10)
Expected return on plan assets	116	83
Actuarial (gains)/losses	(48)	(13)
Assets distributed on settlements	(91)	(8)
Contributions	221	169
Benefits paid	(53)	(49)
Fair value of plan assets	**2,617**	**2,606**
The major categories of plan assets as a percentage of total plan assets are as follows:		
Bonds	54%	53%
Equities	29%	26%
Property	1%	11%
Cash	8%	4%
Other	8%	6%
	100%	**100%**

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

	2007	2006	2005
Closing present value of obligations	3,244	3,446	2,240
Fair value of plan assets	(2,617)	(2,606)	(1,441)
Unrecognised past service costs	1	1	2
Asset ceiling	44	3	-
	672	**844**	**801**
Actuarial (gains)/losses obligations	(200)	(59)	134
Actuarial gains/(losses) plan assets	(48)	(13)	15

The Group expects to contribute DKK 156 million to its defined benefit plans in 2008.

1 January – 31 December. Amounts in DKK millions

27. Other provisions

	Labour-related items	Self-insurance	Acquisitions	Other	Total
2007					
Carrying amount at 1 January 2007	89	120	64	472	745
Foreign exchange adjustments	0	(5)	1	(4)	(8)
Transfers, net [1]	4	2	0	(19)	(13)
Additions from acquired companies, net	4	26	0	52	82
Provisions included in goodwill during the year [2]	-	-	80	-	80
Provisions made during the year (included in the income statement)	48	83	67	129	327
Provisions not used (reversed against the income statement)	(21)	(13)	(5)	(135)	(174)
Provisions used during the year	(38)	(46)	(166)	(136)	(386)
Carrying amount at 31 December 2007	**86**	**167**	**41**	**359**	**653**
Expected maturity					
Within 1 year	68	49	28	182	327
1-5 years	14	108	13	143	278
After 5 years	4	10	0	34	48
Carrying amount at 31 December 2007	**86**	**167**	**41**	**359**	**653**
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**

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

[1] In 2007, Transfers, net consisted of net provisions transferred to Other liabilities, Pensions and similar obligations and Trade receivables. In 2006, Transfers, net consisted of net provisions transferred to Other liabilities and Pensions and similar obligations.
[2] Includes only transaction costs related to acquisitions, as integration costs are included in the income statement.

continues

1 January – 31 December. Amounts in DKK millions

27. Other provisions (continued)

Labour-related items: In 2007 and 2006, the provision mainly related to obligations in Belgium, Brazil, France, the Netherlands, Spain and Turkey.

Self-insurance: In Australia, Ireland, the USA and the United Kingdom, the Group carries an insurance provision on employers' liability. Ireland and the United Kingdom are self-insured up to a yearly limit of DKK 35 million (DKK 43 million in 2006) for employers' liability. The USA is self-insured up to a limit of DKK 1.3 million per claim. Australia is self-insured up to a limit of DKK 2 million per claim. ISS Corporate has taken out a group third party liability insurance programme. The ISS 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 42 million in 2006).

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.

28. Short-term debt

	2007	2006
Long-term debt, due within one year	198	199
Bank loans and overdrafts [1]	733	632
Finance leases	77	88
Debt to affiliates [2]	31	96
Short-term debt [3]	**1,039**	**1,015**

[1] Effective interest rate regarding bank loans and overdrafts was 6.9% (2006: 6.9%).
[2] Debt to affiliates includes DKK 20 million related to a joint taxation scheme with Danish resident affiliates. Effective interest rate regarding debt to affiliates was 7.0% (2006: 8.7%).
[3] The carrying amount of short-term debt approximates the fair value.

29. Other liabilities

	2007	2006
Accrued wages and holiday allowances	4,267	3,953
Tax withholdings, VAT etc.	2,934	2,726
Prepayments from customers	446	460
Other payables and accrued expenses	2,847	2,929
Other liabilities [1]	**10,494**	**10,068**

[1] The carrying amount of other liabilities approximates their fair value.

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

30. Contingent liabilities

Senior Facility Agreement

ISS Holding 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 ISS Holding 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, other receivables, properties, production equipment and intellectual property rights of ISS A/S and these subsidiaries. At 31 December 2007, the aggregate approximate values of assets provided as security for the borrowings under the senior facilities were:

	Approximate values (DKK billions)
Goodwill	3.9
Customer contracts	1.2
Intellectual property rights	1.5
Other intangible and tangible assets	0.3
Trade receivables	3.8
Other receivables	0.1
Bank accounts	1.8
Total	**12.6**

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 ISS Holding A/S'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 1,834 million (DKK 1,692 million in 2006). 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 2007	1,251	901	661	414	288	433	3,948
At 31 December 2006	1,177	826	578	396	264	428	3,669

Additional future lease payments of DKK 5 million (DKK 10 million in 2006) existed regarding associates at 31 December.

Commitment vehicle leases

On 1 January 2005 the Group entered into a global car fleet lease framework agreement for three years, including an option for extension. The agreement was re-negotiated and extended for another three year term from 1 January 2008 to 31 December 2010. The framework agreement contains an option for the Group to terminate the fleet of an entire country or the entire fleet under the framework agreement with four weeks notice subject to payment of a termination amount. The majority of the underlying agreements have a duration of 3-5 years. The disclosed contingent liability includes the Group's total leasing commitment assuming no early termination of any agreement.

Guarantee commitments

Indemnity and guarantee commitments at 31 December 2007 amounted to DKK 405 million (31 December 2006, DKK 361 million).

Performance guarantees

The Group has issued performance guarantee bonds for service contracts with an annual revenue of DKK 1,229 million (31 December 2006, DKK 983 million) of which DKK 979 million (31 December 2006, DKK 758 million) were bank-guaranteed performance bonds. Such performance bonds are issued in the ordinary course of business in the service industry.

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

30. Contingent liabilities (continued)

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 2007 amounted to approximately DKK 75 million (31 December 2006, DKK 288 million). The decrease in the obligation from 2006 to 2007 is due to contract negotiations which at year end 2006 was estimated to reduce the obligation by at least DKK 160 million. The final decrease in the obligation as a result of the negotiations was DKK 213 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 2007 are adequate. However, there can be no assurance that one or more major claims arising out of the Group's divestment of companies will not adversely affect the Group's activities, results of operations and financial position.

Legal proceedings

The Group is party to certain legal proceedings. Management believes that these proceedings (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 2007.

31. Financial risk management and 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 and is only focused on managing risks arising from the Group's operation and financing. It is not group policy to take positions in the financial markets.

Currency risk

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. However, fluctuations in exchange rates may affect the Group to the extent that its interest payments with respect to borrowings are not denominated in the same currencies as the Group's revenue. In addition, currency movements may materially affect the economic environment in which the Group's subsidiaries operate, which could have an adverse effect on the Group's business, results of operations and financial condition. Further, currency fluctuations may have a significant effect on the value of royalties, dividends and service fees paid in local currency by the Group's subsidiaries.

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 and intercompany loans in foreign subsidiaries into Danish kroner based on year-end exchange rates.

It is not Group policy to hedge the currency exposure on foreign investments. However, the Group may choose to hedge the currency exposure on foreign investments by funding such investments in local currencies or entering into hedging transactions. The internal bank, ISS Global A/S, hedges the exposure on the intercompany loans to foreign subsidiaries by entering into currency swaps. Foreign exchange gains and losses arising from both the intercompany loans and currency swaps are recognised in the income statement.

In 2007, the currencies in which the Group's revenue was denominated decreased with an average of 0.3% (2006: increased with 0.1%) relative to Danish kroner, decreasing the Group's revenue by DKK 160 million (2006: increasing the Group's revenue by DKK 58 million). Currency movements affected the operating profit before other items by a decrease of DKK 10 million (2006: an increase of DKK 3 million). The effect of the translation of net assets in foreign subsidiaries decreased equity by DKK 264 million (2006: decreased equity by DKK 103 million, net of hedges).

continues

31. Financial risk management and derivatives (continued)

Based on the actual 2007 figures, the effect of a 5% change in foreign exchange rates of the Group's main currencies is shown in the table below:

Currency	Revenue	Operating profit before other items	Net assets in foreign subsidiaries
EUR	1,468	93	516
CHF	111	9	51
GBP	390	26	114
NOK	266	19	39
SEK	193	13	30
USD	138	8	47
Other	431	28	103
Total	**2,997**	**196**	**900**

Interest rate risk

Rising in interest rates increase the Group'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 the Group's ability to grow through acquisitions on a cost-effective basis, as well as limiting the Group's ability to implement its growth strategy. Accordingly, higher interest rates could adversely affect cash flow and the Group's ability to service its debt.

