Annual Report **2012**

Performance highlights
2012

Revenue

79,454 DKKm
+2%
2011: 77,644 DKKm

Total revenue growth

2%
2011: 5%

Organic growth

1.7%
2011: 6.2%

Operating profit before other items

4,411 DKKm
+1%
2011: 4,388 DKKm

Growth in operating profit before other items

1%
2011: 2%

Operating margin

5.6%
2011: 5.7%

Net profit/(loss)

-444 DKKm
+12%
2011: -507 DKKm

Cash conversion

103%
2011: 93%

Number of employees

534,200
2011: 534,500

Frontpage photo:
Nicolai Anthony
Receptionist, ISS Group head office, ISS Denmark

Contents

ISS at a glance

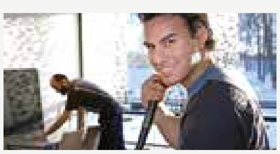
The vision of ISS is to create the world's greatest service organisation. Every day, our 534,273 employees deliver services and add value to our wide range of private and public-sector customers. ISS provides a wide range of single-service, multi-service and integrated facility service solutions, managing risks and protecting our customers' brands.

It all started in 1901 with a small group of employees in Copenhagen, Denmark. Today, ISS is a global company capable of self-delivering integrated facility service (IFS) solutions to customers. At ISS, the value we bring to our customers is not only about efficient, reliable and flexible services, it is also about helping customers achieve their purpose and objectives and reduce their risks.

Service concept

Focusing on our selected customer segments we offer leading value propositions based on our philosophy of self-delivery of excellence within each of our facility service deliverables. We tailor our offering to individual customer needs, providing one or more services within cleaning services, support services, property services, catering services, security services and facility management. Our customers generally do not consider these services to be core part of their business operations. At ISS, providing these services is our core business.

Even a basic service, such as cleaning a floor, can be done in many ways. Because providing facility services is our core business, we have developed processes to secure the best outcome for our customers. Our service



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Absenteeism halved in ISS Norway, page 48

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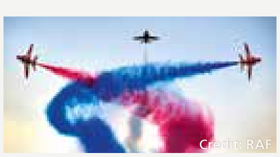
RAF gave ISS a vote of confidence, page 177


Credit: RAF

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ISS Netherlands won innovation award, page 43

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ISS foundation 'Una Sonrisa Más' creates thousands of jobs, page 179

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ISS partners with Barclays Bank, page 23

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ISS delivers integrated facility services to Novartis, page 9

offering is built on a strong foundation of service excellence suited to specific customer needs.

In recent years, our customers have realised the benefit of having fewer providers take care of their facilities. In response, ISS has developed a full range of services, including our IFS concept. This allows the customer to have a single provider and only one company delivering all facility services instead of having employees from many different service providers on their premises. This is convenient for the customers and also offers them one point of contact. It is also more flexible and efficient and it provides our customers with a consistent delivery model across all their operations – locally or globally.

Self-delivery

At ISS we believe in self-delivery. By delivering our services through staff employed directly by ISS, we have much better control of delivery and quality and we help our customers manage potential risks.

The self-delivery model has made ISS one of the world's largest private-sector employers providing jobs, education, career opportunities and being a stable source of income for more than half a million employees. ISS aspires to become the world's greatest service organisation. To achieve this we strive to keep our employees highly engaged as this is the best way to keep our customers satisfied.

Organisation

From our head office in Copenhagen, Denmark as well as our regional offices in many parts of the world we lead and inspire more than 50 local country organisations through strategic direction, managerial support and financial control combined with functional leadership. At the same time, ISS maintains a decentralised organisational structure and our country operations have significant autonomy, led by a strong regional management structure. The multi-local structure ensures a coherent and yet entrepreneurial organisation that is highly responsive to developments in our markets.

Ownership

ISS is owned by FS Invest II S.à r.l (Luxembourg), a company indirectly owned by funds advised by EQT Partners and Goldman Sachs Capital Partners as well as Ontario Teachers' Pension Plan (Teachers') and KIRKBI Invest A/S (KIRKBI).

Key events 2012

3 August
ISS Australia and AVANA bring customer service to the mines, page 67

16 August
Teachers' and KIRKBI make equity investment in ISS, page 37

1 September
ISS launches new management information solution, page 18

18 September
ISS employees get global experience, page 52

12 October
ISS is getting greener, page 47

18 December
ISS United Kingdom employee received Apple Award, page 54

Letter to our stakeholders

In the light of the current global macroeconomic climate, the progress we made in 2012 in our ongoing strategic transformation was satisfactory. We secured several new global and regional contracts, including two of the largest global contracts in the history of ISS, and we welcomed two new investors, resulting in a significant financial deleverage of ISS.

Ole Andersen **Jeff Gravenhorst**

ISS was taken private by funds advised by EQT Partners (EQT) and Goldman Sachs Capital Partners (GS Capital Partners) in 2005, and has since undergone a significant strategic transformation and we have come a long way in implementing our strategy – The ISS Way. ISS has built a global platform from which we integrate and self-deliver a complete set of facility services including cleaning, support, property, catering and security services across the globe. This offering is relevant to local customers as well as to global and regional customers looking for consistent and transparent service delivery across many different countries. We are experiencing growing demand from international and regional companies looking for more integrated out-sourcing – and to transfer tasks and associated risks.

Since 2004, we have nearly doubled our revenue, operating profit and employee headcount. Revenue has increased from around DKK 40 billion to almost DKK 80 billion; operating profit has gone up from DKK 2.3 billion to DKK 4.4 billion and the number of employees has grown by more than 250,000 to over 534,200 worldwide. During this period, ISS has transformed from primarily being a cleaning provider to becoming a full facility services provider, while raising revenue from integrated facility services (IFS) contracts from 3% of total revenue in 2004 to 24% in 2012. In addition, ISS has transformed from a European company into a true global player well positioned in emerging markets where we now have more than half of our employees and generate more than 21% of our total revenue. Our business model has been transformed from a product-oriented to a customer-oriented approach, focusing on developing leading value propositions to our selected customer segments on the basis of our philosophy of self-delivery of excellence within each of our facility service offerings. Through the implementation of The ISS Way we have fundamentally changed the business, creating a more focused, efficient and value-creating business platform able to meet the evolving needs of our customers.

It is worthwhile noting that we have made a significant part of this ongoing journey during one of the most challenging macroeconomic eras the world has ever seen.

Our new global contract with Barclays and the regional contract with Novartis is compelling proof that implementing The ISS Way strategy is the right way forward for our company.

We have chosen to operate in emerging markets. They are in many ways attractive to ISS, because they represent a large growth potential as well as an opportunity to serve our many regional and global customers operating there. While in recent years our emerging markets have delivered double-digit organic growth rates, in 2012 we recognised the inherent risk in these markets. In 2012, we exited a number of contracts in certain countries, as contract conditions did not meet our expectations for delivering continued value. Furthermore, our control environment was not sufficiently developed to support the business expansion in certain countries, resulting in accounting losses in Mexico, Uruguay and India following the discovery of accounting misstatements. Consequently, we are working to rebalance our emerging market platform by re-assessing the customer base and ensuring that we have the right management teams and an adequate internal control environment in place.

In 2012, ISS focused on generating profitable organic growth and delivering a solid performance in a year of continued challenging macroeconomic conditions. Group revenue amounted to DKK 79.5 billion in 2012, an improvement of 2.3% compared with 2011, driven by organic growth of 1.7% and the positive effect from exchange rate movements of 2% which was partly offset by the divestment of non-core activities of 2%. Organic growth was negatively affected by the challenging macroeconomic conditions, a decline in non-portfolio services, the timing of contract start-ups and by ISS deliberately exiting contracts with unsatisfactory conditions. The latter in order to protect our margin and cash conversion. Western Europe, Latin America and Asia delivered positive organic growth rates in 2012, with Asia once again reporting double-digit organic growth.

Operating profit before other items increased by 1% to DKK 4,411 million in 2012. Despite the challenging macroeconomic conditions we maintained an operating profit before other items in line with 2011. The operating margin was 5.6% in 2012, slightly lower than in 2011.

The margin was negatively impacted by the introduction of austerity measures in several of our mature markets. ISS continues to have robust cash generation and the cash conversion rate was 103%.

In August, global investors Ontario Teachers' Pension Plan (Teachers') and KIRKBI Invest A/S (KIRKBI) invested DKK 3,721 million (EUR 500 million) in ISS. Teachers' invested approximately DKK 2,605 million and KIRKBI approximately DKK 1,116 million. The new investors own approximately 26% of the ultimate holding company of ISS, while funds advised by EQT and GS Capital Partners continue to hold a majority interest in the business. The proceeds from the investment have been used to significantly deleverage the company by repaying the EUR 525 million 11% Senior Notes due 2014 in December 2012.

As a result of the broadened ownership of ISS, Jo Taylor, Teachers' Private Capital Vice-President and head of Teachers' London office, was elected to the Board of Directors in August 2012.

In accordance with The ISS Way strategy we continue to review the strategic rationale and fit of our business units. In 2012, this led to the identification and evaluation of certain activities that are non-core to ISS. As part of this process, ISS successfully completed the divestments of the specialised consulting business in Finland, the governmental outplacing services and security activities in Norway, the landscaping activities in the Netherlands, the office support activities and mailroom services in France and the washroom activities in the Netherlands, Belgium and Luxembourg.

At the end of 2012, ISS had more than 534,200 employees, which makes ISS one of the largest private employers globally and one of the largest private employers in many of the countries we operate in. Our employees are our most important asset – they add the power of the human touch to all the services we deliver to our many customers. We express our gratitude to all our employees for their dedication. Our employees are the primary reason for the success of ISS.

Yours faithfully

Ole Andersen
Chairman

Jeff Gravenhorst
Group Chief Executive Officer

“

I give the customers a warm cup of coffee sweetened with compassion

Pilar Crespo Lozano
Waitress, Hospital Universitario Río Hortega
ISS Spain

At the Hospital Universitario Río Hortega in Spain, Pilar has a very important role as she provides visitors at the hospital cafeteria with both a cup of coffee and a comforting word if needed. Pilar loves to make visitors feel at home and give them a break in their day.

Outlook

The outlook set out below should be read in conjunction with "Forward-looking statements" (see Contents on page 3) and Risk management on pages 55-57.

In 2013, ISS will remain focused on the key operational objectives; (i) organic growth, (ii) operating margin and (iii) cash conversion.

The outlook for 2013 is based on a mixed global macroeconomic outlook on the ISS world map with continued strong growth in emerging markets combined with weak growth and difficult macroeconomic conditions in large parts of Europe, including the uncertainty surrounding current and future austerity measures. The recent launch of several large integrated facility services (IFS) contracts will positively impact organic growth in 2013 and we will continue to focus on developing the increasingly larger part of the business based in emerging markets.

In 2013, we have a solid starting point following the wins of several large IFS contracts in 2012. Combined with the underlying business development, we therefore expect to deliver around 3% organic growth in 2013.

Despite the expected difficult macroeconomic conditions the operating margin for 2013 is expected to be maintained at the level realised in 2012.

Continuing the deleveraging of ISS in accordance with The ISS Way strategy, cash flows will remain a priority in 2013, and we expect our cash conversion for 2013 to be above 90%.

KEY EVENTS 2012

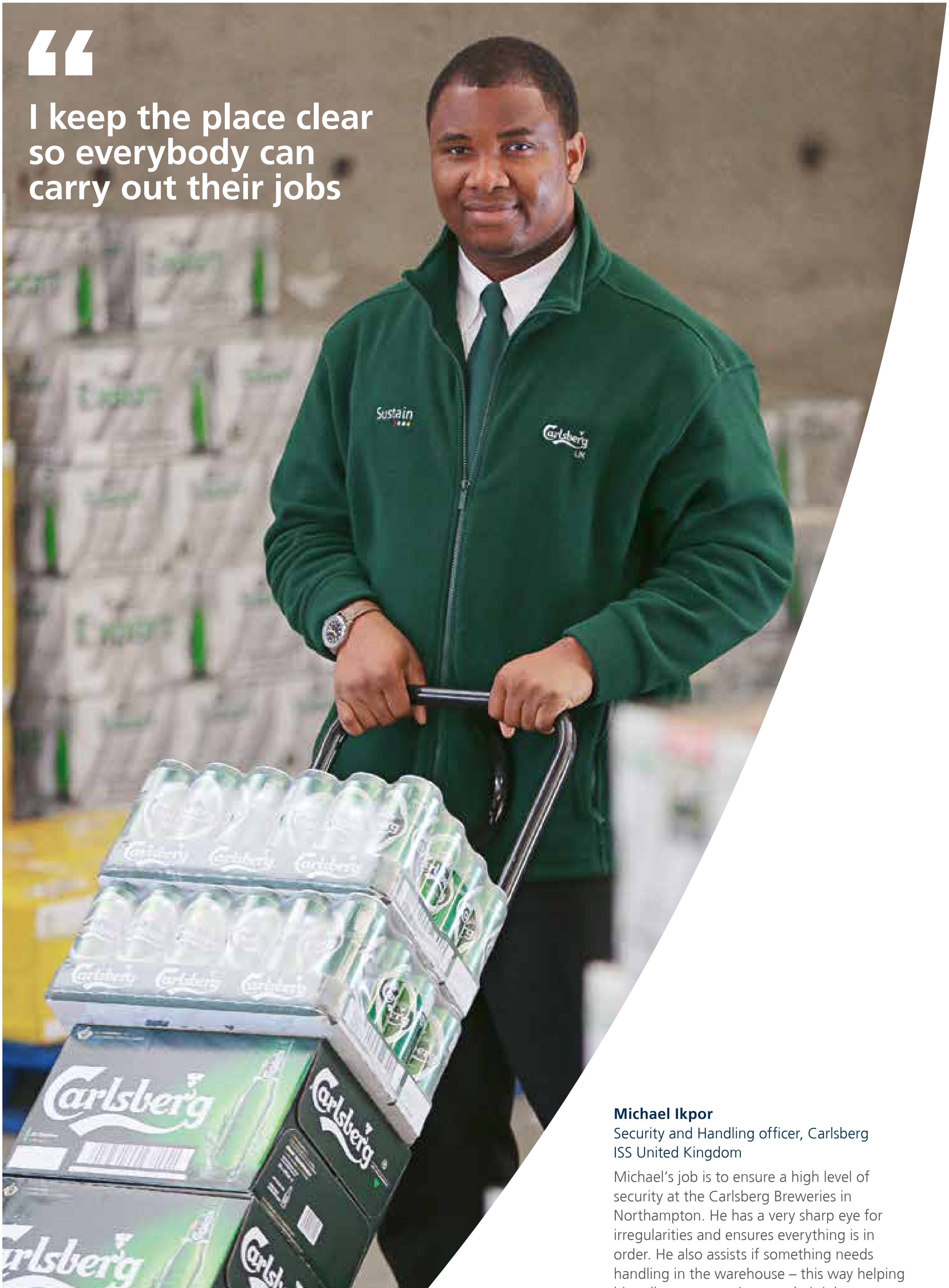
ISS delivers integrated facility services to Novartis

24 July: ISS was awarded an IFS contract by pharmaceutical company Novartis' sites in Switzerland, Germany, Austria and Slovenia. Novartis is one of ISS's largest global customers.

ISS is responsible for servicing 22 Novartis sites, including production plants and other facilities. In the selection process, Novartis was driven by the need to find a solution that would standardise facility management to ensure consistent quality and service levels across sites.

With this project, the majority of services delivered to Novartis are now provided by one company – ISS.

“I keep the place clear so everybody can carry out their jobs



Michael Ikpor
Security and Handling officer, Carlsberg
ISS United Kingdom

Michael’s job is to ensure a high level of security at the Carlsberg Breweries in Northampton. He has a very sharp eye for irregularities and ensures everything is in order. He also assists if something needs handling in the warehouse – this way helping his colleagues carrying out their jobs.

Key figures and financial ratios

DKK million (unless otherwise stated)	2012	2011	2010	2009	2008
Income statement					
Revenue	79,454	77,644	74,073	69,004	68,829
Operating profit before other items [1]	4,411	4,388	4,310	3,911	4,075
EBITDA	4,956	5,020	5,042	4,182	4,636
Adjusted EBITDA [2]	5,264	5,243	5,160	4,779	4,944
Operating profit [3]	4,103	4,165	4,192	3,314	3,767
Financial income	217	197	198	223	242
Financial expenses	(2,935)	(3,004)	(2,609)	(2,568)	(2,987)
Profit before goodwill impairment/amortisation and impairment of brands and customer contracts	427	471	1,031	385	494
Net profit/(loss) for the year	(444)	(507)	(532)	(1,629)	(631)
Cash flow					
Cash flow from operating activities	3,855	3,676	4,036	3,732	4,334
Acquisition of intangible assets and property, plant and equipment	(762)	(1,010)	(886)	(897)	(718)
Financial position					
Total assets	53,912	54,996	55,455	54,354	53,605
Goodwill	25,841	27,170	27,747	27,434	27,259
Additions to property, plant and equipment	789	938	861	954	964
Carrying amount of net debt	25,955	29,905	30,623	30,886	29,639
Total equity (attributable to owners of ISS A/S)	5,013	2,070	2,626	2,190	3,498
Employees					
Number of employees at 31 December	534,200	534,500	522,700	485,800	472,800
Full-time employees, %	73	73	73	71	69
Growth, %					
Organic growth	1.7	6.2	3.5	0.6	5.9
Acquisitions	0	0	0	3	7
Divestments	(2)	(2)	(2)	(1)	(2)
Currency adjustments [4]	2	1	5	(3)	(3)
Total revenue growth	2	5	7	0	8
Other financial ratios, %					
Operating margin [2]	5.6	5.7	5.8	5.7	5.9
Equity ratio	9.3	3.8	4.7	4.0	6.5
Interest coverage [2]	1.9	1.9	2.1	2.0	1.8
Cash conversion [2]	103	93	98	96	103
Basic earnings per share (EPS), DKK	(4.0)	(5.1)	(5.5)	(16.5)	(6.4)
Diluted earnings per share, DKK	(4.0)	(5.1)	(5.5)	(16.5)	(6.4)
Adjusted earnings per share, DKK	3.8	4.7	10.3	3.9	4.9

Note: See page 171 for definitions.

1) Excluding Other income and expenses, net, Goodwill impairment and Amortisation and impairment of brands and customer contracts.
2) The Group uses Operating profit before other items for the calculations instead of Operating profit. Consequently, the Group excludes from the calculations those items recorded under Other income and expenses, net, in which the Group includes income and expenses that it believes do not form part of the Group's normal ordinary operations, such as gains and losses arising from divestments, the winding up of operations, acquisition and integration costs, disposals of property and restructurings. Some of these items are recurring and some are non-recurring in nature.
3) Excluding Goodwill impairment and Amortisation and impairment of brands and customer contracts.
4) Calculated as total revenue growth less organic growth and less net acquisition/divestment growth. Currency adjustments thereby include the effect stemming from exclusion of currency effects from the calculation of organic growth and net acquisition/divestment growth.

Our performance

Praktik Misal
Helpdesk executive, Barclays
ISS India

As a help desk executive at Barclays in Pune, India, Praktik greets customers and employees visiting the bank with a smile and the required assistance – his prime task is to make visitors feel at ease and well taken care of. Praktik thrives on the appreciation and warm responses he gets from everyone who visits.

"I believe a good first impression is worth a million

The year at a glance

The transformation towards making ISS the world's greatest service organisation continued in 2012, as illustrated by the fact that we won two of our largest multinational integrated facility services contracts to date. ISS continued to focus on generating profitable organic growth, catering to the needs of the customer base and ensuring satisfactory conditions in a challenging macroeconomic environment.

PERFORMANCE HIGHLIGHTS	
Organic growth	1.7%
Operating margin	5.6%
Cash conversion	103%
Number of employees	534,200

Highlights of the year

Group revenue amounted to DKK 79.5 billion in 2012, an increase of 2% compared with 2011, driven by organic growth of 1.7% and a positive effect from exchange rate movements of 2% which was partly offset by the divestment of non-core activities amounting to 2%.

The organic growth of 1.7% followed the highest organic growth rate for more than 10 years in 2011 and was affected by the challenging macroeconomic conditions, particularly in certain European countries where our main focus is to ensure a profitable customer base with satisfactory conditions. This has led to the identification of certain contracts that were subsequently exited in 2012, resulting in reduced organic growth. Furthermore, a decline in non-portfolio services in 2012 as well as the timing of contract start-ups negatively impacted organic growth. Western Europe, Latin America and Asia delivered positive organic growth rates in 2012, with Asia once again reporting double-digit organic growth.

Operating profit before other items increased by 1% to DKK 4,411 million, reaching the highest level in ISS history. The operating margin (operating profit before other items as a percentage of revenue) was 5.6% in 2012 compared with 5.7% in 2011. The operating margin was in line with expectations and supported by strong margins in Switzerland, the United Kingdom, Norway and the Asia region in particular. However, this was offset by the negative impact from the introduction of one-off austerity measures in a number of our mature markets, margin declines in Latin America and the Pacific regions as well as certain operational challenges in the Netherlands, France and Brazil. We are executing a number of initiatives to address performance issues in the selected markets and are deliberately reducing our exposure to certain customer segments, mostly relating to the public sector, particularly in certain Mediterranean countries. Operating profit amounted to DKK 4,103 million, a slight decrease compared with DKK 4,165 million in 2011.

Emerging markets, comprising Asia, Eastern Europe, Latin America, Israel, South Africa and Turkey where we have more than half of our employees, delivered organic growth of 11% and represented 21% of Group revenue. In addition to boosting organic growth, the emerging markets delivered an operating margin of 5.8% in 2012, negatively impacted by a margin decline in Latin America.

The cash conversion for 2012 was 103% as a result of a strong cash flow performance in all regions, despite challenging conditions, reflecting a continued focus on securing payments for work performed and exiting customer contracts with unsatisfactory conditions. In addition, cash conversion was affected by a decrease in debtor days compared with 31 December 2011 of more than one debtor day.

At the end of 2012, ISS had more than 534,200 employees worldwide. The Group's headcount has remained at the same level as year-end 2011, as organic growth was being offset by eight divestments made during the year.

We progressed the implementation of The ISS Way strategy in 2012. Our focus on emerging markets continued to enhance growth as did our strong market position within the delivery of services to multinational corporations. The implementation of global standards remained a priority. We continued to roll out our process frameworks which will ensure consistency across the entire contract lifecycle from sales to operations. We have also introduced additional standard measures of performance such as net promoter scores for both customers and employees.

Our strategic focus on delivering portfolio-based services led to sustained organic growth in the portfolio business. Historically, the portfolio business' share of total revenue has been 75% – 80% and during the period 2009 to 2012 our portfolio business' share of total revenue increased within this range.

In 2012, ISS continued the strong focus on the Global Corporate Clients organisation, winning new multinational IFS contracts with Barclays, Novartis and a leading global bank for the Asia-Pacific region. The new global facility management partnership with Barclays Bank, a major global financial services provider, includes a five-year contract for a fully integrated facility services (IFS) solution including catering services, property services, cleaning services, support services and security services to Barclays' operations in the United Kingdom, Europe, the Americas, Asia Pacific and the Middle East covering more than 5,000 buildings. At the end of 2012 approximately 80% of the contract value had been started up. The IFS contract with Novartis, a large pharmaceutical company, covers 22 sites in Switzerland, Germany, Austria and Slovenia. The IFS contract with a leading global bank covers more than 1,500 sites in 19 countries across the Asia-Pacific region in addition to the EMEA contract won with the bank in 2011. These are some of the largest contracts in ISS history and they represent significant milestones for ISS in the efforts to confirm our position as a leading global facility services provider. Going forward, our Global Corporate Clients

REVENUE AND GROWTH[1]

	Revenue			Growth components, %				
DKK million	2012	2011	Growth	Organic	Acq.	Div.	Currency	Total
Western Europe	39,414	39,321	0 %	1	-	(2)	1	(0)
Nordic	17,736	18,085	(2)%	(1)	-	(3)	2	(2)
Asia	7,367	6,090	21 %	15	0	(0)	6	21
Pacific	6,007	5,525	9 %	(0)	-	-	9	9
Latin America	3,820	3,648	5 %	7	-	-	(2)	5
North America	3,539	3,369	5 %	(3)	-	-	8	5
Eastern Europe	1,605	1,641	(2)%	(1)	-	-	(1)	(2)
Other countries	36	30	20 %	19	-	-	1	20
Corporate / eliminations	(70)	(65)	8 %	-	-	-	-	-
Total	**79,454**	**77,644**	**2 %**	**1.7**	**0**	**(2)**	**2**	**2**
Emerging markets	16,833	15,014	12 %	11	0	0	1	12

[1] See page 171 for definitions.

OPERATING RESULTS

DKK million	Operating profit before other items 2012	2011	Change	Operating margin [1] 2012	2011	Change
Western Europe	2,407	2,268	6 %	6.1 %	5.8 %	0.3 %
Nordic	1,190	1,268	(6)%	6.7 %	7.0 %	(0.3)%
Asia	564	486	16 %	7.7 %	8.0 %	(0.3)%
Pacific	311	358	(13)%	5.2 %	6.5 %	(1.3)%
Latin America	91	215	(58)%	2.4 %	5.9 %	(3.5)%
North America	151	116	30 %	4.3 %	3.4 %	0.9 %
Eastern Europe	102	107	(5)%	6.4 %	6.5 %	(0.1)%
Other countries	(1)	(1)	-	(3.0)%	(3.5)%	0.5 %
Corporate / eliminations	(404)	(429)	(6)%	(0.5)%	(0.6)%	0.1 %
Total	**4,411**	**4,388**	**1 %**	**5.6 %**	**5.7 %**	**(0.1)%**
Emerging markets	971	1,035	(6)%	5.8 %	6.9 %	(1.1)%

[1] See page 171 for definitions.

organisation will continue focusing on mobilising and starting-up the new contracts as well as on winning new contracts within selected customer segments where ISS can offer market-leading value propositions.

In 2012 we designed and implemented a new management information system "Insight@ISS" that allows information to be collated, reviewed and analysed on a global basis to inform and support management decisions. This system provides our customers and ISS with real time data on the performance of the customer's global facilities management services.

On 16 August 2012, ISS announced that global investors Ontario Teachers' Pension Plan (Teachers') and KIRKBI Invest A/S (KIRKBI) had agreed to invest EUR 500 million (approximately DKK 3,721 million) in ISS. Teachers' invested approximately DKK 2,605 million and KIRKBI approximately DKK 1,116 million. The new investors own approximately 26% of the ultimate holding company of ISS. ISS's existing owners, funds advised by EQT Partners ("EQT") and GS Capital Partners funds ("GSCP"), did not sell any shares in the transaction and remain majority owners of ISS.

Divestments

The ongoing review of the strategic rationale and fit of business units under The ISS Way strategy led to the identification and evaluation of certain activities that are non-core to The ISS Way. As a consequence, in 2012, ISS divested the specialised consulting business in Finland, the governmental outplacing services and security activities in Norway, the landscaping activities in the Netherlands, the washroom activities in the Netherlands, Belgium and Luxembourg and the office support and mailroom services in France.

We will continue the evaluation of our activities in the light of accelerating The ISS Way to ensure that our core businesses remain in focus in the coming years. At 31 December 2012 certain business units have been classified as held for sale, comprising net assets of DKK 1.5 billion. We expect to generate at least DKK 2 billion in net proceeds from divestments in 2013.

Financing

The proceeds from the investment by Teachers' and KIRKBI were used to repay the EUR 525 million 11% Senior Notes due 2014 after the December 2012 call date. By this repayment, ISS addressed one of the first upcoming maturities, eliminating an expensive part of the debt and achieving significant interest cost savings going forward. Following this investment, ISS was upgraded from B2 to B1 by Moody's and was put on BB- Positive Outlook by S&P.

KEY EVENTS 2012

ISS launches new management information system

1 September: At ISS, our objective is to help our customers increase their productivity, mitigate risk and let them focus on developing their businesses. We partner with our customers in a spirit of openness and transparency – often on a large scale extending across borders, business lines and cultures.

To provide the transparency and high level of service delivery our customers demand, ISS developed a bespoke management information solution called Insight@ISS.

This innovative management information system provides instant access to detailed global information about the service delivery via a web-based interface. It offers our customers new opportunities to fine tune and adapt to new situations and changes in a proactive manner.

Insight@ISS gives ISS customers access and transparency in an environment meeting their demanding standards for security and reliability.

In August 2012, the securitisation programme was extended by one year to September 2014, and both the size of the credit facility and the pricing of the programme were kept unchanged following the extension.

Currently, ISS has no significant short-term financing maturities. For further information, see Capital Structure on pages 175-179.

Management changes

At the Annual General Meeting on 19 March 2012, John Allan did not seek re-election after serving almost four years on the Board of Directors and Peter J. Jørgensen stepped down as employee representative, elected by the employees, on the Board of Directors.

On 29 August 2012, ISS announced that following the broadened ownership Jo Taylor (Teachers') had been elected new member of the Board of Directors.

At the end of February 2013, as a reflection of his increasing role on the operational side of ISS, Group CFO, Henrik Andersen, was appointed Group COO Europe. Given the above, ISS is in the process of appointing a new Group CFO. In the interim period, Henrik Andersen will continue to act in his current role of Group CFO.

Subsequent events

On 4 March 2013 ISS announced that it is seeking consent of its lenders under the Senior Facilities Agreement to amend and extend its debt maturities with additional three years, including a refinancing of the Second Lien Facility.

In addition, in March 2013 ISS was further upgraded by Moody's from B1 Stable Outlook to B1 Positive Outlook, and the Senior Credit Facilities were assigned a BB- rating from S&P and a Ba3 rating from Moody's.

Apart from the above and the events described in this Annual Report, the Group is not aware of events subsequent to 31 December 2012, which are expected to have a material impact on the Group's financial position.

Business review

Our customers' needs and how we meet them is a main driver for The ISS Way strategy. Our response to their needs is self-delivery, thereby giving them the benefits of one point of contact, efficiencies, consistent and flexible delivery and credible risk transfer.

Business model

Our business model targets customers' facilities and aims at maximising the value at every single facility. We offer a range of facility services within cleaning services, support services, property services, catering services, security services and facility management which can be delivered as either a single-service, multi-service or integrated facility service (IFS) solution. Our value proposition offers customers the efficiencies and financial certainty which emerge from our ability to share best practices across our operations in the individual services, our ability to provide flexible solutions through our self-delivery model and our ability to provide an integrated solution as well as one point of contact.

Through our philosophy of self-delivery we can also provide a flexible service solution delivered in a consistent manner across all customer sites as well as a credible risk transfer. We are acutely aware of the increased demands being put on customers from a corporate responsibility perspective and design our offerings to address these demands and help our customers to better achieve their objectives. In addition to meeting these fundamental needs, we support our customers in delivering on their specific value proposition – from Healthcare providers to Business Services & IT companies – through a segmented approach and using our deep insight into our customers' markets.

Our service offering is built on a strong foundation of service excellence, which means that our customers enjoy the benefits of partnering with a service expert – a company that truly understands customer needs and provides the services required to meet them. We focus primarily on delivering site-based services under portfolio contracts, where ISS employees become an integrated part of the customers' daily operations. ISS also offers selected route-based services.

Our business model is refined on an ongoing basis to be in line with The ISS Way. We have since 2004 transformed ISS from primarily a cleaning provider to a full facility services provider, while also significantly raising revenue from integrated facility services (IFS) contracts. Our business model has been transformed from a product-oriented to a customer-oriented approach focusing on developing leading value propositions to our chosen customer segments founded on our philosophy of self-delivery of excellence within each of our facility service offerings.

Business development

During 2012, we continued to make progress in developing our business. Focused on customer needs, we continued to leverage efficiencies and implement best practice globally in order to align the organisation behind the consistent delivery of excellence. We have, over the past decade, built global capabilities in the delivery of a well-defined set of services which are equally well-suited for delivery as a single service or as part of an IFS offering. The ISS Way is focused on leveraging this unique platform by the global implementation of best practices and standard processes. We are promoting a strong and uniform commercial culture and crafting market leading value propositions by customer segment. We are uniquely positioned to grasp the huge opportunities in our markets and we are putting our global footprint to work by meeting increased demand from multinational corporations for the delivery of integrated facility services across borders.

ISS measures and monitors the overall business development based on the following three measures:

- Revenue by customer segment
- Revenue by service delivery type
- Revenue by service type

Developments within these three categories are reviewed in the following.

Revenue by customer segment

Revenue is classified into ten customer segments identified by ISS based on the section classification level of the International Standard Industrial Classification.

Our service concepts are developed to address specific customer needs in order to provide added value to our customers. This entails defining variations of our service offerings built on ISS's fundamental competencies and presenting an integrated solution of services customised for a given segment.

The Business Services & IT, Public Administration and Healthcare segments are among our largest and most important customer segments, and we focus on developing service solutions for these segments. Simultaneously, we focus on service delivery to the public sector, which includes both the Public Administration segment as well as part of the revenue from Healthcare, Transportation & Infrastructure and Energy & Resources.

In line with expectations, the revenue split by customer segment in 2012 was quite stable compared with 2011. Many of the recent major contract wins such as the multinational IFS contract with Barclays have increased revenue within the Business Services & IT segment. Business Services & IT thereby remained the largest customer segment in 2012 representing 29% compared with 28% in 2011. The share of revenue from Public Administration remained at level with 2011 at 14% in 2012, while revenue from Industry & Manufacturing decreased from 15% in 2011 to 14% in 2012, negatively impacted by a decrease in the manufacturing industry in certain countries of the Western Europe region. The revenue share from Healthcare remained unchanged at 11%.

Revenue by service delivery type

Fundamentally, ISS's delivery model includes three different ways of delivering services to customers. Service solutions are offered either as single-services, multi-services or integrated facility services (IFS). During 2012, we continued to develop and strengthen our single-service excellence concepts, while at the same time enhancing our IFS capabilities.

In a single-service outsourcing, the customer buys one service solution from ISS, such as outsourcing their catering services.

In a multi-service outsourcing, which consists of two or more services but not a fully integrated solution, the customer achieves the same benefits as with single-service outsourcing but with the additional benefits of service integration where possible.

In an IFS solution, ISS delivers two or more services under one contract with a single point of contact on-site, which allows ISS to integrate the facility service functions taken over by ISS at the customer's premises. The customer receives both the full potential of single-service outsourcing and the advantages of integrating services, including cost efficiencies and a more efficient and flexible service set-up. Our IFS solution revenue base has been fully organically grown through our Global Corporate Clients organisation as well as at country level and regionally.

In 2012, single services, multi-services and IFS generated 60%, 17% and 23% of our revenue, respectively, compared with 71%, 15% and 14% in 2006. The development illustrates that the share of revenue origin from delivering two or more services or IFS increased by 11 percentage points from 2006 to 2012 with a similar reduction in the share of revenue stemming from delivery of single services. This illustrates that we have come a long way in implementing our strategy, including in transforming our company from a cleaning provider to becoming a full facility services provider and in continuing to attract strong demand for our IFS offering. The relative share of revenue origin from delivering two or more services or IFS solutions is increasing in all regions with the largest increases seen in Western Europe (primarily in the United Kingdom, Switzerland, Germany, Spain and Turkey), North America and Asia driven by the large multinational IFS contract wins in recent years but also by large local multi-service and IFS contracts. Multi-service and IFS contracts allow ISS to exploit synergies in the provision of services and create stronger customer relationships.

Revenue by service type

ISS offers a range of facility services within cleaning services, support services, catering services, security services and facility management. Our focus is to understand customer needs and provide the services required to meet them.

The transformation from primarily being a cleaning provider to becoming a company providing the full range of services is illustrated by our increasing volume of non-cleaning services and that non-cleaning now makes up half of our business compared with 43% in 2006.

Cleaning services The ISS cleaning services offering has been at the heart of the ISS operations for many years and we have developed a wide range of cleaning services – from providing basic general cleaning to highly specialised niche cleaning services. The ISS cleaning services offering encompasses a range of services within daily office and facility cleaning, industrial cleaning, cleaning in transport systems, dust control, washroom services and specialised cleaning, such as cleaning of nuclear plants, hospitals or food production facilities.

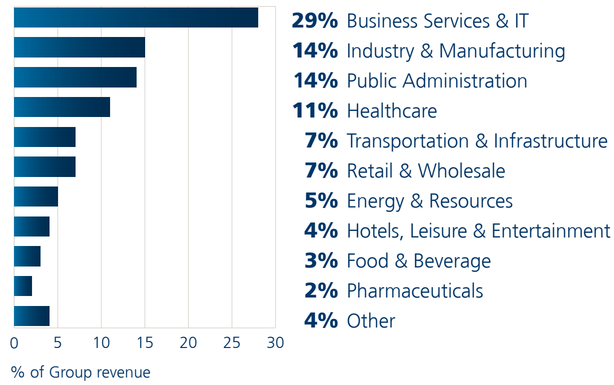
In 2012, cleaning services remained ISS's largest business area with revenue of DKK 39.5 billion, representing 50% of Group revenue down from 57% (DKK 32.1 billion) in 2006. In line with the strategy to broaden the service platform, cleaning services' relative share of Group revenue has consistently declined in recent years, while the revenue share from support services, catering services and security services in particular has steadily increased. Since 2006, the cleaning services share of revenue has therefore continued to decrease partly as a result of the building of the service platform through acquisitions in services other than cleaning, especially in 2007-2009, and partly as a result of the subsequent utilisation of the existing service platform to grow organically since 2010.

Property services The ISS property services offering encompasses building maintenance, technical maintenance, landscaping, pest control and damage control.

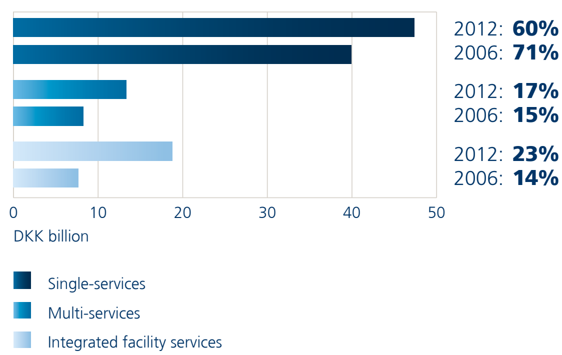
In 2012, revenue from property services amounted to DKK 15.0 billion, representing 19% of Group revenue, down from 23% (DKK 12.6 billion) in 2006. Property services revenue was adversely affected by a number of divestments completed in 2011 and 2012, most significantly the damage control business in Germany and the industrial services business in Belgium in 2011 as well as by divestments completed during 2012 such as the landscaping business in the Netherlands. These divestments all involved non-portfolio-based services and thereby underline the strategic focus on portfolio-based on-site services.

Catering services The ISS catering services offering includes in-house restaurants, hospital canteens, catering services to remote sites, corporate catering and office catering services.

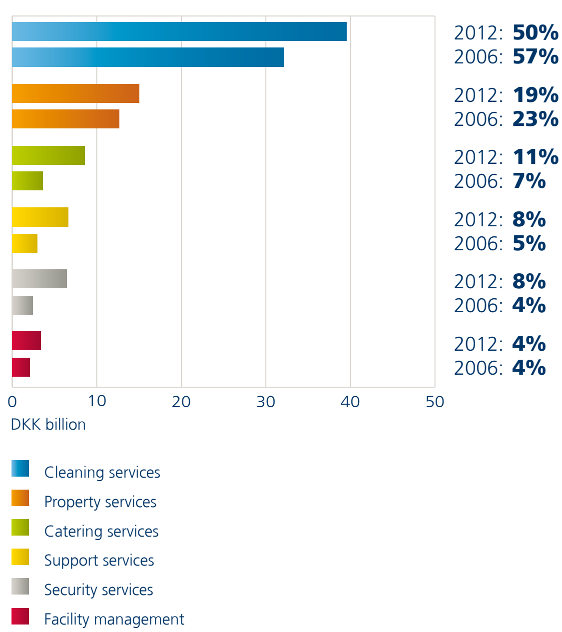
REVENUE BY CUSTOMER SEGMENT 2012



REVENUE BY DELIVERY



REVENUE BY SERVICE



In 2012, revenue from catering services increased to DKK 8.6 billion (2006: DKK 3.6 billion) equal to 11% of Group revenue, which is an increase of 4 percentage points from 2006 despite the divestment of the coffee vending business in Denmark and Norway in late 2011. In 2012, catering services continued to be positively impacted by cross selling to existing customers combined with an increased level of catering services delivered under some of the larger IFS contract wins. The effect was partly offset by lower public spend, especially in the public sectors of certain European countries.

Support services The ISS support services offering encompasses the operation of receptions, internal mail handling, scanning and other office logistics, call centres, manpower supply and outplacement services.

In 2012, support services accounted for approximately 8% of Group revenue, an increase of 3 percentage points from 2006. In absolute figures, support services revenue increased from DKK 2.9 billion in 2006 to DKK 6.6 billion in 2012. In 2012, support services were positively impacted by greater demand for outplacement services and cross-selling of services mainly to cleaning customers, which was partly offset by lower demand for manpower supply services.

Security services The ISS security services offering includes manned guarding, access control and patrolling of customer facilities and the installation of alarm and access systems.

Revenue increased to DKK 6.4 billion, equivalent to 8% of Group revenue in 2012, an increase of 4 percentage points from 2006 (DKK 2.4 billion). The increase in revenue from security services is mainly due to strategic acquisitions during the period, including the acquisition of the Indian company SDB Cisco Ltd. in 2010 which added approximately DKK 400 million in annual revenue as well as a number of other strategic bolt-on security acquisitions over the years which was partly offset by the divestment of the security activities in Norway in 2012.

Facility management The ISS facility management offering includes on-site management of facility services, change management, space management and consulting. Revenue from facility management services increased to DKK 3.4 billion in 2012 (2006: DKK 2.1 billion), equivalent to 4% of Group revenue, the same relative share as in 2006.

How we measure our performance

At ISS we measure the performance in the Group through a Business Scorecard which includes specific financial value creation measures as well as non-financial leading indicators, such as portfolio data, revenue segmentation, customer retention rates, Net Promoter Scores for employees and customers, control environment assessment and procurement compliance.

We measure our value creation by focusing on three well-established operational objectives which are used throughout the Group: (i) organic growth, (ii) operating margin and (iii) cash conversion. The operational objectives are embedded deep in the organisation, which ensures alignment of objectives as they are applicable at Group level and all the way down to individual contracts.

Organic growth

ISS's objective is to focus on organic growth through new sales and cross-selling of services to both new and existing customers as well as on high customer retention. ISS aims to continue to leverage its international market position and service offering in order to increase its local market positions. We work with a wide range of initiatives, including the further development of the Corporate Clients organisation, enhancing our focus on specific customer segments and implementing commercial planning processes and tools.

Operating margin

ISS's objective is to improve its operating margin. ISS seeks to improve operational efficiencies by implementing group-wide excellence and best practice initiatives combined with specific initiatives aimed at increasing the operating margin in certain countries.

Cash conversion

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

Our 2012 performance in terms of these three operational objectives is described in detail elsewhere in this report.

Acquisitions and divestments

In 2012, we made one minor acquisition, Shanghai B&A Property Management Co. Ltd. in China, which provides ISS with a good platform to continue developing our operations in one of the world's most promising and fastest growing markets. We expect to continue the disciplined acquisition policy going forward and expect that any acquisition activities will primarily take place in emerging markets, either by expanding our presence in existing markets through bolt-on acquisitions or by establishing a service platform in new markets. Future acquisitions may also include selective competence-enhancing acquisitions in developed markets.

The strategic rationale and fit of business units is reviewed on an ongoing basis consistent with our strategy and customer needs. This process leads to the identification and evaluation of certain activities that are non-core to The ISS Way strategy, some of which were divested in 2010 and 2011, and an additional eight divestments were completed in 2012. The divestments completed in 2012 comprised the governmental outplacing services and security activities in Norway, the landscaping activities in the Netherlands, the washroom activities in the Netherlands, Belgium and Luxembourg, the mailroom and office support services in France and the specialised consulting business in Finland.

We expect to continue evaluating our activities consistent with our plan to accelerate The ISS Way by focusing on our core businesses and to deleverage debt.

The divestments completed in 2012, resulted in a gain of DKK 41 million recognised in Other income and expenses, net, an impairment loss related to goodwill of DKK 172 million and a DKK 7 million loss on customer contracts. In addition, classification of certain activities in Asia as held for sale during 2012 has resulted in a non-cash impairment loss on goodwill of DKK 13 million.

KEY EVENTS 2012

ISS partners with Barclays Bank

2 July: ISS and Barclays Bank announced a new global facility management partnership in 2012, making Barclays one of ISS's largest global customers.

ISS oversees and delivers facility management services to Barclays' operations in the United Kingdom, Europe, the Americas, Asia Pacific and the Middle East. In this new partnership, ISS delivers an integrated facility services solution, including catering services, property services, cleaning services and, in some regions, security services. ISS has designed and implemented a new management information system, Insight@ISS, which allows information to be collated, reviewed and analysed on a global basis to inform and support management decisions.

This system provides Barclays and ISS with real-time data on the performance of the bank's global facilities management services.

Regional review

The "ISS world" consists of seven regions:

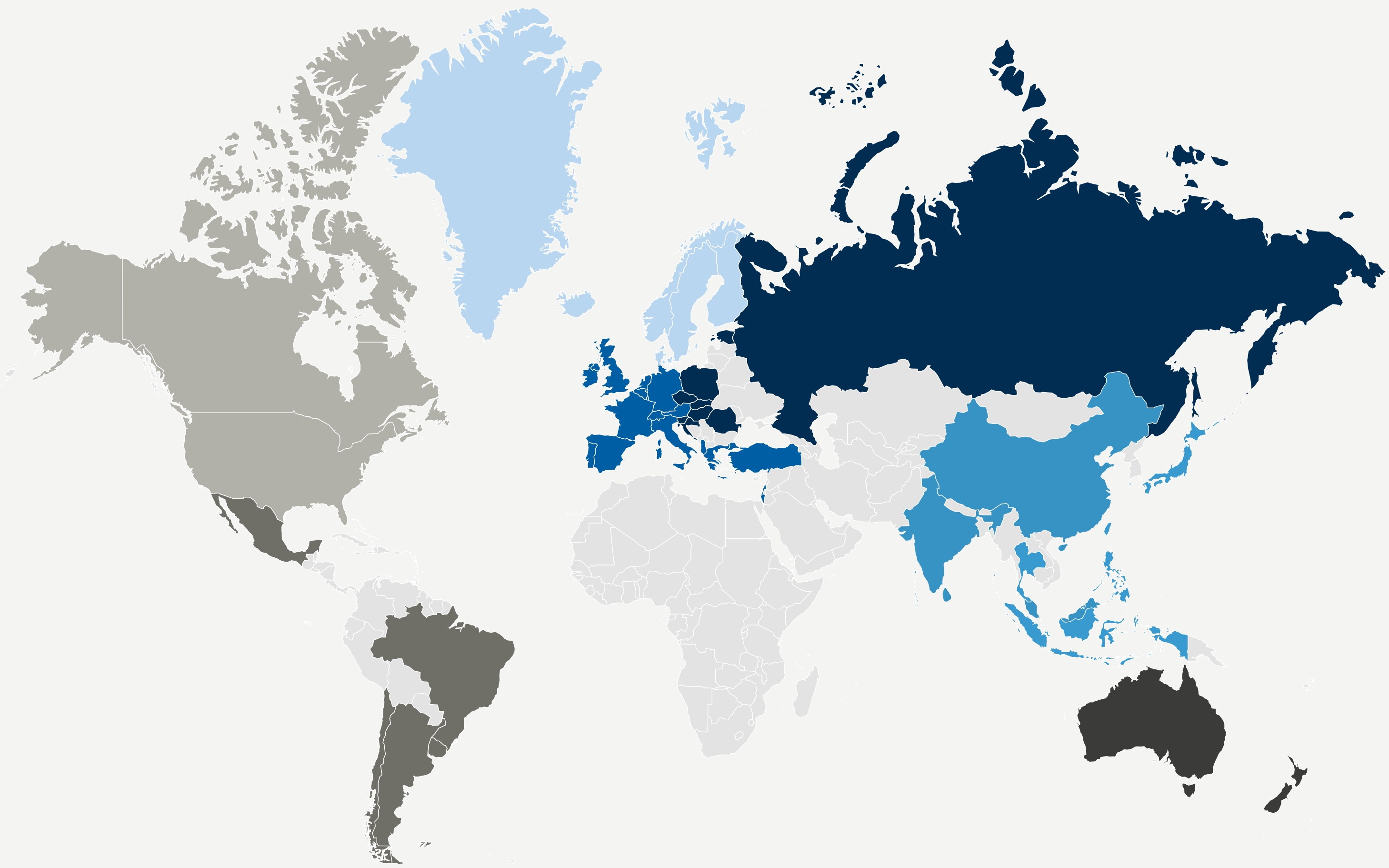
- Western Europe
- Nordic
- Asia
- Pacific
- Latin America
- North America
- Eastern Europe

ISS is all about service. We deliver service in more than 50 countries. In 2012, we added two significant new contracts to our growing portfolio of multinational IFS contracts.

