Annual Report 2004

Annual Report 2004
ISS A/S

Contents

LETTER TO OUR STAKEHOLDERS

REPORT FROM MANAGEMENT

6 Key Figures

7 Company Report

14 Corporate Governance

24 Incentive Schemes

32 Stakeholder Review

43 Risk Factors

OPERATIONAL REVIEW

52 **create2005**

54 Segmental Summary

55 Review of Business Performance

60 Review of Country Performance

FINANCIAL STATEMENTS

78 Signatures to the Financial Statements

79 Auditors' Report

80 Financial Review

89 Accounting Policies

96 Consolidated Financial Statements

119 Parent Company Financial Statements

COMPANY INFORMATION

130 ISS in Brief

132 Acquisitions and Divestments

135 Stock Exchange Releases

136 Addresses

138 Subsidiaries, Joint Ventures and Associates

140 Board of Directors and Group Management

144 Quarterly Financial Figures

146 Financial Review 1995-2004

147 Definitions

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

150 Transition to IFRS

155 Consolidated Financial Statements under IFRS

Eric S. Rylberg and Erik Sørensen

Letter to our Stakeholders

ISS achieved the targets we set at the beginning of the year.

Cash conversion was above 100% for the sixth consecutive year; operating margin was maintained at the same level as in 2003, the highest margin the Group has had since it was listed on the Copenhagen Stock Exchange in 1977; and organic growth increased quarter by quarter, ending at 1.5% for the full year.

Strategically, the Group advanced the facility services strategy as defined in **create2005** by expanding the service offering country by country. Additionally, country organisations increased customer focus and advanced the integrated services offering.

The Group performed in accordance with management's expectation. Some entities exceeded expectations while other entities performed below expectations. Actions have been taken to address the specific issues in entities falling short of plans.

Investment in people has top priority in ISS. The scope of ISS University, the Group's vehicle for teaching new service concepts, operational training and management development was expanded.

The agenda for 2005 will be unchanged compared with 2004. The Group will seek to increase organic growth and aims at an acquisitive growth in line with the long-term objective.

During 2005 a successor of our strategy plan, **create2005**, will be introduced. The overall aspiration and strategic direction of the current plan will be retained in the new strategy, since the Group believes that the move towards Integrated Facility Services is the right way forward.

Essential to the accomplishments in 2004 have been our more than 273,000 employees, who are the foundation for the value creation to all stakeholders. We would like to take this opportunity to thank each of them for their contribution to the Group's advancement. We look forward to further developing the Group together.

Erik Sørensen
Chairman

Eric S. Rylberg
CEO

HVERDAGENS
SOCIOPATIER
HVERVALENS
METONYMIER

Report from Management

"The Everyday Sociopaths / The Everyday Metonymies", Claus Carstensen
Acrylic and tempera on canvas, 100 x 70 cm

Key Figures

Amounts in DKKm (unless otherwise stated)	2004	2003	2002	2001	2000
Revenue	40,355	36,165	37,984	34,852	28,719
Operating profit [1]	2,279	2,032	2,010	1,633	1,454
Net finance costs	(343)	(265)	(361)	(310)	(244)
Profit before goodwill amortisation	1,308	1,179	1,115	898	830
Loss from discontinued business, net of tax	-	-	-	(5)	-
Net profit for the year	131	286	246	222	210
Investments in property, plant and equipment, gross	622	499	579	615	439
Cash flow from operating activities	1,979	2,345	2,264	1,510	1,265
Free cash flow [2]	1,396	1,942	1,739	1,058	874
Total assets	29,676	23,385	22,412	22,419	17,164
Goodwill	15,494	12,465	12,669	12,022	9,522
Interest-bearing debt, net [2]	7,214	4,784	5,604	6,317	4,357
Total equity	8,336	7,633	7,331	6,621	5,678
Market capitalisation	14,461	12,894	11,202	17,351	21,730
Enterprise value [2]	21,675	17,678	16,806	23,668	26,087
Financial ratios [2]					
Operating margin, %	5.6	5.6	5.3	4.7	5.1
Interest coverage	8.4	9.9	7.2	7.0	7.9
Earnings per share before goodwill amortisation	29.5	26.8	25.8	21.6	21.1
Cash conversion, % [3]	107	150	167	118	105
Free cash flow per share	31.5	44.1	40.2	25.5	22.3
Equity ratio, %	28.1	32.6	32.7	29.5	33.1
Net debt to book equity ratio, %	86.5	62.7	76.4	95.4	76.7
Net debt to total enterprise value ratio, %	33.3	27.1	33.3	26.7	16.7
Lease adjusted financial figures [2]					
Interest coverage	5.5	6.1	5.1	5.1	5.8
Net debt to book equity ratio, %	114.9	89.2	101.9	122.3	97.2
Implied present value of off-balance sheet financing	2,367	2,027	1,863	1,780	1,160
Interest-bearing debt, net	9,581	6,811	7,467	8,097	5,517
Free funds from operations to net debt ratio, %	25.6	38.7	32.4	23.4	30.5
Employees on full-time, %	57	55	53	53	53
Number of employees	273,500	245,000	248,500	259,800	253,200
Growth					
Organic growth, %	1.5	(2)	1	4	7
Acquisitions, net, %	11	(0)	8	18	35
Currency adjustments, %	(0)	(3)	0	(1)	3
Total revenue, %	12	(5)	9	21	45
Operating profit, % [1]	12	1	23	12	42