The 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 2007, the duration of net debt was approximately 2.8 years (31 December 2006: 4.3 years). A decrease in interest rates will increase the fair value of the debt but only part of this increase will be reflected in the income statement and equity as long-term borrowings are stated at amortised cost and therefore not adjusted to fair value. The interest rate swaps hedging the floating interest rate are adjusted to fair value and recognised directly in equity. Based on the net debt and taking into account the effect of hedging instruments as at 31 December 2007, a general decrease/(increase) of one percentage point in relevant interest rates would reduce/(increase) the annual net interest expense by approximately DKK 54 million (2006: DKK 34 million), all other things being equal.

The Group's loan portfolio primarily consists of senior facilities, bonds issued under the EMTN programme, second lien facility and subordinated notes. A part of the interest payments on the bank loans and a part of the interest payments on the second lien 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. 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.

Facility	Principal amount (DKK million)	Coupon	Type	Maturity	Amount hedged (DKK million)
Euro Medium Term Notes					
4.75% notes due in 2010	6,338	Fixed	Bullet	2010	-
4.50% notes due in 2014	823	Fixed	Bullet	2014	-
Senior facilities					
Term A	1,486	Floating	Amortising	2012	1,224
Term B	13,367	Floating	Bullet	2013	8,190
Acquisition facilities (maximum amount)	4,925	Floating	Amortising from 2009	2013	600
Subordinated notes					
8.875% notes due in 2016	3,385	Fixed	Bullet	2016	-
Second lien facility	4,474	Floating	Bullet	2015	4,027

continues

Notes to the consolidated financial statements

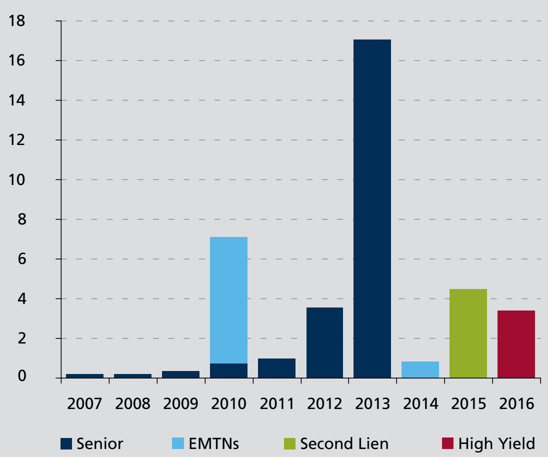
1 January – 31 December. Amounts in DKK millions

31. Financial risk management and derivatives (continued)

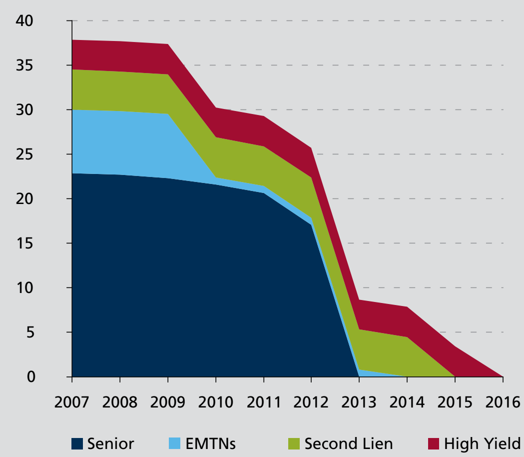
Liquidity risk

Liquidity risk is the risk of the Group failing to honour its contractual obligations due to insufficient liquidity. The maturity of the Group's financing facilities follow the charts below. Interest rate fixing on the facilities with floating rate coupon is done on the IMM dates in March, June, September and December.

Maturity profile of nominal debt (DKKbn)



Commitment curve (DKKbn)



The Group's liquid reserves mainly consist of liquid funds of DKK 2,531 million, DKK 738 million of unused revolving credit facilities and DKK 3,135 million of unused acquisition facilities. It is a part of the Group's policy to maintain an appropriate level of liquid reserve.

Credit risk

Credit risk represents the risk of the accounting loss that would be recognised if counterparties failed to perform as contracted. The Group is not exposed to significant risks relating to individual customers or counterparties and 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.

It is group policy that financial transactions may be entered into only with financial institutions with a high credit rating.

Capital management

The Group monitors the need for adjustment of the capital structure on an ongoing basis. The dividend policy and the payment of dividends is made subject to the necessary consolidation of equity and the Group's continuing expansion.

ISS Holding A/S 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.

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

continues

31. Financial risk management and derivatives (continued)

The senior facilities, the second lien facilities and the subordinated notes contain covenants that restrict ISS Holding A/S 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 ISS Holding A/S and its subsidiaries may be or become subject to may also restrict the ability of its subsidiaries to provide ISS Holding A/S with funds. In addition, ISS Holding A/S 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 or the subordinated notes. In particular, certain of ISS Holding A/S's subsidiaries may establish working capital or similar debt facilities permitted under the terms of the senior facilities and the subordinated notes that contain such restrictions. The covenants could materially and adversely affect the Group's ability to finance the future operations or capital needs of ISS Holding A/S or its subsidiaries or to engage in other business activities that may be in the best interest of ISS Holding A/S or its subsidiaries.

If ISS Holding A/S, 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 Euro Medium Term Notes, the second lien facilities or the subordinated notes and any future new credit facilities, the Group 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 Euro Medium Term Notes, the second lien facilities or the subordinated 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 the Group 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 Euro Medium Term Notes, the second lien facilities or the subordinated 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 Euro Medium Term Notes, the second lien facilities, the subordinated notes or other debt instruments is accelerated, the Group may not have sufficient assets to repay amounts due thereunder. The Group's ability to comply with the provisions of the senior facilities, the Euro Medium Term Notes, the second lien facilities, the subordinated notes and agreements governing its other debt may be affected by changes in economic or business conditions or other events beyond its control.

In 2010, EUR 850 million of the Euro Medium Term Notes of ISS Global A/S will mature and approximately EUR 110 million of the Euro Medium Term Notes of ISS Global A/S will mature in 2014. In addition, the senior facilities will mature in 2012 and 2013, and EUR 600 million of second lien facilities and EUR 454 million of subordinated notes will mature in 2015 and 2016, respectively. The Group 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 the Group expects to be able to raise funds to repay such indebtedness as it matures, and to repay the principal amount of the notes and the facilities 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.

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

31. Financial risk management and 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:

2007 Financial instruments	**Contractual value**	**Unrealised gain/(loss) on revaluation to fair value**	**Included in the income statement for 2007**	**Taken directly to equity on 31 December 2007**	**Maturity**
Forward foreign currency, purchases					
CHF	220	0	0	-	2008
EUR	5,421	(4)	(4)	-	2008
GBP	679	(10)	(10)	-	2008
HKD	46	(1)	(1)	-	2008
NOK	243	0	0	-	2008
Others	17	0	0	-	2008
	6,626	**(15)**	**(15)**	**-**	
Forward foreign currency, sales					
AUD	1,098	9	9	-	2008
CZK	145	1	1	-	2008
ILS	154	1	1	-	2008
MXN	179	5	5	-	2008
SEK	208	0	0	-	2008
SGD	60	1	1	-	2008
USD	855	18	18	-	2008
Others	226	2	2	-	2008
	2,925	**37**	**37**	**-**	
Interest rate instruments					
Interest rate swap - 2009 (CHF), payer [1)]	173	1	0	1	2009
Interest rate swap - 2009 (SEK), payer [1)]	481	8	0	8	2009
Interest rate swap - 2009 (NOK), payer [1)]	570	13	1	12	2009
Interest rate swap - 2010 (GBP), payer [1)]	384	0	0	0	2010
Interest rate swap - 2010 (EUR), payer [1)]	600	10	0	10	2010
Interest rate swap - 2010 (GBP), payer [1)]	1,319	3	0	3	2010
Interest rate swap - 2010 (EUR), payer [1)]	3,132	59	0	59	2010
Interest rate swap - 2010 (EUR), payer [1)]	3,355	11	0	11	2010
Interest rate swap - 2010 (EUR), payer [2)]	4,027	55	0	55	2010
	14,041	**160**	**1**	**159**	
Total financial instruments		**182**	**23**	**159**	

Hedging of net investments in foreign subsidiaries at 31 December 2007:

As at 31 December 2007, 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 second lien facility to fixed interest rate.

continues

Notes to the consolidated financial statements

1 January – 31 December. Amounts in DKK millions

31. Financial risk management and 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 - 2009 (CHF), payer [1]	179	0	0	0	2009
Interest rate swap - 2009 (NOK), payer [1]	552	7	0	7	2009
Interest rate swap - 2009 (SEK), payer [1]	503	6	0	6	2009
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
	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.