We are uniquely positioned to capitalise on the huge opportunities available in our markets and we are leveraging our global presence in order to meet the growing demand from multinational corporations for the delivery of integrated facility services (IFS) across borders. We aim to provide a consistent service delivery globally across sites, countries and regions while meeting customer demands for flexibility. We have come a long way in this respect and today we have a leading market position.

Our regional presence clearly documents the transformation ISS has undergone since 2004. At that time, ISS was primarily a European-based company. Today we are a true global player with a strong position in emerging markets, where we have more than half of our employees and generate more than 21% of our revenue.

In 2012, we maintained our focus on generating profitable organic growth in a challenging macroeconomic environment, especially in certain European



countries where the main goal is to ensure a profitable customer base with satisfactory conditions. Western Europe, Latin America and Asia delivered positive organic growth rates in 2012, with Asia once again reporting double-digit organic growth. The operating margin for 2012 was favourably impacted by margin increases especially in certain Western European countries. However, this was partly offset by the introduction of austerity measures in a number of our mature markets, margin declines in Latin America and the Pacific regions as well as operational challenges in the Netherlands, France and Brazil.

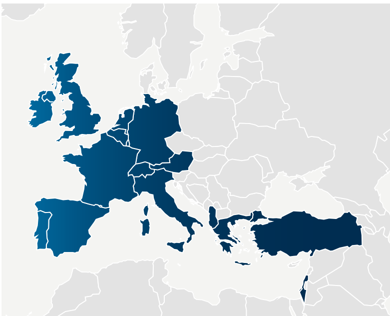
Our Global Corporate Clients organisation is one of our most powerful growth engines. Especially in our European countries, Corporate Clients is a key driver of organic growth which in 2012 and 2013 has found support in the recent wins of the significant multinational IFS contracts like Barclays and Novartis. In addition, Corporate Clients secured an IFS contract with a leading global bank in Asia and Pacific, adding to the EMEA contract won with the bank in 2011.

We have a number of initiatives underway to address performance issues in selected markets of Western Europe and are deliberately reducing our exposure to certain customer segments, mostly relating to the public sector. We are furthermore focused on taking advantage of the attractive market characteristics in emerging markets and continue to grow our footprint in these countries in a balanced manner.

Our seven regions follow the geographical structure, with the exception of the Nordic region which is presented separately from the Western Europe region. In order to highlight the growth and performance of emerging markets, we present certain information for these markets separately.

ISS operates in a number of countries which due to the amount of revenue we generate there are not included in this review. Those countries include, among others: Bulgaria, Colombia, Costa Rica, Puerto Rico, South Africa and United Arab Emirates.

Western Europe



Revenue by country

United Kingdom	22%
France	18%
Spain	11%
Switzerland	9%
Belgium & Luxembourg	7%
Netherlands	7%
Turkey	6%
Germany	5%
Israel	5%
Austria	4%
Greece	2%
Italy	2%
Ireland	1%
Portugal	1%

% of total Western Europe revenue

209,593
Employees

39%
of Group employees

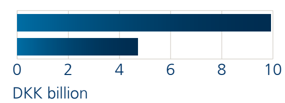
39,414 DKKm
Revenue

50%
of Group revenue

6.1%
Operating margin

1%
Organic growth

Integrated facility services



The markets of the Western Europe region are generally characterised as developed markets but with differences from country to country in terms of IFS market maturity and macroeconomic environment. The demand for multi-services and IFS solutions continues to pick up momentum driven by search for cost savings and risk transfer. We continue to focus on utilising the well-established service platforms and delivery models, such as deployment of country-specific sales strategies and tailor-made value propositions. This was a main driver behind the wins of the multinational IFS contracts with Barclays and Novartis. Going forward, our focus remains on ensuring a standardised approach and prioritisation of customer segments to ensure higher organic growth and improved win rates.

Revenue was DKK 39,414 million in 2012 which was in line with 2011. Organic growth and currency adjustments increased revenue by 1% each. Divestment of non-core activities in 2011 and 2012 reduced revenue by 2%. Operating profit before other items increased by 6% to DKK 2,407 million for an operating margin of 6.1%, up 0.3 percentage point from 2011.

The development and performance varies across the region with strong performances in Switzerland, the United Kingdom, Spain, Turkey and Italy and challenging conditions in France, the Netherlands and Israel. In France and the Netherlands, our focus remains on resolving certain structural and operational challenges. Among the latest initiatives, we have divested the landscaping activities in the Netherlands as well as the washroom activities in the Netherlands, Belgium and Luxembourg. Furthermore, we made changes to the country management teams in France and the Netherlands in 2012.

Several countries delivered strong organic growth rates, notably Italy and Turkey which both reported double-digit growth rates, and the United Kingdom, Germany and Switzerland also contributed to the positive development. However, the demand for non-portfolio services has generally decreased in the region compared with last year and in order to ensure a profitable customer base certain contracts were exited in 2012.

The increase in operating margin was due to strong performances in Switzerland, the United Kingdom, Turkey and Italy. The operating margin in Switzerland was positively impacted by a gain of DKK 92 million related to negative past service costs for defined benefit plans and one-off income related to sale of certain assets. These positive developments were partly offset by the challenging macroeconomic conditions in certain European countries, including the negative impact from the introduction of austerity measures in several countries, as well as the operational challenges in the Netherlands and France.

Major contract wins in 2012 included an IFS contract with Telefonica in Spain, a significant increase in the contract with the Royal Air Force in the United Kingdom and large cleaning contracts with the University of Gent in Belgium and Continental Automotive in France.

Nordic

Revenue by country

Norway	**34%**
Finland	**23%**
Sweden	**23%**
Denmark	**18%**
Iceland	**1%**
Greenland	**1%**

% of total Nordic revenue

44,018
Employees

8%
of Group employees

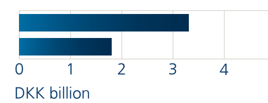
17,736 DKKm
Revenue

22%
of Group revenue

6.7%
Operating margin

-1%
Organic growth

Integrated facility services



2012: **19%**
2006: **12%**

The markets of the Nordic region are mature and developed and we hold a relatively high market share. The strategic focus remains to leverage the strong market position mainly through the implementation of best practices, utilising the footprint to develop solutions and concepts tailored to specific customer segments. The Nordic key customer segments are Business Services & IT, Industry & Manufacturing, the Retail and Hotels sectors as well as country specific sectors. Alignment and centralisation of processes and organisations in the region is progressing, including procurement processes, harmonisation of organisational principles and administrative procedures as well as establishing a regional sales unit supporting the Nordic countries. In order to pursue a continued alignment of the business platform certain businesses in Norway were divested in 2012. Furthermore, we entered into a partnership with Securitas in Norway regarding security services.

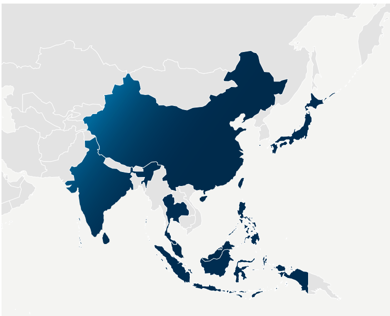
Revenue in 2012 was down by 2% to DKK 17,736 million. Organic growth was negative by 1%, while divestments had a negative impact of 3%. Currency adjustments mainly stemming from the appreciation of SEK and NOK against DKK increased revenue by approximately 2%. Operating profit before other items was DKK 1,190 million, reflecting an operating margin of 6.7%, down by 0.3 percentage point from 2011.

The negative organic growth of 1% reflects a negative performance in Sweden and Denmark, which were partly offset by positive organic growth in Norway and Finland. The negative performance was mainly a result of reduction in non-recurring services such as snow removal compared with 2011 as well as a strong focus on securing satisfactory conditions of the customer contract base through contract trimming combined with a lower customer retention rate. Norway delivered the highest organic growth rate, achieved through improved customer retention and increases on existing customer contracts.

The operating margin was 6.7% in 2012 reflecting the second highest margin of all our regions. The decrease from 7.0% to 6.7% was mainly due to Finland following a lower level of non-portfolio services and certain one-off austerity measures related to a special employee-related levy paid in the first half of 2012. Furthermore, the divestment of the coffee vending business in Denmark and Norway in 2011 and of the governmental outplacing services in Norway has had an adverse impact on margins compared with last year. This negative development was partly offset by margin increases in Norway resulting from an improvement in operational performance across most service areas. The operating margin in 2012 was positively impacted by one-off income related to the sale of certain assets at the level realised in 2011.

Contract wins in the region included a strategic, regional IFS contract with Telenor covering Norway, Denmark and Sweden, a strategic cleaning contract with PostNord covering Sweden, Denmark, Norway and Finland as well as an IFS contract with Rambøll, an engineering, design and consultancy company based in Denmark.

Asia



Revenue by country

Hong Kong	23%
Singapore	17%
Indonesia	16%
India	14%
Thailand	13%
China	8%
Taiwan	4%
Philippines	2%
Malaysia	1%
Japan	1%
Brunei	1%

% of total Asia revenue

181,810
Employees

34%
of Group employees

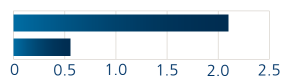
7,367 DKKm
Revenue

9%
of Group revenue

7.7%
Operating margin

15%
Organic growth

Integrated facility services



The Asia region consists of some larger and more well established markets, such as Hong Kong and Singapore as well as emerging markets, such as China, India, Indonesia and the Philippines. The ambition for the region is to remain one of the Group’s growth engines, expand our self-delivery capabilities and to continue the sales strategy intended to push IFS penetration within selected customer segments as quickly as local markets mature. Key segments for the region are Business Services & IT, Energy & Resources, Transportation & Logistics and Healthcare.

Going forward, focus will be on establishing competence centres to develop these key segments and on establishing excellence in our service offering within cleaning, security, catering and property. Furthermore, alignment and standardisation continues to be a focus area as does the development of an even more distinct value proposition to existing and new customers in the key customer segments of each country. In order to continue the strong organic growth and the delivery of services at the required quality, sourcing and training of employees remains a priority.

The region delivered a strong performance in 2012. Revenue was DKK 7,367 million, an increase of 21% consisting of organic growth of 15% and currency adjustments of 6%. Operating profit before other items increased by 16% to DKK 564 million, reflecting an operating margin of 7.7%, compared with 8.0% in 2011. In other words, Asia again delivered the highest margin of any ISS region.

Several countries reported double-digit organic growth rates, favourably impacted by the successful implementation of a sales strategy targeting e.g. the Transportation & Infrastructure segment and the Energy & Resources segment. India, Indonesia and Thailand were the largest nominal contributors to organic growth in the region with organic growth rates of 22%, 19% and 23%, respectively. Hong Kong, China and Singapore also showed positive developments, delivering organic growth of 10%, 32% and 8%, respectively.

The slight decrease in the operating margin was mainly due to an expected temporary margin reduction resulting from strong growth and the start-up of new contracts as well as a timing issue in certain countries of passing on unexpected minimum wage increases to customers.

Contract wins in the region included a large security contract with Thai Oil in Thailand, a security services contract covering 23 airports in India, a significant contract with Changi General Hospital in Singapore comprising mainly cleaning and washroom services as well as the increased scope of the existing contract with Singapore General Hospital. Furthermore, the Barclays contract went live in 10 countries in the region during Q4 2012 and we are closely following the progress and similar customers on the same strategy.

Pacific

Revenue by country

Australia	**91%**
New Zealand	**9%**

% of total Pacific revenue

14,934
Employees

3%
of Group employees

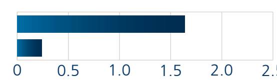
6,007 **DKKm**
Revenue

8%
of Group revenue

5.2%
Operating margin

-0%
Organic growth

Integrated facility services



2012: **27%**
2006: **8%**

ISS Australia delivers more than 90% of the revenue in the region. The strategic focus in Australia continued to be on further developing and refining the IFS value proposition to selected customer segments, including the Energy & Resources (mainly the remote site resource sector), the Healthcare and the Transportation & Infrastructure segments (mainly airports). This led to the successful retender of the majority of the remote site contracts within the Energy & Resources segment. Going forward, continued focus will be on further developing the value proposition and expertise within the key customer segments through competence centres. Operationally, the roll-out of best practice projects within cleaning services and security services combined with leveraging procurement savings and synergies will continue.

In 2010, ISS Australia entered into a 28 year contract with Sydney's Royal North Shore hospital (RNS). The contract is a Public Private Partnership through a consortium in which ISS Australia is a major partner. The contract is complex and has a high level of innovation illustrated by the fact that the RNS hospital is the very first hospital in Australia to introduce automated guided vehicles (robots) to transport food, linen and other supplies around the hospital. Considering the length and complexity as well as a recent dispute surrounding the service scope of the contract, the first years of operation will be very challenging. However, we believe that the contract will increase in profitability during the coming years as the knowledge of the complexity and experience from operating the contract increases as well as the impact from any other future measures.

Revenue increased by 9% to DKK 6,007 million driven by positive currency adjustments of 9% while organic growth amounted to 0%. Operating profit before other items amounted to DKK 311 million equal to an operating margin of 5.2%, which was 1.3 percentage points lower than 2011.

The slightly negative organic growth has been supported by some important renewals of large contracts within the Resource and Transportation segments e.g. the IFS contract with Searipple Mining Camp and the security contract at Perth Airport. ISS New Zealand won two small but strategically important contracts in the Business & IT segment providing security. The growth was offset by the delayed start-up of a large security contract as well as a number of remote sites in Australia being forced to temporarily shut down due to cyclones in early 2012. Furthermore, the negative development of the iron ore spot prices have caused the Australian mining industry to reduce the production pace which has had a negative impact on organic growth.

The decrease in operating margin was mainly a result of the termination of a workers' compensation incentive scheme, whereby ISS in prior years received income from the Australian government. Furthermore, operating losses relating to the RNS hospital as well as the temporary forced shut-down of certain remote sites have affected the operating margin.

Latin America

Revenue by country

Brazil	48%
Chile	18%
Mexico	17%
Argentina	11%
Uruguay	5%
Other countries	1%

% of total Latin America revenue

50,121
Employees

9%
of Group employees

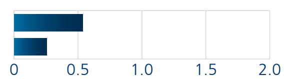
3,820 DKKm
Revenue

5%
of Group revenue

2.4%
Operating margin

7%
Organic growth

Integrated facility services



ISS has built a unique position in Latin America with a strong geographical presence and a developed service offering. No one else in the market is capable of self-delivering a comparable number of services in the countries where ISS is present. Focus is on exploiting our first mover advantage and selectively expanding the geographical platform as markets mature. 2012 has, despite the systematic and customer-focused sales approach, been impacted adversely as a result of the decision to exit certain less profitable contracts and certain operational challenges in Brazil. We have also chosen to make management changes and strengthen the control environment in Mexico and Uruguay following the identification of accounting misstatements from prior years which has negatively impacted the performance in 2012.

Looking ahead our main focus is on profitable organic growth through an assessment of the customer base and our key selected customer segments. In addition, we will continue to focus on having the right management teams as well as an adequate control environment in place.

Revenue was DKK 3,820 million in 2012, an increase of 5% driven by organic growth of 7% partly offset by a negative currency adjustment of 2%. Operating profit before other items was down by 58% to DKK 91 million for an operating margin of 2.4%, 3.5 percentage points lower than in 2011.

All countries, except for Brazil, delivered double-digit organic growth rates driven by a continued high level of new sales, which was achieved on top of the region's strong organic growth in 2011. Brazil realised negative organic growth of 1% mainly as a result of a decision to restructure the Route Based Maintenance division, exit certain less profitable contracts as well as dealing with operational challenges.

The operating margin was negatively impacted by Brazil, Mexico and Uruguay in particular, which all reported declining operating margins compared with 2011. The decrease in Brazil was mainly a result of operational challenges, while in Mexico and Uruguay the decreases were mainly a result of restoring the run-rate profitability from our contract portfolio.

Contract wins in Mexico included the win of a large IFS contract with ICA as well as GIA, a large corporation in Mexico building hospitals and prisons, where we entered into a Public Private Partnership, with phased start-ups in 2012 and 2013 and the win of a large catering contract with Autoliv. In Brazil, we won a large support service contract with Bridgestone.

North America

Revenue by country

% of total North America revenue

15,350
Employees

3%
of Group employees

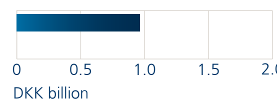
3,539 DKKm
Revenue

4%
of Group revenue

4.3%
Operating margin

-3%
Organic growth

Integrated facility services



ISS has extensive geographical coverage in several parts of the USA experiencing economic growth and we continue to focus on enhancing our geographical footprint in targeted metropolitan areas. In 2011, the IFS contract with a large technology company was a catalyst for building up the IFS delivery capabilities to capitalise further on market opportunities within IFS solutions. This has resulted in several IFS contract wins in recent years, and increased the proportion of self-delivery in the operating model. Furthermore, the multinational IFS contract with Barclays is expected to have a significant impact and we are beginning to see synergies from the established IFS platform. The IFS business has been organically developed and now accounts for a 27% share of the revenue generated in the region. The IFS platform is expected to be a strong foundation for future growth in the region.

We continued the development of more customer-focused and segmented value propositions, targeting customer segments such as Business Services and IT, Healthcare as well as the Events, Retail and Aviation sectors. Finally, the implementation of a customer retention programme has led to fewer contract losses.

In September the Barclays contract went live in the USA. The majority of Barclays' facilities are located in the New York City area and the capabilities of ISS were truly tested shortly after when Hurricane Sandy hit the Northeastern United States. Throughout the period the hurricane lasted, ISS continued to deliver the service agreed to all of Barclays' facilities.

Revenue increased by 5% to DKK 3,539 million. Organic growth was negative at 3% while currency adjustments increased revenue by 8%. Operating profit before other items amounted to DKK 151 million for an operating margin of 4.3% compared with 3.4% in 2011. The increased margin was a result of improvements stemming from the IFS business.

Following a year of 35% organic growth due to the start-up of the contract with the large technology company mentioned above, the region experienced negative organic growth in 2012, primarily driven by a general reduction in non-portfolio services such as project work.

The operating margin was favourably impacted by several operational improvements, especially within the IFS business, which were partly offset by general increases in payroll taxes in the USA. In order to gain the necessary IFS delivery capabilities to support and deliver on major contracts in North America, costs have been incurred in 2011 and 2012 to build up the IFS platform. Due to their nature, these costs have been classified as Other income and expenses, net.

Eastern Europe

Revenue by country

Czech Republic	**27%**
Poland	**14%**
Slovakia	**13%**
Slovenia	**10%**
Romania	**9%**
Hungary	**9%**
Estonia	**9%**
Russia	**8%**
Croatia	**1%**

% of total Eastern Europe revenue

18,322
Employees

4%
of Group employees

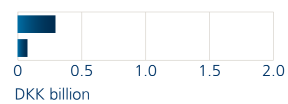
1,605 DKKm
Revenue

2%
of Group revenue

6.4%
Operating margin

-1%
Organic growth

Integrated facility services



2012: **18%**
2006: **8%**

ISS has established a wide geographical reach and a unique service platform in Eastern Europe with the capability to self-deliver a full range of services. The strategic goal is to provide services to multinational blue chip companies. The selected customer segments are Business Services & IT, Industry & Manufacturing and Healthcare, while the proportion of customers in the public sector is deliberately being reduced.

During 2012, the efforts to strengthen the management teams and leadership capabilities throughout the region as well as develop the sales organisations continued to be a priority. In addition, focus was on the further implementation and utilisation of shared business development resources across the region in order to empower best practise operations resource sharing and drive regional solutions sales.

The development and performance varies across the region, mainly as a result of different market conditions from country to country. In 2012, revenue fell to DKK 1,605 million, driven by negative organic growth of 1% and a negative impact from currency adjustments of 1%. Russia and Poland both delivered a solid organic growth thanks to high non-portfolio revenue and high customer retention rates. This was more than offset by negative organic growth in especially Slovakia and Slovenia primarily due to continued difficult economic market conditions.

Operating profit before other items fell slightly to DKK 102 million for an operating margin of 6.4%, 0.1 percentage point lower than in 2011. The drop was mainly the result of general pressure on prices, losses relating to customer receivables as well as unexpected minimum wage increases that, despite an ongoing focus on passing these on to customers, had a negative impact in 2012.

The sales strategy focused on delivering services to blue chip companies is progressing according to plan, as illustrated by the IFS contract wins in 2012, including Danone and Tieto in the Czech Republic and AstraZeneca in Russia. In 2013, the largest contract mobilisation in the region will be completed when the Novartis contract starts up in Slovenia.

Furthermore, ISS won a significant expansion of an existing contract with a large nuclear power plant business covering seven sites in the region, where ISS expands its service offering to a full IFS offering. The skills and competencies required to manage such a contract are complex. Through sharing of knowledge and best practices with ISS Sweden, which has several years of experience servicing nuclear power plants and built up a substantial knowledge and experience, it was possible to tender, win and subsequently operate the contract.

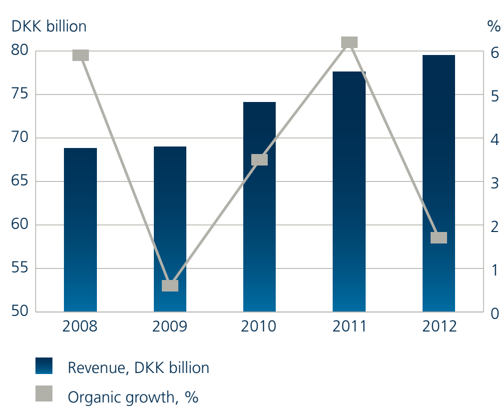
Financial review

In 2012 ISS focused on generating profitable organic growth and ensuring a customer base with satisfactory conditions in a world where many countries, particularly in Europe, are influenced by the challenging macroeconomic environment.

Income statement

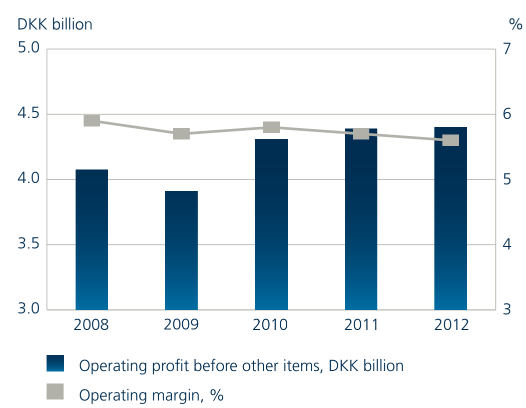
Revenue amounted to DKK 79,454 million representing a revenue growth of 2% driven by organic growth of 1.7%. Western Europe, Latin America and Asia delivered positive organic growth rates in 2012, with Asia once again reporting double-digit organic growth. The organic growth in 2012 was affected by the challenging macroeconomic conditions in certain European countries, decline in non-portfolio services, exiting customer contracts with unsatisfactory conditions and timing of contract start-ups. Revenue was lifted by exchange rate movements of 2% offset by the divestment of non-core activities of 2%.

REVENUE AND ORGANIC GROWTH



Operating profit before other items was DKK 4,411 million in 2012. The operating margin was 5.6%, a slight decrease compared with 5.7% in 2011. The operating margin is in line with expectations and was positively impacted by margin increases especially in certain Western European countries as well as gains related to sale of certain assets and negative past service costs for defined benefit plans. However, this was partly offset by the negative impact from the introduction of austerity measures in a number of our mature markets, margin declines in Latin America and the Pacific region as well as certain operational challenges in the Netherlands, France and Brazil. In addition, the margin was affected by the strategic divestments of certain non-core activities.

OPERATING PROFIT AND OPERATING MARGIN



Other income and expenses, net was a net expense of DKK 308 million in 2012 compared with a net expense of DKK 223 million in 2011. Gain from divestments was DKK 83 million and was more than offset by costs related to restructuring projects mainly in the Netherlands, France, Brazil and Norway amounting to DKK 187 million. Furthermore, the gain was offset by accounting losses arising from prior periods accumulated misstatement of accounts in Uruguay, Mexico and India of DKK 98 million, costs related to build-up of IFS capabilities in North America of DKK 62 million and loss on divestments of DKK 42 million.

Financial income and financial expenses, net decreased by DKK 89 million, or 3%, to DKK 2,718 million in 2012. The decrease was achieved in spite of the costs incurred in relation to the redemption of the 11% Senior Notes due 2014 of DKK 174 million, which consisted of a call premium of DKK 108 million and unamortised financing fees of DKK 66 million. On the other hand interest expenses, net, and foreign exchange losses, net, decreased DKK 121 million and DKK 63 million, respectively. Furthermore, 2011 was negatively impacted by unamortised financing fees of DKK 117 million being expensed as a consequence of the amendment and extension of certain tranches under the Senior Facilities Agreement.

Income taxes were DKK 962 million in 2012. The Group's effective tax rate in 2012 was 69.3% compared with 65.3% in 2011, calculated as the consolidated tax expense of DKK 962 million divided by Profit before tax and goodwill impairment/amortisation and impairment of brands and customer contracts of DKK 1,389 million. The effective tax rate is impacted by a valuation allowance on deferred tax assets mainly in France and interest limitation in Denmark. The rules on limitation on the deductibility of financial expenses in Denmark impacted the tax expense in 2012 adversely by approximately DKK 301 million. The effective tax rate amounted to 47.6% when adjusted for the impact of the limitation on deductibility of financial expenses.

Goodwill impairment amounted to DKK 385 million of which DKK 200 million derived from impairment test and DKK 185 million derived from divestments. Impairment losses derived from impairment tests of DKK 200 million related to France and were caused mainly by new tax rules limiting the deductibility of financial expenses. Impairment losses derived from the divestment of businesses mainly related to divestment of activities in Western Europe.

Of the total goodwill impairment in 2012 expenses of DKK 176 million, resulted from fair value adjustments from the acquisition of ISS World Services A/S in May 2005. See Fair value adjustments in May 2005 on page 35.

Amortisation and impairment of brands and customer contracts was DKK 679 million (2011: DKK 708 million) of which DKK 46 million derived from an impairment loss in Greece due to the continued unstable economic environment.

Of the total amortisation and impairment of brands and customer contracts DKK 319 million (2011: DKK 342 million) resulted from charges related to fair value adjustments of the acquisition of ISS World Services A/S in May 2005. See Fair value adjustments in May 2005 on page 35.

Net loss was reduced from DKK 507 million in 2011 to DKK 444 million in 2012. Net loss was positively impacted by growth in revenue combined with lower financial expenses, net, lower amortisation and impairment of brands and customer contracts as well as lower non-cash expenses related to goodwill impairment. Partly offsetting these positive developments was an increase in other income and expenses, net and an increase in income taxes.

Of the total net losses in 2012 and 2011, expenses of DKK 436 million and DKK 427 million, respectively, resulted from fair value adjustments of the acquisition of ISS World Services A/S in May 2005. See Fair value adjustments in May 2005 on page 35.

Statement of cash flows

Cash flow from operating activities was DKK 3,855 million in 2012 (2011: DKK 3,676 million). The improvement was due primarily to an increase in inflow from changes in working capital of DKK 433 million and an increase in inflow in operating profit before other items of DKK 23 million which were partly offset by an increase in outflow from income taxes paid of DKK 136 million as well as an increase in outflow from other expenses paid and changes in provisions, pensions and similar obligations of DKK 83 million and DKK 56 million, respectively.

The cash inflow from changes in working capital of DKK 116 million was due to increased focus on billing and collection throughout the Group as well as a lower organic growth compared with 2011. This positive effect was partly offset by an increase in cash outflow regarding payables compared with 2011 mainly stemming from the increase in the level of activity.

Other expenses paid of DKK 349 million mainly related to restructuring projects initiated and expensed in both 2011 and 2012 as well as build-up of IFS capabilities in North America.

Cash flow from investing activities in 2012 was a cash outflow of DKK 747 million (2011: cash outflow of DKK 332 million). Cash outflow relating to intangible assets and property plant and equipment, net was DKK

FAIR VALUE ADJUSTMENTS IN MAY 2005

The purchase price for the shares in ISS World Services A/S acquired in May 2005 was approximately DKK 22 billion. In the consolidated financial statements of ISS A/S the purchase price was allocated to identifiable assets, liabilities and contingent liabilities ("net assets") which were adjusted to the acquisition date fair value. The residual amount was allocated to goodwill.

As the carrying amount of the net assets of ISS World Services A/S was approximately DKK 9 billion at the acquisition date, the fair value adjustment of net assets resulted in significantly higher carrying amounts for intangible assets, i.e. goodwill, brands and customer contracts. Further deferred tax liabilities increased primarily as a result of the increase in the value of customer contracts and brands. The fair value of non-current loans and borrowings was lower than the carrying amount due to a decrease in the market value of the Medium Term Notes following the announcement of the intended acquisition of ISS World Services A/S.

The table to the right presents the aggregate fair value adjustments (i.e. change in carrying amount due to the takeover) following the acquisition and such fair value adjustments remaining at 31 December 2012.

DKK million	Fair value adjustments following acquisition in May 2005	Fair value adjustment remaining at 31 December 2012
Goodwill	6,443	4,434
Brands	1,657	1,631
Customer contracts	6,665	2,426
Other non-current and current assets	(156)	-
Pensions	(30)	-
Deferred tax liabilities	(2,960)	(1,090)
Non-current loans and borrowings	1,811	42
Non-controlling interests and other non-current and current liabilities	(299)	1
Total identifiable net assets including goodwill	**13,131**	**7,444**

In accordance with applicable IFRSs the purchase price was allocated to each individual country (ISS's relevant CGU level) and consequently the net assets of each country were adjusted to fair value in May 2005. This allocation is binding and subsequent impairment tests have been performed at country level based on these higher values of net assets. As a consequence hereof impairment tests have led to recognition of impairment losses in certain countries despite the fact that the aggregate value of net assets at Group level would not lead to impairment. This illustrates that impairment losses in certain countries have been more than offset by positive developments in other countries but according to the IFRSs only the negative effects should be reflected in the consolidated financial statements.

The table below illustrates how the fair value adjustments made in May 2005 impact the financial results for 2011 and 2012. The column "Actual excl. adj." reflects the financial result if no fair value adjustments were made in May 2005.

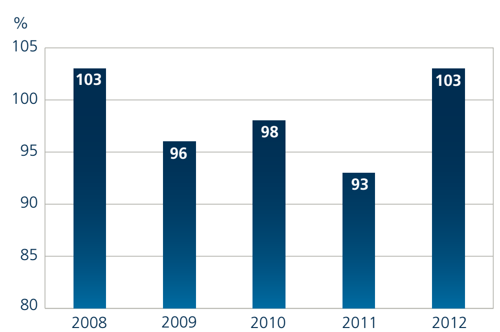
	2012			2011		
DKK million	Actual	Fair value adj.	Actual excl. adj.	Actual	Fair value adj.	Actual excl. adj.
Operating profit before other items	**4,411**	**-**	**4,411**	**4,388**	**-**	**4,388**
Other income and expenses, net	(308)	(24)	(284)	(223)	(3)	(220)
Operating profit	**4,103**	**(24)**	**4,127**	**4,165**	**(3)**	**4,168**
Share of result from associates	4	-	4	0	-	0
Financial income and financial expenses, net	(2,718)	(22)	(2,696)	(2,807)	(22)	(2,785)
Profit before tax and goodwill impairment/ amortisation and impairment of brands and customer contracts	**1,389**	**(46)**	**1,435**	**1,358**	**(25)**	**1,383**
Income taxes	(962)	5	(967)	(887)	5	(892)
Profit before goodwill impairment/amortisation and impairment of brands and customer contracts	**427**	**(41)**	**468**	**471**	**(20)**	**491**
Goodwill impairment	(385)	(176)	(209)	(501)	(179)	(322)
Amortisation and impairment of brands and customer contracts	(679)	(319)	(360)	(708)	(342)	(366)
Income tax effect	193	100	93	231	114	117
Net profit/(loss) for the year	**(444)**	**(436)**	**(8)**	**(507)**	**(427)**	**(80)**

762 million (2011: DKK 1,010 million) representing 1.0% (2011: 1.3%) of revenue. Partly offsetting these outflows was a cash inflow of DKK 152 million from acquisitions and divestments, net (2011: DKK 672 million).

Cash flow from financing activities in 2012 was a net cash outflow of DKK 3,643 million compared with a cash outflow of DKK 2,874 million in 2011. This was mainly a result of repayment of borrowings of DKK 5,180 million and interest payments, net of DKK 2,236 million. Repayments of borrowings were mainly related to repayment of the EUR 525 million 11% Senior Notes due 2014 following the equity investment by Teachers' and KIRKBI and repayments of the remaining part of Term Loan A and Acquisition Facility A. This cash outflow was partly offset by the proceeds from issuance of share capital due to the investment made by Teachers' and KIRKBI of DKK 3,696 million, net of expenses and proceeds from borrowings of DKK 81 million. Proceeds from borrowings were related to drawings on working capital facilities.

Cash conversion Changes in working capital was an inflow of DKK 116 million, which resulted in a cash conversion of 103% in 2012 compared with 93% in 2011. Cash conversion ratios for individual years may vary. The cash flows from operations for the individual periods depend on the timing of a number of payments towards the end of the individual months and years. For a definition of cash conversion, see page 171.

CASH CONVERSION



Statement of financial position

Total assets was DKK 53,912 million at 31 December 2012, of which DKK 34,868 million was non-current assets, primarily acquisition-related intangible assets, and DKK 19,044 million was current assets, primarily trade receivables of DKK 11,433 million.

Intangible assets were DKK 31,969 million (2011: DKK 34,097 million). Intangible assets primarily comprise goodwill, customer contracts and brands related to the acquisition of ISS World Services A/S in May 2005, when a carrying amount of DKK 31,844 million of intangible assets, of which DKK 22,035 million related to goodwill, was recognised in ISS's statement of financial position. Furthermore, a significant number of acquisitions over the years have added more intangible assets.

At 31 December 2012, goodwill was DKK 25,841 million, a decrease of DKK 1,329 million compared with 2011 mainly due to activities classified as held for sale being reclassified to a separate line in the statement of financial position as well as impairment losses of DKK 385 million of which DKK 200 million derived from impairment tests in France and DKK 185 million derived from divestments, mainly in Western Europe. Customer contracts decreased by DKK 860 million to DKK 4,029 million at 31 December 2012, mainly due to amortisation of customer contracts.

Trade receivables were DKK 11,433 million (2011: DKK 11,871 million). The change was a result of a continued focus on securing payments for our services performed as well as a slight decrease in debtor days compared with 31 December 2011.

Assets and liabilities held for sale amounted to DKK 2,269 million and DKK 733 million, respectively, and included the assets and liabilities attributable to the activities for which sales processes have been initiated.

Equity increased by DKK 2,941 million to DKK 5,023 million at 31 December 2012. The increase was due to the share issue amounting to DKK 3,693 million in connection with the investment made by Teachers' and KIRKBI as well as positive currency adjustments of DKK 184 million related to investments in foreign subsidiaries.

Partly offsetting the increase was net loss for the year of DKK 444 million, actuarial losses, net on defined benefit pension schemes (including new contracts and the effect of asset ceiling) of DKK 428 million and a negative effect of DKK 62 million related to hedges net of tax.

The equity ratio, defined as total equity attributable to owners of ISS A/S relative to total assets was 9.3% (2011: 3.8%).

Other liabilities were DKK 10,657 million at 31 December 2012 (2011: DKK 11,161 million). Other liabilities consists mainly of accrued wages and holiday allowances, tax withholdings, VAT and other payables and accrued expenses. The main reason for the decrease was reclassifications due to activities being classified as held for sale and presented in a separate line in the statement of financial position.

The carrying amount of net debt amounted to DKK 25,955 million at 31 December 2012, down by DKK 3,950 million from DKK 29,905 million at 31 December 2011. Main reason for the decrease was the proceeds from the capital increase of DKK 3,696, net of expenses. Furthermore, the decrease was related to the cash inflow from operations and proceeds from divestments, net which were partly offset by the negative effects of payment of interest as well as investments in intangible assets and property, plant and equipment, net. At 31 December 2012, non-current loans and borrowings amounted to DKK 24,011 million (2011: DKK 28,181 million), current loans and borrowings amounted to DKK 5,607 million (2011: DKK 5,778 million) while securities, cash and cash equivalents totalled DKK 3,544 million (2011: DKK 4,054 million), receivable from FS Invest was DKK 71 million (2011: DKK 0 million) and positive fair value of currency swaps was DKK 48 million.

KEY EVENTS 2012

Teachers' and KIRKBI make equity investment in ISS

ONTARIO TEACHERS' PENSION PLAN • RÉGIME DE RETRAITE DES ENSEIGNANTES ET DES ENSEIGNANTS

KIRKBI

16 August: Global investors Ontario Teachers' Pension Plan (Teachers') and KIRKBI Invest A/S (KIRKBI) invested EUR 500 million in ISS.

This new investment is a further step on the journey to make ISS the world's leading service company for our customers and for our more than 534,200 employees.

Teachers' invested approximately DKK 2,605 million and KIRKBI invested approximately DKK 1,116 million.

The new investors own approximately 26% of the ultimate holding company of ISS, while funds advised by EQT Partners and Goldman Sachs Capital Partners continue to hold a majority interest in the business.

Our business

Pauline Bernice Johnson Robinson
Catering assistant, Chelsea Westminster Hospital, ISS United Kingdom

At the Chelsea Westminster Hospital it is all about getting better. Around the clock Pauline and her colleagues provide the many patients with the right food and nutrition they require for a solid recovery. The skilled catering assistant has been with ISS for eight years and every day she takes great pride in her job.

Strategy – The ISS Way

2012 was a successful year in furthering the implementation of our strategy – The ISS Way. Many of the processes and tools that are an essential part of The ISS Way have now been developed, launched and are subject to continuous refinement. We have come a long way, and we will continue our journey towards becoming the world's greatest service organisation.

Rather than moving straight to strategy and its forward looking implications, let us look at our current status from an operational perspective – what is the market we are in, what do our customers demand and what is it we do?

The market and evolving customer demand

The market for facility services comprises six main service types: cleaning services, support services, property services, catering services, security services and facility management.

The decision on whether a given service is better undertaken by an in-house or external service organisation is typically the first evaluation point for the customer. The trend on outsourcing is evolving positively for the facility service industry as customer segments are choosing, at varying rates, to focus on their core activities, and consequently outsourcing rates increase, which is one of the key drivers for growth in the facility services market.

Drivers of the decision to outsource include a lack of in-house resources and expertise or a desire to improve service quality and efficiency, increase flexibility, reduce costs, manage risks and provide brand protection. In a recent market study, an analysis of customer requirements was undertaken through a survey of over 600 customers. The study confirmed that these are the key requirements of customers of facilities services. An offering must address each of these drivers in order to demonstrate to the customer that the chosen provider has the ability to provide a superior solution to his own – and the offerings from other service providers.

It is the role of the facility service provider to coordinate and oversee that the facilities are managed and maintained in a safe, secure, and environmentally-sound

manner and that maintenance of these facilities are performed in a cost effective manner with the aim of providing the customers or users a good working environment as well as preserving the long-term value of the facility.

A decision to outsource will also entail a decision on whether to choose a single service outsourcing model or a multi-service or integrated facility services (IFS) outsourcing model. Though it varies from market to market, the single service model still remains a dominant choice. However, there is clearly a growing trend in our customers' overall propensity to procure bundled or integrated services (locally, regionally and globally) as businesses generally attempt to limit complexity, enhance efficiencies and add value by reducing the number of service suppliers.

The market has an estimated value of approximately USD 900 billion and is highly fragmented with many players ranging from large multi-nationals such as ISS to small local operators. The universe of providers of facilities services can be broadly divided into two camps, those adhering to the traditional facilities management model where services are provided through sub-contractors and those committed to a self-delivery model where the provider delivers essentially all services through their own personnel. The traditional facilities management model was established primarily as a cost reduction exercise while the self-delivery model allows for a greater level of added value in the service provision. For example, the extended use of sub-contractors, each with their own values and processes, is not able to deliver the same level of risk mitigation, nor is it able to provide consistent delivery across sites, in comparison with self-delivery.

Our offering and value proposition

We have built a comprehensive offering in order to meet customers' evolving demand for high quality self-delivered services with credible risk transfer and operational efficiencies.

Our offering is comprised of six services, cleaning services, support services, property services, catering services, security services and facilities management. Today we deliver this offering as single-service, multi-services or IFS. IFS is the provision of multiple services under one contract, together with on-site management through a single point of contact with the customer. This allows us to integrate the facility service functions at the customer's premises. By offering an IFS solution, we provide customers not only the benefits of specific service types, such as service excellence, labour management, the transfer of operational risk and our

OUR UNIQUE VALUE PROPOSITION AND COMPETENCIES

Value added offering
- Credible and effective risk management, including HSE and local labour law management
- Brand protection

Delivery capabilities
- Single-service excellence
- Consistent delivery globally
- Flexible delivery model

Integration of services
- One point of contact – convenience
- Efficiencies and financial certainty

procurement expertise, but also the integration of the services which allows our customers to benefit from added convenience, efficiencies and financial certainty.

A key enabler for us to deliver this value proposition is our self-delivery model. We have developed service concepts tailored to specific customer segments thereby ensuring the delivery of a strong and customised value proposition. Ultimately, we are focused on supporting our customers in delivering their value proposition and reaching their goals.

Our broad geographic footprint allows us to deliver this value proposition locally, nationally and globally.

The ISS Way

The current ISS business platform was built through a period of organic and acquisitive growth in order to transform the company to a provider of multiple services, able to self-deliver globally. In 2008, we launched The ISS Way where we changed the focus from building the platform to ensuring greater alignment of our global business. At its core, The ISS Way is about aligning the organisation behind the consistent delivery of our value proposition to customers. Everything we do should support us in the delivery of our unique value proposition to the benefit of our customers and thereby move us forward towards our vision to be the world's greatest service organisation.

OUR BUSINESS FUNDAMENTALS

KEY EVENTS 2012

ISS Netherlands won innovation award

7 June: ISS Netherlands won the 2012 'Business at Your Fingertips Award' for developing an app that helps the facility services workforce do an even better job.

The award was presented by a consortium of SAP, T-Mobile and Magnus TopForce to the organisation with the best idea for an intelligent mobile app.

The ISS team came up with an app that helps the facility services workforce do their jobs better and more efficiently, and meet or exceed our customers' facility requirements.

This award demonstrates that ISS is taking a lead position in the facility services market and is offering services that are ready for future customer requirements.

STRATEGIC CORNERSTONES

Customer focus

We focus on our customers. We serve selected customer segments locally, regionally and globally with specific value propositions through focusing on identifying customer needs and wants. We build sustainable partnerships with customers who value our approach to service.

People management

People management is our core competence. We excel in people management in order to deliver excellence in our service offerings to our selected customer segments. We mitigate risks and volatility transferred from our customers by applying leadership skills, human resource and HSE policies, employee training and skills in complying with local labour legislation. We achieve these benefits by sharing knowledge and best practices within the Group.

IFS strategy

IFS is our strategic aim. We advance our service offering towards IFS by building the ISS palette of services and developing our facility management capabilities. We self-deliver multiple site-based services, and we integrate our service deliveries seamlessly in our customers' organisations and facilities.

Multi-local approach

We strike a balance between autonomy and alignment. We operate with strong local leadership and autonomy to ensure timely responses to operational demands and to benefit from our knowledge of local market conditions. We implement our fundamental Group policies and strategic direction to enable us to exploit best practices and leverage our geographical footprint. We are disciplined and use tight financial control.

To this end, The ISS Way drives the communication and implementation of our business fundamentals. Our vision, values and leadership principles form our core fundamentals. We also have Group policies, which are our formalised "rules of the game" such as our Code of Conduct and Health, Safety and Environment (HSE) policies. We have established common processes – based on tried and true internal best practices – for all the phases of the customer contract lifecycle to ensure the uniform and consistent delivery of our value proposition. We are also establishing more formalised group-wide policies for key functions such as procurement in order to better leverage our scale.

The ISS Way has also led to the global implementation of consistently applied measures of non-financial performance such as of customer experience and employee engagement. These data points provide us invaluable input on how our value proposition is being delivered and how we can better establish a global workforce, who are aligned behind and share our overall corporate purpose.

Finally, we have four strategic cornerstones which provide the overriding strategic direction in which the entire Group is moving and, together with our other business fundamentals, describe what is expected of us collectively and as individuals.

As part of our transformation, we have become much clearer on which services, segments and geographies are essential for the delivery of our value proposition. This is yielding a much more focused and cohesive business platform. As a consequence of this focus, we have made a number of divestments during the past few years, and in 2012, we divested eight businesses with aggregate annual revenue of DKK 872 billion. The divestment of non-core activities benefit the organisation two-fold: we become more focused and able to deliver in the core areas and help accelerate the deleveraging of the Group.

Our continued success in Corporate Clients is a tribute to the organisation's ability to drive the implementation of the alignment strategy and deliver on our unique offering. Looking back, we experienced significant progress in the implementation of our strategy in 2012. The roadmap to becoming the world's greatest service organisation has been formulated and we are well on our way.

Corporate responsibility

As a global company with more than 534,200 employees serving both private and public sector customers in more than 50 countries, ISS influences the lives of many people through providing employment and training as well as providing safe and healthy work environments for millions of employees and customers in the facilities we service.

At ISS we believe that long-term sustainable business success relies on a high level of Corporate Responsibility (CR), as economic, social and environmental issues are inevitably interconnected. Due to our long-held corporate values for quality, honesty and responsibility, our commitment to CR has evolved organically, and today it is an integral part of our values and business strategy as well as an important part of our value proposition to our customers.

We believe, that having sound CR policies embedded in the way we conduct our business is the best way to take care of and motivate our key resource, our employees, and thereby also our customers. If our employees feel safe, satisfied and engaged, our customers are also safe, satisfied and engaged. Furthermore, CR is increasingly becoming an important area for our customers as they strive to improve their performance and make a positive impact on society. The leading global companies require a consistent CR performance from their partners, which is a key factor in winning and retaining contracts with most customers. It is therefore important for us to be able to demonstrate our understanding of their CR goals and our ability to address them. Our systematic approach to CR, such as our Group Health, Safety and Environment management system, supports this and helps us in our efforts to become a preferred partner to our customers and the employer of choice in our industry.

As our company is based on human capital, we need capable and engaged employees who are motivated and proud of working at ISS. We strongly believe that our efforts in CR will contribute to a sense of purpose amongst our employees. Our capable, engaged and motivated employees also contribute to a positive customer experience.

We respect, support and promote human rights and are aligned with the ambitions stated in the United Nations Declaration of Human Rights and the Core Conventions of the International Labour Organisation.

ISS has made a strong commitment as a signatory and supporter of the United Nations Global Compact since its inception in 1999. In line with membership regulations, ISS is committed to aligning our strategy and operations with the ten Global Compact principles on human rights, labour rights, environmental protection and anti-corruption.

Our approach to CR

At ISS, we have adopted a principles-based approach to CR that contributes to sustainable development as defined by the international community. This approach effectively integrates universally accepted principles into

COMPULSORY REPORTS

This CR chapter does not constitute ISS's full report on CR. The full CR Report as per section 99a of the Danish Financial Statements Act is available at www.responsibility.issworld.com/report2012 and in accordance with guidelines from the UN Global Compact to the signatory companies. The CR Report also serves as ISS's communication on progress in implementing the ten principles of the Global Compact.

the way we conduct our business, forming a foundation that is embedded in our corporate values, our Code of Conduct and our strategy, The ISS Way.

