

2019

ANNUAL REPORT



UPDATE

At the Annual General Meeting of ISS A/S held on 2 April 2020 (see also company announcement (no. 7/2020), ISS's Annual Report for 2019 was adopted with the modification that the Board of Directors had withdrawn the outlook for 2020 as well as its proposal to pay out ordinary dividend resulting in the total net profit for 2019 being allocated to retained earnings. An extract of the minutes of the Annual General Meeting (including references to the relevant sections and pages of the Annual Report for 2019 which are impacted by these modifications) is available on ISS's website <http://inv.issworld.com/agm>.

ISS A/S

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Annual Report
1 January to 31 December 2019

Approved at the annual general meeting on 2 April 2020

NIELS HEERING

chairman of the annual general meeting

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12 **ISS AUSTRIA:** How a customer-focused growth strategy tripled revenue



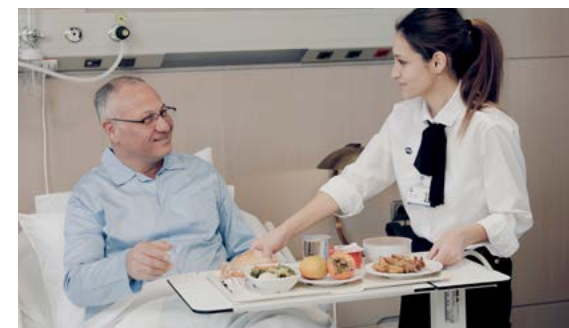
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LETTER TO OUR STAKEHOLDERS

2019 was a year of historically strong organic growth and improved underlying free cash flow. However, it was also a year where we identified and addressed several operational challenges. We are continuing to work through a bold and vital transformation as we enhance our ability to serve our key account customers to drive stronger and more sustainable value for our shareholders.

We maintained robust commercial momentum in 2019 as evidenced by a historically strong organic growth of 7.1%. This growth was supported by the launch of our largest contract to date, with Deutsche Telekom, as well as an enhanced customer retention rate of 91%. In addition, our underlying free cash flow improved considerably.

In November 2019, we revised our outlook on margins and free cash flow. Regrettably, our execution had proven unsatisfactory in a few areas leading to an operational shortfall. This ultimately triggered some negative one-off items impacting 2019. While we are still working to get our performance back to where it should be, we are confident that operating margins will recover over 2020 and in the medium-term.

Consequently, in November 2019, we launched an efficiency programme targeting corporate cost savings at the Group level. Through stronger prioritisation, this efficiency plan targets up to DKK 400 million in combined cash savings across both operating

expenses and capital expenditure. The in-year reduction in operating expenses in 2020 is expected to be around DKK 200 million.

Our total shareholder return (TSR) in recent years has proven disappointing. However, we are very focused on creating maximum value for all our stakeholders. Through the measures taken in November, and by leveraging our industry-leading and resilient platform, we are confident of delivering solid growth in both earnings and cash flow. The direction of our strategy is right – our chosen markets remain fundamentally sound and our strategic choices are proving successful.

PROGRESS IN 2019

We reiterated our focus on serving key accounts in 2019, which has grown to 63% of our Group revenue. These core customers demand more than simple cost savings and are looking for capable partners to support their strategic journeys. In 2019, our organic growth with key accounts reached 11% with a strong retention rate of 94%. We are operating in a fundamentally attractive and growing Facility Management market, where key account customers are looking

for outcome-driven solutions. We believe that ISS is in a strong position to serve these customers into the future.

We continue to develop our people agenda with targeted programmes to attract, develop and retain the talent and leadership needed to deliver our strategic objectives. We are also undertaking a major transformation of our technology and associated processes, ensuring that we offer market-leading value and stable margins, while benefiting from the support of greater insights and data.

Risk management is an integral part of our value creation, both for our customers and ISS. We take an active approach to risk management, ensuring that our key risks are identified and managed in a structured and prioritised manner. In 2019, we have continued our development of our risk framework and improving risk visibility to deliver industry best practice risk assurance for our customers and within ISS.

The divestment plan announced in December 2018 is making encouraging progress. By the end

of 2019, we had secured proceeds amounting to an estimated 40% of the total plan. This is a major step in simplifying, de-risking and focusing our organisation.

HEALTH AND SAFETY – A KEY PRIORITY

Our focus on health, safety, environment and quality (HSEQ) initiatives keep all stakeholders top of mind, from customers and suppliers to employees and partners. Safety is our highest priority and across the Group we're working tirelessly to ensure that our people go home safe to their families after a productive workday. Tragically we suffered three work-related fatalities in 2019 (one in 2018). This is unacceptable. We are deeply affected by the fatalities and the impact this has on their families, friends and colleagues. We have investigated the incidents to ensure we determine the root causes and take corrective actions so that they are not repeated. In the past decade, we have reduced our Lost Time Injury Frequency (LTIF) by nearly 80%. The continuous improvement has been driven by our systematic approach and focus on HSE risks across the organisation.

PEOPLE AND PLACES – A RELATIONSHIP WE UNDERSTAND

We are a company that supports the purpose of our customers. Working with them day by day, side by side, we understand every aspect of their needs and support them on everything from strategy through to daily operations. While facility services remain our core business, they are now just one part of our offering to customers. Today, our value proposition to key account customers covers not only their property (place), but also their impact on the environment (planet) and the engagement of building users (people).

Our customers are served by people who care about the places they maintain, the people they work with, and the planet they seek to protect. We ensure that our colleagues are trained, equipped and motivated to support our customers. Because our colleagues know that they are not only creating great workplace experiences but are also helping make the world work better. Furthermore, as a global company with a heritage of fairness and equality, we are committed to providing a workplace that fosters inclusiveness through our Diversity and Inclusion programme. As an example, we recently won the 'Impact Sourcing Influencer Award' for providing career and development opportunities for underserved populations.

A RESILIENT AND STABLE BUSINESS

The magnitude of change at ISS since the launch of the ISS Way strategy has been immense. While our transformation is ongoing, we are certainly closer to this milestone. Today, we are a more focused business with a clear value proposition for our customers.

Our offering is resilient to macroeconomic developments. Over the last 25 years, ISS has had just one year of negative organic growth. With our sharpened focus on key accounts and Integrated Facility Services (IFS), we are becoming a structurally higher growth business. As such, we expect to deliver industry-leading organic growth of 4%-6% over the medium term. ISS also has a solid track record of robust operating margins. Although our operating performance in 2019 was impacted by a small number of one-off negatives, we expect our operating margins to recover to around 5.5% in the medium term. Furthermore, ISS is a capital-light business which, together with industry-leading organic growth and robust margins, forms the basis for a strong cash flow. We expect free cash flow to reach around DKK 3 billion in the medium term.

Thank you for your continued support.

Yours faithfully,

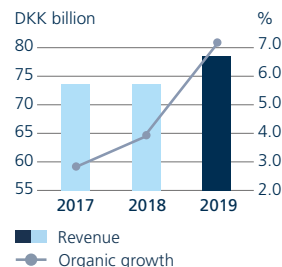


Lord Allen of Kensington Kt CBE
Chairman

Jeff Gravenhorst
Group CEO

PERFORMANCE HIGHLIGHTS

ORGANIC GROWTH



7.1%

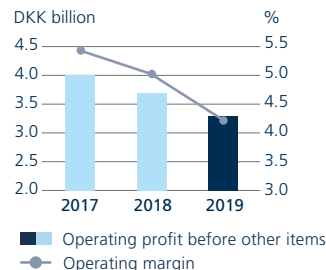
Organic growth

78,555 DKKm

Revenue

- Historically strong organic growth supported by the launch of Deutsche Telekom – the biggest contract in ISS history
- Growth also supported by a high number of key account contract wins, extensions and expansions as well as strong retention
- Contribution from projects and above-base work remained solid
- Positive growth rates in all regions with double-digit growth in Continental Europe

OPERATING MARGIN



4.2%

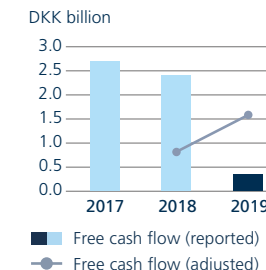
Operating margin

3,290 DKKm

Operating profit before other items

- Selective notable operational challenges impacting margin, specifically ongoing reorganisation in France and two loss-making contracts in Hong Kong and Denmark
- Provision of DKK 150 million recognised to cover risks identified through changed systems in the UK and an onerous contract in Hong Kong
- Decline in operating margins in all regions, except Americas on the back of turnaround initiatives
- Launch of efficiency programme targeting DKK 400 million combined savings following the adjusted 2019 Outlook in November 2019

FREE CASH FLOW



366 DKKm

Free cash flow (reported)

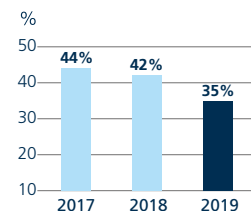
1,621 DKKm

Free cash flow (adjusted)

- Free cash flow (reported) was heavily impacted by reduction in use of factoring
- Adjusted for variation in factoring, free cash flow was DKK 1,621 million, up DKK 807 million from 2018
- Improvement despite net negative one-offs such as headwinds from transition, mobilisation and launch of Deutsche Telekom
- Reflects general focus on cash flows with good progress on cash improvement initiatives such as timely customer payments and cash flow benefits from our supply chain

PERFORMANCE HIGHLIGHTS

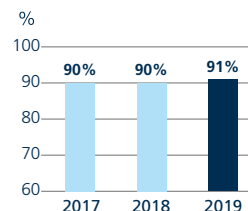
EMPLOYEE TURNOVER



35%

- Improved by 7%-points – reflecting our continuous Group focus on employee retention
- Mainly a result of implemented initiatives across the Group, including improved labour conditions relative to the market in certain countries
- Adjustment of the customer portfolio in line with our key account strategy also contributed to the positive development
- Finally, strong focus on impact of initiatives led to improved reporting methodology

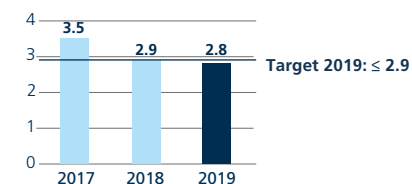
CUSTOMER RETENTION



91%

- Up by 1%-point – reflecting our continued focus on keeping and growing existing key account customers
- Customer retention for key accounts was 94%, up 1%-point
- Supported by our efforts to improve customer experience by continued implementation of account development plans and focus on employee engagement, among others through roll-out of our Key Account Manager Certification and Service with a Human Touch training programmes

LOST TIME INJURY FREQUENCY (LTIF)



2.8

- Improved by nearly 80% from the baseline figure of 13 in 2010 – the ninth straight year of improvement
- Driven by our systematic approach and focus on HSE risks across the organisation, including our global HSE campaigns and Toolbox Talk which reinforces and embeds safety behaviour at sites

OUR BUSINESS MODEL AND STRATEGY

Our strategy – The ISS Way – has guided our choices for over a decade. As we seek to deliver stakeholder value consistently and sustainably, we are increasing our focus on those customers, services and geographies where we can differentiate and deliver industry-leading growth.

WE ARE PLACEMAKERS

We believe that **people make places and places make people**. From strategy through to operations, we partner with customers to deliver places that work, think and give. They choose us because we create, manage and maintain environments that make life easier, more productive and enjoyable.

Our people care about the people they support, always adding a human touch to create places that deliver and delight. Every ISS person in every customer facility is one of us – trained, equipped, motivated and working to high standards.

Working with customers day by day, side by side, we come to understand every aspect of the user experience. We deploy data, insights and knowledge to develop innovative strategies and intelligent solutions to meet the intricate realities of service delivery. This helps us manage risk, reduce cost and ensure consistency.

As a global company with a heritage of fairness, equality and inclusion, we empower all of our people to deal with problems and opportunities when they arise. We see it as our job to help our customers achieve their purpose. Whether it is hospitals healing patients, businesses boosting productivity, airports transferring passengers or manufacturing sites producing goods, we are there to help.

People make places and places make people.

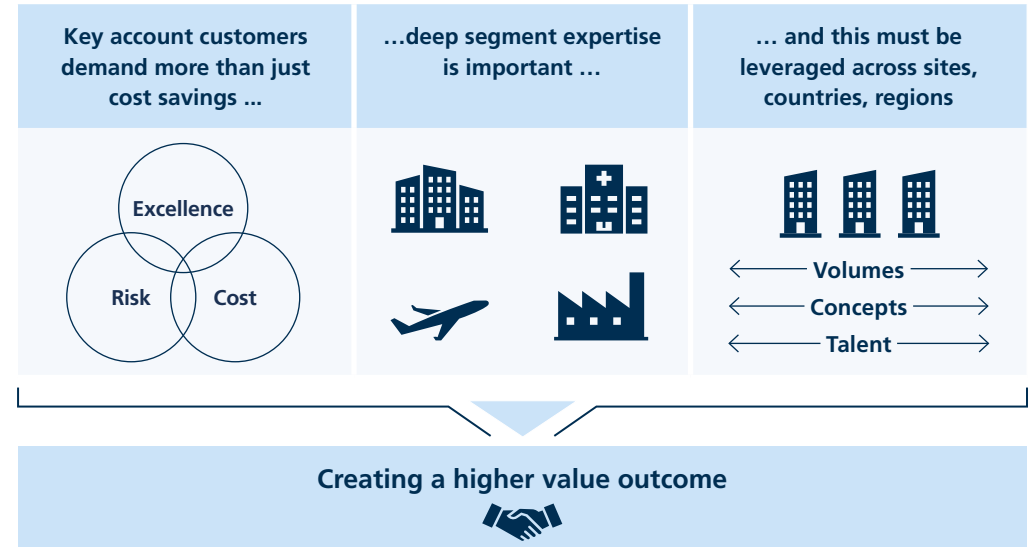
We know that when we get things right, it enhances lives and makes the world work better – and that is what drives us.

FOCUS ON KEY ACCOUNTS

Increasingly our focus is on key account customers. These are customers demanding a higher value outcome from the work we perform. They require **cost savings** but not at the expense of **service excellence** or **risk assurance**. Industry segment expertise is critical, and they expect us to deliver solutions that support their core business needs. This key account market comprises around 40% of the global USD 1 trillion outsourced facility management market. It remains a highly fragmented market with only a small handful of players with the capability to credibly offer national or multinational solutions. ISS is a leader in this market with an estimated market share of less than 2%.

BUILDING OUR SERVICE CAPABILITY

ISS is changing and will continue to change over the coming years. As this happens, our impact on working communities becomes greater – consistent with our customers' needs. We have built a full suite of facility services with self-delivery capabilities. Whilst facility services remain our core business, they are now just one part of our offering to customers. Today, our value proposition to key account customers covers not only their property (**place**), but also their impact on the environment (**planet**) and the engagement of building users (**people**). We are strengthening our service capabilities even further through a programme of accelerated investment running until 2021, most notably in areas including technology, data and workplace management.



THE ISS INVESTMENT CASE

We are a leading, global provider of workplace and facility service solutions. We are currently undertaking an accelerated investment programme to strengthen our competitiveness with key account customers. We expect this to support industry-leading growth, robust margins and strong cash flow – sustainably over the medium to longer term.

 **Our Strategy**, p. 26

¹⁾ 10-year average margin +/- 1 standard deviation.

²⁾ Definitions, p. 96.



INDUSTRY LEADERSHIP

ISS is a leading, global provider of workplace and facility service solutions. Our leadership position has been established over more than a century. We are able to serve our customers across the globe in locations that account for the vast majority of the world's GDP. We offer a breadth of services within workplace and facility management, typically delivered by our own trained, motivated and empowered workforce. We pride ourselves in offering high standards by people who care – about the people they serve and the places and planet they seek to protect. This leadership position has allowed us to win some of the largest workplace and facility management contracts. Both private and public sector organisations outsource these services to us because we bring insight, scale and excellence – driving intelligent solutions, greater efficiency and allowing these customers to focus on their own purpose.



INDUSTRY-LEADING GROWTH

Our offering is broadly resilient to macroeconomic developments and as such, ISS has experienced just one year of negative organic growth during the last 25 years. With our ongoing shift toward key accounts, we are becoming a structurally higher growth business. We estimate the workplace and facility management market for key accounts to be worth USD 400 billion. Despite our industry leadership position, our market share is less than 2%. However, these customers are consolidating their supplier bases – across service lines and geographies – and we are benefitting from this trend and increasing our share of customer wallet. In 2019, this shift was already starting to come through with an organic growth of 7.1%. We expect this to continue and hence target industry-leading organic growth of 4%-6% over the medium term.



ROBUST MARGINS

Our business model is inherently flexible. Our fixed costs are low with most of our expenditure contract-related. As such, ISS has a track record of robust operating margins through the cycle. During the last decade our operating margins (incl. restructuring) were typically within a tight range of 0.9%-points¹⁾. We are accelerating our shift towards key accounts and undertaking a three-year (2019-2021) investment programme – primarily in technology, data and workplace management. In 2019, this investment, coupled with a small number of negative, largely one-off items, put pressure on our margin. However, as margins start to normalise and our investments further strengthen our competitiveness, we expect operating margin to be above 4.5% in 2020 and around 5.5% in the medium term.



STRONG CASH FLOW

Our business is capital light but people-intensive. As such, working capital is our most important cash flow item. The decision to simplify our business by exiting certain countries and non-core business units by the end of 2020 will reduce risk and strengthen our performance. Moreover, a growing key account focus increases the quality of our customer base. This forms the basis for strong cash flow which has been central to our story in the past and will be in the future. As with operating margins, the free cash flow in 2019 was negatively impacted by short-term impacts, most of which were one-off in nature. We expect free cash flow to increase to above DKK 2.0 billion in 2020 and around DKK 3 billion in the medium term.

OPTIMAL CAPITAL ALLOCATION

1 Capital structure

- Strong and efficient balance sheet with an investment grade financial profile
- Financial leverage target below 2.8x pro forma adjusted EBITDA²⁾

2 Capital expenditure/ net working capital

- Meet the modest ongoing capital needs of an asset-light business

3 Ordinary dividend policy

- Targeted pay-out ratio of approx. 50% of Net profit (adjusted)
- At least DKK 7.70 per share during our transformation period (2019-2021)

4 Acquisitions and divestments

- Finalisation of our divestment programme in 2020
- Highly selective acquisitions – predominantly within technical services, food and workplace management and design

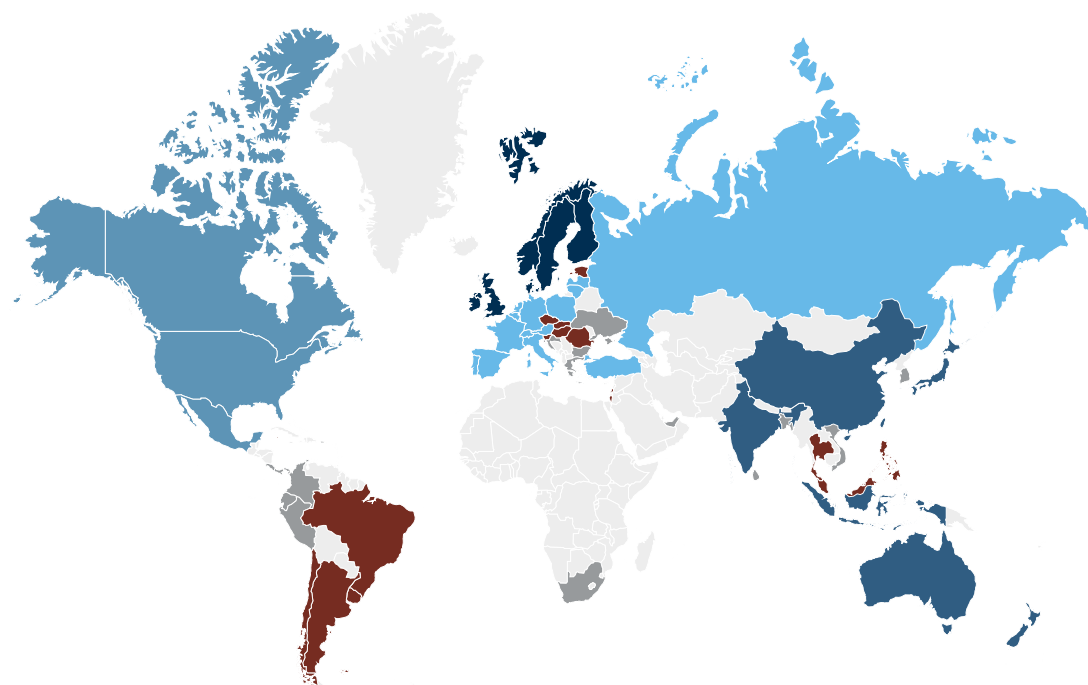
5 Additional shareholder returns

- Extraordinary dividends or share buy-backs
- At least 25% of net divestment proceeds (DKK 2.0-2.5 bn) in 2020

OUR GLOBAL FOOTPRINT

We leverage our global presence to meet the demand from key account customers in need of workplace and facility service solutions across borders.

With our sharpened focus on key accounts, we are also becoming more selective on the geographies we need to be in. As such, we are in the process of selling off a number of businesses that do no longer fit the future ISS journey.



CONTINENTAL EUROPE

39%
of Group revenue

12%
organic growth

55%
key account share

144,502
employees

NORTHERN EUROPE

32%
of Group revenue

4%
organic growth

73%
key account share

70,815
employees

ASIA & PACIFIC

17%
of Group revenue

5%
organic growth

60%
key account share

160,732
employees

AMERICAS

11%
of Group revenue

2%
organic growth

59%
key account share

25,107
employees

OTHER COUNTRIES

1%
of Group revenue

Countries to be divested

OUTLOOK

OUTLOOK 2020

The outlook does not reflect financial impacts related to the announced malware attack or to the Coronavirus, as the situation remains too uncertain to assess an impact at this point.

Organic growth is expected to be above 4% (2019: 7.1%) driven by generally solid commercial momentum. In 2019, we won, extended and expanded contracts with many customers. Together with an improving retention rate (91%) and a limited amount of revenue with large key accounts up for renewal, 2020 is expected to be another year of solid organic growth. However, the demand for projects and above-base work remains uncertain.

Operating margin is expected to increase to above 4.5% (2019: 4.2%) driven partly by run-rate improvements in 2020, including the initiated efficiency plan, and the normalisation of certain significant short-term headwinds in 2019, notably, the DKK 150 million provision and elevated restructuring. The margin improvement will be partly offset by the impact from the loss of Novartis of 0.1%-0.2%-point.

The outlook is adjusted compared to the preliminary expectation of around 5.0% communicated in November 2019. Most margin drivers remain unchanged. The adjustment reflects a more conservative approach to guiding altogether and takes account of a higher level of short-term uncertainty. On the large loss-making contract in Denmark, recent incrementally positive discussions with the customer led to not recognising an onerous contract provision in 2019, as otherwise expected. As such, the contract is now expected to deliver an operating loss in 2020, albeit less than in 2019, before benefits from the renegotiation fully materialise.

☰ The outlook should be read in conjunction with **"Forward-looking statements"**, p. 10 and **Our business risks**, pp. 32–34

2020 OUTLOOK AND MEDIUM-TERM TARGETS

	Outlook 2020 ¹⁾	Preliminary expectations 2020 ²⁾	Medium-term targets
Organic growth	Above 4%	Above 4%	Industry-leading organic growth of 4%-6%
Operating margin	Above 4.5%	Around 5.0%	Stable operating margins around 5.5%
Free cash flow (reported)	Above DKK 2.0 bn	DKK 2.1-2.5 bn	Strong free cash flow around DKK 3.0 bn ³⁾

¹⁾ Excluding any impact from acquisitions and divestments completed subsequent to 14 February 2020 as well as currency translation effects.

²⁾ As announced in the Q3 Trading Update in November 2019.

³⁾ In constant currency relative to 10 December 2018 when the medium-term target was originally set.

Free cash flow (reported) is expected to increase significantly to above DKK 2.0 billion (preliminary expectation: DKK 2.1-2.5 billion), supported by the normalisation of net negative one-offs from 2019 as well as revenue growth and improved operating performance. We do not expect a material change in the utilisation of factoring, which will be driven by growth in key accounts.

Based on the forecasted average exchange rates for the year 2020 ⁴⁾, we expect a positive impact on revenue growth in 2020 of approximately 1%-point from developments in foreign exchange rates.

EXPECTED REVENUE IMPACT FROM DIVESTMENTS, ACQUISITIONS AND FOREIGN EXCHANGE RATES IN 2020

We expect the divestments and acquisitions completed by 14 February 2020 (including in 2019) to have a negative impact on revenue growth in 2020 of approximately 1-2%-points. In the absence of acquisitions, the negative revenue impact is likely to increase during the year as we execute on the strategic divestment programme in relation to non-core business units. Countries to be divested continue to be reported as discontinued operations and will not impact revenue growth upon divestment.

⁴⁾ The forecasted average exchange rates for the financial year 2020 are calculated using the realised average exchange rates for the first month of 2020 and the average forward exchange rates for the last eleven months of 2020.

DELIVERY ON 2019 OUTLOOK

	Realised 2019	Trading update Q3 2019	Interim report Q2 2019	Annual report 2018
Organic growth	7.1%	6.5%-7.5%	6.5%-7.5%	5%-7%
Operating margin	4.2%	Above 4.2%	5.0%-5.1%	5.0%-5.2%
Free cash flow (reported)	DKK 0.4 bn	DKK 0.6-1.0 bn	DKK 1.8-2.2 bn	DKK 1.8-2.2 bn
Free cash flow (adjusted)	DKK 1.6 bn	DKK 1.6-2.0 bn	DKK 2.0-2.4 bn	DKK 2.0-2.4 bn

FOLLOW UP ON OUTLOOK 2019

For our three key financial objectives, organic growth, operating margin and free cash flow, we ended 2019 as shown in the table above compared to the outlook announced in connection with the annual report for 2018 and subsequent updates.

MEDIUM-TERM TARGETS

Our medium-term targets are maintained as follows:

- **Industry-leading organic growth of 4%-6%** driven by further strengthened delivery capabilities, continued strong demand from key accounts and an improving business mix
- **Robust operating margins of around 5.5%** reflecting a normalisation of margins on a resilient operating model with a flexible cost structure
- **Strong free cash flow of around DKK 3 billion**¹⁾ driven by solid organic growth, improving EBITDA margins and the elimination of short-term transformational investments and transitioning and mobilising Deutsche Telekom.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements, including, but not limited to, the guidance and expectations in Outlook on pp. 9-10. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words may, will, should, expect, anticipate, believe, estimate, plan, predict, intend or variations of such words, and other statements on matters that are not historical fact or regarding future events or prospects, are forward-looking statements. ISS has based these statements on its current views with respect to future events and financial performance. These views involve risks and uncertainties that could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of ISS. Although ISS believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the facility service industry in general or ISS in particular including those described in this report and other information made available by ISS. As a result, you should not rely on these forward-looking statements. ISS undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

¹⁾ In constant currency relative to 10 December 2018 when the medium-term target was originally set.

KEY FIGURES

Definitions, p. 96

¹⁾ As of 1 January 2019, the Group has implemented IFRS 16 using the modified retrospective approach. Consequently, comparative figures have not been restated.

²⁾ The Group uses Operating profit before other items for the calculations instead of Operating profit. From 2019, operating margin includes restructuring costs, which were previously reported in Other income and expenses, net. Comparative figures have been restated accordingly.

³⁾ Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.

⁴⁾ In 2019, 2018 and 2017, Argentina, Brazil, Brunei, Chile, the Czech Republic, Estonia, Hungary, Israel, Malaysia, the Philippines, Romania, Slovenia, Slovakia, Thailand and Uruguay are treated as discontinued operations. In 2016, only Argentina and Uruguay were discontinued operations.

⁵⁾ Following the implementation of IFRS 16, we have updated the definition of Free cash flow to include addition of right-of-use assets, net, see Definitions p. 96. Comparative figures have not been restated.

⁶⁾ Included DKK 4.00 in extraordinary dividend paid out per share.

DKK million (unless otherwise stated)	2019 ^{1) 4)}	2018 ⁴⁾	2017 ⁴⁾	2016 ⁴⁾	2015
Revenue	78,555	73,592	73,577	78,658	79,579
Operating profit before other items ²⁾	3,290	3,698	3,995	4,403	4,363
Operating margin ²⁾	4.2%	5.0%	5.4%	5.6%	5.5%
Operating profit	2,558	2,386	3,247	3,567	3,828
Financial expenses, net	(704)	(590)	(498)	(465)	(709)
Net profit (adjusted) ³⁾	2,100	2,084	2,424	2,873	2,785
Net profit from continuing operations	1,178	1,223	2,130	2,228	2,218
Net profit/(loss) from discontinued operations ⁴⁾	193	(932)	(123)	(8)	-
Net profit	1,371	291	2,007	2,220	2,218
Cash flow from operating activities	2,064	3,347	3,613	3,690	3,706
Addition of right-of-use assets, net	592	-	-	-	-
Acquisition of intangible assets and property, plant and equipment, net	(1,095)	(968)	(907)	(805)	(841)
Free cash flow ⁵⁾	366	2,359	2,699	2,910	2,835
Total assets	50,061	49,811	50,835	48,782	49,285
Goodwill	21,257	20,911	22,894	22,354	22,868
Additions to property, plant and equipment	673	882	742	649	746
Equity	12,547	12,472	13,814	13,910	14,494
Equity ratio	25.1%	25.0%	27.2%	28.5%	29.4%
Full-time employees	77%	76%	76%	74%	74%
Number of employees end of period	471,056	485,908	488,946	494,233	504,816
Organic growth	7.1 %	3.9 %	2.9 %	3.4 %	4.4 %
Acquisitions and divestments, net	(1.2)%	(0.5)%	(6.9)%	(1.3)%	(1.2)%
Currency adjustments	0.8 %	(3.4)%	(2.5)%	(3.2)%	4.2 %
Total revenue growth	6.7 %	0.0 %	(6.5)%	(1.2)%	7.4 %
Pro forma adjusted EBITDA	4,838	4,539	4,964	5,072	5,073
Net debt	14,730	10,757	11,325	10,977	11,115
Net debt / Pro forma adjusted EBITDA	3.0x	2.4x	2.3x	2.2x	2.2x
Basic earnings per share (EPS), DKK	7.3	1.5	10.9	12.1	12.0
Diluted earnings per share, DKK	7.3	1.5	10.8	12.0	11.9
Adjusted earnings per share, DKK	11.2	11.2	13.1	15.5	15.0
Basic earnings per share (EPS), DKK (continuing operations)	6.3	6.6	11.6	12.1	-
Diluted earnings per share, DKK (continuing operations)	6.2	6.5	11.5	12.0	-
Adjusted earnings per share, DKK (continuing operations)	9.3	12.3	13.2	15.6	-
Proposed dividend per share, DKK	7.70	7.70	7.70	11.70 ⁶⁾	7.40
Number of shares issued (in thousands)	185,668	185,668	185,668	185,668	185,668
Number of treasury shares (in thousands)	970	1,001	1,509	2,120	1,777
Average number of shares (basic) (in thousands)	184,692	184,558	184,027	183,613	184,050
Average number of shares (diluted) (in thousands)	186,000	185,420	185,299	185,054	185,208

ISS AUSTRIA:

Transforming local know-how into global success

In Austria, a market dominated by small, single-service players, ISS is unique: First, our size enables us to develop solutions for our key accounts and share what we learn with other customers. Second, we offer a full suite of facility services delivered by our own people – most recently fresh food – that removes customers' complexity, risk and cost of managing multiple providers. And by bringing the key account-focused strategy to life, ISS Austria has tripled market share over the past seven years.

FROM LOCAL TO GLOBAL FOCUS

Having started as an ISS window cleaner, Country Manager Erich Steinreiber understands the value of nurturing talent. He himself has benefitted from ISS's global learning & development programmes, including Leadership Mastery, which builds diverse top talent. Today, investing in people is key to Erich's local strategy – since 2012 ISS Austria has introduced the ISS Global Management Trainee Programme for young talent, our Key Account Manager Certification, and our Service with a Human Touch training for service professionals at the 34 largest contracts.

A new regional organisational structure also ensured customers benefitted from

a larger talent pool and consistency across sites. This approach built solid partnerships; in 2019, our retention rate for key accounts was nearly 100%.

But as customers have become more global, ISS Austria's regional structure has reached its limitations. Today, our expertise needs to transfer across borders. So, focus is shifting to our global approach, with a structure based on industry sectors. This has already paid off. We have expanded our relationship with a world-leading life science company in Austria to become a global partnership, and set the standard for other customers in the sector.

LOOKING TO THE FUTURE

Austria exemplifies the global outsourced FM market – highly fragmented with only few players being able to offer global solutions. Global companies, in particular, can benefit from our segment expertise and ability to leverage volume, concepts and talent across sites and borders. And we can help smaller customers along the journey towards a regional or even global mindset. This emphasis on knowledge-sharing not only supports our position as the number one facility services provider in Austria – it also makes us a true global partner.

Erich Steinreiber
Country Manager



5 annual **best employer awards** in Austria over the past 5 years

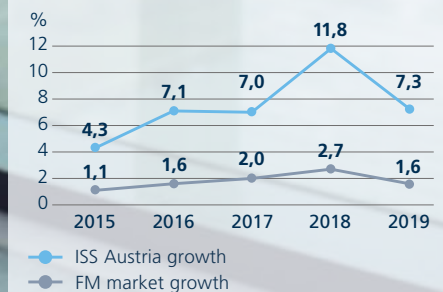


Retention rate for our largest customers was **nearly 100 %**



Full self-delivery of food services introduced, supported by acquisitions

ISS AUSTRIA ORGANIC GROWTH VS. FM MARKET GROWTH



GROUP PERFORMANCE

Historically strong organic growth and improving underlying free cash flow, despite selective operational challenges.

OPERATING RESULTS

Group revenue for 2019 was DKK 78.6 billion, an increase of 6.7% compared with 2018. Organic growth was 7.1%, acquisitions and divestments, net reduced revenue by 1.2% and the impact from currency effects increased revenue by 0.8%.

Organic growth was driven by generally strong commercial momentum with a high number of key account contract wins, extensions and expansions and by the launch of the Deutsche Telekom contract on 1 July 2019. The retention rate improved to approximately 91% in 2019 (2018: 90%) and 94% for key accounts (2018: 93%). The contribution from projects and above-base work remained solid, albeit with a slow-down towards the end of the year. All regions delivered positive organic growth with double-digit rates in Continental Europe and mid-single digit rates in Northern Europe and Asia & Pacific. Americas also delivered positive growth rates despite revenue reductions on the back of planned exits from small specialised services contracts.

In Continental Europe – in addition to the Deutsche Telekom contract – growth was driven by strong key account growth especially in Turkey, Iberia and the Netherlands as well as price increases in Turkey due to high inflation and continued demand for projects and above-base work in general. Asia & Pacific experienced strong growth in most countries and particularly in Australia due to key account contract launches in the second half of 2018. In Northern Europe, growth was driven by several key account contract launches and expansions in 2018 and 2019 in the UK and Denmark as well as continued demand for projects and above-base work in particular in the UK & Ireland, Finland and Norway. In Americas, growth was driven by key account contract expansions and launches in Food Services and the aviation segment, though

REVENUE AND ORGANIC GROWTH

DKK million	2019	2018	Organic	Acq./div.	Currency adjustment	Growth 2019
Continental Europe	30,608	28,006	12 %	(3)%	(0)%	9 %
Northern Europe	25,037	24,413	4 %	(1)%	(0)%	3 %
Asia & Pacific	13,739	12,725	5 %	-	3 %	8 %
Americas	8,459	7,847	2 %	-	6 %	8 %
Other countries	760	667	16 %	(5)%	3 %	14 %
Corporate / eliminations	(48)	(66)	-	-	-	-
Total	78,555	73,592	7.1 %	(1.2)%	0.8 %	6.7 %

OPERATING PROFIT¹⁾ AND MARGIN

DKK million	2019		2018		Organic	Acq./div.	Currency adjustment	Growth 2019
Continental Europe	1,534	5.0 %	1,725	6.2 %	(13)%	1 %	1 %	(11)%
Northern Europe	1,119	4.5 %	1,538	6.3 %	(27)%	(0)%	-	(27)%
Asia & Pacific	753	5.5 %	847	6.7 %	(14)%	-	3 %	(11)%
Americas	448	5.3 %	228	2.9 %	87 %	-	10 %	97 %
Other countries	38	5.0 %	(1)	(0.1)%	-	-	-	-
Corporate / eliminations	(602)	(0.8)%	(639)	(0.9)%	-	-	-	5 %
Total	3,290	4.2 %	3,698	5.0 %	(12.5)%	0.9 %	0.6 %	(11.0)%

partly offset by the planned exits from a number of small specialised services contracts.

Operating profit before other items was DKK 3,290 million in 2019 for an operating margin of 4.2% (2018: 5.0%). As announced in the Annual Report 2018, the operating margin now includes restructuring costs (previously reported in Other income and expenses, net). Comparatives have been restated accordingly.

Although operating profit was supported by the strong growth, ongoing productivity improvement plans and the confirmed turnaround of

our business in the US and in Sweden, we faced selective but notable operational challenges in regards to delay in the net benefits from the ongoing reorganisation of our operations in France, as well as two loss-making contracts in Hong Kong and in Denmark. Furthermore, the launch of the announced transformational investment programme (2019-2021) impacted the performance. In addition, a provision of DKK 150 million was recognised to cover risks identified through changed systems in the UK and the onerous contract in Hong Kong.