1 January – 31 December. Amounts in DKK millions

32. Related party transactions

The sole shareholder of ISS Holding A/S, ISS 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 and incentive programmes described below there were no significant transactions with members of the Board of Directors or the 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, ISS Holding A/S's ultimate parent. As of 31 December 2007, the investments amounted to DKK 191 million in total for 139 executives and officers. Furthermore, as described in note 4, Share-based payments, certain senior officers were granted warrants in FS Invest of which 532,012 were outstanding as of 31 December 2007.

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 6.4 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.

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

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

Board of Directors	Board Member	Executive Position
Sir Francis Mackay	Chairman Carlton Partner LLP	BioGreen Limited, Director Graysons Limited, Director
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
Ole Andersen	BCT Holding, Aleris AB and Dako A/S	Senior Partner and Head of the Copenhagen office of EQT Partners
Sanjay Patel	Ahlsell Sverige AB and certain holding companies of Ahlsell Sverige AB, Endemol N.V. and Get A/S	Co-head of Private Equity in Europe for the Principal Investment Area of Goldman Sachs
Christoph Sander	Casper Limited and subsidiaries of Casper Limited	Co-founder and CEO of Casper Limited
Steven Sher	Ahlsell Sverige AB, Edam Acquisitions B.V. and certain holding companies of Ahlsell Sverige AB and Endemol N.V.	Managing Director, Goldman Sachs International, Principal Investment Area
Peter Korsholm (alternate)	BTX Group A/S	Partner at EQT Partners
Executive Group Management		
Jørgen Lindegaard	Efsen Engineering A/S	None
Jeff Gravenhorst	None	None

continues

1 January – 31 December. Amounts in DKK millions

32. Related party transactions (continued)

Affiliates

In 2007, the Group had the following transactions with affiliates:

- the Group received/paid interest from/to affiliates, see note 7, Net finance costs.
- the Group received/paid joint taxation contribution equal to 25% of taxable income from/to ISS 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. ISS in Switzerland, Russia and the United Kingdom have entered into Facility Services agreements with local Goldman Sachs affiliates. The annual revenue from these agreements is estimated at DKK 70 million.
- the Group and Goldman Sachs have entered into various agreements on provision of financing and banking related services.

All transactions were made on market terms.

33. Interests in joint ventures

As of 31 December 2007, the Group had interests in 6 joint ventures (6 in 2006). 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:

	2007	2006
Revenue	35	98
Operating profit before other items	2	10
Profit before impairment/amortisation of intangibles	2	10
Net profit for the year	**1**	**7**
Intangible assets [1]	4	2
Property, plant and equipment	1	4
Financial assets	2	2
Current assets	20	60
Total assets	**27**	**68**
Equity [2]	15	23
Long-term liabilities	1	3
Current liabilities	11	42
Total equity and liabilities	**27**	**68**
The Group's part of contingent liabilities (operating leases) in joint ventures	**6**	**7**

[1] Excluding goodwill arising from the acquisition of the joint ventures.
[2] The aggregate investment in joint ventures is as follows: Sri Lanka DKK 4 million (2006: DKK 1.5 million), Norway DKK 11 million (2006: DKK 21 million), Spain DKK 0.3 million (2006: DKK 0.2 million) and Hong Kong DKK (0.4) million (2006: DKK (0.2) million).

Notes to the consolidated financial statements

At 31 December 2007

34. Subsidiaries, joint ventures and associates

ISS Holding 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%
SIM S.A.	100%
Solkin S.A.	100%
Top Service S.R.L.	100%
Top Service 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 Property Services Pty Ltd.	100%
ISS Security Pty Ltd.	100%
Pacific Invest December 2004 Pty Ltd.	100%
Pacific Service Solutions Pty Ltd.	100%
Prestige Protection Services Pty Ltd.	100%

Austria

ISS Airest Bodenabfertigungsdienste GmbH	51%
ISS Austria Holding GmbH	100%
ISS Beta Beteiligungsverwaltung GmbH	100%
ISS Facility Services GmbH	100%
ISS Facility Services Grünraum GmbH	100%
FM Complete Facility Management GmbH	100%
K&S Hygiene GmbH	100%
Rantasa Interimpersonal GmbH	100%
Unistaff Personalservice GmbH	100%

Belgium

BD Food SA	100%
ISS Building Services N.V.	100%
ISS Catering 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%
Pest Management Solutions N.V.	100%
Synerg' ISS SA	100%

Bosnia and Herzegovina

ISS Facility Services d.o.o. Sarajevo	100%
ISS Facility Services d.o.o. Banja Luka	100%

Brazil

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

Brunei

ISS Facility Services Sdn. Bhd.	100%

Bulgaria

Ryvola Bulgaria EOOD	100%

Chile

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

China and Hong Kong

Beijing Hanyang Facility Management Co. Ltd.	100%
Cornerstone Associates Ltd.	100%
ISS Building Consultancy Ltd.	100%
ISS China Holdings I Ltd.	100%
ISS China Holdings Ltd.	100%
ISS EastPoint Facility Services Ltd.	100%
ISS EastPoint Properties Ltd.	100%
ISS EastPoint Property Management Ltd.	100%
ISS Environmental Services (HK) Ltd.	100%
ISS Facility Services China Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Greater China Ltd.	100%
ISS Hangyang (Beijing) Cleaning Services Co. Ltd.	100%
ISS Hong Kong Services Ltd.	100%
ISS Hongrun Facility Services (Shanghai) Ltd.	60%
ISS Hygiene Services (HK) Ltd.	100%
ISS Macau Services Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
ISS RoboClean (HK) Co. Ltd.	100%
ISS Servisystem (China) Ltd.	100%
ISS Shun Tak Company Ltd.	100%
ISS Thomas Cowan Co. Ltd.	70%
JSL Ltd.	100%
LAWN Environmental Protection Ltd.	100%
Pan Asia Security Services Ltd.	100%
Shanghai ISS Houban Catering Management Co, Ltd.	60%

continues

34. Subsidiaries, joint ventures and associates (continued)

Croatia	
ISS Kadroske usluge d.o.o.	100%
ISS Usluzne djelatnosti d.o.o.	100%
Czech Republic	
ISS Facility Services s.r.o	100%
ISS Optimal s.r.o.	100%
ISS Sprava Budov s.r.o.	100%
Ryvola s.r.o.	100%
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%
ISS Venture A/S	100%
JWN Data A/S	100%
Media Service A/S	100%
Slotsholmen Teknik A/S	50%
Estonia	
Ha&Ho Kinnisvarateenused OÛ	51%
ISS Eesti AS	51%
ISS Haldus OÜ	51%
ISS Holding OÜ	100%
Minu Vara OÛ	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%
CPMS SA	100%
Europe Filtration SAS	100%
Europrop SAS	100%
Extincteurs HaaS SAS	100%
Force Protection SAS	100%
FSI SAS	100%
Gabriel Recyclage Sarl	100%
Channel SAS	100%
GIE ISS Services	100%
Groupe F2E SAS	100%
Hoguin Espaces Verts SAS	100%
Ifopro Sarl	100%
ISS Abilis France SAS	100%
ISS Accueil & Services SAS	100%
ISS Bati Services SAS	100%
ISS Energie SAS	100%
ISS Environnement SAS	100%
ISS Espaces Verts SAS	100%
ISS Holding Paris SAS	100%
ISS Hygiène SAS	100%
ISS Hygiene Services SAS	100%
ISS Logistique et Production SAS	100%
ISS Multiservices SAS	100%
ISS Sécurité SAS	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 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 HWS GmbH & Co. KG	100%
ISS Personalservice GmbH	100%
ISS Security GmbH	100%
Klaus Harren 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%
Piotita Zois S.A.	100%
Greenland	
ISS Grønland A/S	100%
Hungary	
ISS Servisystem Kft.	100%
Iceland	
ISS Island ehf.	100%
India	
ISS Facility Services India Pvt Ltd.	100%
ISS Integrated Facility Services Pvt Ltd.	100%
ISS Management Services Pvt Ltd.	100%
ISS Pest Control Services Pvt Ltd.	100%
ISS Records Management Solutions Pvt Ltd.	100%
Shivas Hoteliers and Caterers Pvt Ltd.	100%

continues

34. Subsidiaries, joint ventures and associates (continued)

Indonesia

P.T. ISS Indonesia	100%
P.T. Integrated Facility Services	100%
P.T. ISS Catering Services	100%