ISS holds a unique position in contributing to the following focus areas:

- facilitating the right to work;
- non-discrimination, equal opportunities and diversity; and
- access to education.

Our initiatives and actions

We have developed and rolled out across the Group a strategy for Health, Safety and Environment (HSE) and CR. This strategy is consistent with the overall Group strategy, The ISS Way, and the HSE Vision.

OUR HSE VISION IS CALLED '100'

1: We aim to be number 1 in our industry and recognised as an industry leader in the way we deliver Health, Safety and Environmental performance;

0: We operate with 0 fatalities at our workplaces; and

0: We incur 0 serious incidents and occupational injuries at our workplaces.

For the past three years we have built and implemented an operational framework to create a consistent approach to HSE across the Group. The objective is to achieve continuous improvement in quality and performance. The Group HSE manual, based on four international standards, (OHSAS 18001, ISO 14001, ISO 22000 and ISO 9001), provides a systematic approach to HSE management across the Group. Our systematic approach supports the delivery of our services and thereby helps our customers to reduce their risks in our efforts to become us a preferred partner. All ISS countries have now developed their management systems in accordance with the Group HSE manual ensuring this consistent approach across the Group.

To improve our overall HSE and CR performance, a Group HSE and CR action plan is issued each year. The plan is based on our current HSE and CR performance, and the stated targets and actions are reviewed and amended annually as deemed appropriate to meet our HSE Vision. Actions that countries were required to incorporate in their country action plans in 2012 were for instance:

- Develop a three-year HSE strategy to meet our HSE Vision '100';
- Develop and report on their environmental performance and plans for improvement;
- Investigate incidents to determine the root causes and take corrective action in order to ensure that the incidents do not re-occur.

A part of the overall strategy for HSE and CR is to demonstrate our performance through measuring, monitoring and reporting. To support this goal, in 2011 we began to implement an HSE – IT tool, a performance management system that enables us to monitor and document performance, compliance and risk management within HSE. The implementation continued in 2012, and the system has now been rolled out to all regions of the Group. Our HSE system has two main purposes; first and very importantly raising the aware-

ness for employees and stakeholders, and secondly improving the quality of our reporting globally. We believe that a systematic approach to reporting, investigating and developing corrective action will improve our HSE culture. More importantly, it will also help ensuring that responsibility and ownership of HSE is transferred to operations, i.e. the individual ISS regions, countries and business units.

The primary purpose of gathering HSE and CR data is to manage HSE and CR risks by monitoring performance. The data will also be used to inform ISS management and external stakeholders of our performance and track progress towards the achievement of our HSE and CR commitments.

HSE initiatives

In order to stay on course and keep HSE in constant focus, in 2010 we ran the global campaign 'Me and You' for the first time. The campaign covered safety, health and the environment and emphasised that HSE is a common responsibility and that we all play an important role in HSE. In 2012, the campaign was re-launched in March, June and September focusing on the challenges we currently face in each of the three areas. The safety campaign focused on working at heights, slips, trips and falls, driving safely and working alone. The health campaign focused on a healthy back, chemicals and personal protection equipment, while the environmental campaign focused on reducing energy, reducing waste and conserving water.

Environment is one area that we plan to focus on even more in the coming years. The main environmental impact from ISS's operations derives from our cleaning services and consists of the use of chemicals as well

KEY EVENTS 2012

ISS is getting greener

12 October: ISS launched the ISS Green Offices Programme – a voluntary office-based programme designed to reduce the impact of ISS's offices and daily work practices on the environment.

There are three progressive levels of the programme: ISS Bronze, ISS Silver and ISS Gold. To receive certification for each level, certain requirements must be complied with.

One of the main categories of initiatives under the programme is behavioural change, such as simple things like turning off lights and switching off the computer when leaving the workplace.

By changing our behaviour, we can reduce our environmental footprint by using resources efficiently and disposing our waste responsibly.

KEY EVENTS 2012

Absenteeism halved in ISS Norway

13 January: ISS Norway reduced sickness absenteeism to 7% in 2011 from 17% in 2001, when an agreement between the Norwegian government and employer/employee organisations was signed. Most of the reduction has been in long-term absence, which is typically the greatest challenge in our industry.

Since the signing of the agreement ISS Norway has worked systematically on reducing sickness absence through implementation of a wide range of procedures and systematic actions to follow up, among other things by ensuring that every manager knows what to do, when someone falls ill for a longer period and that those who are ill should be regarded in a positive way.

The effort to reduce sickness absence has at the same time supported people's well-being at work, which was confirmed by the latest employee survey conducted by ISS Norway.

as water and energy consumption. We also emit CO_2 through the use of cars in our operations and travel activities. There are three ways in which we can influence the extent of our impacts:

- Through conscious behaviour in terms of consumption at our own sites;
- Through the design of processes and equipment, which we use at our customer sites;
- Through the portfolio of services we offer to our customers.

Many ISS operations are already certified to environmental standards such as ISO 14001, LEED, Green Seal, but with the implementation of the HSE manual, including the management and reporting system, we are now able to govern our own impact on the environment in a more structured and systematic way.

In 2012, we continued to measure and take actions to reduce the consumption of electricity and water at our own sites, enabling us to establish baseline data for these consumptions. We also continued to measure the CO_2 emissions from our car fleet and business travel. Furthermore, we are developing concrete value propositions that we can offer our customers to help them reduce their CO_2 impact.

Other CR initiatives

ISS has developed a whistleblower policy to enable all ISS employees, business partners and other stakeholders to report suspected violations or concerns relating to any matter of exceptional gravity or sensitivity. The policy was approved by the Danish Data Protection Agency in 2011. To support the policy, during 2012 we have implemented and launched a reporting system and protocol for managing incidents reported under the Whistleblower Policy. The policy is supported by an externally hosted IT system that provides a secure reporting tool in full confidentiality. The tool is open to all our stakeholders and can be accessed from a link on our corporate website.

In terms of responsible procurement, ISS developed a supplier self-assessment questionnaire for our major vendors dealing with issues such as our Code of Conduct, forced labour, non-discrimination, human rights and child labour. This was to ensure that we also include the supply chain in our scope. In 2012, we followed up on this process with two audits carried out at our suppliers' factories in Dhaka, Bangladesh and Sharjah, United Arab Emirates.

Our performance and targets

Consistent with the ISS values, our highest priority is to protect our employees from injury. Therefore, we will be steadfast in our commitment to making our workplaces free from hazards, and we will operate under the assumption that all injuries can be prevented, and that injuries in the workplace are unacceptable. Our goal will always be zero injuries and zero environmental incidents, and this must be clear to everyone in the organisation.

The following Group targets were established for 2012:

1. In accordance with the HSE Vision, our first priority is to prevent fatalities at our workplaces. Our Group target is zero.
2. In terms of Lost Time Incidents Frequency (LTIF), the Group target was to reduce LTIF by 40% from our baseline figure to less than 8, with further reductions in the coming years.
3. In terms of Total Reportable Cases Frequency (TRCF), the Group target was to reduce our TRCF by at least 30% from the baseline of 23 with further reductions in the coming years.
4. At least one management review by country management of the suitability, adequacy and effectiveness of the country's HSE management system as per the Group HSE manual.
5. To conduct an annual employee engagement survey with a target to have offered 250,000 of our employees to respond to the questionnaire by the end of 2012.
6. To carry out audits of at least 20% of the countries we operate in regarding CR-related issues.

Our performance for the last three years in relation to the established targets is shown below.

Sadly, the 2012 reporting shows a number of fatalities associated with our operations: seven people have died at our workplaces in 2012. The number of fatalities is not acceptable and to achieve our HSE Vision of zero fatalities, we have improved our investigation techniques to ensure that we determine the root causes of such incidents, learn from them and prevent them from re-occurring. We are also working on driving our safety culture throughout the organisation and making safety a common responsibility. We will focus our efforts going forward on getting management at all levels to understand their roles and responsibilities for safety. Our success depends on the full commitment from all levels of management starting at country management level and this is a vital requirement of our Group HSE manual.

Going forward

We believe that we now have a solid foundation for both systematic risk management and reporting supported by management systems and IT tools. Going forward, our focus is on embedding hazard identification and risk management in our operations and continuing to improve our incident investigation performance. We will also further develop the value propositions for our customers by identifying the needs, providing solutions and outcomes based on our competencies and experience in these areas.

HSE PERFORMANCE

	Target	Performance		
	2012	2012	2011	2010
Fatalities	zero	7	7	5
Lost Time Incident Frequency (LTIF)	less than 8	8	10	11
Total Recordable Case Frequency (TRCF)	less than16	13	16	19
Management reviews (% of countries)	100	94	98	-
Employee engagement survey (number of employees covered)	>250,000	251,746	150,000	-
Audits on CR (% of countries)	20	30	25	-

“

I do my part to make the business flourish

Odair Pereira Flausino
ISS gardener at Monsanto São José dos Campos, ISS Brazil

The outdoor premises at Monsanto São José dos Campos are beautiful – green and flowering. Odair’s job is to keep the premises looking welcoming for guests and employees at Monsanto and he takes pride in making the world around us healthy and beautiful.

Our employees

ISS is one of the world's largest private employers with more than 534,200 employees. We deliver all services through our employees and count our employees as our most valuable asset and factor to success. The services they provide on a daily basis are the main reason for our success – it is through their work, we deliver our services and create and sustain value for our customers.

The Human Resources vision and strategy

Engaged employees are a prerequisite for satisfied customers. This principle is at the heart of our strategy, The ISS Way, and the core of our belief system. Consequently, the Human Resource (HR) vision and strategy plays an extremely important role in achieving our strategic objectives.

Implementation of the HR strategy is supported by "The Role of Direction of HR" developed in 2011 for the purpose of aligning the global HR efforts. "The Role and Direction of HR" describes the link between HR competencies, the HR strategy, our strategic cornerstones and The ISS Way strategy. We have identified eight core HR competencies that we must excel in within our Group. To ensure that we progress to uniform high levels within all ISS organisations globally, we have selected five key competencies to focus on and hence intensify activities through:

- Leadership development
- Employee engagement
- Talent management
- Succession planning
- Performance management

These key priorities move the company towards the vision that leaders at every level of the organisation live and breathe the ISS leadership principles – promoting teamwork and collaboration across borders and across our organisation – ensuring that each and every one of our more than 534,200 employees work towards our shared vision of being the world's greatest service organisation. This is a journey which is challenging and hugely inspiring for both employees and leaders of the Group.

ISS's performance management system plays an important role in each of the above key initiatives, but especially in relation to talent management, succession planning and performance management. The system is the principal tool for assessing individual capabilities. Feedback during an annual performance evaluation and target-setting process, including a mid-year review, helps to develop the full potential of the individual managers. In addition to facilitating the process, the performance management system provides ISS with a basis for talent management and succession planning.

Leadership development and training

Leadership development is a must-win battle for ISS, and people management is a strategic cornerstone in order for us to deliver excellence in our service offering. The ability of our leaders at all levels to guide and motivate must be based on human understanding, respect and responsibility.

The ISS Way of managing and leading is described in our nine leadership principles. These outline how we relate to our customers, how we bring out the best in our employees and how we ensure that everyone is treated fairly and with respect. The leadership principles help create a working environment that benefits our employees and the customers we serve.

It is a core HR discipline to ensure that we have appropriate training and leadership development programmes in place, at all levels of management. Training and

KEY EVENTS 2012

ISS employees get global experience

18 September: Two cleaning employees from ISS Singapore, Mr. Alsagoff and Mr. Wagimin, spent nine days at the high-performance carmaker McLaren's premises in Woking, near London, undergoing training on cleaning the factory floor to McLaren's very high standards. ISS has the contract to provide certain services to McLaren Technology Centre.

The two employees were chosen to go on this trip – which was jointly sponsored by the Group head office, ISS Singapore and ISS United Kingdom – as a reward for being among the best in their field. Returning to Singapore they contributed to raise awareness for their colleagues, customers and several unions in Singapore.

ISS LEADERSHIP PRINCIPLES

1. At ISS we put the customer first
2. At ISS we have a passion for performance
3. At ISS we encourage innovation
4. At ISS we treat people with respect
5. At ISS we lead by example
6. At ISS we lead by empowerment
7. At ISS we develop ourselves and others
8. At ISS teamwork is at the heart of our performance
9. At ISS we are one company with shared values, one brand and one strategy

leadership development is a priority as we build human resource excellence, because we believe that an investment in our employees is an investment in our customers and our business.

Our company requires many different sets of people skills. This places great emphasis on our ability to train and develop employees. While some employees may want to stay in their current jobs, we need to encourage development whenever we see the possibility. Every business unit must ensure that employees are properly skilled through local training and development programmes. This enables us to offer our employees flexibility in their job functions, thereby strengthening our collaboration with our customers.

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

Additionally, in order to implement strategic initiatives, such as cleaning excellence and the integrated facility service (IFS) concept, ISS continues to develop key specialists and leaders for train-the-trainer. This is supplemented by local initiatives.

The ISS University focuses on continuously enhancing the competencies of ISS executives. The "ISS Advantage" management induction programme for executives of the Group highlights The ISS Way strategy and our ISS value chain management tool. As in previous years, the ISS University programme portfolio consisted of internal and external seminars designed in cooperation with institutions such as IMD and Henley Management College.

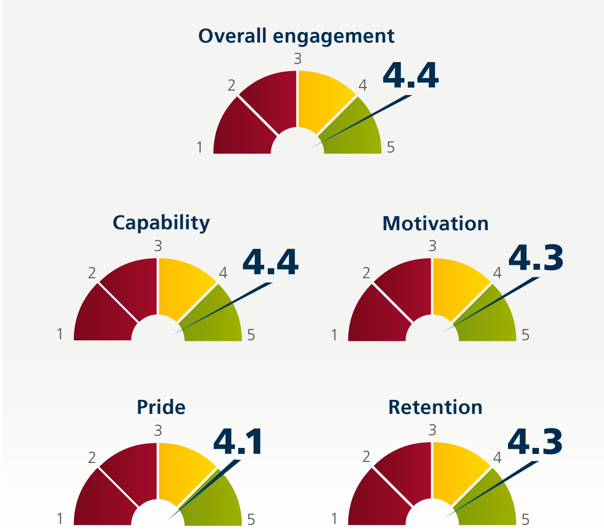
Employee engagement and retention

The success of each service delivered depends on the people delivering it. With more than 534,200 employees worldwide, this makes employee engagement one of the most important elements at ISS. Employee engagement exists when every level of the organisation is staffed with people who understand what is expected of them, have the necessary skills and desire to deliver services in a way that strengthens the customer's experience of service value.

In 2011, we piloted a global Employee Engagement Survey (EES) to gain insights into where we can improve employee engagement in order to improve ISS's profitability and customer satisfaction. Around 150,000 employees were surveyed in 2011. During 2012, the survey was fully rolled out with more than 250,000 employees across all continents being surveyed using a uniform questionnaire globally, which enables us to compare the results around the world. The survey focuses on measuring four key drivers of employee engagement:

- Capability – do our employees feel that they are capable of fulfilling their roles?
- Motivation – are our employees motivated to deliver what is expected of them?
- Pride – do our employees feel proud about working for ISS?
- Retention – how likely are our employees to stay with ISS?

GLOBAL EMPLOYEE ENGAGEMENT SURVEY RESULTS



Based on the result of the survey, which showed an overall employee engagement of 4.4 out of a possible 5, which we are very pleased with, we know that we have a high degree of engagement in the Group, but more importantly we now have a much better insight into what is important to our employees in their work environment.

While we are pleased with the results of 2012, we will continue to work on improving employee engagement at ISS. Understanding what drives our employees' engagement is critical for improving employee engagement and in that respect the EES is an extremely important tool. Through the survey we are able to provide managers at all levels with specific information about their teams and their employees, allowing them to address the causes for lower engagement and drive the individual employee's engagement higher. Going forward, the employee engagement surveys will be linked to carrying out the customer satisfaction survey, which will enable leaders to draw parallels between the different surveys.

The service industry generally has a high degree of employee turnover, as part of the industry is often considered suitable for short-term or secondary employment. At ISS, we pursue a range of strategies to retain our employees by offering training and development as explained above, more full-time and daytime work, multi-task jobs, teamwork, career opportunities, leisure activities, etc.

In 2012, the share of full-time employees (working 30 hours or more a week) was 73%, unchanged from 2011. This indicator is important, as in general, full-time employees develop stronger ties with ISS. The distribution of employee seniority (in years) provides another perspective for employee loyalty within ISS. In 2012, approximately 69% of the Group's employees had been with ISS for more than one year, an increase from 66% in 2011.

PEOPLE INDICATORS

	2012	2011	2010
Total employees	534,200	534,500	522,700
Full time employees	73%	73%	73%
Part time employees	27%	27%	27%
Total employees > 1 year	69%	66%	61%

KEY EVENTS 2012

ISS United Kingdom employee received Apple Award

18 December: ISS employees are doing great things every day to delight their customers. With the Apple Awards, ISS United Kingdom wants to celebrate employees who really understand what matters to their customer and then deliver on that.

The Apple Award for 2012 went to Client Services Manager, Francesca LeTall, who considered, prepared and planned for the arrival of a Chinese banking delegation to Standard Bank. She provided a truly personal-ised service for the delegation's meeting with the Bank, by researching and educating her team in Chinese etiquette. She incorporated a fun business etiquette quiz to make the team think about the body language and gestures they use and how they can mean different things to different nationalities.

These actions and details, although small, ensured that the visitors felt not only respected but special and highly valued to Standard Bank.

Equal opportunities

ISS rewards its employees solely on the basis of merit. When recruiting, developing and promoting, ISS focuses on the individual capabilities and qualifications of a candidate and not on the person's gender, age, ethnic origin, religion, political views, etc.

Thanks to our corporate culture, and aided by language courses and adapted training materials, ISS is an employer of choice for many immigrants and ethnic minorities. In all regions but especially in Western Europe, ISS is among the largest employers of ethnic minorities. For ISS, diversity is a strength.

Employee and trade union relations

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

In June 2009, the EWC and ISS signed a new four-year EWC agreement. The EWC meeting agenda includes information and consultation on matters relating to the Group's subsidiaries in Europe, in particular concerning the structure, financial situation, development of ISS, the current situation and probable trends of employment. Discussions have also involved the introduction of new working methods and processes, training and HSE issues, provided that such issues may affect the interests of the employees of the Group in more than one country in Europe. A total of 25 representatives from 17 countries took part in the 2012 EWC annual meeting.

The global agreement between Union Network Interna-tional (UNI) and ISS was renewed in 2008. The agree-ment aims at enabling all ISS employees worldwide to exercise rights to union membership and collective bargaining. As part of the agreement, ISS and UNI created the Global UNI-ISS Foundation in 2009 for the purpose of monitoring and improving employment standards within the service industry globally.

Risk management

At ISS we consider risk as an integrated part of doing business. Risk-taking provides opportunities, but it can also hinder the achievement of our goals. Risk management reduces risk and ensures that the risks we take on for customers and ourselves are calculated and well-managed. Effective risk management is therefore an important tool in helping us reduce uncertainty and ultimately achieve our objectives.

ISS continuously seeks to identify, evaluate and mitigate risks that may have an adverse effect on the Group's ability to achieve the strategic objectives and financial performance.

Operational and financial risks are managed in accordance with policies adopted by the Board of Directors (the Board). Detailed plans and business procedures for a number of functions are also described in manuals and guidelines. The policies for operational and financial risk management and Group standards are documented and distributed to the operating companies.

It is the responsibility of directors and managers at all levels of the organisation to ensure that the assessment of risk is formalised and understood, appropriately managed and reported in accordance with the internal policies. Group Controlling, Group Internal Audit, Group Risk Management, Group Tax, Group Legal and Group Treasury supervise compliance with these standards.

Operational risk management

ISS is exposed to operational risks through its actions and activities at own premises as well as at customer premises. Operational risks are assessed based on the activities of each operating company, historic and current claims events, and the markets in which the companies operate. Furthermore, operational risks are assessed on an individual site-by-site basis at customer premises where we provide our services. Operational risk is monitored and mitigated in accordance with Group standards for risk management, risk financing, Health, Safety and Environment (HSE) management and good operational practice.

Operational risk is managed based on insurance and own funding, primarily through global insurance programmes managed centrally by ISS.

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

Financial risk management

ISS is exposed to financial risks as a result of its operating activities, investing activities and financing activities. The Group's financial risks are managed centrally in Group Treasury based on policies approved by the Board. The Group's financial risk management is described in detail in note 37 to the consolidated financial statements.

Key risk factors

The risks listed in the following are those that the Board and the Group Management Board currently view as being the most significant to our business. The purpose of the key risks is to provide a high-level perspective on risk areas related to The ISS Way strategy, including related risk initiatives. The risks are presented in the context of the entire Group, which means that risks are considered globally applicable in the organisation. The examples of mitigation action plans presented are therefore largely Group initiatives. As a consequence, the risk environment and prioritisation of Group risk mitigation action plans may be different at country level, reflecting the decentralised nature of our organisation.

Macroeconomy

RISK FACTORS	RISK MITIGATION EXAMPLES
Growth: We consider that the growth in demand for our services generally correlates with economic conditions, including growth in gross domestic product, in the countries in which we operate. We believe that the facility services industry is less sensitive to macroeconomic cycles than a number of other industries are. However, economic downturns or otherwise uncertain economic outlooks in the markets in which we operate or on a global scale could adversely affect demand for outsourcing facility services. Periods of recession or deflation may adversely impact prices, payment terms and demand for services, particularly if customers downsize their businesses or reduce their demand for services.	We monitor market developments on an ongoing basis, both locally and globally, as part of our general management and annual strategy process. In addition, we strive to predict market dynamics including market trends within the services industry that could affect our business in the long term. For example, in cooperation with the Copenhagen Institute for Futures Studies (CIFS), we have carried out a study on the future of Facility Management seen in a global perspective. The study is available at www.issworld.com. During the recent economic downturn, in certain regions and in certain customer segments, we have experienced reduced activity levels that have negatively impacted our revenue and put pressure on our operating margins. Generally speaking, however, we have been able to offset these factors by taking appropriate steps to adapt our cost structure. Our portfolio business tends to be more resilient and therefore less affected during periods of economic downturn than our non-portfolio business.

Growth strategy

RISK FACTORS	RISK MITIGATION EXAMPLES
Market demand: Our organic growth strategy depends on the current and future trend across both the private and public sectors to outsource facility services and procure contracts nationally or internationally. In particular, the growth of our business depends on the continued growth in demand for the outsourcing of facility services, either as single-services, multi-services or integrated facility services (IFS).	Sustaining the organic growth of our business requires us to adapt continuously to meet the needs of our existing and potential customers. Consequently, the existing business platform is evaluated on an ongoing basis. Further, we strive to meet our customers' requirements by adapting appropriate sales, operational and risk management processes to reflect the needs of our customers.
The ISS service delivery model: Our organic growth strategy relies on various factors including our ability to cross- and up-sell, our ability to continue to self-deliver IFS to local and multi-national customers and the recognition by such customers that we are one of very few service providers positioned to provide such services, whether on a global or a local scale.	We evaluate our existing business platform – in terms of the services delivered, our capabilities and the geographies in which we operate – on an ongoing basis to ensure that it reflects both the current and future requirements of our customers.
Emerging markets: Our ability to establish a presence in new markets and to grow our market share in existing ISS related emerging markets. In recent years our growing Corporate Clients portfolio has brought growth to existing ISS markets as well as new markets, increasing the risk.	The risk is managed through applied standard operational procedures as well as detailed risk analysis when going into new markets and segments.

Customer contracts

RISK FACTORS	RISK MITIGATION EXAMPLES
Contract risk: The profitability of our contracts generally depends on our ability to successfully calculate prices by taking into consideration all economic factors, use of subcontractors, direct as well as inherent liabilities, and our ability to manage our day-to-day operations under these contracts. Examples of risk factors to our contracts include the potential failure to predict the costs of and identify all risks associated with our contracts, e.g. employee-related liabilities or the complexity of the services delivered, which may result in lower-than-expected margins, losses under these contracts or even the loss of customers.	The risk is managed through various management policies and frameworks. Among other measures, a formal framework and IT platform for contract risk management and contract approval has been developed as well as a formal framework for the approval of large contracts.
Operational risk: Operational error or contract non-compliance in general constitutes a risk that could result in unexpected costs. Furthermore, as our services are increasingly becoming an integrated element of our customer's value streams, there is a risk of causing a disruption of our customers' business operations and/or brand damage, if operational procedures and contract requirements are not complied with.	We seek to mitigate these risks by applying best operational practices using the ISS Operational Process Framework when entering into contractual agreements with our customers. To address the risk, in 2012, we developed a management information system, 'Insight@ISS', allowing information to be collated, reviewed and analysed on a global basis to support the operational and financial management of contracts. In addition, operation risk reviews and audits are performed within selected industries where deemed appropriate.

Employee capacity

RISK FACTORS	RISK MITIGATION EXAMPLES
Employee qualifications: For our continued success we rely strongly on our effective decentralised organisational structure in which country and regional managers retain substantial autonomy regarding the management of operations in their local markets. As a result, we depend strongly on these local managers. Similarly, qualified local and regional managers are essential in order to ensure best practices being shared across the Group, effective management continuity and the implementation and management of our growth strategies as Group policies and operational processes.	ISS's management structure and processes have been set up to support the continuous improvement of local managers' and employees' qualifications. For example, the ISS Operational Process Framework best practices are shared and implemented through formalised train-the-trainer programmes supporting continuous improvement and compliance with Group policies and procedures as well as the enhancement of our local managers' and employees' capabilities.
Employee retention and attraction: Our competitive strength depends strongly upon our ability to attract, train and retain employees.	The ISS HR strategy has five priorities that all work towards attracting, engaging and retaining our employees: **Leadership development:** Ensures global and regional leadership development programmes are in place and adhere to The ISS Way strategy and leadership principles. **Engagement:** We have established a global survey to measure employee engagement and commitment to the purpose of ISS. **Talent management:** Focuses on talent identification through the succession planning process and on working together with regions on development plans that help people prepare for key roles. **Succession planning:** Creates a continued focus on succession planning to mitigate risk and drive The ISS Way strategy. **Performance management:** We strive to ensure that each employee knows the purpose of his or her role as well as objectives which are aligned with the overall purpose of the company.

Competition

RISK FACTORS	RISK MITIGATION EXAMPLES
Competitors: The facility services market is fragmented with relatively low barriers to entry and there is significant competition from local, regional, national and international companies of varying sizes and financial abilities offering an array of service capabilities. We also face competition from in-house providers.	We believe that our self-delivering capabilities, our ability to deliver reliable and flexible service concepts and services across borders, Group-wide HSE standards, credible risk transfer as well as our general process and management systems all contribute towards positioning ISS very favourably in the markets in which we operate. Furthermore, the market for large and complex international contracts generally has higher barriers to entry than the facility services market in general.

Regulatory environment

RISK FACTORS	RISK MITIGATION EXAMPLES
Regulatory environment: Due to the nature of our industry and the global reach of our operations, we are subject to a variety of laws and regulations governing areas such as labour, employment, immigration, health and safety, tax (including social security and salary taxes), corporate governance, customer protection, business practices, and the environment. Changes in such laws and regulations may constrain our ability to provide services to customers or increase the costs of providing our services. To the extent that we are unable to pass on to our customers the costs of compliance with stricter or changing requirements (e.g. increases in labour costs mandated by law or collective bargaining agreements) and taxes, our margins may decline. In particular, because of our large workforce, laws and regulations relating to labour, employment (including the transfer of employees), social security, health and safety of employees and immigration affect our operations and the cost of compliance significantly affects our results and financial condition.	Both locally and globally we strive to monitor and foresee changes in legislation which could have a negative impact on our financial performance. Operationally several measures are in place as an integrated part of Group policies such as the Group Corporate Governance Guidelines and the ISS Operational Excellence Framework, including the contract risk framework. As part of the formal contract framework, contract price regulation mechanism risks as well as other uncertainties must always be considered, assessed and approved before a contract is signed to mitigate the potential risk of unexpected costs during the contract period. Other examples are HSE standards based on best practice being implemented throughout the Group as well as mandatory training modules in Anti-Corruption/Bribery and Competition laws for our more than 2,000 top managers throughout the Group.

Governance

> I clear the way for people's recovery

Kim Johansson
Cleaning teamleader,
Uppsala University Hospital
ISS Sweden

Kim leads a team of brilliant cleaners working at the Uppsala University Hospital. A clean hospital is essential to helping patients recover and Kim knows this. He cares for the patients at the hospital and it boosts his moral when patients commend the level of cleanliness.

Corporate governance

Corporate governance practices at ISS are implemented in a dynamic process with the Board of Directors continuously assessing the need for adjustments to benefit ISS stakeholders and the Group itself.

The Board of Directors regularly reviews the Group's corporate governance in relation to the Group's activities, business environment and statutory requirements.

Corporate governance policies and procedures at ISS take into account the Danish Companies Act, the Danish Financial Statements Act, International Financial Reporting Standards (IFRS), the Danish Venture Capital and Private Equity Association's (DVCA) Guidelines for Responsible Ownership and Good Corporate Governance as well as corporate governance practices for companies of ISS's size and global reach. The DVCA Guidelines for Responsible Ownership and Good Corporate Governance are available at www.dvca.dk.

Shareholders

ISS A/S is a limited liability company incorporated and operating under Danish law. The company's share capital is indirectly owned by funds advised by EQT Partners (EQT) and Goldman Sachs Capital Partners (GS Capital Partners), as well as Ontario Teachers' Pension Plan (Teachers') and KIRKBI Invest A/S (KIRKBI). EQT and GS Capital Partners (together referred to as the Principal Shareholders) indirectly hold approximately 40% and 33% of the share capital respectively. Teachers' and KIRKBI indirectly hold approximately 26% of the share capital. The remaining approximately 1% of the share capital is indirectly held by certain members of the Board of Directors, the Executive Group Management Board and a number of senior officers of the Group through Director and Management Participation Programmes as described below.

For information about the shareholders, reference is made to www.goldmansachs.com regarding GS Capital Partners, www.eqt.se regarding EQT, www.otpp.com regarding Teachers' and www.KIRKBI.com regarding KIRKBI.

1) Certain members of the Board of Directors, members of the Executive Group Management Board and a number of senior officers of the Group have invested, directly or indirectly, in shares, warrants or loan notes in FS Invest S.à r.l (FS Invest), ISS's ultimate parent company. The total number of shares held by these directors and officers is approximately 1% of the total share capital.

Management

ISS has a two-tier management structure consisting of:

- the Board of Directors (the Board), and
- the Executive Group Management Board (the EGM).

The Board determines the overall Group strategy and supervises the company's activities, its management and organisation. The EGM is responsible for ISS's day-to-day operations. The two bodies are separate and have no overlapping members.

Board of Directors

The Board has seven members appointed by the general meeting for a period of one year. Board members are eligible for reelection. Six Board members have been nominated jointly by the Principal Shareholders and one Board member has been nominated by Teachers'. Four members are independent, while three members are representatives of the Principal Shareholders and Teachers'.

In addition to the Board members elected at the general meeting, three employee representatives also serve on the Board. They have been 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 following the annual general meeting on 1 March 2011. The employee representatives have the same rights and obligations as other members of the Board.

The Board functions in accordance with the rules of the Danish Companies Act, the articles of association and its rules of procedure, which provide guidelines for the Board's work in general. Board resolutions are generally passed by a simple majority, and in the event of an equality of votes, the Chairman casts the deciding vote.

The Board convenes at least six times a year. Extraordinary meetings are convened whenever specific matters require attention between scheduled meetings. A total of eight Board meetings were held in 2012. The Board receives a monthly financial and operational reporting package and is briefed about important matters between Board meetings. The Board approves the strategy plan, the annual budget and certain large acquisitions, divestments and integrated facility service (IFS) contracts based on recommendations from the Transaction Committee (see Board Committees).

An appraisal of the Board is carried out annually to assess the competencies of the Board, the effectiveness of its work and how the Board ensures that relevant corporate governance principles are applied.

More details on the Board members are available on pages 70-71. Remuneration to the Board is disclosed in note 5 to the consolidated financial statements.

Board Committees

Currently there are three committees that report to the Board.

The Audit Committee evaluates the external financial reporting, and monitors and challenges the main accounting policies and estimates as well as the systems of internal controls and risk management. Its duties also include supervision of the external auditor and the internal audit function in addition to evaluating the relationship with the external auditors and reviewing the audit process. The Board appoints the committee members and the chairman of the committee who cannot be the Chairman of the Board. The committee consists of four Board members (currently Leif Östling, Michel Combes, Steven Sher and Jo Taylor), and meetings are also attended by the Group CFO, the Head of Group Controlling, the Head of Group Internal Audit and the Group General Counsel. Leif Östling is chairman of the committee, which held six meetings in 2012.

The Transaction Committee considers ISS's procedures for acquisitions, divestments and larger IFS contracts, reviews the transaction pipeline, approves certain large transactions in accordance with adopted procedures, and evaluates selected effected transactions. The committee consists of three Board members (currently Steven Sher, Harry Klagsbrun and Jo Taylor), and meetings are also attended by the Group CEO, the Group CFO, and, as applicable, the Head of Group Strategy and Corporate Development and the Head of Global Corporate Clients. Steven Sher is chairman of the committee, which held three meetings in 2012.

The Remuneration Committee recommends the remuneration packages and incentive schemes for the Group CEO, and provides input on remuneration in respect of other EGM members, certain senior officers, and compensation levels and bonus systems in general. The committee consists of four members of the Board (currently Ole Andersen, Harry Klagsbrun, Steven Sher and Jo Taylor), and the Group CEO participates in meetings except when the Group CEO's remuneration is tabled for discussion. Ole Andersen is chairman of the committee. The committee held three meetings in 2012.

AGENDA ITEMS TO BE TRANSACTED BY THE BOARD OF DIRECTORS EACH YEAR

December
- Approval of annual budget
- Review of capital structure and financing
- Corporate governance assessment
- Review of insurance cover
- Review of remuneration policy

November
- Approval of Q3 report

October
- Review of approval thresholds for matters that are unusual or of great significance
- Review of charters for committees and composition of members, and consider new committees
- Description of skills of the Board
- List of independent board members
- Assessment of the competencies and composition of the Board

August
- Approval of Q2 report
- Review of whistleblower policy
- Review of Group Internal Audit and its charter

March
- Approval of Annual Report
- Decide on going concern assumption
- Session with external auditor and Head of Group Internal Audit without the EGM

May
- Approval of Q1 report
- Review of rules of procedure for the Board and the EGM including review of internal rules
- Review of enterprise risk management
- Evaluation of (i) performance of individual members of Board (ii) performance of the EGM and (iii) cooperation between the Board and the EGM

June
- Review of communication and stakeholder policy including communication strategy and identification of key stakeholders
- Review of CR policy
- Review of organisational structure of the Company
- Review and approval of overall strategy, business and action plan including review of necessary competencies and financial resources

Executive Group Management Board

The EGM consists of Group CEO Jeff Gravenhorst and Group CFO Henrik Andersen. The primary tasks of the EGM are to carry out the day-to-day management of the Group, develop new strategic initiatives, develop Group policies, monitor Group performance and evaluate investments as well as acquisitions, divestments and large facility service contracts.

Group Management Board

The Group Management Board (the GMB) is headed by the Group CEO, and includes the Group CFO, Regional CEOs, Regional CFO Europe, Head of Global Corporate Clients, Head of Group Human Resources, Head of Group Strategy and Corporate Development and the Group General Counsel. The primary tasks of the GMB are to develop and execute new strategic initiatives, develop and implement Group policies, monitor Group performance, review financial matters, coordinate and evaluate acquisitions, divestments and large IFS contracts and to provide the EGM with input for decision-making purposes.

A member of the GMB is not permitted to hold directorships in companies outside the Group unless specific consent is granted.

An overview of heads of Group functions of the Group head office is available on page 184.

Country Management

In each of the countries in which ISS operates, country management teams are appointed to manage the business in accordance with Group policies and procedures as well as local legislation and practice. ISS delegates substantial autonomy and considerable power to the country management teams including management of operations in their relevant markets, financial reporting, local tax and compliance with local legislation and practices.

An overview of the country managers of the Group is available on pages 185-187. The country management teams are set out under each relevant country on the ISS website at www.issworld.com.

Remuneration

Each Board member (except representatives of the Principal Shareholders and Teachers') receives a fixed annual fee and members of the Board committees receive an additional fixed fee. Remuneration to the Board is reported in note 5 to the consolidated financial statements. The investment by certain Board members in the Directors' Participation Programme is described below.

The members of the EGM and the GMB are remunerated with a combination of fixed salary, standard benefits in accordance with market standards and, for most members, a performance-based bonus of up to 60% of their fixed salary, which in the event of extraordinary performance (significantly above budget) can be up to 90% of the fixed salary. The bonus is subject to achieving performance targets for the Group's key operational objectives; cash conversion, organic growth and operating margin.

The EGM and the GMB also participate in a Long-Term Incentive Programme (LTIP). The LTIP is cash-based and the initial grant has a value of up to 15% of the annual base salary. Subject to achieving performance targets for operating profit and net debt and the occurrence of a vesting event (e.g. an IPO or a sale of the majority of shares in ISS to a third party), the LTIP will pay out in the range of 20% to 150% of the initial grant. The maximum pay-out in such event is 22.5% of the annual base salary.

All employment contracts of the EGM and the GMB members may be terminated at 6-24 months' notice. One employment contract includes a severance payment of two years' salary in the event of termination by ISS. No other members of the EGM or the GMB are entitled to severance payments. The employment contracts contain no special termination rights.

Directorships with companies of the Group held by members of the EGM and the GMB are not remunerated separately.

Detailed reporting on remuneration made to the members of the EGM is disclosed in note 5 to the consolidated financial statements. The investment by the EGM and certain senior officers of the Group in the Management Participation Programme is described below.

Directors' and Management Participation Programme

In 2006, the Principal Shareholders established a Management Participation Programme (MPP) through which the EGM and a number of senior officers of the Group have invested. In March 2012, the programme was re-designed to introduce two investment profiles. The Executive Group Management Board and certain senior officers of the Group remain indirect investors in a mix of shares and warrants of FS Invest, whereas the remaining senior officers of the Group – having had the opportunity to settle part of their investment in cash – invest directly or indirectly in shares or loan notes of FS Invest. At 31 December 2012, the investments amounted to a total of DKK 197.0 million, covering 144 executives and officers.

In addition to the investments – as part of the initial MPP programme – the Executive Group Management Board and a number of Corporate Officers were granted warrants in FS Invest with a vesting schedule (based on value of shares and time). At 31 December 2011, 277,632 of these warrants were outstanding. As part of the redesign of the MPP programme in March 2012 these warrants were all settled and consequently, the remaining fair value in respect of the granted warrants of DKK 3 million was recognised under Other income and expenses, net.

Certain members of the Board participate in a Directors Participation Programme, which was also re-designed in March 2012, and under which they continue to have invested in a mix of shares and warrants of FS Invest amounting to a total of approximately DKK 11.7 million. In addition, they have co-invested with the Principal Shareholders for a total of approximately DKK 7.5 million.

At 31 December 2012, the investments under the programmes were as follows:

PARTICIPATION PROGRAMMES

DKK million	Number of persons	Investment measured at cost
Board of Directors	3	16.2
Executive Group Management Board	2	9.4
Corporate Officers	30	60.7
Country Management	116	129.9
Total	151	216.2

Internal controls relating to financial reporting

At ISS internal controls are an essential management tool. Care is taken to ensure that a sound framework of controls is in place for safeguarding the business, the Group's assets and shareholder investments as well as its financial reporting.

The Group's internal control and risk management systems are developed to mitigate rather than eliminate risks identified in relation to the financial reporting process and thus assist in ensuring a true and fair view of the financial performance and financial position of the Group without material errors.

The Board of Directors (the Board) has approved policies, standards and procedures in key areas related to financial reporting, including the Code of Conduct, Accounting and Reporting Policies, Treasury Policies and Procedures and Control Procedures.

The Audit Committee is responsible for monitoring the internal controls and risk management systems as well as challenging the Executive Group Management Board (the EGM) in its assessment of material financial reporting risks. Any risk that may cause a material error in the consolidated financial statements of the Group is considered a material financial reporting risk.

The Audit Committee has set up a Group Internal Audit department that is responsible for providing assurance concerning the internal control environment in accordance with an approved internal audit plan.

The EGM has established a Group Controlling department that is responsible for controlling the financial reporting by subsidiaries and preparing the consolidated financial reporting.

Internal control procedures at Group level have been established to assess on an ongoing basis the Group's internal control environment and to manage identified risks. However, as a risk of misuse of assets, unexpected losses, etc., will always exist, such controls can provide only reasonable and not absolute assurance against material misstatements, omissions or losses.

The aim of the established control environment is therefore to provide the Board and the EGM with reasonable assurance that:

- management reporting is reliable and in compliance with internal policies and procedures and gives a true and fair view of the financial performance and financial position;
- material risks are identified and minimised;
- internal controls are in place to support the quality and efficiency of the business processes and to safeguard the Group's business and assets; and
- ISS's business is conducted in compliance with applicable legislation, standards, regulations and ISS policies.

Risk assessment

Risks related to the financial reporting process are identified and assessed annually based on a materiality test including a risk assessment of the impact of quantitative and qualitative factors. The evaluation of the risks includes an assessment of the likelihood of an error occurring and whether such error may be material.

The risk of errors is relatively higher for accounting areas that require management judgement and/or are transactions that are generated through complex accounting processes. Accounting areas that require management to make estimates and judgements are described in note 2 to the consolidated financial statements, Critical accounting estimates and judgements.

On an ongoing basis the Audit Committee discusses:

- material and relevant new accounting pronouncements and implementation of such;
- evaluation of the overall effectiveness of the internal controls for financial reporting; and
- accounting for material legal and tax issues and significant accounting estimates.

Although no material errors were noted in respect of the consolidated financial statements, it was during 2012 discovered that the control environment in certain countries was not sufficiently developed to support the business expansion, resulting in accounting losses in Mexico, Uruguay and India. The Audit Committee, the EGM and Group Internal Audit have discussed such incidents and based on this various initiatives to improve the control environment in especially emerging markets have been or will be implemented.

Control activities

In order to sustain a sound control environment, control activities are designed to obtain the desired assurance. These measures must ensure that all relevant aspects of a specific area are covered, and that the combination of control activities monitors all relevant aspects of the business. The control activities are based on the risk assessment made by the EGM. The purpose of the control activities is to ensure that material errors in the financial reporting are prevented, detected and corrected.

The Group has implemented a formalised financial reporting process that includes the reporting requirements and related control activities illustrated in the table below.

Information and reporting systems

All countries use a standardised financial reporting tool. Due to the decentralised structure, various ERP platforms exist within the Group. However, the number of different ERP platforms is continuously being reduced.

Information and communication systems to ensure accounting and internal control compliance have been established, including an Accounting Manual, Reporting Instructions, Budgeting Manual and other relevant guidelines. The aim is to ensure that all employees receive the relevant information on a timely basis to ensure efficient and reliable execution of tasks including carrying out the established control activities.

Monitoring

Each month the Group's subsidiaries report financial information on financial developments to Group Controlling. This information is used to prepare consolidated

Area	Reporting	Control activities
FINANCIAL PERFORMANCE AND FINANCIAL POSITION	**Reporting:** All countries must report a full income statement, statement of financial position, statement of cash flows, portfolio analysis and three-months forecasts etc. on a monthly basis.	**Control activities:** The reporting is monitored and controlled by Group Controlling. Any significant variance from budgets must be explained.
CASH FLOW FORECASTS	**Reporting:** All countries must report bi-weekly their daily cash flow forecasts for a rolling three-month period.	**Control activities:** Actual figures are continuously monitored by Group Treasury for deviations from the forecasted figures.
BUSINESS REVIEWS	**Reporting:** All countries must report a full income statement, statement of financial position, statement of cash flows, portfolio analysis, three-months forecasts and contract performance etc. on a monthly basis.	**Control activities:** Monthly meetings between regional management and country management with a focus on the current performance and the state of the business.
BUDGETS AND FINANCIAL PLANS	**Reporting:** All countries must prepare budgets and plans for the following financial year in a pre-defined process and format.	**Control activities:** Regional management teams review the proposed budgets and plans with the countries.
FULL-YEAR FORECASTS	**Reporting:** All countries must update and report their full-year estimates twice a year.	**Control activities:** Monthly meetings between regional management and country management with a focus on the current performance and the state of the business.
ACQUISITIONS AND DIVESTMENTS	**Reporting:** All acquisition and divestment proposals must be presented in a predefined report format and valuation model for approval.	**Control activities:** Transaction Committee/Board approval is required for large or strategic acquisitions and divestments.
LARGER INTEGRATED FACILITY SERVICE (IFS) CONTRACTS	**Reporting:** Certain large IFS contracts must be presented in a predefined format focusing on risk evaluation for approval.	**Control activities:** Transaction Committee/Board approval is required.
CONTROL SELF-ASSESSMENTS	**Reporting:** Country management must every six months self-assess the implementation of certain key internal control activities and develop action plans to close any implementation gaps.	**Control activities:** Group Internal Audit performs ongoing audit based on the countries' control self-assessment.

financial statements and reports submitted to the Board and the EGM. Financial reporting from the subsidiaries is controlled on a monthly basis (see Control activities).

The country management teams are responsible for ensuring that the control environment in each operating country is sufficient to prevent material errors in the country's financial performance and financial position reported for consolidation purposes. The regional management teams provide governance of the country operations.

Additionally, in order to independently evaluate the adequacy of the local internal control environment and procedures, Group Internal Audit visits the country organisations regularly. The visits take place according to a plan for the year approved by the Audit Committee. The findings and conclusions of internal audits, including recommendations on how to improve the control environment, are presented in reports addressed to country and regional management teams, representatives of the EGM and the external auditor.

Group Internal Audit performs follow-up audits to ensure that the recommendations are implemented. The key findings from internal audits are presented to the Audit Committee, which evaluates the results reported and uses the conclusions to assess the general control environment and performance and financial position when reviewing the internal audit plan for the coming year.

KEY EVENTS 2012

ISS Australia and AVANA bring customer service to the mines

3 August: ISS Australia has a strong presence in the natural resources sector in Western Australia and has initiated a broad training and HR initiative with over 300 members of a team in the Pilbara region.

The training initiative is delivered by AVANA, a leading workforce planning group and registered training provider.

Training in remote sites can generally be a challenge and the programme represents a significant shift in service thinking for the mining sector, with AVANA customising a 'hotel'-style training programme via a traineeship pathway using nationally accredited qualifications: Certificate III and IV in Hospitality.

ISS Australia currently services ten mining sites in the region, providing accommodation, food and beverage, cleaning, transport and security.

External audit

The Board nominates the external auditors for election at an annual general meeting. The nomination follows an assessment of the competencies, objectivity and independence of the external auditor and the effectiveness of the audit process.

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

The company collaborates with its external auditors at country level and at Group level in relation to procedures and internal controls by exchanging internal audit reports and by generally sharing relevant knowledge.

All Board members receive the external auditors' long-form audit reports in connection with the audit of the annual consolidated financial statements and any other long-form audit reports. Auditor reports are discussed in detail by the Audit Committee.

The Board reviews the Annual Report at a Board meeting attended by the external auditors. The findings of the external auditors and any major issues arising during the course of the audit are discussed, and significant accounting principles and critical accounting estimates and judgements are reviewed.

Group Management Board

Executive Group Management Board

Jeff Gravenhorst Henrik Andersen Luis Andrade Troels Bjerg Daniel Brennan

Jeff Gravenhorst

Group CEO
With ISS since 2002. Born 1962.

Group Chief Executive Officer since April 2010, Group Chief Operating Officer from 2008 to 2010, Group Chief Financial Officer from 2005 to 2008 and Chief Financial Officer of ISS UK from 2002 to 2005.

Prior to joining ISS in 2002, Jeff Gravenhorst was Managing Director of ALTO Danmark A/S (a subsidiary of Incentive A/S), heading up the European divisions, from 2000 to 2002. From 1998 to 1999, he was Vice President of ALTO U.S. Inc. He has also served as Finance Director of Wittenborg UK Ltd (a subsidiary of Incentive A/S) as well as a Manager at Arthur Andersen, Denmark.