[1] Before other income and expenses and associates.
[2] See page 147 for definitions.
[3] In 2003, cash conversion was adjusted for the cash inflow from tax repayment of DKK 168 million related to employee share issues. In 2002, cash conversion was adjusted for the after-tax gain of DKK 74 million on the sale of Sophus Berendsen shares.

Company Report

FOCUS OF THE YEAR

With an unchanged operating margin of 5.6%, cash conversion of 107% and a 3.1 percentage points improvement in organic growth to 1.5%, ISS delivered according to plan on its key financial priorities in 2004.

Growth and further development of the Integrated Facility Services strategy was in focus during the year.

Investments were made to increase organic growth. Sales resources were strengthened and reorganised. New sales to targeted customer segments and service scope expansion with existing customers were in focus. The efforts paid off with organic growth increasing throughout the year from 0% in Q1 to 3% in Q4. The increase in organic growth was achieved in spite of shortfalls in Germany, Sweden and Damage Control. Excluding these activities, the Group's organic growth rate for the full year would have been 3%.

Key markets like France and the UK saw organic growth rates at 6% and 5%, respectively. Denmark and Belgium succeeded in turning negative organic growth rates to positive organic growth in 2004.

After reaching its targets in 2003 for cash conversion and operating margin, the Group announced at the outset of the year, the intention to accelerate the speed of acquisitions.

Of the Group's 95 bolt-on acquisitions during 2004, two had particular strategic importance: the acquisitions of Grupo Unica in Spain and Engel Group in Finland. Through Grupo Unica, ISS took the geographical coverage in Spain countrywide with solid market positions in Madrid and southern Spain, where ISS previously had a weak presence or none at all. With the acquisition of Engel, ISS Finland strengthened its business within the facility services market and not least within property services. Following the acquisition, ISS Finland delivers a full package of services covering most aspects of Integrated Facility Services.

Both acquisitions were examples of how the Group remained focused on the transformation towards facility services. More and more service outsourcing is moving in the direction of integration and service convergence. The direct operational synergies as well as overhead synergies to be gained from integrating services and consolidating suppliers have begun to materialise.

ISS sees further interest from customers exploring the logic and opportunities from integrating facility services. The trend has been clear, especially in the UK, the most advanced market in terms of integrated services. Contract signings with e.g. Renault/Nissan, ICI and Chelsea & Westminster Hospital are examples of ISS' ability to meet market demands in the UK.

In other geographical areas, integrated solutions are also attracting growing interest. Examples of contract signings included Nordea on a pan-Nordic level, expansion of the Computer Sciences Corporation (CSC) contract on a pan-European scale, Norsk Hydro in Norway, and Seagate in Thailand.

ISS finds it increasingly important to widen the geographical footprint. As a consequence,

Performance highlights

Revenue increased 12%, due to stronger organic growth and increased acquisition activity.

Organic growth improved to 1.5%, up from (1.6)% in 2003.

Operating margin unchanged compared to 2003 at 5.6%.

Free cash flow was DKK 1.4 billion and cash conversion was 107%, above 100% for the sixth consecutive year.

Earnings per share up 10% to DKK 29.5.

Proposed dividend increased 25% from DKK 4 to DKK 5 per share.

the organisational set-up was strengthened together with intensified focus on high growth areas like the Baltic countries, China, India and South America. In 2004, ISS established country operations in Chile and Uruguay, and Russia and Turkey were added to the ISS map in the beginning of 2005.

STRATEGIC TRANSFORMATION

A main priority for ISS in 2004 was to continue the development of the facility services concept as defined in the **create2005** strategy plan. The Group's 42 country organisations are at different stages of transformation, but all are progressing towards the same goal – to be able to offer integrated service solutions based on four areas of related services: cleaning, catering, office support and property services. The transformation is driven along three key dimensions – organisational alignment, organic development of business concepts and acquisitions.

The organisational set-up in the operating units is adjusted on an ongoing basis. The objective is to create a customer-focused organisation with the ability to provide integrated services based on competitive single service offerings.