Ireland

ISS Ireland Holding Ltd.	100%
ISS Ireland Ltd.	100%
U.S. Security Limited	100%

Israel

Catering Ltd.	100%
ISS Ashmoret Ltd.	100%
ISS Israel Ltd.	100%
Jet Gourmet Ltd.	100%
M.A.S.H. Machatz Agencies Ltd.	100%
Norfolk International Ltd.	100%
Norcat Ltd.	100%
Torky Investment Ltd.	100%

Italy

ISS Facility Services S.r.l.	100%
G.S. Service S.p.A.	100%

Latvia

ISS Namu Serviss SIA	51%

Lithuania

ISS Pastatu Valda UAB	51%

Luxembourg

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

Malaysia

ISS Facility Services Sdn. Bhd.	30%
ISS Hygiene Services Sdn. Bhd.	100%
Kontrekleen Services Sdn. Bhd.	30%
Reliance Suci Environmental Services Sdn. Bhd.	30%

Mexico

Decoracion y Mantenimiento 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%
Martex S.A. de C.V.	100%

Netherlands

De Logé Schoonmaakdiensten B.V.	100%
Drielanden Bos & Landscapsbouw B.V.	100%
Groene Team B.V.	100%
ISS Arbo Plus B.V.	100%
ISS Building Maintenance Services B.V.	100%
ISS Catering Services B.V.	100%
ISS Contact Centers 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%
ISS Security & Services B.V.	100%
Omring Thuisservice B.V.	50%*
Sure@Calls B.V.	100%
TalentGroep Montaigne Facility Management B.V.	100%

New Zealand

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

Norway

Actum Norge AS	100%
Actum Rogaland AS	100%
Aktiv Skadedyrkontroll AS	100%
Eiendomsinvestor AS	49%*
ForvaltningsCompagniet AS	100%
Hero Holding AS	50%*
Human Ressource Center AS	100%
IPEC Kristiansand AS	100%
ISS Facility Services AS	100%
ISS Industri AS	100%
ISS Personalhuset AS	100%
ISS Personalhuset Bemanning AS	100%
ISS Serveringspartner AS	100%
NSB Trafikkservice AS	45%**
Raufoss Beredskap AS	51%
Tutti Frutti AS	100%

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 Human Resources, Empresa de Trabalho Temporário, Lda.	100%
ISS Pest Control, Soc. de Desinfecção e Desinfestação, Lda.	100%
ISS Plantiagro, Construcão e Manutencão de Espacos Verdes Lda.	100%
ISS Portugal II, Serviços de Gestão Unipessoal, Lda.	100%

Romania

ISS Facility Services S.R.L.	100%
ISS Romania Group S.R.L.	100%
3D Romania S.A.	100%
Sega Consulting S.R.L.	100%

continues

Notes to the consolidated financial statements

At 31 December 2007

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 Facility Services Pte Ltd.	100%
ISS Hygiene Services Pte. Ltd.	100%
ISS Sanitation Services Pte Ltd.	100%
ISS-CDCS Catering Pte Ltd.	100%
ISS-Woko Catering Pte Ltd.	100%
Serve 1st Services 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%
J.P.S. servis spol s.r.o.	100%
Ryvola Slovakia spol s.r.o.	100%

Slovenia

ISS Servisystem d.o.o.	100%
Tojer d.o.o.	100%
Magnetik d.o.o.	100%

Spain

Extintores Balear, S.L.	100%
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 Logistica 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 Gestión Integral S.A.	100%
Optima Seguridad Balear, S.L.	100%

Sri Lanka

ISS Abans Environmental Services (PT) Ltd.	50%*

Sweden

GK Rengörarna 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 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 Services Co., Ltd.	100%

Taiwan

ISS Facility Services Ltd.	100%
ISS Fealty Properties Management Co. Ltd.	100%
ISS Security Ltd.	100%

Turkey

CMC Iletişim Bilgisayar Reklam vs Danişmanlik Hizmetleri San. Ve Tic. A.Ş.	70%
Dört U Haşere Kontrol Hizmetleri A.Ş.	70%
Etkin Özel Güvenlik Hizmetleri A.Ş.	70%
ISS Tesis Yönetim Hizmetleri A.Ş.	70%
Proser Koruma ve Güvenlik Hizmetleri A.Ş.	70%

United Kingdom

First Response Environmental Sevices Ltd.	100%
Adviance Technical Solutions Ltd.	100%
ISS Caterhouse Ltd.	100%
ISS Damage Control (Scotland) Ltd.	100%
ISS Damage Control Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Finance and Investment (Bishop Auckland) Ltd.	100%
ISS Mediclean Ltd.	100%
ISS Servicelink Ltd.	100%
ISS UK Holding Ltd.	100%
ISS UK Ltd.	100%
J.V. Strong and Company Ltd.	100%
Pegasus Security Group Ltd.	100%
Pegasus Security Holdings Ltd.	100%
RCO Support Services Ltd.	100%
Spectrum Franchising Ltd.	100%
Spectrum Holdings Ltd.	100%

1 January – 31 December. Amounts in DKK millions

34. Subsidiaries, joint ventures and associates (continued)

Target Clean (West Midlands) Ltd.	100%
Target Excel plc	100%
Uruguay	
ISS Uruguay S.A.	100%
Samilar S.A.	100%
Falcri LTDA	100%
USA	
C&S Building Maintenance Corporation	100%
FS Holding (USA) Inc.	100%
ISS Facility Services Holding, Inc.	100%
ISS Facility Services of California, Inc.	100%
ISS Facility Services of Texas L.P.	100%
ISS Facility Services, Inc.	100%
ISS Grounds Control of Texas L.P.	100%
ISS Grounds Control, Inc.	100%
ISS Specialty Services, LLC	100%
ISS TMC Services, Inc.	100%
Sanitors Management and Finance Co., Inc.	100%
TMC Ridge, LLC	100%
Tri-Enterprise Construction, LLC	100%

Undertakings of immaterial interest are left out.

* Joint venture

** Associate

35. Subsequent events

In addition to the acquisitions listed in note 11, Acquisition and divestment of businesses, ISS has in February 2008 announced the acquisition of Aspis Security in Greece (subject to government approval) and in March 2008 the acquisition of BGM Industries in the USA.

Subsequent to 31 December 2007, the remaining energy activity in France has been sold.

Apart from the above and the events described in this Annual Report, the Group is not aware of events subsequent to 31 December 2007, which are expected to have a material impact on the Group's financial position.

MADRID, SPAIN, EUROPASTRY
NAJUUA HOURAG AND MARIA JESUS
LOPEZ GARCIA, CLEANING

Parent Company Financial Statements

Income statement of the parent company

1 January – 31 December. Amounts in DKK millions

Note		2007	2006
2, 3	Staff costs	-	(1)
4	Other operating expenses	(1)	(9)
	Operating loss	**(1)**	**(10)**
8	Income from subsidiary	459	494
5	Net finance costs	(979)	(911)
	Loss before tax	**(521)**	**(427)**
6	Income taxes	526	191
	Net profit/(loss) for the year	**5**	**(236)**
	Attributable to:		
	Retained earnings	5	(236)
	Net profit/(loss) for the year	**5**	**(236)**

Cash flow statement of the parent company

1 January – 31 December. Amounts in DKK millions

Note		2007	2006
	Operating loss	(1)	(10)
	Changes in working capital	(4)	(11)
6	Income taxes received, net	303	133
	Cash flow from operating activities	**298**	**112**
7	Acquisition of subsidiary	-	(15)
8	Dividends received from subsidiary	1,000	1,260
	Cash flow from investing activities	**1,000**	**1,245**
	Net proceeds from financing [1)]	(829)	1,766
	Interest paid, net	(938)	(990)
	Payments from/(to) affiliates, net	231	(2,583)
	Proceeds from issuance of share capital	178	-
	Cash flow from financing activities	**(1,358)**	**(1,807)**
	Total cash flow	**(60)**	**(450)**
	Cash and cash equivalents at 1 January	61	511
	Total cash flow	(60)	(450)
9	**Cash and cash equivalents at 31 December**	**1**	**61**

[1)] Net proceeds from financing consists of proceeds from borrowings of DKK 5,518 million (2006: DKK 9,694 million) and repayment of borrowings of DKK 6,347 million (2006: DKK 7,928 million).