Jeff Gravenhorst is currently a member of the Board of Directors of Danish Crown AMBA, Danish Crown A/S and Rambøll Gruppen A/S.

Educational background: Master of Science in Business Administration and Auditing from the Copenhagen Business School.

Henrik Andersen

Group CFO
With ISS since 2000. Born 1967.

Group Chief Financial Officer since December 2011, Chief Executive Officer of ISS UK from 2009 to 2011, Chief Financial Officer of ISS UK from 2005 to 2009. Previously Henrik Andersen held various positions with the ISS Group, including Executive Vice President and International Business Director, Northern Europe, from 2004 to 2005 and Group Treasurer from 2000 to 2004.

Prior to joining ISS in 2000, Henrik Andersen held various positions with Jyske Bank Markets, including Director for large Nordic Corporate Clients with Jyske Bank Markets from 1997 to 2000.

Henrik Andersen is currently a member of the Investment Committee in Maj Invest Equity 4 K/S.

Educational background: Graduate Diploma in International Trade and Finance from Aarhus School of Business and Master of Law from Aarhus University.

Luis Andrade

Regional CEO Latin America, SVP
With ISS since 1992. Born 1960.

Luis Andrade has been Regional CEO of Latin America since August 2009. Previously Luis Andrade was Regional Director of Latin America as well as Country Manager of ISS Portugal.

Educational background: Degree in Mechanical Engineering from Instituto Superior de Engenharia de Lisboa.

Troels Bjerg

Regional CEO Nordic & Eastern Europe, SVP
With ISS since 2009. Born 1963.

Troels Bjerg has been Regional CEO Nordic since 2011 and Eastern Europe since 2009. Prior to joining ISS Troels Bjerg was the Group Chief Executive Officer of Stenhøj Group, Vice President of Daimler South East Asia Pte. Ltd. and Director of Daimler AG.

Troels Bjerg is currently a member of the Board of Directors of Ejner Hessel A/S, Ejner Hessel Carranty A/S, Ejner Hessel Ejendoms-selskab A/S and Ejner Hessel Holding A/S.

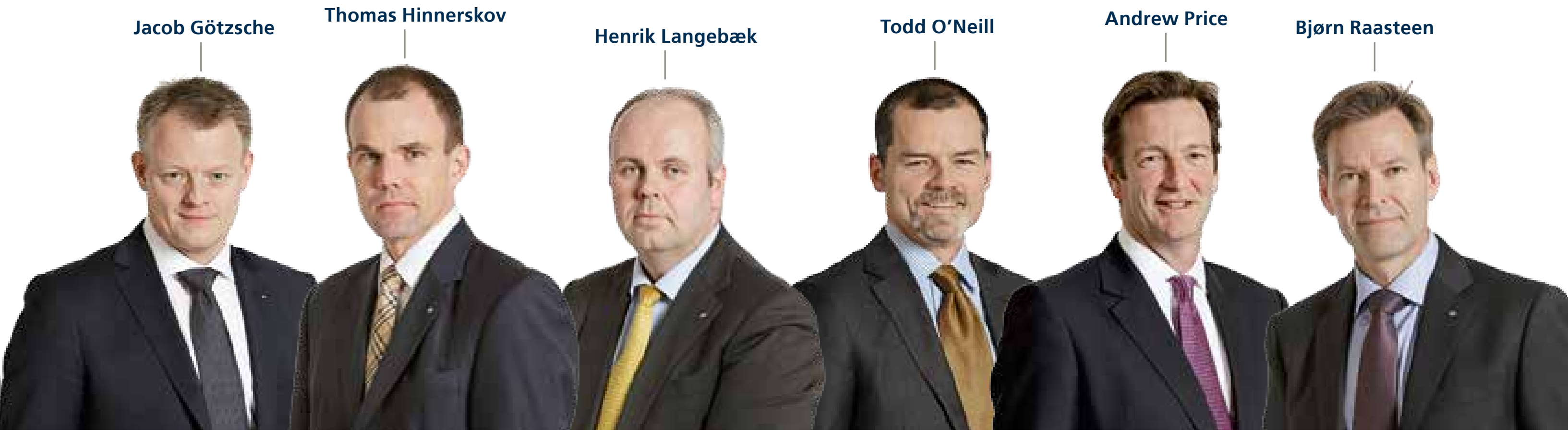
Educational background: Bachelor in Business Administration from Copenhagen Business School and Master of Business Administration from IMD.

Daniel Patrick Brennan

Head of Group Human Resources, SVP
With ISS since 2010. Born 1956.

Daniel Patrick Brennan was appointed Head of Group Human Resources for ISS in 2010. Prior to joining ISS, he was Vice President of Human Resources, Americas, IPG division of Hewlett-Packard and Vice President of Human Resources Europe, Middle East and Africa for Electronic Data Systems, EDS Corporation, Texas. He has also held senior roles in general management and human resources at Xerox Corporation.

Educational background: Bachelor of Administrative Studies from York University, Atkinson College.



Jacob Götzsche

Regional CEO Central Europe, SVP
With ISS since 1999. Born 1967.

Jacob Götzsche has been Regional CEO Central Europe since July 2008. Previously Jacob Götzsche was Chief Operating Officer of Central Europe and Regional Director Central Europe as well as International Business Director Central Europe in the ISS Group.

Educational background: Master of Science in Business Economics and Auditing from Syddansk University and State Authorised Public Accountant.

Thomas Hinnerskov

Regional CEO Asia-Pacific, SVP
With ISS since 2003. Born 1971.

Thomas Hinnerskov has been in his current position as Regional CEO, SVP, Asia-Pacific since 2012. Previous he has held positions as Country Manager of ISS Austria, Country Manager of ISS Ireland, COO Key Accounts of ISS Sweden, Vice President of ISS Group Task Force.

Prior to joining ISS he was Senior Investment Manager of TEMA Kapital, Senior Associate at McKinsey & Company, Vice President at Gudme Raaschou Investment Bank/WestLB Panmure.

Educational background: Master of Science in Finance and Accounting from Copenhagen Business School and University of Arizona.

Henrik Langebæk

CFO Europe, SVP
With ISS since 2004. Born 1966.

Henrik Langebæk has been Regional CFO for Europe since 2013. In addition, he has been Head of ISS Carve-out and COO – Projects and Group Procurement since July 2010. Previously, Henrik Langebæk was Regional CEO Asia-Pacific, Regional Director (India, Thailand, Malaysia, Singapore & the Philippines) and Regional CFO Asia-Pacific in the ISS Group.

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

Todd O'Neill

Head of Group Strategy & Corporate Development, SVP
With ISS since 2008. Born 1966.

Todd O'Neill has been Head of Group Strategy & Corporate Development since 2008. Previously Todd O'Neill was a Director of SEB Enskilda.

Educational background: Bachelor of Science from St. Michael's College and Graduate Diploma in Accounting from Copenhagen Business School.

Andrew Price

Head of Global Corporate Clients, SVP
With ISS since 1995. Born 1964.

Andrew Price has been in his current role as Head of Global Corporate Clients, SVP, since 2011. Previously, he has held positions as COO of ISS UK, Managing Director, Integrated Solutions of ISS UK, Commercial Director, Healthcare of ISS UK.

Prior to joining ISS he was Director at Taylorplan Services Ltd, and held various positions at Securiguard Group plc.

Educational background: Bachelor of Arts in Modern Languages and Economics from Newcastle University.

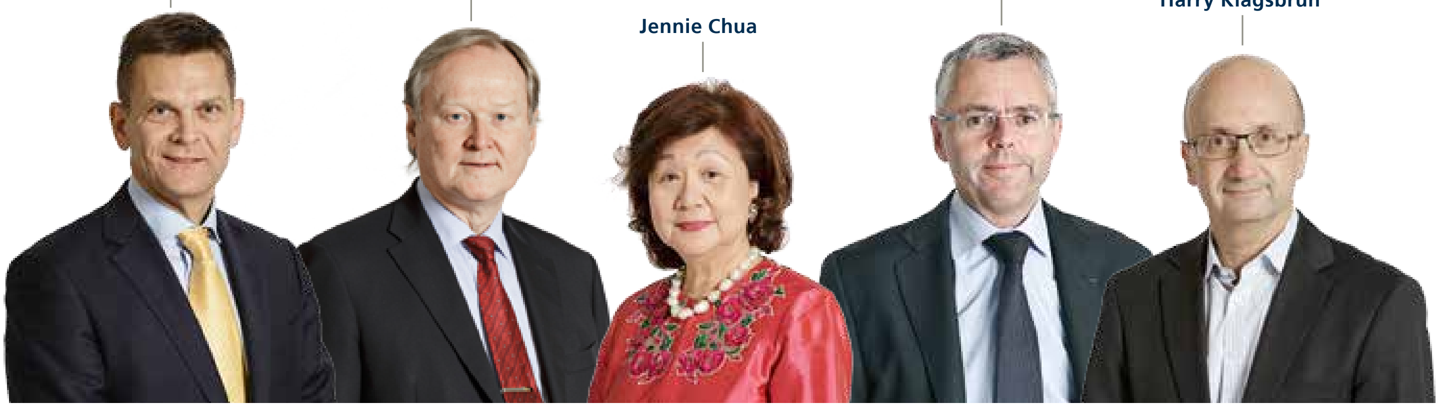
Bjørn Raasteen

Group General Counsel, SVP
With ISS since 1999. Born 1964.

Bjørn Raasteen has been Group General Counsel since January 2005. Prior to joining ISS, Bjørn Raasteen was attorney-at-law with Danish law firm Bruun Hjejle from 1988-1999.

Educational background: Master of Law from Copenhagen University, Denmark and admitted to the Danish Bar in 1991 and the Danish Supreme Court in 1997.

Board of Directors



Ole Andersen (Chairman)

First elected in March 2005.
Independent. Born 1956.

Ole Andersen is currently chairman and board member of various companies, including listed companies. He was previously a senior partner and head of the Copenhagen office of EQT Partners (September 2003 to May 2008) and has worked for various international companies, including SEB Corporate Finance as head of the Copenhagen Branch (1997 to 2000) and as global head of corporate finance (2000 to 2003).

Ole Andersen is currently chairman of the boards of directors of Danske Bank A/S, Chr. Hansen Holding A/S, Bang & Olufsen A/S and Zebra A/S.

Furthermore, Ole Andersen is Managing Director of OGA Holding ApS and two of its subsidiaries.

Educational background: Master of Science in Business Administration and Auditing from the Copenhagen Business School. He is also a State Authorised Public Accountant.

Competence profile: Professional experience in managing large financial and international companies, financial and economic expertise and extensive board experience including from listed international companies.

Leif Östling (Deputy chairman)

First elected in October 2005.
Independent. Born 1945.

Leif Östling is currently a member of the board of management of Volkswagen AG. Previously, he was President and Group CEO of Scania AB and also held various other positions with Scania.

Leif Östling is currently Chairman of the Board of Directors of AB SKF,a member of the board of directors of Scania AB and a member of the advisory board to Toyota Industries Cooperation.

Educational background: Master of Science in Engineering from Chalmers University of Technology in Gothenburg, Master of Business Administration from the Gothenburg School of Economics and two honorary doctorate degrees in engineering science from the Royal Institute of Technology in Stockholm and Luleå University of Technology.

Competence profile: Executive management experience from international companies, management and marketing experience from different cultures, extensive board experience including from listed, international companies.

Jennie Chua

First elected in December 2011.
Independent. Born 1944.

Jennie Chua currently serves as chairman or board member of various companies. She was previously the Chief Corporate Officer of CapitaLand Limited and has also served in a number of management positions in the hotel and tourism industry, including as chairman and CEO of Raffles Holdings Ltd. and Raffles International Ltd., respectively.

Jennie Chua is currently chairman of Community of Chest of Singapore, The Old Parliament House Limited, Sentosa Cove Council, Alexandra Health/Khoo Teck Puat Hospital as well as Deputy Chairman of Temasek Foundation. She is on the board of 3 companies listed on the Singapore Exchange, namely CapitaMalls Asia Limited, Ascott Residence Trust Management Ltd and GuocoLeisure Limited. She is a director of Sentosa Development Corporation (and two of its subsidiaries), MOH Holdings Pte Ltd (and two of its subsidiaries), Pas De Deux Holdings Pte Ltd, Nanyang Technological University, Singapore International Chamber of Commerce, Cornell Nanyang Institute of Hospitality Management and Beeworks Inc.

Educational background: Bachelor of Science from the School of Hotel Administration, Cornell University.

Competence profile: Executive management experience from international companies, strategic planning, extensive board experience, property and facility management, management expertise from the service and hotel industries.

Michel Combes

First elected in July 2010.
Independent. Born 1962.

Michel Combes is currently member of the board of directors of Moscow, Russian Federation – Mobile TeleSystems OJSC and chairman of the supervisory board of Assystem SA. He was previously CEO for the Europe Region of Vodafone Plc., and prior to that he held various executive positions, including chairman and CEO of TDF, Group Senior Executive Vice President of NExT, Senior Vice President and CFO of France Telecom and CEO of Assystem SA.

Educational background: École Polytechnique and École National Supérieure des Télécommunications in France and Master of Business Administration from Université Paris Dauphine.

Competence profile: Executive management experience from international companies, expertise in international strategy, sales and marketing and in-depth knowledge of French industry and business.

Harry Klagsbrun

First elected in December 2011.
Not independent. Born 1954.

Harry Klagsbrun is currently Senior Partner at the Stockholm office of EQT Partners AB. Prior to joining EQT in 2006, he served as Executive Vice President of SEB, CEO of Alfred Berg Group and Head of Corporate Finance at Svenska Handelsbanken.

Harry Klagsbrun is currently a member of the boards of directors of Gambro AB and AcadeMedia AB.

Educational background: Bachelor of Arts in Journalism from Stockholm University, Master of Science in Business from the Stockholm School of Economics and Master of Business Administration from New York University.

Competence profile: Professional experience in investing in large international companies, broad experience within banking and private equity, expertise in complex financing structures and M&A.

Steven Sher

First elected in December 2007.
Not independent. Born 1970.

Steven Sher is currently Managing Director of Goldman Sachs Australia Pty Ltd in the Merchant Banking Division. Prior to joining Goldman Sachs in 1997, Steven Sher was with Price Waterhouse in London, where he qualified with the Institute of Chartered Accountants in England and Wales.

Steven Sher is a member of the boards of directors of Edam Acquisition I B.V. Cooperatief U.A. and Endemol B.V.

Educational background: Bachelor of Commerce and a post graduate Bachelor of Accounting from the University of Witwatersrand.

Competence profile: Professional experience in investing in large international companies, broad experience within banking and private equity, expertise in finance and accounting and M&A.

Jo Taylor

First elected in August 2012.
Not independent. Born 1961.

Jo Taylor is currently vice president of the Private Capital team of Ontario Teachers' Pension Plan (Teachers´), and also head of the Teachers´ London office. Prior to joining Teachers´ at the start of 2012, he held a number of non-executive positions with both public and private companies following a 20-year career at 3i Group plc., where he was head of Venture, member of the Group Management and Investment Committees, and CEO of a US investment subsidiary.

Jo Taylor is currently chairman of the boards of directors of Teodin Holdco AS, Teodin Acquico AS and Helly Hansen Group AS and member of the boards of directors of Kainos Software Limited and 2334906 Ontario Ltd.

Educational background: Master of Business Administration from Manchester Business School and a Bachelor of Arts in History from the University of London.

Competence profile: Professional experience in investing in international companies, broad experience within private equity and wide ranging non-executive roles working with growing companies.

Pernille Benborg (E)

Joined the Board in March 2011 as employee representative.
Not independent. Born 1970.

Head of Compliance at ISS World Services A/S since January 2007. Previously, Pernille Benborg held various positions with the ISS Group. She joined the ISS Group in 2000.

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

Joseph Nazareth (E)

Joined the Board in March 2011 as employee representative.
Not independent. Born 1960.

Head of Group Health, Safety and Environment and Corporate Responsibility at ISS World Services A/S since February 2010. Joseph Nazareth joined the ISS Group in 2010 from A.P. Møller-Mærsk.

Educational background: Civil Engineering degree from McGill University and Master of Business Administration from the University of Ottawa.

Palle Fransen Queck (E)

Joined the Board in March 2011 as employee representative.
Not independent. Born 1975.

Business Development Director, Central Europe at ISS World Services A/S since July 2012. Previously, Palle Fransen Queck held various positions with the ISS Group. He joined the ISS Group in 2000.

Educational background: Bachelor in Engineering from Copenhagen University College of Engineering and Master of Business Administration from Henley Business School.

All members of the Board of Directors, except Leif Östling and employee representatives (E) are nominated for re-election at the annual general meeting.

Financial statements

> I provide the resources to keep the miners going

Toia Melaugh
Kitchen hand, CITIC Pacific Mining
ISS Australia

When the miners from CITIC Pacific Mining in Australia come in for lunch, Toia is ready. She loves to talk to the miners and hear their feedback on the services she provides and implement it in her work. When everybody is fed and happy, Toia is happy.

Consolidated income statement
1 January – 31 December

DKK million	Note	2012	2011
Revenue	3, 4	**79,454**	**77,644**
Staff costs	5, 6	(52,071)	(50,089)
Consumables	21	(7,009)	(6,751)
Other operating expenses	7	(15,110)	(15,561)
Depreciation and amortisation [1]	15, 17	(853)	(855)
Operating profit before other items [2]		**4,411**	**4,388**
Other income and expenses, net	8	(308)	(223)
Operating profit [1]	3	**4,103**	**4,165**
Share of result from associates	18	4	0
Financial income	9	217	197
Financial expenses	9	(2,935)	(3,004)
Profit before tax and goodwill impairment/ amortisation and impairment of brands and customer contracts		**1,389**	**1,358**
Income taxes [3]	10	(962)	(887)
Profit before goodwill impairment/ amortisation and impairment of brands and customer contracts		**427**	**471**
Goodwill impairment	11, 15, 16	(385)	(501)
Amortisation and impairment of brands and customer contracts	15	(679)	(708)
Income tax effect [4]	10, 19	193	231
Net profit/(loss) for the year		**(444)**	**(507)**
Attributable to:			
Owners of ISS A/S		(447)	(514)
Non-controlling interests		3	7
Net profit/(loss) for the year		**(444)**	**(507)**
Earnings per share:			
Basic earnings per share (EPS), DKK	12	(4.0)	(5.1)
Diluted earnings per share, DKK	12	(4.0)	(5.1)
Adjusted earnings per share, DKK [5]	12	3.8	4.7

[1] Excluding Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[2] Excluding Other income and expenses, net, Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[3] Excluding tax effect of Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[4] Income tax effect of Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[5] Calculated as Profit before goodwill impairment/amortisation and impairment of brands and customer contracts divided by the average number of shares (diluted).

Consolidated statement of comprehensive income

1 January – 31 December

DKK million	Note	2012	2011
Net profit/(loss) for the year		**(444)**	**(507)**
Other comprehensive income			
Foreign exchange adjustments of subsidiaries and non-controlling interests		184	(46)
Fair value adjustment of hedges, net	38	(114)	(14)
Fair value adjustment of hedges, net, transferred to Financial expenses	38	52	106
Actuarial gains/(losses)	31	(557)	(95)
Impact from asset ceiling regarding pensions	31	1	8
Limitation to interest deduction	10	(16)	-
Tax on other comprehensive income	10	144	(2)
Total other comprehensive income		**(306)**	**(43)**
Total comprehensive income for the year		**(750)**	**(550)**
Attributable to:			
Owners of ISS A/S		(753)	(557)
Non-controlling interests		3	7
Total comprehensive income for the year		**(750)**	**(550)**

Consolidated statement of cash flows
1 January – 31 December

DKK million	Note	2012	2011
Operating profit before other items		4,411	4,388
Depreciation and amortisation	15, 17	853	855
Changes in working capital	13	116	(317)
Changes in provisions, pensions and similar obligations		(291)	(235)
Other expenses paid		(349)	(266)
Income taxes paid	24	(885)	(749)
Cash flow from operating activities		**3,855**	**3,676**
Acquisition of businesses	14	(60)	(89)
Divestment of businesses	14	212	761
Acquisition of intangible assets and property, plant and equipment		(881)	(1,103)
Disposal of intangible assets and property, plant and equipment		119	93
(Acquisition)/disposal of financial assets		(66)	6
Loan to FS Invest S.à r.l		(71)	-
Cash flow from investing activities		**(747)**	**(332)**
Proceeds from borrowings		81	468
Repayment of borrowings		(5,180)	(1,110)
Interest received		137	137
Interest paid		(2,373)	(2,361)
Proceeds from issuance of share capital		3,696	-
Non-controlling interests		(4)	(8)
Cash flow from financing activities		**(3,643)**	**(2,874)**
Total cash flow		**(535)**	**470**
Cash and cash equivalents at 1 January		4,037	3,606
Total cash flow		(535)	470
Foreign exchange adjustments		26	(39)
Cash and cash equivalents at 31 December	27	**3,528**	**4,037**

Consolidated statement of financial position

At 31 December

DKK million	Note	2012	2011
Assets			
Intangible assets	15, 16	31,969	34,097
Property, plant and equipment	17	1,887	2,077
Investments in associates	18	11	7
Deferred tax assets	19	574	551
Other financial assets	20	427	300
Non-current assets		**34,868**	**37,032**
Inventories	21	312	334
Trade receivables	22	11,433	11,871
Contract work in progress	23	72	129
Tax receivables	24	207	330
Other receivables	25	585	506
Prepayments	26	622	575
Securities	27	16	17
Cash and cash equivalents	27	3,528	4,037
Assets classified as held for sale	28	2,269	165
Current assets		**19,044**	**17,964**
Total assets		**53,912**	**54,996**

DKK million	Note	2012	2011
Equity and liabilities			
Total equity attributable to owners of ISS A/S		5,013	2,070
Non-controlling interests		10	12
Total equity	29	**5,023**	**2,082**
Loans and borrowings	30	24,011	28,181
Pensions and similar obligations	31	1,541	1,172
Deferred tax liabilities	19	1,755	2,051
Provisions	32	352	338
Non-current liabilities		**27,659**	**31,742**
Loans and borrowings	30	5,607	5,778
Trade payables		3,669	3,466
Tax payables	24	339	422
Other liabilities	33	10,657	11,161
Provisions	32	225	255
Liabilities classified as held for sale	28	733	90
Current liabilities		**21,230**	**21,172**
Total liabilities		**48,889**	**52,914**
Total equity and liabilities		**53,912**	**54,996**

Consolidated statement of changes in equity

1 January – 31 December

	Attributable to owners of ISS A/S							
DKK million	Share capital	Share premium	Retained earnings	Translation reserve	Hedging reserve	Total	Non-controlling interests	Total equity
Equity at 1 January 2012	**100**	**7,772**	**(5,951)**	**181**	**(32)**	**2,070**	**12**	**2,082**
Comprehensive income for the year								
Net profit/(loss) for the year	**-**	**-**	**(447)**	**-**	**-**	**(447)**	**3**	**(444)**
Other comprehensive income								
Foreign exchange adjustments of subsidiaries and non-controlling interests	-	-	-	184	-	184	0	184
Fair value adjustment of hedges, net	-	-	-	-	(114)	(114)	-	(114)
Fair value adjustment of hedges, net, transferred to Financial expenses	-	-	-	-	52	52	-	52
Actuarial gains/(losses)	-	-	(557)	-	-	(557)	-	(557)
Impact from asset ceiling regarding pensions	-	-	1	-	-	1	-	1
Limitation to interest deduction	-	-	-	-	(16)	(16)	-	(16)
Tax on other comprehensive income	-	-	128	-	16	144	-	144
Total other comprehensive income	**-**	**-**	**(428)**	**184**	**(62)**	**(306)**	**0**	**(306)**
Total comprehensive income for the year	**-**	**-**	**(875)**	**184**	**(62)**	**(753)**	**3**	**(750)**
Transactions with owners								
Share issue	35	3,686	-	-	-	3,721	-	3,721
Costs related to the share issue	-	(28)	-	-	-	(28)	-	(28)
Impact from acquired and divested companies, net	-	-	-	-	-	-	(1)	(1)
Dividends paid	-	-	-	-	-	-	(4)	(4)
Share-based payments	-	-	3	-	-	3	-	3
Total transactions with owners	**35**	**3,658**	**3**	**-**	**-**	**3,696**	**(5)**	**3,691**
Total changes in equity	**35**	**3,658**	**(872)**	**184**	**(62)**	**2,943**	**(2)**	**2,941**
Equity at 31 December 2012	**135**	**11,430**	**(6,823)**	**365**	**(94)**	**5,013**	**10**	**5,023**

Dividends

No dividends have been proposed or declared before the Annual Report was issued.

Consolidated statement of changes in equity

1 January – 31 December

	Attributable to owners of ISS A/S							
DKK million	Share capital	Share premium	Retained earnings	Trans-lation reserve	Hedging reserve	Total	Non-con-trolling interests	Total equity
Equity at 1 January 2011	**100**	**7,772**	**(5,276)**	**227**	**(197)**	**2,626**	**25**	**2,651**
Comprehensive income for the year								
Net profit/(loss) for the year	**-**	**-**	**(514)**	**-**	**-**	**(514)**	**7**	**(507)**
Other comprehensive income								
Foreign exchange adjustments of subsidiaries and non-controlling interests	-	-	-	(46)	-	(46)	0	(46)
Adjustment relating to previous years	-	-	(96)	-	96	-	-	-
Fair value adjustment of hedges, net	-	-	-	-	(14)	(14)	-	(14)
Fair value adjustment of hedges, net, transferred to Financial expenses	-	-	-	-	106	106	-	106
Actuarial gains/(losses)	-	-	(95)	-	-	(95)	-	(95)
Impact from asset ceiling regarding pensions	-	-	8	-	-	8	-	8
Tax on other comprehensive income	-	-	21	-	(23)	(2)	-	(2)
Total other comprehensive income	**-**	**-**	**(162)**	**(46)**	**165**	**(43)**	**0**	**(43)**
Total comprehensive income for the year	**-**	**-**	**(676)**	**(46)**	**165**	**(557)**	**7**	**(550)**
Transactions with owners								
Impact from acquired and divested companies, net	-	-	-	-	-	-	(12)	(12)
Dividends paid	-	-	-	-	-	-	(8)	(8)
Share-based payments	-	-	1	-	-	1	-	1
Total transactions with owners	**-**	**-**	**1**	**-**	**-**	**1**	**(20)**	**(19)**
Total changes in equity	**-**	**-**	**(675)**	**(46)**	**165**	**(556)**	**(13)**	**(569)**
Equity at 31 December 2011	**100**	**7,772**	**(5,951)**	**181**	**(32)**	**2,070**	**12**	**2,082**

Dividends

No dividends have been proposed or declared before the Annual Report was issued.

Notes to the consolidated financial statements

NOTE 1 Significant accounting policies

ISS A/S is a company domiciled in Denmark. The consolidated financial statements of ISS A/S as of and for the year ended 31 December 2012 comprise ISS A/S and its subsidiaries (together referred to as "the Group") and the Group's interests in jointly controlled entities and associates.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for consolidated financial statements (class D).

In addition, the consolidated financial statements have been prepared in compliance with the IFRSs issued by the IASB.

The Annual Report for ISS A/S for 2012 was discussed and approved by the Executive Group Management Board (the EGM) and the Board of Directors (the Board) on 7 March 2013 and issued for approval at the subsequent Annual General Meeting on 7 March 2013.

Basis of preparation

The consolidated financial statements are presented in Danish kroner (DKK) (rounded to nearest DKK million), which is also ISS A/S's functional currency.

The consolidated financial statements have been prepared on the historical cost basis except for the following assets and liabilities, which are measured at fair value: derivatives, financial instruments designated as fair value through the income statement and financial assets classified as available-for-sale.

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

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements except for the changes as explained below in "Changes in accounting policies". However, based on new information minor adjustments to comparative figures in primary statements and notes have been implemented.

Going concern

The Board and the EGM have during the preparation of the consolidated financial statements of the Group assessed the going concern assumption. The Board and the EGM believe that no events or conditions give rise to doubt about the ability of the Group to continue in operation within the next reporting period. The conclusion is made based on knowledge of the Group, the estimated economic outlook and identified risks and uncertainties in relation thereto. Further, the conclusion is based on review of budgets, including expected development in liquidity and capital etc., current credit facilities available including contractual and expected maturities and covenants. Consequently, it has been concluded that it is reasonable to apply the going concern concept as underlying assumption for the consolidated financial statements of the Group.

Changes in accounting policies

With effect from 1 January 2012, the Group has implemented:

- Amendments to IFRS 7 "Financial Instrument Disclosures";
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards"; and
- Amendments to IAS 12 "Deferred tax" (Recovery of Underlying Assets).

The adoption of these Standards and Interpretations did not affect recognition and measurement for 2012 including earnings per share and diluted earnings per share.

Basis of consolidation

Subsidiaries The consolidated financial statements comprise the parent company ISS A/S and subsidiaries in which ISS A/S has control of financial and operating policies in order to obtain a return or other benefits from its activities. Control is presumed to exist when ISS A/S directly or indirectly owns or controls more than 50% of the voting rights of an entity or otherwise has a controlling interest, e.g. by virtue of a statute or agreement.

Special purpose entities (SPEs) The Group has established a number of SPEs with the purpose of raising external funding to the Group. The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

Loss of control Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the income statement. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Associates are entities in which the Group has a significant influence, but which it does not control. Significant influence is presumed to exist when the Group owns or controls more than 20% of the voting rights but less than 50%.

When assessing whether the Group has control or significant influence, potential voting rights that are exercisable at the reporting date are taken into account.

Joint ventures are those entities which by contractual agreement are controlled jointly with one or more other parties. Joint ventures are consolidated proportionally, and the individual accounting entries are recognised in proportion to the ownership share.

A group chart is included in note 43, Subsidiaries, associates, joint ventures and SPEs.

The consolidated financial statements have been prepared as a consolidation of the financial statements of ISS A/S, subsidiaries, SPEs and proportionally consolidated entities prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends and realised and unrealised gains and losses on intra-group transactions are eliminated. Unrealised gains on transactions with associates and proportionally consolidated entities are eliminated in proportion to the Group's ownership share of the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that impairment has not taken place.

Investments in subsidiaries and proportionally consolidated entities are set off against the proportionate share of the subsidiaries' fair value of identifiable net assets, including recognised contingent liabilities, at the acquisition date.

The accounting items for subsidiaries are included in full in the consolidated financial statements. The non-controlling interest's share of the net profit/loss for the year and of the equity of subsidiaries, which are not wholly owned, are included in the Group's net profit/loss and

NOTE 1 Significant accounting policies (continued)

equity, respectively, but is 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.

Business combinations Acquired businesses or entities formed during the year are recognised in the consolidated financial statements from the acquisition date or date of formation. Businesses which are divested or wound up are recognised in the consolidated financial statements until the date of divestment or winding-up. Comparative figures are not restated for businesses acquired, divested or wound up. Assets held for sale are presented separately, refer to the description below.

For acquisitions where the Group obtains control of the acquired business the acquisition method is applied. The identifiable assets, liabilities and contingent liabilities of acquired businesses are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if separable or if they arise from contractual or other legal rights. Deferred tax related to fair value adjustments is recognised.

The acquisition date is the date when the Group effectively obtains control of the acquired business.

Any excess of the fair value of the consideration transferred, the recognised amount of any non-controlling interests and the fair value of any existing equity interest in the acquiree over the fair value of identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill under Intangible assets. Goodwill is not amortised but tested for impairment annually. The first impairment test is performed no later than at the end of the acquisition year. Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test. Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with a functional currency other than the presentation currency used in the Group are treated as assets and liabilities belonging to the foreign entity and translated into the foreign entity's functional currency at the exchange rate at the transaction date. When the excess is negative, a bargain purchase gain is recognised in profit for the year at the acquisition date.

The consideration transferred comprises the fair value of the assets transferred and the liabilities and contingent liabilities incurred. If parts of the consideration are conditional upon future events (contingent consideration) or satisfaction of agreed terms, these parts are recognised at fair value at the acquisition date. Transaction costs that the Group incurs in connection with the business combination are expensed as incurred.

If uncertainties exist at the acquisition date regarding identification or measurement of acquired identifiable assets, liabilities and contingent liabilities or regarding the consideration transferred, initial recognition will take place on the basis of provisionally determined fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted up until 12 months after the acquisition date and comparative figures are restated accordingly. Thereafter no adjustments are made to goodwill.

Changes in estimates of contingent consideration relating to business combinations effected on or after 1 January 2010 are generally recognised in the income statement under Other income and expenses, net. However, if new information becomes available within 12 months from the acquisition date and provides evidence of conditions relating to the contingent consideration or circumstances that existed at the acquisition date, then the acquisition accounting is adjusted with effect on goodwill. For business combinations effected prior to 1 January 2010 subsequent adjustments to estimates of contingent consideration and transaction costs continue to be recognised in goodwill.

Gains or losses on the divestment or winding-up of subsidiaries, associates or joint ventures are measured as the difference between the consideration received adjusted for directly related divestment or winding-up costs and the carrying amount of the net assets at the time of disposal or winding-up including any carrying amount of allocated goodwill.

Non-controlling interests At initial recognition a non-controlling interest is measured at fair value or at its proportionate interest in the fair value of the net assets acquired. Measurement at fair value means that goodwill includes a portion attributable to the non-controlling interest while measurement at its proportionate interest in the fair value of the net assets acquired, means that goodwill relates only to the controlling interest acquired. The measurement principle is elected on a transaction-by-transaction basis and is disclosed in the notes together with the description of the acquired businesses.

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 under Financial expenses.

Foreign currency For each of the reporting entities in the Group, a functional currency is determined. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in currencies other than the functional currency are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency 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 the income statement under 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 at which the receivable or payable arose or the exchange rate in the latest financial statements is recognised in the income statement under Financial income or Financial expenses.

On recognition in the consolidated financial statements of entities 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

NOTE 1 Significant accounting policies (continued)

of foreign entities at the exchange rates at the reporting date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the reporting date are recognised in other comprehensive income and presented in equity under a separate translation reserve. However, if the foreign entity is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the non-controlling interest.

Foreign exchange adjustment of intra-group balances which are considered part of the investment in the foreign entity with a functional currency other than DKK, is recognised in the consolidated financial statements in other comprehensive income and presented in equity under a separate translation reserve. Foreign exchange gains and losses on the part of loans and derivative financial instruments which are designated as hedges of investments in foreign entities with a functional currency different from ISS A/S's and which effectively hedge against corresponding foreign exchange gains and losses on the investment in the entity are also recognised in other comprehensive income and presented in equity under a separate translation reserve.

On recognition in the consolidated financial statements of associates with a functional currency other than DKK, the share of profit or loss for the year is translated at average exchange rates and the share of equity, including goodwill, is translated at the exchange rates at the reporting date. Foreign exchange adjustments arising on the translation of the share of the opening balance of equity of foreign associates at the exchange rates at the reporting date, and on translation of the share of profit/loss for the year from average exchange rates to the exchange rates at the reporting date, are recognised in other comprehensive income and presented in a separate translation reserve in equity.

On complete or partial disposal of wholly owned foreign subsidiaries such that control is lost, the cumulative amount of foreign exchange adjustments recognised in other comprehensive income related to that foreign subsidiary is transferred to the income statement under Financial income or Financial expenses when the gain or loss on disposal is recognised.

On disposal of non-wholly owned foreign subsidiaries, such that control is lost, the part of the translation reserve relating to the non-controlling interest is not transferred to the income statement.

On partial disposal of foreign subsidiaries while retaining control, the relevant proportion of the cumulative amount is transferred from the equity share of the parent company shareholders to that of the non-controlling interests.

On partial disposal of associates or joint ventures the relevant proportion of the cumulative translation reserve recognised in other comprehensive income is transferred to the income statement under Financial income or Financial expenses when the gain or loss on disposal is recognised.

Repayment of intra-group balances, which constitute part of the net investment in the foreign entity, is not in itself to be considered a partial disposal of that subsidiary.

Derivative financial instruments are recognised in the statement of financial position on the transaction date and measured at fair value. Positive and negative fair values of derivative financial instruments are included in Other receivables or Loans and borrowings, respectively. Positive and negative values are only offset when the Group has the legal right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are calculated on the basis of current market data and according to generally accepted valuation methods.

Fair value hedges Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a fair value hedge of recognised assets and liabilities are recognised in the income statement together with changes in the value of the hedged asset or liability as far as the hedged portion is concerned. Hedging of future cash flows in accordance with a firm commitment, except for foreign currency hedges, is treated as a fair value hedge.

Cash flow hedges Changes in the portion of the fair value of derivative financial instruments designated as and qualifying for recognition as a cash flow hedge, and which effectively hedges changes in the value of the hedged item, are recognised in other comprehensive income and presented in a separate hedging reserve in equity until the hedged transaction is realised. At this time, gains or losses concerning such hedging transactions are transferred from other comprehensive income to the income statement and recognised under the same line item as the hedged item.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The accumulated change in fair value recognised in other comprehensive income is transferred to the income statement in the same period that the hedged item affects the income statement. If the forecasted transaction is no longer expected to occur, then the accumulated change in fair value is transferred to the income statement.

For **other derivative financial instruments** that do not qualify for hedge accounting, changes in fair value are recognised in the income statement under Financial income or Financial expenses.

Consolidated income statement

Presentation The consolidated income statement is presented in accordance with the "nature of expense" method. Goodwill impairment and Amortisation and impairment of brands and customer contracts as well as the Income tax effect hereof are presented in separate line items after Operating profit. This income statement presentation is considered most appropriately to reflect the Group's profitability.

Revenue from rendering services is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. Revenue is recognised when the amount of revenue can be measured reliably, the recovery of the consideration is probable, the stage of completion can be measured reliably and the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Contract revenue is recognised in the income statement in proportion to the stage of completion of the contract when the outcome of the contract can be estimated reliably. Contract revenue includes the initial amount agreed in the contract plus any variations in the contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably. Contract costs are recognised as incurred unless they create an asset related to future contract activity. When the outcome of a contract can not be measured reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in the income statement.

NOTE 1 Significant accounting policies (continued)

The stage of completion of a contract is assessed by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

Revenue from the sale of goods in the course of the ordinary activities is recognised in the income statement provided that all significant risks and rewards of ownership have been transferred to the customer, and that the amount of revenue can be measured reliably.

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

Government grants mainly comprises wage subventions. Grants that compensate the Group for expenses incurred are recognised in the income statement on a systematic basis in the same periods in which the expenses are incurred.

Staff costs comprises salaries and wages, pensions, social security costs and other employee related expenses.

Consumables comprises material consumption related to the recognised revenue, e.g. food costs, chemicals, cloths, uniforms etc.

Other operating expenses includes expenses related to the operation of service equipment and other non-current assets, external assistance as well as other selling, distribution and administrative expenses, including expenses related to marketing, transportation, operating leases, subcontractors, audit, legal assistance and impairment losses on receivables etc. Furthermore, gains and losses arising on the disposal of (or right to use) certain internally generated intangible assets, which are not recognised in the statement of financial position, are also included.

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

Other income and expenses, net consists of income and expenses, both recurring and non-recurring, that the Group does not consider to be part of normal ordinary operations, such as gains and losses arising from divestments, remeasurement of disposal groups classified as held for sale, the winding-up of operations, disposals of property, restructurings and acquisition and integration costs. Acquisition costs comprise earn-out adjustments, direct acquisition costs related to external advisors and other acquisition related costs such as reversal of provisions in opening balances. Integration costs comprise costs incurred as a consequence of the integration such as termination of employees, contract termination costs mainly related to leasehold and advisory fees.

Share of result from associates comprises the share of the associates' result after tax and non-controlling interests. Share of result from associates is recognised in the income statement after elimination of the proportionate share of unrealised intra-group profits/losses.

Financial income and financial expenses comprises interest income and expense, gains and losses on securities, foreign exchange gains and losses, amortisation of financial assets and liabilities, including finance lease and unwind of discount, expected return on plan assets and interest on obligations related to defined benefit plans as well as interest on other long-term employee benefits. Additionally realised and unrealised gains and losses on derivative financial instruments which are not designated as hedging arrangements and the ineffective portion of those designated as hedging arrangements are also included.

Dividends paid to non-controlling shareholders holding a put option are recognised under Financial expenses using the effective interest method.

Income taxes for the year consists of current tax and changes in deferred tax and is recognised in profit for the year, other comprehensive income or equity.

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

Goodwill impairment includes impairment losses arising from impairment tests as well as impairment of goodwill in connection with divestments and classification of disposal groups as held for sale.

Amortisation and impairment of brands and customer contracts includes amortisation of acquired brands and acquired customer contract portfolios and related customer relationships, impairment losses arising from impairment tests and impairment losses in connection with divestments and classification of disposal groups as held for sale.

Income tax effect of Goodwill impairment and Amortisation and impairment of brands and customer contracts is presented in a separate line item in connection with these two line items.

Consolidated statement of cash flows

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

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

Cash flow from operating activities is calculated using the indirect method and comprises Operating profit before other items adjusted for non-cash items, changes in working capital and provisions and payments regarding income taxes and other income and expenses.

Cash flow from investing activities comprises payments in connection with acquisition and divestment of businesses and the purchase and sale of intangible assets, property, plant and equipment and other non-current assets as well as acquisition and disposal of securities not recognised as cash and cash equivalents.

Acquisition of assets by means of finance leases are treated as non-cash transactions.

Cash flow from financing activities comprises proceeds from and repayment of loans, dividends, proceeds from share issues, cash flow related to derivatives hedging net investments and dividends to non-controlling shareholders. Furthermore, interest paid and received is included in cash flow from financing activities as this better reflects the distinction between operating and financing activities following the acquisition of ISS World Services A/S by ISS A/S.

NOTE 1 Significant accounting policies (continued)

Cash flows relating to assets held under finance leases are recognised as payment of interest and repayment of debt.

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

Cash flows in currencies other than the functional currency are translated using average exchange rates unless these deviate significantly from the exchange rate at the transaction date.

Consolidated statement of financial position

Goodwill is initially recognised in the statement of financial position at cost as described under "Business combinations". Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the acquisition date and tested at least annually as part of the annual impairment test for non-current assets. Identification of cash-generating units is based on the management structure and internal financial control, i.e. generally equal to country level.

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

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

The value of brands is allocated to cash-generating units and tested for impairment as part of the annual impairment test of non-current assets.

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

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

The value of customer contracts is allocated to cash-generating units and tested for impairment as part of the annual impairment test of non-current assets.

Software and other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated 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 based on the cost of the asset and recognised in the income statement on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives for the current and comparative years are as follows:

	Estimated useful life
Software	5-10 years
Other intangible assets	5-10 years

Amortisation methods and useful lives are reassessed at each reporting date and adjusted if appropriate. When changing the amortisation period due to a change in the useful life, the effect on the amortisation is recognised prospectively as a change in accounting estimates.

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

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

The cost of assets held under finance leases is stated at the lower of fair value of the asset and the net present value of future minimum lease payments. When calculating the net present value, the interest rate implicit in the lease or an approximated rate is applied as the discount rate.

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

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

Depreciation of property, plant and equipment is recognised in the income statement on a straight-line basis over the estimated useful lives of the assets. Assets under finance lease are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives for current and comparative years are as follows:

	Estimated useful life
Buildings	20-40 years
Leasehold improvements	(the lease term) 5-12 years
Plant and equipment	3-10 years

Land is not depreciated.

NOTE 1 Significant accounting policies (continued)

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. When changing the depreciation period or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

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 the income statement under Other operating expenses in the year of sale, except gains and losses arising on disposals of property, which are recognised under Other income and expenses, net.

Investment in associates are recognised initially at cost and subsequently accounted for using the equity method. Investments in associates are measured at the proportionate share of the entities' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealised intra-group profits and losses plus the carrying amount of goodwill. Investments in associates are tested for impairment if indications of impairment exists.

Investments in associates with a negative net asset value are measured at zero. If the Group has a legal or constructive obligation to cover a deficit in the associate, the deficit is recognised under Provisions.

Receivables from associates are recognised initially at fair value and subsequently measured at amortised cost, less any impairment losses.

Acquisition of associates are accounted for using the acquisition method, see description under Business combinations.

Other financial assets comprises mainly deposits and regulatory long-term loans. Other financial assets are initially recognised at cost and subsequently measured at amortised cost with any resulting adjustment being recognised in the income statement.

Impairment of non-current assets Goodwill and brands with an indefinite useful life are subject to annual impairment tests, initially before the end of the acquisition year. Similarly, brands with definite useful life and customer contracts are tested for impairment annually.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the cash-generating unit to which goodwill is allocated. If the carrying amount exceeds the recoverable amount an impairment loss is recognised in a separate line in the income statement. The recoverable amount is generally calculated as the present value of the expected future cash flows (value in use) from the cash-generating unit to which goodwill is allocated.

Deferred tax assets are subject to impairment tests annually and recognised only to the extent that it is probable that they will be utilised.

The carrying amount of other non-current assets is tested annually for indications of impairment. If such an indication exists, the recoverable amount of the asset is determined. The recoverable amount is the higher of the fair value of the asset less anticipated costs of disposal and its value in use. The value in use is calculated as the present value of expected future cash flows from the asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement.

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.

Inventories are measured at the lower of cost under the FIFO principle and net realisable value.

Finished goods and work in progress are measured at the lower of cost plus attributable overheads and net realisable value. The cost of raw materials and supplies includes the purchase price plus costs directly related to the purchase.

Net realisable value of inventories is calculated as the estimated selling price less costs of completion and costs necessary to complete the sale and is determined taking into account marketability, obsolescence and development in expected sales price.

Receivables are recognised initially at fair value. Subsequent to initial recognition receivables are measured at amortised cost using the effective interest method, less any impairment losses. An impairment loss is recognised when objective evidence indicates that a specific receivable or a portfolio of receivables is impaired. Objective evidence that receivables are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that would not otherwise be considered or indications that a debtor will enter bankruptcy.

The Group considers evidence of impairment at both a specific receivable and portfolio level. All individually significant receivables are assessed for specific impairment. Receivables, that are found not to be specifically impaired, are collectively assessed for impairment on portfolio level by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

Impairment losses during the year are recognised under Other operating expenses and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the income statement.

Contract work in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at the contract revenue of the work completed (i.e. cost plus profit recognised to date) less progress billings and recognised losses.

The contract revenue is calculated in proportion to the stage of completion at the reporting date and the total contract revenue to be received for each individual contract. The stage of completion is determined on the basis of an assessment of the work performed, which is measured as the proportion of contract costs incurred for work performed on each individual contract relative to the total estimated contract costs.

When it is probable that the total contract costs will exceed the total contract revenue, the anticipated loss on the contract is immediately recognised as an expense and a provision.

When the outcome of a contract cannot be determined reliably, the realisable value is measured as the contract costs incurred that are likely to be recovered.

NOTE 1 Significant accounting policies (continued)

Where on a contract-by-contract basis the realisable value of work performed exceeds progress billings and anticipated losses, the excess is recognised under Contract work in progress. If progress billings and anticipated losses exceed the realisable value of a construction contract, the deficit is recognised under Other liabilities.

Prepayments from customers are recognised under Other liabilities.

Costs relating to sales work and securing contracts are recognised in the income statement as incurred.

Other receivables are recognised initially at cost and subsequently at amortised cost. Other receivables comprises various receivables, e.g. supplier rebates and bonuses, receivable divestment proceeds, refunds from and outlays for customers, employee receivables and certain contract costs. Capitalised contract costs are amortised over the term of the contract. Contract costs relate to PPP (Public Private Partnership)/PFI (Private Finance Initiative) contracts and certain other significant contracts. Costs related to tenders for public offers for PPP/PFI contracts are generally recognised in the income statement as incurred. However, if the Group is awarded status as preferred bidder, directly attributable contract costs from that date, if any, are capitalised. If the Group is not awarded the contract, all costs are recognised in the income statement.

Prepayments comprises various prepaid expenses such as prepayments to suppliers, sign-on fees, rent, leasing and insurance as well as mobilisation costs for certain significant contracts. Prepayments are measured at cost.