¹⁾ Before other items.

In Northern Europe, Denmark reported a shortfall due to one loss-making contract following a challenging transition and misalignment of expectations. Additionally, the margins decreased in the UK, where we continued to invest in consolidation, centralisation and automation (one of our transformational projects) as well as due to a provision related to risks identified through changed systems. In Continental Europe, margin was adversely impacted by operational inefficiencies in France and tough comparator performance in Germany due to a one-off settlement in 2018. In Asia & Pacific, the decrease was mainly due to Hong Kong following a mispriced loss-making contract and political turmoil. These decreases were only partly compensated by Americas showing solid improvement driven by turnaround initiatives, efficiency improvements and continued accretive growth in Food Services.

Corporate costs amounted to 0.8% of revenue (2018: 0.9%).

Other income and expenses, net was an expense of DKK 93 million (2018: net expense of DKK 125 million), predominantly due to divestment-related costs in the Netherlands and the UK.

Goodwill impairment was DKK 304 million (2018: DKK 724 million) mainly due to divestment of the Hygiene & Prevention business in France.

Operating profit was DKK 2,558 million (2018: DKK 2,386 million). The improvement was due to lower goodwill impairment and amortisation of customer contracts, partly offset by the decrease in operating profit before other items.

Financial income and expenses, net was an expense of DKK 704 million (2018: DKK 590 million). The increase was mainly due to the

implementation of IFRS 16 leading to additional DKK 81 million being presented as interest expenses in 2019. In addition, the early refinancing of the 2020 EMTNs in June resulted in higher gross debt until the 2020 EMTNs were repaid in October. Furthermore, interest expenses increased due to higher average net debt during 2019. This was partly offset by an immaterial foreign exchange impact in 2019 compared with a loss of DKK 34 million in 2018. The increase in interest expenses related to the early refinancing was largely of a temporary nature.

The effective tax rate for 2019 was 29.8% (2018: 23.5%) calculated as Income taxes (adjusted) of DKK 743 million divided by Profit before tax (adjusted) of DKK 2,493 million. The effective tax rate was negatively impacted by a valuation allowance on deferred tax assets in France. Adjusted for this valuation allowance, the effective tax rate was 24.8%.

Net profit (adjusted) was DKK 2,100 million (2018: DKK 2,084 million). The increase was driven by an improved net profit from discontinued operations (adjusted) partly offset by lower operating profit before other items and higher financial expenses, net.

Net profit from discontinued operations was DKK 193 million (2018: a loss of DKK 932 million), including an impairment loss of DKK 157 million mainly due to the divestment of Israel and an accounting gain of DKK 146 million related to recycling of accumulated foreign exchange gains related to divestments. Please refer to note 3.1 in the consolidated financial statements for further details.

Net profit was DKK 1,371 million (2018: DKK 291 million). The improvement was mainly due to lower goodwill impairment and amortisation of

customer contracts and improved net profit from discontinued operations, partly offset by lower operating profit before other items, higher financial expenses, net and higher income taxes.

EFFICIENCY PROGRAMME

As a consequence of our disappointing performance in 2019 and having aligned and simplified the country organisations over a number of years, we have in November 2019 launched an efficiency programme targeting corporate cost savings at Group level. Through prioritisation and selective postponement of projects together with people changes, the programme targets around DKK 400 million in combined savings across both operating expenses and capital expenditure. The in-year reduction in operating expenses in 2020 is expected to be around DKK 200 million.

BUSINESS DEVELOPMENT

Delivering service solutions to our **key account** customers, especially Integrated Facility Services (IFS), is a key part of our strategy. Our key account customers comprise all our global key accounts as well as regional and country key accounts. In total, key accounts represented 63% of Group revenue in 2019 (2018: 59%), including Global Key Accounts representing 16% of Group revenue (2018: 14%).

Revenue from key accounts grew organically by 11.0% to DKK 49.2 billion, significantly supported by the launch of the Deutsche Telekom contract on 1 July, the single-biggest contract in ISS history. The launch was on time and on all sites and the stabilisation following the launch is progressing as expected. The operating margin in the second half of 2019 has been in line with expectations.

In addition to Deutsche Telekom, growth was driven by contracts launched in 2018, primarily with an international food and beverage company and a company in the Industry & Manufacturing segment. Furthermore, the start-up of the new contract with a technology service company as well as the expansion of the Barclays contract and the conversion and expansion of the Vattenfall contract into a global key account contributed to the growth. We also experienced solid demand for non-portfolio services across our key account contracts.

Furthermore, a large number of contracts was extended and expanded as illustrated in the contract overview on next page supporting the high key account growth in the year.

As previously announced, our global contract with Novartis with an annual revenue of around DKK 2.0 billion expired on 31 December 2019. Service delivery for around DKK 0.5 billion will be retained, leading to a net revenue loss of around DKK 1.5 billion. The expected annualised first-year net negative margin impact, including exit-related costs, remains 0.1-0.2%-point on Group margin.

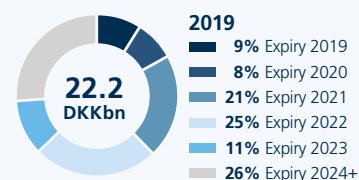
CONTRACT MATURITY

Our revenue base consists of a mix of yearly contracts, which are renewed tacitly, and thousands of multi-year contracts, the majority of which have an initial term of three to five years. A significant share of our revenue is therefore up for renewal every year. To mitigate this inherent business risk, we have a strong focus on customer satisfaction and as part of our contract management processes, we continuously and proactively work with our customers to seek contract renewals or expansions well in advance of expiry. As a result, our retention rate of customer contracts is 91% (2018: 90%) and 94% for key accounts (2018: 93%). In terms of revenue up for renewal in any given year, the majority relates to a very large number of small contracts. However, an analysis of our large key account customers helps illustrate those contracts which, individually, may have a visible impact on the Group's future revenue development. This analysis is based on all key account customers generating annual revenue in 2019 in excess of DKK 200 million.

In 2019, large key account contracts generated revenue of approximately DKK 22.2 billion, or 28.2% of Group revenue (based on realised revenue in 2019).

As illustrated in the chart to the right, going into 2020 only Novartis has been lost and customer contracts representing annual revenue of DKK 2.0 billion (2.5% of Group revenue) are up for renewal in 2020.

CONTRACT MATURITY, LARGE KEY ACCOUNTS ¹⁾



¹⁾ Key account customers generating annual revenue in 2019 in excess of DKK 200 million.

Please note, that the analysis only shows the maturity of existing customer contracts and not the impact from expansion of existing contracts or new contracts, which have been signed but are yet to commence.

KEY CONTRACT DEVELOPMENTS

WINS

	COUNTRIES	SEGMENT	TERM	EFFECTIVE DATE
Public Administration Company	Iberia	Public Administration	1 year	Q3 2019
The Danish Building and Property Agency	Denmark	Public Administration	7 years	Q4 2019
Hong Kong Airport Authority	Hong Kong	Public Administration	3 years	Q1 2020

EXTENSIONS/EXPANSIONS

CITI Americas	Mexico	Business Services & IT	5 years	Q1 2019
Santander	UK	Business Services & IT	5 years	Q2 2019
Singapore General Hospital	Singapore	Healthcare	5 years	Q2 2019
Food and beverage company ¹⁾	Global	Industry and Manufacturing	5 years	Q2 2019
International bank	Italy	Business Services & IT	5 years	Q2 2019
Danske Bank ¹⁾	Global	Business Services & IT	3 years	Q2 2019
National University Health Systems	Singapore	Healthcare	3 years	Q2 2019
Roy Hill Holdings	Australia	Energy and Resources	3 years	Q2 2019
Financial services company	Spain	Business Services & IT	5 years	Q3 2019
International manufacturing company ¹⁾	Global	Industry and Manufacturing	5 years	Q3 2019
Global professional services company	Nordic	Business Services & IT	5 years	Q4 2019
International Bank	Switzerland	Business Services & IT	5 years	Q4 2019
Brisbane Airport	Asia & Pacific	Transportation and storage	3 years	Q4 2019
Hotel chain	Norway	Hotel, Leisure & Entertainment	5 years	Q1 2020
Energy and resource company	Germany	Energy and Resources	2 years	Q1 2020
Vattenfall ¹⁾	Germany	Industry and Manufacturing	2 years	Q1 2020
Foreign Commonwealth Office	Asia & Pacific	Business Services & IT	1 year	Q1 2020
IT and telephone service provider	Spain	Business Services & IT	5 years	Q1 2020
Lewisham and Greenwich NHS Trust	UK	Healthcare	7 years	Q1 2020

LOSSES/REDUCTIONS

Novartis ¹⁾	Global	Pharmaceuticals	-	Q1 2020
Norwegian Defence	Norway	Public Administration	-	Q1 2020
ICA	Sweden	Retail and Wholesale	-	Q4 2019

¹⁾ Global key account.

FREE CASH FLOW

Our ability to manage the capital intensity required to operate, grow and improve our business is paramount and driving strong cash flows remains a key priority for ISS. As previously communicated, we have updated the definition of free cash flow following the implementation of IFRS 16 to include additions and disposals of leased assets.

In 2019, we generated nominal free cash flow of DKK 366 million (2018: DKK 2,359 million), which was heavily impacted by our decision to tighten our principles for utilisation of factoring, thus driving a significant reduction hereof. Adjusted for the variation in utilisation of factoring, our free cash flow improved by DKK 807 million in 2019 to DKK 1,621 million (2018: DKK 814 million), which was in line with our expectations for the year.

This improvement was obtained despite free cash flow in 2019 being impacted by net negative one-offs. Worth noting was substantial headwinds from particularly transition, mobilisation and launch of the Deutsche Telekom contract of approximately DKK 900 million. This was only partly offset by a cash inflow related to a settlement in 2018 of around DKK 300 million and approximately DKK 300 million related to reassessment of extension options of certain leased properties as a result of major contract developments in the year and the launched efficiency programme. Other net one-offs were broadly neutral, including among others interest expenses related to early refinancing and tax refunds.

In a business environment with continued customer pressure for longer payment terms, the improvement reflects our general focus on

cash flows across the business as well as good progress on cash improvement initiatives such as ensuring timely customer payments and driving cash flow benefits from our supply chain.

Cash flow from operating activities amounted to DKK 2,064 million (2018: DKK 3,347 million). The decrease in cash inflow was mainly due to a DKK 2.8 billion variation in utilisation of factoring, with a reduction of DKK 1,255 million in factoring in 2019 compared with an increased utilisation in 2018 of DKK 1,545 million. Excluding variations in factoring, cash flow from operating activities improved DKK 1,517 million to DKK 3,319 million in 2019 (2018: DKK 1,802 million). A significant part of the improvement was due to the implementation of IFRS 16 effectively moving lease payments of DKK 1.1 billion to cash flow from financing activities. However, progress was seen on a number of improvement initiatives, e.g. supplier payment terms and debtor days of 49 days (adjusted for factoring) (2018: 50 days) despite high organic growth, including the launch of the Deutsche Telekom contract.

Cash flow from investing activities was a net outflow of DKK 530 million (2018: net outflow of DKK 985 million). Cash outflow from investments in intangible assets and property, plant and equipment, net, of DKK 1,095 million (2018: DKK 968 million) represented 1.3% (2018: 1.2%) of total revenue including discontinued operations. Cash flow from divestment of activities was an inflow of DKK 691 million, most significantly related to the Hygiene & Prevention business in France as well as Israel and Estonia.

Cash flow from financing activities was a net outflow of DKK 5,871 million (2018: outflow of DKK 1,723 million). Proceeds from the issuance of the 7-year EMTN bonds for a principal amount

of EUR 500 million which together with cash proceeds were used to early repay the EUR 700 million EMTN bonds maturing January 2020. Furthermore, we repaid part of the EUR 500 million EMTN bonds maturing January 2021, leading to a net repayment of DKK 3,022 million. In addition, ordinary dividends paid to shareholders amounted to DKK 1,422 million and repayment of lease liabilities following the implementation of IFRS 16 was DKK 1,080 million.

STRATEGIC DIVESTMENTS AND ACQUISITIONS

DIVESTMENTS AND ASSETS HELD FOR SALE

In 2018, we announced our intention to divest 15 countries and a number of business units. The strategic divestment programme is proceeding and is expected to be completed by 2020. The only significant divestment running behind is Chile. We remain committed to divest the business; however, the process in Chile has temporarily been paused until the political situation in the country allows for adequate valuation.

In 2019, we divested Argentina, Uruguay, Estonia and Israel. Thus, by the end of 2019, four of the 15 countries presented as discontinued operations and classified as held for sale had been divested. In addition, we completed the divestment of the Hygiene & Prevention business in France, the Direct Cleaning business in Germany and some minor non-core activities in Spain.

The net consideration received in 2019 was DKK 918 million consisting of net cash proceeds of DKK 691 million and loans and borrowings of DKK 227 million divested as part of the transactions. As such, around 40% of the combined expected net divestment proceeds of DKK 2.0-2.5 billion have been collected.

FREE CASH FLOW

DKK million	2019	2018
Cash flow from operating activities	2,064	3,347
Acquisition of intangible assets and property, plant and equipment	(1,133)	(1,052)
Disposal of intangible assets and property, plant and equipment	38	84
Acquisition of financial assets, net ¹⁾	(11)	(20)
Addition of right-of-use assets, net ²⁾	(592)	-
Free cash flow (reported)	366	2,359
Factoring variation	1,255	(1,545)
Free cash flow (adjusted)	1,621	814

¹⁾ Excluding investments in equity-accounted investees.

²⁾ See 2.1, Property, plant and equipment and leases in the consolidated financial statements.

At 31 December 2019, 13 businesses were classified as held for sale comprising 11 countries, one business in Asia & Pacific and one business in Northern Europe. Assets and liabilities held for sale amounted to DKK 1,806 million (2018: DKK 3,300 million) and DKK 905 million (2018: DKK 1,779 million), respectively.

Divestments and revaluation of businesses classified as held for sale (including discontinued operations) resulted in a net loss before tax of DKK 425 million in 2019 (2018: loss of DKK 1,755 million) and was recognised in Goodwill impairment, DKK 304 million, Other income and expenses, net, DKK 84 million and Net profit from discontinued operations, DKK 37 million (positively impacted by recycling of accumulated foreign exchange gains related to divestments of DKK 146 million).

ACQUISITIONS

To further strengthen our key account capabilities, we will pursue selective bolt-on acquisition opportunities with the aim of filling white spots, predominantly within technical services, food services and workplace management and design. In 2019, we made two acquisitions; JH Catering Ltd., a business catering company in Austria, and the Front of House activities of Avarn Security Oy in Finland. Combined, the annual revenue is estimated at DKK 124 million with around 242 employees.

CAPITAL STRUCTURE

Our capital allocation principles are firm. We wish to maintain a strong and efficient balance sheet and to strike an optimal balance between reinvesting capital back into our business and returning surplus funds to our shareholders.

At the annual general meeting to be held on 2 April 2020, the Board will propose a dividend for 2019 of DKK 7.70 per share of DKK 1, equivalent to a pay-out of DKK 1,430 million. In addition, the ordinary dividend for 2020 has been committed to be at least DKK 7.70 per share. As previously announced, we intend to return at least 25% of the expected net divestment proceeds of DKK 2.0-2.5 billion to our shareholders in 2020.

In line with our Financial Policy, our objective is to maintain an investment grade financial profile with a financial leverage below 2.8x pro forma adjusted EBITDA, taking seasonality into account. Leverage is calculated for the entire Group, i.e. including discontinued operations.

At 31 December 2019, the financial leverage was 3.0x (2018: 2.6x (adjusted)) with net debt of DKK 14,730 million (2018: DKK 10,757 million). The increase compared to last year was

mainly driven by lower operating performance and lower free cash flow among others due to a reduction in the utilisation of non-recourse factoring. We expect leverage to gradually come down through EBITDA growth and improved free cash flow.

In 2019, ISS Global A/S successfully issued 7-year EMTN bonds for a principal amount of EUR 500 million with a coupon of 0.875% and a maturity date on 18 June 2026. The notes were issued under ISS Global A/S's EUR 3 billion European Mid Term Note (EMTN) programme, which is listed on the Luxembourg Stock Exchange. The net proceeds were together with surplus cash used for the early repayment in October 2019 of EUR 700 million EMTNs maturing in January 2020. In addition, ISS Global A/S in December 2019 successfully completed a cash tender for EUR 200 million EMTNs maturing in January 2021 leaving EUR 300 million EMTNs maturing in January 2021 outstanding. As such, the net repayment of bonds was DKK 3,022 million.

The Group uses non-recourse factoring with certain large blue-chip customers and participates in certain customers' supply chain finance (SCF) arrangements (throughout the report referred to as "factoring") when funding rates are attractive and payment terms exceed normal market practice. Large key account customers generally demand longer payment terms and using non-recourse factoring ensures that the working capital tie-up consumes credit capacity of the customer rather than ISS. At 31 December 2019, the total off-balance sheet value of these programmes was DKK 1.4 billion linked to around 50 large key account customers. ISS does not make use of reverse factoring or supply chain financing of payables.

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

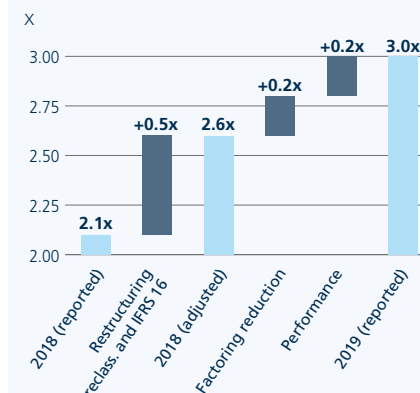
NET DEBT

Net debt (including discontinued operations) was DKK 14,730 million at 31 December 2019, an increase of DKK 3,973 million (2018: DKK 10,757 million). The increase was the result of the implementation of IFRS 16 adding DKK 3,034 million of lease liabilities, the reduction of utilisation of factoring of DKK 1,255 million and ordinary dividends paid out in April of DKK 1,430 million. This was partly offset by combined net divestment proceeds of DKK 918 million and free cash flow of DKK 366 million.

EQUITY

At 31 December, equity was DKK 12,547 million, equivalent to an equity ratio of 25.1% (2018: 25.0%). The increase of DKK 75 million was mainly a result of Net profit of DKK 1,371 million and positive currency adjustments of DKK 363 million relating to investments in foreign subsidiaries. This was partly offset by ordinary dividends paid to shareholders of DKK 1,430 million, fair value adjustments of net investment hedges of DKK 143 million and recycling of accumulated foreign exchange adjustments on country exits of DKK 146 million.

FINANCIAL LEVERAGE



SUBSEQUENT EVENTS

On 17 February, ISS discovered a malware attack and we immediately disabled access to shared IT services across sites and countries. There is no indication that any customer data or systems have been breached. A phased recovery plan is being implemented. We continue to operate our services, albeit with some disruption. We expect our 2020 financial performance to be negatively impacted as a result but are unable to quantify the magnitude at this stage.

Other than as set out above or elsewhere in this Annual Report, we are not aware of events subsequent to 31 December 2019, which are expected to have a material impact on the Group's financial position.

DEUTSCHE TELEKOM:

REACHING FOR NEW HEIGHTS IN GERMANY

In the summer of 2019, ISS's partnership with Deutsche Telekom – the single-biggest contract in ISS history – began at thousands of sites across Germany. The collaborative, outcome-based agreement focuses on creating a reliable, transparent and high-quality service setup that will drive value for Deutsche Telekom over the next decade.

- Contract: 10 1/2 years
- Expected annual revenue: 4% of Group revenue
- Services covering 12 million m²: technical, cleaning, support, security and capital projects
- Operation, maintenance and development services for more than 42,000 sites and antennas
- About 6,000 employees
- More than 750,000 technical assets

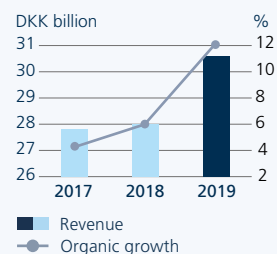


CONTINENTAL EUROPE

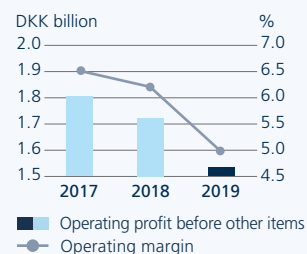


30.6 DKKbn revenue
39% of Group revenue
55% key accounts

REVENUE AND ORGANIC GROWTH



OPERATING PROFIT AND MARGIN



THE MARKET

Most markets in this region are developed, but with differences in IFS market maturity and macroeconomic environment. We hold leading market positions in several countries. Key customer segments are Business Services & IT, Industry & Manufacturing, Public Administration, Healthcare and Pharmaceuticals.

BUSINESS UPDATE

Revenue increased to DKK 30,608 million in 2019 (2018: DKK 28,006 million). Organic growth was 12%, while the impact from divestments and acquisitions, net reduced revenue by 3% and the impact from currency effects was flat.



Commercially, 2019 was a strong year with the highest growth on record for the region and, also a proof point of how strengthening our key account focus can drive strong growth even in mature markets. Our key account customer retention rate remained high at 94% (2018: 95%).

Organic growth was mainly driven by Deutsche Telekom – the largest contract launch in ISS history – but a wide range of other key account contract wins and expansions in Turkey, Iberia and the Netherlands also contributed to the growth as well as price increases in Turkey due to high inflation. The demand for projects and above-base work also increased for the year, contributing to the organic growth. Finally, growth was supported by the organic buildout of self-delivery food service capabilities in Austria – on the back of the business catering acquisition in April – and technical services capabilities in Spain and Turkey. Similar focus on buildout of self-delivery capabilities will continue in 2020.

As previously announced, our global contract with Novartis, of which 84% is in Continental Europe, expired on 31 December 2019. Service delivery for around DKK 0.5 billion has been retained. As such, the net revenue loss is expected to be around DKK 1.5 billion annually as of 1 January 2020.

Operating profit before other items was DKK 1,534 million (2018: 1,725 million) for an operating margin of 5.0% (2018: 6.2%). In 2019, we disappointingly fell behind on the GREAT restructuring in France with the aim to strengthen our operating model, improve the IFS platform, increase the commercial focus and generate efficiencies. This was the main contributor to the margin decrease in 2019. Albeit delayed, the business plan remains unchanged. With the divestment of the non-core Hygiene & Prevention business completed in December and the onboarding of a new management team in September, we enter 2020 better positioned to implement the business plan and continue the operational improvement. France accounts for 6% of Group revenue and reported a negative low single-digit operating margin in 2019 compared to a historical average in recent years of positive low single digit margin.

Furthermore, operating margins were reduced by the high organic growth on the back of a high number of contract launches and extensions where first-year margins usually are lower. This was particularly pronounced in the Netherlands and Switzerland. Furthermore, the margin decrease was impacted by tough comparator performance in Germany due to a one-off settlement in 2018. Similar to both 2017 and 2018, the margin included a positive impact from a decreased pension obligation.

-  **ISS AUSTRIA:** How a customer-focused growth strategy tripled revenue, p. 12
-  **ADANA HOSPITAL:** Integrated services for 2 million patients a year, p. 95

NORTHERN EUROPE

25.0

DKKbn
revenue

32%

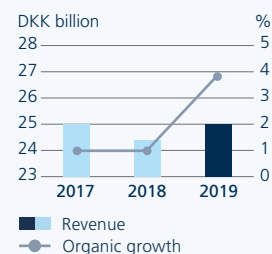
of Group
revenue

73%

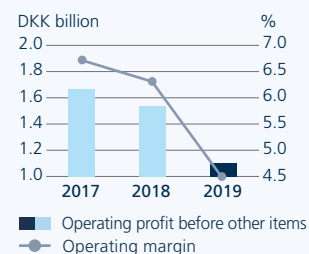
key accounts



REVENUE AND ORGANIC GROWTH



OPERATING PROFIT AND MARGIN



THE MARKET

ISS holds a market-leading position across the region where markets are generally mature, developed, very competitive and with high outsourcing rates. Key customer segments are Business Services & IT, Public Administration, Industry & Manufacturing and country-specific segments such as Healthcare and Transportation & Infrastructure.

BUSINESS UPDATE

Revenue was DKK 25,037 million (2018: 24,413 million). Organic growth was 4%, while the impact from divestments and acquisitions, net reduced revenue by 1%.

Commercial momentum was solid across most of the region in 2019 with the strongest growth in many years and an increasing retention rate of 95% for our key accounts (2018: 91%), reflecting strong operational delivery on our value proposition. Growth was driven by contract wins and expansions with key accounts, including several contract launches in the UK and Denmark. Furthermore, demand for projects and above-base work remained high in particular in the UK & Ireland, Finland and Norway, albeit with a slow-down towards the end of the year.

Operating profit before other items was DKK 1,119 million (2018: DKK 1,538 million) for an operating margin of 4.5% (2018: 6.3%). In 2019, we regrettably faced one large loss-making contract in Denmark following a challenging transition and misalignment of expectations. Through a combination of an updated commercial understanding with the customer and ongoing performance measures, we expect that the operating performance will improve significantly from 2020 and onwards.

The decrease in margin was also significantly impacted by the UK due to a provision related to risks identified through changed systems as well as continued investment in consolidation, centralisation and automation with the aim to reduce overhead costs. The project is part of our transformational projects run by our Global Shared Service organisation and the UK is the pilot country for these efforts. In 2020, we will start to leverage these initiatives across other countries.

Following material underperformance in Sweden starting in 2017, a turnaround was executed according to plan in 2018 which led to margin improvements coming through in 2019. Sweden accounts for 4% of Group revenue, and while margin remains low single-digit in 2019, Sweden is on track to gradually recover in the coming years.

Looking towards 2020, we will continue to roll out our transformational projects via our Global Shared Service organisation as well as investing in our established technical services platform and organically building out our self-delivery capabilities across the rest of the region.

ASIA & PACIFIC

13.7

DKKbn
revenue

17%

of Group
revenue

60%

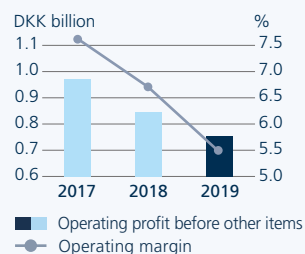
key accounts



REVENUE AND ORGANIC GROWTH



OPERATING PROFIT AND MARGIN



THE MARKET

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

BUSINESS UPDATE

Revenue was DKK 13,739 million (2018: DKK 12,725 million). Organic growth was 5%, while the impact from currency effects increased revenue by 3%.

In 2019, we further strengthened our IFS offering in selected customer segments, leading to a number of important key account contract wins, extensions and expansions and resulting in solid organic growth. Our key account retention rate was 93% (2018: 93%) reflecting improvements across the region except for Australia and Hong Kong. Growth was positive across the region and the main contributors to the solid growth was Australia, Singapore, Indonesia and India.

In 2020, we will continue developing our value proposition to selected customer segments, supported by the further strengthening of local commercial and operational capabilities, combined with several Group-wide transformational initiatives. Moreover, driving the change towards performance-based commercial models will remain in focus as markets mature and change from input-based to outcome-based contracts.

Operating profit before other items was DKK 753 million (2018: DKK 847 million) for an operating margin of 5.5% (2018: 6.7%). In 2019, we were faced with one loss-making contract in Hong Kong as a result of a mix of mispricing and the ongoing political turmoil and strikes, which led to an onerous contract provision. Together with lower margins in Singapore due to extensions of a number of significant contracts, this was the main drivers of the decline in margin in 2019.

Through a combination of ongoing performance improvement initiatives and the onerous contract provision in 2019, we expect that the operating performance in Hong Kong will improve in 2020. In 2020, we will also continue to focus on harvesting the benefits of skills and scale by leveraging volume, concepts and talent across the region. We are focusing further on cost leadership and on achieving scale benefits through procurement excellence across countries. In addition, we are aligning organisational structures by leveraging best practice concepts. Finally, sharing talents across the region and developing leadership and key account management skills through training programmes will remain in focus.

AMERICAS

8.5

DKKbn
revenue

11%

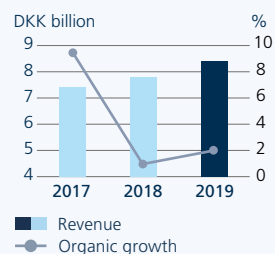
of Group
revenue

59%

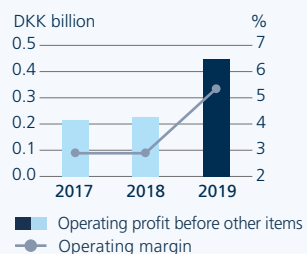
key accounts



REVENUE AND ORGANIC GROWTH



OPERATING PROFIT AND MARGIN



THE MARKET

Americas consists of two different markets – a mature North American market and a developing market in Mexico. North America is the world's largest FM market, accounting for approximately 27% of the global outsourced FM market. Given ISS's historically limited presence in North America, our market share remains very limited. However, this also means that North America stands out as the single biggest growth opportunity across the Group. Key customer segments are Business Services & IT, Transportation & Infrastructure and Industry & Manufacturing.

BUSINESS UPDATE

Revenue was DKK 8,459 million (2018: DKK 7,847 million). Organic growth was 2%, while the impact from currency effects increased revenue by 6%.

With the acquisition of Guckenheimer in 2017, we built a competitive IFS platform and positioned ourselves to capture growth in the market through strong self-delivery capabilities. Under the ownership of ISS, Guckenheimer (Food Services) has grown more than 50% organically, hereby establishing ISS among the ten largest contract caterers in the US.

In 2019, the underlying commercial momentum was strong, though growth was partly offset by the short-term deliberate organic exit of small specialised services contracts in our legacy business. Excluding the deliberate exits organic growth was 5.8%. Our strengthened IFS platform and sharpened focus on key accounts led to our key account customer retention rate increasing to 96% (2018: 93%).

Operating profit before other items was DKK 448 million (2018: DKK 228 million) for an operating margin of 5.3% (2018: 2.9%). The strong improvement was driven by turnaround initiatives initiated in previous years, i.e. exit of small specialised services contracts and organisational restructurings, combined with sharpened focus on key accounts leading to continued accretive growth in Food Services.

From this stronger, more focused platform, we will continue to shift our focus towards executing on the key account strategy. Together with potential further organic investments and potential future acquisitions in technical services and food service capabilities, ISS will start to build a significantly larger presence in the world's largest FM market.

H2 2019

Launch of the Deutsche Telekom contract driving organic growth to above 8%.

OPERATING RESULTS

Organic growth was 8.1% (H1 2019: 6.0%) driven by the launch of the Deutsche Telekom contract and generally strong commercial momentum in the end of 2018 and beginning of 2019 with a high level of key account contract wins, extensions and expansions. Additionally, the high demand for projects and above-base work continued to contribute to the high growth in the second half of 2019.

All regions delivered positive organic growth with double-digit growth in Continental Europe mainly due to Deutsche Telekom. Americas also continued to deliver positive growth rates despite revenue reductions on the back of planned exits from small specialised services contracts, even though the effect began to annualise in the second half of 2019.

Operating profit before other items was down by 19% to DKK 1,872 million (H2 2018: DKK 2,304 million) for an operating margin of 4.6% (H2 2018: 6.1%).

The operating margin decreased in all regions, except Americas, and was significantly impacted by selective operational challenges in regards to delay in the net benefits from the ongoing reorganisation of our operations in France as well as the two loss-making contracts in Hong Kong and Denmark, and by renewals and start-ups of a large number of key account contracts. In addition, the provision of DKK 150 million was recognised to cover risks identified through changed systems in the UK and the loss-making contract in Hong Kong.

REVENUE AND ORGANIC GROWTH

DKK million	H2 2019	H2 2018	Organic	Acq./div.	Currency adjustment	Growth H2 2019
Continental Europe	16,231	14,196	15 %	(2)%	1 %	14 %
Northern Europe	12,693	12,390	3 %	(0)%	(1)%	2 %
Asia & Pacific	7,021	6,508	5 %	-	3 %	8 %
Americas	4,352	4,083	3 %	(0)%	4 %	7 %
Other countries	393	348	23 %	(12)%	2 %	13 %
Corporate / eliminations	(21)	(31)	-	-	-	-
Total	40,669	37,494	8.1 %	(0.9)%	1.3 %	8.5 %

OPERATING PROFIT¹⁾ AND MARGIN

DKK million	H2 2019		H2 2018		Organic	Acq./div.	Currency adjustment	Growth H2 2019
Continental Europe	884	5.4 %	1,177	8.3 %	(25)%	(1)%	1 %	(25)%
Northern Europe	630	5.0 %	923	7.4 %	(32)%	(0)%	-	(32)%
Asia & Pacific	410	5.8 %	441	6.8 %	(10)%	-	3 %	(7)%
Americas	286	6.6 %	126	3.1 %	118 %	(0)%	9 %	127 %
Other countries	26	6.6 %	(3)	(0.9)%	-	-	-	-
Corporate / eliminations	(364)	(0.9)%	(360)	(1.0)%	-	-	-	(1)%
Total	1,872	4.6 %	2,304	6.1 %	(19.2)%	(0.2)%	0.6 %	(19)%

¹⁾ Before other items.

The continued investment in consolidation, centralisation and automation in the UK also contributed to the decrease, and in Germany the 2018 margin was supported by a significant one-off settlement linked to a transition of a large contract. Americas showed strong improvement driven by turnaround initiatives, including exit of small low-performing specialised services contracts, and continued accretive growth in Food Services.

FREE CASH FLOW

In second half of 2019, we generated nominal free cash flow of DKK 3,013 million (H2 2018: DKK 3,747 million), which was impacted by a reduction in utilisation of factoring. Adjusted for the variation in factoring utilisation, our free cash flow in H2 2019 improved to DKK 3,459 million (H2 2018: DKK 2,336 million). The improvement compared to H2 2018, was among others the result of free cash flow improvement initiatives, including focus on debtor days, supplier payment terms and capital investments, which has been in focus for 2019, and where the effect started to materialise in the second half of 2019. The impact from right-of-use asset additions being lower than lease payments was also a driver behind the improvement in free cash flow in H2 2019.

ORGANIC GROWTH

	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Continental Europe	15 %	16 %	9 %	8 %	7 %	6 %	6 %	5 %
Northern Europe	3 %	3 %	4 %	5 %	2 %	1 %	(0)%	1 %
Asia & Pacific	5 %	5 %	5 %	6 %	8 %	7 %	6 %	6 %
Americas	4 %	1 %	2 %	2 %	(5)%	1 %	6 %	6 %
Total	7.9 %	8.4 %	5.8 %	6.1 %	4.1 %	4.0 %	3.6 %	3.7 %

FOOD:

How we're putting plants forward

The Economist Intelligence Unit recently challenged companies to “harness ideas that can make a meaningful impact on the sustainability of the global food system.” As a global company, we embrace that responsibility. We live it through our people. We've been developing services, like our Power Plant food service, that will help us, and our customers improve people's health while caring for the planet.

PLANT-POWERED CHANGE

We designed Power Plant to create a more sustainable approach by using more plant-based ingredients and reducing focus on animal products. It's not pure veganism. It is about meeting an increasing demand and shifting the emphasis to plants in our restaurants – sometimes in surprising and subtle ways.

One of our head chefs, Matt Yuen, was a frontrunner by introducing this approach at our customer, Riot Games in LA. With Riot Games, Matt has been pioneering plant-based recipes using seasonal, fresh ingredients, since 2018.

One of the biggest benefits to Riot Games was that they were able to significantly reduce their weekly meat order. Livestock farming accounts for around 14.5% of global greenhouse gasses, so

reducing meat can have a significant impact on the environment. Matt realised he could have a real impact at Riot Games – a headquarter of about 2,000 people ordering 2,500 kg meat a week. Within one month with plant-based food, they'd cut the order by 650 kg.

That was one obvious improvement, but there were cultural changes too. As Riot Games employees adapted to the new menu they discovered that eating plant-based food didn't mean being short-changed on taste.

“Not many noticed the difference, actually,” says Matt. “I took this as a good thing. It's a way of leading a culture shift without seeming ‘nannying’. Your people are enjoying great food, and you're also making an impact in terms of sustainability, health and wellbeing.”

LOOKING TO THE FUTURE

Our food services experts are committed to the highest industry standards, while also adapting to the latest trends. We like to think ahead. Our insights can help guide customers toward positive change for their organisational culture, reducing their environmental impact, and critically, giving their people a healthier experience at work.

“Through creativity and understanding of his audience, Chef Matt changed our menu – not only decreased animal proteins, but accomplished it without our employees missing a beat for an entire year. After learning about his incredible work during Earth Week 2019, we have been inspired to continue the momentum and have started the journey towards becoming a carbon neutral company.”

SUE-MIN KOH
Riot Games Karma Manager



OUR STRATEGY

We operate in the global facility services market – a market with an estimated outsourced value of around USD 1 trillion. This marketplace is changing, and ISS is changing with it.

- ISS AUSTRIA: How a customer-focused growth strategy tripled revenue, p. 12
- NORDEA: Cutting emissions and creating value, p. 45

WE ARE PLACEMAKERS

We want to make the world work better. Our services help protect and maintain **places** – buildings and the key assets inside – to ensure optimal performance. In addition, we also help drive the engagement and well-being of **people** – including employees, passengers or patients – by creating outstanding environments and great service moments. Finally, we help our customers minimise their impact on the **planet** by reducing their consumption of energy, carbon and water and cutting their production of waste, including food. We bring all of this to life through a unique combination of data, insight and service excellence.