Balance sheet of the parent company

At 31 December. Amounts in DKK millions

Note		2007	2006
	Assets		
8	Investment in subsidiary	14,153	14,694
8, 9	Receivables from affiliates	363	369
6	Deferred tax assets	245	-
	Total non-current assets	**14,761**	**15,063**
9	Receivables from affiliates	950	1,207
	Other receivables	56	19
9	Cash and cash equivalents	1	61
	Total current assets	**1,007**	**1,287**
	Total assets	**15,768**	**16,350**
	Equity and liabilities		
10	**Total equity**	**6,994**	**6,781**
11	Long-term debt	8,721	9,439
	Total long-term liabilities	**8,721**	**9,439**
	Trade payables	1	5
	Other liabilities	52	125
	Total current liabilities	**53**	**130**
	Total liabilities	**8,774**	**9,569**
	Total equity and liabilities	**15,768**	**16,350**

Statement of total recognised income and expense and changes in equity of the parent company

At 31 December. Amounts in DKK millions

2007	Share capital	Retained earnings	Unrealised gain/(loss) on hedges	Total equity
Total recognised income and expense				
Net profit/(loss) for the year	-	5	-	5
Fair value adjustment of hedges, net	-	-	57	57
Fair value adjustment of hedges, net, transferred to Net finance costs	-	-	(17)	(17)
Tax of entries recognised directly in equity	-	-	(10)	(10)
Net income and expense recognised directly in equity	**-**	**-**	**30**	**30**
Total recognised income and expense for the year	**-**	**5**	**30**	**35**
Equity at 1 January 2007	**100**	**6,669**	**12**	**6,781**
Changes in equity				
Total recognised income and expense for the year	-	5	30	35
Share issue	0	178	-	178
Total changes in equity	**0**	**183**	**30**	**213**
Equity at 31 December 2007	**100**	**6,852**	**42** [1]	**6,994**

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)
Fair value adjustment of hedges, net	-	-	15	15
Fair value adjustment of hedges, net, transferred to Net finance costs	-	-	0	0
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**

[1] Net of taxes.

Notes to the financial statements of the parent company

Notes to the financial statements of the parent company

1 January – 31 December. Amounts in DKK millions

1. Significant accounting policies

Statement of compliance

The financial statements of ISS Holding 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 2007 and the statutory order on the adoption of IFRS issued pursuant to the Danish Financial Statements Act.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

ISS Holding A/S has with effect from 1 January 2007 implemented IFRS 7, "Financial Instruments: Disclosures", IAS 1 (revised 2005), "Presentation of Financial Statements" and IAS 32 (revised 2005), "Financial Instruments: Presentation". These standards have impacted the disclosures given in the notes but it has not impacted the recognition and measurement and consequently the accounting policies are unchanged compared to last year. The comparative figures in the notes have been adjusted 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. ISS Holding 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
> the valuation of derivatives.

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.

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, social security expenses and other employee related expenses to Executive 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, ISS Holding A/S revises this estimate. ISS Holding 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.

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 cost 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.

continues

Notes to the financial statements of the parent company

1 January – 31 December. Amounts in DKK millions

1. Significant accounting policies (continued)

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.

ISS Holding 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 ISS Holding A/S's cash flows for the period stemming from operating, investing and financing activities, the change in cash position during the year as well as ISS Holding A/S's cash position at the beginning and the end of the year.

The cash flow statement is prepared using the indirect method based on Operating loss.

Cash flow from operating activities comprises Operating loss adjusted for non-cash items, changes in working capital and income taxes.

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. Cost is written down to the extent that the dividends declared exceed 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.

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.

Notes to the financial statements of the parent company

1 January – 31 December. Amounts in DKK millions

2. Staff costs	2007	2006
Salaries	-	1
Staff costs	**-**	**1**
Average number of employees	-	1

Remuneration to the Board of Directors and Executive Management of ISS Holding A/S

	2007		2006	
DKK thousands	**Board of Directors [1)]**	**Executive Management [2)]**	**Board of Directors [1)]**	**Executive Management [2)]**
Salaries (including benefits) and fees	1,613	17,267	1,356	5,469
Bonus	-	6,510	-	4,943
Severance payments	-	12,833	-	125
Total	**1,613**	**36,610**	**1,356**	**10,537**

In relation to severance payment, the members of the Executive Management are, in the event of termination, entitled to a severance payment of between 12-18 months salary plus benefits.

1) In 2007, remuneration to the Board of Directors was paid by ISS A/S and in 2006 by ISS Management A/S.

2) In 2007, Executive Management of ISS Holding A/S comprised the Executive Group Management of ISS Holding A/S. In 2006, Executive Management of ISS Holding A/S comprised the former Managing Director for the period 1 January - 31 August and current Executive Group Management of ISS Holding A/S for the remainder of 2006. The Executive Group Management of ISS Holding A/S was paid by ISS A/S in 2007 and by ISS Management A/S in 2006.

Notes to the financial statements of the parent company

1 January – 31 December. Amounts in DKK millions

3. Share-based payments

Warrant programmes

At 1 January 2007, certain members of Executive Management of ISS Holding A/S held warrants issued under two warrant programmes.

ISS A/S warrant programme

At 1 January 2007, 322,000 warrants issued by ISS A/S were outstanding under the 2000 warrant programme. All of these warrants expired out-of-the money on 10 May 2007.

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, Executive Management and senior managers of the Group were granted warrants in FS Invest S.à r.l ("FS Invest"), ISS Holding 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 programme are non-transferable.

As all senior managers of the Group are employed by ISS A/S the table below only contains warrants granted to Executive Management of ISS Holding A/S. Executive Management was only granted warrants under series B.

FS Invest warrants granted to Executive Management of ISS Holding A/S

	Executive Management Series B
Outstanding at 1 January 2007	**125,424**
Warrants granted in 2007	-
Warrants forfeited in 2007	-
Outstanding at 31 December 2007	**125,424**

At 1 January 2007, 125,424 warrants were outstanding under the FS Invest warrant programme and no further warrants were granted in 2007 and at 31 December 2007, the number of outstanding warrants was unchanged at 125,424.

Accounting

In accordance with the provisions of IFRS 2 Share-based Payment, ISS Holding A/S applies IFRS 2 to account for 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 under the ISS A/S 2000 warrant programme were 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 Executive 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 Executive Management of ISS Holding A/S are accounted for as equity-settled transactions. In 2007, expenses of DKK 0.5 million were recognised in the financial statements of ISS A/S under Other income and expenses, net.

continues

Notes to the financial statements of the parent company

1 January – 31 December. Amounts in DKK millions

3. Share-based payments (continued)

Valuation

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 at time of grant, July 2006	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 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 A/S 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, ISS Holding A/S 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. In 2007, expenses of DKK 0.5 million were recognised in the financial statements of ISS A/S under Other income and expenses, net.

Notes to the financial statements of the parent company

1 January – 31 December. Amounts in DKK millions

4. Fees to auditors

	2007	2006
KPMG		
Audit fees [1]	1	2
Tax and VAT advisory services	1	-
Other services [2]	-	4
Total KPMG	**2**	**6**

[1] Audit fees comprised statutory audit of the Annual Report.

[2] Other services mainly comprised work related to the Offering Memorandum.

5. Net finance costs

	2007	2006
Interest income etc.	0	5
Interest income from affiliates	130	85
Foreign exchange gain	-	100
Financial income	**130**	**190**
Interest expenses etc. [1]	(856)	(933)
Interest expenses to affiliates	-	(51)
Amortisation of financing fees	(26)	(117)
Loss related to redemption of floating notes [2]	(222)	-
Foreign exchange loss	(5)	-
Financial expenses	**(1,109)**	**(1,101)**
Net finance costs	**(979)**	**(911)**

[1] In all material aspects related to long-term debt.

[2] In July 2007, ISS Holding A/S's subordinated floating rate notes were fully redeemed resulting in a loss of DKK 222 million relating to a call premium of DKK 63 million and financing fees of DKK 159 million previously recognised in long-term debt.

Notes to the financial statements of the parent company

1 January – 31 December. Amounts in DKK millions

6. Taxes

	2007			2006		
	Income taxes	Tax payables/ (receivables)	Deferred tax liabilities/ (assets)	Income taxes	Tax payables/ (receivables)	Deferred tax liabilities/ (assets)
Balance at 1 January	-	-	-	-	-	(52)
Adjustments relating to prior years, net	-	-	-	(41)	41	-
Tax on equity movements	-	10	-	-	3	-
Tax on profit before tax	526	(281)	(245)	232	(284)	52
Subtotal	**526**	**(271)**	**(245)**	**191**	**(240)**	**-**
Reclassification of joint taxation contribution	-	(32)	-	-	107	-
Tax received, net	-	303	-	-	133	-
Taxes at 31 December	**526**	**-**	**(245)**	**191**	**-**	**-**

Deferred tax assets	2007	2006
Tax loss carried forward	297	-
Bond loan	(52)	-
Deferred tax assets	**245**	**-**

Unrecognised tax assets	2007			2006		
	Total	Recognised	Unrecognised	Total	Recognised	Unrecognised
ISS Holding A/S	298	297	1	451	-	451

ISS Holding 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 ISS Holding 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.