Securities that are designated as fair value through profit or loss upon initial recognition are measured at fair value. Attributable transaction costs are recognised in the income statement as incurred. Changes in fair value are recognised in the income statement.

Pensions and similar obligations The Group has entered into retirement benefit schemes and similar arrangements with the majority of the Group's employees.

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Contributions to defined contribution plans are recognised in the income statement under Staff costs in the periods during which services are rendered by employees. Any contributions outstanding are recognised in the statement of financial position as Other liabilities.

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the Projected Unit Credit Method. The present value is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. The actuarial present value less the fair value of any plan assets is recognised in the statement of financial position under Pensions and similar obligations.

Pension costs for the year are recognised in the income statement on the basis of actuarial estimates and financial expectations at the beginning of the year. Differences between the expected development in pension assets and liabilities and the realised amounts at the end of the year are designated actuarial gains or losses and are recognised in other comprehensive income.

If changes in benefits relating to services rendered by employees in previous years result in changes in the actuarial present value, the changes are recognised as historical costs. Historical costs are recognised immediately if employees have already earned the changed benefits. If employees have not earned the benefits, the historical costs are recognised in the income statement over the period in which the changed benefits are earned by the employees.

If a pension plan constitutes a net asset, the asset is only recognised to the extent that it represents future refunds from the plan, or it will lead to reductions in future contributions to the plan.

Interest on defined benefit plans and the expected return on plan assets are recognised under Financial expenses.

Other long-term employee benefits are recognised based on an actuarial calculation. Actuarial gains and losses are recognised in the income statement immediately under Staff costs. Interest on long-term employee benefits are recognised under Financial expenses. Other long-term employee benefits comprise jubilee benefits, long-service or sabbatical leave etc.

Share-based payments The value of services received in exchange for granted warrants is measured at the fair value of these warrants. The fair value of equity-settled programmes is measured at grant date and recognised in the income statement under Other income and expenses, net over the vesting period with a corresponding increase in equity.

The fair value of the warrants granted is measured using the Black-Scholes option pricing model based on the terms and conditions on which they were granted. Service and non-market vesting conditions are not taken into account when estimating the fair value, but are considered when estimating the number of warrants expected to vest.

Current tax receivable/payable and deferred tax Current tax payable and receivable is recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income for previous years and for tax paid on account.

Deferred tax is measured in accordance with the liability method and comprises all temporary differences between accounting and tax values of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from in business combinations, arose at the time of acquisition without affecting either profit/loss for the year 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, respectively.

Deferred tax assets, including the tax base of tax losses carried forward, are recognised under 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 are assessed yearly and only recognised to the extent that it is more likely than not that they can be utilised.

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

NOTE 1 Significant accounting policies (continued)

Deferred tax is adjusted for elimination of unrealised intra-group profits and losses.

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 is expected to be realised as current tax. The change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Provisions comprises obligations concerning legal cases, self-insurance, acquisition and integration costs, contingent liabilities related to acquisitions, dismantling costs, and various other operational issues. 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 amount recognised as a provision is management's best estimate of the amount required to settle the obligation.

When measuring provisions, 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. The unwind of discount is recognised under Financial expenses.

Restructuring costs are recognised under Provisions when a detailed, formal restructuring plan is announced to the affected parties on or before the reporting date. On acquisition of businesses, restructuring provisions in the acquiree are only included in goodwill when the acquiree has a restructuring liability at the acquisition date.

A provision for onerous contracts 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.

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

Financial liabilities are recognised at the date of borrowing at fair value less related transaction costs paid. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. Any difference between the proceeds initially received and the nominal value is recognised in the income statement under Financial expenses over the term of the loan.

Financial liabilities also include the capitalised residual obligation on finance leases, which are measured at amortised cost.

Leasing For accounting purposes lease obligations are divided into finance leases and operating leases.

A finance lease is a lease that transfers substantially all risks and rewards incident to ownership to the lessee. Other leases are classified as operating leases. The accounting treatment of assets held under a finance lease and the related obligation is described under Property, plant and equipment and Financial liabilities, respectively.

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

Assets held for sale comprises non-current assets and disposal groups held for sale. A disposal group is defined as a group of assets to be disposed of by sale or otherwise together as a group in a single transaction. Liabilities classified as held for sale are those directly associated with the assets that will be transferred in the transaction.

Assets are classified as held for sale when the carrying amount of the assets is expected to primarily be recovered through a sale within 12 months of the reporting date in accordance with a formal plan rather than through continuing use.

Immediately before classification as held for sale, the assets or disposal groups are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets or disposal groups are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Intangible assets and property, plant and equipment once classified as held for sale 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. Gains and losses are 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 to the consolidated financial statements. Comparative figures are not adjusted accordingly.

Segment information

The Group's reportable segments have been identified based on the Group's internal management reporting. Operations are generally managed based on a geographical structure in which countries are grouped into seven regions. The regions have been identified based on a key principle of grouping countries that share market conditions and cultures. However, countries with activities managed by the central Corporate Clients organisation are excluded from the geographical segments and combined in a separate segment called "Other countries".

The accounting policies of the reportable segments are the same as the Group's accounting policies described above. 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 as well as Financial income, Financial expenses and Income taxes.

For IFRS 8 purposes, segment profit has been identified as Operating profit (before Goodwill impairment and Amortisation and impairment of brands and customer contracts). 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.

Key figures and financial ratios

Earnings per share (EPS) and diluted earnings per share are calculated in accordance with IAS 33.

Other financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial rations, "Recommendations and Financial Ratios 2010", unless specifically stated, see Definitions on page 171.

Key figures and financial ratios are illustrated on page 11.

NOTE 2 Critical accounting estimates and judgements

The preparation of the consolidated financial statements of the Group requires management to make various judgements, accounting estimates and assumptions concerning future events that affect the presentation, recognition and measurement of the Group's assets and liabilities, income and expenses at the reporting date.

Estimation uncertainty

The estimates, judgements and assumptions are made based on historical experience and various other factors which management assesses to be reliable, but which by their nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. Further, the Group is exposed to a number of risks and uncertainties arising from operating and financing activities. As a result of these risks and uncertainties actual results may deviate from estimates, both positively and negatively. Specific financial risks for the Group are discussed in the notes.

Estimates and assumptions are reviewed on an ongoing basis. Most economies are still facing challenges and the volatility in the financial markets continued to lead to high uncertainty regarding a number of key assumptions about the future, e.g. interest rates, growth rates, volatility and credit risk. Estimates in the consolidated financial statements for 2012 have been prepared taking this into consideration, but still ensuring that one-off effects which are not expected to exist in the long term do not affect estimation and determination of these key factors, including discount rates and expectations of the future.

Management believes that the following are the most significant areas involving assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period and therefore have a significant risk of resulting in material adjustments to the carrying amounts of assets and liabilities within the next financial year.

Impairment tests Goodwill, brands and customer contracts are tested for impairment at least annually or whenever there is an indication that the intangibles may be impaired. In performing the impairment test management makes an assessment of whether the cash-generating unit to which the intangibles relate will be able to generate positive net cash flows sufficient to support the value of intangibles and other net assets of the entity.

Estimates of expected future cash flows (value in use) are made based on financial budgets for the following financial year. The key assumptions used to estimate expected future cash flows are discount rates and growth. During 2011 and 2012, in general increased volatility in risk free interest rates has been experienced. Uncertainties reflecting historical performance and possible variations in the amount or timing of the future cash flows are generally reflected in the discount rates. Consequently, a country specific risk premium has been added to the discount rates to reflect the specific risk associated with each cash-generating unit.

Estimates used to measure recoverable amount and sensitivity analyses are presented in note 16, Impairment tests.

Defined benefit plans and similar obligations The value of the Group's defined benefit plans and other long-term employee benefits are based on valuations from external actuaries. When calculating the net present value of the retirement benefit obligation a number of significant actuarial assumptions are made including discount rates, expected return on plan assets, expected increases in future wages, salary and retirement benefits. 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 are disclosed in note 31, Pensions and similar obligations.

The net present value of expected future cash flows is calculated based on the discount rates used. The discount rates are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating to the terms of the defined benefit obligations.

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

Deferred tax assets The recognition of deferred tax assets regarding tax losses carried forward is based on management's assessment of expected future profitability in the foreseeable future. Deferred tax assets relating to tax losses carried forward are only recognised to the extent that it is more likely than not that future taxable profit will be available against which the unused tax losses can be utilised in the foreseeable future taking into account any restrictions in utilisation in the local tax legislation. This judgement is made on the reporting date based on budgets and estimates.

The Group's tax assets are presented, and uncertainties relating to recognition are described in note 19, Deferred tax.

Receivables Impairment losses recognised are based on management's assessment of the customer's ability to make the required payments. Following the international financial crisis in general the risk of impairment has increased. This has been taken into consideration in the assessment of impairment losses at the reporting date and also in the management and control activities during the year.

Impairment of receivables is described and disclosed in note 37, Financial risk management.

Contract work in progress Management assesses the stage of completion based on a method that measures reliably the work performed. Depending on the nature of the contract, the methods include an assessment of the proportion that contract costs incurred for work performed to date will bear to the estimated total contract costs, surveys of work performed or completion of a physical proportion of the contract work.

Assets held for sale mainly comprises disposal groups and is measured at the lower of the carrying amount and fair value less costs to sell. Consequently, management makes estimates of the fair value (the final sales price) of the disposal group. Depending on the nature of the disposal group's activity, assets and liabilities, the estimated fair value may be associated with uncertainty and possibly adjusted subsequently. Management considers intangible assets relating to the disposal groups, taking into consideration how to separate the 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 above.

Assets held for sale are disclosed in note 28, Assets held for sale.

Divestments Management assesses the appropriate level of provisions to cover claims from purchasers or other parties in connection with divestments and representation and warranties given in relation to divestments.

NOTE 2 Critical accounting estimates and judgements (continued)

Provisions and contingencies Management assesses provisions, contingent assets and liabilities and the likely outcome of pending or probable lawsuits etc. on an ongoing basis. The outcome depends on future events that are by nature uncertain. In assessing the likely outcome of lawsuits and tax disputes etc., management bases its assessment on external legal assistance and established precedents.

Provisions are disclosed in note 32, Provisions and contingent liabilities are disclosed in note 35, Contingent liabilities, pledges and guarantees.

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

The fair value of identifiable net assets is specified in note 14, Acquisition and divestment of businesses.

Brands The fair value of the brands acquired in business combinations and their expected useful lives are assessed based on the brands' market position, expected long-term developments in the relevant markets and the brands' profitability.

Generally, the Group's strategy is based on the ISS brand, which means that all acquired brands are either immediately converted to the ISS brand or co-branded with the ISS brand for a longer or shorter period of time. Whether the conversion is effected immediately or implemented over a period of time depends on the assessment of the fair value of the acquired brand, i.e. whether the acquired brand is expected to separately generate future economic benefits.

The fair value is calculated based on a discounted cash flow model based on management's estimates of expected after-tax royalty payments (the royalty relief method) and Weighted Average Cost of Capital (WACC) including a risk premium for the assumed risk inherent in the brand.

Customer contracts The fair value of customer contracts acquired in business combinations is based on an evaluation of the conditions relating to the acquired customer contract portfolio and related customer relationships in terms of local market conditions, terms and conditions of the underlying contracts and historical experience relating to churn rates.

Measurement is based on a discounted cash flow model based on key assumptions about the estimated split of the acquired revenue in business segments and the related churn rates and profitability of the revenue at the time of the acquisition. Further, management considers the Weighted Average Cost of Capital (WACC) and a risk premium for the assumed risk inherent in customer contracts.

Judgement in applying accounting policies

In applying the Group's accounting policies, management makes judgements which may significantly influence the amounts recognised in the consolidated financial statements.

Significant contracts The Group has entered into certain significant contracts with complex revenue and cost structures. Accounting for these contracts requires management's judgement in terms of recognition of the individual items of revenue and costs, including recognition in the correct periods over the term of the contract.

Gross or net presentation of revenue In some instances ISS will serve as reseller of goods such as cleaning materials, cleaning equipment etc. or provide staff for canteens selling food etc. In other instances services on an ISS contract will be delivered to the customer through a subcontractor of ISS. The issue is whether revenue should be presented gross or net, i.e. based on the gross amount billed to the customer, or based on the net amount retained (the amount billed to the customer less the amount paid to the supplier). To determine whether revenue should be presented gross or net of costs incurred management considers whether ISS is acting in the capacity of an agent or a principal.

Other income and expenses, net The use of Other income and expenses, net entails management judgement in the separation from the normal ordinary operations of the Group. When using Other income and expenses, net it is crucial that these constitute items that can not be attributed directly to the Group's ordinary operating activities. Management carefully evaluates each item to ensure the correct distinction between the Group's ordinary operating activities and Other income and expenses, net.

Leases The Group has entered into a number of leases and for each lease agreement an assessment is made as to whether the lease is a finance lease or an operating lease. The Group primarily enters into operating lease agreements. Operating leases consist of leases and rentals of properties, vehicles (primarily cars), production equipment and other equipment.

Assets held for sale Non-current assets and disposal groups are classified as held for sale when the carrying amount of the assets or disposal groups are expected to primarily be recovered through a sale within 12 months in accordance with a formal plan rather than through continuing use. Management makes judgement to make the correct classification. The classification is significant as the classification as held for sale changes the measurement basis of the non-current assets and disposal groups as well as the presentation in the statement of financial position.

On **business combinations** and establishing new entities assessment is made in order to classify the acquired business as a subsidiary, joint venture or associate. The assessment is made on basis of the agreement entered into on the acquisition of ownership interests or voting rights in the entity etc.

NOTE 3 Segment information

Reportable segments

ISS is a global facility services company, that operates in more than 50 countries and delivers a wide range of services within the areas cleaning services, support services, property services, catering services, security services and facility management.

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

The segment reporting is prepared in a manner consistent with the Group's internal management and reporting structure. Segment revenue, costs, assets and liabilities comprise items that can be directly referred to the individual segments.

	2012								
DKK million	Western Europe	Nordic	Asia	Pacific	Latin America	North America	Eastern Europe	Other coun-tries	Total re-portable segments
Income statement									
Revenue [1]	39,414	17,736	7,367	6,007	3,820	3,539	1,605	36	79,524
Depreciation and amortisation [2]	(391)	(206)	(80)	(62)	(51)	(20)	(19)	-	(829)
Operating profit before other items [3]	2,407	1,190	564	311	91	151	102	(1)	4,815
Other income and expenses, net	(72)	27	(23)	(2)	(128)	(62)	-	-	(260)
Operating profit [2]	2,335	1,217	541	309	(37)	89	102	(1)	4,555
Goodwill impairment	(372)	-	(13)	-	-	-	-	-	(385)
Amortisation and impairment of brands and customer contracts	(372)	(146)	(54)	(44)	(12)	(32)	(19)	-	(679)
Statement of financial position									
Total assets	30,168	15,576	4,452	3,674	1,732	1,838	1,292	9	58,741
Hereof assets classified as held for sale	873	928	145	323	-	-	-	-	2,269
Additions to non-current assets [4]	519	195	107	96	45	8	12	-	982
Total liabilities	21,052	9,666	1,997	2,800	1,793	876	535	8	38,727
Hereof liabilities classified as held for sale	194	415	20	104	-	-	-	-	733

Transactions between reportable segments are made on market terms.

[1] Segment revenue comprises total revenue of each segment. Due to the nature of the business internal revenue is insignificant and is therefore not disclosed.
[2] Excluding Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[3] Excluding Other income and expenses, net, Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[4] Additions to non-current assets comprise additions to Intangible assets and Property, plant and equipment including acquisitions through business combinations.

NOTE 3 Segment information (continued)

	2011								
DKK million	Western Europe	Nordic	Asia	Pacific	Latin America	North America	Eastern Europe	Other countries	Total reportable segments
Income statement									
Revenue [1]	39,321	18,085	6,090	5,525	3,648	3,369	1,641	30	77,709
Depreciation and amortisation [2]	(362)	(240)	(65)	(52)	(38)	(16)	(21)	-	(794)
Operating profit before other items [3]	2,268	1,268	486	358	215	116	107	(1)	4,817
Other income and expenses, net	(72)	61	(4)	(3)	(20)	(53)	(0)	-	(91)
Operating profit [2]	2,196	1,329	482	355	195	63	107	(1)	4,726
Goodwill impairment	(478)	(23)	-	-	-	-	-	-	(501)
Amortisation and impairment of brands and customer contracts	(370)	(168)	(55)	(45)	(14)	(34)	(22)	-	(708)
Statement of financial position									
Total assets	30,600	14,902	4,250	3,545	1,972	1,833	1,338	6	58,446
Hereof assets classified as held for sale	165	-	-	-	-	-	-	-	165
Additions to non-current assets [4]	539	222	56	119	81	26	19	-	1,062
Total liabilities	20,986	9,403	1,958	2,682	1,612	1,404	624	5	38,674
Hereof liabilities classified as held for sale	90	-	-	-	-	-	-	-	90

Transactions between reportable segments are made on market terms.

[1] Segment revenue comprises total revenue of each segment. Due to the nature of the business internal revenue is insignificant and is therefore not disclosed.
[2] Excluding Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[3] Excluding Other income and expenses, net, Goodwill impairment and Amortisation and impairment of brands and customer contracts.
[4] Additions to non-current assets comprise additions to Intangible assets and Property, plant and equipment including acquisitions through business combinations.

Grouping of countries into regions

Western Europe:	Austria, Belgium & Luxembourg, France, Germany, Greece, Ireland, Israel, Italy, the Netherlands, Portugal, Spain, Switzerland, Turkey and the United Kingdom
Nordic:	Denmark, Finland, Greenland, Iceland, Norway and Sweden
Asia:	Brunei, China, Hong Kong, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, Taiwan and Thailand
Pacific:	Australia and New Zealand
Latin America:	Argentina, Brazil, Chile, Columbia, Costa Rica, Ecuador, Mexico, Panama, Peru, Puerto Rico, Uruguay and Venezuela
North America:	Canada and the USA
Eastern Europe:	Croatia, the Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia and Slovenia
Other countries:	Bahrain, Cayman Islands, Cyprus, Egypt, Nigeria, Pakistan, South Africa, South Korea, Ukraine and the United Arab Emirates

NOTE 3 Segment information (continued)

Service types

The Group's revenue derives from the following service types:

DKK million	2012	2011
Cleaning services	39,514	39,470
Support services	6,607	6,162
Property services	14,987	15,003
Catering services	8,558	7,710
Security services	6,418	5,767
Facility management	3,370	3,532
Total revenue	**79,454**	**77,644**

Geographical information

Revenue and non-current assets (excluding deferred tax assets) is specified below for each of the Group's significant countries [1]:

	2012		2011	
DKK million	Revenue	Non-current assets	Revenue	Non-current assets
United Kingdom	8,792	3,304	7,835	3,246
France	7,248	4,554	7,560	4,981
Norway	6,080	2,420	5,940	2,910
Australia	5,476	2,072	5,033	2,334
Spain	4,410	1,384	4,467	1,617
Finland	4,131	2,965	4,154	3,020
Sweden	4,047	2,129	4,172	2,058
Denmark (country of domicile)	3,293	2,217	3,640	2,307
Other countries [2]	35,977	13,249	34,843	14,008
Total	**79,454**	**34,294**	**77,644**	**36,481**

[1] In this context significant countries are defined as countries representing 5% or more of the Group's revenue.
[2] Including unallocated items and eliminations.

Major customers

No customer comprises more than 10% of the Group's external revenue in 2012 (2011: none).

NOTE 3 Segment information (continued)

Reconciliations to the income statement

DKK million	2012	2011
Revenue		
Revenue for reportable segments	79,524	77,709
Elimination of internal revenue	(70)	(65)
Revenue according to the income statement	**79,454**	**77,644**
Operating profit		
Operating profit for reportable segments	4,555	4,726
Unallocated corporate costs	(404)	(429)
Unallocated other income and expenses, net	(48)	(132)
Operating profit according to the income statement	**4,103**	**4,165**
Unallocated:		
Share of result from associates	4	0
Financial income	217	197
Financial expenses	(2,935)	(3,004)
Profit before tax and goodwill impairment/amortisation and impairment of brands and customer contracts according to the income statement	**1,389**	**1,358**

Reconciliations to the statement of financial position

DKK million	2012	2011
Total assets		
Total assets for reportable segments	58,741	58,446
Elimination of internal assets [1]	(38,769)	(38,524)
Unallocated assets [2]	33,940	35,074
Total assets according to the statement of financial position	**53,912**	**54,996**
Additions to non-current assets [3]		
Additions to non-current assets for reportable segments	982	1,062
Unallocated additions to non-current assets	33	70
Total additions to non-current assets according to the statement of financial position	**1,015**	**1,132**
Total liabilities		
Total liabilities for reportable segments	38,727	38,674
Elimination of internal liabilities [1]	(38,238)	(38,013)
Unallocated liabilities [2]	48,400	52,253
Total liabilities according to the statement of financial position	**48,889**	**52,914**

1) Eliminations mainly relate to intra-group balances.
2) Unallocated assets and liabilities mainly relate to the Group's holding companies as they are not included in the reportable segments. The assets and liabilities comprise internal and external loans and borrowings, cash and cash equivalents and intra-group balances.
3) Additions to non-current assets comprise additions to Intangible assets and Property, plant and equipment including acquisitions through business combinations.

NOTE 4 Revenue

DKK million	2012	2011
Rendering of services	75,805	73,286
Sale of goods	2,467	2,625
Contract work in progress	1,182	1,733
Revenue	**79,454**	**77,644**

Both revenue from rendering of services and contract work in progress have been determined based on the stage of completion method. The amount of revenue recognised from contract work in progress mainly relates to the Group's landscaping and damage control activities. The work performed is based on specifically negotiated contracts with customers.

NOTE 5 Staff costs

DKK million	2012	2011
Wages and salaries	41,577	39,756
Defined benefit plans	64	159
Defined contribution plans	1,868	1,839
Social security costs	6,084	6,111
Other employee benefits	2,478	2,224
Staff costs	**52,071**	**50,089**
Average number of employees	**536,731**	**533,573**

The Group received government grants in the form of wage subventions, which have been recognised in the income statement as a reduction of staff costs. The grants compensate the Group for staff costs primarily related to social security as well as hiring certain categories of employees such as trainees, disabled persons, long-term unemployed and employees in certain age groups.

NOTE 5 Staff costs (continued)

Remuneration to the Board of Directors and Group Management Board

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

	2012			2011		
		Group Management Board			Group Management Board	
DKK thousand	Board of Directors	Executive Group Management Board	Corporate Senior Officers	Board of Directors	Executive Group Management Board	Corporate Senior Officers
Salaries and other remuneration	3,197	14,329	43,912	3,999	13,893	48,723
Bonus	-	3,560	14,120	-	2,850	17,086
Severance payments [1]	-	-	10,719	-	15,607	7,476
Share-based payments [2]	-	563	837	-	233	618
Total remuneration	**3,197**	**18,452**	**69,588**	**3,999**	**32,583**	**73,903**

	2012		2011		
	Executive Group Management Board		Executive Group Management Board		
DKK thousand	Jeff Gravenhorst	Henrik Andersen	Jeff Gravenhorst	Henrik Andersen	Jakob Stausholm (former CFO)
Salaries and other remuneration [3]	7,909	6,420	7,858	533	5,502
Bonus	2,060	1,500	2,850	-	-
Severance payments [1]	-	-	-	-	15,607
Share-based payments [2]	563	-	233	-	-
Total remuneration	**10,532**	**7,920**	**10,941**	**533**	**21,109**

Members of the Board, except representatives of the Principal Shareholders and Ontario Teachers' Pension Plan, received remuneration for duties performed in ISS A/S and other companies within the ISS Group. The remuneration is a fixed annual fee and members of the Board Committees received an additional fixed fee. Certain members of the Board have invested in a mix of shares and warrants as part of the Directors Participation Programme as described in note 39, Related parties.

The members of the EGM and the GMB received remuneration for duties performed in ISS A/S and other companies within the ISS Group. The remuneration consists of a combination of fixed salary, standard benefits in accordance with market standards and, for most members, a performance-based annual bonus of up to 60% of their fixed salary, which in the event of extraordinary performance (significantly above budget) can be up to 90% of the fixed salary. The bonus is subject to achieving performance targets for the Group's key operational objectives; cash conversion, organic growth and operating margin.

The EGM and the GMB also participate in a Long-Term Incentive Programme (LTIP). The LTIP is cash-based and the initial grant has a value of up to 15% of the annual base salary. Subject to achieving performance targets for operating profit and net debt and the occurrence of a vesting event (e.g. an IPO or a sale of the majority of shares of ISS to a third party), the LTIP will pay out in the range of 20% to 150% of the initial grant. The maximum pay-out in such event is 22.5% of the annual base salary.

All employment contracts of the EGM and the GMB members may be terminated at 6-24 months' notice. One employment contract includes a severance payment of two years' salary in the event of termination by ISS. No other members of the EGM or the GMB are entitled to severance payments. The employment contracts contain no special termination rights.

Directorships in companies within the ISS Group held by members of the EGM and the GMB are not remunerated separately.

The members of the EGM and certain Corporate Senior Officers participate in the Management Participation Programme as described in note 39, Related parties.

Remuneration to the Board of Directors, the EGM and the GMB is paid by ISS World Services A/S.

1) Severance payments of DKK 11 million (2011: DKK 23 million) related to senior management changes at Corporate and were included in Other income and expenses, net.
2) Included in Other income and expenses, net.
3) Henrik Andersen replaced Jakob Stausholm as Group CFO with effect from 1 December 2011. Consequently, salaries and other remuneration for 2011 reflect their respective remuneration when holding the position as Group CFO.

NOTE 6 Share-based payments

Management Participation Programme

The Executive Group Management Board (the EGM) and a number of senior officers [1] of the Group have invested in a Management Participation Programme (MPP). The initial programme was structured as a combination of direct and indirect investments in a mix of shares and warrants of FS Invest S.à r.l ("FS Invest"), ISS A/S's ultimate parent company as described in note 39, Related parties. In March 2012 the programme was redesigned to introduce two investment profiles. The EGM and certain senior officers of the Group remain as indirect investors in a mix of shares and warrants of FS Invest, whereas the remaining senior officers of the Group – having had the opportunity to settle partly in cash – invest directly or indirectly in shares or loan notes of FS Invest.

As part of the initial programme – in addition to the investments – warrants in FS Invest with a vesting schedule based on value of shares and time were granted free of charge to the EGM and a number of Corporate Officers [2] of the Group. These warrants were all settled as part of the redesign of the MPP.

The direct and indirect investments in FS Invest were made on market terms and hence are not share-based payments within the scope of IFRS 2 Share-based Payment. Further details of the programme and these investments are provided in note 39, Related parties. The warrants granted (as part of the initial MPP) to the EGM and a number of corporate officers of the Group were within the scope of IFRS 2.

Warrants granted as part of the original Management Participation Programme

The warrants were granted in July 2006 as a one-time grant. The fair value of the warrants was estimated to DKK 25 million at the time of grant measured using the Black-Scholes option pricing model based on the assumptions at the time of grant and exercise restrictions. The warrants were accounted for as equity-settled transactions whereby the fair value at grant date is expensed in the income statement over the vesting period.

At 1 January 2012, 277,632 warrants were outstanding. As part of the redesign of the MPP in March 2012 these warrants were all settled and consequently, the remaining fair value in respect of the granted warrants of DKK 3 million (2011: DKK 1 million) was recognised under Other income and expenses, net.

[1] Senior officers of the Group comprises Corporate Senior Officers (members of the Group Management Board other than members of the EGM) and other corporate officers as well as certain members of Country Management of certain countries.
[2] Corporate officers of the Group comprises Corporate Senior Officers (members of the Group Management Board other than members of the EGM) and other corporate officers.

NOTE 7 Fees to auditors elected at the Annual General Meeting

DKK million	2012	2011
KPMG		
Audit fees	38	40
Other assurance services	5	29
Tax and VAT advisory services	11	10
Other services	15	3
Total KPMG	**69**	**82**

Audit fees comprised audit of the consolidated and local financial statements.

Other assurance services in 2012 comprised mainly work related to the half-year review. In 2011, other assurance services comprised mainly work related to the exit processes and the half-year review. The costs related to the exit processes were included in Other income and expenses, net.

Tax and VAT advisory services comprised general tax and VAT consultancy and assistance.

Other services comprised among other things work related to acquisitions and divestments such as financial and tax due diligence. Furthermore in 2012 work related to the share issue following the investment by Ontario Teachers' Pension Plan and KIRKBI Invest A/S was included. The costs related to the share issue amounted to DKK 2 million and were recognised in Equity.

NOTE 8 Other income and expenses, net

DKK million	2012	2011
Gain on divestments	83	90
Gain on sale of investment in associates	-	6
Gain on sale of land and buildings	15	-
Other	4	10
Other income	**102**	**106**
Restructuring projects	(187)	(66)
Misstatement of accounts	(98)	-
Build-up of IFS capabilities in North America	(62)	(52)
Loss on divestments	(42)	(24)
Redesign of the Management Participation Programme (MPP)	(10)	-
Costs related to exit processes	(2)	(111)
Revised estimate for social security contributions prior years	-	(47)
Acquisition and integration costs	(3)	(7)
Other	(6)	(22)
Other expenses	**(410)**	**(329)**
Other income and expenses, net	**(308)**	**(223)**

Gain on divestments in 2012 mainly related to the sale of Reaktorskolen AS, the governmental outplacing services in Norway of DKK 33 million, and the washroom activities in the Netherlands and Belgium & Luxembourg of DKK 19 million and DKK 25 million, respectively. In 2011, the gain mainly related to the divestment of the coffee vending business in Norway and Denmark and the sale of the industry service activities in Finland.

Gain on sale of investment in associates in 2011 related to the sale of ISS Industriservice AB.

Restructuring projects in 2012 amounted to DKK 187 million and mainly related to structural adjustments in France, Norway, Brazil and the Netherlands, consolidation of office locations and other efficiency improvements in Norway as well as redundancy and severance payments relating to senior management changes. The restructuring projects include cost reductions to make ISS more efficient going forward and primarily comprise redundancy payments, termination of leaseholds and relocation costs. In 2011, costs related to a number of projects in Brazil, Finland, Norway, the Netherlands and at Corporate covering consolidation of office locations and other efficiency improvements as well as changes in the organisational setup.

Misstatement of accounts related to Uruguay, India and Mexico. The loss was a result of the expansion of the businesses in these high-growth markets not being sufficiently supported by a satisfactory control environment.

Build-up of IFS capabilities in North America comprised costs incurred in relation to the strategic build-up of the IFS platform to support and deliver on major contracts in the USA.

Loss on divestments in 2012 related to the landscaping activities in the Netherlands of DKK 32 million and the mailroom services in France of DKK 10 million. In 2011, the loss mainly related to the sale of the industrial services business in Belgium.

Redesign of the Management Participation Programme (MPP) in 2012 related mainly to the settlement of warrants including costs for external advisors in connection with the redesign of the MPP, see note 39, Related parties.

Costs related to exit processes comprised costs for external advisors incurred mainly as part of the initiated IPO process. The IPO was cancelled in March 2011 due to the extraordinarily high level of uncertainty and volatility in the global financial markets.

Revised estimate for social security contributions prior years in 2011 related to Greece for the period 2006 to 2010.

NOTE 9 Financial income and financial expenses

DKK million	2012	2011
Interest income on cash and cash equivalents etc.	144	125
Interest income from FS Invest S.à r.l	5	-
Foreign exchange gains	68	72
Financial income	**217**	**197**
Hereof financial income on financial assets measured at amortised cost	**149**	**125**
Interest expenses on loans and borrowings etc.	(2,299)	(2,396)
Amortisation of financing fees	(121)	(140)
Amendment and extension of the Senior Facilities Agreement	-	(117)
Amortisation of fair value adjustment of issued bonds	(20)	(20)
Net interest on defined benefit obligations	(14)	(29)
Net change in fair value of cash flow hedges transferred from equity	(52)	(106)
Foreign exchange losses	(255)	(196)
Redemption of Senior Notes	(174)	-
Financial expenses	**(2,935)**	**(3,004)**
Hereof financial expenses on financial liabilities measured at amortised cost	**(2,500)**	**(2,666)**

Amendment and extension of the Senior Facilities Agreement in 2011 related to unamortised financing fees being expensed as a consequence of the amendment and extension of certain tranches under the Senior Facilities Agreement.

Redemption of Senior Notes In December 2012, the 11% Senior Notes due 2014 of DKK 3,917 million (EUR 525 million) were fully redeemed via proceeds from the capital increase in ISS A/S following the investment by Ontario Teachers' Pension Plan and KIRKBI Invest A/S as explained in note 39, Related parties. The redemption resulted in an expense of DKK 174 million due to the call premium of DKK 108 million and unamortised financing fees of DKK 66 million being expensed.

NOTE 10 Income taxes

DKK million	2012	2011
Current tax regarding Profit before impairment/amortisation of intangibles [1]	871	764
Deferred tax regarding Profit before impairment/amortisation of intangibles [1]	68	118
Tax on Profit before impairment/amortisation of intangibles [1]	**939**	**882**
Adjustments relating to prior years, net	23	5
Income taxes	**962**	**887**
Tax effect of impairment/amortisation of intangibles [1]	**(193)**	**(231)**
Total tax recognised in the income statement	**769**	**656**

Computation of effective tax rate

	2012	2011
Statutory income tax rate in Denmark	25.0 %	25.0 %
Foreign tax rate differential, net	(2.3)%	(2.4)%
Total	**22.7 %**	**22.6 %**
Non-tax deductible expenses less non-taxable income	3.4 %	3.6 %
Adjustments relating to prior years, net	1.7 %	0.4 %
Change in valuation of net tax assets	(0.5)%	0.9 %
Valuation allowance of tax assets in France	12.9 %	7.4 %
Effect of changes in tax rates	(1.2)%	(0.4)%
Other taxes [2]	8.6 %	9.5 %
Limitation to interest deduction [3]	21.7 %	21.3 %
Effective tax rate (excluding effect from impairment/amortisation of intangibles [1]	**69.3 %**	**65.3 %**

[1] Intangibles comprise the value of goodwill, brands and customer contracts.
[2] Other taxes mainly comprise withholding tax and the French Cortisation sur La Valeur Ajoutee des Entreprises (CVAE).
[3] In 2012, the level is impacted by costs relating to the redemption of the Senior Notes, and in 2011 the level is impacted by refinancing costs related to the amendment and extension of the Senior Facilities Agreement.

Income tax recognised in other comprehensive income

	2012			2011		
DKK million	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Foreign exchange adjustment of subsidiaries and non-controlling interests	184	-	184	(46)	-	(46)
Fair value adjustment of hedges, net	(114)	29	(85)	(14)	4	(10)
Fair value adjustment of hedges, net, transferred to Financial expenses	52	(13)	39	106	(27)	79
Actuarial gains/(losses)	(557)	128	(429)	(95)	21	(74)
Impact from asset ceiling regarding pensions	1	-	1	8	-	8
Limitation to interest deduction	-	(16)	(16)	-	-	-
Total recognised in other comprehensive income	**(434)**	**128**	**(306)**	**(41)**	**(2)**	**(43)**

NOTE 11 Goodwill impairment

DKK million	2012	2011
Impairment losses derived from impairment tests	200	200
Impairment losses derived from divestment of businesses	185	301
Goodwill impairment	**385**	**501**

Impairment losses derived from impairment tests of DKK 200 million in 2012 related to France and was mainly attributable to the negative impact from new tax rules imposed in late 2012 with retroactive effect as per 1 January 2012 limiting the deductibility of net interest expenses. For further description see note 16, Impairment tests. In 2011, impairment losses of DKK 200 million related to Spain and was mainly attributable to the difficult macroeconomic conditions combined with an increase in the discount rate applied following the amendment and extension of the Senior Facilities Agreement.

Impairment losses derived from divestment of businesses of DKK 185 million in 2012 mainly related to the divestment of the office support services in France, resulting in a loss of DKK 172 million. The remaining loss related to the remeasurement of non-core activities in Asia, which were classified as held for sale at 31 December 2012, resulting in a loss of DKK 13 million. In 2011, impairment losses of DKK 301 million primarily related to the remeasurement of net assets of the landscaping activities in the Netherlands of DKK 218 million, which were subsequently sold in 2012. The remaining loss related to the divestment of the damage control business, VATRO, in Germany and three divested activities in Norway; Elektro Kristiansand, Elektro Oslo and Ventilasjon.

NOTE 12 Earnings per share

Profit attributable to ordinary shareholders

DKK million	2012	2011
Profit before goodwill impairment/amortisation and impairment of brands and customer contracts	**427**	**471**
Goodwill impairment	(385)	(501)
Amortisation and impairment of brands and customer contracts	(679)	(708)
Income tax effect	193	231
Net profit/(loss) for the year	**(444)**	**(507)**
Non-controlling interests	(3)	(7)
Net profit/(loss) for the year attributable to owners of ISS A/S	**(447)**	**(514)**

Weighted average number of shares (in thousands)	2012	2011
Average number of shares (basic)	**112,008**	**100,000**
Average numbers of shares (diluted)	**112,008**	**100,000**

Earnings per share	2012	2011
Basic earnings per share (EPS), DKK	(4.0)	(5.1)
Diluted earnings per share, DKK	(4.0)	(5.1)
Adjusted earnings per share, DKK	3.8	4.7

The change in number of shares during 2012 is disclosed in note 29, Equity.

ISS A/S holds no treasury shares and there are currently no outstanding share options or warrants with dilutive effect. Consequently, average number of shares and diluted average number of shares is identical.

Adjusted earnings per share is calculated on the basis of Profit before goodwill impairment/amortisation and impairment of brands and customer contracts.

NOTE 13 Changes in working capital

DKK million	2012	2011
Changes in inventories	(15)	(43)
Changes in receivables	(65)	(1,394)
Changes in payables	196	1,120
Changes in working capital	**116**	**(317)**

NOTE 14 Acquisition and divestment of businesses

Acquisition of businesses

The Group made one acquisition during 2012 (2011: none). The acquisition and adjustments to prior years' acquisitions had the following effect on the Group's consolidated financial statements at the reporting date:

	2012			2011	
DKK million	SBA Co. Ltd.	Adjustments to prior years' acquisitions	Total acquisitions	Adjustments to prior years' acquisitions	Total acquisitions
Customer contracts	11	-	11	-	-
Other non-current assets	-	(3)	(3)	-	-
Trade receivables	9	-	9	-	-
Other current assets	8	(2)	6	(29)	(29)
Pensions, deferred tax liabilities and non-controlling interests	(1)	-	(1)	0	0
Other current liabilities	(17)	-	(17)	44	44
Total identifiable net assets	**10**	**(5)**	**5**	**15**	**15**
Goodwill	18	6	24	5	5
Consideration transferred	**28**	**1**	**29**	**20**	**20**
Cash and cash equivalents in acquired businesses	(8)	-	(8)	-	-
Cash consideration transferred	**20**	**1**	**21**	**20**	**20**
Contingent and deferred consideration	(10)	49	39	69	69
Total payments regarding acquisition of businesses	**10**	**50**	**60**	**89**	**89**

Shanghai B&A Property Management Co. Ltd.

On 30 June 2012 the Group acquired 100% of the shares in the Chinese security company Shanghai B&A Property Management Co. Ltd. (SBA Co. Ltd.). The acquisition added licensed security and property management services to the service offerings of ISS China.

The total annual revenue of SBA Co. Ltd. was estimated at DKK 49 million (approximate figures extracted from unaudited financial information) based on expectations at the time of the acquisition. In the period from the acquisition date to 31 December 2012, SBA Co. Ltd. contributed revenue of DKK 29 million and operating profit before other items of DKK 2 million to the Group. The total number of employees taken over was approximately 929.

Adjustments to prior year's acquisitions

In 2012 and 2011, adjustments to prior years' acquisitions mainly related to revised estimates relating to earn-outs as well as a number of other minor adjustments to various acquisitions.

NOTE 14 Acquisition and divestment of businesses (continued)

Divestment of businesses

The Group made eight divestments during 2012 (2011: 12 divestments). The total sales price amounted to DKK 291 million (2011: DKK 942 million). The total annual revenue of the divested businesses (approximate figures extracted from unaudited financial information) is estimated at DKK 872 million (2011: DKK 1,997 million) based on expectations at the time of divestment.

The divestments had the following impact on the Group's consolidated financial statements at the reporting date:

DKK million	2012	2011
Goodwill	117	368
Customer contracts	18	32
Other non-current assets	63	117
Trade receivables	125	398
Other current assets	27	130
Provisions	(2)	(2)
Pensions, deferred tax liabilities and non-controlling interests	(10)	(32)
Non-current loans and borrowings	(27)	-
Current loans and borrowings	-	(13)
Other current liabilities	(148)	(226)
Total identifiable net assets	**163**	**772**
Gain/(loss) on divestment of businesses, net	41	66
Divestment costs, net of tax	87	104
Consideration received	**291**	**942**
Cash and cash equivalents in divested businesses	(5)	(88)
Cash consideration received	**286**	**854**
Contingent and deferred consideration	(5)	2
Divestment costs paid, net of tax	(69)	(95)
Net proceeds regarding divestment of businesses	**212**	**761**

The eight divestments completed by the Group before or at 31 December 2012 are listed below:

Company/activity	Country	Service type	Excluded from the income statement	Percentage interest	Annual revenue [1] (DKK million)	Number of employees [1]
ISS Proko Infra OY	Finland	Facility management	March	64%	9	14
Reaktorskolen AS	Norway	Support services	April	100%	175	143
ISS Landscaping	Netherlands	Property services	July	100%	268	261
Security	Norway	Security services	August	100%	44	81
ISS Mailroom Services	France	Property services	November	100%	39	74
Washroom	Netherlands	Cleaning services	November	100%	126	62
Washroom	Belgium & Luxembourg	Cleaning services	November	100%	38	25
Office support	France	Support services	December	100%	173	853
Total					**872**	**1,513**

[1] Approximate figures based on information available at the time of divestment extracted from unaudited financial information.

NOTE 14 Acquisition and divestment of businesses (continued)

Pro forma revenue and operating profit before other items

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

DKK million	2012	2011
Pro forma revenue		
Revenue recognised in the income statement	79,454	77,644
Acquisitions	20	-
Revenue adjusted for acquisitions	**79,474**	**77,644**
Divestments	(467)	(1,113)
Pro forma revenue	**79,007**	**76,531**

DKK million	2012	2011
Pro forma operating profit before other items		
Operating profit before other items recognised in the income statement	4,411	4,388
Acquisitions	2	-
Operating profit before other items adjusted for acquisitions	**4,413**	**4,388**
Divestments	(11)	(66)
Pro forma operating profit before other items	**4,402**	**4,322**

Applied assumptions

The adjustment of revenue and operating profit before other items is based on estimates made by local ISS management in the respective jurisdictions in which such acquisitions and divestments occurred at the time of such acquisition and divestment or actual results where available. Synergies from acquisitions are not included for periods in which such acquisitions were not controlled by the Group. The estimates are based on unaudited financial information.

These adjustments and the computation of total revenue and operating profit before other items calculated on a pro forma basis based on such adjustments are presented for informational purposes only. This information does not represent the results the Group would have achieved had the acquisitions and divestments during the year occurred on 1 January. In addition, the information should not be used as the basis for or prediction of any annualised calculation.

Acquisitions and divestments subsequent to 31 December 2012

No acquisitions or divestments were made by the Group in the period from 1 January to 28 February 2013.

NOTE 15 Intangible assets

DKK million	Goodwill	Brands	Customer contracts	Software and other intangible assets	Total
Cost at 1 January 2012	29,366	1,635	11,079	1,094	43,174
Foreign exchange adjustments	336	22	130	17	505
Additions	24	-	-	191	215
Acquisitions through business combinations	-	-	11	-	11
Disposals through divestment of businesses	(246)	-	(78)	(6)	(330)
Disposals	-	-	-	(8)	(8)
Reclassification from Property, plant and equipment	-	-	-	35	35
Reclassification to Assets classified as held for sale	(1,255)	-	(534)	(85)	(1,874)
Cost at 31 December 2012	**28,225**	**1,657**	**10,608**	**1,238**	**41,728**
Amortisation and impairment losses at 1 January 2012	(2,196)	(26)	(6,190)	(665)	(9,077)
Foreign exchange adjustments	(9)	(0)	(70)	(12)	(91)
Amortisation	-	-	(620)	(153)	(773)
Impairment losses [1]	(385)	-	(53)	-	(438)
Disposals through divestment of businesses	173	-	59	5	237
Disposals	-	-	-	2	2
Reclassification to Assets classified as held for sale	33	-	295	53	381
Amortisation and impairment losses at 31 December 2012	**(2,384)**	**(26)**	**(6,579)**	**(770)**	**(9,759)**
Carrying amount at 31 December 2012	**25,841**	**1,631**	**4,029**	**468**	**31,969**

[1] Impairment losses on customer contracts related to Greece, DKK 46 million, and France, DKK 7 milllion. For a breakdown of impairment losses related to goodwill see note 11, Goodwill impairment.

NOTE 15 Intangible assets (continued)

DKK million	Goodwill	Brands	Customer contracts	Software and other intangible assets	Total
Cost at 1 January 2011	29,748	1,641	11,113	906	43,408
Foreign exchange adjustments	(33)	2	5	(7)	(33)
Additions	5	-	-	189	194
Disposals through divestment of businesses	(66)	-	(22)	-	(88)
Disposals	(22)	(8)	-	(11)	(41)
Reclassification from Property, plant and equipment	-	-	-	22	22
Reclassification to Assets classified as held for sale	(266)	-	(17)	(5)	(288)
Cost at 31 December 2011	**29,366**	**1,635**	**11,079**	**1,094**	**43,174**
Amortisation and impairment losses at 1 January 2011	(2,001)	(29)	(5,501)	(519)	(8,050)
Foreign exchange adjustments	5	-	(15)	2	(8)
Amortisation	-	(5)	(696)	(146)	(847)
Impairment losses [1)]	(501)	-	-	-	(501)
Disposals through divestment of businesses	61	-	7	-	68
Disposals	22	8	-	(1)	29
Reclassification from Property, plant and equipment	-	-	-	(4)	(4)
Reclassification to Assets classified as held for sale	218	-	15	3	236
Amortisation and impairment losses at 31 December 2011	**(2,196)**	**(26)**	**(6,190)**	**(665)**	**(9,077)**
Carrying amount at 31 December 2011	**27,170**	**1,609**	**4,889**	**429**	**34,097**

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

[1)] For a breakdown of impairment losses related to goodwill see note 11, Goodwill impairment.

NOTE 16 Impairment tests

Impairment test procedure

The Group performs impairment tests on intangibles [1] annually and whenever there is an indication that intangibles may be impaired. The Group's intangibles partly relate to the purchase price allocation following the take-over of ISS World Services A/S as at 9 May 2005 and partly to acquisitions carried out after the take-over of ISS World Services A/S. Companies acquired after the take-over comprise a diverse portfolio of service types, customer segments, geographical regions, contract sizes and management skills.

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

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

Estimates used to measure recoverable amount

The recoverable amount of each CGU is determined on the basis of its value-in-use. The value-in-use is established using certain key assumptions as described below. The key assumptions are revenue growth and discount rates.

Value-in-use cash flow projections are based on financial budgets approved by management covering the following financial year. The assumptions applied in the short to medium term are based on management's expectations regarding the operational development and growth. The terminal growth rates do not exceed the expected long-term average growth rate including inflation for the country in which the CGUs operate.

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. In the PIIGS countries [2] the country specific discount rates are based on a 20 year German government bond with the addition of a 10 year Credit Default Swap weighted with the exposure to the public sector in the individual countries. This is due to the continued increased volatility and uncertainty related to interest rates on government bonds in these countries.

Following the investment by Ontario Teachers' Pension Plan and KIRKBI Invest A/S the capital structure has been reassessed and a target ratio of 30/70 (2011: 60/40) 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 6.0% (2011: 5.0%). Uncertainties reflecting historical performance and possible variations in the amount or timing of the future 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.

Impairment test results 2012

The impairment test as per 31 December 2012 resulted in recognition of an impairment loss on goodwill of DKK 200 million in France. The impairment loss was mainly attributable to the negative impact from new tax rules imposed late 2012 with retroactive effect as per 1 January 2012 limiting the deductibility of net interest expenses.