WHY ISS?

Customers choose to partner with ISS for a multitude of reasons, but our key differentiation can be summarised as follows.

First and foremost are our **people**. We care about our people. In turn, they care about the places they maintain, the people they serve and the planet they seek to protect. We invest in our people through extensive training and development. We give them opportunity and we know that they make a difference. That is why we are passionate about our self-delivery credentials, taking responsibility and ownership for the outcomes our customers demand.

Second is the **high standards** we commit to in all aspects of delivery. This commitment is part of our DNA. It is cemented in our heritage. We exist to make a difference. We go the extra mile to ensure expectations are exceeded.

Third is our ability to deliver **intelligent solutions**. Our people, our experience and our insights allow us to add value to operational,

OUR STANDOUT ATTRIBUTES



WHAT ISS DELIVERS

	World of work	Life	
Place	Places that work	Places that think	Places that give
People	What people need	What people enjoy	What enhances peoples' lives
	Functional		Emotional

tactical and strategic issues. Importantly, it is our ownership of all these issues that makes a difference. We gain unique operational insights from our own people, day in, day out. Combined with growing use of technology and data, this allows us to make smarter strategic recommendations, which we can then bring to life, back on the ground, via our own committed, trained and empowered workforce.

PEOPLE MAKE PLACES AND PLACES MAKE PEOPLE

Our delivery can be matched against a spectrum of customer needs. In its most extreme form, the world of work is a functional place – a place that simply needs to operate. Places need to be clean and the lights kept on. Users need to be safe and secure and allowed to go about their business. However, the boundary between work and life is

blurring. Customers want more than functional. They want experience. Taking a more emotive perspective requires us to create places that think. Places that are more personal. Services that are more tailored to individuals to create experiences they can enjoy. If we go further still, customers require places that give. These are the places where people are at the core. These are places that must enhance lives because there is no discernible boundary between work and life. ISS helps create places that work, think and give.

THE ISS WAY STRATEGY

The ISS Way has guided our strategic direction and choices since 2008 when we started the process of building and leveraging a differentiated platform. From our core services – Food, Technical, Cleaning, Support and Security – we strengthened our capacity to deliver Integrated Facility Services (IFS), offering bundled solutions with greater efficiency and better business outcomes that more readily supported our customers' purpose. We proved our ability to take local customer relationships national, before taking them regional and finally global. Supported by this success, we intensified our focus from 2014-2018, making stricter choices on which industry segments and customers to target, which services we needed to provide and the places on the globe where we wanted to provide them.

We are now in the process of accelerating this journey. From 2019-2021 we have intensified our focus on – and investment in – key account customers. It is with these customers that our value proposition resonates loudest and hence where our growth opportunity is greatest.

We estimate the outsourced key account market to comprise around 40% of the total facility services market – in other words, amounting

to approximately USD 400 billion, globally. This implies an ISS share of less than 2%. The outsourcing decision for key account customers is strategic rather than purely operational. They are focused on outcome, not merely input, and demand a solution that is customised to their specific needs. Proven industry segment expertise is critical, as is the strength of our relationship and daily interaction – via a trained and certified key account manager. We must deliver operational excellence and risk assurance, whilst continually exhibiting cost leadership. These customers are consolidating their supplier bases – across service lines and geographies. ISS is benefitting from this trend and increasing its share of customer wallet.

At ISS, serving our key account customers has been an outstanding success. Our revenue with global key account customers has grown by 62% over the past five years and revenue from IFS has grown by 26% over the same period. Key account customers offer ISS better win rates, longer duration contracts and higher retention, higher potential share of customer wallet and, in turn, stronger growth.

To deliver against these key account customer needs, we continue to build and develop our industry segment capabilities. We also continue to strengthen and build our capabilities within our strategic services, these being facility services, workplace management and design as well as project management. We have organised ourselves in a way that allows us to leverage volumes, concepts and talent across customers, across countries, and across regions – collaborating across the Group to exploit our purchasing power, bring successful innovations from customer sites to the rest of the Group and develop and share our best people.

We have become smarter. Today, we are better informed about where the key account

opportunities are most prevalent and what it will take to be a winner in this marketplace. More than ever before, we now seek to concentrate capital and resource in those areas that afford compelling, long-term growth and attractive returns, and play to the strengths of ISS.

INVESTING IN KEY ACCOUNT GROWTH

To maximise growth from our key account focus, we are investing further. We are undertaking a DKK 700-800 million programme of accelerated investments running from 2019-2021. These investments are fully funded by divestment proceeds and will comprise project-related operating expenditure (approx. 50%) and capital expenditure (approx. 50%). In addition, we will continue to pursue selective M&A opportunities.

The principal areas of investment will include:

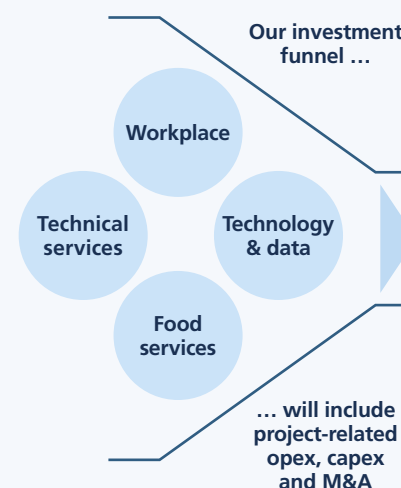
- Food services
- Technical services
- Workplace management
- Technology and data

There are three key aims behind our investment plans.

First, we wish to strengthen some of our existing core capabilities in facility services. We will seek to fill white spots in key geographies to ensure consistency and transparency of service delivery for our customers. Examples include food and technical services.

Second, we are looking to scale other capabilities which may be a small part of our current service

OUR INVESTMENT IN KEY ACCOUNT CUSTOMERS IN 2019-2021



Strengthen

- Develop our existing service and platform capabilities
- Fill capability white spots
- Ensure consistency and transparency of service delivery

Scale

- Accelerate the deployment of concepts, innovation and excellence across our major key account customers

Breakthrough

- Explore new capabilities which:
 - compliment today's solutions
 - enhance our value proposition
 - are scalable

platform but where the value we bring to our customers is considerable. We will accelerate the roll-out and deployment across our major key account customers, for example within workplace management and associated technology.

Third, we will selectively explore and invest in new breakthrough capabilities, meaning services that lie outside of our current offering. However, any such investment will only be considered if the new service is clearly complimentary to our existing activities, if it strengthens our value proposition and it can be readily scaled across the Group.

SHARPENING OUR GEOGRAPHIC FOOTPRINT

As we sharpen our focus on key account customers and make additional investments in our service capabilities and platform, we will also further reduce our exposure to non-core activities. This process is releasing capital and resources which are being reallocated to help fund the planned investments in our core business mentioned above. In addition, it will also make our organisation less complex, reduce risk and strengthen our ability to execute on our strategic priorities. As such, we have made bold decisions regarding the geographies we really need to be in. Every ISS country must present a strong and compelling key account strategy, consistent with the Group's priorities.

In our Strategy Update in December 2018, we announced our intention to divest activities in 13 countries – Thailand, the Philippines, Malaysia, Brunei, Brazil, Chile, Israel, the Czech Republic, Slovenia, Slovakia, Estonia, Hungary and Romania. This is in addition to Argentina and Uruguay, which were divested in January 2019. The local markets in these countries are less supportive of our key account focus and are often

dominated by smaller, price-centric customers. It is not easy for us to leverage volumes, concepts and talent and, in some instances, we cannot generate attractive and sustainable returns at a commensurate risk. We will, however, continue to serve global and regional key account customers in these markets. Finally, we also announced our intention to divest a number of business units across the Group, entirely consistent with our strategy of recent years and thereby completing our exit from non-core services.

Currently, we have completed the divestments of Israel and Estonia as well as the Hygiene & Prevention business in France, Direct Cleaning in Germany and some minor non-core activities in Spain. We expect completion of all remaining divestments in 2020.

PROGRESS IN 2019 – TRANSFORMATIONAL INVESTMENT PROGRAMME

Our investment programme will significantly strengthen ISS's delivery capability to key accounts and is expected to yield attractive financial returns. Thus, it will support our transformation into a structurally higher growth company and contribute to the continued extraction of benefits from volume, concepts and talents across our business. By the end of 2019, investments amounted to approximately DKK 300 million. Below are some of the highlights of the progress we have made on our transformational projects in 2019.

TECHNOLOGY AND DATA

We continue to apply an increasing level of technology in our solutions to drive compliance, transparency, consistency and efficiency. A strategic cornerstone of this is the development and roll-out of our upgraded facility management system (FMS@ISS), which will become the backbone

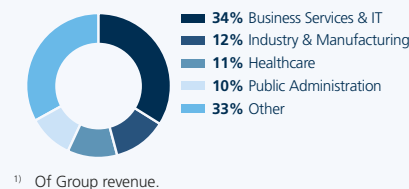
of all of our other technology and data-driven initiatives. We continued to develop FMS@ISS, but at the same time accelerated the roll-out and by the end of 2019, we had migrated key accounts generating close to 50% of our total key account revenue. By the end of 2020, we aim to be above 70% and in 2021 we expect the roll-out programme to conclude. This comes along with an ISS suite of solutions covering end-to-end front and back-office processes, e.g. ERP (NAV@ISS), procure-to-pay (P2P@ISS), CRM (CRM@ISS) and people management (People@ISS). NAV@ISS is now deployed in 18 countries (continuing business), with our P2P@ISS and People@ISS systems commencing roll-out in 2020. In addition, we already completed the roll-out of our CRM@ISS across our global footprint. Integrating this suite of products is a key enabler to achieve our key account strategy and provide deeper assurance and innovation for our customers.

Our Global Support Solutions (GSS) organisation continues to drive our journey from decentralised local ownership of the financial processes towards a standardised and optimised setup focused on key accounts, which is an enabler of consistency and cost leadership among others through standardisation and benchmarking across countries. In 2019, we continued the roll-out in the UK, which has been the Group pilot and GSS will accelerate the global migration further in 2020.

STRENGTHENING OUR CORE CAPABILITIES

In 2019, we strengthened our service capabilities within technical services by accelerating our organic build-out, most significantly in Germany as part of the launch of the Deutsche Telekom contract. Other significant country investments in 2019 comprised the UK, Denmark and Spain. In Austria, we acquired JH Catering, a business catering company, which strengthened our self-delivery

CUSTOMER SEGMENTS ¹⁾



capabilities within food services and allowed us to further build out our food services offering, which we will continue to leverage in 2020.

We also continued to leverage SIGNAL (acquired in 2017) to help create unique workplace experiences for some of our most important key account customers evidenced in measurable outcomes. In 2019, we continued our expansion and set up our first office in the UK to support our local and global key account customers. We have evidenced that we can deliver large international campus projects, workplace experience strategies, strategic advisory assignments and that we are a trusted advisor for our customers facilitating strategically important business outcomes.

OUR PEOPLE

We care about our people. In turn, they care about the places they maintain, the people they serve and the planet they seek to protect.

People are at the very heart of ISS. From the company's origins in 1901, ISS has been a people organisation, working with a strong belief that great people can and do make a difference. More importantly, we believe in our responsibility – to both our people and the people we serve. We have a proud heritage of fairness, equality and inclusion, providing opportunity through developing and engaging our 471,056 colleagues across the globe. This is central to our customer value proposition. We provide a skilled, empowered and motivated workforce who seek to deliver high standards at our customers' premises. We believe that **people make places and places make people**.

Whilst our belief in people is an important part of our culture, bringing this story to life does not happen by chance. We ensure a rigorous process of people management from recruitment through to onboarding and training. We have created numerous programmes which are deployed across our organisation to support this. Above all, great **leadership** is the ingredient most essential for successful implementation of our strategy. Our leaders are key to the subsequent **development** and **engagement** of all our people and the consistent delivery of our customer value proposition.

LEADERSHIP

The **ISS Leadership Competency Framework** provides a common understanding of the skills and behaviours expected from all our leaders to ensure successful strategy execution. The ISS University is our Group-wide learning academy representing our leadership development programmes which are delivered globally, regionally and locally.

The ISS University is structured to enhance our leadership capabilities across three core dimensions:

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

The **ISS Leadership Mastery programme** is a comprehensive, five-module programme for selected senior executives. The focus is on personal leadership development and behaviour, developing a team, securing a deep understanding of our strategy and facilitating greater understanding of customers and employees. So far, more than 120 senior leaders have graduated from this programme.

We have also launched **Leading the ISS Way**, targeted more broadly at senior leaders and key account managers. This 6-day development programme is initiated with a 360 evaluation of all participants who are then supported in learning to grow and develop their own teams. All country leadership teams have graduated from the programme and are actively involved in driving the learning through their country organisations.

DEVELOPMENT

Our Key Account Managers hold complex general management positions, are financially and customer accountable and responsible for leading

large and diverse teams, often across multiple customer sites. They play a vital operational role and we place great importance on their development via **Key Account Manager Certification (KAMC)**. This modular programme has now issued more than 1,500 certifications. KAMC has consistently yielded a strong improvement in the loyalty of both our employees and customers.

In addition to developing the leadership of today, we also aim to secure our leadership pipeline for the future. A key initiative in this regard is the **Site Manager** programme, where high potential service professionals are supported in their first step into a leadership role. They learn the fundamentals of operations management, customer relationships and people leadership, allowing us to create opportunities for talented individuals to grow their careers within ISS. Read more about this from an employee perspective in the case "From butcher to district leader" on p. 35.

To further develop our internal succession pipeline, we seek to bring in fresh new talent that will challenge our thinking and add to the diversity of our leadership. We do this through the **Global Management Trainee Programme** targeting young professionals in more than 15 countries. After extensive assessment rounds, the final participants go through an 18 month fast-track programme taking them through operational and commercial tours of duty across geographies, within ISS.

In addition to the Global training programmes, countries carry out training programmes that are based on the Global framework such as employee induction and training programmes specific to the services we provide in country, e.g. within cleaning.

ENGAGEMENT

Employee engagement is a critical element of our customer value proposition. Positive attitudes and behaviours lead to positive business outcomes, including the desired customer experience and retention. We enable our employees by ensuring they have the right skills, tools, information and other resources. **Service with a Human Touch (SWAHT)** focuses on our frontline employees. The programme helps drive cultural change, communicating our customer value propositions into concrete service behaviours for thousands of service professionals.

SWAHT is operational in 46 countries, with 600 accredited trainers and close to 200,000 trained employees across approximately 1,000 key accounts.

We reinforce this service culture through the **Apple Award Programme** – our reward and recognition programme celebrating employees, who go the extra mile, creating memorable service moments that truly make a difference for our customers. Each ISS country celebrates an Apple of the Year, and from this a Global Apple of the Year winner is selected at the annual Global Leadership Conference.



In 2019, we celebrated our Apple award winners at our Global Leadership Conference in Istanbul. The winner, Deb Brodeur from the US, was described by colleagues as “incredible...hardworking... more than likely saved my life.”

DIVERSITY AND INCLUSION

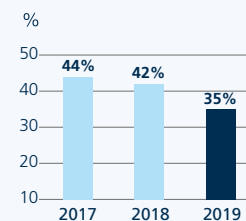
In 2019, a Global Head of Diversity & Inclusion was appointed to intensify our focus and lead the agenda across the organisation. This step will ensure that we share best practices, promote global alignment and drive implementation. We are launching a global concept named “You make a difference” and are targeting at least 40% of gender balance within all leadership roles by 2025 – a goal approved by the Executive Management Board and the Board of Directors. Whilst this will, initially, be our primary focus, our ambitions go beyond gender and we will implement initiatives targeting the three dimensions Fairness & Equality@work, Diversity of Thoughts and Inclusiveness.

RETENTION

We operate in a marketplace where levels of employee churn are inherently high. This is unlikely to change. However, we are targeting a structural improvement in our employee retention rate and see the benefits for our customers as two-fold. First, higher employee retention underpins a more consistent, higher quality of service. Second, higher employee retention reduces the costs associated with attracting, recruiting and onboarding new colleagues. We fully believe the initiatives detailed above provide a return on our investment and serve as a strong differentiator for ISS.

We are pleased that our global employee turnover continued to improve in 2019, arriving at 35% and reflecting among others our persistent Group push for retention initiatives in countries, e.g. improved labour conditions relative to the market in certain countries. The positive trend is also driven by our key account strategy, including discontinuation of high-churn non-key account customer contracts. Finally, with the strong focus on measuring the impact of our initiatives, there is also a learning that has led to an improved reporting methodology.

EMPLOYEE TURNOVER






CORPORATE RESPONSIBILITY

As a global company with around 470,000 employees, we have a huge responsibility to create safe and healthy work environments. Our concern for and initiatives on Health, Safety, Environment and Quality (HSEQ) is aimed at our employees, but also at our customers.

We have adopted a principles-based CR approach that contributes to sustainable development as defined by the international community. Across the Group, we have developed and rolled out a strategy for CR and Health, Safety, Environment and Quality (HSEQ), which supports The ISS Way.

We contribute to sustainable development around three areas:

-  **People:** Promoting safe working conditions and human rights
-  **Planet:** Reducing our impact on the environment and climate
-  **Profit:** Complying with sound business standards

HEALTH, SAFETY, ENVIRONMENT AND QUALITY

We have an ambitious 100 vision:

- 1** We aim to be number 1 in our industry and recognised as an industry leader in the way we deliver HSE performance.
- 0** We operate with 0 fatalities in our workplaces.
- 0** We incur 0 serious incidents and occupational injuries at our workplaces.

To drive this vision, we need a culture where safety is second nature. This requires commitment throughout our organisation – from our

Executive Group Management to our people on our customers' sites.

To manage HSE risks, we have implemented a standardised site risk register that provides an overview of the hazards and risks at a particular site. We have also implemented an HSEQ Compliance plan to ensure that we understand and comply with our customers' requirements.

In order to continue improvement and keep HSE in focus, we:

- run global HSE campaigns three times a year reflecting current challenges, e.g. driving safely, working at heights, and slips, trips and falls;
- have implemented the ISS Toolbox Talk Calendar, which reinforces and embeds safety behaviours. Two topics are chosen each month to inspire our operational teams to hold Toolbox talks at their sites;
- have rolled out an e-learning module on driver safety to reinforce the behaviours we would like to embed in our organisation.

Fatalities

In 2019, we regretfully had three work-related fatalities (2018: one). We are deeply affected by the fatalities and we have investigated the incidents to determine the root causes and take corrective actions to ensure that they are not repeated. The fatalities occurred in Thailand, Spain, and Indonesia and were related to workplace violence, Lock Out Tag Out (energy isolation) and site safety. As a result, we have sent Global Safety Flashes to the whole organisation to ensure that we take preventive actions to hopefully avoid similar incidents in the future.

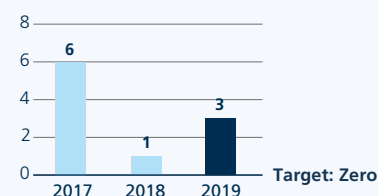
Improving personal safety of our people

The Lost Time Injury Frequency (LTIF) for 2019 was 2.8 (target 2019: 2.9 or less), a slight improvement compared to 2018. We have reduced LTIF by nearly 80% since our 2010 baseline of 13. The continuous improvement has been driven by our systematic approach and focus on HSE risks across the organisation.

LOST TIME INJURY FREQUENCY



FATALITIES



COMMITMENT TO UN GLOBAL COMPACT

We have made a strong commitment on human rights, labour rights, environmental protection and anti-corruption and remain committed to aligning our strategy and operations with the ten Global Compact principles. We respect, support and promote human rights and support the ambitions set out in the United Nations Universal Declaration of Human Rights, the

Core Conventions of the International Labour Organisation and the United Nations Guiding Principles on Business and Human Rights.

TRADE UNION RELATIONS

We are committed to our global agreement with Union Network International (UNI) covering our employees where UNI cooperates with local unions. We work closely with our European Works Council (EWC). We hold quarterly meetings with the steering committee and annual meetings with the entire EWC. The EWC visits our executive management for three days to ensure alignment with our priorities and a common understanding of our strategy and direction.

RECOGNITIONS

Our efforts are being recognised both globally and locally. In 2019, we have been recognised by Sustainalytics as Leader in overall ESG performance and ranked first amongst peers of similar market cap. We are ranked Gold by Ecovadis and in the 99% percentile. Key sustainability recognitions, see the CR report for 2019.

OUR CORPORATE RESPONSIBILITY REPORT

Our CR report as per section 99a of the Danish Financial Statements Act is available at <https://www.issworld.com/about-iss/our-approach-to-cr/reporting-and-policies>. The report also serves as ISS's communication on progress in implementing the ten principles of the Global Compact.

OUR BUSINESS RISKS

Risk management is an integral part of our value creation – for our customers and for ISS. As a global business, we take an active approach to risk management, ensuring that our key risks are identified and managed in a structured and prioritised manner.

The ISS value proposition is based on supporting our customers by providing an integrated solution for management of the facility services, which are non-core to our customers, but critical to their ability to deliver their core business purpose. Since our services are integrated into our customers' value streams there is a risk of disrupting their operations if effective operational risk management is not applied or if contract requirements are not complied with. Consequently, while risk management is important within ISS to manage our own risks we also see it as an important part of our service delivery, essentially providing risk management and compliance as a product.

FOCUS IN 2019

In 2019, we have continued our development of our risk framework towards alignment with ISO 31000, improving risk visibility, and delivering industry best practice risk assurance. The risk management governance structure and lines of defence model has been expanded to include functional risk committees for each major Group function and a functional risk process covering all key functions in the ISS Global organisation. Through this setup all functions have a clear risk ownership, are responsible for ensuring that risks are identified and assessed, that appropriate risk management actions are taken, and that the outcome of this process is reported all the way up through the governance structure.

Due to our continued focus on key account customers and the increasing importance of compliance with regulation we experience an equally increasing demand for risk transfer, operational risk management and contract compliance. We hold and manage data related to our customers' business, e.g. basic personal data, asset information, and manufacturing plant

design. Considering our business strength within highly regulated industries such as pharma, food manufacturing and banking, this increasingly exposes us to information security and cyber risk. Consequently, information security and how we as service provider comply with information security requirements plays an increasing role in our risk management efforts. Additionally, we have further strengthened our efforts to improve our information security with a specific focus on HR compliance and General Data Protection Regulations (GDPR) compliance.

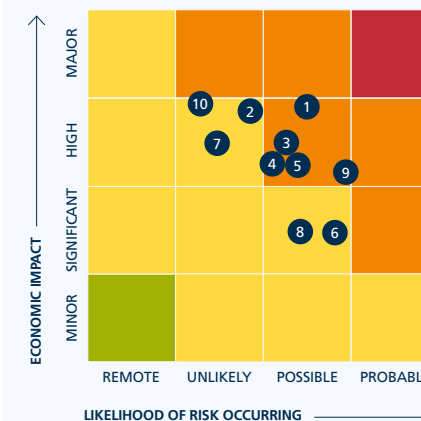
GROUP KEY RISKS

Consistent with the strategic focus on global key accounts we have continued our programme of accelerated investment in our service capabilities and platform, and at the same time we are reducing our exposure to non-core activities, including geographies that do not contribute significantly to our global key account delivery, but which are challenging to operate with our firm commitment to regulatory and contractual compliance. This strengthening of our operational focus is creating a significantly less complex organisation and will ultimately reduce our risk exposure.

While we expect to reduce our risk exposure going forward as a result of the key account focus, the defined key risks the Group currently faces remain the same, only they will be concentrated on fewer and bigger customers. These key risks are illustrated in the overview to the right and described on the following pages.

We are also exposed to financial risks related to our operating, investing and financing activities. Financial risk management is described in detail in note 4.4 to the consolidated financial statements.

GROUP KEY RISKS



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

1. OPERATIONAL EXECUTION

As our services are integrated with our customers' value streams, any non-compliance with operational procedures or contract requirements may disrupt or damage our customers' operations and/or brands.

2. EMPLOYEE RISKS

Our success depends on our ability to attract, develop and retain talented and engaged people. It requires us to take good care of our people with respect to HSE and work environment which in turn requires good leadership.

3. CONTRACT RISK AND GOVERNANCE

The profitability of our contracts depends on our ability to successfully calculate prices by taking economic factors, legal and other risk elements into consideration, and to manage our day-to-day operations under these contracts.

4. REGULATORY COMPLIANCE

We are subject to a variety of complex and restrictive laws and regulations such as labour, employment, immigration, health and safety, tax (including social security, withholding and transfer pricing), corporate governance, customer protection, business practices, competition and the environment.

5. INFORMATION SECURITY INCL. CYBER RISK

We increasingly hold and manage data related to customers' businesses, e.g. basic personal data, asset information, and manufacturing plant design. Considering our business strength in highly regulated industries such as pharma, food manufacturing and banking, this increasingly exposes us to information security and cyber risk.

RISK DRIVERS

- | | | | | |
|---|---|--|--|--|
| <ul style="list-style-type: none"> • Complexity in our service delivery • Customer requirements relating to operational control and risk management, e.g. in the banking sector and the pharmaceutical industry | <ul style="list-style-type: none"> • "War for talent" • Global epidemics • Customers' HSE and compliance requirements • Decentralised structure | <ul style="list-style-type: none"> • Complexity in contracts and services, e.g. IFS and energy management • Increasing contract volumes, e.g. the growing share of global key accounts | <ul style="list-style-type: none"> • Changes in local regulations and stepped-up enforcement • Customers outsourcing compliance and risk management to ISS • Data privacy regulations | <ul style="list-style-type: none"> • IFS contracts • Risk of cyber attacks |
|---|---|--|--|--|

MITIGATION MEASURES

- | | | | | |
|---|---|--|---|--|
| <ul style="list-style-type: none"> • Risk & Compliance tools implemented to support the automation of operating processes and ensure that services are delivered and managed according to our process frameworks • Continuous reviews on selected contracts as a part of the global risk management framework | <ul style="list-style-type: none"> • Global people standards and group HSE policies • Global employee engagement surveys • Leadership development and training programmes • HSE site compliance plans | <ul style="list-style-type: none"> • IT tool for contract risk management • Strengthened approval process for large contracts following onerous contracts in 2019 • Contract risk reviews performed by Group Risk Management for specific contracts • High-risk contract dashboard for monitoring limitation of liability • The strategic focus on a significantly reduced number of customers will make deployment of Group initiatives easier as well as leveraging volumes, concepts and talent more effectively | <ul style="list-style-type: none"> • Group Corporate Governance Policy • Code of Conduct, Anti-Corruption Policy, and Competition Law Policy, including ongoing training for selected managers and employees • GDPR procedures, including training • Binding Corporate Rules for the exchange of personal data between ISS Group companies • Structured operating model for compliant service delivery in countries where we do not have an own presence | <ul style="list-style-type: none"> • Information Security Policy and other Group IT policies and procedures • Strengthening of the IT Security organisation by recruiting people with the right skill sets |
|---|---|--|---|--|

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

6. CUSTOMER RETENTION AND COMPETITION

Competitive value propositions are key to attract and retain customers. Failure to develop and execute on value propositions may lead to increased price competition and contract losses as the facility services market is fragmented with relatively low entry barriers and significant competition from local, regional and global players.

RISK DRIVERS

- Customer concentration
- Key account management
- Inconsistent service delivery
- Strategic market position
- Lack of deep segment expertise

MITIGATION MEASURES

- Roll-out of Customer Relationship Management system
- Customer satisfaction surveys (cNPS)
- Roll-out of the Key Account Manager Certification programme (KAMC)
- Strategic focus on investing in and focusing even more on key account customers

7. FINANCIAL REPORTING FRAUD, FRAUD AND CORRUPTION

Our decentralised structure of financial IT systems and operational control structures increases the risk of fraud and corruption. Our presence in emerging markets increases our exposure to compliance risks in countries where improper practices may be common.

- Exposure in emerging markets
- Decentralised financial IT systems and control structures
- Step-up in extraterritorial regulations and enforcement

- Monitoring the implementation of key controls through the system of Control Self-Assessment and Self-Testing
- Mandatory e-learning modules on our Code of Conduct, anti-corruption, anti-bribery and competition law for selected managers and employees
- Automated interface between local ERP platforms and the Group's standardised financial reporting tool
- Exit from certain emerging markets with high inherent compliance risk
- Speak Up policy
- Effective control environment (p. 39)

8. SUBCONTRACTORS

We rely on subcontractors where we do not have self-delivery capabilities. This represents a risk primarily with respect to:

- Performance – if subcontractors do not perform in accordance with the customer contract ISS has entered into.
- Compliance – potential risk of non-compliance with labour laws or other regulatory requirements.

- Growth in countries with low IFS capabilities
- Growth in global key accounts
- Complexity and level of service delivery
- High-profile customers

- Supplier Code of Conduct
- Separate operating model when using subcontractors in countries with no ISS presence
- Roll-out of global risk-based vendor vetting and approval system

9. MACROECONOMY

The past decade has seen recurrent financial turmoil – including Brexit and the risk of trade wars – that has affected the global economy.

- Customers downsizing their businesses or reducing their need for services
- Political instability
- Brexit
- Risk of trade wars

- Balanced and diversified revenue base
- Ongoing formal monitoring of market changes and developments

10. REPUTATIONAL RISK

Protecting our reputation is the responsibility of every employee, because our reputation is shaped by all actions and statements made by ISS.

- Complexity in service delivery
- High-profile customers
- Use of social media

- Group Escalation Policy defining process for escalation of incidents to senior-level management
- Crisis communication plan integrated in Group Escalation Policy and Group Crisis Response Plan
- Media handling (internal and external) and monitoring tools, as well as media communication guidelines

VIVIAN HEILMANN:

"I started as a butcher"

With 471,056 employees, ISS is the size of a city. And like a city, our organisation is a global community that's bonded by a shared purpose and values. One of our key strengths is that our services are delivered by our own people. We empower them to create great service moments. That's why we want to offer everyone at ISS the opportunities to unlock their potential. Vivian, a member of our Danish Building and Property Agency team, tells us how joining ISS set her on the path to achieving her big ambitions.

SPACE AND SUPPORT TO GROW

"I started as a meeting centre host at one of ISS's customers, Nets, before it outsourced its service management to ISS," she explains.

"I was leading a very small in-house team at Nets. And to be honest, the first thing I thought was, Big ISS? No, thanks. But I took a deep breath and a long walk and thought about what was good about continuing my journey with ISS. I decided to give them a chance. I would give it a few months and then decide if I would stay.

"And I was positively surprised. There was both strong focus on creating great experiences for customers and for investing in people. Even after a few

weeks, I could see that ISS offered a lot of opportunities for me to develop myself. Once I joined the ISS team I was able to really develop my skills. Within three months I'd taken a leadership course and I was quickly promoted.

"I also went through the new training as a site manager, which was the logical next step in my career. And then I saw a district manager vacancy on the ISS job boards and thought I'd go for it. I applied, and within one week I got the job."

"I started my career as a butcher. I never dreamed I'd be doing what I'm doing now. But in ISS there's space for everybody to grow. And we've got great support – everyone wants to help each other be better."

LOOKING TO THE FUTURE

Vivian's story exemplifies what makes ISS special: Our people – people who go the extra mile and care about the people they support. That's why we develop and empower our people to make decisions for themselves. Our employees know that we trust them to find the right solutions for their customers. And when our workforce feels motivated and valued, our customers feel the benefit too. In the past 5 years, around 450 of the roughly 6,000 frontline service professionals have risen to leadership positions in ISS Denmark.

**New Site Manager Programme in 2020, covering 2,000+ site managers:**

- Strengthens site manager capabilities in operational management, customer relationships and people leadership
- Creates a talent pipeline incl. for future key account managers
- Supports customer growth and retention

CORPORATE GOVERNANCE

Transparency, constructive stakeholder dialogue, sound decision-making processes and controls are key aspects of our corporate governance for the benefit of ISS and our stakeholders.

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

Board biographies, pp. 41–42
EGMB and EGM biographies, pp. 43–44

FRAMEWORK AND RECOMMENDATIONS

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

The 2019 statutory report on corporate governance, which is available at <http://inv.issworld.com/governancereport>, provides an overview of our overall corporate governance structure and our position on each of the Danish Corporate Governance Recommendations. At the end of 2019, we complied with all of the Danish Corporate Governance Recommendations except recommendation 1.1.3 regarding the publication of quarterly reports. We publish full-year and half-year financial results and trading updates in Q1 and Q3 in line with international industry practice. This reporting format is selected to balance focus between short-term performance and long-term value creation. Investor presentations continue to be held quarterly via live webcast/telephone conference.

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

GOVERNANCE STRUCTURE

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

MANAGEMENT

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

BOARD OF DIRECTORS

The primary responsibilities of the Board and the four Board committees established by the Board are outlined in our governance structure on p. 38.

In 2019, the Board performed an internal evaluation of the Board's performance led by the chairman of the Board, which included the performance of individual Board members and an evaluation of the performance of the EGMB and of the cooperation between the Board and the EGMB. For further details, please see response to recommendation 3.5.1 of the 2019 statutory report on corporate governance.

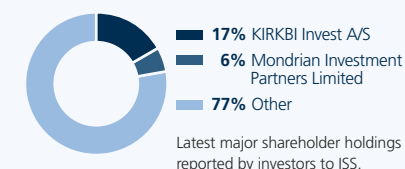
Board members elected by the general meeting stand for election each year at our annual general meeting. Board members are eligible for re-election.

Three employee representatives serve on the Board. They are elected on the basis of a voluntary arrangement regarding Group representation for employees of ISS World Services A/S as further described in the Articles of Association. Employee representatives serve for terms of four years. The current employee representatives joined the Board after the annual general meeting held in April 2019.

SPECIFIC MATTERS TRANSACTED BY THE BOARD IN 2019

- Reduction of complexity and risk management
- Review of specific operational priorities and challenges

MAJOR SHAREHOLDERS



EXECUTIVE GROUP MANAGEMENT BOARD

The members of the EGMB are the Group CEO and the Group CFO. Together, they form the management registered with the Danish Business Authority. The Group has a wider Executive Group Management (EGM), whose members are eight Corporate Senior Officers of the Group in addition to the EGMB. The primary responsibilities of the EGM are outlined in our governance structure on p. 38.

The EGM has a number of committees including a Sustainability Committee addressing ESG-related matters which are reported and reviewed by the EGM and the Board as required.

KEY MATTERS TRANSACTED ANNUALLY BY THE BOARD

- Overall strategy, business and action plan
- Annual budget
- Capital and share structure as well as financing
- Financial Policy and Dividend Policy
- External financial reporting, Remuneration and CR reports
- Material risks and risk management reporting
- Internal controls and risks related to financial reporting
- IT and information security
- Corporate governance
- Competencies, composition and independence of the Board
- Succession planning
- Evaluation of performance of the Board, individual board members, performance of the EGMB and cooperation between the Board and the EGMB
- Diversity
- Remuneration policy and guidelines on incentive pay
- Recommendation of auditors for election at the annual general meeting

SPEAK UP (WHISTLEBLOWER)

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

All business ethics and corruption issues identified through the Speak Up system or other sources are handled by the Business Integrity Committee (BIC) that is composed of the Group CFO, the Group General Counsel, the Group People and Culture Officer and the Head of Group Internal Audit. The BIC reports to the Board's Audit and Risk Committee on all matters that have been subject to investigation.

COMPETENCIES AND DIVERSITY

As one of the world's largest private employers with around 470,000 employees, we are committed to fostering and cultivating a culture of diversity and inclusion in the broadest sense. The Board and the EGM recognise the importance of promoting diversity at management levels and have implemented policies regarding competencies and diversity in respect of Board and EGMB nominations according to which we are committed to selecting the best candidate while aspiring to have diversity in gender as well as in broader terms.

Emphasis is placed on:

- experience and expertise (such as industry, strategy and value creation, leadership of large international companies, transformational change, people development and succession, sales and marketing, IT and technology, finance, risk management, and corporate responsibility);

- diversity (incl. age, gender, new talent and international experience) and diversity of perspectives brought to the Board or the EGMB; and
- personal characteristics matching ISS's values and leadership principles.

The Board has adopted a gender diversity target of having at least 40% women elected by the general meeting on the Board by 2020. Currently, 33% of these Board members are women and the target was not reached in 2019. The Board found that, in broad terms, it possessed a high level of diversity and did not nominate new Board candidates in 2019. Including employee representatives, 44% of our Board are women.

In order to increase the number of women in management positions at ISS's global head office, we continue leveraging our Diversity Policy, which defines a number of initiatives, including our recruitment policy, requiring us to short-list at least one female candidate in all searches for vacant positions. We also continuously develop our succession planning aiming at identifying female successors and tabling the matter of women in leadership at ISS for discussion at least once a year at EGM level. Furthermore, it is our policy to ensure strong representation of women in various ISS leadership development and graduate programmes across the Group and at the global head office. We had 30% female representation at our 2019 Global Leadership Conference, and 40% female participation in our Leadership Mastery programme.

The representation of women at management level at the global head office increased slightly in 2019 compared to 2018 and gender diversity remains a focus area in 2020.


REMUNERATION REPORT 2019

The Remuneration Report for 2019 is the first stand-alone report separately from the Annual Report.