7. Acquisition of subsidiary

	2007	2006
Paid acquisition costs to advisors etc.	-	(15)
Acquisition of subsidiary	**-**	**(15)**

Notes to the financial statements of the parent company

1 January – 31 December. Amounts in DKK millions

8. Non-current assets	2007	2006	2007	2006
	Investment in subsidiary		Receivables from affiliates	
Cost at 1 January	22,050	22,050	369	-
Additions	-	-	-	369
Disposals	-	-	(6)	-
Cost at 31 December	**22,050**	**22,050**	**363**	**369**
Revaluation at 1 January	(7,356)	(6,590)	-	-
Dividends received in excess of accumulated profits	(541)	(766)	-	-
Revaluation at 31 December	**(7,897)**	**(7,356)**	**-**	**-**
Carrying amount at 31 December	**14,153**	**14,694**	**363**	**369**
Income from subsidiary				
Received dividends	1,000	1,260		
Hereof in excess of accumulated profits	(541)	(766)		
Income from subsidiary	**459**	**494**		

Subsidiary	**Share**	**Share**
ISS A/S, Copenhagen, Denmark	100%	100%

9. Financial assets and liabilities	2007	2006	2007	2006
	Carrying amount		Effective interest rate	
Receivables from affiliates, non-current	363	369	9.6%	8.8%
Receivables from affiliates, current	950	1,207	9.2%	7.3%
Cash and cash equivalents	1	61	4.1%	3.0%

Notes to the financial statements of the parent company

1 January – 31 December. Amounts in DKK millions

10. Share capital	2007	2006
Share capital (in DKK millions)		
Share capital at 1 January	100	100
Capital increase	0	-
Share capital at 31 December	**100**	**100**
Share capital (in thousands of shares)		
Number of shares at 1 January	100,000	100,000
Issued during the year	0	-
Number of shares at 31 December - fully paid	**100,000**	**100,000**

At 31 December 2007 a total of 100,000,001 shares with a nominal value of DKK 1 per share were issued and fully paid (2006: 100,000,000 shares).

11. Long-term debt	2007	2006
Senior facility, term facility B [1]	1,029	-
Second lien facility [2]	4,410	-
Subordinated notes [3]		
Floating notes due 2016	-	6,153
8.875% notes due 2016	3,282	3,286
Total long-term debt [4] [5]	**8,721**	**9,439**
Fair value of long-term debt [6]	9,013	9,957
Long-term debt is payable as follows:		
6-10 years	8,721	9,439
Effective interest rate [7]	8.0%	9.8%

[1] In July 2007, ISS Holding A/S issued EUR 140 million of euro-denominated term facility B. At 31 December 2007, the weighted average interest rate was 6.95%.

[2] In July 2007, ISS Holding A/S issued EUR 600 million of euro-denominated second lien debt. The debt bear interest at a rate per annum equal to 3 months Euribor plus 3.75%, reset quarterly, and mature on 15 June 2015. ISS Holding A/S has partially hedged the interest exposure on the second lien facility with a EUR 540 million interest rate swap.

[3] In May 2006, ISS Holding A/S issued EUR 850 million of euro-denominated subordinated floating notes. The notes bear interest at a rate per annum equal to 3 months Euribor plus 6.625%, reset quarterly, and mature on 15 May 2016. In December 2006, ISS Holding A/S partially hedged the interest exposure on the floating notes with a EUR 540 million interest rate swap. These notes were fully redeemed in July 2007. Also in May 2006, ISS Holding 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 of both the subordinated notes was 9.84%.

[4] During 2007, financing fees amounting to DKK 84 million (2006: DKK 304 million) have been recognised in long-term debt while accumulated financing fees recognised in long-term debt on 31 December 2007 amounted to DKK 182 million (2006: DKK 284 million).

[5] Total long-term debt is 100% denominated in EUR.

[6] The fair value of the subordinated notes is based on the quoted market price on the Luxembourg Stock Exchange. For the remaining part of long-term debt fair value is equal to the nominal value.

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

Notes to the financial statements of the parent company

1 January – 31 December. Amounts in DKK millions

12. Contingent liabilities

Senior Facility Agreement

ISS Holding 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 ISS Holding 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, other receivables, properties, production equipment 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 ISS Holding A/S's borrowing used for financing the acquisition of ISS A/S.

VAT

ISS Holding A/S and certain Danish affiliates are jointly registered for VAT and are jointly liable for the payment hereof.

1 January – 31 December. Amounts in DKK millions

13. Financial risk management and derivatives

ISS Holding A/S's financial risk management is based on policies approved by the Board of Directors. ISS Holding A/S may use derivatives to hedge financial risks.

Interest rate risk

The 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 2007, the duration of net debt was approximately 4.2 years (2006: 4.6 years). A decrease in interest rates will increase the fair value of the debt but only part of this increase will be reflected in the income statement and equity as long-term borrowings are stated at amortised cost and therefore not adjusted to fair value. The interest rate swap hedging the floating interest rate is adjusted to fair value and recognised directly in equity. Based on the net debt and taking into account the effect of hedging instruments as at 31 December 2007, a general decrease/(increase) of one percentage point in relevant interest rates would reduce/(increase) the annual net interest expense by approximately DKK 12 million (2006: DKK 23 million), all other things being equal.

ISS Holding A/S's loan portfolio consists of subordinated notes, senior facility and a second lien facility from 2007. A part of the interest payments on the second lien have been swapped from floating into fixed rates (see note 11, Long-term debt). To manage the duration of the net debt, ISS Holding A/S applies derivatives, such as 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.

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

	Contractual value	Unrealised gain/(loss) on revaluation to fair value	Included in the income statement for 2007	Taken directly to equity on 31 December 2007	Maturity
Interest rate instruments - ISS Holding A/S					
Interest rate swap - 2010 (EUR), payer [1]	4,027	55	0	55	2010

Financial risk management

Please refer to note 31, Financial risk management and derivatives to the consolidated financial statements.

[1] The swap converts a major part of the floating rates on the second lien facility to fixed interest rate.

14. Related party transactions

The sole shareholder of ISS Holding A/S, ISS Equity A/S has controlling influence in ISS Holding A/S. The ultimate controlling company of ISS Holding 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 and incentive programmes described below there were no significant transactions with members of the Board of Directors or the 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, ISS Holding A/S's ultimate parent. As of 31 December 2007, the investments amounted to DKK 191 million in total for 139 executives and officers. Furthermore, as described in note 3, Share-based payments, certain senior officers, were granted warrants in FS Invest of which 532,012 were outstanding as of 31 December 2007.

continues

Notes to the financial statements of the parent company

1 January – 31 December. Amounts in DKK millions

14. Related party transactions (continued)

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 6.4 million in total. In addition they have co-invested with the Principal Shareholders for approximately DKK 17.6 million in total.

External directorships and external executive positions of ISS Holding A/S's Board of Directors and Executive Group Management

Board of Directors	Board Member	Executive Position
Sir Francis Mackay	Chairman Carlton Partner LLP	BioGreen Limited, Director Graysons Limited, Director
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
Ole Andersen	BCT Holding, Aleris AB and Dako A/S	Senior Partner and Head of the Copenhagen office of EQT Partners
Sanjay Patel	Ahlsell Sverige AB and certain holding companies of Ahlsell Sverige AB, Endemol N.V. and Get A/S	Co-head of Private Equity in Europe for the Principal Investment Area of Goldman Sachs
Christoph Sander	Casper Limited and subsidiaries of Casper Limited	Co-founder and CEO of Casper Limited
Steven Sher	Ahlsell Sverige AB, Edam Acquisitions B.V. and certain holding companies of Ahlsell Sverige AB and Endemol N.V.	Managing Director, Goldman Sachs International, Principal Investment Area
Peter Korsholm (alternate)	BTX Group A/S	Partner at EQT Partners
Executive Group Management		
Jørgen Lindegaard	Efsen Engineering A/S	None
Jeff Gravenhorst	None	None

Affiliates

In 2007, ISS Holding A/S had the following transactions with affiliates:

> ISS Holding A/S received/paid interest from/to ISS Global A/S and other affiliates, see note 5, Net finance costs.
> ISS Holding A/S received/paid joint taxation contribution equal to 25% of taxable income from/to ISS Equity A/S (the ultimate parent company in Denmark), see note 6, Taxes.
> ISS Holding A/S received dividends from ISS A/S, see note 8, Investment in subsidiary.