Furthermore, an impairment loss of DKK 46 million on customer contracts in Greece was recognised due to the continued unstable economic environment. Following the recognition of the impairment loss the carrying amount of intangibles in Greece is zero.

[1] Intangibles comprise the value of goodwill, brands and customer contracts.
[2] PIIGS countries include Portugal, Ireland, Italy, Greece and Spain.

NOTE 16 Impairment tests (continued)

Carrying amounts and key assumptions

The carrying amount of intangibles and the key assumptions [1)] used in the impairment testing as per 31 December 2012 are presented below for each CGU representing more than 5% of the carrying amount of the Group's intangibles.

	Carrying amount				Applied key assumptions		
DKK million	Goodwill	Brands	Customer contracts	Total intangibles [2)]	Long-term growth	Discount rate, net of tax	Discount rate, pre tax
France [3)]	3,555	300	358	4,213	2.5%	8.8%	14.3%
United Kingdom	2,399	175	473	3,047	2.5%	8.8%	10.9%
Finland	2,292	120	448	2,860	2.0%	8.5%	10.8%
Norway	1,752	147	419	2,318	2.0%	9.7%	13.0%
Denmark	1,689	131	186	2,006	2.0%	8.7%	11.1%
Australia	1,669	13	220	1,902	3.0%	10.6%	14.0%
Netherlands	1,609	122	117	1,848	2.0%	9.0%	11.3%
Belgium	1,343	86	158	1,587	2.5%	9.4%	13.3%
Other countries	9,533	537	1,650	11,720	-	-	-
Total carrying amount at 31 December 2012	**25,841**	**1,631**	**4,029**	**31,501**			

	Carrying amount				Applied key assumptions		
DKK million	Goodwill	Brands	Customer contracts	Total intangibles [2)]	Long-term growth	Discount rate, net of tax	Discount rate, pre tax
France [3)]	3,914	299	445	4,658	2.5%	9.0%	14.6%
United Kingdom	2,338	170	516	3,024	2.5%	8.5%	10.7%
Finland	2,284	120	500	2,904	2.0%	8.7%	11.1%
Norway	2,084	139	482	2,705	2.0%	9.6%	12.9%
Australia	1,844	13	291	2,148	3.0%	10.5%	14.1%
Denmark	1,739	131	216	2,086	2.0%	8.9%	11.4%
Netherlands	1,604	121	138	1,863	2.0%	9.2%	11.6%
Belgium	1,491	85	211	1,787	2.5%	10.2%	14.7%
Spain	1,114	90	271	1,475	2.5%	10.4%	14.1%
Other countries	8,758	441	1,819	11,018	-	-	-
Total carrying amount at 31 December 2011	**27,170**	**1,609**	**4,889**	**33,668**			

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) Intangibles comprise the value of goodwill, brands and customer contracts.
3) The growth is expected to be in the range 0.5% to 5.0% over the next six years (2011: 1.1% to 5.0% over the next seven years).

NOTE 16 Impairment tests (continued)

Sensitivity analysis

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

	2012			
	Growth		Discount rate, net of tax	
	Applied expected long-term rate	Allowed decrease	Applied rate	Allowed increase
France	2.5%	0.0%	8.8%	0.0%
United Kingdom	2.5%	>2.5%	8.8%	>3.0%
Finland	2.0%	>2.0%	8.5%	>3.0%
Norway	2.0%	>2.0%	9.7%	>3.0%
Denmark	2.0%	1.3%	8.7%	1.4%
Australia	3.0%	0.8%	10.6%	0.7%
Netherlands	2.0%	0.6%	9.0%	0.4%
Belgium	2.5%	1.6%	9.4%	1.3%

	2011			
	Growth		Discount rate, net of tax	
	Applied expected long-term rate	Allowed decrease	Applied rate	Allowed increase
France	2.5%	0.0%	9.0%	0.0%
United Kingdom	2.5%	>2.5%	8.5%	>3.0%
Finland	2.0%	>2.0%	8.7%	3.0%
Norway	2.0%	>2.0%	9.6%	>3.0%
Australia	3.0%	>3.0%	10.5%	>3.0%
Denmark	2.0%	0.4%	8.9%	0.3%
Netherlands	2.0%	0.4%	9.2%	0.3%
Belgium	2.5%	0.3%	10.2%	0.2%
Spain	2.5%	0.8%	10.4%	0.6%

NOTE 17 Property, plant and equipment

	2012			2011		
DKK million	Land and buildings	Plant and equipment	Total	Land and buildings	Plant and equipment	Total
Cost at 1 January	152	6,229	6,381	181	5,774	5,955
Foreign exchange adjustments	1	70	71	(3)	(25)	(28)
Additions	4	785	789	5	933	938
Disposals through divestment of businesses	-	(33)	(33)	-	(96)	(96)
Disposals	(17)	(177)	(194)	(16)	(235)	(251)
Reclassifications between categories	4	(4)	-	(3)	3	-
Reclassification to Intangible assets	-	(35)	(35)	-	(22)	(22)
Reclassification to Assets classified as held for sale	(10)	(407)	(417)	(12)	(103)	(115)
Cost at 31 December	**134**	**6,428**	**6,562**	**152**	**6,229**	**6,381**
Depreciation and impairment losses at 1 January	(52)	(4,252)	(4,304)	(60)	(3,840)	(3,900)
Foreign exchange adjustments	0	(45)	(45)	1	4	5
Depreciation	(3)	(703)	(706)	(4)	(711)	(715)
Disposals through divestment of businesses	-	26	26	-	72	72
Disposals	9	84	93	7	142	149
Reclassification between categories	(3)	3	-	-	-	-
Reclassification to Intangible assets	-	-	-	-	4	4
Reclassification to Assets classified as held for sale	0	261	261	4	77	81
Depreciation and impairment at 31 December	**(49)**	**(4,626)**	**(4,675)**	**(52)**	**(4,252)**	**(4,304)**
Carrying amount at 31 December	**85**	**1,802**	**1,887**	**100**	**1,977**	**2,077**
Hereof carrying amount at 31 December of assets held under finance leases	**-**	**165**	**165**	**-**	**157**	**157**

Plant and equipment under finance leases

The Group leases cleaning and office equipment under a number of finance lease agreements. Some leases provide the Group with the option to purchase the equipment at a beneficial price at the end of the lease term. The leased equipment secures lease obligations.

In 2012, additions included assets held under finance leases of DKK 110 million (2011: DKK 97 million).

NOTE 18 Investment in associates

At 31 December 2012, the Group had interests in seven associates (2011: ten). Key financial figures for the associates and the Group's share of net result and equity are illustrated below:

DKK million	2012	2011
Key financial figures:		
Revenue	250	213
Operating profit	9	(1)
Net result	6	(2)
Total assets	95	67
Total liabilities	75	56
The Group's share of:		
Net result	4	0
Equity	11	7

NOTE 19 Deferred tax

DKK million	2012	2011
Deferred tax liabilities/(assets), net at 1 January	1,500	1,650
Foreign exchange adjustments	(2)	(17)
Acquisitions through business combinations	(5)	-
Tax on other comprehensive income	(128)	(21)
Reclassification to Assets/(Liabilities) classified as held for sale	(59)	1
Tax on Profit before impairment/amortisation of intangibles [1)]	68	118
Tax effect of impairment/amortisation of intangibles [1)]	(193)	(231)
Deferred tax liabilities/(assets), net at 31 December	**1,181**	**1,500**
Recognised in the statement of financial position as follows:		
Deferred tax liabilities	1,755	2,051
Deferred tax assets	(574)	(551)
Deferred tax liabilities/(assets), net	**1,181**	**1,500**

[1)] Intangibles comprise the value of goodwill, brands and customer contracts.

Deferred tax specification

	2012		2011	
DKK million	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Tax losses carried forward	440	-	484	-
Goodwill	8	448	22	441
Brands	-	443	-	446
Customer contracts	-	1,031	-	1,248
Property, plant and equipment	147	192	155	197
Provisions	256	-	180	-
Other liabilities, including pensions	107	-	19	-
Issued bonds	-	2	-	5
Tax losses in foreign subsidiaries under Danish joint taxation	-	23	-	23
Set-off within legal tax units and jurisdictions	(384)	(384)	(309)	(309)
Deferred tax	**574**	**1,755**	**551**	**2,051**

Deferred tax assets relating to tax losses carried forward are only recognised to the extent that it is more likely than not that future taxable profit will be available against which the unused tax losses can be utilised in the foreseeable future. Management's assessment is based on relevant information available at the reporting date, including internal budgets and estimates, taking into account any restrictions in utilisation in the local tax legislation.

Deferred tax liabilities not recognised in the statement of financial position

DKK million	2012	2011
Temporary differences relating to investments in associates	0	0
Temporary differences relating to investments in subsidiaries and joint ventures	0	0

NOTE 19 Deferred tax (continued)

Deferred tax assets not recognised in the statement of financial position

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

	2012			2011		
DKK million	Total	Recognised	Unrecognised	Total	Recognised	Unrecognised
Germany	370	68	302	363	-	363
France	348	99	249	258	127	131
USA	80	74	6	57	53	4
Brazil	79	12	67	51	19	32
Israel	65	16	49	16	2	14
Belgium	22	6	16	24	8	16
Chile	15	6	9	-	-	-
Austria	6	6	-	-	-	-
Greece	5	4	1	5	4	1
Hong Kong	3	1	2	4	2	2
Argentina	2	-	2	2	-	2
Denmark	2	0	2	2	-	2
Portugal	2	-	2	-	-	-
New Zealand	1	1	-	-	-	-
United Kingdom	1	1	-	1	1	-
Total			**707**			**567**

The unrecognised tax losses can be carried forward indefinitely in the individual countries except for the USA (20 years) and Argentina and Greece (5 years). Deferred tax assets have not been recognised in respect of the above tax losses because it is not probable that future taxable profit will be available against which the Group can utilise these benefits. The increase in 2012 in unrecognised deferred tax assets mainly related to a valuation allowance of tax assets in France of DKK 118 million.

NOTE 20 Other financial assets

DKK million	2012	2011
Deposits	153	143
Regulatory long-term loans	100	72
Loan to FS Invest S.à r.l	71	-
Other	103	85
Other financial assets	**427**	**300**

Deposits comprise deposits related to rent, security and juridical deposits mainly relating to legal and tax cases.

NOTE 21 Inventories

DKK million	2012	2011
Raw materials, consumables and supplies	175	165
Work in progress	0	0
Finished goods	137	169
Inventories	**312**	**334**
Inventories expensed as consumables	**7,009**	**6,751**

NOTE 22 Trade receivables

DKK million	2012	2011
Trade receivables, gross	11,641	12,104
Impairment losses	(208)	(233)
Trade receivables	**11,433**	**11,871**

The Group's exposure to credit risk and impairment losses related to trade receivables is disclosed in note 37, Financial risk management.

Securitisation

Certain countries participate in the Group's securitisation programme where securitised trade receivables are provided as security for the securitisation debt (bank loans). The securitised trade receivables continue to be recognised in the Group's statement of financial position as the credit risk and rewards remain with the Group.

As at 31 December 2012, trade receivables of DKK 4,818 million (2011: DKK 4,961 million) recognised in the statement of financial position were provided as security for securitisation debt with a face value of DKK 2,635 million (2011: DKK 2,638 million).

NOTE 23 Contract work in progress

DKK million	2012	2011
Contract costs	217	294
Recognised profits (less recognised losses)	29	67
Contract work in progress, gross	**246**	**361**
Progress billings	(176)	(238)
Contract work in progress, net	**70**	**123**
Recognised in the statement of financial position as follows:		
Contract work in progress (assets)	72	129
Contract work in progress (liabilities)	2	6
Contract work in progress, net	**70**	**123**
Advances from customers	**3**	**6**
Retentions	**1**	**1**

Contract work in progress (liabilities) is recognised as part of Other liabilities, see note 33, Other liabilities.

Advances from customers are included in Other liabilities in the line Prepayments from customers, see note 33, Other liabilities.

NOTE 24 Tax receivables and tax payables

DKK million	2012	2011
Tax (receivables)/payables, net at 1 January	92	25
Foreign exchange adjustments	72	47
Assumed in/(acquisition through) business combinations	2	(15)
Disposals through divestment of businesses	1	(8)
Adjustment relating to prior years, net	23	5
Tax on profit before impairment/amortisation of intangibles [1]	871	764
Tax on other comprehensive income	-	23
Reclassification to Liabilities classified as held for sale	(44)	-
Income taxes paid	(885)	(749)
Tax (receivables)/payables, net at 31 December	**132**	**92**
Recognised in the statement of financial position as follows:		
Tax payables	339	422
Tax receivables	(207)	(330)
Tax (receivables)/payables, net	**132**	**92**

[1] Intangibles comprise the value of goodwill, brands and customer contracts.

NOTE 25 Other receivables

DKK million	2012	2011
Supplier rebates and bonuses	179	123
Refunds from customers and other recoverable amounts	93	39
Refunds and recoverable amounts related to employees	67	47
Outlays for customers	60	104
Currency swaps	48	-
VAT	30	24
Disposal of property, plant and equipment and divestment proceeds	22	35
Social insurance costs	18	18
Bid deposits	10	11
Other	58	105
Other receivables	**585**	**506**

Refunds from customers and other recoverable amounts comprise receivables such as rent deposits with maturity less than 12 months, recoverable payments from insurance companies, recoverable payments from public authorities, customers and subcontractors etc.

Refunds and recoverable amounts related to employees comprise employee-related receivables such as wage subsidies from public authorities, payments from maternity funds, loans to employees, training subvention etc.

Other comprise various receivables such as costs related to PPP/PFI contracts, loans to customers, accrued interest, etc.

NOTE 26 Prepayments

DKK million	2012	2011
Prepayments to suppliers	302	231
Sign-on fees	109	107
Rent, telephone, electricity	63	64
Insurance	32	41
Salary advances	15	16
Mobilisation costs	12	-
Fees	7	6
Other	82	110
Prepayments	**622**	**575**

Mobilisation costs comprise costs for transition and mobilisation of certain significant contracts.

NOTE 27 Securities, cash and cash equivalents

	2012		2011	
DKK million	Carrying amount	Average effective interest rate	Carrying amount	Average effective interest rate
Securities	**16**	**0.1%**	**17**	**(2.9)%**
Cash and cash equivalents	**3,528**	**1.4%**	**4,037**	**1.4%**

Securities comprise investments funds, e.g. investments in various listed securities related to an employee scheme in the USA. The funds are managed by ISS but restricted from general use.

Cash and cash equivalents included DKK 1,311 million (2011: DKK 1,313 million) held by the Group's consolidated SPEs handling the Group's securitisation programme whereof DKK 110 million (2011: DKK 392 million) was not considered readily available for general use by the parent company or other subsidiaries. In addition DKK 65 million (2011: DKK 32 million) of the total cash position at 31 December 2012 was placed on blocked or restricted bank accounts due to legal circumstances.

NOTE 28 Assets held for sale

In 2012, the Group continued to review the strategic rationale and fit of business units, which lead to identification of activities that were non-core to the strategy. Consequently, sales processes have been initiated for certain activities and these have been classified as held for sale.

At 31 December activities classified as held for sale comprised the following assets and liabilities:

DKK million	2012	2011
Goodwill	1,226	48
Other intangibles	271	4
Property, plant and equipment	156	34
Other financial assets	15	0
Deferred tax assets	14	2
Inventories	23	5
Trade and other receivables	564	72
Assets classified as held for sale	**2,269**	**165**
Deferred tax liabilities	73	1
Tax payables	44	-
Pensions and similar obligations	23	-
Provisions	23	3
Loans and borrowings	21	-
Trade payables and other liabilities	549	86
Liabilities classified as held for sale	**733**	**90**

At 31 December 2012 assets held for sale comprised seven businesses in Western Europe, Nordic, Asia and Pacific. The assets and liabilities of these activities were reclassified and presented separately in the statement of financial position at the lower of the carrying amount at the date of the classification as held for sale and fair value less costs to sell. The revaluation resulted in a loss of DKK 13 million, which was recognised in the line Goodwill impairment.

During 2012, the businesses in Western Europe classified as held for sale at 31 December 2011 have been divested. The divestments comprised the landscaping activities and the washroom activities in the Netherlands and resulted in the recognition of a loss of DKK 32 million and a gain of DKK 19 million, respectively. Both were recognised in Other income and expenses, net.

Cumulative income or expense recognised in other comprehensive income

No cumulative income or expenses recognised in other comprehensive income related to assets held for sale.

NOTE 29 Equity

Share capital

	2012		2011	
	Nominal value (DKK million)	Number of shares (in thousands)	Nominal value (DKK million)	Number of shares (in thousands)
Share capital at 1 January	100	100,000	100	100,000
Issued for cash	35	35,443	-	-
Share capital at 31 December – fully paid	**135**	**135,443**	**100**	**100,000**

In August 2012, Ontario Teachers' Pension Plan and KIRKBI Invest A/S invested DKK 3,721 million (EUR 500 million) in FS Invest S.à r.l (the Group's ultimate parent), see note 39, Related parties. Following the investment, the general meeting of shareholders of ISS A/S decided on the issue of 35,443,318 of ordinary shares at a nominal value of DKK 1 per share. Costs related to the share issue of DKK 28 million were recognised in Equity.

At 31 December 2012, a total of 135,443,319 shares with a nominal value of DKK 1 per share were issued and fully paid (2011: 100,000,001 shares). No shares carry special rights and are not freely transferable, as any transfer thereof requires the consent of the Board of Directors as set out in the Articles of Association.

Reserves

Share premium comprises amounts above the nominal share capital paid by shareholders when shares are issued by ISS A/S. The share premium is part of the Group's free reserves.

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

On full or partial realisation of the net investment the foreign exchange adjustments are transferred to the income statement under the same line item as the gain or loss.

Hedging reserve comprises the effective portion of the cumulative net change after tax in the fair value of cash flow hedging instruments which fulfil the criteria for hedging of future cash flows, when the hedged transactions have not yet occurred.

On full or partial realisation of the hedged transaction, or when the hedging criteria is no longer met, the fair value of the hedging instrument is transferred to the income statement.

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.

Interim dividends are recognised as a liability at the date when the decision to pay interim dividend is made.

NOTE 30 Loans and borrowings

This note provides information about the contractual terms and carrying amounts of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risk, see note 37, Financial risk management.

DKK million	2012	2011
Issued bonds	5,075	8,819
Bank loans	21,668	22,311
Securitisation	2,617	2,604
Finance lease liabilities	146	146
Derivatives	112	79
Total loans and borrowings	**29,618**	**33,959**
Recognised in the statement of financial position as follows:		
Non-current liabilities	24,011	28,181
Current liabilities	5,607	5,778
Total loans and borrowings	**29,618**	**33,959**

The fair value of loans and borrowings is disclosed in note 34, Financial assets and liabilities.

In 2012, financing fees amounting to DKK 10 million (2011: DKK 174 million) have been recognised in loans and borrowings while accumulated financing fees recognised in loans and borrowings on 31 December 2012 amounted to DKK 170 million (2011: DKK 347 million).

NOTE 30 Loans and borrowings (continued)

Terms and maturity of loans and borrowings

DKK million	Nominal interest rate	Average effective interest rate	Currency	Year of maturity	Face value	Amount hedged	2012 Carrying amount	2011 Carrying amount
Issued bonds (fixed interest rate):								
EMTNs	4.50%	4.79%	EUR	2014	824	-	784	760
Subordinated Notes	8.875%	8.99%	EUR	2016	4,338	-	4,291	4,262
Senior Notes	11.00%	11.34%	EUR	2014	-	-	-	3,797
Bank loans (floating interest rate):								
Senior Facilities:								
Term Facility A	Libor + 2.00%	4.12%	SEK, NOK, CHF	2012	-	-	-	318
Term Facility B	Libor + 2.00%	2.64%	EUR, GBP	2013	467	-	467	481
Term Facility B	Libor + 3.50%	4.14%	EUR, GBP	2015	12,203	10,842	12,110	12,445
Acquisition Facility A	Libor + 2.25%	2.82%	EUR	2012	-	-	-	174
Acquisition Facility B	Libor + 2.25%	2.82%	EUR	2013	56	-	56	62
Acquisition Facility B	Libor + 3.75%	4.32%	EUR	2015	1,839	722	1,839	2,032
Revolving Credit Facility	Libor + 3.75%	-	Multi currency	2012/14	1,815	-	1,815	1,760
Letter of Credit Facility	Libor + 3.75%	-	Multi currency	2012/14	161	-	161	208
Second Lien Facility	Euribor + 3.75%	4.32%	EUR	2015	599	-	599	597
Second Lien Facility	Euribor + 4.25%	4.84%	EUR	2015	3,878	1,492	3,867	3,849
Bank loans and overdrafts	-	-	Multi currency	-	754	-	754	385
Securitisation	Euribor + 2.75%	3.01%	Multi currency	2014	2,635	-	2,617	2,604
Derivatives:								
Interest rate swaps	-	-	-	-	-	-	112	43
Currency swaps	-	-	-	-	-	-	-	36
Other:								
Finance lease liabilities	-	-	-	-	146	-	146	146
Loans and borrowings	**-**	**5.66%**	**-**	**-**	**29,715**	**13,056**	**29,618**	**33,959**

In August 2012, the maturity of the Group's securitisation programme was extended with one year from September 2013 to September 2014. The principal value of the facility of DKK 2,984 million (EUR 400 million) was unchanged.

In December 2012, the 11% Senior Notes due 2014 of DKK 3,917 million (EUR 525 million) were fully redeemed via proceeds from the capital increase in ISS A/S following the investment by Ontario Teachers' Pension Plan and KIRKBI Invest A/S as explained in note 39, Related parties.

Finance lease liabilities

Finance lease liabilities are payable as follows:

DKK million	2012 Minimum lease payments	2012 Interest	2012 Principal	2011 Minimum lease payments	2011 Interest	2011 Principal
Within 1 year	55	(9)	46	65	(6)	59
1-5 years	110	(10)	100	93	(7)	86
After 5 years	(0)	0	-	1	(0)	1
Total	**165**	**(19)**	**146**	**159**	**(13)**	**146**

The lease arrangements are described in note 17, Property, plant and equipment where the carrying amount of assets held under finance leases is also disclosed.

NOTE 31 Pensions and similar obligations

Defined contribution plans The majority of the Group's pension costs relate to defined contribution plans funded through payments of annual premiums to independent insurance companies responsible for the pension obligation towards the employees. In these plans the Group has no legal or constructive obligation to pay further contributions due to changes in interest, inflation, mortality or invalidity irrespective of the funding by these insurance companies, i.e. the obligation is limited to the contribution. Pension costs related to such plans are expensed as incurred and recognised in the income statement under Staff costs. In 2012, DKK 1,868 million were recognised in the income statement (2011: DKK 1,839 million).

Defined benefit plans In some countries, most significantly France, Germany, the Netherlands, Norway, Sweden, Switzerland and the United Kingdom, the Group has pension schemes where the actuarially determined pension obligations are recognised in the statement of financial position. The defined benefit plans are primarily based on years of service, and benefits are generally determined on the basis of salary and rank. For defined benefit plans the Group assumes the risk associated with future developments in salary, interest rates, inflation, mortality and disability etc. The majority of the obligations are funded, but in some countries, mainly Sweden and France, the obligation is unfunded.

Multi-employer pension schemes In certain countries the Group participates in multi-employer pension schemes. The funds are currently not able to provide the necessary information in order for the Group to account for the schemes as defined benefit plans. The pension schemes are therefore accounted for as defined contribution plans with pension costs being expensed as incurred and recognised in Staff costs.

Recognised in the statement of financial position

DKK million	2012	2011
Present value of funded obligations	5,341	4,118
Fair value of plan assets	(4,648)	(3,724)
Funded obligations, net	**693**	**394**
Present value of unfunded obligations	645	577
Unrecognised past service costs	(5)	(5)
Accumulated impact from asset ceiling	12	13
Reclassification to Liabilities classified as held for sale	(17)	-
Recognised in the statement of financial position for defined benefit obligations	**1,328**	**979**
Other long-term employee benefits	219	193
Reclassification to Liabilities classified as held for sale	(6)	-
Pensions and similar obligations at 31 December	**1,541**	**1,172**
Specification of defined benefit obligations:		
Present value of funded obligations	5,341	4,118
Present value of unfunded obligations	645	577
Defined benefit obligations at 31 December	**5,986**	**4,695**
Movement in defined benefit obligations (funded and unfunded):		
Present value of obligations at 1 January	4,695	4,392
Foreign exchange adjustments	55	67
Reclassifications from/(to) Other long-term employee benefits	(3)	47
Additions from new contracts	433	-
Disposals through divestment of businesses	(1)	-
Interest on obligation	170	164
Current service costs	154	155
Benefits paid	(198)	(224)
Employee contributions	120	110
Actuarial (gains)/losses	651	(20)
Recognised past service costs	(81)	5
Liabilities extinguished on settlements and curtailments	(9)	(1)
Present value of obligations at 31 December	**5,986**	**4,695**

NOTE 31 Pensions and similar obligations (continued)

Recognised in the statement of financial position (continued)

DKK million	2012	2011
Movement in fair value of plan assets:		
Fair value of plan assets at 1 January	3,724	3,435
Foreign exchange adjustments	39	62
Reclassifications	-	45
Additions from new contracts	433	-
Expected return on plan assets	156	135
Actuarial gains/(losses)	94	(115)
Assets distributed on settlements	(1)	-
Employee contributions	120	110
Employer contributions	183	178
Benefits paid	(100)	(126)
Fair value of plan assets at 31 December	**4,648**	**3,724**
Realised return of plan assets:		
Expected return on plan assets	156	135
Actuarial gains/(losses)	94	(115)
Realised return on plan assets at 31 December	**250**	**20**
Major categories of plan assets (% of total plan assets):		
Bonds	50%	61%
Equities	24%	28%
Property	7%	4%
Cash	14%	3%
Other	5%	4%
Total	**100%**	**100%**

The Group expects to contribute DKK 190 million to its funded defined benefit plans in 2013.

Recognised in the income statement

DKK million	2012	2011
Current service costs	154	155
Recognised past service costs, net	(81)	5
Gains on curtailments and settlements, net	(9)	(1)
Recognised as Staff costs	**64**	**159**
Interest on obligation	170	164
Expected return on plan assets	(156)	(135)
Recognised as Financial expenses	**14**	**29**

NOTE 31 Pensions and similar obligations (continued)

Recognised in the statement of comprehensive income

DKK million	2012	2011
Cumulative (gains)/losses recognised in the statement of comprehensive income at 1 January	385	298
Actuarial (gains)/losses recognised during the year	557	95
Impact from asset ceiling	(1)	(8)
Cumulative (gains)/losses recognised in the statement of comprehensive income at 31 December	**941**	**385**
Hereof accumulated actuarial (gains)/losses	**929**	**372**

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. The range of actuarial assumptions used is as follows:

	2012				2011			
	CHF	EUR	GBP	Other currencies	CHF	EUR	GBP	Other currencies
Discount rates at 31 December	2.0%	2.8-3.6%	4.4%	1.0-9.0%	2.9%	4.5-4.8%	4.8%	1.5-10.0%
Expected return on plan assets at 31 December	2.9%	2.8-4.4%	6.3%	1.3-8.5%	3.3%	2.8-4.7%	6.3%	2.3-8.5%
Future salary increases	1.0%	2.0-3.0%	3.0%	0.0-10.0%	2.0%	2.0-3.0%	3.0%	0.0-10.0%
Future pension increases	0.0%	1.8-2.1%	2.8%	0.0-2.8%	0.0%	1.8-2.1%	2.9%	0.0-1.6%

Discount rates are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating to the terms of the defined benefit obligations. Switzerland represents 60% of the gross obligation (2011: 56%), euro countries represent 19% of the gross obligation (2011: 21%) and the United Kingdom represents 12% of the gross obligation (2011: 12%).

Expected return on plan assets is based on the plan asset portfolio and general expectations to the economic development.

Historical information

DKK million	2012	2011	2010	2009	2008
Present value of obligations (funded and unfunded)	5,986	4,695	4,392	3,658	3,338
Fair value of plan assets	(4,648)	(3,724)	(3,435)	(2,877)	(2,591)
Unrecognised past service costs	(5)	(5)	(5)	(3)	1
Asset ceiling	12	13	21	1	14
Reclassification to Liabilities classified as held for sale	(17)	-	-	(14)	-
Net obligations at 31 December	**1,328**	**979**	**973**	**765**	**762**
Actuarial (gains)/losses on obligations	651	(20)	207	224	(244)
Actuarial gains/(losses) on plan assets	94	(115)	78	179	(426)
Actuarial (gains)/losses during the year	**557**	**95**	**129**	**45**	**182**
Cumulative actuarial (gains)/losses at 31 December	**929**	**372**	**277**	**148**	**103**

NOTE 32 Provisions

DKK million	Legal cases	Self-insurance	Contingent liabilities in acquisitions	Other	Total
Provisions at 1 January 2012	175	230	73	115	593
Foreign exchange adjustments	(1)	(0)	0	(0)	(1)
Disposals through divestment of businesses	(1)	-	-	(1)	(2)
Provisions made during the year	83	162	-	28	273
Provisions used during the year	(42)	(156)	(7)	(36)	(241)
Provisions reversed during the year	(45)	(1)	-	(24)	(70)
Unwind of discount	3	8	-	1	12
Reclassification to Liabilities classified as held for sale	(3)	(0)	(19)	(1)	(23)
Reclassification between categories and (to)/from Other liabilities	(17)	13	1	39	36
Provisions at 31 December 2012	**152**	**256**	**48**	**121**	**577**
Current	81	94	-	50	225
Non-current	71	162	48	71	352
Provisions at 31 December 2012	**152**	**256**	**48**	**121**	**577**

DKK million	Legal cases	Self-insurance	Contingent liabilities in acquisitions	Other	Total
Provisions at 1 January 2011	202	191	91	256	740
Foreign exchange adjustments	(4)	4	(1)	0	(1)
Provisions made during the year	69	164	-	45	278
Provisions used during the year	(48)	(126)	(3)	(62)	(239)
Provisions reversed during the year	(75)	(10)	(10)	(56)	(151)
Unwind of discount	2	7	-	1	10
Reclassification to Liabilities classified as held for sale	(0)	-	-	(3)	(3)
Reclassification between categories and (to)/from Other liabilities	29	-	(4)	(66)	(41)
Provisions at 31 December 2011	**175**	**230**	**73**	**115**	**593**
Current	98	78	-	79	255
Non-current	77	152	73	36	338
Provisions at 31 December 2011	**175**	**230**	**73**	**115**	**593**

NOTE 32 Provisions (continued)

Legal cases The provision comprises obligations in relation to a number of legal and labour-related cases in certain countries. The provisions are measured based on management's assessment of the amount by which the obligation is expected to be redeemed. Legal advice and established precedence is taken into consideration when assessing the obligation.

Self-insurance In Australia, Hong Kong, Ireland, the USA and the United Kingdom, the Group carries insurance provisions on employers' liability and/or workers compensation. Ireland and the United Kingdom are self-insured up to a yearly limit of DKK 21 million (2011: DKK 21 million). The USA is self-insured up to a limit of DKK 2.8 million per claim (2011: DKK 1.4 million). Australia is self-insured up to a limit of DKK 2.9 million per claim (2011: DKK 2.9 million). Hong Kong is self-insured up to a yearly limit of DKK 15 million (2011: no self-insurance). Generally, the provisions for self-insurance are based on valuations from external actuaries.

Furthermore, the provision includes liability not insured under the global general liability insurance with a self-insured level of DKK 0.2 million per claim and DKK 0.1 million per claim in the USA.

The provision also comprises obligations and legal costs in relation to various insurance cases if not covered by the insurance.

Contingent liabilities in acquisitions The provision relates to contingent liabilities assumed in connection with acquisitions and relates mainly to legal cases.

Other The provision comprises various other obligations incurred in the ordinary course of business, e.g. restructuring costs, guarantee reserves, dismantling costs, operational issues, closure of contracts, costs of meeting obligations under onerous contracts as well as acquisition and integration costs mainly related to transaction costs, redundancy payments and termination of rental of properties. At 31 December 2012, the provision for acquisition and integration costs was DKK 4 million (2011: DKK 12 million).

NOTE 33 Other liabilities

DKK million	2012	2011
Accrued wages, pensions and holiday allowances	5,056	5,067
Tax withholdings, VAT etc.	3,111	3,401
Accrued supplier expenses	1,105	976
Prepayments from customers	463	536
Utilities (rent, telephone, electricity etc.)	132	139
Contingent consideration and deferred payments	128	162
Accrued interests	115	150
Fees to advisors and auditors	57	40
Customer discounts	33	43
Insurance	26	41
Contract work in progress	2	6
Other	429	600
Other liabilities	**10,657**	**11,161**

NOTE 34 Financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts in the statement of financial position, are shown below:

DKK million	Note	2012 Carrying amount	2012 Fair value	2011 Carrying amount	2011 Fair value
Derivative financial instruments (currency swaps)	38	75	75	3	3
Securities (fair value option)	27	16	16	17	17
Financial assets designated as fair value through profit or loss		**91**	**91**	**20**	**20**
Derivative financial instruments designated as cash flow hedge	38	-	-	0	0
Financial assets used for hedging		**0**	**0**	**0**	**0**
Other financial assets	20	427	427	300	300
Trade receivables	22	10,366	10,366	10,941	10,941
Other receivables	25	22	22	35	35
Cash and cash equivalents	27	3,528	3,528	4,037	4,037
Assets classified as held for sale	28	486	486	46	46
Loans and receivables		**14,829**	**14,829**	**15,359**	**15,359**
Derivative financial instruments (currency swaps)	38	27	27	39	39
Financial liabilities designated as fair value through profit or loss		**27**	**27**	**39**	**39**
Derivative financial instruments designated as cash flow hedge	38	112	112	43	43
Financial liabilities used for hedging		**112**	**112**	**43**	**43**
Issued bonds	30	5,075	5,375	8,819	9,085
Bank loans	30	21,668	21,772	22,311	22,456
Securitisation	30	2,617	2,635	2,604	2,638
Finance lease liabilities	30	146	146	146	146
Trade payables		3,669	3,669	3,466	3,466
Contingent consideration and deferred payments	33	128	128	162	162
Liabilities classified as held for sale	28	126	126	32	32
Financial liabilities measured at amortised cost		**33,429**	**33,851**	**37,540**	**37,985**

NOTE 34 Financial assets and liabilities (continued)

Methods, assumptions and techniques used to determine fair value

The methods, assumptions and techniques used in determining the fair values of each category of financial assets and financial liabilities are described below. The methods are unchanged compared with 2011.

Derivative financial instruments comprise currency swaps and interest rate swaps. The fair value of derivative financial instruments is determined on the basis of observable market data using generally accepted methods. The fair value of interest rate swaps is based on market rates for yield curves. The fair value of currency swaps is based on the difference between the purchase price and the price at the reporting date.

Securities comprise investment funds related to investments in various listed securities measured at fair value through the income statement. The fair value is determined by reference to their quoted prices at the reporting date.

Loans and receivables mainly comprise short-term trade receivables and cash and cash equivalents and are measured at amortised cost in the statement of financial position. The carrying amount of loans and receivables approximates their fair values.

Other financial liabilities including issued bonds, bank loans, finance lease liabilities, trade payables and other liabilities are measured at amortised cost in the statement of financial position. The note disclosure of the fair value of the issued bonds (EMTNs, Subordinated Notes and Senior Notes) is based on the quoted market price on the Luxembourg Stock Exchange. For the remaining part of loans and borrowings fair value is equal to the nominal value.

Fair value hierarchy

The table below analyses financial instruments carried at fair value in the statement of financial position by valuation method. The different levels reflecting the significance of inputs are defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2012			2011		
DKK million	Level 1	Level 2	Total	Level 1	Level 2	Total
Derivative financial instruments (currency swaps)	-	75	75	-	3	3
Securities (fair value option)	16	-	16	17	-	17
Total financial assets	**16**	**75**	**91**	**17**	**3**	**20**
Derivative financial instruments (currency swaps)	-	27	27	-	39	39
Derivative financial instruments designated as cash flow hedge	-	112	112	-	43	43
Total financial liabilities	**-**	**139**	**139**	**-**	**82**	**82**

NOTE 35 Contingent liabilities, pledges and guarantees

Senior Facility Agreement

ISS A/S has executed pledge agreements over (i) its shares in ISS World Services A/S, (ii) its bank accounts and (iii) certain intra-group receivables as security for the Group's senior facilities and on a secondary basis as security for the Subordinated Notes issued by ISS A/S.

ISS A/S, ISS World Services A/S, ISS Global A/S and certain material subsidiaries of ISS Global A/S in Australia, Belgium, Denmark, Finland, France, Germany, the Netherlands, Norway, Spain, Sweden, the United Kingdom and the USA have provided guarantees for ISS Global A/S's borrowings under the senior facilities. The guarantees have been backed up by security over bank accounts, trade receivables, intra-group receivables, other receivables, properties, production equipment and intellectual property rights of ISS World Services A/S and these subsidiaries. At 31 December, the aggregate values of assets provided as security for the borrowings under the senior facilities were:

DKK billion	2012	2011
Goodwill	4.2	4.1
Customer contracts	0.7	0.8
Intellectual property rights	1.6	1.6
Other intangible and tangible assets	0.5	0.4
Trade receivables	2.2	2.1
Other receivables	0.2	0.2
Bank accounts	0.7	1.4
Total	**10.1**	**10.6**

In addition, the shares in ISS Global A/S's material subsidiaries and shares in certain of their subsidiaries as well as shares in certain subsidiaries in Austria, Brazil, the Czech Republic, Hong Kong, Ireland, Israel, Portugal, New Zealand, Singapore and Switzerland have been pledged.

Securitisation

Certain countries participate in the Group's securitisation programme where securitised trade receivables are provided as security for the securitisation debt. As at 31 December 2012, trade receivables of DKK 4,818 million (2011: DKK 4,961 million) had been placed as security for securitisation debt with a face value of DKK 2,635 million (2011: DKK 2,638 million). In addition hereto DKK 1,311 million (2011: DKK 1,313 million) cash held by the Group's consolidated SPEs handling the Group's securitisation programme was pledged as security for securitisation debt. Of the total amount of cash held by the Group's SPEs DKK 110 million (2011: DKK 392 million) was not considered readily available for general use by the parent company or other subsidiaries.

Guarantee commitments

Indemnity and guarantee commitments at 31 December 2012 amounted to DKK 1,045 million (2011: DKK 702 million).

Performance guarantees

The Group has issued performance guarantee bonds for service contracts with an annual revenue of DKK 1,496 million (2011: DKK 1,429 million) of which DKK 1,443 million (2011: DKK 1,350 million) were bank-guaranteed performance bonds. Such performance bonds are issued in the ordinary course of business in the service industry.

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 2012 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 2012.

Restructurings

Restructuring projects aiming at adjusting capacity to lower activity have been undertaken across different geographies and service areas. Labour laws especially in Europe include restrictions on dismissals and procedural rules to be followed. The procedures applied by ISS could be challenged in certain jurisdictions resulting in liabilities. Management believes that this would not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the statement of financial position at 31 December 2012.

NOTE 36 Operating leases

Non-cancellable operating lease rentals are payable as follows:

DKK million	Year 1	Year 2	Year 3	Year 4	Year 5	After 5 years	Total lease payments
At 31 December 2012	1,444	950	655	413	229	388	4,079
At 31 December 2011	1,450	941	631	398	256	341	4,017

During 2012, DKK 2,121 million (2011: DKK 2,116 million) was recognised as an expense in the income statement in respect of operating leases.

The Group leases a number of properties, vehicles (primarily cars) and other equipment under operating leases. The leases typically run for a period of 2-5 years, with an option to renew the lease after that date.

Leasing of cars is primarily entered under an international car fleet lease framework agreement which is valid until end 2013. The framework agreement contains a quarterly option for the Group to terminate the fleet of an entire country or the entire fleet under the framework agreement with four weeks notice subject to payment of a termination amount. The majority of the underlying agreements have a lifetime duration of 3-5 years.

The disclosed non-cancellable operating lease rentals assume no early termination of any agreement.

NOTE 37 Financial risk management

The Group is exposed to a number of financial risks arising from its operating and financing activities, mainly currency risk, interest rate risk, liquidity risk and credit risk. This note presents information about the Group's objectives, policies and processes for measuring and managing the exposure to these risks and the Group's management of capital.

The Group's financial risks are managed centrally by Group Treasury based on the treasury policy. The treasury policy is reviewed annually and approved by the Board of Directors. Additionally, the treasury policy complies with current loan documentation, e.g. the Senior Facility Agreement and the Intercreditor Agreement.

It is not the Group's policy to take speculative positions in the financial markets. The Group's financial risk management is focused on managing risks arising from the Group's operating and financing activities, mainly by use of interest rate instruments and currency instruments with the purpose of managing volatility in the Group's results.

The Group has not identified additional financial risk exposures in 2012 compared to 2011, and the approach to capital management and risk management activities are unchanged compared with 2011.

Currency risk

Currency risk is the risk that arises from changes in exchange rates and affects the Group's result or value of financial instruments. The service industry is characterised by a relatively low level of transaction risk (operational risk), since the services are produced, delivered and invoiced in the same local currency with minimal exposure from imported components. However, with worldwide operations, business is conducted in a variety of currencies. Since a significant portion of the Group's revenue and operating profit is generated in foreign entities, the Group is exposed to currency risk relating to the translation into DKK of income statements and net assets of foreign subsidiaries (translation risk). Furthermore, the Group has a currency risk on loans and borrowings, which are predominantly denominated in other currencies than DKK as well as on intercompany loans from the parent company to foreign subsidiaries (financial risk).

The Group's overall policy is to fully hedge any foreign exchange exposure towards DKK or towards EUR to the extent that the net exposure exceeds DKK 5 million. Correlation between certain currencies e.g. USD and Asian or Latin American currencies are taken into account. However, some currencies cannot be hedged within a reasonable price range, e.g. IDR and ISK and are therefore not hedged. Based on a risk assessment Group Treasury may choose not to hedge the risk exposure towards EUR. It is the Group's policy not to hedge intercompany royalties until they become a monetary receivable.

The Group holds a number of investments in foreign subsidiaries where the translation of net assets to DKK is exposed to currency risk. It is not Group policy to hedge the currency exposure on foreign investments. Consequently, no hedging transactions of net investments in foreign subsidiaries were entered into in 2012 and 2011. However, the Group may choose to hedge the currency exposure on foreign investments by funding such investments in local currencies.

All hedging is conducted at Group level. The Group uses currency swaps to hedge the currency risk related to loans and borrowings as well as intercompany loans from the parent company to foreign subsidiaries. Group Treasury measures the Group's total currency exposure of all loans and borrowings, intercompany balances and cash and cash equivalents in different currencies on a weekly basis in order to evaluate the need for hedging currency positions. As fair value adjustments of both the hedged item and the derivative financial instrument are recognised in the income statement, hedge accounting in accordance with IAS 39 is not applied.

NOTE 37 Financial risk management (continued)

Currency risk (continued)

Currency exposure related to loans and borrowings including intercompany loans (financial risk)
To a limited extent the Group is exposed to currency risk on loans and borrowings (external) that are denominated in currencies other than the functional currency of the reporting entities as well as intercompany loans from the parent company to foreign subsidiaries as these are typically denominated in the functional currency of the subsidiary.

The Group's loans and borrowings (external) are denominated in the following currencies (excluding impact from currency swaps). As illustrated the Group is exposed primarily to EUR, but also to GBP, NOK and SEK.

	2012	2011
EUR	84.6%	85.8%
DKK	6.0%	4.4%
GBP	5.2%	5.0%
NOK	2.0%	2.3%
SEK	1.3%	1.5%
Others	0.9%	1.0%
Total	**100.0%**	**100.0%**

Impact on the consolidated financial statements Fluctuations in foreign exchange rates will affect the value of loans and borrowings (external) as well as the income statement as funding is obtained in various currencies. In 2012, changes in foreign exchange rates related to loans and borrowings resulted in a loss of DKK 149 million (2011: gain of DKK 28 million). The primary impact derived from loans and borrowings in EUR which appreciated from 7.43 at 31 December 2011 to 7.46 at 31 December 2012.

Sensitivity analysis Based on the Group's internal monitoring processes, it is estimated that a change in relevant foreign exchange rates would have increased/(decreased) profit for the year and other comprehensive income by the amounts shown below. The analysis is based on foreign exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

	2012						
	Face value	Carrying amount	Contractual value		Sensitivity		
DKK million	Net debt exposure	Derivative financial instruments (cash flow hedges)	Derivative financial instruments (currency swaps)	Total exposure	Increase in foreign exchange rates	Profit for the year	Other comprehensive income
EUR/DKK	(16,805)	(112)	4,122	(12,795)	1%	(127)	(128)
GBP/DKK	(1,720)	-	1,709	(11)	10%	(1)	(1)
NOK/DKK	457	-	(455)	2	5%	0	0
SEK/DKK	179	-	(175)	4	5%	0	0
CHF/DKK	(338)	-	341	3	10%	0	0
AUD/DKK	1,543	-	(1,534)	9	10%	1	1
EUR/TRY	(344)	-	-	(344)	10%	(34)	(34)
Other/DKK	2,339	-	(2,185)	154	10%	15	15
Total	**(14,689)**	**(112)**	**1,823**	**(12,978)**			

NOTE 37 Financial risk management (continued)

Currency risk (continued)

	2011						
	Face value	Carrying amount	Contractual value		Sensitivity		
DKK million	Net debt exposure	Derivative financial instruments (cash flow hedges)	Derivative financial instruments (currency swaps)	Total exposure	Increase in foreign exchange rates	Profit for the year	Other comprehensive income
EUR/DKK	(20,377)	(37)	5,121	(15,293)	1%	(153)	(153)
GBP/DKK	(1,313)	(6)	1,315	(4)	10%	0	(0)
NOK/DKK	583	(0)	(581)	2	5%	0	0
SEK/DKK	112	0	(110)	2	5%	0	0
CHF/DKK	(330)	(0)	327	(3)	10%	(0)	(0)
AUD/DKK	1,383	-	(1,377)	6	10%	1	1
EUR/TRY	(381)	-	-	(381)	10%	(38)	(38)
Other/DKK	2,807	-	(2,287)	520	10%	52	52
Total	**(17,516)**	**(43)**	**2,408**	**(15,151)**			

Translation and operational risk

The Group is exposed to a relatively low level of transaction risk, since the services are produced, delivered and invoiced in the same local currency 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.

In 2012, the currencies in which the Group's revenue was denominated increased with an average of 2.5% (2011: increased with 0.6%) relative to DKK, increasing the Group's revenue by DKK 1,981 million (2011: an increase of DKK 454 million). Currency movements increased the Group's operating profit before other items by DKK 128 million (2011: an increase of DKK 44 million). The effect of the translation of net assets in foreign subsidiaries increased other comprehensive income by DKK 184 million (2011: a decrease of DKK 46 million).

Sensitivity analysis It is estimated that a change in foreign exchange rates of the Group's main currencies would have impacted revenue, operating profit before other items and other comprehensive income by the amounts shown below. The analysis is based on foreign exchange rate variances that the Group considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is prepared on the same basis for 2011.

	2012				2011			
DKK million	Change in foreign exchange rates	Revenue	Operating profit before other items	Net assets in foreign subsidiaries	Change in foreign exchange rates	Revenue	Operating profit before other items	Net assets in foreign subsidiaries
GBP	10%	877	60	287	10%	781	54	255
AUD	10%	548	29	76	10%	503	34	75
CHF	10%	347	38	115	10%	332	32	144
USD	10%	347	16	98	10%	330	12	44
NOK	5%	304	22	62	5%	297	21	50
EUR	1%	278	15	57	1%	293	15	64
TRY	10%	221	16	43	10%	184	13	36
SEK	5%	202	14	52	5%	209	15	45
Other	10%	1,480	81	358	10%	1,321	87	378
Total	-	**4,604**	**291**	**1,148**	-	**4,250**	**283**	**1,091**

NOTE 37 Financial risk management (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments, primarily bank loans and issued bonds. The Group's exposure towards interest rates is illustrated in note 30, Loans and borrowings, where a breakdown of the Group's loans and borrowings in floating and fixed rates is provided. The interest rate exposure to floating interest rates is primarily in EUR.