The Group invests in the development of business concepts that will support long-term growth potential for the Group. An example of concept development is washroom services, initiated in 2003. The washroom concept roll-out was further expanded in 2004 to include Belgium, the Netherlands and Spain. In addition, a development project on a dust control (rental of mats) concept was piloted in 2004 in Denmark. The concept proved successful and will be expanded to other geographies.

The Facility Services Development Centre established a tailor-made education programme for service managers. ISS University hosts the programme, which will be attended by a number of ISS managers during 2005. Furthermore, a web portal was developed to accelerate sharing of best practises.

ACQUISITIONS

The acquisition activity in 2004 was consistent with the strategy of making bolt-on acquisitions in order to strengthen the competencies, enhance the service offering or establish critical mass.

The objective of stepping up the acquisition speed was reflected in 95 bolt-on acquisitions that are expected to add annual revenue of more than DKK 6 billion, equivalent to approximately 15% of Group revenue.

A total of 19 acquisitions were made during the period 1 January - 2 March 2005, adding revenue of approximately DKK 1.2 billion on an annualised basis. Acquisitions are listed on pages 132-134 of this report and are continuously updated on the Group's website: www.issworld.com.

ISS expects to pursue an unchanged acquisition strategy in 2005. The primary focus will remain on bolt-on acquisitions, defined as acquisitions of businesses that do not exceed 5% of Group revenue on an individual basis.

OPERATIONAL CHALLENGES

Group performance was in line with the latest outlook announced in November 2004.

With operations in 42 countries some business units will exceed and some will perform below expectations. In the Annual Report 2003, five business areas were pointed out as operational challenges. The idea behind the list is to mention, from a management perspective, the five largest challenges whatever

their absolute size. Compared to the list from last year four business areas are still on the list, one has come off and one area has been added to the list of challenges at the end of 2004, as discussed below.

Denmark ISS Denmark was added to the list in 2003 due to its negative performance in new sales and contract losses. Consequently, a number of management positions were strengthened at the end of 2003 aimed at increasing customer focus and improving new sales. The improvements in operating margin and organic growth in Facility Services in 2004 have demonstrated the effect of the initiative. If the current trend and development is maintained, ISS Denmark should come off the list within 3-6 months.

Germany ISS Germany fell short of its budget in 2004. In general, business conditions in Germany were difficult in a highly competitive environment and with prices under pressure. In addition, as of 1 April 2004 collective labour agreements reduced wages by 6% for blue-collar workers and lead to subsequent price reductions in customer contracts. The ISS business was particularly impacted by a continuing in-sourcing trend among the customers in the public hospital segment. By providing services in-house, public hospitals avoid having to pay VAT.

The prevailing issues were addressed by refocusing the business on the business-to-business segment, scaling the business to target five well-defined geographical areas and further strengthening the management team. Two acquisitions targeting the business-to-business segment within the designated geographical area supported the above-mentioned objectives.

Further to the action taken in 2004, the Group announced in February 2005 a decision to discontinue the hospital business and to phase out service contracts in the segment in 2005 and 2006. A cost of DKK 35 million associated with the phase-out is expected to be recognised in Other income and expenses in 2005. An updated business plan including the discontinuation and the acquisitions made during the year led to a goodwill impairment of DKK 50 million. Including the impairment realised in Q2 2004, total goodwill impairment in Facility Services Germany was DKK 100 million in 2004. ISS Germany is not, despite the initiatives taken, expected to come off the list of challenges in 2005.

Switzerland In Switzerland steps were taken to strengthen operational and financial management with the objective of improving performance and enhancing the capability to handle integration of acquired companies efficiently. The operating margin and organic growth improved in 2004. If the current trend and development is maintained, ISS Switzerland should come off the list within 3-6 months.

Damage Control The damage control activities in Norway were singled out as one of the troubled areas in 2003. The reorganisation of the activities and integration of the damage control activities acquired from Anticimex Building Environment have been carried out as planned. However, business conditions remained tough for the damage control business, and in particular for the Nordic activities with low damage activity and overcapacity in the market. This means that all damage businesses in the Nordic region are seen as an operational challenge by the end of 2004. In February 2005, the Group announced a decision to merge the damage control businesses into the facility services country organisations in order to reduce and provide more flexibility to the

cost base. A downscaling of the activities in Denmark and Sweden, was initiated at the same time and a cost of DKK 30 million is expected to be recognised under Other income and expenses in 2005. The damage control activities remain on the list of challenges and are not expected to come off in 2005.

Health Care The turnaround of the health care activities carried out in 2004 has adjusted the operational set-up to the new market situation with a changed demand side. Helped by these initiatives, the health care activities were transferred to a new ownership structure in February 2005, when a joint venture was formed with EQT Partners, a private equity fund. The joint venture took over the activities of ISS Health Care, and CarePartner AB owned 49% by ISS. The transaction refocused ISS on the facility services business and freed management resources. A capital gain of approximately DKK 95 million is expected to be included under Other income and expenses in 2005. Based on the financial performance in 2004 and the subsequent transaction, the health care activities were taken off the list of operational challenges at the end of 2004.