All transactions are made on market terms.

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Definitions

Adjusted EBITDA	=	Operating profit before other items + Depreciation and amortisation
Carrying amount of net debt	=	Long-term debt + Short-term debt - Receivables from affiliates - Securities - Cash and cash equivalents
Cash conversion, %	=	$\frac{\text{(Operating profit before other items + Changes in working capital) x 100}}{\text{Operating profit before other items}}$
EBITDA	=	Operating profit + Depreciation and amortisation
Equity ratio, %	=	$\frac{\text{Total equity x 100}}{\text{Total assets}}$
Interest-bearing debt, net	=	Carrying amount of net debt - Non-interest-bearing debt, net
Interest coverage	=	$\frac{\text{Operating profit before other items + Depreciation and amortisation}}{\text{Net finance costs}}$
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, %	=	$\frac{\text{Operating profit before other items x 100}}{\text{Total revenue}}$

Other Financial Measures

1 January – 31 December. Amounts in DKK millions

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 – 31 December occurred on 1 January.

ISS 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, ISS'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.

Other Financial Measures	2007	2006
Pro Forma Adjusted EBITDA	4,866	4,203
Pro Forma Net Debt	29,981	27,714
Pro Forma Net Debt / Pro Forma EBITDA	6.16x	6.59x

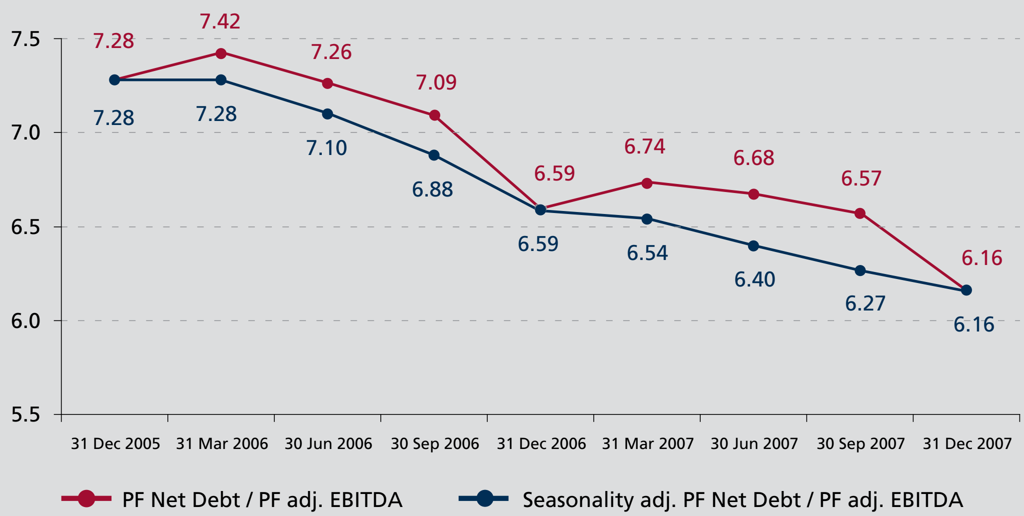
Adjusted EBITDA

Adjusted EBITDA, as calculated by ISS, represents operating profit before other items plus depreciation and amortisation. 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 ISS 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 ISS records under the line item Other income and expenses, net are recurring and some are non-recurring in nature.

Financial leverage ratios

As of 31 December 2007, ISS's estimated Pro Forma Net Debt was approximately equal to 6.16x Pro Forma Adj. EBITDA, a decrease in financial leverage of 1.12x Pro Forma Adj. EBITDA compared to 31 December 2005.

Net debt to Pro Forma EBITDA ratios



Other Financial Measures

1 January – 31 December. Amounts in DKK millions

Reconciliation of EBITDA to Adjusted EBITDA	2007	2006
Operating Profit	3,639	3,019
Depreciation and amortisation	845	745
EBITDA	4,484	3,764
Other income and expenses, net	129	109
Integration costs	67	106
Adjusted EBITDA	**4,680**	**3,979**

Pro Forma Adjusted EBITDA	2007	2006
Adjusted EBITDA	4,680	3,979
Estimated Pro Forma Adjusted EBITDA of acquired and divested businesses	186	224
Pro Forma Adjusted EBITDA	**4,866**	**4,203**

Notes: 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 to the date of its acquisition or divestment 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 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 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.

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 twelve-month period ended 31 December 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 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 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 and allocating the result in equal pro rata amounts to each month of the period;

(iii) Third, by estimating the EBITDA of the divested businesses:

- the estimated EBITA of the divested businesses was derived from the unaudited management accounts of those divested businesses; and
- the total estimated EBITA for all of the divested businesses was then adjusted to add back an amount of depreciation for each of the divested businesses, 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 revenues of each such entity divested during the twelve-month period ended 31 December.

Other Financial Measures

1 January – 31 December. Amounts in DKK millions

Capitalisation Table	As of 31 December 2007		
	Consolidated Actual	Accounting Adjustments [1]	Consolidated As Adjusted
		(DKK millions)	
Cash and cash equivalents and securities:			
Cash and cash equivalents	2,581		2,581
Securities [2]	83		83
Total cash and cash equivalents and securities	**2,664**		**2,664**
Short-term debt:			
Senior Facilities [3]			
Term Facility A	198		198
Other short-term debt [4]	841	(20) [iv]	821
Total short-term debt	**1,039**		**1,019**
Long-term debt:			
Senior Facilities [3]:			
Term Facility A	1,207	82 [iii]	1,289
Term Facility B	13,246	121 [iii]	13,367
Acquisition Facilities	1,790		1,790
Euro Medium Term Notes [5]:			
4.75% Notes due 2010 [a]	6,046	292 [i]	6,338
4.50% Notes due 2014 [b]	686	137 [i]	823
Second Lien Facility [6]:	4,410	64 [iii]	4,474
8.875% Subordinated Notes due 2016 [7]	3,282	103 [iii]	3,385
Interest rate swaps	55	(55) [ii]	-
Other long-term debt [8]	160		160
Total long-term debt	**30,882**		**31,626**
Shareholders' funding:			
Shareholders' equity	5,459		5,459
Minority interests	59		59
Total capitalisation	**37,439**		**38,163**
Pro Forma Net Debt [9]			29,981

The table above sets forth ISS's consolidated cash and cash equivalents and securities and capitalisation as of 31 December 2007.

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 ISS as of and for the period ended 31 December 2007 and the related notes thereto.

continues

Other Financial Measures

1 January – 31 December. Amounts in DKK millions

Capitalisation Table (continued)

Notes:

(1) Accounting Adjustments:

(i) **Market price adjustments of Euro Medium Term Notes:**
The Euro Medium Term Notes issued by ISS Global A/S were recognised in the opening balance sheet at their market price as of 9 May 2005, the date of ISS Holding A/S's acquisition of ISS A/S, as part of ISS Holding A/S's purchase price allocation prepared in connection with the Acquisition. The difference between this market price and the principal amount is amortised in the consolidated financial statements over the remaining term of the Euro Medium Term Notes. The unamortised market price adjustment as at 31 December 2007, amounting to DKK 292 million related to the Euro Medium Term Notes due 2010 and DKK 137 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.

(ii) **Gains on interest rate swaps:**
In June 2005 and June 2006, ISS settled the interest rate swaps hedging the Euro Medium Term Notes issued by ISS Global A/S and realised a net gain, which is being recognised in the income statement over the remaining term of the Euro Medium Term Notes. At 31 December 2007, the unamortised portion of the gain amounted to DKK 55 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 unamortised financing fees and is amortised through the income statement over the term of the relevant liability.

To reflect the principal amount of loan liabilities at 31 December 2007, unamortised financing fees of DKK 82 million related to Term Facility A, DKK 121 million related to Term Facility B, DKK 64 million related to the Second Lien Facility, and DKK 103 million related to the 8.875% Subordinated Notes are reversed.

Compared to previous quarters, a portion of unamortised financing fees have been re-allocated between the Senior Facilities. The re-allocation of these non-cash items did not impact the total carrying value or the total Consolidated as Adjusted value of the Senior Facilties.

(iv) **Debt related to joint taxation:**
ISS is jointly taxed with ISS Equity A/S 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 2007, the consolidated financial statements of ISS included a liability of DKK 20 million to ISS Equity A/S, 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 20 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 14,855 million (Term Facility A in an amount equivalent to DKK 1,488 million, of which DKK 198 million are included in short-term debt and DKK 1,290 million are included in long-term debt, and Term Facility B in an amount equivalent to DKK 13,367 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 667 million were drawn as of 31 December 2007. 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 ISS's consolidated financial statements. In addition, DKK 998 million of the Revolving Credit Facility was allocated to support performance bonds issued by operating subsidiaries.