It is Group policy to hedge the risk related to changes in interest rates to limit the negative economic effect of changes in interest rates by converting variable interest rates to fixed interest rates. The Group will mitigate the net interest rate risk via interest rate swaps. Additionally, it is the Group's policy to ensure a predefined amount of debt to fixed interest rates to avoid adverse movements in floating rates and interest expenses.

According to the Group's treasury policy between 50% and 75% of the Group's total non-current bank loans and issued bonds must carry fixed interest rates. At least on a monthly basis Group Treasury measures the balance between fixed and variable interest rates to ensure compliance with the policy.

The Group uses cash flow hedge accounting in respect of interest rate derivatives. The interest rate contracts classified as hedge transactions including the effect on other comprehensive income are disclosed in note 38, Derivatives.

Sensitivity analysis The interest rate risk is measured by the duration of the net debt (fixed-rate period). As at 31 December 2012, the duration of net debt was approximately 1.7 years (31 December 2011: 1.5 years). A decrease in interest rates will increase the fair value of the loans and borrowings with a fixed interest rate, but only part of this increase will be reflected in the income statement and other comprehensive income as loans and borrowings are measured at amortised cost and therefore not adjusted to fair value.

It is estimated that a general increase in relevant interest rates of 1%-point would have increased/(decreased) profit for the year and other comprehensive income by the amounts shown below. The estimate is based on net debt adjusted for the effect of hedging instruments as at 31 December 2012. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

	2012		2011	
DKK million	Profit for the year	Other comprehen-sive income	Profit for the year	Other comprehen-sive income
Loans and borrowings	(80)	(80)	(65)	(65)
Derivatives, interest rate swaps	-	245	-	128

Liquidity risk

Liquidity risk results from the Group's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity. Raising capital is managed centrally in Group Treasury. The goal is to ensure efficient liquidity management, which mainly comprise ensuring that adequate liquidity is available to the Group. Group Treasury mitigates liquidity risk by obtaining borrowing facilities with highly rated financial institutions, via issued bonds, bank loans and securitisation and via effective working capital management.

For day-to-day liquidity management cash pools have been established in several local entities. As a result excess liquidity is transferred to and from ISS Global A/S, which operates as the internal bank of the Group.

The Group's liquid reserves mainly consist of liquid funds and unused credit facilities. As at 31 December 2012, the Group's liquid reserves consisted of readily available liquid funds of DKK 3,353 million (2011: DKK 3,613 million) and unused revolving credit facilities of DKK 2,140 million (2011: DKK 957 million) available for drawing until 31 December 2014. It is the Group's policy to maintain an appropriate level of liquid reserves. Cash in the Group's consolidated SPEs under the securitisation programme amounts to DKK 1,311 million (2011: DKK 1,313 million), of which DKK 110 million (2011: DKK 392 million) are excluded from the liquid reserves as they are not considered readily available for general use by the parent company or other subsidiaries at 31 December 2012.

The bank loans and Subordinated Notes are subject to customary undertakings, covenants (including financial covenants) and other restrictions. Financial covenants comprise the following: i) Debt cover ii) Senior debt cover, iii) Cash flow cover, iv) Interest cover and v) Limitation on Capex spending. The financial covenants are calculated on a last-twelve-months basis and reported quarterly, except for ii) and v), which are only reported at year-end. In the event of a default under those agreements, the debt incurred including accrued interest could be declared immediately due and payable. In 2012 and 2011, all covenants have been complied with.

NOTE 37 Financial risk management (continued)

Liquidity risk (continued)

Contractual maturities of financial liabilities

The contractual maturities of financial liabilities, based on undiscounted contractual cash flows, are shown below. The undiscounted contractual cash flows include expected interest payments, estimated based on market expectations at the reporting date.

The risk implied from the values in the maturity table below reflects the one-sided scenario of cash outflows only. Finance lease liabilities, trade payables, contingent considerations and deferred payments mainly originate from the financing of assets such as property, plant and equipment and investments in working capital, e.g. trade and other receivables.

	2012							
DKK million	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Issued bonds	5,075	6,532	422	1,243	385	4,482	-	-
Bank loans	21,668	23,669	3,784	759	19,117	1	1	7
Securitisation	2,617	2,637	2,637	-	-	-	-	-
Finance lease liability	146	165	55	40	28	22	20	0
Trade payables	3,669	3,669	3,669	-	-	-	-	-
Contingent considerations and deferred payments	128	178	23	28	2	125	-	-
Liabilities classified as held for sale	126	126	126	-	-	-	-	-
Total non-derivative financial liabilities	**33,429**	**36,976**	**10,716**	**2,070**	**19,532**	**4,630**	**21**	**7**
Hereof estimated interest payments	**-**	**3,288**	**1,273**	**1,181**	**688**	**145**	**1**	**-**
Interest rate swaps	112	113	61	47	5	-	-	-
Total derivative financial liabilities	**112**	**113**	**61**	**47**	**5**	**-**	**-**	**-**

	2011							
DKK million	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Issued bonds	8,819	11,887	850	850	5,337	384	4,466	-
Bank loans	22,311	25,780	4,113	1,451	1,031	19,185	-	-
Securitisation	2,604	2,639	2,639	-	-	-	-	-
Finance lease liability	146	159	65	44	33	11	5	1
Trade payables	3,466	3,466	3,466	-	-	-	-	-
Contingent considerations and deferred payments	162	214	53	12	23	1	125	-
Liabilities classified as held for sale	32	32	32	-	-	-	-	-
Total non-derivative financial liabilities	**37,540**	**44,177**	**11,218**	**2,357**	**6,424**	**19,581**	**4,596**	**1**
Hereof estimated interest payments	**-**	**6,178**	**1,910**	**1,761**	**1,587**	**780**	**140**	**-**
Interest rate swaps	43	43	30	13	-	-	-	-
Currency swaps	36	36	36	-	-	-	-	-
Total derivative financial liabilities	**79**	**79**	**66**	**13**	**-**	**-**	**-**	**-**

NOTE 37 Financial risk management (continued)

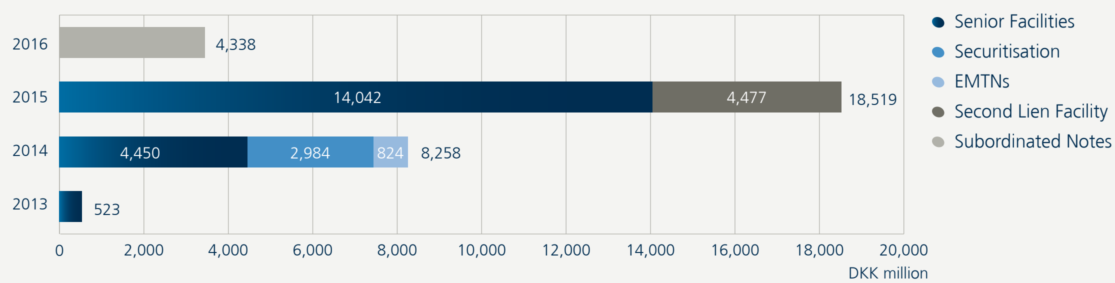
Liquidity risk (continued)

Additionally, the maturity profile of credit facilities, i.e. issued bonds, bank loans and securitisation, is illustrated below. Compared to the specification of contractual maturities of financial liabilities in the table on the previous page, the basis of the presentation in the chart below is different in three ways:

- expected interest payments are not included;
- the amounts shown are principal values including any undrawn amounts; and
- securitisation debt is presented with maturity in September 2014 as the facility is committed until then. This is contrary to the recognition in the statement of financial position, where securitisation debt is classified as current due to the terms of the agreement.

The presentation of maturity of credit facilities below is based on the assumption that the amount of trade receivables entered into the securitisation programme continue to be at the same level as at 31 December 2012.

Maturity of credit facilities



In August 2012, the maturity of the Group's securitisation programme was extended with one year from September 2013 to September 2014.

In December 2012, the 11% Senior Notes due 2014 of DKK 3,917 million (EUR 525 million) were fully redeemed via proceeds from the capital increase in ISS A/S following the investment by Ontario Teachers' Pension Plan (Teachers') and KIRKBI Invest A/S (KIRKBI) as explained in note 39, Related parties.

Capital management

The Group monitors the capital structure and evaluates the need for adjustments on an ongoing basis. The Group's objectives for managing capital and what is managed as capital are described in this note under Liquidity risk. The dividend policy and payment of dividends is made subject to the necessary consolidation of equity and the Group's continuing expansion. The Group seeks to reduce the financial leverage on a multiple basis in terms of net debt to pro forma adjusted EBITDA [1]. At 31 December 2012, the Group's net debt to pro forma adjusted EBITDA was 4.92x (2011: 5.81x). The decrease was mainly due to the share capital increase in ISS A/S following the investment by Teachers' and KIRKBI as mentioned above.

ISS A/S (the Group's parent) is a holding company, and its primary assets consist of 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 and ability to service its indebtedness, will primarily depend on the operating performance and financial condition of ISS World Service 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.

[1] Pro forma information is based on unaudited financial information and for informational purposes only.

NOTE 37 Financial risk management (continued)

Credit risk

Credit risk is the risk of financial loss inflicted on the Group if a counterparty to a financial instrument or a customer fails to meet its contractual obligations. The Group is exposed to credit risk primarily on trade receivables and on transactions with financial institutions (liquid funds, securities and derivatives with positive fair value).

Transactions with financial institutions

To limit the exposure to credit risk it is Group policy only to enter into transactions with financial institutions carrying a certain short-term credit rating assigned by Standard & Poor's (A-1 rating) or Moody's (P-1 rating). Other banks may be approved separately by Group Treasury. Group Treasury monitors credit ratings and given that the Group generally enters into transactions only with financial institutions with high credit ratings, management does not expect any counterparty to fail to meet its contractual obligations.

DKK million	2012	2011
Maximum credit risk related to securities, cash and cash equivalents	**3,544**	**4,054**
Maximum credit risk related to derivatives	**75**	**3**

Trade receivables

The carrying amount of trade receivables of DKK 11,433 million (2011: DKK 11,871 million) recognised in the statement of financial position represents the maximum credit exposure. Generally, the Group does not hold collateral as security for trade receivables.

Exposure to credit risk on trade receivables is managed locally in the operating entities and credit limits set as deemed appropriate for the customer taking into account the customer's financial position and the current market conditions.

The Group's customer portfolio is diversified in terms of geography, industry sector and customer size. The Group is not exposed to credit risk related to significant individual customers. Historically amounts written off as uncollectible have been relatively low. This pattern has continued during the global economic downturn in recent years, and amounts written off as uncollectible are still at a relatively low level.

The maximum credit risk exposure for trade receivables at the reporting date by geography was:

	2012			2011		
DKK million	Gross	Impairment	Carrying amount	Gross	Impairment	Carrying amount
Western Europe	6,683	(124)	6,559	6,862	(136)	6,726
Nordic	1,728	(22)	1,706	2,077	(39)	2,038
Asia	1,134	(22)	1,112	1,003	(22)	981
Pacific	687	(8)	679	740	(6)	734
Latin America	657	(14)	643	623	(14)	609
North America	441	(10)	431	469	(7)	462
Eastern Europe	306	(8)	298	327	(9)	318
Other countries	5	-	5	3	-	3
Total	**11,641**	**(208)**	**11,433**	**12,104**	**(233)**	**11,871**

NOTE 37 Financial risk management (continued)

Credit risk (continued)

Impairment losses
The ageing of trade receivables at the reporting date was:

	2012			2011		
DKK million	Gross	Impairment	Carrying amount	Gross	Impairment	Carrying amount
Not past due	8,860	(0)	8,860	9,135	(3)	9,132
Past due 1 to 60 days	1,911	(0)	1,911	2,048	(2)	2,046
Past due 61 to 180 days	434	(13)	421	466	(7)	459
Past due 181 to 360 days	151	(34)	117	201	(56)	145
More than 360 days	285	(161)	124	254	(165)	89
Total	**11,641**	**(208)**	**11,433**	**12,104**	**(233)**	**11,871**

Impairment losses are recognised when objective evidence indicates that a receivable or a portfolio of receivables is impaired. This is based on an individual review for impairment due to customer insolvency, past due amounts and mathematically computed impairment losses based on classification of debtors, maturity and historical information.

Impairment losses, both individual and collective, are recognised in a separate account unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount is considered irrecoverable and is written off against the receivable directly.

Following the economic downturn particularly in Western Europe the general credit risk has increased for groups of customers in countries in this region. Furthermore, in 2011 and 2012 a slight increase in the ageing of trade receivables and debtor days was seen most significantly in some Mediterranean countries. Such developments and the economic downturn may have an adverse effect on the earnings in the industry in general and are taken into consideration in the assessment of impairment losses.

The Group believes that the unimpaired amount at 31 December 2012 is still collectible based on historical behavior and analysis of the underlying customers' financial position and credit ratings.

The movement in the allowance for impairment losses during the year was as follows:

DKK million	2012	2011
Impairment losses at 1 January	(233)	(241)
Foreign exchange adjustments	(0)	4
Acquisitions through business combinations	(0)	-
Disposals through divestment of businesses	3	1
Impairment losses recognised	(78)	(83)
Impairment losses reversed	21	39
Amounts written off as uncollectible	67	51
Reclassification to Assets held for sale	12	(4)
Impairment losses at 31 December	**(208)**	**(233)**

NOTE 38 Derivatives

As described in the note 37, Financial risk management, the Group uses derivative financial instruments (interest rate swaps and currency swaps) for managing currency and interest risks arising from the Group's operating and financing activities.

The accounting treatment of hedge transactions varies according to the nature of the item being hedged and whether the hedge qualifies for hedge accounting according to IFRS. Derivatives that qualify for hedge accounting are being accounted for in accordance with the nature of the item being hedged and the applicable hedge model.

Hedging of assets and liabilities

The Group uses currency swaps to hedge the exposure to currency risk on the intercompany loans/receivables to/from foreign subsidiaries as well as the currency risk on external borrowings denominated in a currency other than Danish kroner. As fair value adjustments of both the hedged item and the derivative financial instrument are recognised in the income statement, hedge accounting in accordance with IAS 39 is not applied.

	2012				
DKK million	Contractual value	Positive fair value at 31 December	Negative fair value at 31 December	Fair value, net, at 31 December	Maturity
EUR [1]	2,118	1	-	1	2013
GBP	1,709	-	(18)	(18)	2013
CHF	341	-	(1)	(1)	2013
NOK	110	0	-	0	2013
HKD	66	-	(1)	(1)	2013
SGD	19	-	(0)	(0)	2013
SEK	15	0	-	0	2013
USD	13	0	-	0	2013
Other	39	-	(0)	(0)	2013
Forward foreign currency, purchases	**4,430**	**1**	**(20)**	**(19)**	**-**
AUD	1,534	36	-	36	2013
USD	1,222	26	-	26	2013
NOK	565	-	(2)	(2)	2013
MXN	233	3	-	3	2013
ILS	231	-	(3)	(3)	2013
SEK	190	-	(2)	(2)	2013
SGD	182	4	-	4	2013
NZD	157	3	-	3	2013
THB	142	2	-	2	2013
PLN	36	-	(0)	(0)	2013
Other	119	0	(0)	0	2013
Forward foreign currency, sales	**4,611**	**74**	**(7)**	**67**	**-**
Total currency swaps	**-**	**75**	**(27)**	**48**	**-**

[1] Hedges are made against DKK and EUR as base amounts. The contractual value of EUR hedges above does not include hedges made against EUR of DKK 2,004 million.

NOTE 38 Derivatives (continued)

	2011				
DKK million	Contractual value	Positive fair value at 31 December	Negative fair value at 31 December	Fair value, net, at 31 December	Maturity
EUR [1]	2,505	-	(0)	(0)	2012
GBP	1,315	-	(2)	(2)	2012
CHF	327	2	-	2	2012
NOK	171	1	-	1	2012
Forward foreign currency, purchases	**4,318**	**3**	**(2)**	**1**	**-**
AUD	1,377	-	(13)	(13)	2012
USD	1,180	-	(12)	(12)	2012
NOK	752	-	(5)	(5)	2012
SGD	281	-	(2)	(2)	2012
ILS	205	-	(0)	(0)	2012
MXN	184	-	(2)	(2)	2012
THB	168	-	(1)	(1)	2012
NZD	158	-	(1)	(1)	2012
SEK	110	-	(1)	(1)	2012
PLN	28	0	-	0	2012
Others	83	0	(0)	(0)	2012
Forward foreign currency, sales	**4,526**	**0**	**(37)**	**(37)**	**-**
Total currency swaps	**-**	**3**	**(39)**	**(36)**	**-**

[1] Hedges are made against DKK and EUR as base amounts. The contractual value of EUR hedges above does not include hedges made against EUR of DKK 2,616 million.

NOTE 38 Derivatives (continued)

Hedging of forecasted transactions (cash flow hedges)

The Group uses interest rate swaps to hedge the exposure to variability in future cash flows due to changes in interest rates on the Group's bank loans with a variable interest rate. The swaps convert a major part of the floating rates within the bank loans to fixed interest rates.

	2012					
DKK million	Contractual value	Positive fair value at 31 December	Negative fair value at 31 December	Fair value, net, at 31 December	Recognised in other comprehensive income for the year	Expected recognition in the income statement
EUR	13,056	-	(112)	(112)	(69)	2014-2015
Total cash flow hedges	**13,056**	**-**	**(112)**	**(112)**	**(69)**	**-**

	2011					
DKK million	Contractual value	Positive fair value at 31 December	Negative fair value at 31 December	Fair value, net, at 31 December	Recognised in other comprehensive income for the year	Expected recognition in the income statement
EUR	12,489	-	(37)	(37)	61	2012-2013
GBP	1,494	-	(6)	(6)	28	2012
NOK	142	-	(0)	(0)	2	2012
SEK	124	0	-	0	(1)	2012
CHF	57	-	(0)	(0)	2	2012
Total cash flow hedges	**14,306**	**0**	**(43)**	**(43)**	**92**	**-**

In 2012 and 2011, no ineffectiveness was recognised in the income statement.

Recognised in the statement of comprehensive income as follows:

DKK million	2012	2011
Fair value adjustment of cash flow hedges, net	(114)	(14)
Fair value adjustment of cash flow hedges, net, transferred to Financial expenses [1)]	52	106
Fair value adjustment recognised in other comprehensive income for the year	**(62)**	**92**

[1)] Including DKK 7 million related to interest rate adjustment following settlement of interest rate swaps.

NOTE 39 Related parties

Parent and ultimate controlling party

The sole shareholder of ISS A/S, FS Invest II S.à r.l (FS Invest II) has controlling influence in the Group. The ultimate controlling company of the Group is FS Invest S.à r.l (FS Invest), which is owned by funds advised by EQT Partners (40%), funds advised by Goldman Sachs Capital Partners (33%) as well as Ontario Teachers' Pension Plan and KIRKBI Invest A/S (26%). The latter two joined as shareholders in August 2012 when they invested DKK 3,721 million (EUR 500 million) in new shares in FS Invest. The proceeds from the investment was subsequently used to increase the share capital of ISS A/S and repay the 11% Senior Notes due 2014. Apart from this transaction there were no significant transactions with the parent during the year. Transactions with the ultimate controlling party are described below under Other related party transactions.

Key management personnel

Members of the Board of Directors and the Group Management Board (the GMB) [1] have authority and responsibility for planning, implementing and controlling the Group's activities and are therefore considered as the Group's key management personnel. Apart from remuneration, described in note 5, Staff costs and co-investment programmes described below there were no significant transactions during the year with members of the Board of Directors and the GMB.

Co-investment programmes The Executive Group Management Board (the EGM) and a number of senior officers [2] of the Group have invested in the Management Participation Programme (MPP). The programme was established in 2006 but redesigned in March 2012 to introduce two investment profiles. The EGM and certain senior officers of the Group remain as indirect investors in a mix of shares and warrants of FS Invest, whereas the remaining senior officers of the Group – having had the opportunity to settle partly in cash – invest directly or indirectly in shares or loan notes of FS Invest. As of 31 December 2012, the investments amounted to DKK 197.0 million in total for 144 executives and officers.

In addition to the investments – as part of the initial MPP – the EGM and a number of Corporate Officers [3] were granted warrants in FS Invest with a vesting schedule (based on value of shares and time). As part of the redesign of the MPP in March 2012 these warrants were all settled and consequently, the remaining fair value in respect of the granted warrants of DKK 3 million (2011: DKK 1 million) was recognised in the income statement under Other income and expenses, net.

Certain members of the Board of Directors participate in a Directors Participation Programme, which was also redesigned in March 2012, and under which they remain to have invested in a mix of shares and warrants of FS Invest or loan notes issued by FS Invest amounting to approximately DKK 11.7 million in total. In addition, they have co-invested with EQT Partners and Goldman Sachs Capital Partners for approximately DKK 7.5 million in total.

Other related party transactions

In 2012, the Group had the following transactions with other related parties, which were all made on market terms:

- the Group and Goldman Sachs International have agreed general terms and conditions for the supply of facility services to be applied by local ISS operations and local Goldman Sachs affiliates when contracting with each other. ISS in Switzerland, Russia and the United Kingdom have entered into facility services agreements with local Goldman Sachs affiliates. The annual revenue from these agreements is estimated to DKK 118 million. Furthermore, the Group has local agreement terms with Goldman Sachs in France, Ireland, Singapore, Brazil and China. Finally, ISS in Spain and Italy are subcontractors to local Goldman Sachs suppliers. The annual revenue from the local and subcontractor agreements is estimated to DKK 8 million.
- the Group and Goldman Sachs International have entered into various agreements on provision of financing and banking related services.
- affiliates of Goldman Sachs Capital Partners are lenders under the senior facilities and holders of 2014 EMTNs.
- the Group has entered into local facility services agreements with various companies owned by EQT. The annual revenue from these agreements is estimated at DKK 27 million.
- the Group has issued a loan of DKK 66 million to FS Invest (the ultimate controlling party). In 2012, the Group received interest income of DKK 5 million related to the loan, and at 31 December 2012 the outstanding balance was DKK 71 million recognised in Other financial assets.

Associates and joint ventures

Transactions with associates and joint ventures are limited to transactions related to shared service agreements. There were no significant transactions with associates and joint ventures during the year. All transactions were made on market terms.

Other

In addition to the above and except for intra-group transactions, which have been eliminated in the consolidated financial statements, there were no material transactions with other related parties and shareholders in 2012.

[1] The GMB comprise the Executive Group Management Board (the EGM) and Corporate Senior Officers of the Group.
[2] Senior officers of the Group comprises Corporate Senior Officers (members of the GMB other than members of the EGM) and other corporate officers as well as certain members of Country Management of certain countries.
[3] Corporate officers of the Group comprises Corporate Senior Officers (members of the GMB other than members of the EGM) and other corporate officers.

NOTE 40 Interests in joint ventures

As of 31 December 2012, the Group had interests in five joint ventures (2011: six). The significant joint ventures are specified in note 43, Subsidiaries, associates, joint ventures and SPEs. The Group's interests in joint ventures are recognised using the proportionate consolidation method. At the reporting date the joint ventures had the following effect on the Group's consolidated income statement and statement of financial position:

DKK million	2012	2011
Revenue	229	284
Expenses	(213)	(274)
Operating profit before other items	**16**	**10**
Net profit for the year	**12**	**8**
Non-current assets [1)]	5	34
Current assets [2)]	143	104
Total assets	**148**	**138**
Equity	48	41
Non-current liabilities	10	8
Current liabilities [2)]	90	89
Total equity and liabilities	**148**	**138**
The Group's part of contingent liabilities (operating leases) in joint ventures	**15**	**15**

The aggregate investment in joint ventures is as follows: Norway DKK 45.5 million (2011: DKK 38.7 million), Sri Lanka DKK 3.5 million (2011: DKK 4.0 million), Greece DKK 0.0 million (2011: DKK 0.3 million), Spain DKK 0.0 million (2011: DKK 0.0 million) and Israel DKK (1.3) million (2011: DKK (1.7) million).

1) Excluding goodwill arising from the acquisition of the joint ventures.
2) Including reclassifications of Assets/Liabilities classified as held for sale.

NOTE 41 Subsequent events

On 4 March 2013, ISS announced that it is seeking consent of its lenders under the Senior Facilities Agreement to amend and extend its debt maturities with additional three years, including a refinancing of the Second Lien Facility.

In addition, in March 2013 ISS was further upgraded by Moody's from B1 Stable Outlook to B1 Positive Outlook, and the Senior Credit Facilities were assigned a BB- rating from S&P and a Ba3 rating from Moody's.

Apart from the above and the events described in the consolidated financial statements, the Group is not aware of events subsequent to 31 December 2012, which are expected to have a material impact on the Group's financial position.

NOTE 42 New standards and interpretations not yet implemented

IASB has published the following new standards, amendments to existing standards and interpretations that are not yet mandatory for the preparation of the consolidated financial statements of the Group for the year ended 31 December 2012:

- IFRIC 20 "Stripping Costs in the Production Phase of a Surface Mine";
- IFRS 10 "Consolidated Financial Statements";
- IFRS 11 "Joint Arrangements";
- IFRS 12 "Disclosures of Interests in Other Entities";
- IFRS 13 "Fair Value Measurement";
- IAS 19 (2011) "Employee Benefits";
- IAS 27 "Separate Financial Statements";
- Amendments to IFRS 7 "Financial Instrument Disclosures";
- Amendments to IAS 1 "Presentation of Items of Other Comprehensive Income";
- Amendments to IAS 28 (2011) "Investments in Associates and Joint Ventures"; and
- Amendments to IAS 32 "Classification of Rights Issue".

In addition IASB has published the following new standards, amendments to existing standards and interpretations, which are not yet adopted by the EU at 31 December 2012:

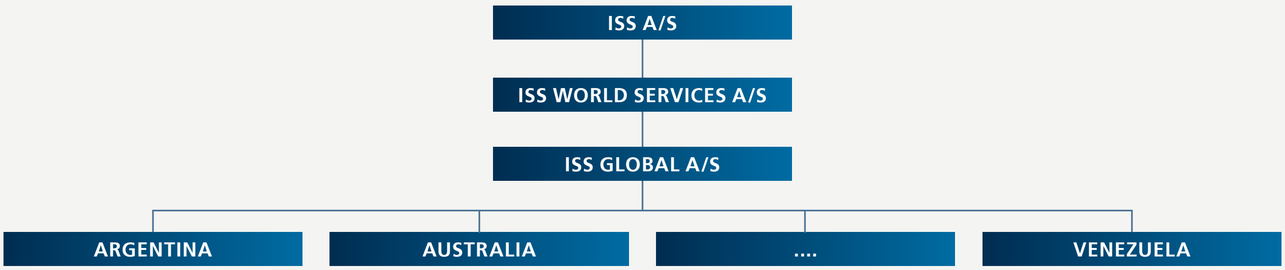
- IFRS 9 "Financial Instruments (replacement of IAS 39) project";
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards";
- Amendments to IFRS 10 "Consolidated Financial Statements";
- Amendments to IFRS 11 "Joint Arrangements";
- Amendments to IFRS 12 "Disclosures of Interests in Other Entities";
- Amendments to IAS 27 "Separate Financial Statements"; and
- Improvements to IFRSs (2009-2011).

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 the standards and interpretations are expected to have a material impact on the recognition and measurement in the consolidated financial statements of the Group.

NOTE 43 Subsidiaries, associates, joint ventures and SPEs

Below the significant subsidiaries, associates, joint ventures and SPEs of the Group are presented together with a Group chart showing the ownership structure from ISS A/S and down. Together these are referred to as "Companies within the ISS Group". Undertakings of immaterial interest are left out.



Argentina

ISS Argentina S.A.	100%
ISS Facility Services S.R.L.	100%
ISS Food S.A.	100%
ISS Litorial S.A.	100%
ISS Office S.A.	100%
ISS Retail S.A.	100%
ISS Personal Temporario S.R.L.	100%

Australia

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

Austria

ISS Austria Holding GmbH	100%
ISS Facility Services GmbH	100%
ISS Ground Services GmbH	51%
ISS Hotel, SPA & Gastro Services GmbH	100%

Belgium

BD Food Invest S.A.	100%
ISS Catering N.V.	100%
ISS Integrated Facility Services N.V.	100%
ISS Industrial Cleaning N.V.	100%
ISS Landscaping N.V.	100%
ISS N.V.	100%
ISS Office Support Services N.V.	100%
ISS Pest Management Solutions N.V.	100%
ISS Reception & Support Services N.V.	100%
National Pest Control B.V.B.A.	100%

Bosnia and Herzegovina

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

Brazil

ISS Biosystem Saneamento Ambiental Ltda.	100%
ISS Catering Sistemas de Alimentação Ltda.	100%
ISS Manutenção e Operação de Utilidades Ltda.	100%
ISS Manutenção e Serviços Integrados Ltda.	100%
ISS Serviços de Logistica Integrada Ltda.	100%
ISS Servisystem do Brasil Ltda.	100%
ISS Sulamericana Brasil Ltda.	100%

Brunei

ISS Facility Services Sdn. Bhd.	100%

Bulgaria

ISS Facility Services EOOD	100%

Canada

ISS Facility Services Inc.	100%

Chile

ISS Chile S.A.	100%
ISS Facility Services S.A.	100%
ISS Instituto de Formacion Ltda.	100%
ISS Servicios de Limpieza Industrial Ltda.	100%
ISS Servicios de Limpieza Mecanizada S.A.	100%
ISS Servicios de Soporte Est Ltda.	100%
ISS Servicios Generales Ltda.	100%
ISS Servicios Integrales Ltda.	100%

China and Hong Kong

Cornerstone Associates Ltd.	100%
Hung Fat Cleaning Transportation Co., Ltd.	100%
ISS Adams Secuforce Ltd.	100%
ISS Allsecure Ltd.	100%
ISS Building Consultancy Ltd.	100%
ISS Business Solutions Ltd.	100%
ISS China Holdings I Ltd.	100%
ISS China Holdings Ltd.	100%
ISS EastPoint Properties Ltd.	100%
ISS EastPoint Property Consultants Ltd.	100%
ISS EastPoint Property Management Ltd.	100%

NOTE 43 Subsidiaries, associates, joint ventures and SPEs (continued)

China and Hong Kong (continued)

ISS Environmental Services (HK) Ltd.	100%
ISS Facility Services (Beijing) Ltd.	100%
ISS Facility Services (Shanghai) Ltd.	100%
ISS Facility Services (Tianjin) Ltd.	100%
ISS Facility Services China Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Greater China Ltd.	100%
ISS Hangyang (Beijing) Cleaning Services Co., Ltd.	100%
ISS Hong Kong Services Ltd.	100%
ISS Hygiene Services (HK) Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
ISS Pan Asia Security Services Ltd.	100%
ISS Roboclean (HK) Co., Ltd.	100%
ISS Servisystem (China) Ltd.	100%
ISS Thomas Cowan Co., Ltd.	100%
JSL Ltd.	100%
LAWN Environmental Protection Ltd.	100%
Shanghai B&A Property Management Co., Ltd.	100%
Shanghai B&A Security Service Co., Ltd.	100%
Shanghai ISS Catering Management Co., Ltd.	100%
Silvertech E&M Engineering Co., Ltd.	100%

Columbia

ISS Facility Services S.A.S	100%

Costa Rica

ISS Facility Services Costa Rica Limitada	100%

Croatia

ISS Usluzne djelatnosti d.o.o.	100%

Czech Republic

ISS Facility Services s.r.o	100%
ISS Optimal s.r.o.	100%
ISS Správa Budov s.r.o.	100%

Denmark

ISS Capital A/S	100%
ISS Document A/S	100%
ISS Facility Services A/S	100%
ISS Finans A/S	100%
ISS Holding France A/S	100%
ISS Kloak- & Industriservice A/S	100%
ISS Security A/S	100%
ISS Venture A/S	100%

Ecuador

EISSEcuador S.A	100%
ISS Facility Servicios Ecuador S.A	100%

Estonia

ISS Eesti AS	100%
ISS Haldus OÜ	100%

Finland

ISS Aviation Oy	100%
ISS Henkilöstöpalvelut Oy	100%
ISS Palvelut Holding Oy	100%
ISS Palvelut Oy	100%
ISS Proko Oy	100%
Suomen Laatutakuu Palvelut Oy	100%

France

Channel Passenger Services SAS	100%
Extincteurs Haas SAS	100%
GIE ISS Services	100%
ISS Espaces Verts SAS	100%
ISS Facility Management SAS	100%
ISS Holding Paris SAS	100%
ISS Hygiene & Prevention SAS	100%
ISS Hygiene SAS	100%
ISS Logistique et Production SAS	100%
ISS Proprete SAS	100%
Logicbuy SAS	100%
Stop Flam SAS	100%

Germany

ISS Facility Services GmbH	100%
ISS HWS GmbH & Co. KG	100%
ISS Personalservice GmbH	100%
ISS Schädlingsbekämpfung und Hygiene GmbH	100%
Klaus Harren GmbH	100%

Greece

ISS Facility Services S.A.	100%
ISS Human Resources S.A.	100%
ISS Security S.A.	100%

Greenland

ISS Grønland A/S	100%

Hungary

ISS Facility Services Kft.	100%
Profi-Komfort Kft.	100%

Iceland

ISS Ísland ehf.	100%

India

ISS Catering Services (South) Pvt. Ltd.	100%
ISS Catering Services (West) Pvt. Ltd.	100%
ISS Facility Services (India) Pvt. Ltd.	100%
ISS Hi Care Pvt. Ltd.	100%
ISS Integrated Facility Services Pvt. Ltd.	100%
ISS Management Services Pvt. Ltd.	100%
ISS Pest Control Services Pvt. Ltd.	100%
ISS SDB Security Services Pvt. Ltd.	49% [4)]
ISS Support Services Pvt. Ltd.	100%
Modern Protection & Investigations Ltd.	49% [4)]

Indonesia

PT ISS Catering Services	0% [4)]
PT ISS Facility Services	100%
PT ISS Indonesia	0% [4)]
PT ISS Parking Management	0% [4)]

Ireland

ISS Ireland Holding Ltd.	100%
ISS Ireland Ltd.	100%

NOTE 43 Subsidiaries, associates, joint ventures and SPEs (continued)

Israel	
A. Kfir Holding Ltd.	100%
Catering Ltd.	100%
Catering Tefen (1991) Ltd.	100%
Glat Chef Ltd.	50% [1)]
I.S.S Outsourcing Ltd.	100%
ISS Ashmoret Ltd.	100%
ISS Integrated Facility Service Management Ltd.	100%
ISS Israel Manpower Services Ltd.	100%
ISS Israel Comprehensive Business Services Ltd.	100%
ISS Kfir Surveillance and Control Solutions Ltd.	100%
Kfir Surveillance and Electronic Systems Ltd.	100%
M.A.S h Machatz Agencies (1997) Ltd.	100%
Norcat Ltd.	100%
Norfolk Enterprise Ltd.	100%
Norfolk International Ltd.	100%
Italy	
ISS Facility Services S.r.l.	100%
Karmak S.p.A.	100%
Japan	
Nihon ISS KK	100%
Latvia	
ISS Namu Serviss SIA	100%
Lithuania	
ISS Pastatu Valda UAB	100%
Luxembourg	
ISS Facility Services S.A.	100%
ISS Luxintérim S.à r.l	100%
Malaysia	
ISS Facility Services Sdn. Bhd.	30% [4)]
ISS Hygiene Services Sdn. Bhd.	100%
Kontrekleen Sdn. Bhd.	30% [4)]
Reliance Suci Environmental Sdn. Bhd.	30% [4)]
Mexico	
ISS Centro América, S de RL de CV	100%
ISS Facility Services, SA de CV	100%
ISS Servicios Adm., SA de CV Sociedad Fin. de Obj.	100%
ISS Servicios Gerenciales, S de RL de CV	100%
ISS Servicios Integrales, S de RL de CV	100%
Mantenimiento Ténico Tapnew, SA de CV	100%
Martex, SA de CV	100%
Servicoin, SA de CV	100%
Netherlands	
ISS Arbo Plus B.V.	100%
ISS Building Maintenance Services B.V.	100%
ISS Catering Services B.V.	100%
ISS Cure & Care B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Hygiene Services B.V.	100%
ISS Integrated Facility Services B.V.	100%
ISS Nederland B.V.	100%
ISS Plantscaping Services B.V.	100%
ISS Reception Services B.V.	100%
ISS Security Services B.V.	100%
TalentGroep Montaigne Facility Management B.V.	100%
New Zealand	
First Security Guard Services Ltd.	100%
ISS Facilities Services Ltd.	100%
ISS Holdings NZ Ltd.	100%
Norway	
ForvaltningsCompagniet AS	100%
Hero Holding AS	50% [1)]
ISS Facility Services AS	100%
ISS Holding AS	100%
ISS Management AS	100%
ISS Personalhuset AS	100%
ISS Serveringspartner AS	100%
ISS Service Management AS	100%
ISS Skadeservice AS	100%
NSB Trafikkservice AS	45% [2)]
Personalhuset Rignes AS	50% [1)]
Raufoss Beredskap AS	51%
Panama	
ISS Panama S.A.	100%
Peru	
ISS Facility Services Peru S.A.C	100%
ISS World Peru S.A.C.	100%
Philippines	
ISS Facility Services Phils., Inc.	100%
Poland	
ISS Facility Services Sp. Z.o.o.	100%
ISS MS Sp. Z.o.o.	100%
ISS RS Sp. Z.o.o.	100%
Portugal	
ISS Facility Services, Lda.	100%
ISS FS Açores, Lda.	100%
ISS Human Resources, Lda.	100%
ISS Pest Control, Lda.	100%
ISS Plantiagro, Lda.	100%
ISS Portugal II, Lda.	100%
Puerto Rico	
ISS Facility Services Puerto Rico, Inc.	100%
Romania	
3D Romania S.A.	100%
ISS Facility Services S.R.L.	100%
ISS Romania Group S.R.L.	100%
ISS Security Servies S.R.L.	100%
Russia	
Facility Services RUS LLC	100%
Singapore	
ISS Asia Pacific Pte. Ltd.	100%
ISS Catering Pte. Ltd.	100%
ISS Catering Services Pte. Ltd.	100%
ISS Facility Services Private Limited	100%
ISS Hydroculture Pte. Ltd.	100%
ISS Landscaping Pte. Ltd.	100%
ISS M&E Pte. Ltd.	100%
ISS Pest Management Pte. Ltd.	100%
ISS Sanitation Services Pte. Ltd.	100%
ISS-CDCS Catering Pte. Ltd.	100%
Serve1st Services Pte. Ltd.	100%

NOTE 43 Subsidiaries, associates, joint ventures and SPEs (continued)

Slovakia	
ISS Facility Services spol s.r.o.	100%
Slovenia	
ISS Facility Services d.o.o.	100%
Magnetik d.o.o.	100%
South Africa	
ISS Facility Services (Pty) Limited	100%
Spain	
Centro de Actividades Formativas y Educacionales S.L.	100%
Cocina Mediterránea Clásica, S.L.	100%
Gelim Andalucia S.A.	100%
Gelim Asturias S.A.	100%
Gelim Baleares S.A.	100%
Gelim Canarias S.A.	100%
Gelim Galicia S.A.	100%
Gelim Madrid S.A.	100%
Gelim S.A.	100%
Gelim Valencia S.A.	100%
Integrated Service Solutions S.L.	100%
ISS Activa Educacional S.L.	100%
ISS Facility Services S.A.	100%
ISS Financiera Corporativa S.L.	0% 3)
ISS Higiene Ambiental 3D S.A.	100%
ISS Mediterranean Vending Solutions S.L.	100%
ISS Salud y Servicios Sociosanitarios S.A.	100%
ISS Serv. de Información y Control de Accesos, S.L.	100%
ISS Soluciones de Catering S.L.	100%
ISS Soluciones de Seguridad S.L.	100%
UTE Ferriss-ISS	70% 1)
Sri Lanka	
ISS Abans Environmental Services (PT) Ltd.	50% 1)
Sweden	
ISS Facility Services AB	100%
ISS Facility Services Holding AB	100%
ISS Palvelut Holding AB	100%
ISS TraffiCare AB	100%
Switzerland	
ISS Aviation AG	100%
ISS Bernasconi SA	100%
ISS Facility Services (Liechtenstein) AG	100%
ISS Facility Services AG	100%
ISS Holding AG	100%
ISS Kanal Services AG	100%
ISS Pest Control AG	100%
ISS Schweiz AG	100%
ISS Security AG	100%
Taiwan	
ISS Facility Services Ltd.	100%
ISS Security Ltd.	100%
Thailand	
ISS Facility Services Co., Ltd.	100%
ISS Security Services Co., Ltd.	100%
ISS Support Services Co., Ltd.	100%
Notre-Bel Co., Ltd.	100%
Turkey	
CMC Iletişim Bilg Reklam D. Hiz. San. Tic. A.Ş.	90% 5)
ISS Haşere Kontrol Hizmetleri A.Ş.	90% 5)
ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.	90% 5)
ISS Tesis Yönetim Hizmetleri A.Ş.	90% 5)
Sardunya Hazir Yemek Üretim Hizmetleri A.Ş.	90% 5)
United Kingdom	
ISS Collections Ltd.	0% 3)
ISS Damage Control Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Financing Plc.	0% 3)
ISS Mediclean Ltd.	100%
ISS Rainbow Ltd.	100%
ISS UK Holding Ltd.	100%
ISS UK Ltd.	100%
Uruguay	
Falcri Ltda.	100%
Habitue S.A.	100%
ISS de Uruguay S.A.	100%
Samilar S.A.	100%
USA	
ISS C&S Building Maintenance Corporation	100%
ISS Facility Services Holding, Inc.	100%
ISS Facility Services California, Inc.	100%
ISS Facility Services of Texas, L.P.	100%
ISS Facility Services, Inc.	100%
ISS GP, Inc.	100%
ISS Grounds Control of Texas, L.P.	100%
ISS Grounds Control, Inc.	100%
ISS Holding Inc.	100%
ISS Management and Finance Co., Inc.	100%
ISS Specialty Services, LLC	100%
ISS TMC Services, Inc.	100%
ISS Uniguard Security, Inc.	100%
TMC Ridge, LLC	100%
Tri-Enterprise Construction, LLC	100%
Venezuela	
ISS Facilitie Services Venezuela C.A.	100%

1) Joint venture
2) Associate
3) Special Purpose Entity (SPE)
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.
5) 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.

Terje R. Myhre
Technician, Telenor
ISS Norway

To Terje the most rewarding thing about working as a technician at Telenor is the daily challenges making every day different from the previous. He knows that he helps the customer focus on the core business, when he ensures the property functions to perfection.

“I’m always just a call away when something needs fixing

Anke Diels
Receptionist, Novartis Vaccines and Diagnostics
ISS Germany

At Novartis Vaccines and Diagnostics in Germany, Anke helps visitors and employees get where they are going – she knows her way around the buildings better than anyone. For Anke the most important thing is to always be kind and ready to help.

“

I help connect people with a smile

Income statement of the parent company

1 January – 31 December

DKK million	Note	2012	2011
Other operating expenses	3	(3)	(3)
Operating profit/(loss) before other items		**(3)**	**(3)**
Other expenses	4	(0)	(96)
Operating profit/(loss)		**(3)**	**(99)**
Financial income	5	108	77
Financial expenses	5	(700)	(696)
Profit/(loss) before tax		**(595)**	**(718)**
Income taxes	6	33	45
Net profit/(loss) for the year		**(562)**	**(673)**
Attributable to:			
Owners of ISS A/S		(562)	(673)
Net profit/(loss) for the year		**(562)**	**(673)**

Statement of comprehensive income of the parent company

1 January – 31 December

DKK million	Note	2012	2011
Net profit/(loss) for the year		**(562)**	**(673)**
Other comprehensive income			
Fair value adjustment of hedges, net	16	(20)	(3)
Fair value adjustment of hedges, net, transferred to Financial expenses	16	5	9
Limitation to interest deduction		(4)	-
Tax on other comprehensive income	6, 13	4	(2)
Total other comprehensive income		**(15)**	**4**
Total comprehensive income for the year		**(577)**	**(669)**
Attributable to:			
Owners of ISS A/S		(577)	(669)
Total comprehensive income for the year		**(577)**	**(669)**

Statement of cash flows of the parent company

1 January – 31 December

DKK million	Note	2012	2011
Operating profit/(loss) before other items		(3)	(3)
Changes in working capital		(0)	0
Other expenses paid		(7)	(92)
Income taxes paid	13	(94)	-
Joint taxation contribution received, net	13	126	177
Cash flow from operating activities		**22**	**82**
Proceeds from borrowings		11	(17)
Interest received from companies within the ISS Group		108	51
Interest paid, external		(610)	(636)
Interest paid to companies within the ISS Group		(52)	(4)
Proceeds from issuance of share capital		3,721	-
Capital increase in subsidiary		(3,721)	-
Payments (to)/from companies within the ISS Group, net		521	524
Cash flow from financing activities		**(22)**	**(82)**
Total cash flow		**(0)**	**0**
Cash and cash equivalents at 1 January		0	0
Total cash flow		(0)	0
Cash and cash equivalents at 31 December	11	**0**	**0**

Statement of financial position of the parent company
At 31 December

DKK million	Note	2012	2011
Assets			
Investment in subsidiary	7	17,874	14,153
Receivables from companies within the ISS Group	11	1,346	1,333
Non-current assets		**19,220**	**15,486**
Other receivables		0	0
Cash and cash equivalents	11	0	0
Current assets		**0**	**0**
Total assets		**19,220**	**15,486**

DKK million	Note	2012	2011
Equity and liabilities			
Total equity	9	**8,823**	**5,679**
Loans and borrowings	10	8,776	8,711
Non-current liabilities		**8,776**	**8,711**
Loans and borrowings	10	1,445	934
Trade payables	11	0	7
Tax payables	13	119	100
Other liabilities		57	55
Current liabilities		**1,621**	**1,096**
Total liabilities		**10,397**	**9,807**
Total equity and liabilities		**19,220**	**15,486**

Statement of changes in equity of the parent company

1 January – 31 December

DKK million	Share capital	Share premium	Retained earnings	Hedging reserve	Total
Equity at 1 January 2012	**100**	**7,772**	**(2,191)**	**(2)**	**5,679**
Comprehensive income for the year					
Net profit/(loss) for the year	**-**	**-**	**(562)**	**-**	**(562)**
Other comprehensive income					
Fair value adjustment of hedges, net	-	-	-	(20)	(20)
Fair value adjustment of hedges, net, transferred to Financial expenses	-	-	-	5	5
Limitation to interest deduction				(4)	(4)
Tax on other comprehensive income	-	-	-	4	4
Total other comprehensive income	**-**	**-**	**-**	**(15)**	**(15)**
Total comprehensive income for the year	**-**	**-**	**(562)**	**(15)**	**(577)**
Transactions with owners					
Share issue	35	3,686	-	-	**3,721**
Total transactions with owners	**35**	**3,686**	**-**	**-**	**3,721**
Total changes in equity	**35**	**3,686**	**(562)**	**(15)**	**3,144**
Equity at 31 December 2012	**135**	**11,458**	**(2,753)**	**(17)**	**8,823**

DKK million	Share capital	Share premium	Retained earnings	Hedging reserve	Total
Equity at 1 January 2011	**100**	**7,772**	**(1,488)**	**(36)**	**6,348**
Comprehensive income for the year					
Net profit/(loss) for the year	**-**	**-**	**(673)**	**-**	**(673)**
Other comprehensive income					
Adjustment relating to previous years	-	-	(30)	30	-
Fair value adjustment of hedges, net	-	-	-	(3)	(3)
Fair value adjustment of hedges, net, transferred to Financial expenses	-	-	-	9	9
Tax on other comprehensive income	-	-	-	(2)	(2)
Total other comprehensive income	**-**	**-**	**(30)**	**34**	**4**
Total comprehensive income for the year	**-**	**-**	**(703)**	**34**	**(669)**
Total changes in equity	**-**	**-**	**(703)**	**34**	**(669)**
Equity at 31 December 2011	**100**	**7,772**	**(2,191)**	**(2)**	**5,679**

Dividends

No dividends have been proposed or declared before the Annual Report was issued.