It partially implements the requirements of the Shareholder Rights Directive. The Remuneration Report for 2020 is expected to be compliant with the Shareholder Rights Directive, including being subject to an advisory vote at the Annual General Meeting.

The current Remuneration Policy was adopted by the annual general meeting held in April 2018. Both the Remuneration Policy and the Remuneration Report comply with the current Danish Corporate Governance Recommendations.

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

 The Remuneration Report for 2019 is available at <http://inv.issworld.com/iss-remuneration-reports>

Total remuneration of the Board and the EGM is disclosed in note 5.1 to the consolidated financial statements.

OUR GOVERNANCE STRUCTURE

BOARD OF DIRECTORS

Responsible for the overall management and strategic direction of the Group, including:

- strategy plan and annual budget
- appointing members of the EGMB
- supervising the activities of the Group
- reviewing the financial position and capital resources to ensure that these are adequate

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

 **Board biographies**, pp. 41–42


BOARD COMMITTEES

AUDIT AND RISK COMMITTEE

- Evaluates the external financial reporting and significant accounting estimates and judgements related to items such as impairment tests, divestments, deferred tax as well as revenue and related customer receivables
- Reviews and monitors the Group's risk management, internal controls, and business integrity matters
- Monitors the Group internal audit function
- Evaluates the Financial Policy, the Dividend Policy and the Group Tax Policy
- Monitors and considers the relationship with the independent auditors, reviews the audit process and recommends auditors

REMUNERATION COMMITTEE

- Assists in preparing the remuneration policy and the overall guidelines on incentive pay
- Recommends the remuneration of Board and EGMB members, approves remuneration of EGM

 **Remuneration**, see the Group's Remuneration Report at <http://inv.issworld.com/iss-remuneration-reports>

NOMINATION COMMITTEE

- Assists in ensuring that appropriate plans and processes are in place for the nomination of candidates to the Board and the EGMB
- Evaluates the composition of the Board and the EGMB
- Recommends nomination or appointment of Board, EGMB and board committee members

TRANSACTION COMMITTEE

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

EXECUTIVE GROUP MANAGEMENT

Responsible for the day-to-day management of the Group, including:

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

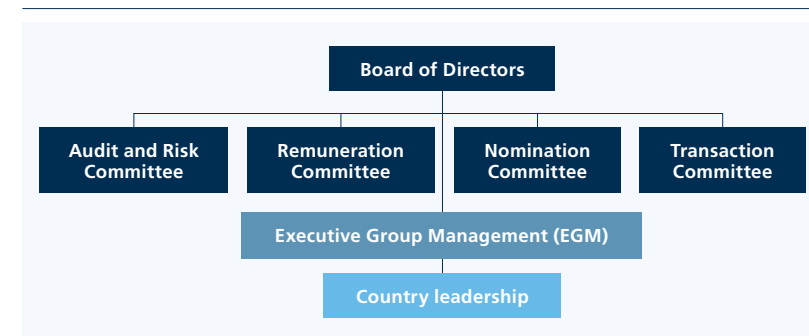
EGM has established a number of committees, including Sustainability, Remuneration and Transaction Committees.

 **EGM biographies**, pp. 43–44

COUNTRY LEADERSHIP

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

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



INTERNAL CONTROLS RELATING TO FINANCIAL REPORTING

A strong governance and internal controls framework is the foundation for quality and efficiency of financial reporting.

ASSURANCE

The responsibility for overall financial assurance is aligned with our governance structure, p. 38.

Group Finance has the overall functional responsibility for the risks related to financial reporting. With the support of Group Risk Management, Group Finance is responsible for the identification and assessment of financial reporting risks and for defining appropriate internal controls, which are implemented across the Group.

Group Internal Audit (GIA) is responsible for providing an objective and independent assessment of the effectiveness and quality of the internal controls in accordance with the internal audit plan approved by the Audit and Risk Committee (ARC). GIA works independently of the Executive Group Management Board (EGMB), operating under a charter approved by the Board of Directors (Board) and reporting directly to the ARC.

Group policies of relevance to financial reporting include the Code of Conduct, the Accounting Manual, the Reporting Manual, the Financial Policy, the Factoring Policy and the Escalation Policy.

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

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

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

To challenge the EGMB, the ARC discusses on an ongoing basis:

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

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

Group Finance is responsible for controlling the financial reporting by subsidiaries and for preparing the consolidated financial statements.

GROUP INTERNAL AUDIT

GIA performs annual audits across the Group. The planning is based on the group key risks described on pp. 33–34, a risk assessment performed for the individual countries and the outcome of the annual control self-assessment.

The internal audit framework consists of two key elements:

- 1 a baseline audit programme which assesses the internal controls and compliance across 70 key control activities;

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

In 2019, GIA performed:

- 23 baseline audits in individual countries;
- 26 risk-based audits, including audits covering internal control areas related to compliance and the quality and effectiveness of financial reporting; and
- 16 audits of the governance and internal controls within Group corporate functions.

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

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

CONTROL ACTIVITIES

The Group has implemented a formalised financial reporting process, which includes the reporting requirements and related control activities for key areas illustrated in the overview on p. 40. In 2019, we continued the implementation of a structured and formalised Internal Control Framework for Financial Reporting (ICOFR). The status of internal controls for financial reporting,

as assessed in the internal audits, and the status on the implementation of the key processes and systems that support the financial reporting, is reported separately for each reporting entity under the framework.

In 2019, the Global Shared Service organisation continued to centralise, standardise and automate processes and controls across the Group. The UK is the pilot country for these efforts and the implementation project is expected to be finalised in 2020.

In 2019, we also successfully launched a new group-wide system and process to standardise the period-end and account reconciliation processes, providing transparency across all country ledgers.

An internal training programme was launched in 2019 to further strengthen the awareness and knowledge of, and to ensure compliance with the Group's accounting policies. Following the initial roll-out of training in the new leasing standard (IFRS 16), the programme will be extended to cover all key accounting topics of relevance for the employees involved in financial reporting.

EXTERNAL AUDIT

The Group's financial reporting and internal controls are audited at the independent auditors elected at the annual general meeting. The nomination follows an assessment of the qualifications, objectivity and independence of the auditors and the effectiveness of the audit process. Board members receive the auditors' long-form audit reports which are reviewed by the ARC.

KEY AREA	REPORTING – ALL COUNTRIES	CONTROL ACTIVITIES
Financial position and results	Income statement, statement of financial position, statement of cash flows, portfolio analysis etc., monthly.	Group Finance monitors and controls the reporting for significant deviations from the budget and last year's performance.
Free cash flow	Daily liquidity cash flow forecasts prepared once a month for a forward-looking six week period. Working capital forecasts mid-quarter for a forward-looking six week period.	Actual figures are continuously monitored and validated by Group Treasury for deviations from forecasted figures, including e.g. daily follow-up on local material cash balances.
Business reviews	Income statement, statement of financial position, statement of cash flows, portfolio analysis, and contract performance etc., monthly.	Monthly meetings between regional management and country leadership and between regional management and EGMB with a focus on the current performance and the state of the business.
Budgets and financial plans	Budgets and plans for the following financial year in a predefined format.	EGMB and regional management review the proposed budgets and plans with the countries.
Full-year forecasts	Full-year forecasts updated twice a year.	EGMB and regional management review the proposed full-year forecasts with the countries in light of their current performance and the state of the business.
Strategy reviews	Country leadership provides annual updates of a predefined strategy template, including progress on key strategic priorities.	Annual meetings between regional management and country leadership at which the strategy is discussed and priorities and plans for the coming year are agreed.
Acquisitions and divestments	Acquisition and divestment proposals are presented in a predefined report format and valuation model.	Depending on size, approval is required by regional management, EGMB or Transaction Committee/Board.
Large contracts	Bids for large contracts are presented in a predefined format centred on risk evaluation.	Depending on size, approval is required by regional management, EGMB or Transaction Committee/Board.
Control self-assessments	Once a year, country leadership performs a self-assessment of the implementation of certain key internal control activities and develops plans to close any implementation gaps.	GIA performs ongoing audits based on the countries' control self-assessment and self-testing activities.

BOARD OF DIRECTORS



LORD ALLEN OF KENSINGTON KT CBE
CHAIRMAN
(1957)

Nationality: British
First elected: March 2013

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

Chairman of Global Media & Entertainment Group (and a member of the board of directors of seven of its subsidiaries) as well as a member of the board of directors of Malch Limited and Grandmet Management Ltd. In addition, advisory chairman of Moelis & Company and advisor to Boparan Holdings Ltd and Powerscourt.

Special competencies: International service industry; strategy and value creation; leadership of large international companies; transformational change; people and remuneration; finance, accounting and tax; investors and capital markets.



THOMAS BERGLUND
DEPUTY CHAIRMAN
(1952)

Nationality: Swedish
First elected: March 2013

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

Chairman of the board of directors of Aleris AB, Akademikliniken Top Holding AB and Nordentic Group AB. Furthermore, member of the board of directors of DigiTrade International AB.

Special competencies: International service industry; strategy and value creation; leadership of large international companies; transformational change; finance, accounting and tax; risk management.



CLAIRE CHIANG
(1951)

Nationality: Singaporean
First elected: April 2015

Member of the Remuneration Committee and the Nomination Committee.

Co-founder of Banyan Tree Hotels & Resorts, SVP of Banyan Tree Holdings Limited (and holds directorship in two of its subsidiaries) and member of the board of directors and the nomination and remuneration committees of Dufry AG. Chair for China Business Development, Wildlife Reserves Singapore Conservation Fund and Banyan Tree Global Foundation Limited. Member of the board of directors of Tian Rong (Tianjin) Enterprise Management Consulting Service Co. Ltd. and Mandai Safari Park Holdings Pte. Ltd. Holds directorship in six family holding companies. In addition, chair or member of several non-profit organisations.

Special competencies: International service industry; strategy and value creation; people and remuneration; sales and marketing; corporate responsibility.



HENRIK POULSEN
(1967)

Nationality: Danish
First elected: August 2013

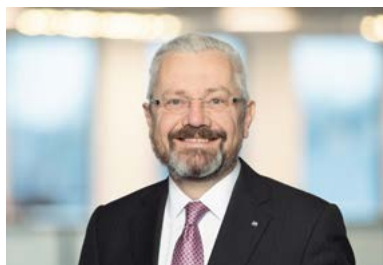
Chairman of the Audit and Risk Committee and member of the Transaction Committee.

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

Special competencies: Strategy and value creation; leadership of large international companies; transformational change; finance, accounting and tax; investors and capital markets; risk management; corporate responsibility.

All board members are independent, except for the employee representatives.

Further information on board members, including current and previous positions and education, is available at: <https://www.issworld.com/about-iss/get-to-know-iss/management-and-organisation/board-of-directors>



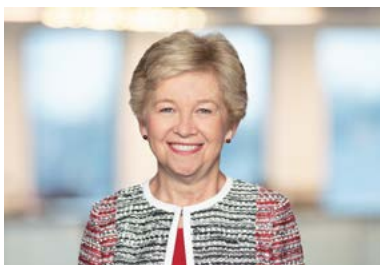
BEN STEVENS
(1959)

Nationality: British
First elected: April 2016

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

Served as group finance director and a member of the board of directors of British American Tobacco p.l.c. (BAT) until August 2019 and has held a number of roles on BAT's Executive Management Board, including as Regional Director Europe and Development Director with responsibility for corporate strategy, M&A and IT.

Special competencies: Strategy and value creation; leadership of large international companies; IT, technology and digitisation; finance, accounting and tax; investors and capital markets; risk management.



CYNTHIA MARY TRUDELL
(1953)

Nationality: American
First elected: April 2015

Member of the Remuneration Committee and the Nomination Committee.

Member of the board of directors and chair of the management resources and compensation committee of Canadian Tire Corporation Limited. Furthermore, member of the board of directors as well as member of the compensation and corporate governance committee of RenaissanceRe Holdings Ltd.

Special competencies: Strategy and value creation; leadership of large international companies; transformational change; people and remuneration; sales and marketing; IT, technology and digitisation.



NADA ELBOAYADI (E)
(1982)

Nationality: Danish
First joined the Board: April 2019

Head of Global Big Data, Global Support Solutions since 2018.

Joined the ISS Group in 2006.

Special competencies: International service industry; IT, technology and digitisation.



JOSEPH NAZARETH (E)
(1960)

Nationality: Canadian
First joined the Board: March 2011

Group Vice President and Head of Group Health, Safety, Environment and Quality and Corporate Responsibility since 2010.

Joined the ISS Group in 2010.

Special competencies: International service industry; risk management; corporate responsibility.



ELSIE YIU (E)
(1975)

Nationality: Hong Kong Chinese
First joined the Board: April 2019

Group Vice President and Regional Legal Business Partner APAC since 2018.

Joined the ISS Group as Senior Legal Counsel in 2015.

Special competencies: International service industry; risk management.

MEETING ATTENDANCE	Board	Audit and risk	Remuneration	Transaction	Nomination
Lord Allen of Kensington Kt CBE, Chairman	9/10		6/6	2/3	7/7
Thomas Berglund, Vice Chairman	10/10	6/6		3/3	
Claire Chiang	8/10		6/6		7/7
Henrik Poulsen	10/10	6/6		3/3	
Ben Stevens	9/10	5/6		3/3	
Cynthia Trudell	9/10		6/6		7/7
Nada Elboayadi (E) ¹⁾	9/9				
Joseph Nazareth (E)	10/10				
Elsie Yiu (E) ¹⁾	9/9				

¹⁾ Joined the Board in April 2019.

EXECUTIVE GROUP MANAGEMENT



JEFF GRAVENHORST
GROUP CEO
(since April 2010)



PIERRE-FRANÇOIS RIOLACCI
GROUP CFO
(since November 2016)



TROELS BJERG
GROUP COO
(since March 2018)



JACOB GÖTZSCHE
CEO EUROPE
(since March 2019)



DANE HUDSON
CEO ASIA PACIFIC
(since January 2016)

Nationality: Danish
Joined ISS: 2002

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

Chairman of the board of directors of Rambøll Gruppen A/S and chairman of the Confederation of Danish Industry's (DI) Permanent Committee on Business Policies.

Previously held management positions within ISS as Group COO, Group CFO and CFO of ISS UK.

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

Nationality: French
Joined ISS: 2016

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

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

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

Nationality: Danish
Joined ISS: 2009

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

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

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

Nationality: Danish
Joined ISS: 1999

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

Nationality: Australian
Joined ISS: 2011

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

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

Further information on the EGM members, including previous positions and education, is available at <https://www.issworld.com/about-iss/get-to-know-iss/management-and-organisation/executive-management>



ANDREW PRICE
GROUP CCO
(since September 2015)



BJØRN RAASTEEN
GROUP GENERAL COUNSEL
(since January 2005)



CORINNA REFSGAARD
GROUP CHIEF PEOPLE & CULTURE
OFFICER
(since December 2018)



DANIEL RYAN
CEO AMERICAS
(since February 2016)



RICHARD SYKES
CEO STRATEGIC TRANSFORMATION
(since March 2019)

Nationality: British
Joined ISS: 1995

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

Nationality: Danish
Joined ISS: 1999

Prior to joining ISS held positions as attorney-at-law at Jonas Bruun Law firm as well as at Hjejle, Gersted & Mogensen Law Firm.

Nationality: German
Joined ISS: 2017

Previously held management positions within ISS as Regional People & Culture Director ISS Continental Europe/ISS Germany.

Prior to joining ISS held management positions as Chief Human Resources Officer of Kontron AG, SVP HR EMEA of Fujitsu Technology Solutions GmbH and management positions at EADS (Airbus Defense).

Nationality: American
Joined ISS: 2016

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

Nationality: British
Joined ISS: 2012

Previously held management positions within ISS as Regional CEO Northern Europe, Regional CEO Western Europe and Country Manager of ISS UK & Ireland.

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

Further information on the EGM members, including previous positions and education, is available at <https://www.issworld.com/about-iss/get-to-know-iss/management-and-organisation/executive-management>

ENVIRONMENT:

Putting our energy into reducing consumption

Places affect people – but also the planet. More and more of our customers are asking how we can help them reduce their environmental footprint, reduce costs and make processes more efficient. It's priority for us too. We want to be more efficient about how we use resources and cut down on waste, including plastic pollution. One specific area we have been working on is reducing energy consumption. We're taking what we've learned ourselves and are helping customers put it into practice in their businesses. Our approach combines data, insight and our service know-how, to help our customers improve sustainability. Here's how we are doing just that for Nordea.

ENERGY MANAGEMENT

We started with data. We carried out a mapping and energy audit at Nordea's Norwegian headquarters to establish a baseline reading of their energy consumption. We also began to integrate systems to provide greater transparency. During the audits and integration, we discovered a number of improvement opportunities that would result in future cost-avoidance. We took our findings, qualified them into business cases and proposed the changes to Nordea. For example, one of the

business cases focused on replacing the old light bulbs with the latest LED technology throughout the parking garage and thereby reducing electricity consumption. Through all recommended changes, ISS estimates that Nordea could avoid CO2 emissions by 747 tonnes over a five-year period.

LOOKING INTO THE FUTURE

Our work doesn't stop here. We are scaling our energy management service across all of Nordea, covering their headquarters by the end of 2020. We will also expand our service to improve Nordea's waste management. In fact, we're developing more and more ways to approach energy management for our customers, including services like real-time monitoring, where analysts take data insights and turn them into energy-saving initiatives, and technicians can respond immediately to any issues. Whatever the approach, our goal is to help customers create sustainable places, where we cut costs and emissions in equal measure. And we're confident that, with the right energy and focus, we can achieve it.



Nordea Metro Copenhagen

CONSOLIDATED FINANCIAL STATEMENTS

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IMPACT OF IFRS 16 "LEASING"

IFRS 16 was implemented 1 January 2019 and had significant impact on recognition and measurement:

- Property, plant and equipment and leases as well as Net debt increased DKK 3.5 billion
- Profit before tax (adjusted) decreased DKK 0.04 billion

The implementation is described in detail in 7.2, Change in accounting policies.

Right-of-use assets are presented in Property, plant and equipment and the related lease liability in Loans and borrowings.

SIGNIFICANT ACCOUNTING ESTIMATES (E) AND JUDGEMENTS (J)

- 1.2** Revenue – gross or net presentation (J)
- 1.6** Deferred tax assets (E)
- 2.1** Right-of-use assets – lease term (J)
- 2.3** Transition and mobilisation costs (J)
- 2.6** Onerous contract provision (E/J)
- 3.1** Discontinued operations (E/J)
- 3.2** Assets and liabilities held for sale (E/J)
- 3.6** Intangible assets – the ISS brand (J)
- 3.8** Impairment tests (E)
- 5.3** Pensions and similar obligations (E)

CONSOLIDATED INCOME STATEMENT

Background for the income statement presentation is described in 7.3, General accounting policies, p. 88

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

²⁾ Calculated as Net profit (adjusted) divided by the average number of shares (diluted).

³⁾ Calculated as Net profit from continuing operations (adjusted) divided by the average number of shares (diluted).

1 JANUARY – 31 DECEMBER

		2019			2018		
DKK million	Note	Adjusted results	Acquisition-related	Reported results	Adjusted results	Acquisition-related	Reported results
Revenue	1.1, 1.2	78,555	-	78,555	73,592	-	73,592
Staff costs	5.3, 6.4	(49,588)	-	(49,588)	(46,589)	-	(46,589)
Consumables		(7,585)	-	(7,585)	(7,007)	-	(7,007)
Other operating expenses		(16,475)	-	(16,475)	(15,680)	-	(15,680)
Depreciation and amortisation ¹⁾	2.1, 3.6	(1,617)	-	(1,617)	(618)	-	(618)
Operating profit before other items		3,290	-	3,290	3,698	-	3,698
Other income and expenses, net	1.4	(93)	-	(93)	(125)	-	(125)
Goodwill impairment	3.7	-	(304)	(304)	-	(724)	(724)
Amortisation/impairment of brands and customer contracts	3.6	-	(335)	(335)	-	(463)	(463)
Operating profit	1.1, 6.1	3,197	(639)	2,558	3,573	(1,187)	2,386
Financial income	4.3	40	-	40	37	-	37
Financial expenses	4.3	(744)	-	(744)	(627)	-	(627)
Profit before tax		2,493	(639)	1,854	2,983	(1,187)	1,796
Income tax	1.5, 1.6	(743)	67	(676)	(702)	129	(573)
Net profit from continuing operations		1,750	(572)	1,178	2,281	(1,058)	1,223
Net profit/(loss) from discontinued operations	3.1	350	(157)	193	(197)	(735)	(932)
Net profit		2,100	(729)	1,371	2,084	(1,793)	291
Attributable to:							
Owners of ISS A/S				1,350			281
Non-controlling interests				21			10
Net profit				1,371			291
Earnings per share, DKK							
Basic earnings per share (EPS)	4.1			7.3			1.5
Diluted earnings per share	4.1			7.3			1.5
Adjusted earnings per share ²⁾	4.1			11.2			11.2
Earnings per share for continuing operations, DKK							
Basic earnings per share (EPS)				6.3			6.6
Diluted earnings per share				6.2			6.5
Adjusted earnings per share ³⁾				9.3			12.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER

DKK million	Note	2019	2018
Net profit		1,371	291
Items not to be reclassified to the income statement in subsequent periods			
Actuarial gains/(losses)	5.3	84	(79)
Impact from asset ceiling regarding pensions	5.3	(49)	(8)
Tax	1.6	(3)	18
Items to be reclassified to the income statement in subsequent periods			
Foreign exchange adjustments of subsidiaries and non-controlling interests	4.1	363	(152)
Fair value adjustments of net investment hedges	4.1	(143)	-
Recycling of accumulated foreign exchange adjustments on country exits	4.1	(146)	-
Other comprehensive income		106	(221)
Comprehensive income		1,477	70
Attributable to:			
Owners of ISS A/S		1,457	60
Non-controlling interests		20	10
Comprehensive income		1,477	70

CONSOLIDATED STATEMENT OF CASH FLOWS

1 JANUARY – 31 DECEMBER

DKK million	Note	2019	2018
Operating profit before other items		3,290	3,698
Operating profit before other items from discontinued operations	3.1	89	134
Depreciation and amortisation	2.1, 3.6	1,617	681
Share-based payments		18	19
Changes in working capital	2.5	(2,019)	144
Changes in provisions, pensions and similar obligations		225	(195)
Other expenses paid		(16)	(17)
Interest received		45	25
Interest paid		(672)	(479)
Income tax paid	1.5	(513)	(663)
Cash flow from operating activities		2,064	3,347
Acquisition of businesses	3.4	(75)	(35)
Divestment of businesses	3.3	691	38
Acquisition of intangible assets and property, plant and equipment		(1,133)	(1,052)
Disposal of intangible assets and property, plant and equipment		38	84
Acquisition of financial assets, net		(51)	(20)
Cash flow from investing activities		(530)	(985)
Proceeds from bonds	4.2	3,695	-
Repayment of bonds	4.2	(6,717)	-
Repayment of lease liabilities	4.2	(1,080)	(88)
Other financial payments, net	4.2	(337)	(210)
Dividends paid to shareholders		(1,422)	(1,422)
Dividends paid to non-controlling interests		(10)	(3)
Cash flow from financing activities		(5,871)	(1,723)
Total cash flow		(4,337)	639
Cash and cash equivalents at 1 January		6,834	6,275
Total cash flow		(4,337)	639
Foreign exchange adjustments		173	(80)
Cash and cash equivalents at 31 December	4.2	2,670	6,834

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

DKK million	Note	2019	2018
ASSETS			
Intangible assets	3.6, 3.8	24,565	24,306
Property, plant and equipment and leases	2.1	4,472	1,558
Deferred tax assets	1.6	662	706
Other financial assets		336	304
Non-current assets		30,035	26,874
Inventories		275	257
Trade receivables	2.2	12,085	9,858
Tax receivables		87	73
Other receivables	2.3	3,103	2,615
Cash and cash equivalents	4.2	2,670	6,834
Assets held for sale	3.2	1,806	3,300
Current assets		20,026	22,937
Total assets		50,061	49,811
EQUITY AND LIABILITIES			
Equity attributable to owners of ISS A/S		12,523	12,458
Non-controlling interests		24	14
Total equity	4.1	12,547	12,472
Loans and borrowings	4.2	16,308	17,382
Pensions and similar obligations	5.3	1,259	1,161
Deferred tax liabilities	1.6	1,344	1,130
Provisions	2.6	258	199
Non-current liabilities		19,169	19,872
Loans and borrowings	4.2	1,197	278
Trade and other payables		7,034	6,695
Tax payables		276	339
Other liabilities	2.4	8,625	8,218
Provisions	2.6	308	158
Liabilities held for sale	3.2	905	1,779
Current liabilities		18,345	17,467
Total liabilities		37,514	37,339
Total equity and liabilities		50,061	49,811

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 31 DECEMBER

JANUARY – 31 DECEMBER		Attributable to owners of ISS A/S						Non-con- trolling interests	Total equity
DKK million	Note	Share capital	Retained earnings	Translation reserve ¹⁾	Treasury shares	Proposed dividends	Total		
2019									
Equity at 1 January		185	12,007	(967)	(197)	1,430	12,458	14	12,472
Net profit		-	(80)	-	-	1,430	1,350	21	1,371
Other comprehensive income		-	32	75	-	-	107	(1)	106
Comprehensive income		-	(48)	75	-	1,430	1,457	20	1,477
Share-based payments	5.2	-	31	-	-	-	31	-	31
Settlement of vested PSUs	5.2	-	(7)	-	6	-	(1)	-	(1)
Tax related to PSUs		-	0	-	-	-	0	-	0
Dividends paid to shareholders	4.1	-	-	-	-	(1,430)	(1,430)	-	(1,430)
Dividends, treasury shares		-	8	-	-	-	8	-	8
Dividends paid to non-controlling interests		-	-	-	-	-	-	(10)	(10)
Transactions with owners		-	32	-	6	(1,430)	(1,392)	(10)	(1,402)
Changes in equity		-	(16)	75	6	-	65	10	75
Equity at 31 December		185	11,991	(892)	(191)	1,430	12,523	24	12,547
2018									
Equity at 1 January		185	13,301	(815)	(297)	1,430	13,804	10	13,814
Net profit		-	(1,149)	-	-	1,430	281	10	291
Other comprehensive income		-	(69)	(152)	-	-	(221)	0	(221)
Comprehensive income		-	(1,218)	(152)	-	1,430	60	10	70
Share-based payments	5.2	-	32	-	-	-	32	-	32
Settlement of vested PSUs	5.2	-	(123)	-	100	-	(23)	-	(23)
Tax related to PSUs		-	4	-	-	-	4	-	4
Dividends paid to shareholders	4.1	-	-	-	-	(1,430)	(1,430)	-	(1,430)
Dividends, treasury shares		-	8	-	-	-	8	-	8
Acquisition of non-controlling interests		-	3	-	-	-	3	(3)	-
Dividends paid to non-controlling interests		-	-	-	-	-	-	(3)	(3)
Transactions with owners		-	(76)	-	100	(1,430)	(1,406)	(6)	(1,412)
Changes in equity		-	(1,294)	(152)	100	-	(1,346)	4	(1,342)
Equity at 31 December		185	12,007	(967)	(197)	1,430	12,458	14	12,472

¹⁾ At 31 December 2019, DKK 58 million (2018: DKK 161 million) of accumulated foreign exchange gains related to discontinued operations.

OPERATING PROFIT AND TAX

SECTION 1

This section provides information related to the Group's operating profit and tax to help the reader get a deeper understanding of the Group's performance in 2019.

In this section:

1.1 SEGMENT INFORMATION

1.2 REVENUE

1.3 TRANSLATION AND OPERATIONAL CURRENCY RISK

1.4 OTHER INCOME AND EXPENSES, NET

1.5 INCOME TAX

1.6 DEFERRED TAX

Revenue amounted to DKK 78,555 million and organic growth was 7.1% driven by generally strong commercial momentum with a high number of key account contract wins, extensions and expansions and by the launch of the Deutsche Telekom contract on 1 July 2019. The contribution from projects and above-base work also remained solid. All regions delivered positive organic growth with double-digit rates in Continental Europe.

Operating profit before other items was DKK 3,290 million for an operating margin of 4.2% (2018: 5.0%). Although supported by the strong growth, ongoing improvement plans and the confirmed turn-around of our business in the US and in Sweden, we faced selective but notable operational challenges in regards to delay in the net benefits from the ongoing reorganisation of our operations in France, as well as two loss-making contracts in Hong Kong and Denmark. Furthermore, performance was impacted by the launch of the transformational investment programme and a provision of DKK 150 million to cover risks identified through changed systems in the UK and the onerous contract in Hong Kong.

Additional details on revenue and operating profit by region as well as revenue by country are provided in 1.1, Segment information. Furthermore, disaggregation of revenue into customer type and information about our revenue backlog are included in 1.2, Revenue.

ISS is exposed to a low level of **currency risk** on transaction level, since services are produced, delivered and invoiced in the same local currency as the functional currency of the entity delivering the services. With operations in 63 countries, we are however exposed to risk from translation of local currency financial statements into DKK. This is explained in 1.3, Translation and operational currency risk.

Other income and expenses, net was an expense of DKK 93 million, predominantly due to divestment-related costs in the Netherlands and the UK. A break-down including commentary is included in 1.4, Other income and expenses, net.

As announced in the Annual Report 2018, restructuring costs are no longer included in Other income and expenses, net but are included in Operating profit before other items.

The **effective tax rate** was 29.8%, negatively impacted by deferred tax assets in France. Adjusted for this, the effective tax rate was 24.8%. Details on the composition of the Group's effective tax rate and deferred tax are provided in 1.5, Income taxes and 1.6, Deferred tax, respectively.

REVENUE

78,555 DKKm (2018: 73,592 DKKm)

7.1% (2018: 3.9%)
Organic growth ¹⁾

OPERATING PROFIT ²⁾

3,290 DKKm (2018: 3,698 DKKm)

4.2% (2018: 5.0%)
Operating margin

SEGMENTS

	Organic growth ¹⁾	Operating margin
Continental Europe	12%	5.0%
Northern Europe	4%	4.5%
Asia & Pacific	5%	5.5%
Americas	2%	5.3%

EFFECTIVE TAX RATE

29.8% (2018: 23.5%)

Group performance, p. 13

Regional performance, pp. 19–22

ISS Tax Policy, <http://inv.issworld.com/policies-and-guidelines>

¹⁾ Unaudited

²⁾ Before other items

1.1 SEGMENT INFORMATION

ISS is a leading, global provider of workplace and facility service solutions operating in 63 countries. Operations are generally managed based on a geographical structure in which countries are grouped into regions. The regions have been identified based on a key principle of grouping countries that share market conditions and cultures. Countries where we do not have a full country support structure, which are managed by Global Operations, are combined in a separate segment "Other countries". An overview of the grouping of countries into regions is presented in 7.5, Group companies.

The segment reporting is prepared in a manner consistent with the Group's internal management and reporting structure and excludes discontinued operations. Transactions between reportable segments are made on market terms.

Disclosures relating to segment assets and liabilities are disclosed in 6.1, Other segment information together with reconciliation of segment information to the consolidated amounts.

DKK million	Continental Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total segments
2019						
Revenue ¹⁾	30,608	25,037	13,739	8,459	760	78,603
Depreciation and amortisation ²⁾	(718)	(526)	(219)	(99)	-	(1,562)
Operating profit before other items	1,534	1,119	753	448	38	3,892
Operating margin	5.0%	4.5%	5.5%	5.3%	5.0%	5.0%
Other income and expenses, net	(62)	(23)	(7)	(1)	-	(93)
Goodwill impairment	(304)	-	-	-	-	(304)
Amortisation/impairment of brands and customer contracts	(78)	(198)	(32)	(27)	-	(335)
Operating profit	1,090	898	714	420	38	3,160
2018						
Revenue ¹⁾	28,006	24,413	12,725	7,847	667	73,658
Depreciation and amortisation ²⁾	(255)	(176)	(108)	(43)	(5)	(587)
Operating profit before other items	1,725	1,538	847	228	(1)	4,337
Operating margin	6.2%	6.3%	6.7%	2.9%	(0.1)%	5.9%
Other income and expenses, net	(115)	3	4	(18)	-	(126)
Goodwill impairment	(654)	(24)	(19)	(27)	-	(724)
Amortisation/impairment of brands and customer contracts	(108)	(270)	(60)	(25)	-	(463)
Operating profit	848	1,247	772	158	(1)	3,024

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

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

ACCOUNTING POLICY

The accounting policies of the reportable segments are the same as the Group's accounting policies described throughout the notes. Segment revenue, costs, assets and liabilities comprise items that can be directly referred to the individual segments. Unallocated items mainly consist of revenue, costs, assets and liabilities relating to the Group's Corporate functions (including internal and external loans and borrowings, cash and cash equivalents and intra-group balances) as well as Financial income, Financial expenses and Income tax.

For the purpose of segment reporting, segment profit has been identified as Operating profit. Segment assets and segment liabilities have been identified as Total assets and Total liabilities, respectively.

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

REVENUE BY COUNTRY – MORE THAN 5% OF GROUP

DKK million	2019	2018
UK & Ireland	11,205	10,543
USA & Canada	7,629	7,072
Switzerland	5,507	5,242
Germany	4,891	3,161
Spain & Portugal	4,880	4,787
France	4,566	4,755
Norway	4,028	4,047
Australia & New Zealand	3,973	3,734
Denmark (ISS A/S's country of domicile)	3,789	3,807
Other countries ¹⁾	28,087	26,444
Total	78,555	73,592

¹⁾ Including unallocated items and eliminations.

Group revenue per country is disclosed on p. 97.

1.2 REVENUE

PERFORMANCE OBLIGATIONS

Revenue is generated from rendering of work-place and facility service solutions. Our services are provided to the customer on a daily basis continuously over the term of the contract and the customer simultaneously receives and consumes the benefits provided by the Group. Thus, the performance obligations are satisfied over time.

We group our customers into key accounts, large and medium, and small and route-based customers, which reflects the different needs and requirements of the different customer categories.

DISAGGREGATION OF REVENUE

We disaggregate revenue based on customer type and geographical region as we believe that these best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. Disaggregation of revenue based on geographical region is disclosed in 1.1, Segment information.

DKK million	2019	2018
Key account customers	49,190	43,623
Large and medium customers	24,437	24,391
Small and route-based customers	4,928	5,578
Total	78,555	73,592

REVENUE BACKLOG

Our revenue base consists of a mix of yearly contracts, which are renewed tacitly, and thousands of multi-year contracts, the majority of which have an initial term of three to five years. Depending on the size and complexity of the contract, the transition and mobilisation period is

normally between six and twelve months for our key accounts. Contracts regularly include options for the customer to terminate for convenience within three to nine months, however, our customer retention rate, which is around 91%, and 94% for our key accounts, supports that these options are rarely exercised.

The majority of our revenue (approx. 84%) is portfolio revenue, i.e. revenue related to services that we are obligated to deliver on a recurring basis over the term of the contract, whereas the remaining part of our revenue is non-recurring, in the form of above-base work, e.g. capital projects. Since above-base work is not committed as part of the main customer contract it is excluded from the transaction price to be allocated to the remaining performance obligation (revenue backlog).

In estimating the revenue backlog, the Group has applied the exemptions of IFRS 15 and does not disclose revenue backlog for contracts:

- with an original duration of less than 12 months; and
- invoiced based on time incurred, i.e. contracts where the Group invoices a fixed amount for each hour of service provided.

Committed savings glidepaths are taken into consideration whereas future inflation is excluded from the estimates.

For our **key accounts** and **large and medium customers**, a significant number of contracts in terms of value are descope based on a term of less than 12 months (due to termination for convenience clauses) and some contracts are descope on the basis that they are invoiced based on time incurred.

In terms of our **small and route-based customers**, the vast majority is descope based on either of the two exemptions. The remaining customers in scope comprise less than 1% of Group revenue and due to immateriality revenue backlog is therefore not disclosed.

In conclusion, the amounts disclosed in the maturity profile below are significantly lower than reported revenue and will likely not reflect the degree of certainty in future revenue (and cash inflows) to the Group – both due to the exemptions and due to non-portfolio revenue not being considered part of the revenue backlog. Please refer to Contract maturity, p. 15 for further information.

At 31 December, the revenue backlog (including contracts won but not yet started) was as follows:

DKK million	Key account customers	Large and medium customers	Total
2019			
< 1 year	14,812	4,822	19,634
1-2 years	10,933	2,769	13,702
2-3 years	7,130	1,129	8,259
3-4 years	5,670	407	6,077
4-5 years	3,758	252	4,010
> 5 years	13,542	256	13,798
Total	55,845	9,635	65,480
2018			
< 1 year	12,938	4,527	17,465
1-2 years	10,444	2,445	12,889
2-3 years	7,914	1,346	9,260
3-4 years	5,225	665	5,890
4-5 years	4,246	421	4,667
> 5 years	15,011	1,362	16,373
Total	55,778	10,766	66,544

▲ SIGNIFICANT ACCOUNTING JUDGEMENTS

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

Management considers whether the nature of its promise is to provide the specified services, i.e. ISS is the principal, or its role is to arrange for another party to provide the services, i.e. ISS is acting as an agent. This is based on an evaluation of whether ISS controls the specified services before it is transferred to the customer. Control is considered transferred if ISS is the primary responsible for fulfilment and acceptability of the services or has discretion in setting prices.