(c) Acquisition Facility A in an amount equivalent to DKK 1,425 million, of which DKK 1,384 were drawn as at 31 December 2007 and Acquisition Facility B in an amount equivalent to DKK 3,500 million of which DKK 406 million was drawn as at 31 December 2007.

(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 ISS'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) Other 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 A/S 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 A/S issued EUR 500 million of Euro Medium Term Notes, of which EUR 390 million were redeemed in July 2007 and EUR 110 million were still outstanding as of 31 December 2007. The outstanding notes have an annual coupon of 4.50%, payable annually in arrears, and mature on 8 December 2014.

(6) In July 2007, ISS Holding A/S borrowed EUR 600 million under a Second Lien Facility maturing in 2015.

(7) In May 2006, ISS Holding A/S issued EUR 454 million of euro-denominated Subordinated Notes. The notes had an annual coupon of 8.875%, payable semi-annually in arrears, and mature on 15 May 2016.

(8) Other long-term debt includes finance leases, mortgage debt and other debt.

(9) Pro Forma Net Debt represents total short-term debt and total long-term debt less total cash and cash equivalents and securities.

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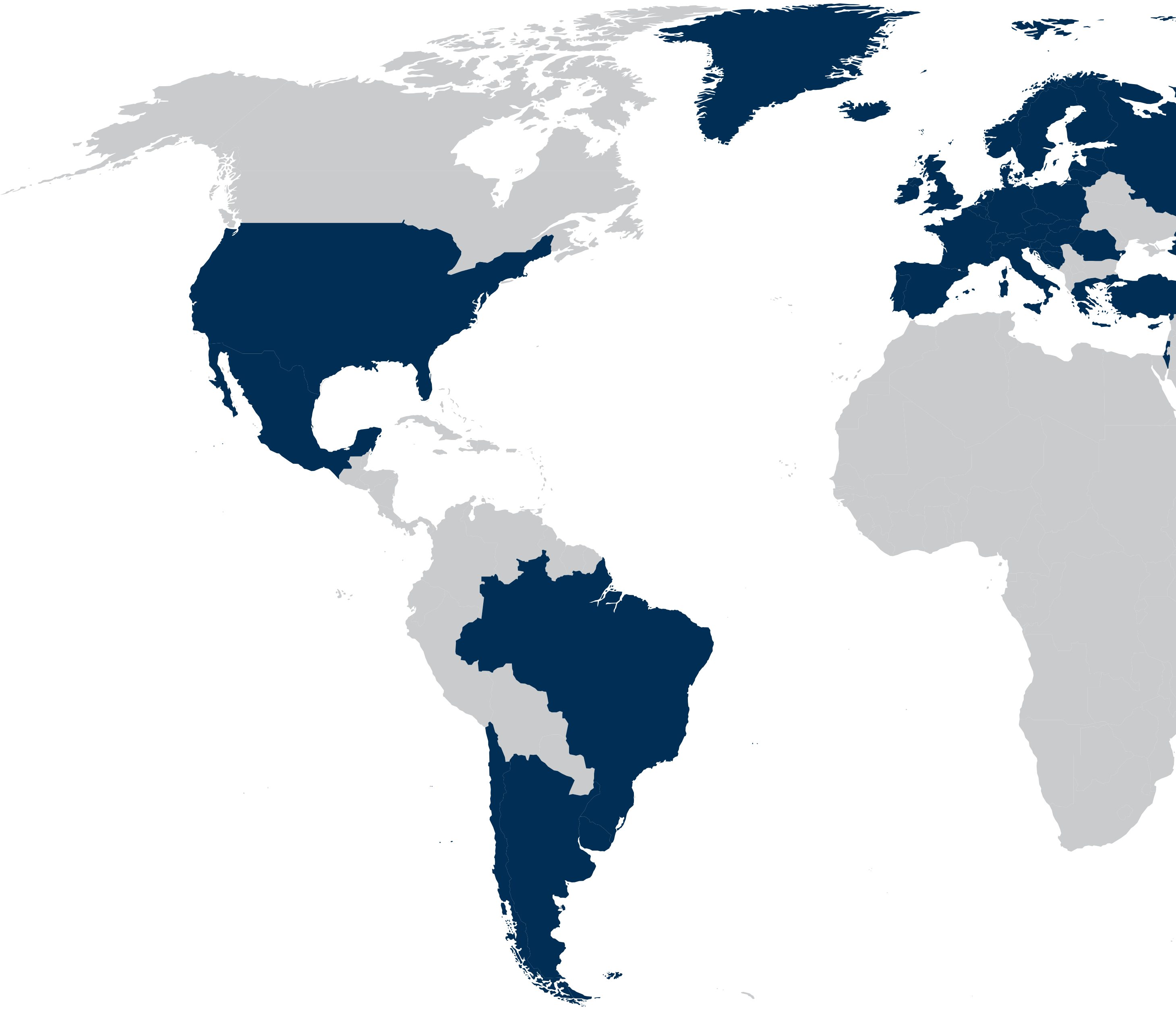

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Belgium	China [1]	Finland	Iceland	Italy
Bosnia and Herzegovina	Croatia	France	India	Latvia

1) Including Hong Kong.
2) Including Greenland and the Faroe Islands.

Key figures

Revenue	DKK 63.9 billion (EUR 8.6 billion)
Operating profit before other items	DKK 3.8 billion (EUR 0.5 billion)
Employees	438,100

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Financial Review 1998-2007

Amounts in DKK millions (unless otherwise stated)

	ISS Holding A/S			ISS A/S							
	EUR millions [1]	IFRS		IFRS		Danish GAAP					
Financial highlights	**2007**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**
Revenue	8,573	63,922	55,772	46,440	40,355	36,165	37,984	34,852	28,719	19,802	13,801
Operating profit before other items	514	3,835	3,234	2,650	2,260	2,032	2,010	1,633	1,454	1,021	735
Operating profit [2]	488	3,639	3,019	2,296	2,081	1,957	2,015	1,609	1,450	1,028	757
Net finance costs	(405)	(3,017)	(2,351)	(521)	(335)	(265)	(361)	(310)	(244)	(128)	(80)
Net profit/(loss) for the year	(59)	(442)	(809)	948	837	316	264	237	234	254	223
Depreciation and amortisation	(113)	(845)	(745)	(659)	(617)	(587)	(603)	(551)	(468)	(351)	(255)
Total assets	7,423	55,348	52,253	31,865	30,805	23,385	22,412	22,419	17,164	13,696	7,139
Goodwill	3,700	27,593	26,178	16,592	15,384	12,465	12,669	12,022	9,522	7,576	2,995
Total equity	740	5,518	5,980	2,285	8,822	7,741	7,419	6,678	5,725	4,453	1,444
Carrying amount of net debt [3]	3,922	29,245	26,271	15,905	7,462	4,785	5,604	6,317	4,357	3,050	1,898
Dividend paid	-	-	-	(7,229)	(177)	(88)	-	-	-	-	(60)
Key figures [3]											
Operating margin before other items, %	6.0	6.0	5.8	5.7	5.6	5.6	5.3	4.7	5.1	5.2	5.3
Interest coverage	1.6	1.6	1.7	6.3	8.6	9.9	7.2	7.0	7.9	10.7	12.4
Dividend paid per share, DKK	-	-	-	153.5	4.0	2.0	-	-	-	-	2.0
Equity ratio, %	10.0	10.0	11.4	7.2	28.6	33.1	33.1	29.8	33.4	32.5	20.2
Number of employees at year end	438,100	438,100	391,400	310,800	273,500	245,000	248,500	259,800	253,200	216,700	137,800

Note: Except for the key figures that can be directly derived from the consolidated financial statements on pages 85-146 of this report, the key figures and ratios above are not measures of financial performance under Danish GAAP or IFRS. The Group includes these financial measures because it believes that they are appropriate measures of the Group's financial performance. Other companies, including those in ISS's industry, may calculate similarly titled financial measures differently.

ISS Holding A/S was founded on 11 March 2005, while the activities of ISS were acquired on 9 May 2005. For illustrative purposes key figures for ISS A/S for 1998 - 2005 have been included in the overview.

The applied accounting principles are described in note 1, Significant accounting policies to the consolidated financial statements.

[1] The exchange rate used is of 31 December 2007 (EUR/DKK = 7.4566).
[2] Excluding Goodwill impairment and write-down and Amortisation of brands and customer contracts.
[3] See page 169 for definitions.

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