Notes to the parent company financial statements

NOTE 1 Significant accounting policies

Statement of compliance
The financial statements for the parent company have been prepared in pursuance of the requirements of the Danish Financial Statements Act.

The financial statements of ISS A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and Danish disclosure requirements for financial statements (class D).

In addition, the financial statements have been prepared in compliance with the IFRSs issued by the IASB.

Changes in accounting policies
Changes in accounting policies are described in note 1 to the Group's consolidated financial statements.

Description of 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 note 1 to the consolidated financial statements.

Foreign currency Foreign exchange adjustments of balances with foreign entities with a functional currency different from DKK, which are considered part of the total net investment in the entity are recognised in the income statement of the parent company under Financial income or Financial expenses.

Income statement
Income from subsidiary comprises dividends and gains and losses from divestment of subsidiaries. Dividends 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 note 1 to the consolidated financial statements. Where the recoverable amount is lower than the cost, the investment is written down to this lower value.

If dividends declared exceed retained earnings of the subsidiary, the cost of the subsidiary is reduced, when the distribution is regarded as repayment of the parent's investment.

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 subsidiaries are recognised in the income statement under Income taxes and in the statement of financial position under receivables from or debt to companies within the ISS Group.

Companies which use tax losses in other companies pay joint taxation contribution to the parent company equivalent to the tax base of the tax losses utilised. Companies whose tax losses are utilised by other companies receive joint taxation contributions from the parent company equivalent to the tax base of the tax losses utilised (full absorption).

NOTE 2 Critical accounting estimates and judgements

Determining the carrying amount of certain assets and liabilities requires estimates of how future events will affect the value of these assets and liabilities at the reporting date. Estimates that are significant to the preparation of the parent company's financial statements are, among other things, the assessment of indications of impairment on investment in subsidiary.

The estimates, judgements and assumptions are made based on historical experience and various other factors which management assesses to be reliable, but which by their nature are associated with uncertainty and unpredictability. These assumptions may prove incomplete or incorrect, and unexpected events or circumstances may arise. Further, ISS A/S is exposed to a number of risks and uncertainties arising from financing activities. As a result of these risks and uncertainties actual results may deviate from estimates, both positively and negatively.

Critical 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 note 2 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.

NOTE 3 Fees to auditors elected at the Annual General Meeting

DKK million	2012	2011
KPMG		
Audit fees	1	1
Other assurance services	1	18
Total KPMG	**2**	**19**

Audit fees comprised audit of the financial statements.

Other assurance services in 2012 comprised work related to the half-year review. In 2011, other assurance services comprised mainly work related to the exit processes and the half-year review. The costs related to the exit processes were included in Other expenses.

NOTE 4 Other expenses

DKK million	2012	2011
Costs related to exit processes	(0)	(96)
Other expenses	**(0)**	**(96)**

Costs related to exit processes comprised costs for external advisors incurred mainly as part of the initiated IPO process. The IPO was cancelled in March 2011 due to the extraordinarily high level of uncertainty and volatility in the global financial markets.

NOTE 5 Financial income and financial expenses

DKK million	2012	2011
Interest income on cash and cash equivalents etc.	0	0
Interest income from companies within the ISS Group	108	51
Foreign exchange gains	-	26
Financial income	**108**	**77**
Hereof financial income on financial assets measured at amortised cost	**108**	**51**
Interest expenses on loans and borrowings etc.	(606)	(624)
Interest expenses to companies within the ISS Group	(52)	(4)
Amendment and extension of the Senior Facilities Agreement	-	(38)
Amortisation of financing fees	(19)	(21)
Net change in fair value of cash flow hedges transferred from equity	(5)	(9)
Foreign exchange losses	(18)	-
Financial expenses	**(700)**	**(696)**
Hereof financial expenses on financial liabilities measured at amortised cost	**(677)**	**(687)**

Amendment and extension of the Senior Facilities Agreement in 2011 related to unamortised financing fees being expensed as a consequence of the amendment and extension of certain tranches under the Senior Facilities Agreement.

NOTE 6 Income taxes

DKK million	2012	2011
Current tax regarding Profit/(loss) before tax	30	41
Tax on Profit/(loss) before tax	**30**	**41**
Adjustments relating to prior years, net	3	4
Income taxes	**33**	**45**

Computation of effective tax rate

	2012	2011
Statutory income tax rate in Denmark	25.0%	25.0%
Non-tax deductible expenses less non-taxable income	(1.0)%	(2.5)%
Adjustments relating to prior years, net	0.5%	0.5%
Limitation to interest deduction	(18.9)%	(16.8)%
Effective tax rate	**5.6%**	**6.2%**

Income tax recognised in Other comprehensive income

	2012			2011		
DKK million	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
Fair value adjustment of hedges, net	(20)	5	(15)	(3)	1	(2)
Fair value adjustment of hedges, net, transferred to Financial expenses	5	(1)	4	9	(3)	6
Limitation to interest deduction	-	(4)	(4)	-	-	-
Total recognised in other comprehensive income	**(15)**	**-**	**(15)**	**6**	**(2)**	**4**

NOTE 7 Investment in subsidiary

DKK million	2012	2011
Cost at 1 January	22,050	22,050
Additions	3,721	-
Cost at 31 December	**25,771**	**22,050**
Revaluation at 1 January	(7,897)	(7,897)
Revaluation at 31 December	**(7,897)**	**(7,897)**
Carrying amount at 31 December	**17,874**	**14,153**
Subsidiary	**Share %**	**Share %**
ISS World Services A/S, Copenhagen, Denmark	100	100

NOTE 8 Deferred tax

At 31 December 2012, ISS A/S had no recognised deferred tax assets or liabilities (31 December 2011: none).

Deferred tax assets relating to tax losses carried forward are only recognised to the extent that it is more likely than not that future taxable profit will be available against which the unused tax losses can be utilised in the foreseeable future. ISS A/S has unrecognised deferred tax assets regarding tax losses carried forward of DKK 0 million (2011: DKK 1 million). The unrecognised tax losses can be carried forward indefinitely.

NOTE 9 Equity

Share capital

	2012		2011	
	Nominal value (DKK million)	Number of shares (in thousands)	Nominal value (DKK million)	Number of shares (in thousands)
Share capital at 1 January	100	100,000	100	100,000
Issued for cash	35	35,443	-	-
Share capital at 31 December – fully paid	**135**	**135,443**	**100**	**100,000**

In August 2012, Ontario Teachers' Pension Plan and KIRKBI Invest A/S invested DKK 3,721 million (EUR 500 million) in FS Invest S.à r.l (ISS A/S's ultimate parent). Following the investment, the general meeting of shareholders of ISS A/S decided on the issue of 35,443,318 of ordinary shares at a nominal value of DKK 1 per share.

At 31 December 2012, a total of 135,443,319 shares with a nominal value of DKK 1 per share were issued and fully paid (2011: 100,000,001 shares). No shares carry special rights and are not freely transferable, as any transfer thereof requires the consent of the Board of Directors as set out in the Articles of Association.

Reserves

Share premium comprises amounts above the nominal share capital paid by shareholders when shares are issued by ISS A/S. The share premium is part of ISS A/S's free reserves.

Hedging reserve comprises the effective portion of the cumulative net change after tax in the fair value of cash flow hedging instruments which fulfil the criteria for hedging of future cash flows, when the hedged transactions have not yet occurred.

On full or partial realisation of the hedged transaction, or when the hedging criteria is no longer met, the fair value of the hedging instrument is transferred to the income statement.

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.

Interim dividends are recognised as a liability at the date when the decision to pay interim dividend is made.

NOTE 10 Loans and borrowings

This note provides information about the contractual terms and carrying amounts of ISS A/S's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about ISS A/S's exposure to interest rate, foreign currency and liquidity risk, see note 15, Financial risk management.

DKK million	2012	2011
Issued bonds	4,291	4,262
Bank loans	4,466	4,446
Debt to companies within the ISS Group	1,445	934
Derivatives	19	3
Total loans and borrowings	**10,221**	**9,645**
Recognised in the statement of financial position as follows:		
Non-current liabilities	8,776	8,711
Current liabilities	1,445	934
Total loans and borrowings	**10,221**	**9,645**

The fair value of loans and borrowings is disclosed in note 11, Financial assets and liabilities.

In 2012, financing fees amounting to DKK 1 million (2011: DKK 17 million) have been recognised in loans and borrowings while accumulated financing fees recognised in loans and borrowings on 31 December 2012 amounted to DKK 58 million (2011: DKK 76 million).

Terms and maturity of loans and borrowings

							2012	2011
DKK million	Nominal interest rate	Average effective interest rate	Currency	Year of maturity	Face value	Amount hedged	Carrying amount	Carrying amount
Issued bonds (fixed interest rate):								
Subordinated Notes	8.875%	8.99%	EUR	2016	4,338	-	4,291	4,262
Bank loans (floating interest rate):								
Second Lien Facility	Euribor + 3.75%	4.32%	EUR	2015	599	-	599	597
Second Lien Facility	Euribor + 4.25%	4.84%	EUR	2015	3,878	1,492	3,867	3,849
Intra-group loans (floating interest rate):								
Debt to companies within the ISS Group	Euribor + 4.15%	4.69%	Multi currency	2013	1,445	-	1,445	934
Derivatives:								
Interest rate swaps	-	-	-	-	-	-	19	3
Loans and borrowings	**-**	**6.53%**	**-**	**-**	**10,260**	**1,492**	**10,221**	**9,645**

NOTE 11 Financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts in the statement of financial position, are shown below:

DKK million	Note	2012 Carrying amount	2012 Fair value	2011 Carrying amount	2011 Fair value
Receivables from companies within the ISS Group [1]		1,346	1,346	1,333	1,333
Cash and cash equivalents [2]		0	0	0	0
Loans and receivables		**1,346**	**1,346**	**1,333**	**1,333**
Derivative financial instruments designated as cash flow hedge	16	19	19	3	3
Financial liabilities used for hedging		**19**	**19**	**3**	**3**
Issued bonds	10	4,291	4,514	4,262	4,156
Bank loans	10	4,466	4,477	4,446	4,461
Debt to companies within the ISS Group	10	1,445	1,445	934	934
Trade payables		0	0	7	7
Financial liabilities measured at amortised cost		**10,202**	**10,436**	**9,649**	**9,558**

[1] The effective interest rate was 8.1% (2011: 8.1%).
[2] The effective interest rate was 0.0% (2011: 0.3%).

NOTE 12 Remuneration to the Board of Directors and the Executive Group Management Board

DKK thousand	2012 Board of Directors	2012 Executive Group Management Board	2011 Board of Directors	2011 Executive Group Management Board
Salaries and other remuneration	3,197	14,329	3,999	13,893
Bonus	-	3,560	-	2,850
Severance payments [1]	-	-	-	15,607
Share-based payments [2]	-	563	-	233
Total remuneration	**3,197**	**18,452**	**3,999**	**32,583**

[1] Severance payments in 2011 of DKK 16 million related to senior management changes at Corporate and were included in Other income and expenses, net, in ISS World Services A/S.
[2] Included in Other income and expenses, net, in ISS World Services A/S.

NOTE 12 Remuneration to the Board of Directors and the Executive Group Management Board (continued)

DKK thousand	2012 Executive Group Management Board		2011 Executive Group Management Board		
	Jeff Gravenhorst	Henrik Andersen	Jeff Gravenhorst	Henrik Andersen	Jakob Stausholm (former CFO)
Salaries and other remuneration [1]	7,909	6,420	7,858	533	5,502
Bonus	2,060	1,500	2,850	-	-
Severance payments [2]	-	-	-	-	15,607
Share-based payments [3]	563	-	233	-	-
Total remuneration	**10,532**	**7,920**	**10,941**	**533**	**21,109**

Remuneration to the Board of Directors and the Executive Group Management Board is paid by ISS World Services A/S and is described in note 5 to the consolidated financial statements. The Group's Management Participation Programme was redesigned in March 2012 and consequently all warrants outstanding at 31 December 2011 were settled. This is further described in note 6 to the consolidated financial statements.

[1] Henrik Andersen replaced Jakob Stausholm as Group CFO with effect from 1 December 2011. Consequently, salaries and other remuneration for 2011 reflect their respective remuneration when holding the position as Group CFO.
[2] Severance payments in 2011 of DKK 16 million related to senior management changes at Corporate and were included in Other income and expenses, net, in ISS World Services A/S.
[3] Included in Other income and expenses, net, in ISS World Services A/S.

NOTE 13 Tax receivables and tax payables

DKK million	2012	2011
Tax (receivables)/payables, net at 1 January	100	-
Adjustments relating to prior years, net	(3)	(4)
Tax on Profit/(loss) before tax	(30)	(41)
Tax on other comprehensive income	-	2
Joint taxation contribution	20	(34)
Income taxes paid	(94)	-
Joint taxation contribution received, net	126	177
Tax (receivables)/payables, net at 31 December	**119**	**100**

NOTE 14 Contingent liabilities, pledges and guarantees

Senior Facility Agreement

ISS A/S has executed pledge agreements over (i) its shares in ISS World Services A/S, (ii) its bank accounts and (iii) certain intra-group receivables as security for the Group's senior facilities and on a secondary basis as security for the Subordinated Notes issued by ISS A/S.

ISS A/S, ISS World Services A/S, ISS Global A/S and certain material subsidiaries of ISS Global A/S in Australia, Belgium, Denmark, Finland, France, Germany, the Netherlands, Norway, Spain, Sweden, the United Kingdom and the USA have provided guarantees for ISS Global A/S's borrowings under the senior facilities. The guarantees have been backed up by security over bank accounts, trade receivables, intra-group receivables, other receivables, properties, production equipment and intellectual property rights of ISS World Services A/S and these subsidiaries.

In addition, the shares in ISS Global A/S's material subsidiaries and shares in certain of their subsidiaries as well as shares in certain subsidiaries in Austria, Brazil, the Czech Republic, Hong Kong, Ireland, Israel, Portugal, New Zealand, Singapore and Switzerland have been pledged.

Guarantee commitments

Indemnity and guarantee commitments at 31 December 2012 amounted to DKK 298 million (2011: DKK 0 million).

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 withholding taxes related to dividends, interests and royalties. As per 31 December 2012 Danish withholding taxes amounted to 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.

NOTE 15 Financial risk management

ISS A/S's financial risks are managed centrally by Group treasury based on the treasury policy approved by the Board of Directors. The objectives, policies and processes for measuring and managing the exposure to financial risks is described in note 37 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 affect ISS A/S's result or value of financial instruments.

Currency exposure related to loans and borrowings including intercompany receivables (financial risk)

To a limited extent ISS A/S is exposed to currency risk on loans and borrowings and intercompany receivables as they are primarily denominated in EUR.

Sensitivity analysis Based on the Group's internal monitoring processes, it is estimated that a change in relevant foreign exchange rates would have increased/(decreased) profit for the year and other comprehensive income by the amounts shown below. The analysis is based on foreign exchange rate variances that ISS A/S considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2012					
	Face value	Carrying amount		Sensitivity		
DKK million	Net debt exposure	Derivative financial instruments (cash flow hedges)	Total exposure	Increase in foreign exchange rates	Profit for the year	Other comprehensive income
EUR/DKK	(7,645)	(19)	(7,664)	1%	(76)	(77)
GBP/DKK	78	-	78	10%	8	8
NOK/DKK	99	-	99	5%	5	5
Total	**(7,468)**	**(19)**	**(7,487)**			

NOTE 15 Financial risk management (continued)

DKK million	Face value: Net debt exposure	Carrying amount: Derivative financial instruments (cash flow hedges)	Total exposure	Sensitivity: Increase in foreign exchange rates	Sensitivity: Profit for the year	Sensitivity: Other comprehensive income
2011						
EUR/DKK	(7,618)	(3)	(7,621)	1%	(76)	(76)
GBP/DKK	76	-	76	10%	8	8
NOK/DKK	93	-	93	5%	5	5
Total	**(7,449)**	**(3)**	**(7,452)**			

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments, primarily bank loans and issued bonds. ISS A/S's exposure towards interest rates is illustrated in note 10, Loans and borrowings, where a breakdown of ISS A/S's loans and borrowings in floating and fixed rates is provided.

Sensitivitity analysis The interest rate risk is measured by the duration of the net debt (fixed-rate period). As at 31 December 2012, the duration of net debt was approximately 1.8 years (31 December 2011: 2.5 years). A decrease in interest rates will increase the fair value of the loans and borrowings with a fixed interest rate, but only part of this increase will be reflected in the income statement and other comprehensive income as loans and borrowings are measured at amortised cost and therefore not adjusted to fair value.

It is estimated that a general increase in relevant interest rates of 1%-point would have increased/(decreased) profit for the year and other comprehensive income by the amounts shown below. The estimate is based on net debt adjusted for the effect of hedging instruments as at 31 December 2012. The analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

DKK million	2012 Profit for the year	2012 Other comprehensive income	2011 Profit for the year	2011 Other comprehensive income
Loans and borrowings	(44)	(44)	(39)	(39)
Derivatives, interest rate swaps	-	30	-	26

NOTE 15 Financial risk management (continued)

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, 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.

Contractual maturities of financial liabilities

The contractual maturities of financial liabilities, based on undiscounted contractual cash flows are shown below. The undiscounted contractual cash flows include expected interest payments, estimated based on market expectations at the reporting date.

	2012							
DKK million	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Issued bonds	4,291	5,637	385	385	385	4,482	-	-
Bank loans	4,466	4,980	197	201	4,582	-	-	-
Trade payables	0	0	0	-	-	-	-	-
Debt to companies within the ISS Group	1,445	1,445	1,445	-	-	-	-	-
Total non-derivative financial liabilities	**10,202**	**12,062**	**2,027**	**586**	**4,967**	**4,482**	**-**	**-**
Hereof estimated interest payments	**-**	**1,802**	**582**	**586**	**490**	**144**	**-**	**-**
Interest rate swaps	19	19	10	8	1	-	-	-
Total derivative financial liabilities	**19**	**19**	**10**	**8**	**1**	**-**	**-**	**-**

	2011							
DKK million	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
Issued bonds	4,262	6,002	384	384	384	384	4,466	-
Bank loans	4,446	5,320	237	234	252	4,597	-	-
Trade payables	7	7	7	-	-	-	-	-
Debt to companies within the ISS Group	934	934	934	-	-	-	-	-
Total non-derivative financial liabilities	**9,649**	**12,263**	**1,562**	**618**	**636**	**4,981**	**4,466**	**-**
Hereof estimated interest payments	**-**	**2,538**	**621**	**618**	**636**	**520**	**143**	**-**
Interest rate swaps	3	3	2	1	-	-	-	-
Total derivative financial liabilities	**3**	**3**	**2**	**1**	**-**	**-**	**-**	**-**

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 and arises primarily from ISS A/S's transactions with financial institutions. The credit risk is limited as ISS A/S has no revenue generating activities of its own and therefore no trade receivables as well as limited cash and cash equivalents.

NOTE 16 Derivatives

Hedging of forecasted transactions (cash flow hedges)

ISS A/S uses interest rate swaps to hedge the exposure to variability in future cash flows due to changes in interest rates on bank loans with a variable interest rate. The swaps convert a part of the floating rates within the bank loans to fixed interest rates.

	2012			
DKK million	Contractual value	Negative fair value at 31 December	Recognised in other comprehensive income for the year	Expected recognition in the income statement
EUR	1,492	(19)	(16)	2015
Total cash flow hedges	**1,492**	**(19)**	**(16)**	-

	2011			
DKK million	Contractual value	Negative fair value at 31 December	Recognised in other comprehensive income for the year	Expected recognition in the income statement
EUR	1,487	(3)	6	2013
Total cash flow hedges	**1,487**	**(3)**	**6**	-

In 2012 and 2011, no ineffectiveness was recognised in the income statement.

Recognised in the statement of comprehensive income as follows:

DKK million	2012	2011
Fair value adjustment of cash flow hedges, net	(20)	(3)
Fair value adjustment of cash flow hedges, net, transferred to Financial expenses [1)]	5	9
Fair value adjustment recognised in other comprehensive income for the year	**(15)**	**6**

[1)] Including DKK 1 million related to interest rate adjustment following settlement of an interest rate swap.

NOTE 17 Related parties

In addition to the description in note 39 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, joint ventures and SPEs, see note 43 to the consolidated financial statements.

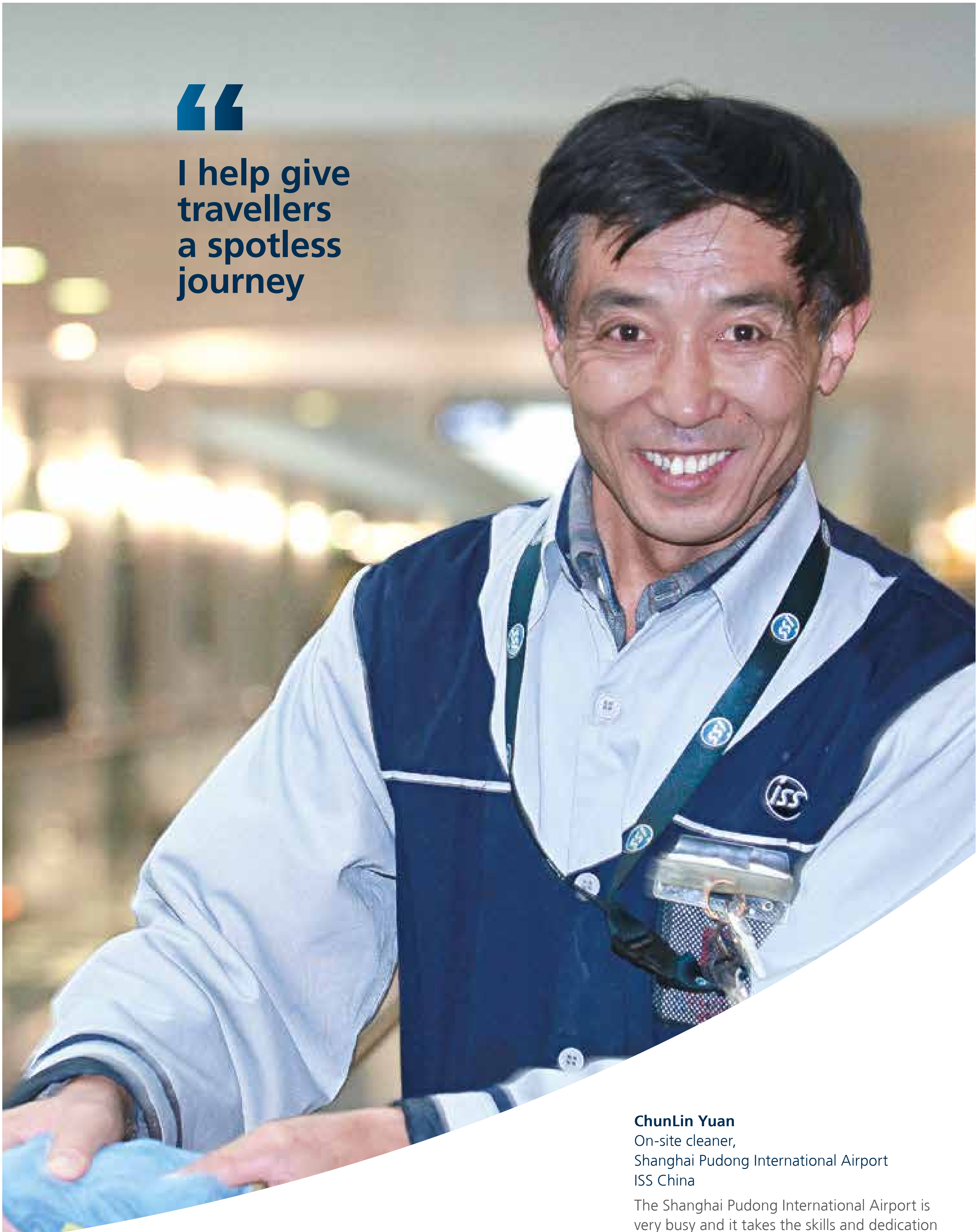
In 2012, ISS A/S had the following transactions with other related parties, which were all made on market terms:

- ISS A/S received/paid interest from/to ISS Global A/S and other companies within the ISS Group, see note 5, Financial income and financial expenses.
- ISS A/S received/paid joint taxation contribution equal to 25% of taxable income from/to jointly taxed Danish resident subsidiaries, see note 13, Tax receivables and tax payables.
- ISS A/S increased the share capital in its fully owned subsidiary ISS World Services A/S by DKK 3,721 million.

NOTE 18 New standards and interpretations not yet implemented

New standards and interpretations not yet implemented are described in note 43 to the consolidated financial statements.

I help give travellers a spotless journey



ChunLin Yuan
On-site cleaner,
Shanghai Pudong International Airport
ISS China

The Shanghai Pudong International Airport is very busy and it takes the skills and dedication of someone like ChunLin to keep up with the fast pace. He likes the contact he has with the travellers and doesn't mind helping them in the right direction if they get lost.

Management statement

Copenhagen, 7 March 2013

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 2012.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports.

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 2012 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 2012.

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. In addition, the section Capital Structure pages 175-177 gives a fair review of the Group's capital structure.

We recommend that the annual report be approved at the annual general meeting.

Executive Group Management Board

Jeff Gravenhorst
Group Chief Executive Officer

Henrik Andersen
Group Chief Financial Officer

Board of Directors

Ole Andersen
Chairman

Leif Östling
Deputy Chairman

Jennie Chua

Michel Combes

Harry Klagsbrun

Steven Sher

Jo Taylor

Pernille Benborg [1)]

Joseph Nazareth [1)]

Palle Fransen Queck [1)]

1) Employee representative.

Independent auditors' report

To the shareholders of ISS A/S

Independent auditors' report on the consolidated financial statements and the parent company financial statements

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 2012, pages 75-166. The consolidated financial statements and the parent company financial statements comprise Income statement, Statement of comprehensive income, Statement of cash flows, Statement of financial position, Statement of changes in equity and Notes for the Group as well as for 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 disclosure requirements in the Danish Financial Statements Act.

Management's responsibility for the consolidated financial statements and the parent company 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 disclosure requirements in the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, 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 2012 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 2012 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements in the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 7 March 2013
KPMG
Statsautoriseret Revisionspartnerselskab

Jesper Koefoed
State Authorised
Public Accountant

Claus Kronbak
State Authorised
Public Accountant

Keeping things clean is part of the cure

Richard Araza
Service worker, DAKO
ISS Denmark

DAKO has a very important mission – to fight diseases. Richard is well aware of this mission. Cleanliness and a sterile environment are of utmost importance when doctors work to find a cure and Richard's attention to detail in his cleaning is crucial.

Definitions

Acquisitions, %

$$= \frac{\text{Revenue from acquired businesses}^{1)} \times 100}{\text{Revenue prior year at current year's exchange rates}}$$

1) Revenue from acquired businesses is based on management's expectations at the acquisition date.

Adjusted earnings per share

$$= \frac{\text{Profit before goodwill impairment/amortisation and impairment of brands and customer contracts}}{\text{Average number of shares, diluted}}$$

Adjusted EBITDA

= Operating profit before other items + Depreciation and amortisation

Basic earnings per share (EPS)

$$= \frac{\text{Net profit/(loss) for the year attributable to owners of ISS A/S}}{\text{Average number of shares}}$$

Carrying amount of net debt

= Non-current loans and borrowings + Current loans and borrowings - Receivables from companies within the ISS Group - Securities - Cash and cash equivalents - Positive fair value of derivatives

Cash conversion, %

$$= \frac{\text{(Operating profit before other items last twelve months + Changes in working capital last twelve months)} \times 100}{\text{Operating profit before other items last twelve months}}$$

Diluted earnings per share

$$= \frac{\text{Net profit/(loss) for the year attributable to owners of ISS A/S}}{\text{Average number of shares, diluted}}$$

Divestments, %

$$= \frac{\text{Revenue from divested businesses}^{1)} \times 100}{\text{Revenue prior year at current year's exchange rates}}$$

1) Revenue from divested businesses is based on estimates or actual revenue where available at the divestment date.

EBITDA

= Operating profit + Depreciation and amortisation

Equity ratio, %

$$= \frac{\text{Total equity attributable to owners of ISS A/S} \times 100}{\text{Total assets}}$$

Interest coverage

$$= \frac{\text{Operating profit before other items + Depreciation and amortisation}}{\text{Financial income and financial expenses, net}}$$

Operating margin, %

$$= \frac{\text{Operating profit before other items} \times 100}{\text{Total revenue}}$$

Organic growth, %

$$= \frac{\text{(Comparable revenue}^{1)} \text{ current year - comparable revenue}^{1)} \text{ prior year)} \times 100}{\text{Comparable revenue}^{1)} \text{ prior year}}$$

1) Comparable revenue implies the exclusion of changes in revenue attributable to businesses acquired or divested 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 subsequent year's foreign currency exchange rates. Acquisitions of businesses are treated as having been integrated into ISS upon acquisition, and ISS's calculation of organic growth includes changes in revenue of these acquired businesses compared with revenue expectations at the date of acquisition. Organic growth is not a measure of financial performance under Danish GAAP or IFRS and the organic growth figures have not been audited.

Total revenue growth, %

$$= \frac{\text{(Revenue current year - revenue prior year)} \times 100}{\text{Revenue prior year}}$$

Additional company information

“ I help customers get a smooth landing when they arrive

Damien Barbour
Kerbside Services manager, Brisbane Airport
ISS Australia

Damien makes sure that the passengers arriving and departing Brisbane Airport in Australia are well taken care of. With a clear overview he manages the flow of traffic and guides people coming to and from the airport terminal buildings.

Capital structure

Cash flows and in particular working capital is given high priority at ISS. The ISS approach to working capital is structured and well proven through the continued delivery of steady cash flows.

The approach for improving capital efficiency consists primarily of the following tools:

- Working capital projects which focus on the order-to-cash process and in particular sharing of best practices within the Group, creating awareness of the different components influencing working capital and strengthening internal training to continue anchoring the cash flow culture across various functions (sales, operations, finance, etc.).
- Particular focus on three categories of trade receivables: overdue receivables, work in progress and unbilled receivables.
- Standardised reporting of cash flow forecasts and ongoing follow up in order to monitor the cash performance on a regular basis.
- Cash performance measured as LTM Cash Conversion is one of the three Key Performance Indicators used by the Group and therefore included in the Group incentive structure.

The macroeconomic environment remained challenging throughout 2012, and ISS has therefore been focused on driving profitable growth with satisfactory conditions. Securing payment for work performed has been a distinct priority, and this has led to deliberate exits of customer contracts with unsatisfactory conditions. As a result of the structured approach, ISS demonstrated a stable and strong cash performance throughout 2012, closing the year with a cash conversion rate of 103% and debtor days of 45.

CORPORATE CREDIT RATINGS

Standard & Poor's	BB- Positive Outlook
Moody's	B1 Positive Outlook

ISS A/S Senior Subordinated Notes

Issuer	ISS A/S
Bloomberg	ISS DC
Standard & Poor's rating	B
Moody's rating	B3
Listing	Luxembourg
Amount outstanding	EUR 581.5 million
Maturity date	15 May 2016
Coupon	8.875%
ISIN securities code	XS0253470644
Reuters	DK025347064=

ISS Global A/S Medium Term Notes

Issuer	ISS Global A/S
Bloomberg	ISS DC
Standard & Poor's rating	B
Listing	Luxembourg
Amount outstanding	EUR 110.4 million
Maturity date	8 December 2014
Coupon	4.50%
ISIN securities code	XS0206714247
Reuters	DK020671424=

Senior Credit Facilities

Borrower	ISS A/S and its subsidiaries
Standard & Poor's rating	BB-
Moody's rating	Ba3
Amount outstanding	DKK 19.0 billion
Maturity date	2013-2015

Share capital

ISS A/S' share capital is indirectly owned by funds advised by EQT Partners (EQT) and Goldman Sachs Capital Partners (GS Capital Partners), as well as Ontario Teachers' Pension Plan (Teachers') and KIRKBI Invest A/S (KIRKBI). EQT and GS Capital Partners (together referred to as the Principal Shareholders) indirectly hold approximately 40% and 33% of the share capital respectively. Teachers' and KIRKBI indirectly hold approximately 26% of the share capital. The remaining approximately 1% of the share capital is indirectly held by certain members of the Board of Directors, the Executive Group Management Board and a number of senior officers of the Group through Directors' and Management Participation Programmes. At 31 December 2012, the carrying amount of Shareholders' Equity (including non-controlling interests) was DKK 5,010 million (2011: DKK 2,082 million).

Credit ratings

Standard & Poor's (S&P) continues to assign a long-term credit rating of ISS A/S and its wholly owned subsidiaries ISS World Services A/S and ISS Global A/S (ISS Global) of BB- Positive Outlook. Following the investment from Teachers' and KIRKBI, Moody's improved the corporate rating of ISS from B2 to B1 Positive Outlook. S&P has assigned the bonds issued by ISS A/S and ISS Global's EMTN programme a B rating and Moody's has assigned the Subordinated Notes issued by ISS A/S a B3 rating. In addition, in March 2013 the Senior Credit Facilities have been assigned a BB- rating from S&P and a Ba3 rating from Moody's.

Bonds

ISS A/S has issued EUR 581.5 million 8.875% Senior Subordinated Notes maturing on 15 May 2016. Notes of EUR 454 million were originally issued on 8 May 2006, and on 30 March 2010, an additional EUR 127.5 million was issued under the same indenture. The notes are listed and traded on the Euro MTF market of the Luxembourg Stock Exchange.

ISS Global has issued EUR 110.4 million of 4.50% senior unsecured Medium Term Notes maturing on 8 December 2014. The notes are listed on the Luxembourg Stock Exchange and traded on the regulated market of the Luxembourg Stock Exchange.

ISS Financing Plc, a special purpose vehicle, had in 2009 issued EUR 525 million of 11% Senior Notes scheduled to mature on 15 June 2014. The notes were listed and traded on the Euro MTF market of the Luxembourg Stock Exchange, but were redeemed in full in December 2012 following the investment from Teachers' and KIRKBI.

Bank loans

Senior Credit Facilities

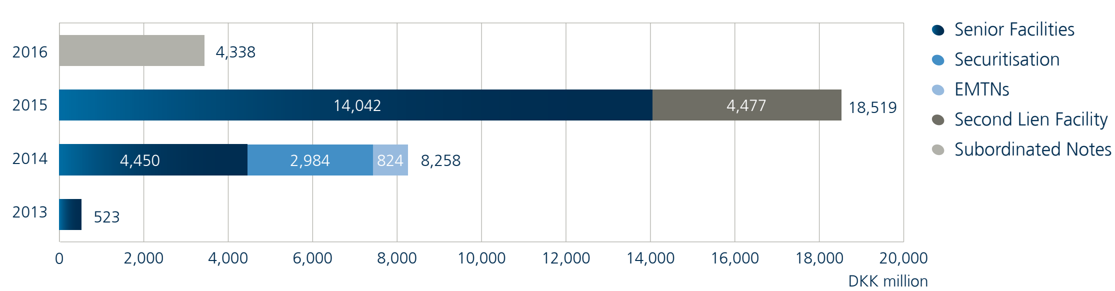
ISS A/S and its subsidiaries are borrowers under a Senior Credit Facility consisting of Term Loans, Acquisition Facilities, a Revolving Credit Facility and a Letter of Credit Facility. The facilities mature between 2013 and 2015. The Senior Credit Facilities include customary loan covenant clauses, which are all complied with. The senior lenders comprise a syndicate of international banks and institutional investors.

At 31 December 2012, ISS had Senior Credit Facilities of DKK 19.0 billion under which DKK 16.5 billion was drawn and DKK 0.7 billion was allocated to support performance bonds issued by operating subsidiaries.

The Senior Credit Facilities are summarised below:

- Term Facility B (2013) with a first instalment 30 June 2013 and a final maturity date of 31 December 2013 (the non-rolled part of the amendment and extension from 2011);

MATURITY OF THE CREDIT FACILITIES



- Term Facility B (2015) with a final maturity date of 30 April 2015;
- Acquisition Facility B (2013) with a first instalment 30 June 2013 and a final maturity date of 31 December 2013 (the non-rolled part of the amendment and extension from 2011);
- Acquisition Facility B (2015) with a final maturity date of 30 April 2015;
- Revolving Credit Facility in an amount of DKK 4.0 billion. The final maturity date of the Revolving Credit Facility is 31 December 2014. Borrowings under the Revolving Credit Facility are primarily provided by local lenders to certain subsidiaries and are included in current Loans and borrowings and non-current Loans and borrowings in ISS's Consolidated Financial Statements. DKK 0.6 billion of the Revolving Credit Facility was allocated to support performance bonds issued by operating subsidiaries as per 31 December 2012; and
- Letter of Credit Facility in an amount equivalent to DKK 0.5 billion with a final maturity date of 31 December 2014. Letters of credit are issued primarily in support of borrowings, other than borrowings under the Revolving Credit Facility or the Secured Local Facilities, and, to the extent that these borrowings are deemed to constitute indebtedness, the borrowings are included in current Loans and borrowings and non-current Loans and borrowings in ISS's consolidated financial statements. DKK 0.1 billion of the Letter of Credit Facility was allocated to support performance bonds issued by operating subsidiaries as per 31 December 2012.

Securitisation

ISS has a securitisation of trade receivables programme of which DKK 2.6 billion had been utilised at 31 December 2012. The programme includes Austria, Belgium, Denmark, France, Germany, the Netherlands, Norway, Spain, Sweden and the United Kingdom.

In August 2012, the maturity of the securitisation programme was extended for the second time by one year from September 2013 to September 2014. The size of the credit facility was kept unchanged at DKK 3.0 billion (EUR 0.4 billion) and the pricing of the programme was also unchanged with a drawn margin of 275 bps. The securitisation programme can be extended for an additional year at a time, and since it is structured according to S&P's methodology this can be done both with the existing banks (HSBC and Nordea) or a third party, should this become relevant.

KEY EVENTS 2012

RAF gave ISS a vote of confidence

Credit: RAF

9 March: The Royal Air Force (RAF) awarded ISS United Kingdom a Catering, Retail and Leisure (CRL) contract, which covers four stations and four sub-stations. Together, the four stations represent the training locations for the RAF.

This contract follows last year's award of the RAF Super CRL contract that comprises 14 RAF stations and four sub-stations from Scotland to Cornwall.

Under the new contract, ISS provides the stations with PAYD (Pay As You Dine), along with a range of other hotel services; retail offers, through SPAR Community Stores; and leisure facilities including bars, vending and gaming. More than 600 people have either transferred or have been recruited by ISS as part of this new contract.

SUMMARY OF CREDIT FACILITIES

DKK million	Principal value	Drawn	Currency	Coupon/ margin	Maturity
Issued bonds:					
Senior Subordinated Notes	4,338	4,338	EUR	8.875%	15 May 2016
Medium Term Notes	824	824	EUR	4.50%	8 Dec 2014
Issued bonds at 31 December 2012	**5,162**	**5,162**			
Bank loans:					
Senior Facilities:					
Term Facility B	12,670	12,670	EUR, GBP	+ 200bps/+ 350bps	31 Dec 2013/ 30 Apr 2015
Acquisition Facility B	1,895	1,895	EUR	+ 225bps/+ 375bps	31 Dec 2013/ 30 Apr 2015
Revolving Credit Facility	3,960	1,815	Multi currency	+ 375bps	31 Dec 2014
Letter of Credit Facility	490	161	Multi currency	+ 375bps	31 Dec 2014
Second Lien Facility	4,477	4,477	EUR	+ 375bps/+ 425bps	30 Jun 2015
Securitisation	2,984	2,635	Multi currency	+275bps	14 Sep 2014
Bank loans at 31 December 2012	**26,476**	**23,653**			

NET DEBT

	Carrying value	Leverage (x Pro forma EBITDA)
Senior Facilities	16,448	3.13x
Second Lien Facility	4,466	0.85x
Senior Subordinated Notes due 2016	4,291	0.82x
Medium Term Notes due 2014	784	0.15x
Securitisation	2,617	0.50x
Interest rate swaps	112	0.02x
Other current and non-current loans and borrowings	900	0.17x
Debt at 31 December 2012	**29,618**	**5.64x**
Total cash and cash equivalents and securities [1)]	(3,663)	(0.70x)
Net debt at 31 December 2012	**25,955**	**4.94x**

[1)] Includes the fair value of currency swaps of DKK 48 million and a receivable of DKK 71 million from FS Invest.

Second Lien Facility

In connection with the Senior Credit Facilities, ISS is a borrower under a Second Lien Facility of DKK 4.5 billion at 31 December 2012. The Second Lien Facilities include customary loan covenant clauses similar to the Senior Credit Facilities, which are all complied with.

The Second Lien lenders comprise a syndicate of international institutional investors. The Second Lien Facilities mature on 30 June 2015.

Other credit facilities

Further to the above, ISS had DKK 0.9 billion of other credit facilities as of 31 December 2012. Such facilities comprise mainly other local credit facilities and finance leases, which are not part of the Senior Credit Facilities.

Financial leverage

Pro forma Adjusted EBITDA is adjusted to reflect the full year effect of acquired or divested businesses. Estimated pro forma Adjusted EBITDA of acquired and divested businesses represents the net aggregate estimated Adjusted EBITDA of businesses acquired or divested for the period from 1 January 2012 to the date of acquisition or divestment by the Group. At 31 December 2012, the carrying amount of Net debt was DKK 25,955 million and Pro forma adjusted EBITDA was estimated at approximately DKK 5,253 million. Consequently, the ratio of net Debt to Pro forma adjusted EBITDA was reduced to 4.94x from 5.81x at 31 December 2011.

PRO FORMA ADJUSTED EBITDA

DKK million	2012	2011
Adjusted EBITDA	5,264	5,243
Estimated pro forma adjusted EBITDA of acquired and divested businesses	(11)	(97)
Pro forma adjusted EBITDA	**5,253**	**5,146**

FINANCIAL LEVERAGE (X PRO FORMA EBITDA)

DKK million	2012	2011
Estimated pro forma adjusted EBITDA	5,253	5,146
Net debt	25,955	29,905
Financial leverage (x pro forma EBITDA)	**4.94x**	**5.81x**

KEY EVENTS 2012

ISS foundation 'Una Sonrisa Más' creates thousands of jobs

21 June: Since its establishment in 2007, the Spanish ISS foundation 'Una Sonrisa Más' (One More Smile) has helped create thousands of jobs in developing countries.

The ISS foundation has helped create 1,200 direct jobs and more than 25,000 indirect jobs as well as 11 microenterprises in five different countries.

Today, the foundation conducts charitable projects in Ecuador, Peru, Burkina Faso, Morocco and the Dominican Republic.

The foundation's projects are financed by donations made by the 30,000 employees of ISS Spain – the employees voluntarily donate the cents from their rounded-off salaries.

“I make shopping a nice and clean experience

Basudha Neupane
Cleaner, Stockmann
ISS Finland

Basudha has a vital part to play in making the customers at Stockmann in Helsinki, Finland feel welcomed when visiting the department store. She does a great job cleaning the long aisles ensuring customers are met with shiny floors and spotless shelves.

Country revenue and employees

	2012				2011			
DKK million	Revenue	% of Group revenue	Employees	% of Group employees	Revenue	% of Group revenue	Employees	% of Group employees
Country								
United Kingdom	8,792	11%	44,611	8%	7,835	10%	42,373	8%
France	7,248	9%	30,912	6%	7,560	10%	32,877	6%
Norway	6,080	8%	12,805	2%	5,940	8%	13,509	3%
Australia	5,476	7%	12,432	2%	5,033	7%	12,147	2%
Spain	4,410	6%	29,315	6%	4,467	6%	29,209	6%
Finland	4,131	5%	11,822	2%	4,154	5%	12,021	2%
Sweden	4,047	5%	10,602	2%	4,172	5%	9,226	2%
Switzerland	3,471	4%	11,029	2%	3,323	4%	10,912	2%
USA	3,470	4%	15,307	3%	3,295	4%	15,576	3%
Denmark	3,293	4%	7,745	2%	3,640	5%	7,994	2%
Belgium & Luxembourg	2,999	4%	10,724	2%	3,085	4%	10,878	2%
Netherlands	2,862	4%	13,426	3%	3,263	4%	16,322	3%
Turkey	2,207	3%	24,380	5%	1,837	2%	24,982	5%
Germany	1,855	2%	10,864	2%	2,334	3%	11,291	2%
Brazil	1,820	2%	17,233	3%	1,972	3%	18,032	3%
Israel	1,816	2%	11,939	2%	1,779	2%	12,423	2%
Hong Kong	1,715	2%	14,464	3%	1,438	2%	14,909	3%
Austria	1,477	2%	6,977	1%	1,436	2%	6,935	1%
Singapore	1,219	2%	8,029	2%	1,067	1%	7,698	1%
Indonesia	1,167	1%	56,307	11%	964	1%	54,409	10%
India	1,042	1%	53,871	10%	907	1%	52,257	10%
Thailand	931	1%	26,203	5%	716	1%	25,653	5%
Chile	681	1%	11,679	2%	559	1%	12,117	2%
Mexico	643	1%	15,975	3%	565	1%	15,956	3%
Greece	632	1%	4,324	1%	811	1%	4,439	1%
Italy	614	1%	1,106	0%	464	1%	1,318	0%
China	601	1%	14,484	3%	399	1%	12,433	2%
Ireland	540	1%	3,232	1%	563	1%	3,044	1%
New Zealand	530	1%	2,502	0%	492	1%	2,560	1%
Portugal	492	1%	6,754	1%	567	1%	7,396	1%
Argentina	427	1%	3,305	1%	331	1%	3,706	1%
Czech Republic	426	1%	4,740	1%	429	1%	4,624	1%
Taiwan	307	1%	2,614	1%	279	0%	2,639	1%
Poland	222	0%	2,447	0%	212	0%	2,843	1%
Slovakia	211	0%	3,055	1%	230	0%	3,764	1%
Uruguay	201	0%	1,923	0%	119	0%	1,622	0%
Slovenia	168	0%	1,234	0%	186	0%	1,233	0%
Philippines	151	0%	3,869	1%	103	0%	2,878	1%
Romania	151	0%	1,867	0%	155	0%	2,001	0%
Hungary	144	0%	2,074	0%	155	0%	2,058	0%
Estonia	140	0%	1,717	0%	134	0%	1,650	0%
Russia	124	0%	896	0%	110	0%	902	0%
Malaysia	104	0%	1,536	0%	102	0%	1,522	0%
Iceland	93	0%	743	0%	85	0%	821	0%
Greenland	93	0%	301	0%	96	0%	270	0%
Japan	89	0%	35	0%	77	0%	25	0%
Canada	69	0%	43	0%	74	0%	46	0%
Brunei	30	0%	385	0%	25	0%	370	0%
Croatia	19	0%	292	0%	30	0%	492	0%
Other countries, Latin America	48	0%	6	0%	102	0%	7	0%
Other countries, Asia	12	0%	13	0%	13	0%	19	0%
Other countries	36	0%	-	-	30	0%	-	-
Regional eliminations	(2)	0%	-	-	(5)	0%	-	-
Corporate functions / eliminations	(70)	0%	138	0%	(65)	0%	150	0%
ISS Group	**79,454**	**100%**	**534,273**	**100%**	**77,644**	**100%**	**534,519**	**100%**

“Attention to detail is the name of my game

Victor Banda
Event Services manager, Chase Field
ISS USA

Visitors to the Chase Field stadium have high expectations from the events, regardless if it is sports, concerts or a great show. With Victor’s sense of details, he makes sure that the events are executed perfectly. He wouldn’t let anything get in the way of a great experience.

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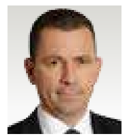

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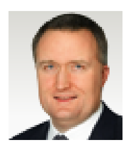

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[1)] The Group's revenue generated from activities in Bulgaria is reported as part of the activities in the Czech Republic.

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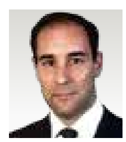

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EDITED BY:
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DESIGN, PRODUCTION
& PRINT:
Kontrapunkt
Denmark
March 2013.

Kontrapunkt
is environmentally
certified after
DS/EN ISO
14001:2004 and
DS/EN ISO
9001:2008

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