§ ACCOUNTING POLICY

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Control is transferred over time as the customer simultaneously receives and consumes the benefits provided by the Group. Services are invoiced on a monthly basis.

Revenue excludes amounts collected on behalf of third parties, e.g. VAT and duties.

(CONTINUING)

§ ACCOUNTING POLICY (CONTINUED)

The input method is used to measure progress towards complete satisfaction of the service because there is a direct relationship between labour hours and costs incurred, and the transfer of services to the customer. The Group recognises revenue on the basis of the labour hours and costs expended relative to the total expected labour hours and costs to complete the service.

For key accounts and other large contracts, the transaction price may include variable consideration based on achievement of certain key performance indicators. Management estimates variable consideration based on the most likely amount to which it expects to be entitled on a contract by contract basis. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of success in each case. Variable consideration is included in revenue as services are performed to the extent that it is highly probable that the amount will not be subject to significant reversal.

Key account contracts are often modified in respect of service requirements. Generally, modifications are agreed with the customer in accordance with a specified change management procedure and accounted for going forward with no impact on recognised revenue up to the date of modifications.

1.3 TRANSLATION AND OPERATIONAL CURRENCY RISK

The Group's exposure to currency risk on transaction level is low since services are produced, delivered and invoiced in the same local currency as the functional currency in the entity delivering the services with minimal exposure from imported components. The Group is, however, exposed to risk in relation to translation into DKK of income statements and net assets of foreign subsidiaries, including intercompany items such as loans, royalties, management fees and interest payments between entities with different functional currencies, since a significant portion of the Group's revenue and operating profit is generated in foreign entities. The exposure to translation of net assets of foreign subsidiaries is described in section 4.7, Currency risk.

IMPACT ON THE INCOME STATEMENT

In 2019, revenue and operating profit before other items increased DKK 637 million and DKK 34 million (2018: decreased DKK 2,368 million and DKK 147 million) due to a weighted average increase in relevant exchange rates of 0.8% relative to DKK (2018: decrease of 3.4%).

Development in exchange rates between DKK and the functional currencies of Group companies had a positive impact on operating profit in Americas of 10.9% and Asia & Pacific of 3.0%, while the impact in Europe was negative with 0.3%.

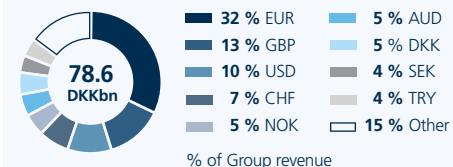
FOREIGN CURRENCY SENSITIVITY

A 10%-change (except for EUR: 1%-change) in relevant currencies, with all other variables held constant, would have impacted revenue and operating profit before other items with the amounts below.

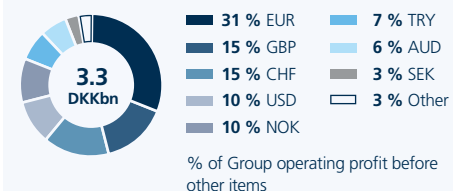
DKK million	Revenue	Operating profit before other items
GBP	1,057	51
USD	746	33
CHF	551	50
NOK	402	34
AUD	377	19
TRY	318	25
SEK	288	11
EUR	253	10
Other	1,198	63
Total	5,190	296

Functional currency	Change in average FX rate 2018 to 2019	Change in average FX rate 2017 to 2018
GBP	1.0 %	(0.8)%
USD	5.6 %	(4.3)%
CHF	4.0 %	(3.6)%
NOK	(2.4)%	(2.7)%
AUD	(1.8)%	(6.7)%
TRY	(11.9)%	(26.2)%
SEK	(3.0)%	(5.9)%
EUR	0.2 %	0.2 %

REVENUE



OPERATING PROFIT



1.4 OTHER INCOME AND EXPENSES, NET

DKK million	2019	2018
Gain on divestments	-	18
Other income	-	18
Loss on divestments	(84)	(121)
Acquisition and integration costs	(9)	(22)
Other expenses	(93)	(143)
Other income and expenses, net	(93)	(125)

Gain on divestments in 2018, mainly related to the divestment of the Direct Cleaning business in Denmark.

Loss on divestments mainly comprised additional divestment and settlement costs related to prior year divestments in the UK and the Netherlands. Furthermore, divestment costs were recognised in relation to two businesses in Northern Europe and Asia & Pacific, which were classified as held for sale. In 2018, the loss mainly related to the divestment of the single-service cleaning business in the Netherlands and the Group's activities in Greece (country exit).

Acquisition and integration costs mainly related to the acquisition of Front of House activities in Finland, JH Catering in Austria and Pluralis in Germany. In 2018, costs mainly related to the continued integration of Guckenheimer in the USA.

§ ACCOUNTING POLICY

Other income and expenses, net consists of recurring and non-recurring items that management does not consider to be part of the Group's ordinary operations, i.e. gains and losses on divestments, remeasurement of disposal groups classified as held for sale, the winding-up of operations, disposal of property and acquisition and integration costs.

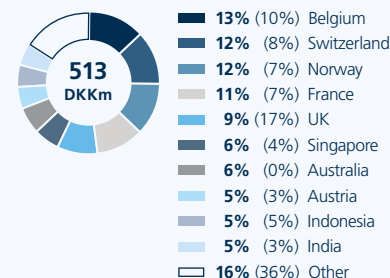
1.5 INCOME TAX

DKK million	2019	2018
Current tax	674	794
Deferred tax	144	(83)
Adjustments relating to prior years, net	(75)	(9)
Income tax (adjusted)	743	702
Income tax (acquisition-related)	(67)	(129)
Income tax (reported)	676	573

EFFECTIVE TAX RATE

In %	2019	2018
Statutory income tax rate in Denmark	22.0 %	22.0 %
Foreign tax rate differential, net	(0.6)%	0.2 %
Total	21.4 %	22.2 %
Non-tax deductible expenses less non-taxable income	1.4 %	(0.9)%
Non-taxable gains/losses on divestments	0.0 %	0.6 %
Adjustments relating to prior years, net	(3.1)%	(0.3)%
Change in valuation of net tax assets	4.0 %	(2.0)%
Effect of changes in tax rates	1.7 %	1.1 %
Other taxes	4.4 %	2.8 %
Effective tax rate (profit before tax (adjusted))	29.8 %	23.5 %
Effective tax rate (profit before tax (reported))	36.5 %	31.9 %

TAX PAYMENTS



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

Non-taxable gain/losses on divestments was mainly related to UK Landscaping in 2018.

Adjustments relating to prior years, net were mainly related to adjustment of tax deductions (temporary differences) in the final tax returns.

Change in valuation of net tax assets mainly related to a valuation allowance on deferred tax assets in France. In 2018, the change mainly related to release of valuation allowances on tax losses in Germany following a reassessment of expected future taxable income.

Effect of changes in tax rates in 2019 and 2018, related to reduction of the corporate tax rate in France from 33% to 25% over the period 2018-2022.

Other taxes mainly comprised withholding tax and the French Cotisation sur la Valeur Ajoutée des Entreprises (CVAE).

OUR APPROACH TO TAX AND TAX RISKS

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

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

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

ISS Tax Policy, see <http://inv.issworld.com/policies-and-guidelines>

§ ACCOUNTING POLICY

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

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

1.6 DEFERRED TAX

DEVELOPMENT IN DEFERRED TAX

DKK million	2019	2018
Deferred tax liabilities, net at 1 January	424	567
Adjustments relating to prior years, net	226	124
Foreign exchange adjustments	(10)	8
Acquisitions and divestments, net	(21)	26
Tax on other comprehensive income	3	(18)
Reclassification to Assets/(Liabilities) held for sale	(17)	(71)
Tax on profit before tax (adjusted)	144	(83)
Tax effect of amortisation/impairment of brands and customer contracts	(67)	(129)
Deferred tax liabilities, net at 31 December	682	424

Adjustments relating to prior years, net in 2019 and 2018 were mainly related to adjustment of tax deductions (temporary differences) in the final tax returns.

Acquisitions and divestments, net in 2019 mainly related to the divestment of the Hygiene & Prevention business in France. In 2018, acquisitions and divestments, net mainly related to the divestment of the Group's activities in Greece (country exit).

Tax on other comprehensive income in 2019 mainly comprised deferred tax on actuarial gains on pensions in Switzerland. In 2018, tax on comprehensive income primarily comprised deferred tax on actuarial losses on pensions in Switzerland.

DEFERRED TAX SPECIFICATION

DKK million	Deferred tax assets		Deferred tax liabilities	
	2019	2018	2019	2018
Tax losses carried forward	692	524	-	-
Goodwill	4	7	375	366
Brands	-	-	356	358
Customer contracts	16	18	89	153
Property, plant and equipment	76	54	667	124
Provisions and other liabilities	816	363	931	544
Pensions	155	178	-	-
Tax losses in foreign subsidiaries under Danish joint taxation	-	-	23	23
Set-off within legal tax units and jurisdictions	(1,097)	(438)	(1,097)	(438)
Total	662	706	1,344	1,130

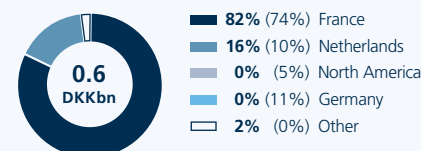
UNRECOGNISED DEFERRED TAX ASSETS

At 31 December 2019, the Group had unrecognised deferred tax assets which comprised tax losses carried forward and other deductible temporary differences of DKK 582 million (2018: DKK 480 million) for continuing operations primarily relating to France and the Netherlands. The increase compared to 2018, was mainly due to a valuation allowance of recognised tax assets in France following a reassessment of expected future taxable income.

At 31 December 2019, DKK 175 million (2018: DKK 268 million) of the total unrecognised deferred tax assets related to discontinued operations.

Unrecognised tax losses can be carried forward indefinitely in the individual countries, except for the Netherlands, where tax losses can be carried forward for 9 years. Deferred tax assets have not been recognised in respect of the above tax losses as it is not deemed probable that future taxable profit will be available in the foreseeable future against which the Group can utilise these.

UNRECOGNISED DEFERRED TAX ASSETS



UNCERTAIN TAX POSITIONS

As part of operating a global business, disputes with tax authorities around the world may occur. Uncertain tax positions include ongoing disputes with tax authorities in certain jurisdictions and have been provided for in accordance with the accounting policies. Management believes that the provisions made are adequate. However, the actual obligations may deviate as they depend on the result of litigations and settlements with the relevant tax authorities. The final outcome of some of the ongoing disputes is expected to be determined during 2020.

SIGNIFICANT ACCOUNTING ESTIMATES

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

The possible outcome of **uncertain tax positions** are measured based on management's best estimate of the amount required to settle the obligation and recognised in deferred tax or income tax depending on the tax position.

ACCOUNTING POLICY

Deferred tax is provided using the liability method on temporary differences between tax bases of assets and liabilities and their carrying amounts. Deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences, apart from in business combinations, arose at the time of acquisition without affecting either Net profit or taxable income. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to management's intended use of the asset or settlement of the liability. Deferred tax is measured according to the taxation rules and tax rates in the respective countries applicable at the reporting date when the deferred tax becomes current tax.

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

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

OPERATING ASSETS AND FREE CASH FLOW

SECTION 2

This section provides information related to the Group's operating assets, including net working capital, to help the reader get a deeper understanding of the Group's free cash flow in 2019 and the underlying operating assets and liabilities.

In this section:

- 2.1 PROPERTY, PLANT AND EQUIPMENT AND LEASES**
- 2.2 TRADE RECEIVABLES AND CREDIT RISK**
- 2.3 OTHER RECEIVABLES**
- 2.4 OTHER LIABILITIES**
- 2.5 CHANGES IN WORKING CAPITAL**
- 2.6 PROVISIONS**

Our ability to manage the capital intensity required to operate, grow and improve our business is paramount, and driving strong cash flow remains a key priority for ISS.

In 2019, we generated nominal free cash flow of DKK 366 million (2018: DKK 2,359 million), which was heavily impacted by our decision to tighten our principles for utilisation of factoring, thus driving a reduction hereof. Adjusted for the variation in utilisation of factoring, our free cash flow improved by DKK 807 million to DKK 1,621 million (2018: DKK 814 million).

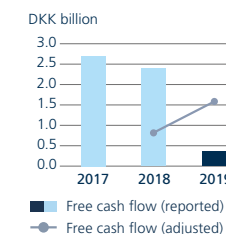
The improvement was obtained despite additional capital being tied up due to transition, mobilisation and launch of the Deutsche Telekom contract, which was only partly offset by a cash inflow related to a settlement in 2018 of approximately DKK 300 million and

approximately DKK 300 million related to reassessment of extension options of certain leased properties.

In a business environment with continued customer pressure for longer payment terms, the underlying improvement reflects our general focus on cash flows across the business as well as good progress on cash improvement initiatives such as ensuring timely customer payments and driving cash flow benefits from our supply chain. As a result, debtor days improved to 49 days (adjusted for factoring) (2018: 50 days).

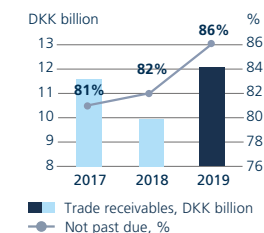
Additional details about the development can be found, particularly in 2.2, Trade receivables and credit risk, 2.3, Other receivables, 2.5, Changes in working capital and 2.1, Property, plant and equipment and leases.

FREE CASH FLOW



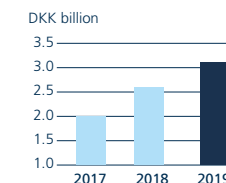
TRADE RECEIVABLES

12,085 DKKm



OTHER RECEIVABLES

3,103 DKKm



PROPERTY, PLANT AND EQUIPMENT AND LEASES

4,472 DKKm (2018: 1,558 DKKm)
hereof DKK 3,036 right-of-use assets

2.1 PROPERTY, PLANT AND EQUIPMENT AND LEASES

DKK million	Right-of-use-assets	Property, plant and equipment	2019	2018
Cost at 1 January	-	4,517	4,517	5,064
Adoption of IFRS 16	3,541	-	3,541	-
Transfer of finance leases	360	(360)	-	-
Foreign exchange adjustments	45	80	125	(78)
Acquisitions	-	5	5	1
Additions	658	673	1,331	882
Divestments	(265)	(16)	(281)	(34)
Disposals	(94)	(461)	(555)	(583)
Reclassification from/(to) Intangible assets	-	3	3	(39)
Reclassification to Assets held for sale	(143)	(38)	(181)	(696)
Cost at 31 December	4,102	4,403	8,505	4,517
Depreciation at 1 January	-	(2,959)	(2,959)	(3,471)
Transfer of finance leases	(113)	113	-	-
Foreign exchange adjustments	1	(66)	(65)	41
Impairment	-	(16)	(16)	(13)
Depreciation	(987)	(449)	(1,436)	(520)
Divestments	5	13	18	33
Disposals	28	427	455	520
Reclassification from/(to) Intangible assets	-	(11)	(11)	1
Reclassification to Assets held for sale	-	(19)	(19)	450
Depreciation at 31 December	(1,066)	(2,967)	(4,033)	(2,959)
Carrying amount at 31 December	3,036	1,436	4,472	1,558

Additions of right-of-use assets in 2019 were negatively impacted by reassessment of extension options of certain properties as a result of major contract developments in the year (including major key account wins and losses) as well as the Group's efficiency programme launched in November. The impact was around DKK 300 million.

LEASE LIABILITY

The carrying amount of lease liabilities and the movements in the year are disclosed in 4.2, Loans and borrowings. The maturity profile is disclosed in 4.6, Liquidity risk.

LEASE-RELATED COSTS RECOGNISED IN THE INCOME STATEMENT

DKK million	2019
Depreciation of right-of-use assets	987
Interest expenses on lease liabilities	96
Short-term leases	180
Leases of low value assets	127
Variable lease payments	10
Total	1,400

ΔΔ SIGNIFICANT ACCOUNTING JUDGEMENT

Lease term Several of ISS's office buildings have no contractual fixed lease term or contains an extension option. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised. Management considers all relevant facts and circumstances that create an economic incentive to exercise the extension option.

The lease term for contracts without an end date is set to ten years for head office and accessory buildings, whereas all other leases with no definite end date are set to five years.

§ ACCOUNTING POLICY

The Group recognises **right-of-use assets** at the commencement date of the lease. Right-of-use assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities (including extension options).

Cost comprises the amount of lease liabilities recognised, initial direct cost and dismantling and restoration costs incurred as well as lease payments made at or before the commencement date less any lease incentives received.

(CONTINUING)

§ ACCOUNTING POLICY (CONTINUED)

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset.

	Estimated useful life
Properties	5-10 years
Cars	3-5 years
Other equipment	2-5 years

Right-of-use assets are subject to impairment tests, see 3.8, Impairment tests.

The Group also has certain leases with lease terms of 12 months or less and leases of low-value assets, such as smaller cleaning equipment, IT equipment and office furniture. The Group applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases.

Lease payments for short-term leases and leases of low-value assets are recognised in Other operating expenses.

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

Cost comprises the purchase price and costs directly attributable to the acquisition until the date when the asset is ready for use. The net present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset is located is added to the cost.

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

(CONTINUING)

§ ACCOUNTING POLICY (CONTINUED)

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

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives for current and comparative years are as follows:

Estimated useful life

Plant and equipment	3-10 years
Leasehold improvements (the lease term)	3-10 years
Buildings	20-40 years

Land is not depreciated.

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

2.2 TRADE RECEIVABLES AND CREDIT RISK

EXPOSURE TO CREDIT RISK

We assess the Group's exposure to credit risk as low, mainly due to our diversified customer portfolio, both in terms of geography, industry sector and customer size. Divestments in recent years, including our strategic divestment programme, are aiming at simplification and risk reduction, and have further contributed to the low risk assessment. As a consequence, our loss allowance level has gradually been reduced in recent years.

In 2019, amounts written off as uncollectible remained low with write-offs amounting to 0.4% of gross trade receivables (2018: 0.3%).

Exposure to credit risk on trade receivables and

expected credit losses are managed locally in the operating entities and credit limits are set as deemed appropriate taking into account the customer's financial position and the current market conditions. Generally, the Group does not hold collateral as security for trade receivables. The maximum credit risk exposure at the reporting date by reportable segments is shown below.

In 2019, trade receivables was DKK 12,085 million (2018: DKK 9,858 million). The increase was significantly impacted by the decision to tighten our principles for utilisation of factoring. At 31 December 2019, utilisation of factoring was DKK 1.4 billion (31 December 2018: DKK 2.6 billion). In addition, the launch of the Deutsche Telekom contract and general high key account growth increased the carrying amount of trade receivables.

DKK million	2019			2018		
	Gross	Loss allowance	Carrying amount	Gross	Loss allowance	Carrying amount
Continental Europe	5,532	(89)	5,443	4,213	(77)	4,136
Northern Europe	3,548	(30)	3,518	2,955	(22)	2,933
Asia & Pacific	2,066	(47)	2,019	1,982	(50)	1,932
Americas	1,110	(15)	1,095	863	(12)	851
Other countries	11	(1)	10	7	(1)	6
Total	12,267	(182)	12,085	10,020	(162)	9,858

DKK million	2019			2018		
	Gross	Loss allowance	Carrying amount	Gross	Loss allowance	Carrying amount
Not past due	10,340	(0)	10,340	8,042	(0)	8,042
Past due 1 to 60 days	1,281	(6)	1,275	1,279	(2)	1,277
Past due 61 to 180 days	309	(5)	304	347	(5)	342
Past due 181 to 360 days	106	(26)	80	150	(22)	128
More than 360 days	231	(145)	86	202	(133)	69
Total	12,267	(182)	12,085	10,020	(162)	9,858

§ ACCOUNTING POLICY

Trade receivables comprise invoiced and unbilled revenue and are recognised initially corresponding to the transaction price and subsequently measured at amortised cost. Generally, due to the short-term nature of trade receivables, amortised cost will equal the invoiced amount less loss allowance for expected credit losses.

The Group applies the simplified approach in calculating expected credit losses and recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group has established a provision matrix to calculate expected credit losses. Provision rates are based on days past due for customer groups with similar credit risk characteristics, e.g. geographical region and customer type. The calculation reflects historical credit loss experience, adjusted for forward-looking factors specific to the debtors and economic environment.

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit before other items. Subsequent recovery of amounts previously written off are credited against the same line item.

ALLOWANCE FOR EXPECTED CREDIT LOSSES

DKK million	2019	2018
Loss allowance at 1 January	(162)	(248)
Foreign exchange adjustments	(1)	-
Divestments	0	40
Provision for expected credit losses	(77)	(21)
Expected credit losses reversed	14	4
Write-off	44	33
Reclassification to/(from) Assets held for sale	(0)	30
Loss allowance at 31 December	(182)	(162)

2.3 OTHER RECEIVABLES

DKK million	2019	2018
Transition and mobilisation costs	865	492
Prepayments to suppliers	710	526
Supplier rebates and bonuses	607	559
Sign-on fees	190	219
Receivable sales price (divestments)	71	49
Pass-through costs	75	76
Securities	64	55
Currency swaps	41	14
Other	480	625
Other receivables	3,103	2,615

In 2019, other receivables increased DKK 488 million to DKK 3,103 million. The launch of the Deutsche Telekom contract was the main driver accounting for DKK 391 million of the increase as well as the generally strong key account growth across the Group. This was partly offset by the payment of the receivable related to a one-off settlement in Continental Europe of around DKK 300 million.

Transition and mobilisation costs comprised directly related costs incurred in order for ISS to fulfil the performance obligations under certain large contracts, most significantly in Germany, Denmark and the UK. The increase in 2019 was mainly related to Deutsche Telekom in Germany as well as a few large key account contracts in Denmark and the UK. Amortisation for the year was DKK 87 million.

§ SIGNIFICANT ACCOUNTING JUDGEMENTS

Capitalisation of transition and mobilisation costs involves management's judgement to assess if the criteria for capitalisation are fulfilled. Management uses judgement to determine if the costs relate directly to the contract and are incurred in order for ISS to be able to fulfil the contract. In addition, management determines if the costs generate resources that will be used in satisfying the performance obligation and are expected to be recovered, i.e. reflected in the pricing of the contract.

Prepayments to suppliers comprised various upfront supplier payments related to ongoing projects and above-base work (where revenue has not yet been recognised) as well as utilities, insurance and licenses. The majority related to the UK, Turkey and Norway.

Supplier rebates and bonuses comprised various upfront payments and volume-related discounts obtained from suppliers and reflects the Group's efforts in recent years to consolidate the number of suppliers and drive synergies and cost savings. The most significant receivables were in the UK, Germany, France and Denmark.

Sign-on fees comprised upfront discounts to certain large customers, most significantly in the UK and on certain Global key accounts. Such fees are incurred in the ordinary course of business and amortised over the contract term.

Other comprised refunds from customers, VAT, accrued interests and other recoverable amounts. In 2018, a receivable related to a one-off settlement in Continental Europe was included with around DKK 300 million, which was paid in June 2019.

§ ACCOUNTING POLICY

Transition and mobilisation costs (costs to fulfil a contract) comprise costs related to launching certain large contracts such as transfer of employees from previous suppliers, site due diligence, planning and developing service plans. The cost includes internal direct costs and external costs e.g. to consultants.

Transition and mobilisation costs as well as **sign-on fees** are capitalised and amortised over the initial secured contract term consistent with ISS's transfer of the related services to the customer. Bid-related costs are expensed as incurred.

Other receivables are recognised initially at cost and subsequently at amortised cost. Due to the short-term nature of other receivables, amortised cost will equal the cost. Costs relating to sales work and securing contracts are recognised in the income statement as incurred.

2.4 OTHER LIABILITIES

DKK million	2019	2018
Accrued wages, pensions and holiday allowances	4,357	4,145
Tax withholdings, VAT etc.	2,931	2,672
Prepayments from customers	454	483
Contingent consideration and deferred payments	149	142
Other	734	776
Other liabilities	8,625	8,218

Other comprised customer discounts, accrued interests, etc.

2.5 CHANGES IN WORKING CAPITAL

DKK million	2019	2018
Changes in inventories	(27)	(15)
Changes in receivables	(2,569)	(469)
Changes in payables	577	628
Changes in working capital	(2,019)	144

Changes in receivables The increased negative impact compared to 2018 mainly reflects a decrease in utilisation of factoring of DKK 1,255 million with the largest decreases stemming from the USA, Denmark, Spain, Norway, France, Sweden and Switzerland. At 31 December 2019, the total off-balance value of these arrangements was DKK 1.4 billion (31 December 2018: DKK 2.6 billion). Furthermore, the launch of Deutsche Telekom contributed to a significant increase in trade receivables and other receivables (mainly transition and mobilisation costs) as explained in 2.2, Trade receivables and credit risk and 2.3, Other receivables. Finally, the generally strong organic growth contributed to additional capital tied up.

2.6 PROVISIONS

DKK million	Legal and labour-related cases	Self-insurance	Other	Total
Provisions at 1 January 2019	60	191	106	357
Foreign exchange adjustments	(1)	5	2	6
Additions	59	190	165	414
Used during the year	(59)	(148)	(5)	(212)
Unused amounts reversed	(6)	-	(12)	(18)
Unwind of discount and other financial expenses	-	1	-	1
Reclassification from Liabilities held for sale	19	-	1	20
Reclassification to Other liabilities	(1)	-	(1)	(2)
Provisions at 31 December 2019	71	239	256	566
Non-current	28	155	75	258
Current	43	84	181	308

Self-insurance In Hong Kong, the UK, Ireland, Australia and the USA, the Group carries insurance provisions on employers' liability and/or workers compensation. Generally, the provisions for self-insurance are based on valuations from external actuaries. The countries are self-insured up to the following limits:

- **Hong Kong** – DKK 25.7 million (2018: DKK 24.9 million) yearly
- **UK** – DKK 26.3 million (2018: DKK 22.8 million) yearly aggregated limit and DKK 4 million (2018: DKK 4 million) per claim
- **Ireland** – DKK 7.5 million (2018: DKK 7.5 million) yearly aggregated limit and DKK 1.1 million (2018: DKK 1.1 million) per claim
- **Australia** – DKK 3.5 million (2018: DKK 3.5 million) per claim
- **USA** – DKK 3.3 million (2018: DKK 3.2 million) per claim

Furthermore, the provision included liability not insured under the global general liability insurance with a self-insured level of DKK 7.5 million worldwide, except for the USA where the self-insurance level is DKK 6.7 million (2018: DKK 7.5 million worldwide, except for the USA where the self-insurance level is DKK 6.5 million) per claim. Obligations and legal costs in relation to various insurance cases, if not covered by the insurance, were also included in the provision.

Other comprised various obligations such as restructuring costs, guarantee reserves, dismantling costs, closure of contracts, operational risks and costs of meeting obligations under onerous contracts.

In 2019, additions included DKK 150 million provided in relation to risks identified through changed systems in the UK and an onerous contract in Hong Kong. At 31 December 2019, provisions for onerous contracts amounted to DKK 31 million (2018: DKK 13 million).

ΔΔ SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Onerous contracts Our strategy to focus even more on large key accounts, will increasingly lead to a customer base comprising larger and more complex contracts. The size and complexity of such contracts will often require us to incur significant transition and mobilisation costs before service delivery commences in order to fulfill the performance obligations under the contract.

Management assesses whether contracts may be onerous by estimating the expected future profitability. This involves estimating total contract revenue and the unavoidable costs of meeting the performance obligations under the contract, including any transition and mobilisation costs incurred. In estimating the expected future profitability management makes judgements. Certain customer contracts are complex facility management partnerships. In estimating unavoidable costs in relation to such contracts, management applies assumptions as to future realisation of costs driven by efficiencies and optimisations to be gained over the contract term as well as the effect of performance improvement initiatives. While ISS has inherent risk in this respect ISS is by nature also dependent on aligning interest with the customer within the framework of the facility management partnership agreement for the benefit of both parties. Further, management makes judgement related to the contract term, taking any termination and extension options into consideration.

Other provisions Management makes judgements related to provisions for various other matters and obligations, including related to which assumptions to apply under the relevant scenarios for an expected outcome.

§ ACCOUNTING POLICY

The amount recognised as a provision is management's best estimate of the amount required to settle the obligation. The outcome depends on future events that are uncertain by nature. In assessing the likely outcome of lawsuits and tax disputes etc., management bases its assessment on external legal assistance and established precedents.

Provisions are recognised if the Group, as a result of a past event, has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. The costs required to settle the obligation are discounted if this significantly impacts the measurement of the liability. The entity's average borrowing rate is used as discount rate.

Restructuring costs are recognised in Provisions when a detailed, formal restructuring plan is announced to the affected parties on or before the reporting date.

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

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

DIVESTMENTS AND STRATEGIC ACQUISITIONS

SECTION 3

In this section:

- 3.1 DISCONTINUED OPERATIONS**
- 3.2 ASSETS AND LIABILITIES HELD FOR SALE**
- 3.3 DIVESTMENTS**
- 3.4 ACQUISITIONS**
- 3.5 PRO FORMA REVENUE AND OPERATING PROFIT**
- 3.6 INTANGIBLE ASSETS**
- 3.7 GOODWILL IMPAIRMENT**
- 3.8 IMPAIRMENT TESTS**

In 2018, we announced our intention to divest 15 countries (discontinued operations) and a number of business units. The strategic divestment programme is proceeding and is expected to be completed by 2020. The only significant divestment running behind is Chile. We remain committed to divest the business; however, the process has temporarily been paused until the political situation in the country allows for adequate valuation.

In 2019, we divested Argentina, Uruguay, Estonia and Israel. In addition, we completed the divestment of the Hygiene & Prevention business in France, the Direct Cleaning business in Germany and some minor non-core activities in Spain. The combined net consideration received was DKK 918 million – consisting of net cash proceeds of DKK 691 million and loans and borrowings of DKK 227 million divested as part of the transactions. As such around 40% of the expected net proceeds of DKK 2.0-2.5 billion have been collected.

At 31 December 2019, 13 businesses were classified as held for sale comprising 11 countries, one business in Asia & Pacific and one business in Northern Europe.

In 2019, divestments and fair value remeasurements resulted a net loss before tax of DKK 425 million, which was recognised in the income statement in the following lines:

- Other income and expenses, net, DKK 84 million (see 1.4, Other income and expenses, net)
- Goodwill impairment, DKK 304 million (see 3.7, Goodwill impairment)
- Net profit/(loss) from discontinued operations, DKK 37 million (see 3.1, Discontinued operations and 3.2, Assets and liabilities held for sale)

The majority of the loss related to goodwill, which is the result of the substantial number of acquisition-related intangibles added in previous years, when our geographical and service platform was built through several acquisitions, including ISS World Services A/S in 2005. Consequently, the Group continues to be exposed to possible impairment losses, both following future divestments and annual impairment tests. At 31 December 2019, the impairment test did not result in impairment losses on goodwill.

As part of our accelerated investment programme ending in 2021, we continue to pursue bolt-on acquisition opportunities within technical and food services as well as workplace management and design. This led to two acquisitions in 2019; JH Catering in Austria, a business catering company and the Front of House activities in Finland. Both acquisitions will strengthen our self-delivery capabilities to our strategically important key account customers.

DISCONTINUED OPERATIONS

15 countries

5,739 DKKm
Annual revenue

193 DKKm (2018: (932) DKKm)
Net profit/(loss) from discontinued operations

DIVESTMENTS

8 divestments of non-core activities

3,628 DKKm
Annual revenue divested

84 DKKm
Net loss recognised in Other expenses

ASSETS HELD FOR SALE

1,806 DKKm (2018: 3,300 DKKm)
Assets held for sale

905 DKKm (2018: 1,779 DKKm)
Liabilities held for sale

INTANGIBLE ASSETS

24,565 DKKm (2018: 24,306 DKKm)

49% (2018: 49%) of total assets

304 DKKm (2018: 724 DKKm)
Goodwill impairment on divestments

3.1 DISCONTINUED OPERATIONS

In December 2018, 15 countries were classified as discontinued operations and assets held for sale. Of these, Argentina and Uruguay were divested in January 2019, Estonia was divested in July 2019 and Israel was divested in October 2019. Sales processes for the remaining 11 countries

are proceeding and expected to be completed by 2020. The only significant divestment running behind is Chile. We remain committed to divest the business; however, the process in Chile has temporarily been paused until the political situation in the country allows for adequate valuation. Gains/losses related to the divestments are explained in 3.2, Assets and liabilities held for sale.

NET PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS

DKK million	2019	2018
Revenue	5,739	6,179
Expenses ¹⁾	(5,650)	(6,045)
Operating profit before other items	89	134
Other income and expenses, net ²⁾	120	(191)
Goodwill impairment ²⁾	(157)	(732)
Amortisation/impairment of brands and customer contracts	-	(6)
Operating profit	52	(795)
Financial income/(expenses), net	76	(57)
Net profit/(loss) before tax	128	(852)
Income tax	65	(80)
Net profit/(loss) from discontinued operations	193	(932)
Earnings per share from discontinued operations, DKK		
Basic earnings per share (EPS)	1.0	(5.1)
Diluted earnings per share	1.0	(5.0)
Adjusted earnings per share	1.9	(1.1)

¹⁾ Including depreciation and amortisation of DKK 0 million (2018: DKK 63 million).

²⁾ Comprised the combined net loss from divestments and fair value remeasurements including recycling of accumulated foreign exchange adjustments.

CASH FLOW FROM DISCONTINUED OPERATIONS

DKK million	2019	2018
Cash flow from operating activities	40	140
Cash flow from investing activities	214	(86)
Cash flow from financing activities	(43)	32

3.2 ASSETS AND LIABILITIES HELD FOR SALE

BUSINESSES CLASSIFIED AS HELD FOR SALE

At 31 December 2019, 13 businesses (2018: 17 businesses) were classified as held for sale comprising the remaining 11 countries (discontinued operations), one business in Asia & Pacific and one business in Northern Europe (new).

INCOME STATEMENT EFFECT
















In 2019, we divested four countries (discontinued operations) and the Hygiene & Prevention business in France. The divestments resulted in a net loss of DKK 387 million recognised in Goodwill impairment (loss of DKK 297 million) and Net profit from discontinued operations (loss of DKK 90 million) as follows:

- Hygiene & Prevention, DKK 297 million (loss)
- Argentina & Uruguay, DKK 15 million (loss)
- Estonia, DKK 17 million (loss)
- Israel, DKK 58 million (loss)

Recycling of accumulated foreign exchange adjustments recognised in equity had a positive impact on the loss in Israel of DKK 159 million, and a negative impact on the loss in Argentina & Uruguay of DKK 13 million.

Furthermore, fair value remeasurements resulted in a reversal of impairment losses recognised in previous years in relation to Romania of DKK 53 million being recognised in Net profit from discontinued operations.

DISCONTINUED OPERATIONS

 Argentina	 Malaysia
 Brazil	 Philippines
 Brunei	 Romania
 Chile	 Slovakia
 Czech Republic	 Slovenia
 Estonia	 Thailand
 Hungary	 Uruguay
 Israel	

STATEMENT OF FINANCIAL POSITION

DKK million	2019	2018
Goodwill	391	1,200
Customer contracts	40	25
Other non-current assets	383	481
Current assets	992	1,594
Assets held for sale	1,806	3,300
Non-current liabilities	167	346
Current liabilities	738	1,433
Liabilities held for sale	905	1,779

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group classifies non-current assets and disposal groups as held for sale when management assesses that their carrying amounts will be recovered through a sale rather than continuing use within one year from the classification. Management's assessment is based on an evaluation of whether the sale is highly probable and the asset or disposal group is available for immediate sale in its current condition. Actions required to complete the sale should indicate that it is unlikely that

(CONTINUING)

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset.

If a sale has not been concluded within one year, the period is extended if management assesses that the above criteria continue to be fulfilled.

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

Management considers intangible assets relating to the disposal groups, taking into consideration how to separate the net assets (including intangible assets) relating to the disposal group from the Group's assets in the continuing business. Impairment of these intangibles, both on initial classification as held for sale and subsequently, is considered. The estimation uncertainty relating to impairment of intangibles is described in 3.8, Impairment tests.

§ ACCOUNTING POLICY

Assets held for sale comprise non-current assets and disposal groups held for sale. Liabilities held for sale are those directly associated with the assets that will be transferred in the transaction. Immediately before classification as held for sale, the assets or disposal groups are remeasured in accordance with the Group's accounting policies. Thereafter, they are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss is first allocated to goodwill, and then to remaining assets on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Once classified as held for sale, assets are not amortised or depreciated.

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

Non-current assets and disposal groups held for sale are presented in separate lines in the statement of financial position and the main elements are specified in the notes. Comparative figures are not adjusted.

A disposal group is presented as discontinued operations if it is a geographical area, i.e. a CGU (country exits), that either has been disposed of, or is classified as held for sale.

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

In the **statement of cash flows**, cash flows from discontinued operations are included in cash flow from operating, investing and financing activities together with cash flows from continuing operations, but specified in 3.1, Discontinued operations.

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

3.3 DIVESTMENTS

The Group completed eight divestments in 2019 (2018: 12):

Company/activity	Country	Service type	Excluded from the income statement	Interest	Annual revenue ¹⁾ (DKK million)	Number of employees ¹⁾
ISS Argentina	Argentina	Country exit	February	100%	146	1,351
ISS Uruguay	Uruguay	Country exit	February	100%	117	1,392
Public hospitals (Aragon Region)	Spain	Cleaning	February	Activities	112	582
ISS Estonia	Estonia	Country exit	August	100%	150	1,443
Inflight catering	Israel	Food	October	100%	299	392
ISS Israel	Israel	Country exit	November	100%	1,584	6,308
Direct Cleaning	Germany	Cleaning	November	Activities	329	1,955
Hygiene & Prevention	France	Property	December	100%	891	1,468
Total					3,628	14,891

¹⁾ Unaudited.

DIVESTMENT IMPACT

DKK million	2019	2018
Goodwill	425	9
Other non-current assets	582	48
Current assets	1,051	299
Non-current liabilities	(178)	(9)
Loans and borrowings	(227)	-
Current liabilities	(741)	(176)
Net assets disposed	912	171
Gain/(loss) on divestment of businesses, net	(121)	(103)
Divestment costs	250	216
Consideration received	1,041	284
Cash and cash equivalents in divested businesses	(194)	(126)
Cash consideration received	847	158
Contingent and deferred consideration	(20)	82
Divestment costs paid	(136)	(202)
Divestment of businesses (cash flow)	691	38

DIVESTMENTS SUBSEQUENT TO 31 DECEMBER 2019

The Group completed no divestments from 1 January to 14 February 2020.

§ ACCOUNTING POLICY

Gain or loss on disposal of an operation that is part of a CGU, includes a portion of the related goodwill allocated to that CGU. Goodwill related to the disposed operation is measured based on the fair value of the disposed operation relative to the fair value of the CGU retained.

3.4 ACQUISITIONS

The Group completed two acquisitions in 2019 (2018: one).

On 10 April 2019, ISS acquired 100% of the shares in JH Catering Ltd., a business catering company in Austria, with an estimated annual revenue of approximately DKK 63 million and 86 employees. The purchase price amounted to DKK 20 million and based on the provisionally determined fair values of net assets, goodwill amounted to DKK 20 million.

On 30 April 2019, ISS acquired the Front of House activities from Avarn Security Oy, with an estimated annual revenue of approximately DKK 61 million and 156 employees. The purchase price amounted to DKK 5 million and based on the provisionally determined fair values of net assets, goodwill amounted to DKK 20 million.

The acquisitions support our strategy by strengthening our self-delivery capabilities to our strategically important key account customers. Thus, goodwill added on acquisition is attributable mainly to: 1) service expertise, 2) synergies mainly by enhancing self-delivery capabilities, 3) platform for growth primarily within IFS, and 4) assembled work force.

ACQUISITIONS SUBSEQUENT TO 31 DECEMBER 2019

The Group completed no acquisitions from 1 January to 14 February 2020.

ACQUISITION IMPACT

DKK million	2019	2019
Other non-current assets	5	1
Trade receivables	1	6
Other current assets	8	3
Pensions, deferred tax liabilities and other provisions	(4)	-
Other non-current liabilities	(4)	(1)
Other current liabilities	(23)	-
Fair value of net assets acquired	(17)	9
Goodwill	106	11
Consideration transferred	89	20
Cash and cash equivalents in acquired businesses	(7)	-
Cash consideration transferred	82	20
Contingent and deferred consideration	(7)	15
Acquisition of businesses (cash flow)	75	35

Goodwill mainly related to the two acquisitions made in 2019 and an adjustment of a put option in Turkey of DKK 62 million.

§ ACCOUNTING POLICY

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

(CONTINUING)

§ ACCOUNTING POLICY (CONTINUED)

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

If uncertainties exist at the acquisition date regarding identification or measurement of assets, liabilities and contingent liabilities, initial recognition is based on provisionally determined fair values. Changes to fair values are adjusted against goodwill up until 12 months after the acquisition date and comparative figures are restated accordingly. Thereafter no adjustments are made to goodwill, and changes in fair values are recognised in Other income and expenses, net.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed.

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

Written put options held by non-controlling shareholders are accounted for in accordance with the anticipated acquisition method, i.e. as if the put option has been exercised already. Such options are recognised as Other liabilities initially at fair value. Fair value is measured at the present value of the exercise price of the option.

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

3.5 PRO FORMA REVENUE AND OPERATING PROFIT

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

DKK million	2019	2018
Revenue	78,555	73,592
Acquisitions	36	27
Divestments	(1,117)	(734)
Pro forma revenue	77,474	72,885
Operating profit before other items	3,290	3,698
Acquisitions	3	5
Divestments	(82)	26
Pro forma operating profit before other items	3,211	3,729

Pro forma revenue and operating profit before other items include adjustments relating to acquisitions and divestments estimated by local ISS management in the respective jurisdictions at the time of acquisition and divestment or actual results where available. Synergies from acquisitions are not included for periods in which the acquisitions were not controlled by the Group. The estimates are based on unaudited financial information.

Pro forma revenue and operating profit before other items are presented for informational purposes and does not represent the results the Group would have achieved had the acquisitions and divestments during the year occurred on 1 January. The information should therefore not be used as the basis for or prediction of any annualised calculation.

3.6 INTANGIBLE ASSETS

DKK million	Goodwill	Brands	Customer contracts	Software and other intangible assets ¹⁾	2019	Goodwill	Brands	Customer contracts	Software and other intangible assets ¹⁾	2018
Cost at 1 January	23,513	1,668	8,885	2,142	36,208	26,116	1,666	9,648	2,028	39,458
Foreign exchange adjustments	291	1	113	14	419	(44)	2	(2)	(11)	(55)
Acquisitions	106	-	-	0	106	11	-	-	-	11
Additions	-	-	-	446	446	-	-	-	299	299
Divestments	(11)	-	-	(32)	(43)	(1,224)	-	(153)	(6)	(1,383)
Disposals	-	-	-	(76)	(76)	-	-	-	(116)	(116)
Reclassification (to)/from Property, plant and equipment	-	-	-	(3)	(3)	-	-	-	39	39
Reclassification to Assets held for sale	(37)	-	(24)	(0)	(61)	(1,346)	-	(608)	(91)	(2,045)
Cost at 31 December	23,862	1,669	8,974	2,491	36,996	23,513	1,668	8,885	2,142	36,208
Amortisation and impairment losses at 1 January	(2,602)	(44)	(8,149)	(1,107)	(11,902)	(3,222)	(33)	(8,432)	(1,106)	(12,793)
Foreign exchange adjustments	(4)	(0)	(94)	(9)	(107)	(3)	(1)	7	10	13
Amortisation	-	(11)	(324)	(181)	(516)	-	(10)	(454)	(161)	(625)
Impairment losses	(461)	-	-	(7)	(468)	(1,456)	-	(5)	(20)	(1,481)
Divestments	479	-	-	16	495	1,215	-	153	4	1,372
Disposals	-	-	-	72	72	-	-	-	95	95
Reclassification to/(from) Property, plant and equipment	-	-	-	11	11	-	-	-	(1)	(1)
Reclassification to Assets held for sale	(17)	-	9	(8)	(16)	864	-	582	72	1,518
Amortisation and impairment losses at 31 December	(2,605)	(55)	(8,558)	(1,213)	(12,431)	(2,602)	(44)	(8,149)	(1,107)	(11,902)
Carrying amount at 31 December	21,257	1,614	416	1,278	24,565	20,911	1,624	736	1,035	24,306

¹⁾ Of which DKK 292 million (2018: DKK 221 million) related to assets under development at Group level.

Impairment losses on goodwill related to divestments and businesses classified as held for sale, see 3.7, Goodwill impairment, 3.1, Discontinued operations and 3.2, Assets and liabilities held for sale.

SIGNIFICANT ACCOUNTING JUDGEMENTS

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

ACCOUNTING POLICY

Goodwill is initially recognised at cost and subsequently at cost less accumulated impairment losses. Goodwill is not amortised. Goodwill relates mainly to assembled work-force, technical expertise and technological knowhow.

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

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

Acquired **software and other intangible assets** are measured at cost less accumulated amortisation and impairment losses. The cost of software developed for internal use includes external costs to consultants and software as well as internal direct and indirect costs related to the development. Other development costs for which it cannot be rendered probable that future economic benefits will flow to the Group are recognised in the income statement as and when incurred.

Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets, which are 5-10 years. Certain software developed for customer specific use is amortised over the estimated period of the revenue generating activities, which is 5-10 years. The amortisation is calculated based on the number of actual system users in the reporting period relative to the estimated total number of system users in the period of the revenue generating activities according to business plans.

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

Impairment test of intangibles, see 3.8, Impairment tests.

3.7 GOODWILL IMPAIRMENT

DKK million	2019	2018
Impairment losses derived from divestment of businesses	304	724
Goodwill impairment	304	724

Impairment losses derived from divestment of businesses mainly related to the divestment of the Hygiene & Prevention business in France (DKK 297 million). In 2018, the loss mainly related to the specialised cleaning business in the Netherlands of DKK 596 million, the Fruit business in Denmark and the Uniguard security business in the USA. Furthermore, remeasurement of Hygiene & Prevention in France resulted in a loss of DKK 70 million.

3.8 IMPAIRMENT TESTS

CASH-GENERATING UNITS (CGUs)

Impairment tests are generally carried out per country as this represents the lowest level of CGUs to which the carrying amount of intangibles, i.e. goodwill and customer contracts, can be allocated and monitored with any reasonable certainty. This level of allocation and monitoring of intangibles should be seen in light of the Group's strategy to integrate acquired companies as quickly as possible in order to benefit from synergies. Management of certain countries has been combined to take advantage of similarities in terms of markets, shared customers and cost synergies. In such cases, the countries are regarded as one CGU when performing the impairment tests.

MEASURING RECOVERABLE AMOUNTS

The recoverable amount of each CGU is determined on the basis of its value-in-use, which 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 for the individual CGUs are based on financial budgets approved by management covering the following financial year. Assumptions applied in the short to medium term (forecasting period of five years) generally reflect management's expectations considering all relevant factors, including the Group's strategic initiatives, local initiatives, past experience and external sources of information, where possible and relevant. **Terminal growth** rates do not exceed the expected long-term average growth rate including inflation for the country in which the CGU operates.

In addition to the above more general principles, **revenue growth** in the forecasting period is estimated based on the CGU's expected market development taking into consideration the maturity of the market and the macroeconomic environment in general. Impact from local and Group initiatives are also considered. This includes the programme of accelerated investment that we are undertaking until 2021 to maximise growth from key accounts, among others by filling service capability white spots in key geographies (select CGUs), primarily within technical and food services as well as workplace management and design, but also by accelerating the deployment of concepts, innovation and excellence across our major key account customers. The estimated impact of the latter is also taken into consideration when estimating the development in **operating margin** in the forecasting period. Furthermore, local efficiency improvements as well as the Group efficiency programme launched in November 2019 on the back of the Q3 Trading Update, which targets cost savings and postponement of various projects, are taken into consideration.

The country specific **discount rates**, which are calculated net of tax, are generally based on 10-year government bonds of the individual countries. An interest premium is added to adjust for the inconsistency of applying government bonds with a short-term maturity when discounting the estimated future cash flows with infinite maturity. Furthermore, following the implementation of IFRS 16, an adjustment has been made to reflect that right-of-use assets have been included in other non-current assets to be tested.

Uncertainties reflecting past performance and possible variations in the amount or timing of the projected cash flows are generally reflected in the discount rates. Consequently, a country specific risk premium is added to the discount rates to reflect the specific risk associated with each CGU.

A **target ratio** of 25/75 (2018: 25/75) between the market value of debt and equity value has been applied in the calculation. As a company based in Europe, the Group assumes the long-term market equity risk premium to be 6.5% (2018: 6.5%).

RESULT OF THE IMPAIRMENT TESTS

In 2019, the impairment tests did not result in recognition of impairment losses.

IMPAIRMENT TEST OF THE ISS BRAND

The carrying amount of the ISS brand is tested at Group level based on group-wide cash flows (aggregate cash flows determined for each CGU) less the total carrying amount of the Group's goodwill and other non-current assets. The total value-in-use of the Group and the market capitalisation of the Group both significantly exceed reported equity. Accordingly, no impairment loss has been identified.

CARRYING AMOUNTS AND KEY ASSUMPTIONS

The carrying amount of intangibles, i.e. goodwill and customer contracts, and the key assumptions¹⁾ used in the impairment testing as per 31 December are presented in the table for each CGU representing more than 5% of the carrying amount of the Group's intangibles or CGUs considered to be at high risk of impairment or having incurred recent impairment losses.

ΔA SIGNIFICANT ACCOUNTING ESTIMATES

In performing the impairment test management assesses whether the CGU to which the intangibles relate will be able to generate positive net cash flows sufficient to support the value of intangibles and other net assets.

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

DKK million	Carrying amount			Forecasting period		Terminal period		Applied discount rate	
	Goodwill	Customer contracts	Total intangibles	Growth (avg.)	Margin (avg.) ²⁾	Growth	Margin ²⁾	Net of tax	Pre-tax
2019									
UK & Ireland	2,691	152	2,843	1.5%	5.7%	2.5%	5.7%	8.0%	9.3%
USA & Canada ³⁾	2,283	196	2,479	4.0%	5.9%	3.0%	5.9%	9.3%	13.9%
Finland	2,107	-	2,107	2.5%	7.1%	2.0%	7.1%	7.1%	8.5%
France	1,793	-	1,793	1.2%	2.3%	2.5%	6.5%	7.4%	10.3%
Denmark	1,652	-	1,652	3.4%	6.3%	2.0%	7.3%	7.4%	9.1%
Switzerland	1,396	-	1,396	0.9%	6.8%	2.0%	6.8%	5.7%	6.9%
Australia & New Zealand	1,310	27	1,337	3.5%	5.2%	3.0%	5.2%	8.3%	11.0%
Belgium & Luxembourg	1,325	-	1,325	2.1%	6.3%	2.0%	6.3%	7.6%	9.7%
Norway	1,317	3	1,320	2.9%	8.1%	2.5%	8.1%	8.6%	10.6%
Spain & Portugal	1,157	17	1,174	1.9%	5.9%	2.5%	5.9%	7.5%	9.4%
Netherlands	401	-	401	4.3%	2.3%	2.0%	5.0%	7.5%	9.1%
Other	3,825	21	3,846	-	-	-	-	-	-
Total	21,257	416	21,673						
2018									
UK & Ireland	2,582	229	2,811	3.3%	7.0%	2.5%	7.0%	8.0%	9.4%
USA & Canada ³⁾	2,230	207	2,437	4.1%	5.4%	3.0%	5.5%	10.3%	13.1%
Finland	2,087	49	2,136	2.4%	7.8%	2.0%	7.8%	7.9%	9.6%
France	1,792	-	1,792	2.8%	6.2%	2.5%	6.5%	8.5%	13.2%
Denmark	1,652	24	1,676	2.2%	7.0%	2.0%	7.0%	7.6%	9.5%
Switzerland	1,352	32	1,384	1.0%	7.2%	2.0%	7.2%	6.4%	7.8%
Australia & New Zealand	1,291	46	1,337	3.1%	4.6%	3.0%	4.6%	9.4%	12.8%
Belgium & Luxembourg	1,325	-	1,325	2.1%	6.6%	2.0%	6.6%	8.6%	11.2%
Norway	1,300	54	1,354	2.8%	8.0%	2.5%	8.0%	9.0%	11.1%
Spain & Portugal	1,156	34	1,190	2.1%	6.2%	2.5%	6.2%	8.7%	11.1%
Netherlands	401	-	401	4.2%	4.2%	2.0%	5.0%	8.2%	10.6%
Other	3,743	61	3,804	-	-	-	-	-	-
Total	20,911	736	21,647						

¹⁾ The key assumptions applied in the impairment tests are used for accounting purposes and should not be considered a forward-looking statement within the meaning of the US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations to the future development.

²⁾ Excluding allocated corporate costs.

³⁾ Excluding brands of DKK 25 million (2018: DKK 35 million).

ACCOUNTING POLICY

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

If an indication of impairment exists, the recoverable amount of the asset is determined, i.e. the higher of the fair value of the asset less anticipated costs of disposal and its value-in-use. The value-in-use is calculated as the present value of expected future cash flows from the asset or the CGU to which the asset belongs.

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

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

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

SENSITIVITY ANALYSIS

A sensitivity analysis on the key assumptions in the impairment testing is presented in the table. The allowed change represents the percentage points by which the value assigned to the key assumption can change, all other things being equal, before the CGU's recoverable amount equals its carrying amount. No sensitivity is shown for the ISS brand, as the group-wide cash flows adjusted for the Group's total goodwill and other non-current assets significantly exceed the carrying amount.

	Forecasting period				Terminal period				Discount rate, net of tax	
	Growth		Margin ¹⁾		Growth		Margin ¹⁾			
	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied rate	Allowed increase
2019										
UK & Ireland	1.5%	>1.5%	5.7%	>3.0%	2.5%	>2.5%	5.7%	>3.0%	8.0%	>3.0%
USA & Canada	4.0%	>4.0%	5.9%	>3.0%	3.0%	>3.0%	5.9%	>3.0%	9.3%	>3.0%
Finland	2.5%	>2.5%	7.1%	>3.0%	2.0%	>2.0%	7.1%	>3.0%	7.1%	>3.0%
France	1.2%	>1.2%	2.3%	>3.0%	2.5%	1.3%	6.5%	1.4%	7.4%	1.1%
Denmark	3.4%	>3.4%	6.3%	>3.0%	2.0%	>2.0%	7.3%	>3.0%	7.4%	>3.0%
Switzerland	0.9%	>0.9%	6.8%	>3.0%	2.0%	>2.0%	6.8%	>3.0%	5.7%	>3.0%
Australia & New Zealand	3.5%	>3.5%	5.2%	>3.0%	3.0%	>3.0%	5.2%	>3.0%	8.3%	>3.0%
Belgium & Luxembourg	2.1%	>2.1%	6.3%	>3.0%	2.0%	>2.0%	6.3%	>3.0%	7.6%	>3.0%
Norway	2.9%	>2.9%	8.1%	>3.0%	2.5%	>2.5%	8.1%	>3.0%	8.6%	>3.0%
Spain & Portugal	1.9%	>1.9%	5.9%	>3.0%	2.5%	>2.5%	5.9%	>3.0%	7.5%	>3.0%
Netherlands	4.3%	>4.3%	2.3%	>3.0%	2.0%	>2.0%	5.0%	1.8%	7.5%	2.4%
2018										
UK & Ireland	3.3%	>3.3%	7.0%	>3.0%	2.5%	>2.5%	7.0%	>3.0%	8.0%	>3.0%
USA & Canada	4.1%	>4.1%	5.4%	>3.0%	3.0%	>3.0%	5.5%	>3.0%	10.3%	>3.0%
Finland	2.4%	>2.4%	7.8%	>3.0%	2.0%	>2.0%	7.8%	>3.0%	7.9%	>3.0%
France	2.8%	>2.8%	6.2%	>3.0%	2.5%	>2.5%	6.5%	>3.0%	8.5%	>3.0%
Denmark	2.2%	>2.2%	7.0%	>3.0%	2.0%	>2.0%	7.0%	>3.0%	7.6%	>3.0%
Switzerland	1.0%	>1.0%	7.2%	>3.0%	2.0%	>2.0%	7.2%	>3.0%	6.4%	>3.0%
Australia & New Zealand	3.1%	>3.1%	4.6%	>3.0%	3.0%	>3.0%	4.6%	1.8%	9.4%	>3.0%
Belgium & Luxembourg	2.1%	>2.1%	6.6%	>3.0%	2.0%	>2.0%	6.6%	>3.0%	8.6%	>3.0%
Norway	2.8%	>2.8%	8.0%	>3.0%	2.5%	>2.5%	8.0%	>3.0%	9.0%	>3.0%
Spain & Portugal	2.1%	>2.1%	6.2%	>3.0%	2.5%	>2.5%	6.2%	>3.0%	8.7%	>3.0%
Netherlands	4.2%	>4.2%	4.2%	>3.0%	2.0%	>2.0%	5.0%	>3.0%	8.2%	>3.0%

¹⁾ Excluding allocated corporate costs.

CAPITAL STRUCTURE

SECTION 4

In this section:

- 4.1 EQUITY**
- 4.2 LOANS AND BORROWINGS**
- 4.3 FINANCIAL INCOME AND EXPENSES**
- 4.4 FINANCIAL RISK MANAGEMENT**
- 4.5 INTEREST RATE RISK**
- 4.6 LIQUIDITY RISK**
- 4.7 CURRENCY RISK**

We wish to maintain a strong and efficient balance sheet and to strike an optimal balance between reinvesting capital back into our business and returning surplus funds to our shareholders. Our objective is to maintain an investment grade financial profile with a financial leverage below 2.8x pro forma adjusted EBITDA taking seasonality into account. At 31 December 2019, the financial leverage was 3.0x (2018: 2.6x (adjusted)) with net debt of DKK 14,730 million (2018: DKK 10,757 million). The increase in net debt was mainly due to the implementation of IFRS 16 adding DKK 3,034 million of lease liabilities, the reduction of utilisation of factoring of DKK 1,255 million and ordinary dividends paid out in April of DKK 1,430 million.

In 2019, the leverage level was impacted by the reclassification of restructuring costs into EBITDA, lower operating performance and lower free cash flow among others due to a reduction in the utilisation of non-recourse factoring.

ISS A/S (the Group's parent) is a holding company, and its primary assets are shares in ISS World Services A/S. ISS A/S has no revenue generating operations of its own, and therefore ISS A/S's cash flow will primarily depend on the operating performance and financial condition of ISS World Services A/S and its operating subsidiaries, and the receipt by ISS A/S of funds from ISS World Services A/S and its subsidiaries.

In 2019, ISS Global A/S successfully issued a EUR 500 million bond under its EUR 3 billion EMTN

programme. The net proceeds were together with surplus cash used for the early repayment of EUR 700 million EMTNs maturing in January 2020. In addition, ISS Global A/S in December 2019 successfully completed a cash tender for EUR 200 million EMTNs maturing in January 2021 leaving EUR 300 million EMTNs maturing in January 2021 outstanding.

Financial income and expenses, net increased to DKK 704 million, mainly due to the implementation of IFRS 16 leading to additional DKK 81 million being presented as financial expenses. In addition, the early refinancing of the 2020 EMTNs resulted in higher gross debt until the 2020 EMTNs were repaid. Furthermore, interest expenses increased due to higher average net debt during 2019.

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

The Group has not identified additional financial risk exposures in 2019 compared to 2018. However, in terms of mitigation, the Group initiated a net investment hedge programme under which currency risk on certain net investments are hedged by use of currency swaps or debt. In 2019, these hedging activities resulted in a loss of DKK 143 million being recognised in Other comprehensive income.

EQUITY RATIO

25.1% (2018: 25.0%)

EQUITY

12,547 DKKm (2018: 12,472 DKKm)

NET DEBT

14,730 DKKm (2018: 10,757 DKKm)

FINANCIAL EXPENSES, NET

704 DKKm (2018: 590 DKKm)

LOW FINANCIAL RISK

98%

of loans and borrowings carried fixed interest rates

98.5%

of loans and borrowings were in EUR

4.1 EQUITY

SHARE CAPITAL

At 31 December 2019, ISS's share capital comprised a total of DKK 185,668,226 shares (2018: 185,668,226) with a nominal value of DKK 1 each. All shares were fully paid and freely transferable.

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

DIVIDEND

Our dividend policy targets a pay-out ratio of approximately 50% of Net profit (adjusted). At the annual general meeting to be held on 2 April 2020, the Board of Directors proposes a dividend for 2019 of 7.70 per share of DKK 1, equivalent to DKK 1,430 million (2018: DKK 1,430 million) and a pay-out ratio of 68%.

AVERAGE NUMBER OF SHARES

In thousands	2019	2018
Average number of shares	185,668	185,668
Average number of treasury shares	(976)	(1,110)
Average number of shares (basic)	184,692	184,558
Average number of PSUs expected to vest	1,308	862
Average number of shares (diluted)	186,000	185,420

Average number of shares is calculated for the purpose of the calculation of EPSs. The calculation of diluted EPS excludes 1,757,833 (2018: 1,367,938) PSUs which are not expected to vest.

 Definitions, p. 96.

TRANSLATION RESERVE

DKK million	Net investment hedges	Subsidiaries and non-controlling interests	Total
Translation reserve at 1 January	-	(967)	(967)
Foreign exchange adjustments of subsidiaries (ISS's share)	-	364	364
Recycling of accumulated foreign exchange adjustments on country exits	-	(146)	(146)
Fair value adjustments of net investment hedges	(143)	-	(143)
Translation reserve at 31 December	(143)	(749)	(892)

TREASURY SHARES

At 31 December 2019, ISS held a total of 970,082 treasury shares (2018: 1,001,376) equal to 0.5% of the share capital with the purpose of covering obligations under existing share-based

incentive programmes. The fair value of treasury shares was DKK 155 million at 31 December 2019 (2018: DKK 182 million).

	2019	2018
	Purchase price (DKK million)	Number of shares (in thousands)
Treasury shares at 1 January	197	1,001
Settlement of vested PSUs	(6)	(31)
Treasury shares at 31 December	191	970

ACCOUNTING POLICY

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

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

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

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

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

4.2 LOANS AND BORROWINGS

DKK million	2019	2018
Issued bonds	14,123	17,121
Lease liabilities ¹⁾	3,034	232
Bank loans	247	179
Derivatives	6	0
Other	95	128
Total	17,505	17,660
Non-current liabilities	16,308	17,382
Current liabilities	1,197	278
Loans and borrowings	17,505	17,660
Cash and cash equivalents and other financial items ²⁾	(2,775)	(6,903)
Net debt	14,730	10,757

¹⁾ Right-of-use assets are presented in 2.1, Property, plant and equipment.

²⁾ Includes securities of DKK 64 million (2018: DKK 55 million) as well as positive value of currency swaps and net investment hedges of DKK 12 million and DKK 29 million (2018: DKK 14 million/DKK 0 million), respectively.

REFINANCING

In 2019, ISS Global A/S successfully issued EMTN bonds for a principal amount of EUR 500 million maturing in 2026. The notes were issued under ISS Global A/S's EUR 3 billion EMTN programme. The net proceeds were together with surplus cash used for the early repayment in October 2019 of EUR 700 million EMTNs maturing in January 2020. In addition, ISS Global A/S in December 2019 successfully completed a cash tender for EUR 200 million EMTNs maturing in January 2021 leaving EUR 300 million EMTNs maturing in January 2021 outstanding.

FINANCING FEES

In 2019, financing fees amounting to DKK 41 million (2018: DKK 4 million) have been recognised in loans and borrowings while financing fees of DKK 27 million (2018: DKK 22 million) have been amortised and recognised in financial expenses. Accumulated financing fees recognised in loans and borrowings on 31 December 2019 amounted to DKK 93 million (2018: DKK 79 million).

FAIR VALUE

The fair value of loans and borrowings was DKK 17,928 million (DKK 14,797 million excluding lease liabilities) (2018: DKK 17,900 million). The fair value of bonds is based on the quoted market price on the Luxembourg Stock Exchange and measurement is categorised as Level 1 in the fair value hierarchy. For the remaining loans and borrowings, fair value is equal to the nominal value as illustrated in 4.5, Interest rate risk.

CHANGES IN LOANS AND BORROWINGS

DKK million	2019	2018
Loans and borrowings at 1 January	17,660	17,671
Adoption of IFRS 16	3,541	-
Foreign exchange adjustments	71	18
Proceeds from bonds	3,695	-
Repayment of bonds	(6,717)	-
Repayment of lease liabilities	(1,080)	(88)
Other financial payments, net ¹⁾	(337)	(210)
Additions to lease liabilities (non-cash)	578	136
Acquisitions and divestments, net	(228)	1
Reclassification to Liabilities held for sale	(103)	-
Fair value adjustments of net investment hedges	143	-
Realised foreign exchange gains/losses, net	157	(8)
Other non-cash movements	125	140
Loans and borrowings at 31 December	17,505	17,660

¹⁾ Mainly drawings on Revolving Credit Facility and local bank loans and overdrafts.

CHANGES IN LEASE LIABILITIES

DKK million	2019
Lease liability at 1 January ¹⁾	3,773
Foreign exchange adjustments	69
Additions	578
Interest expenses	96
Payments	(1,176)
Divestments	(203)
Reclassifications to Liabilities held for sale	(103)
Lease liabilities at 31 December	3,034

¹⁾ Hereof DKK 232 million related to finance leases already recognised in accordance with IAS 17.

The maturity analysis of lease liabilities is disclosed in 4.6, Liquidity risk.

ACCOUNTING POLICY

Issued bonds and bank loans are recognised initially at fair value net of directly attributable transaction costs and subsequently at amortised cost using the effective interest method. Any difference between the proceeds initially received and the nominal value is recognised in Financial expenses over the term of the loan.

Amortisation of financing fees At the date of borrowing financing fees are recognised as part of loans and borrowings. Subsequently, financing fees are amortised over the term of the loan and recognised in financial expenses.

Lease liabilities At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease payments include fixed payments less any incentive payments, variable lease payments that depend on an index or rate, e.g. when a minimum indexation is applied, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The present value is calculated using the Group's incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. The lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. The lease liability is remeasured if there is a modification, a change in lease term or a change in the assessment to purchase the underlying asset. In addition, the lease liability is remeasured if there is a change in future lease payments arising from a change in an index or rate or if there is a change in the Group's estimate of the amount expected to be payable under a residual guarantee.

4.3 FINANCIAL INCOME AND EXPENSES

DKK million	2019	2018
Interest income on cash and cash equivalents	39	37
Foreign exchange gains	1	-
Financial income	40	37
Interest expenses on loans and borrowings	(411)	(353)
Interest expenses on lease liabilities	(96)	(15)
Forward premiums, currency swaps	(93)	(99)
Amortisation of financing fees (non-cash)	(27)	(22)
Net interest on defined benefit obligations	(25)	(21)
Interest on factoring ¹⁾	(20)	(20)
Foreign exchange losses	-	(34)
Other	(72)	(63)
Financial expenses	(744)	(627)

¹⁾ The Group uses non-recourse factoring with certain large blue-chip customers and participates in certain customers' supply chain finance arrangements. ISS does not use reverse factoring or supply chain financing of own payables.

Interest expenses on loans and borrowings

was negatively impacted by the early refinancing of the EUR 700 million EMTNs maturing January 2020, which resulted in higher gross debt from June, when the new 7-year EMTNs were issued, until the 2020 EMTNs were repaid in October. Furthermore, interest expenses increased due to higher average net debt during 2019 as well as the higher leverage in the second half of 2019, which resulted in a higher credit margin on drawings on the revolving credit facilities.

Interest expenses on lease liabilities

increased due to the implementation of IFRS 16.

Forward premiums on currency swaps

decreased slightly as a result of a lower amount of EUR/USD swaps during 2019.

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

4.4 FINANCIAL RISK MANAGEMENT

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

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

The Group's objectives and policies for measuring and managing risk exposure are explained in:

- 4.5, Interest rate risk;
- 4.6, Liquidity risk; and
- 4.7, Currency risk.

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

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

At 31 December 2019, the exposure to credit risk related to cash and cash equivalents and other financial items was DKK 2,775 million (2018: DKK 6,903 million). It is the Group's policy to transact only with financial institutions with at least A-1/P-1 credit ratings. Group Treasury monitors credit ratings on an ongoing basis and approves exceptions to credit rating requirements.

The Group has not identified additional financial risk exposures in 2019 compared to 2018.

4.5 INTEREST RATE RISK

EXPOSURE

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Exposure relates to bank loans with floating interest rates.

Low risk

- 98% of the Group's bank loans and bonds carried fixed interest rates at 31 December 2019 (2018: 99%)
- Duration of gross debt (fixed-rate period) of 5.5 years at 31 December 2019 (2018: 4.1 years)
- Exposure primarily related to EUR denominated bank loans with floating rates

RISK MANAGEMENT POLICY

- At least 50% of the Group's bank loans and issued bonds must carry fixed interest rates directly or through derivatives
- Duration of gross debt (fixed-rate period) shall be 2-6 years
- Currently, the Group does not use interest rate swaps

MITIGATION

- The balance between fixed and variable interest rates and gross debt duration (fixed-rate period) is measured on a monthly basis

EXPOSURE TOWARDS INTEREST RATES

					2019	2018
DKK million	Nominal interest rate	Currency	Maturity	Nominal value	Carrying amount	Carrying amount
Issued bonds (fixed interest rate)						
EMTNs (EUR 700 million)	1.125%	EUR	2020	-	-	5,220
EMTNs (EUR 500 million)	1.125%	EUR	2021	2,241	2,238	3,724
EMTNs (EUR 500 million)	2.125%	EUR	2024	3,735	3,721	3,717
EMTNs (EUR 500 million)	0.875%	EUR	2026	3,735	3,701	-
EMTNs (EUR 600 million)	1.500%	EUR	2027	4,481	4,463	4,460
				14,192	14,123	17,121
Bank loans (floating interest rate)						
Revolving Credit Facility (EUR 1,000 million) ¹⁾	Libor + 0.60%	Multi	2024	73	49	53
Bank loans and overdrafts	-	Multi	-	198	198	126
				271	247	179

¹⁾ The Revolving Credit Facility was extended in November 2019 to mature in November 2024. The current margin of 1.00% will decrease to 0.60% in February 2020 as a result of lower leverage. In addition, a utilisation fee applies. For utilisation up to 33%, the fee is 0.10%, for utilisation between 33% and 66%, the fee is 0.20%, and for utilisation above 66%, the fee is 0.30%.

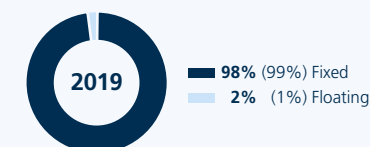
INTEREST RATE SENSITIVITY

An increase in relevant interest rates of 1%-point would have decreased net profit by DKK 3 million (2018: decreased by DKK 4 million).

The estimate was based on the Group's floating rate loans and borrowings, i.e. disregarding cash and cash equivalents, as the level at 31 December is typically the highest in the year and not a representative level for the purpose of this analysis. The analysis assumes that all other variables remain constant.

In addition, at 31 December 2019, the net forward position of intercompany loan hedges (excluding EUR/DKK hedges) was DKK 2.1 billion (2018: DKK 4.3 billion) of which USD represents DKK 1.8 billion (2018: DKK 2.4 billion). An increase of 1%-point in relevant interest rates versus EUR/DKK interest rates would have increased the annual cost (forward premium) by DKK 21 million (2018: increased DKK 43 million) and consequently decreased net profit and equity with the same amount.

FIXED VS. FLOATING INTEREST RATES



4.6 LIQUIDITY RISK

EXPOSURE

The Group monitors its risk of insufficient liquidity centrally in Group Treasury. Liquidity risk results from the Group's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity.

Low risk

- No short-term maturities
- Diversified funding; bonds and bank loans

RISK MANAGEMENT POLICY

- Maintain an appropriate level of short- and long-term liquidity reserves (liquid funds and committed credit facilities)
- Maintain a smooth maturity profile in terms of different maturities
- Maintain access to diversified funding sources

MITIGATION

- Raising capital is managed centrally in Group Treasury to ensure efficient liquidity management
- Liquidity is transferred to/from ISS Global A/S, which operates as the Group's internal bank
- For day-to-day liquidity management cash pools have been established in the majority of the local entities

LIQUIDITY RESERVES

The Group's liquidity reserves mainly consist of funds (cash and cash equivalents less not readily available or restricted cash) and unused credit facilities. The level of cash and cash equivalents is typically highest at 31 December and not a representative level for the rest of the year. As at 31 December 2019, the Group's liquid reserves consisted of readily available liquid funds of DKK 2,638 million (2018: DKK 6,770 million) and unused revolving credit facilities of DKK 7,104 million (2018: DKK 7,056 million) where the majority is available for drawing until 3 November 2024.

In addition, as of 31 December 2019, ISS had DKK 1.0 billion of other credit facilities of which DKK 0.8 billion was unused. Such facilities comprise mainly other local credit facilities, which are not part of the senior unsecured facilities.

DKK 32 million (2018: DKK 64 million) of the total cash and cash equivalents at 31 December 2019 was placed on blocked or restricted bank accounts due to legal circumstances.

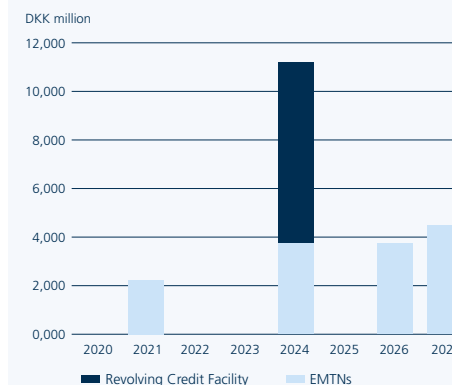
CONTRACTUAL MATURITIES

The contractual maturities of financial liabilities, based on undiscounted contractual cash flows, are shown in the table. The undiscounted contractual cash flows include expected interest payments, estimated based on market expectations at 31 December. The risk implied from the values reflects the one-sided scenario of cash outflows only. Trade payables and other financial liabilities are mainly used to finance assets such as trade receivables and property, plant and equipment.

DKK million	Carrying amount	Contractual cash flows	< 1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years
2019								
Issued bonds and bank loans	14,471	15,721	524	2,446	194	196	3,914	8,447
Lease liabilities	3,034	3,189	927	737	556	356	218	395
Trade payables and other financial liabilities	5,549	5,587	5,442	34	111	-	-	-
Total financial liabilities	23,054	24,497	6,893	3,217	861	552	4,132	8,842
2018								
Issued bonds and bank loans	17,428	18,717	484	5,454	3,906	166	162	8,545
Finance lease liabilities	232	263	88	68	54	31	16	6
Trade payables and other financial liabilities	6,140	6,185	6,027	73	32	53	-	-
Total financial liabilities	23,800	25,165	6,599	5,595	3,992	250	178	8,551

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

MATURITY OF CREDIT FACILITIES



4.7 CURRENCY RISK

EXPOSURE

Currency risk is the risk that arises from changes in exchange rates, and affects the Group's result, investments or value of financial instruments.

Low risk

The Group generally benefits from a natural hedge in having costs, investments and income in the same functional currency country by country. Currency risk therefore predominantly arises from funding and investments in subsidiaries.

RISK MANAGEMENT POLICY

- It is Group policy to pool funding activities centrally and fund investments in subsidiaries through a combination of intercompany loans and equity
- Currency risk on intercompany loans is as a main policy hedged against DKK or EUR when exposure exceeds DKK 5 million. Some currencies cannot be hedged within a reasonable price range in which case correlation to a proxy currency is considered and, if deemed appropriate, proxy hedging is applied
- Currency risk on net investments are as a main policy hedged against DKK or EUR when annual EBITDA of the relevant functional currency corresponds to 5% or more of Group EBITDA up to an amount of 3-5x EBITDA in the relevant functional currency and adjusted as appropriate to relevant market entry and exit risk
- Exposure to EUR is monitored but not hedged due to the fixed rate exchange policy between DKK/EUR
- Our currency hedging exposes us to interest spread risk, see sensitivity analysis in note 4.5, Interest rate risk

MITIGATION

- Currency swaps are used to hedge the exposure to currency risk on loans and borrowings (external) and intercompany balances. As changes in the fair value of both the hedged item and the currency swap are recognised in the income statement in financial income and expenses, hedge accounting is not applied
- Exposure on loans and borrowings, intercompany balances and cash and cash equivalents are measured at least on a weekly basis to evaluate the need for hedging currency positions
- Currency swaps (net investment hedges) or debt is used to hedge the currency exposure to investments in subsidiaries. As hedge accounting is applied (other than for EUR) changes in fair value impact equity

LOANS AND BORROWINGS

– FOREIGN CURRENCY SENSITIVITY

A change in relevant currencies, with all other variables held constant, would have impacted net profit with the amounts below. The analysis

is based on the Group's internal monitoring of currency exposure on loans and borrowings, intercompany loans, cash and cash equivalents as well as accrued royalties (Group internal).

DKK million	Currency exposure (nominal value)	Currency swaps (contractual value)	Total exposure, net	Sensitivity	
				Increase in foreign exchange rates	Net profit
2019					
EUR/DKK	(13,353)	6,545	(6,808)	1%	(68)
USD/DKK	1,793	(1,839)	(46)	10%	(5)
Other/DKK	494	(271)	223	10%	29
Total	(11,066)	4,435	(6,631)		
2018					
EUR/DKK	(15,435)	8,304	(7,131)	1%	(71)
USD/DKK	2,267	(2,429)	(162)	10%	(16)
Other/DKK	2,058	(1,901)	157	10%	16
Total	(11,110)	3,974	(7,136)		

NET INVESTMENT HEDGES

DKK million	Net investment	Hedging of investment	Total exposure, net	Average price	Change in fair value recognised in Other comprehensive income	Fair value	Maturity
GBP	2,604	2,455	149	8.84	(136)	26	March 2020
USD	881	734	147	6.70	(3)	6	March 2020
CHF	1,333	687	646	6.85	(4)	(3)	March 2020
Total	4,818	3,876	942	-	(143)	29	

NET INVESTMENT HEDGES

– FOREIGN CURRENCY SENSITIVITY

A 10%-change in currencies, with all other variables held constant, would have changed the fair value recognised in Other comprehensive income of GBP with DKK 15 million, of USD with DKK 15 million and of CHF with DKK 65 million.

The effect of translation of net assets in foreign subsidiaries before the effect of net investment hedges increased equity by DKK 363 million (2018: a decrease of DKK 152 million).

ACCOUNTING POLICY

Derivative financial instruments are initially recognised at fair value at the trade date and subsequently remeasured at fair value.

The fair value of derivative financial instruments is calculated on the basis of current market data and in accordance with generally accepted valuation methods. Measurement is categorised as Level 2 in the fair value hierarchy as it is not based on observable market data.

For derivative financial instruments used as net investment hedges, changes in the effective portion of the fair value are recognised in other comprehensive income and presented in the translation reserve in equity until the hedged transaction is realised. Gains or losses relating to the ineffective portion are recognised in the income statement in financial income or financial expenses. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in equity is transferred to the income statement.

The fair value of derivative financial instruments is presented in Other receivables or Loans and borrowings.

REMUNERATION

SECTION 5

In this section:

- 5.1 REMUNERATION TO THE BOARD OF DIRECTORS AND THE EXECUTIVE GROUP MANAGEMENT**
- 5.2 SHARE-BASED PAYMENTS**
- 5.3 PENSIONS AND SIMILAR OBLIGATIONS**

At ISS, remuneration is based on responsibilities, competencies and performance and is designed to be competitive, affordable and in line with market practice of comparable listed companies.

To drive delivery of short- and long-term financial results, retention of leaders and alignment to shareholder value creation, the Group has a short- and a long-term incentive programme (STIP and LTIP). Under the STIP, performance measures are the Group's financial and non-financial KPIs weighting: operating margin (25%), organic growth (30%), free cash flow conversion (20%), employee turnover, customer retention and health and safety (LTIP) (15%) and individual objectives (10%).

Under the LTIP, performance-based share units (PSUs) were granted to plan participants in 2019.

Upon vesting, each PSU entitles the holder to receive one share at no cost. The PSUs will vest on the date of the third year of grant.

In March 2019, the LTIP 2016 programme vested. Based on the annual EPS and TSR performances for 2016, 2017 and 2018, 6% of the granted PSUs vested. In March 2020, the LTIP 2017 will vest and based on the annual EPS and TSR performances for 2017, 2018 and 2019, 0% will vest.

The Group has several pension plans of which the majority are defined contribution plans with no further payment obligation once the contributions are paid. The Group also has a number of defined benefit plans where the responsibility for the pension obligation towards the employees rests with the Group.

LTIP 2016

6%

vested in March 2019

LTIP 2017

0%

will vest in March 2020


PENSIONS

994 DKKm (2018: 1,021 DKKm)
Defined benefit obligations, net

1,697 DKKm (2018: 1,531 DKKm)
Total pension costs

92%
of costs related to defined contribution plans

84 DKKm
Actuarial gains
(2018: 79 DKKm actuarial losses)

 Remuneration policy is described in the **Remuneration report**, which is available at <http://inv.issworld.com/iss-remuneration-reports>

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

The Executive Group Management (EGM) comprises the Executive Group Management Board (EGMB) and Corporate Senior Officers of the Group. Members of the EGM have authority and

responsibility for planning, implementing and controlling the Group's activities and are together with the Board of Directors (Board) considered as the Group's key management personnel.

DKK thousand	2019			2018		
	EGM			EGM		
	Board	EGMB	Corporate Senior Officers	Board	EGMB	Corporate Senior Officers
Base salary and non-monetary benefits	8,751	17,543	36,879	8,818	16,821	33,614
Annual bonus (STIP)	-	2,997	10,898	-	11,906	20,660
Retention bonus	-	2,722	-	-	9,878	-
Share-based payments (LTIP)	-	4,038	4,786	-	3,482	4,141
Total remuneration	8,751	27,300	52,563	8,818	42,087	58,415

Remuneration policy is described in the Remuneration report which is available at <http://inv.issworld.com/iss-remuneration-reports>

§ ACCOUNTING POLICY

The value of services received in exchange for granted performance-based share units (PSUs) is measured at fair value at the grant date and recognised in staff costs over the vesting period with a corresponding increase in equity.

The fair value of granted PSUs under the long-term incentive programme is measured using a generally accepted valuation model taking into consideration the terms and conditions upon which the PSUs were granted including market-based vesting conditions (TSR condition).

On initial recognition, an estimate is made of the number of PSUs expected to vest. The estimated number is subsequently revised for changes in the number of PSUs expected to vest due to non-market based vesting conditions.

5.2 SHARE-BASED PAYMENTS

The Group has an equity-settled **long-term incentive programme (LTIP)**. Members of the EGM (EGMB and Corporate Senior Officers of the Group), and other senior officers of the Group, were granted a number of PSUs. Upon vesting, each PSU entitles the holder to receive one share at no cost. Participants are compensated for any dividend distributed between time of grant and time of vesting.

Subject to certain criteria, the PSUs will vest after three years. The vesting criteria are total shareholder return (TSR) and earnings per share (EPS), equally weighted. TSR peers are the Nasdaq Copenhagen OMX C25 and a peer group of comparable international service companies.

In January 2019, the Group introduced an **accelerated growth award (AGA)** for selected key leaders, to incentivise the accelerated strategy execution following the Strategy Update in December 2018. PSUs granted under the programme in March 2019 will vest in March 2020 subject to achievement of performance criteria, i.e. operating margin, organic growth and free cash flow conversion on continuing operations in 2019. Upon vesting, each PSU entitles the holder to receive one share at no cost. After this vesting, no further PSUs are outstanding and the AGA-programme will lapse.

THRESHOLD	VESTING	TSR	EPS ANNUAL GROWTH ¹⁾		
			LTIP 2017	LTIP 2018 ²⁾	LTIP 2019 ²⁾
Below threshold	0%	Below median of peers	< 3%	< 3%	< 4%
Threshold	25%	At median of peers	3%	3%	4%
Maximum	100%	At upper quartile of peers or better	9%	9%	12%
TSR peers					
International service companies					
ABM Industries, Adecco, Aramark, Bunzl, Compass Group, Capita, Elis (2018 and 2019 only), G4S, Mitie Group, Randstad, Rentokil Initial, Securitas, Serco, Sodexo. Interserve omitted due to bankruptcy in March 2019.					
OMX C25					
A.P. Møller – Mærsk A, A.P. Møller – Mærsk B, Ambu (2019 only), Bavarian Nordic (2018 only), Carlsberg, Chr. Hansen Holding, Coloplast, Danske Bank, Demant, DSV, FLSmidth & Co (2018 and 2019 only), Genmab, GN Store Nord, Jyske Bank, Lundbeck, NKT (2018 only), Nordea Bank (2018 only), Novo Nordisk, Novozymes, Pandora, Rockwool International (2019 only), Royal Unibrew (2019 only), SinCorp (2019 only), Sydbank (2019 only), Tryg (2018 and 2019 only), Vestas Wind Systems, Ørsted.					
¹⁾ Adjusted EPS excluding Other income and expenses, net. EPS growth is measured as compound annual growth rate (CAGR).					
²⁾ Adjusted for discontinued operations.					

FAIR VALUE AND IMPACT IN THE INCOME STATEMENT

DKK million (unless otherwise stated)	LTIP 2016	LTIP 2017	LTIP 2018	LTIP 2019	AGA 2019
Total PSUs granted, number	822,876	753,538	869,112	928,367	327,893
Participants, number	141	155	152	142	103
Fair value of PSUs expected to vest at grant date	103	102	100	101	59
Fair value of PSUs expected to vest at 31 December 2019	-	31	29	87	-
Recognised in the income statement in 2019	2	11	(6)	24	-
Not yet recognised (PSUs expected to vest)	-	2	11	63	-

APPLIED ASSUMPTIONS AT THE TIME OF GRANT

	LTIP 2017	LTIP 2018	LTIP 2019	AGA 2019
Share price, DKK	270	228	207	188
Expected volatility	27.9% ¹⁾	29.0% ¹⁾	26.6% ¹⁾	-
Expected life of grant	3 years	3 years	3 years	1 year
Risk-free interest rate	(0.2)%-2.4% ¹⁾	0.5%-2.4% ¹⁾	(0.3)%-2.7% ¹⁾	-

¹⁾ Based on observable market data for peer groups.

LTIP 2016 – VESTED

In March 2019, the LTIP 2016 programme vested and the participants received shares in ISS A/S at no cost. Based on the annual EPS and TSR

performances for 2016, 2017 and 2018, 6% of the granted PSUs, equal to 38,493 PSUs, vested. After this vesting, no further PSUs are outstanding under the LTIP 2016 and the programme has lapsed.

Number of PSUs	EGM			Total
	EGMB	Corporate Senior Officers	Other senior officers	
Outstanding at 1 January 2018	55,611	119,986	466,768	642,365
Granted	1,946	3,842	15,985	21,773
Transferred	-	(10,117)	10,117	-
Cancelled	-	(11,246)	(35,525)	(46,771)
Outstanding at 31 December 2018	57,557	102,465	457,345	617,367
Vested	(3,596)	(6,403)	(28,494)	(38,493)
Forfeited	(53,961)	(96,062)	(428,210)	(578,233)
Cancelled	-	-	(641)	(641)
Outstanding at 31 December 2019	-	-	-	-

LTIP – OUTSTANDING PSUs

Number of PSUs LTIP 2017	EGM			Total
	EGMB	Corporate Senior Officers	Other senior officers	
Outstanding at 1 January 2018	58,182	88,241	463,619	610,042
Granted	2,066	2,882	16,159	21,107
Transferred	-	(7,006)	7,006	-
Cancelled	-	(9,034)	(42,210)	(51,244)
Outstanding at 31 December 2018	60,248	75,083	444,574	579,905
Granted	2,182	2,715	15,653	20,550
Cancelled	-	-	(21,930)	(21,930)
Outstanding at 31 December 2019 ¹⁾	62,430	77,798	438,297	578,525

¹⁾ In March 2020, the PSUs granted under LTIP 2017 will vest with 0% based on the annual EPS and TSR performances for 2017, 2018 and 2019.

LTIP 2018

Granted	85,410	94,892	664,552	844,854
Cancelled	-	(10,534)	(151,656)	(162,190)
Outstanding at 31 December 2018	85,410	84,358	512,896	682,664
Granted	3,093	3,052	18,075	24,220
Cancelled	-	-	(41,590)	(41,590)
Outstanding at 31 December 2019	88,503	87,410	489,381	665,294

LTIP 2019

Granted	109,369	115,075	703,923	928,367
Cancelled	-	-	(163,749)	(163,749)
Outstanding at 31 December 2019	109,369	115,075	540,174	764,618

Accelerated Growth Award (AGA)

Granted	41,925	57,531	228,437	327,893
Cancelled	-	-	(5,021)	(5,021)
Outstanding at 31 December 2019 ²⁾	41,925	57,531	223,416	322,872

²⁾ In March 2020, the PSUs granted under AGA will vest with 0% based on operating margin, organic growth and free cash flow conversion on continuing operations in 2019.

5.3 PENSIONS AND SIMILAR OBLIGATIONS

DEFINED CONTRIBUTION PLANS

The majority of the Group's pension schemes are defined contribution plans where contributions are paid to publicly or privately administered pension plans. The Group has no further payment obligations once the contributions have been paid. In 2019, contributions amounted to DKK 1,511 million (2018: DKK 1,408 million), corresponding to 92% of the Group's pension costs (2018: 91%).

DEFINED BENEFIT PLANS

The Group has a number of defined benefit plans where the responsibility for the pension obligation towards the employees rests with the Group. The largest plans are in Switzerland and the UK accounting for 85% (2018: 86%) of the Group's obligation (gross) and 96% (2018: 96%) of its plan assets.

The plans are primarily based on years of service, and benefits are generally determined on the basis of salary and rank. The Group assumes the risk associated with future developments in salary, interest rates, inflation, mortality and disability etc.

The majority of the obligations are funded with assets placed in independent pension funds. In some countries, primarily Sweden, France and Hong Kong, the obligation is unfunded. For these unfunded plans the retirement benefit obligations amounted to DKK 892 million or 11% of the present value of the gross obligation (2018: DKK 696 million or 9%).

Switzerland Participants are insured against the financial consequences of retirement, disability and death. The pension plans guarantee a minimum interest credit and fixed conversion rates at retirement. Contributions are paid by both the employee and the employer. The plans must be fully funded. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, reduction of benefits or a combination of both. The pension plans include a risk-sharing element between ISS and the plan participants.

The UK Participants are insured against the financial consequences of retirement and death. The schemes do not provide any insured disability benefits. The pension plans are plans guaranteeing defined benefit pension at retirement on a final salary basis. The majority of the pension plans does not include a risk-sharing element between ISS and the plan participants.

ACTUARIAL ASSUMPTIONS

Actuarial calculations and valuations are performed annually for all major defined benefit plans. The actuarial assumptions vary from country to country due to local conditions. Discount rates at 31 December are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating to the terms of the defined benefit obligations.

	2019				2018			
	CHF	GBP	EUR	Other currencies	CHF	GBP	EUR	Other currencies
2019								
Discount rates	0.3%	2.0%	0.5-1.6%	1.0-16.8%	0.9%	3.0%	1.4-1.9%	1.0-16.8%
Salary increases	1.0%	0.0-1.63%	1.5-2.3%	0.0-8.6%	1.0%	1.0-2.2%	0.0-3.0%	0.0-8.6%
Pension increases	0.0%	1.90-3.00%	0.0-1.4%	0.0-2.0%	0.0%	3.1%	0.0-2.0%	0.0-2.0%

SENSITIVITY ANALYSIS

The table below illustrates the sensitivity related to significant actuarial assumptions used in the calculation of the defined benefit obligation recognised at the reporting date. The analysis is based on changes in assumptions that the Group considered to be reasonably possible at the reporting date. It is estimated that the relevant changes in assumptions would have increased/ (decreased) the defined benefit obligation by the amounts shown below:

	2019		2018	
DKK million	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	(525)	568	(476)	535
Price inflation	116	(101)	138	(116)
Salary increase	75	(74)	78	(71)
Pension increase	174	(93)	357	(84)
	+1 year	-1 year	+1 year	-1 year
Life expectancy	172	(201)	165	(158)

A SIGNIFICANT ACCOUNTING ESTIMATES

The present value of defined benefit obligations is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. All assumptions are assessed at the reporting date. Changes in these assumptions may significantly affect the liabilities and pension costs under defined benefit plans. The range and weighted average of these assumptions as well as sensitivities on key assumptions are disclosed in this note.

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

ISS participates in multi-employer pension schemes that by nature are defined benefit plans. Some funds are not able to provide the necessary information in order for the Group to account for the schemes as defined benefit plans and the schemes are therefore accounted for as defined contribution plans. There is a risk that the plans are not sufficiently funded. However, information on surplus or deficit in the schemes is not available.

The estimated weighted average duration of the defined benefit obligation was 13 years (2018: 13 years) and is split into:

Years	2019	2018
Active employees	12	13
Retired employees	13	13
Deferred vested ¹⁾	21	22
Total employees ¹⁾	13	13

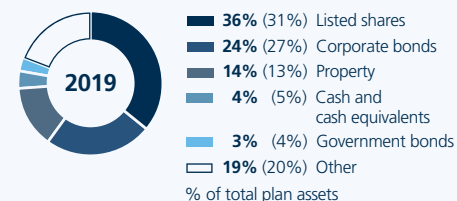
¹⁾ The impact from deferred vested on total estimated weighted average duration is minor due to the fact that deferred vested make up less than 2% of the participants, and do not exist in many of the shorter duration plans.

	2019			2018		
	Present value of obligation	Fair value of plan assets	Obligation, net	Present value of obligation	Fair value of plan assets	Obligation, net
DKK million						
Carrying amount at 1 January	7,528	6,594	934	7,567	6,506	1,061
Current service costs	182	-	182	173	-	173
Interest on obligation/plan assets	100	75	25	94	73	21
Past service costs	(21)	-	(21)	(71)	-	(71)
Recognised in the income statement ¹⁾	261	75	186	196	73	123
Actuarial (gains)/losses, demographic assumptions	(123)	-	(123)	(93)	-	(93)
Actuarial (gains)/losses, financial assumptions	644	-	644	(250)	-	(250)
Actuarial (gains)/losses, experience adjustments	71	-	71	100	-	100
Return on plan assets excl. interest income	-	676	(676)	-	(322)	322
Impact from asset ceiling	-	(49)	49	-	(8)	8
Reclassifications	-	-	-	(3)	(3)	-
Recognised in other comprehensive income ²⁾	592	627	(35)	(246)	(333)	87
Foreign exchange adjustments	255	244	11	211	220	(9)
Reclassifications	5	-	5	21	-	21
Acquisitions and divestments, net	(1)	(0)	(1)	(9)	(2)	(7)
Additions from new contracts, net	131	7	124	-	-	-
Employee contributions	142	142	-	134	134	-
Employer contributions	-	188	(188)	-	198	(198)
Benefits paid	(479)	(384)	(95)	(257)	(173)	(84)
Impact from asset ceiling	-	49	(49)	-	8	(8)
Reclassification to Liabilities held for sale	(40)	-	(40)	(89)	(37)	(52)
Other changes	13	246	(233)	11	348	(337)
Carrying amount at 31 December	8,394	7,542	852	7,528	6,594	934
Other long-term employee benefits			265			140
Accumulated impact from asset ceiling			142			87
Pensions and similar obligations at 31 December			1,259			1,161

¹⁾ Of which DKK 43 million was recognised in Net profit/(loss) from discontinued operations (2018: DKK 12 million).

²⁾ Of which DKK 1 million related to discontinued operations (2018: DKK 4 million).

MAJOR CATEGORIES OF PLAN ASSETS



Past service costs In 2019 and 2018, the negative past service costs mainly related to a decrease of benefits in Switzerland due to a plan amendment. In 2019, this was partly offset by a change in assessment of the number of employees being covered by a pension plan in Thailand.

Contribution to defined benefit plans The Group expects to contribute DKK 243 million in 2020 (2019: DKK 225 million).

ACCOUNTING POLICY

Contributions to **defined contribution plans** are recognised in Staff costs when the related service is provided. Any contributions outstanding are recognised in Other liabilities.

Defined benefit plans The Group's net obligation is calculated annually by a qualified actuary using the projected unit credit method. This calculation is done separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The present value less the fair value of any plan assets is recognised in Pensions and similar obligations.

When the calculation results in a potential asset, recognition is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Pension costs are calculated based on actuarial estimates and financial expectations at the beginning of the year. Service costs are recognised in Staff costs and net interest is recognised in Financial expenses. Differences between the expected development in pension assets and liabilities and the realised amounts at the reporting date are designated actuarial gains or losses and recognised in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised in Staff costs. The Group recognises gains and losses on the settlement when the settlement occurs.

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

OTHER REQUIRED DISCLOSURES

SECTION 6

This section includes other disclosures required by IFRS, but which are not material or relevant for the understanding of the business and the activities in ISS as outlined in section 1 to 5.

In this section:

6.1 OTHER SEGMENT INFORMATION

6.2 CONTINGENT LIABILITIES

6.3 RELATED PARTIES

6.4 GOVERNMENT GRANTS

6.5 AVERAGE NUMBER OF EMPLOYEES

6.6 FEES TO AUDITORS

6.7 SUBSEQUENT EVENTS

6.1 OTHER SEGMENT INFORMATION


DKK million	Continental Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total segments	Unallocated ¹⁾	Elimination ²⁾	Total Group
2019									
Operating profit	1,090	898	714	420	38	3,160	(602)	-	2,558
Total assets	19,346	18,924	8,035	4,780	2,410	53,495	20,138	(23,572)	50,061
Hereof assets held for sale	-	78	53	-	1,675	1,806	-	-	1,806
Additions to non-current assets ³⁾	866	500	164	102	93	1,725	163	-	1,888
Total liabilities	10,455	10,633	3,612	3,724	1,580	30,004	31,071	(23,561)	37,514
Hereof liabilities held for sale	-	3	14	-	888	905	-	-	905
2018									
Operating profit	848	1,247	772	158	(1)	3,024	(638)	-	2,386
Total assets	17,553	17,709	7,460	4,503	3,210	50,435	21,491	(22,115)	49,811
Hereof assets held for sale	1,083	-	50	-	2,167	3,300	-	-	3,300
Additions to non-current assets ³⁾	469	283	140	60	83	1,035	158	-	1,193
Total liabilities	8,807	8,496	3,205	3,597	2,661	26,766	32,330	(21,757)	37,339
Hereof liabilities held for sale	275	-	12	-	1,492	1,779	-	-	1,779

¹⁾ Unallocated assets and liabilities relate to the Group's holding companies and comprise internal and external loans and borrowings, cash and cash equivalents and intra-group balances.

²⁾ Eliminations relate to intra-group balances.

³⁾ Comprise additions to Intangible assets and Property, plant and equipment, including from Acquisitions. In 2019, additions to right-of-use assets are also included.

§ ACCOUNTING POLICY

 The accounting policies of the reportable segments are described in 1.1, Segment information.

NON-CURRENT ASSETS ¹⁾ BY COUNTRY – MORE THAN 5% OF GROUP REVENUE

DKK million	2019	2018
UK & Ireland	3,374	3,030
USA & Canada	2,752	2,605
France	2,276	2,048
Denmark (ISS A/S's country of domicile)	1,937	1,777
Switzerland	2,134	1,629
Norway	1,557	1,501
Australia & New Zealand	1,552	1,466
Spain & Portugal	1,429	1,355
Germany	1,143	544
Other countries ²⁾	11,219	10,213
Total	29,373	26,168

¹⁾ Excluding deferred tax assets.

²⁾ Including unallocated items and eliminations.

6.2 CONTINGENT LIABILITIES

GUARANTEE COMMITMENTS

Indemnity and guarantee commitments (mainly towards public authorities and insurance companies) at 31 December 2019 amounted to DKK 465 million (2018: DKK 413 million).

PERFORMANCE GUARANTEES

The Group has issued performance guarantee bonds for service contracts amounting to DKK 3,372 million (2018: DKK 3,207 million) of which DKK 1,463 million (2018: DKK 1,331 million) were bank-guaranteed performance bonds. Such performance bonds are issued in the ordinary course of business in the service industry to guarantee towards specific customers satisfactory completion of work in accordance with service contracts.

DIVESTMENTS

The Group makes provisions for claims from purchasers or other parties in connection with divestments and representations and warranties given in relation to such divestments. Management believes that provisions made at 31 December 2019 are adequate. However, there can be no assurance that one or more major claims arising out of the Group's divestment of companies will not adversely affect the Group's activities, results of operations and financial position.

LEGAL PROCEEDINGS

The Group is party to certain legal proceedings. Management believes that these proceedings (many of which are labour-related cases incidental to the business) will not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the statement of financial position at 31 December 2019.

RESTRUCTURING PROJECTS

Restructuring projects are being undertaken on an ongoing basis across different geographies and service areas, currently mainly in France. Labour laws especially in Europe include restrictions on dismissals and procedural rules to be followed. The procedures applied by ISS could be challenged in certain jurisdictions resulting in liabilities. Management believes that this would not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the statement of financial position at 31 December 2019.

6.3 RELATED PARTIES

PARENT AND ULTIMATE CONTROLLING PARTY

The Group's parent ISS A/S is the ultimate controlling party. At 31 December 2019, ISS had no related parties with either control of the Group or significant influence in the Group.

KEY MANAGEMENT PERSONNEL

The Board of Directors and the Executive Group Management are considered the Group's key management personnel as defined in 5.1, Remuneration to the Board of Directors and the Executive Group Management.

Apart from remuneration, including long-term incentive programmes and the accelerated growth award programme, there were no significant transactions with members of the Board and the EGM in 2019.

6.4 GOVERNMENT GRANTS

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

6.5 AVERAGE NUMBER OF EMPLOYEES

In 2019, average number of employees was 483,539 (2018: 485,902).

The average number of employees includes both the continuing and discontinued operations. The number of employees will gradually decline as a result of the ongoing divestment programme as we are divesting countries and business units with a disproportionate number of employees. Once the divestment programme completes, the number of employees is expected to be around 400,000.

6.6 FEES TO AUDITORS

DKK million	2019	2018
Statutory audit	32	27
Other assurance services	1	2
Tax and VAT advisory services	7	5
Other services	12	4
Total	52	38

Other assurance services comprised work related to the interim financial statements and other assurance services.

Tax and VAT advisory services mainly related to tax compliance services.

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

6.7 SUBSEQUENT EVENTS

On 17 February, ISS discovered a malware attack and we immediately disabled access to shared IT services across sites and countries. There is no indication that any customer data or systems have been breached. A phased recovery plan is being implemented. We continue to operate our services, albeit with some disruption. We expect our 2020 financial performance to be negatively impacted as a result but are unable to quantify the magnitude at this stage.

Other than as set out above or elsewhere in these consolidated financial statements, we are not aware of events subsequent to 31 December 2019, which are expected to have a material impact on the Group's financial position.

BASIS OF PREPARATION

SECTION 7

Our aim is to ensure, that the consolidated financial statements, including disclosures, appropriately reflect and portray ISS specific business activities and circumstances, while at the same time providing decision-useful and transparent financial information based on materiality.

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

In this section:

7.1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

7.2 CHANGE IN ACCOUNTING POLICIES

7.3 GENERAL ACCOUNTING POLICIES

7.4 NEW STANDARDS AND INTERPRETATIONS NOT YET IMPLEMENTED

7.5 GROUP COMPANIES

7.1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and assumptions are reviewed on an ongoing basis and have been prepared taking macroeconomic developments into consideration, but still ensuring that one-off effects which are not expected to exist in the long term do not affect estimation and determination of these key factors, including discount rates and expectations for the future.

SIGNIFICANT ACCOUNTING ESTIMATES (E) AND JUDGEMENTS (J)

- 1.2 Revenue – gross or net presentation (J)
- 1.6 Deferred tax assets (E)
- 2.1 Right-of-use assets – lease term (J)
- 2.3 Transition and mobilisation costs (J)
- 2.6 Onerous contract provision (E/J)
- 3.1 Discontinued operations (E/J)
- 3.2 Assets and liabilities held for sale (E/J)
- 3.6 Intangible assets – the ISS brand (J)
- 3.8 Impairment tests (E)
- 5.3 Pensions and similar obligations (E)

7.2 CHANGE IN ACCOUNTING POLICIES

Except for the changes below, the accounting policies have been applied consistently in respect of the financial year and comparative figures.

From 1 January 2019, the Group has adopted the below standards and interpretations. Except for IFRS 16, there was no significant impact on recognition and measurement:

- IFRS 16 "Leases";
- Amendments to IFRS 9 "Financial Instruments": Prepayment Features with Negative Compensation;
- Amendments to IAS 19 "Employee Benefits": Plan Amendment, Curtailment or Settlement;
- Amendments to IAS 28 "Investments in Associates and Joint Ventures": Long-term Interests in Associates and Joint Ventures;
- IFRIC 23 "Uncertainty over Income Tax"; and
- Parts of Annual Improvements to IFRS 2015-2017 Cycle."

IFRS 16 "LEASES"

The implementation of IFRS 16 had a material impact on the Group's consolidated financial statements as most of our lease contracts were previously classified as off-balance operating leases. On adoption, the Group recognised, with a few exceptions, leases as right-of-use assets and the related lease liabilities, i.e. similar to previous practice for financial leases.

In terms of reported profits, previously the operating lease cost was recognised in a single amount within Operating profit before other items. Following the adoption of IFRS 16, this is replaced by recognition of a depreciation charge in Operating profit before other items and a financial expense. The impact on net profit is neutral over time, but a timing effect does occur due to frontloading of interest expenses.

Regarding reported cash flows, previously operating lease payments were presented as part of Cash flow from operating activities. With the adoption of IFRS 16, lease payments are presented in two separate lines in the cash flow statement: 1) Interest paid within Cash flow from operating activities; and 2) Repayment of lease liabilities within Cash flow from financing activities, respectively. Total cash flow is unchanged.

The implementation impact on the relevant line item in the consolidated financial statements is illustrated in the table on p. 87.

RECONCILIATION OF LEASE LIABILITY

Differences between the operating lease commitments at 31 December 2018 as disclosed in the Annual Report 2018 and the lease liabilities recognised in the opening balance at 1 January 2019 in accordance with IFRS 16 are disclosed in the table on p. 87.

IMPACT ON THE CONSOLIDATED INCOME STATEMENT

DKK million	IFRS 16 2019	IAS 17 2019	Net Impact 2019
Other operating expenses	(16,475)	(17,433)	958
Depreciation and amortisation	(1,617)	(700)	(917)
Operating profit before other items	3,290	3,249	41
Financial expenses	(744)	(663)	(81)
Profit before tax (adjusted)	2,493	2,533	(40)

IMPACT ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

DKK million			
Operating profit before other items	3,290	3,249	41
Operating profit before other items (discontinued operations)	89	(31)	120
Depreciation and amortisation	1,617	700	917
Interests paid	(672)	(591)	(81)
Cash flow from operating activities	2,064	1,067	997
Repayment of lease liabilities	(1,080)	(83)	(997)
Cash flow from financing activities	(1,080)	(83)	(997)

IMPACT ON THE CONSOLIDATED OPENING BALANCE

DKK million			
Right-of-use assets (included in Property, plant and equipment)	3,788	247	3,541
Lease liabilities (included in Loans and borrowings)	3,773	232	3,541

RECONCILIATION OF LEASE LIABILITY

DKK million	2019
Operating lease commitments 31 December 2018	3,421
Discounted using the Group's incremental borrowing rate at the date of initial application	(215)
Finance lease liabilities recognised 31 December 2018	232
Short-term and low-value leases recognised as an expense on a straight-line basis	(347)
Adjustments	682
Lease liabilities recognised 1 January 2019	3,773

Adjustments primarily comprise the value of lease options which are reasonably certain to be exercised at the date of initial application. These

options did not qualify as future minimum lease payments under non-cancellable operating leases in accordance with IAS 17.

APPLICATION AND PRACTICAL EXPEDIENTS

The Group has adopted IFRS 16 using the modified retrospective approach. Comparative figures have not been restated and continue to be reported in accordance with IAS 17 and IFRIC 4. Instead, the cumulative effect is recognised in the opening balance on 1 January 2019.

For leases previously classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments. Where the interest rate implicit in the lease was not readily determinable, a weighted average incremental borrowing rates was applied, which at 1 January 2019 were:

- Land and buildings: 2.6%
- Production equipment: 2.1%
- IT and hardware: 1.9%
- Vehicles and other: 2.9%

The right-of-use assets were recognised based on an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments previously recognised.

For leases classified as finance leases under IAS 17, the carrying amount of lease liabilities and right-of-use assets at 1 January 2019 equals the carrying amount of lease liabilities and lease assets at 31 December 2018.

In terms of practical expedients, when adopting IFRS 16 the Group has applied the following:

- Reliance on previous assessments of whether leases are onerous;
- Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has elected not to reassess whether a contract contains a lease at the date of initial application. For contracts entered into before the transition date 1 January 2019, the Group relied on its assessment made applying IAS 17 and IFRIC 4.

CHANGE IN CLASSIFICATION

The Group changed the classification of restructuring costs. From 1 January 2019, restructuring costs have been presented as part of Operating profit before other items in the relevant line items, primarily staff costs. Previously, restructuring costs were presented in Other income and expenses, net.

GREAT has since 2013 been the key driver behind restructuring costs. As the GREAT roll-out is coming to an end, restructuring costs are expected to stabilise going forward. Thus, it is management's assessment that this presentation most appropriately reflects the Group's performance. Comparative figures are restated accordingly.

The change in classification impacted the consolidated financial statements as follows:

IMPACT ON THE CONSOLIDATED INCOME STATEMENT

DKK million	2019	2018
Staff costs	(171)	(428)
Other operating expenses	(114)	(100)
Operating profit before other items	(285)	(528)
Other income and expenses, net	285	528
Operating profit	-	-

IMPACT ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

DKK million	2019	2018
Operating profit before other items	(285)	(528)
Operating profit before other items from discontinued operations	-	5
Other expenses paid	312	429
Changes in working capital	(27)	104
Cash flow from operating activities	-	-

7.3 GENERAL ACCOUNTING POLICIES

The consolidated financial statements of ISS A/S for the year ended 31 December 2019 comprise ISS A/S and its subsidiaries (collectively, the Group). Significant subsidiaries are listed in 7.5, Group companies.

The Annual Report for ISS A/S for 2019 was discussed and approved by the Executive Group Management Board (EGMB) and the Board of Directors (Board) on 26 February 2020 and issued for approval at the subsequent annual general meeting on 2 April 2020.

BASIS OF PREPARATION

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

The Group's significant accounting policies and accounting policies related to IAS 1 minimum presentation items are described in the relevant notes to the consolidated financial statements or otherwise stated below. A list of the notes is shown on p. 46.

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

PRESENTATION OF THE CONSOLIDATED INCOME STATEMENT

When designing our income statement our aim has been to ensure that line items, headings and

subtotals presented are relevant to understand ISS's financial performance.

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

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

DEFINING MATERIALITY

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

In determining whether an item is individually significant ISS considers both quantitative and qualitative factors. If the presentation or disclosure of an item is not decision-useful, the information is considered insignificant. Explanatory disclosure notes related to the consolidated financial statements are presented for individually significant items. Where separate presentation of a line item is made solely due to the minimum presentation requirements in IAS 1, no further disclosures are provided in respect of that line item.

BASIS OF CONSOLIDATION

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

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

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

A change in ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including

goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in Other income and expenses, net. Any investment retained is recognised at fair value on initial recognition.

FOREIGN CURRENCY

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

On initial recognition, these are translated to the respective functional currencies of the Group companies at the exchange rates at the transaction date. Foreign exchange adjustments arising between the exchange rates at the transaction date and at the date of payment are recognised in Financial income or Financial expenses.

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

On recognition in the consolidated financial statements of Group companies with a functional currency other than DKK, the income statements and statements of cash flows are translated at the exchange rates at the transaction date and the statements of financial position are translated at the exchange rates at the reporting date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign

exchange adjustments arising on translation of the opening balance of equity of foreign entities at the exchange rates at the reporting date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the reporting date are recognised in other comprehensive income and presented in equity under a separate translation reserve. However, if the foreign entity is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the non-controlling interest.

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

7.4 NEW STANDARDS AND INTERPRETATIONS NOT YET IMPLEMENTED

IASB has published certain new standards, amendments to existing standards and interpretations that are not yet mandatory for the preparation of the consolidated financial statements of the Group at 31 December 2019. In addition, IASB has published certain new standards, amendments to existing standards and interpretations, which are not yet adopted by the EU at 31 December 2019.

The Group expects to adopt the new standards and interpretations when they become mandatory. The standards and interpretations that are approved with different effective dates in the EU than the corresponding effective dates under IASB will be early adopted so that the implementation follows the effective dates under IASB.

Based on the current business setup and level of activities, none of these standards and interpretations are expected to have a material impact on the recognition and measurement in the consolidated financial statements.

7.5 GROUP COMPANIES

Below the Group's significant subsidiaries, associates and joint ventures are presented per region. Together these are referred to as "Companies within the ISS Group".

CONTINENTAL EUROPE

Austria

ISS Austria Holding GmbH	100%
ISS Facility Services GmbH	100%
ISS Ground Services GmbH	51%

Belgium & Luxembourg

ISS Catering N.V.	100%
ISS Facility Services N.V.	100%
ISS Facility Services S.A.	100%

France

GIE ISS Services	100%
ISS Facility Management SAS	100%
ISS Holding Paris SAS	100%
ISS Logistique et Production SAS	100%
ISS Propreté SAS	100%

Germany

ISS Automotive Services GmbH	100%
ISS Energy Services GmbH	100%
ISS Facility Services Holding GmbH	100%
ISS Integrated Facility Services GmbH	100%
ISS IT & Business Services GmbH	100%
ISS Pharma Services GmbH	100%
ISS Soft Services GmbH	100%
ISS Communication Services GmbH	100%

Italy

ISS Facility Services S.r.l.	100%
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Netherlands

ISS Catering Services B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Integrated Facility Services B.V.	100%
ISS Nederland B.V.	100%
ISS Security & Services B.V.	100%

Poland

ISS Facility Services Sp. Z o.o.	100%
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Russia

Facility Services RUS LLC	100%
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Spain & Portugal

Integrated Service Solutions, S.L.	100%
ISS Facility Services, S.A.	100%
ISS Facility Services G. eM de E., Lda	100%
ISS Soluciones De Seguridad, S.L.	100%
UTE - S.A.S.	65% ¹⁾

Switzerland

ISS Facility Services AG	100%
ISS Kanal Services AG	100%
ISS Schweiz AG	100%

Turkey

ISS Hazir Yemek Üretim ve Hizmet A.Ş.	90% ²⁾
ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.	90% ²⁾
ISS Tesis Yönetim Hizmetleri A.Ş.	90% ²⁾

¹⁾ Joint venture.

²⁾ The non-controlling shareholder holds a put option which is accounted for as if the put option has already been exercised. Accordingly, the subsidiary is consolidated with no non-controlling interest.

³⁾ Associate.

⁴⁾ By virtue of the governance structure, the Group has the power to govern the financial and operating policies of the company. Consequently, the company is consolidated as a subsidiary.

NORTHERN EUROPE**Denmark (ISS A/S's country of domicile)**

ISS Facility Services A/S	100%
ISS World Services A/S	100%
ISS Global A/S	100%
ISS Global Management A/S	100%
ISS Holding France A/S	100%
ISS Lending A/S	100%

Finland

ISS Palvelut Holding Oy	100%
ISS Palvelut Oy	100%
Opset Oy	76% ³⁾

Norway

ISS Holding AS	100%
ISS Management AS	100%
ISS Facility Services AS	100%
ISS Serveringspartner AS	100%
ISS Service Management AS	100%

Sweden

ISS Facility Services Holding AB	100%
ISS Facility Services AB	100%
ISS Palvelut Holding AB	100%

UK & Ireland

ISS UK Holding Limited	100%
ISS UK Limited	100%
ISS Facility Services Ltd.	100%
ISS Mediclean Limited	100%
ISS Damage Control (Scotland) Limited	100%
Spectrum Franchising Ltd.	100%
ISS Ireland Ltd.	100%

AMERICAS**Mexico**

ISS Centro América, S. de R.L. de C.V.	100%
ISS Facility Services, S.A. de C.V.	100%
ISS Servicios Integrales, S. de R.L. de C.V.	100%

USA & Canada

ISS Facility Services Holding, Inc	100%
ISS Management and Finance Co, Inc	100%
ISS Facility Services, Inc	100%
Guckenheimer Enterprises Inc.	100%
ISS C&S Building Maintenance Corporation	100%
ISS Facility Services California, Inc	100%
ISS Holding Inc	100%
ISS TMC Services, Inc.	100%

ASIA & PACIFIC**Australia & New Zealand**

ISS Catering Services Pty Ltd.	100%
ISS Facility Management Pty Limited	100%
ISS Facility Services Australia Ltd.	100%
ISS Facility Services Pty Ltd.	100%
ISS Health Services Pty Ltd.	100%
ISS Holdings Pty Ltd.	100%
ISS Hospitality Pty Limited	100%
ISS Integrated Services Pty Ltd.	100%
ISS Property Services Pty Ltd.	100%
ISS Security Pty Ltd.	100%
Pacific Invest December 2004 Pty Ltd.	100%
Pacific Service Solutions Pty Ltd.	100%
ISS Facilities Services Ltd.	100%
ISS Holdings NZ Ltd.	100%

China

ISS Facility Services (Shanghai) Ltd.	100%
ISS Hongrun (Shanghai) Cleaning Services Limited	100%
Shanghai B&A Security Co., Ltd.	100%
Shanghai ISS Catering Management Ltd.	100%

Hong Kong

Hung Fat Cleaning Transportation Co., Ltd.	100%
ISS Adams Secuforce Ltd.	100%
ISS China Holdings Ltd.	100%
ISS China Holdings I Ltd.	100%
ISS EastPoint Properties Ltd.	100%
ISS EastPoint Property Management Ltd.	100%
ISS Environmental Services (HK) Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Facility Services China Ltd.	100%
ISS Greater China Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
ISS Pan Asia Security Services Ltd.	100%
JSL Ltd.	100%
Silvertch E&M Engineering Co., Ltd.	100%

India

Innovative and Payroll Advisory Services Pvt. Ltd.	46% ⁴⁾
ISS Facility Services India Pvt. Ltd.	100%
ISS SDB Security Services Pvt. Ltd.	46% ⁴⁾
Modern Protection & Investigations Pvt. Ltd.	46% ⁴⁾
ISS Support Services Pvt. Ltd.	100%

Indonesia

PT ISS Facility Services	49% ⁴⁾
PT ISS Indonesia	100%
PT ISS Jasa Fasilitas	0% ⁴⁾
PT ISS Parking Management	100%

Japan

Nihon ISS KK	100%
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Singapore

ISS Catering Services Pte. Ltd.	100%
ISS Facility Services Pte. Ltd.	100%
ISS Hydroculture Pte. Ltd.	100%
ISS M&E Pte. Ltd.	100%

Taiwan

ISS Facility Services Ltd.	100%
ISS Security Ltd.	100%

DISCONTINUED OPERATIONS**Brazil**

ISS Servisystem do Brasil Ltda.	100%
ISS Manutenção e Serviços Integrados LTDA.	100%
ISS Serviços de Logística Integrada LTDA.	100%

Brunei

ISS Facility Services Sdn. Bhd.	50% ⁴⁾
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Czech Republic

ISS Facility Services s.r.o	100%
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Chile

Apunto Servicios de Alimentacion S.A.	100%
ISS Chile S.A.	100%
ISS Facility Services S.A.	100%
ISS Servicios Generales Ltda.	100%
ISS Servicios Integrales Ltda.	100%

Hungary

ISS Facility Services Kft.	100%
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Malaysia

ISS Facility Services Sdn. Bhd.	100%
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Philippines

ISS Facility Services Phils., Inc.	100%
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Romania

ISS Facility Services S.R.L.	100%
ISS Romania Group S.R.L.	100%

Slovakia

ISS Facility Services spol. s.r.o.	100%
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Slovenia

ISS Facility Services d.o.o.	100%
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Thailand

ISS Facility Services Co., Ltd.	100%
Notre-Bel Company Limited	100%
ISS Security Guarding Co., Ltd.	100%
ISS Support Services Company Limited	100%

¹⁾ Joint venture.³⁾ The non-controlling shareholder holds a put option which is accounted for as if the put option has already been exercised. Accordingly, the subsidiary is consolidated with no non-controlling interest.³⁾ Associate.⁴⁾ By virtue of the governance structure, the Group has the power to govern the financial and operating policies of the company. Consequently, the company is consolidated as a subsidiary.

MANAGEMENT STATEMENT

COPENHAGEN, 26 FEBRUARY 2020

The Board of Directors and the Executive Group Management Board have today discussed and approved the annual report of ISS A/S for the financial year 2019.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the Parent company financial statements give a true and fair view of the Group's and the Parent company's financial position at 31 December 2019 and of the results of the Group's and the Parent company's operations and cash flows for the financial year 1 January – 31 December 2019.

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

We recommend that the annual report be approved at the annual general meeting.

EXECUTIVE GROUP MANAGEMENT BOARD



Jeff Gravenhorst
Group CEO



Pierre-François Riolacci
Group CFO

BOARD OF DIRECTORS



Lord Allen of Kensington Kt CBE
Chairman



Thomas Berglund
Deputy Chairman



Claire Chiang



Henrik Poulsen



Ben Stevens



Cynthia Mary Trudell



Nada Elboayadi (E)



Joseph Nazareth (E)



Elsie Yiu (E)

E = Employee representative

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ISS A/S

OPINION

We have audited the consolidated financial statements and the parent company financial statements of ISS A/S for the financial year 1 January – 31 December 2019, pp. 46–90 and pp. 100–104, which comprise income statement, statement of comprehensive income, statement of cash flows, statement of financial position, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit and Risk Committee and the Board of Directors.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and

additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

APPOINTMENT OF AUDITOR

Subsequent to ISS A/S being listed on Nasdaq Copenhagen, we were initially appointed as auditor of ISS A/S on 15 April 2015 for the financial year 2015. We have been reappointed annually by resolution of the general meeting for a total consecutive period of five years up until the financial year 2019.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the

financial year 2019. These matters were addressed during our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to the key audit matters. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Revenue from contracts with customers, including cut-off and accrual of revenue and onerous contracts

Revenue from contracts is recognised as the services are rendered to the customers. Some contracts require ISS to incur significant transition and mobilisation costs at contract inception which are capitalised and amortised over a multi-annual contract term. Accordingly, appropriate cut-off and accrual of revenue and capitalisation and amortisation of transition and mobilisation costs is critical and involve management judgement, especially in relation to the more integrated and complex facility service contracts. Further, the assessment of whether a contract may be

considered onerous involves management judgement in making accounting estimates about future contract profitability, including the determination of the total contract revenue, contract period and the unavoidable costs of meeting the obligations under the contract.

Due to the inherent uncertainty involved in the cut-off and accrual of revenue, the assessment of whether transition and mobilisation costs meet the criteria to be capitalised and the determination of the contract period and the future contract profitability, we considered the accounting for revenue from contracts with customers, including cut-off and accrual of revenue and onerous contracts, to be a key audit matter.

For details on revenue from contracts with customers, transition and mobilisation costs and provisions for onerous contracts, reference is made to notes 1.2, 2.2, 2.3 and 2.6 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others:

- Test of details on a sample basis of accrued revenue (unbilled receivables) to supporting documentation, including procedures such as: Inspection of proof of work done, review of contracts with customers, comparison amounts accrued to subsequent invoices and cash receipts.
- Test of details on a sample basis of capitalised transition and mobilisation costs, including procedures such as: Inspection of

proof of costs incurred, review of contracts with customers, evaluation of management's assessment of costs meeting the criteria to be recognised.

- Evaluation of management's process to identify and quantify onerous contracts. Our evaluation included inquiries to local management responsible for carrying out the identification process at country level, review of documentation of management's analysis as well as our own analytical procedures over contract margins to corroborate management's analysis.
- Test of details on a sample of provisions for onerous contracts, including procedures such as: Review of the relevant contract and management's estimate of the future contract revenue and unavoidable cost, assessment of the assumptions applied by management to estimate the future contract revenue, contract term including termination and extension options and unavoidable cost, comparison of the revenue assumptions used to the services and fees specified in the contract, comparison of unavoidable cost assumptions used to underlying cost projections and actual costs incurred historically as well as testing the completeness and accuracy of the underlying cost projections.

Assets and liabilities held for sale and discontinued operations

When classifying businesses as held for sale and as discontinued operations in the consolidated financial statements, management makes judgements and estimates, including assessment of impairment of the net assets. Due to the materiality of management's disposal plans and inherent uncertainty involved in classifying and assessing assets and liabilities held for sale and discontinued operations, we considered these judgements and estimates as a key audit matter.

For details on the assets and liabilities held for sale and discontinued operations reference is made to note 3.1 and note 3.2 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others, agreeing the carrying amounts of the assets and liabilities held for sale to underlying accounting records, discussing with and challenging management on the criteria for classification of businesses as held for sale and discontinued operations and reading draft agreements where relevant, including reviewing minutes and other relevant documentation of the sales processes and board decisions. We considered the impairment assessment made by management, including assessment of key assumptions applied and evaluation of the explanations provided by comparing key assumptions to market data, where available. We further evaluated the disclosures provided by management in the financial statements compared to applicable accounting standards.

Valuation of intangible assets

The carrying amounts of goodwill and customer contracts related to prior years' acquisitions comprise a significant part of the consolidated statement of financial position. The cash-generating units in which goodwill and customer contracts are included are impairment tested by management on an annual basis. The impairment tests are based on management's estimates of among others future profitability, long-term growth and discount rate. Due to the inherent uncertainty involved in determining the net present value of future cash flows, we considered these impairment tests to be a key audit matter.

For details on the impairment tests performed by management reference is made to notes 3.6, 3.7 and 3.8 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others, testing the mathematical accuracy of the discounted cash flow model and comparing forecasted profitability to board approved budgets. We evaluated the assumptions and methodologies used in the discounted cash flow model, in particular those relating to the forecasted revenue growth and operating margin, including comparing with historical growth rates. We compared the assumptions applied to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth and discount rates. Further, we evaluated the sensitivity analysis on the assumptions applied. Our audit procedures primarily focused on cash generating units where changes in key assumptions could result in impairment. We further evaluated the disclosures provided by management in the financial statements compared to applicable accounting standards.

Income tax and deferred tax balances

The Group's operations are subject to income taxes in various jurisdictions having different tax legislation. Management makes judgements and estimates in determining the recognition of income taxes and deferred taxes. Given the inherent uncertainty involved in assessing and estimating the income tax and deferred tax balances, including tax exposures and write-down of deferred tax assets, we considered these balances as a key audit matter.

For details on the income tax and deferred tax balances reference is made to notes 1.5 and 1.6 in the consolidated financial statements and notes 5 and 7 in the parent company financial statements.

In response to the identified risks, our audit procedures included review of completeness and accuracy of the amounts recognised as income taxes and

deferred taxes, including assessment of correspondence with tax authorities and evaluation of tax exposures as well as write-down of deferred tax assets. In respect of the deferred tax assets recognised in the statement of financial position, we assessed management's assumptions as to the probability of recovering the assets through taxable income in future years and available tax planning strategies. We further evaluated the disclosures provided by management compared to applicable accounting standards.

STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the Management's review, pp. 2-45.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify

our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements

of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

COPENHAGEN, 26 FEBRUARY 2020

ERNST & YOUNG

Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Torben Bender
State Authorised
Public Accountant
MNE-no.: mne21332



Claus Kronbak
State Authorised
Public Accountant
MNE-no.: mne28675

ADANA CITY HOSPITAL:

Caring for an entire hospital

Adana City Hospital, part of Turkey's Public Private Partnership project, is one of the biggest hospitals in the world. Last year, the hospital cared for more than 2,000,000 patients, including nearly 90,000 who were admitted to stay during treatment. But with 1,550 beds and several separate buildings, Adana's management faced a huge challenge: How could they outsource the different services required to keep such a large hospital running smoothly? Was it possible to manage so many services using just one provider?

CONSOLIDATE AND INNOVATE

The answer is: Yes, it is possible. With our integrated services and complete facility management solution, Adana Hospital now has just one outsourcing partner, ISS. We manage the hospital's workflows and services across the campus and inside all buildings, coordinating cleaning, food, reception, transport, porter, and laundry services. And importantly, we deliver all services with our own people. We can remove the complexity of managing multiple suppliers and easily join up the strategic overview for the account with tactical planning and the operations on site. Which helps the hospital put its focus back on what's most important – caring for the patients and guiding them to become healthy and happy.

This integrated approach has also allowed us to create systems and develop technology specifically for Adana hospital that have improved efficiency. For example, a real-time tracking system to improve logistics by managing the 15 tons of laundry that's washed daily at the hospital. Or the QR codes allowing staff to scan meal trays and match the food to the correct patient, which in turn supports the delivery of our menus, designed to aid patient recovery.

The success is reflected in our latest satisfaction surveys. The overall satisfaction rate – including for hospital staff – is 88%.

LOOKING TO THE FUTURE

Adana is not a stand-alone example. ISS is a global knowledge-sharing community. We have drawn on knowledge from other successful contracts in, e.g. Singapore and the UK to deliver world-class hospital experiences that emphasize cost efficiency, safety and great patient care. Meanwhile, the innovations we've developed for Adana have since become best practice across all our other Turkish Public Private Partnership accounts. That is how we share concepts and best practices from global to the local. Which ultimately, helps to care for patients everywhere.



KEY FACTS:

- More than 100 key accounts in Healthcare
- Around 700 hospitals across Americas, Europe and Asia & Pacific
- Healthcare accounts for ~11% of Group revenue

DEFINITIONS

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

Key figures, p. 11

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

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

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

⁴⁾ Implies the exclusion of changes in revenue attributable to acquisitions/divestments, net and the effect of changes in foreign exchange rates. In order to present comparable revenue and thereby organic growth excluding any effect from changes in foreign currency exchange rates, comparable revenue in the prior year is calculated at the current year's foreign currency exchange rates. Acquisitions are treated as having been integrated into ISS upon acquisition, and ISS's calculation of organic growth includes changes in revenue of these acquisitions compared with revenue expectations at the date of acquisition.

FINANCIAL RATIOS

Acquisitions, %

$$= \frac{\text{Revenue from acquisitions}^{1)} \times 100}{\text{Revenue prior year}}$$

Currency adjustments

$$= \text{Total revenue growth} - \text{Organic growth} - \text{Acquisition/divestment growth, net}^{2)}$$

Divestments, %

$$= \frac{\text{Revenue from divestments}^{3)} \times 100}{\text{Revenue prior year}}$$

EBITDA before other items

$$= \text{Operating profit before other items} + \text{Depreciation and amortisation}$$

Equity ratio, %

$$= \frac{\text{Total equity} \times 100}{\text{Total assets}}$$

Free cash flow

$$= \text{Cash flow from operating activities} - \text{Acquisition of intangible assets and property, plant and equipment, net} - \text{Acquisition of financial assets, net (excluding equity-accounted investees)} - \text{Addition of right-of-use assets, net}$$

Free cash flow conversion

$$= \frac{\text{Free cash flow last twelve months (LTM)} \times 100}{\text{Operating profit before other items (LTM)}}$$

Net debt

$$= \text{Non-current and current loans and borrowings} - \text{Securities} - \text{Cash and cash equivalents} - \text{Positive fair value of derivatives}$$

Operating margin, %

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

Organic growth, %

$$= \frac{(\text{Revenue current year} - \text{Comparable revenue}^{4)} \text{ prior year}) \times 100}{\text{Comparable revenue}^{4)} \text{ prior year}}$$

Pro forma adjusted EBITDA

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

Total revenue growth, %

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

NON-FINANCIAL RATIOS

Customer retention, %

$$\text{Measures the amount of revenue retained through the year}$$

$$= \frac{\text{Revenue retained at the year end}}{\text{Revenue retained at the beginning of the year}}$$

Employee turnover, %

$$\text{Number of employees who have left during the year}$$

$$= \frac{\text{Average number of employees for the year}}$$

Lost Time Injury Frequency (LTIF)

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

STOCK MARKET RATIOS

Basic earnings per share (EPS)

$$= \frac{\text{Net profit attributable to owners of ISS A/S}}{\text{Average number of shares}}$$

Diluted earnings per share

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

Adjusted earnings per share

$$= \frac{\text{Net profit (adjusted)}}{\text{Average number of shares (diluted)}}$$

Average number of shares (basic)

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

Average number of shares (diluted)

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

COUNTRY REVENUE

CONTINENTAL EUROPE

DKK million	% of Group	2019	2018
Switzerland	7%	5,507	5,242
Germany	6%	4,891	3,161
Spain & Portugal	6%	4,880	4,787
France	6%	4,566	4,755
Turkey	4%	3,182	2,707
Belgium & Luxembourg	4%	3,015	2,879
Austria	3%	2,211	2,107
Netherlands	2%	1,344	1,500
Italy	1%	511	479
Poland	0%	293	258
Russia	0%	147	131
Lithuania	0%	55	-
Latvia	0%	6	-
Total	39%	30,608	28,006

NORTHERN EUROPE

DKK million	% of Group	2019	2018
UK & Ireland	14%	11,205	10,543
Norway	5%	4,028	4,047
Denmark	5%	3,789	3,807
Finland	4%	3,131	3,021
Sweden	4%	2,884	2,995
Total	32%	25,037	24,413

ASIA & PACIFIC

DKK million	% of Group	2019	2018
Australia & New Zealand	5%	3,973	3,734
Hong Kong	3%	2,534	2,440
Singapore	3%	2,317	2,122
Indonesia	3%	1,970	1,720
India	2%	1,592	1,446
China	1%	834	776
Taiwan	0%	425	387
Japan	0%	80	86
Other	0%	14	14
Total	17%	13,739	12,725

AMERICAS

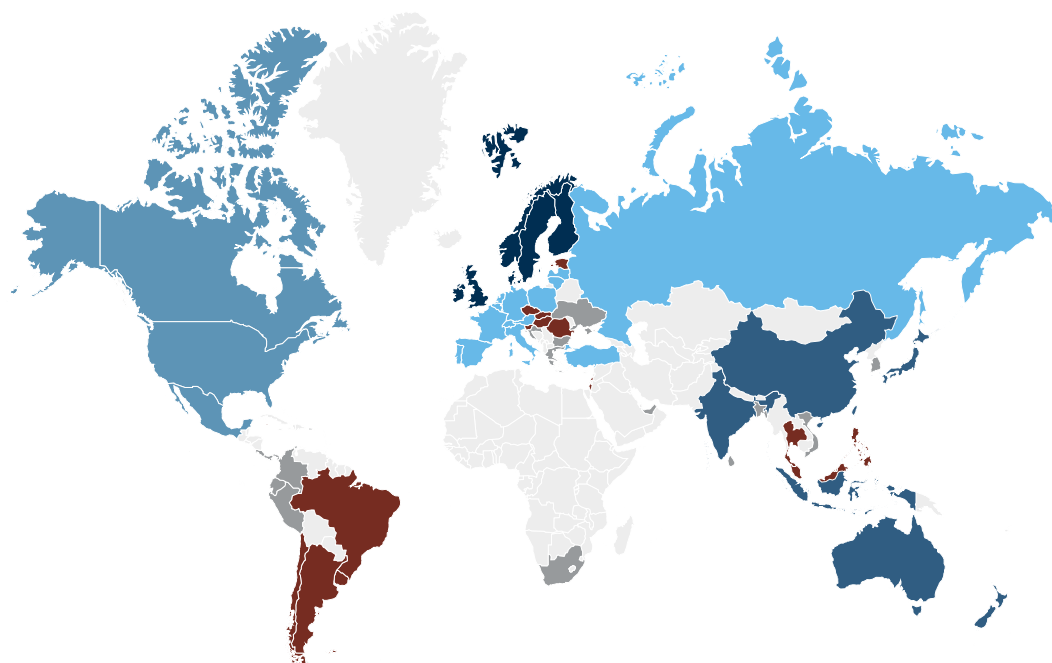
DKK million	% of Group	2019	2018
USA & Canada	10%	7,629	7,072
Mexico	1%	798	719
Other countries ¹⁾	0%	32	56
Total	11%	8,459	7,847

COUNTRIES TO BE DIVESTED

DKK million	2019	2018
Israel	1,518	1,579
Thailand	1,485	1,374
Chile	1,209	1,228
Brazil	390	474
Czech Republic	286	317
Philippines	231	232
Slovakia	120	171
Slovenia	99	95
Estonia	89	117
Romania	89	149
Malaysia	81	76
Hungary	80	68
Brunei	41	36
Uruguay	11	117
Argentina	10	146
Total	5,739	6,179

OTHER COUNTRIES ¹⁾

Revenue in countries where we serve global key accounts but do not have a full country support structure comprises 1% of Group revenue or DKK 760 million (2018: DKK 667 million).



¹⁾ Argentina, Bangladesh, Bulgaria, Colombia, Costa Rica, Ecuador, Estonia, Greece, Israel, Panama, Peru, Puerto Rico, Sri Lanka, South Africa, South Korea, United Arab Emirates and Vietnam.

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PARENT
COMPANY
FINANCIAL
STATEMENTS



PARENT COMPANY FINANCIAL STATEMENTS

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INCOME STATEMENT

1 JANUARY – 31 DECEMBER

DKK million	Note	2019	2018
Staff costs		(28)	(38)
Other operating expenses	3	(8)	(8)
Operating loss		(36)	(46)
Dividends from subsidiary		1,500	1,200
Financial income	4	3	28
Financial expenses	4	(1)	(1)
Profit before tax		1,466	1,181
Income tax	5	7	16
Net profit		1,473	1,197

STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER

DKK million	2019	2018
Net profit	1,473	1,197
Comprehensive income	1,473	1,197

STATEMENT OF CASH FLOWS

1 JANUARY – 31 DECEMBER

DKK million	Note	2019	2018
Operating loss		(36)	(46)
Share-based payments		17	(13)
Changes in working capital		(4)	23
Interest received from companies within the ISS Group		2	28
Income tax received		136	10
Joint taxation contribution received, net		175	55
Cash flow from operating activities		290	57
Dividends received from subsidiary		1,500	1,200
Cash flow from investing activities		1,500	1,200
Other financial payments, net		(0)	(1)
Payments (to)/from companies within the ISS Group, net		(368)	164
Dividends paid to shareholders		(1,422)	(1,422)
Cash flow from financing activities		(1,790)	(1,259)
Total cash flow		(0)	(2)
Cash and cash equivalents at 1 January		0	2
Total cash flow		(0)	(2)
Cash and cash equivalents at 31 December		0	0

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

DKK million	Note	2019	2018
ASSETS			
Investment in subsidiary	6	22,674	22,674
Non-current assets		22,674	22,674
Receivables from companies within the ISS Group		2,044	1,741
Cash and cash equivalents		0	0
Current assets		2,044	1,741
Total assets		24,718	24,415
EQUITY AND LIABILITIES			
Total equity		24,325	24,244
Deferred tax liabilities	7	263	48
Non-current liabilities		263	48
Debt to companies within the ISS Group		116	14
Tax payables		2	92
Trade payables and other liabilities		12	17
Current liabilities		130	123
Total liabilities		393	171
Total equity and liabilities		24,718	24,415

STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 31 DECEMBER

DKK million	Share capital	Retained earnings	Treasury shares	Proposed dividends	Total
2019					
Equity at 1 January	185	22,826	(197)	1,430	24,244
Net profit	-	43	-	1,430	1,473
Comprehensive income	-	43	-	1,430	1,473
Share-based payments	-	31	-	-	31
Settlement of vested PSUs	-	(7)	6	-	(1)
Tax related to PSUs	-	0	-	-	0
Dividends paid to shareholders	-	-	-	(1,430)	(1,430)
Dividends, treasury shares	-	8	-	-	8
Transactions with owners	-	32	6	(1,430)	(1,392)
Changes in equity	-	75	6	-	81
Equity at 31 December	185	22,901	(191)	1,430	24,325
2018					
Equity at 1 January	185	23,138	(297)	1,430	24,456
Net profit	-	(233)	-	1,430	1,197
Comprehensive income	-	(233)	-	1,430	1,197
Share-based payments	-	32	-	-	32
Settlement of vested PSUs	-	(123)	100	-	(23)
Tax related to PSUs	-	4	-	-	4
Dividends paid to shareholders	-	-	-	(1,430)	(1,430)
Dividends, treasury shares	-	8	-	-	8
Transactions with owners	-	(79)	100	(1,430)	(1,409)
Changes in equity	-	(312)	100	-	(212)
Equity at 31 December	185	22,826	(197)	1,430	24,244

1. SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

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

CHANGES IN ACCOUNTING POLICIES

The accounting policies have been applied consistently in respect of the financial year and comparative figures.

ACCOUNTING POLICIES

With the exception of the items described below, the accounting policies for ISS A/S are identical to the Group's accounting policies, which are described in the notes to the consolidated financial statements.

INCOME STATEMENT

Dividends from subsidiary are recognised in the income statement in the financial year in which the dividend is declared. If dividends declared exceed the total comprehensive income for the year, an impairment test is performed.

STATEMENT OF FINANCIAL POSITION

Investment in subsidiary is measured at cost, which comprises consideration transferred measured at fair value and any directly attributable transaction costs. If there is indication of impairment, an impairment test is performed as described in the accounting policies in 3.8 to the consolidated financial statements. Where the recoverable amount is lower than the cost, the investment is written down to this lower value. An impairment loss is reversed if there has been a change in

the estimates used to determine the recoverable amount, but only to the extent that the recoverable amount does not exceed the original cost.

Tax As required by Danish legislation, ISS A/S is jointly taxed with all Danish resident subsidiaries. ISS A/S acts as administration company for the joint taxation and consequently settles all payments of corporation tax with the tax authorities. Joint taxation contributions to/from jointly taxed companies are recognised in the income statement in Income tax and in the statement of financial position in Receivables from or Debt to companies within the ISS Group.

Companies which utilise tax losses in other companies pay joint taxation contribution to ISS A/S equivalent to the tax base of the tax losses utilised. Companies whose tax losses are utilised by other companies receive joint taxation contributions from ISS A/S equivalent to the tax base of the tax losses utilised (full absorption).

2. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant accounting estimates and judgements relating to the applied accounting policies for ISS A/S are the same as for the Group to the extent of similar accounting items, see 7.1 to the consolidated financial statements for a description. The specific risks for ISS A/S are described in the notes to the financial statements of the parent company.

Investment in subsidiary is tested for impairment when there is an indication that the investment may be impaired. The assessment of whether there is an indication of impairment is based on both external and internal sources of information such as performance of the subsidiary, significant decline in market values etc.

3. FEES TO AUDITORS

DKK million	2019	2018
Statutory audit	1	1
Other assurance services	0	1
Total	1	2

Other assurance services comprised work related to the interim financial statements and other assurance services.

4. FINANCIAL INCOME AND EXPENSES

DKK million	2019	2018
Interest income from companies within the ISS Group	3	28
Financial income	3	28
Bank fees	(1)	(1)
Financial expenses	(1)	(1)

5. INCOME TAX

DKK million	2019	2018
Current tax	7	(43)
Deferred tax	0	59
Adjustments relating to prior years, net	(0)	0
Income tax	7	16

EFFECTIVE TAX RATE

In %	2019	2018
Statutory income tax rate in Denmark	22.0 %	22.0 %
Non-tax deductible expenses less non-taxable income	(22.4)%	(23.3)%
Adjustments relating to prior years, net	0.2 %	(0.0)%
Effective tax rate ¹⁾	(0.2)%	(1.3)%

¹⁾ The low effective tax rate is due to non-taxable dividend of DKK 1,500 million (2018: DKK 1,200 million) from subsidiary.

6. INVESTMENT IN SUBSIDIARY

DKK million	2019	2018
Cost at 1 January	22,674	17,874
Additions	-	4,800
Cost at 31 December	22,674	22,674
Carrying amount at 31 December	22,674	22,674

Additions In 2018, ISS A/S increased the capital in ISS World Services A/S by DKK 4,800 million through contribution-in-kind of a receivable with a company within the ISS Group.

SUBSIDIARY	Share, %	Share, %
ISS World Services A/S, Søborg, Denmark	100	100

7. DEFERRED TAX

DEVELOPMENT IN DEFERRED TAX

DKK million	2019	2018
Deferred tax liabilities at 1 January	48	25
Adjustments relating to prior years, net	215	82
Tax on profit before tax	(0)	(59)
Deferred tax liabilities at 31 December	263	48

Deferred tax liability at 31 December 2019 and at 31 December 2018 related to deferred re-taxation of foreign exchange gains/losses.

ISS A/S has no unrecognised deferred tax assets regarding tax losses carried forward (2018: None).

8. REMUNERATION TO THE BOARD OF DIRECTORS AND THE EXECUTIVE GROUP MANAGEMENT

Key management personnel of the Group as defined in 5.1 to the consolidated financial statement are also considered key management personnel of the parent.

Remuneration to the Board of Directors and the Executive Group Management is disclosed in 5.1 to the consolidated financial statements.

9. CONTINGENT LIABILITIES

WITHHOLDING TAXES

ISS A/S is jointly taxed with all Danish resident subsidiaries. As administration company ISS A/S and companies within the joint taxation have a joint and unlimited liability of Danish corporate and withholding taxes related to dividends, interests and royalties. As per 31 December 2019, Danish corporate tax and Danish withholding taxes amounted to DKK 0 million (2018: DKK 0 million). Any subsequent adjustments to Danish withholding taxes may change this joint and unlimited liability.

VAT

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

10. FINANCIAL RISK MANAGEMENT

ISS A/S's financial risks are managed centrally by Group Treasury based on the Financial Policy approved by the Board of Directors. The objectives, policies and processes for measuring and managing the exposure to financial risks are described in 4.4 to the consolidated financial statements. The risks specific to ISS A/S are described below.

CURRENCY RISK

Currency risk is the risk that arises from changes in exchange rates and affects ISS A/S's result or value of financial instruments. At 31 December 2019 and at 31 December 2018, ISS A/S was not exposed to currency risk as no assets or liabilities were denominated in currencies other than DKK.

LIQUIDITY RISK

Liquidity risk results from ISS A/S's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity. ISS A/S is a holding company and its primary assets consist of shares in ISS World Services A/S and receivables from companies within the ISS Group. ISS A/S has no revenue generating activities of its own, and therefore ISS A/S's cash flow and ability to service its indebtedness and other obligations, will depend primarily on the operating performance and financial condition of ISS World Services A/S and its operating subsidiaries, and the receipt by ISS A/S of funds from ISS World Services A/S and its subsidiaries in the form of dividends or otherwise.

At 31 December 2019, ISS A/S carried no significant financial liabilities. Thus the liquidity risk was primarily related to ISS A/S's obligations under the Danish joint taxation where ISS A/S acts as the administration company.

CREDIT RISK

Credit risk is the risk of financial loss inflicted on ISS A/S if a counterparty to a financial instrument fails to meet its contractual obligations. As ISS A/S has no revenue generating activities and therefore no trade receivables, credit risk is limited to an insignificant amount of cash and cash equivalents and an intercompany receivable with its indirectly owned subsidiary ISS Global A/S.

11. RELATED PARTIES

In addition to the description in 6.3 to the consolidated financial statements of related parties and transactions with these, related parties of ISS A/S comprise ISS World Services A/S and its subsidiaries, associates and joint ventures, see 7.5 to the consolidated financial statements.

In 2019, ISS A/S had the following transactions with other related parties, which were all made on market terms:

- ISS A/S had a receivable from ISS Global A/S of DKK 2,044 million (2018: DKK 1,675 million).
- ISS A/S received interest from ISS Global A/S, see note 4, Financial income and financial expenses.
- ISS A/S received/paid joint taxation contribution equal to 22% of taxable income from/to jointly taxed Danish resident subsidiaries.
- ISS A/S received dividend from its wholly owned subsidiary ISS World Services A/S of 1,500 million (2018: DKK 1,200 million).

12. NEW STANDARDS AND INTERPRETATIONS NOT YET IMPLEMENTED

New standards and interpretations not yet implemented are described in 7.4 to the consolidated financial statements.