Sweden Facility Services in Sweden has been added to the list of challenges due to a negative performance in organic growth and a decline in operating profit. The main issues relate to the facility management activities in Ecuro and an unsatisfactory level of contract losses in the facility services business. A new country manager and a new CFO were appointed in 2004.

FINANCIALS

Total revenue in 2004 was DKK 40.4 billion against DKK 36.2 billion in 2003, an increase of 12%. The increase was due to acquisitions of 10.6% and organic growth of 1.5%. Divestments in 2004 were insignificant. Currency adjustments were insignificant at Group level as the negative impact from Norwegian kroner and dollar-related currencies in South East Asia and South America was counterweighted by the positive impact of the GBP appreciation.

Operating profit before other income and expenses and associates increased by 12% to DKK 2,279 million. The operating margin was 5.6%, unchanged from 2003. In line with previous years, changes in social legislation, pensions and a number of non-recurring items affected the Group in 2004, but the overall net effect was considered insignificant.

Profit before goodwill amortisation was DKK 1,308 million, up 11% compared with 2003.

Cash flow from operating activities was DKK 1,979 million and the free cash flow was DKK 1,396 million. The cash conversion ratio was 107%, thus remaining above 100% for the sixth consecutive year and ahead of the Group's long-term target of approximately 95%. Net interest-bearing debt, increased from DKK 4,784 million to DKK 7,214 million at year-end 2004.

REGIONAL DEVELOPMENT

Revenue in Northern Europe, comprising the UK, Sweden, Denmark, Norway, Finland, Ireland, Iceland, Greenland and the Faroe Islands increased from DKK 16.7 billion in 2003 to DKK 18.6 billion.

Organic growth in Northern Europe was 1%. Negative impact came from Norway and Sweden whereas the other countries produced positive organic growth. Growth from net acquisitions was 11% with all countries in Northern Europe being active in the market for acquisitions. The operating margin improved from 6.1% to 6.3%. The improvement stemmed from

better performance in Ireland, Norway and the UK compared to last year, which more than offset underperformance in Sweden.

Continental Europe includes France, the Netherlands, Belgium and Luxembourg, Spain, Germany, Switzerland, Austria, Portugal, Greece, Italy, the Czech Republic, Slovenia, Slovakia, Poland, Romania, Hungary and Croatia. Revenue in the region was DKK 19.8 billion, an increase of 12% compared with 2003. Organic growth in the region was 2%, particularly driven by France, Spain and Austria. The operating margin was unchanged at 6.1%. Most entities saw steady or improving operating margins, but Germany encountered a performance shortfall, primarily due to the situation in the hospital service segment.

Overseas, consisting of Asia, South America, Australia and Israel, reported revenue of DKK 2.0 billion in 2004, up 7% from 2003. Organic growth amounted to 5% due to positive developments in most countries. Currency adjustments reduced revenue by DKK 0.1 billion (6%) while acquisitions added 9% to revenue. The operating margin decreased from 6.1% to 6.0%, primarily due to lower performance in Australia and Israel relative to 2003.

CORPORATE BOND PROGRAMME

In November 2004, ISS Global A/S, a wholly owned subsidiary of ISS A/S, issued a Euro denominated benchmark bond under its listed Euro Medium Term Note programme (rated BBB+ with Stable Outlook by Standard & Poor's). The EUR 500 million bond issue has a maturity of 10 years and an annual coupon of 4.50%. Following the launch of the bond issue, ISS swapped the fixed interest rate of the bond into a floating rate. The purpose of the issue was to take advantage of an efficient and flexible source of financing. Accordingly, the proceeds from the bond issue were used to repay existing bank loans.

EMPLOYEE SHARE PROGRAMME

In October 2004, ISS completed an employee share programme pursuant to authorisations granted by the shareholders. ISS employees with a minimum of three months' seniority were invited to subscribe for employee shares. The subscription price was fixed at DKK 101 per share, equal to one third of the average market price quoted on the first five trading days following the release of the Interim report January - June 2004. A total of 476,124 new ISS shares were issued, equivalent to approximately 1.1% of the share capital before the employee share issue. Gross proceeds amounted to DKK 48 million.

SHARE ISSUE

To ensure an adequate capital structure for the continuation of the business development, the Board of Directors resolved to issue new shares in the form of an equity issue at market

Operating results by geography [1]

	Revenue DKKm			Operating profit [2] DKKm			Operating margin	
	2004	2003	Change	2004	2003	Change	2004	2003
Northern Europe	18,568	16,662	11 %	1,174	1,011	16 %	6.3 %	6.1 %
Continental Europe	19,771	17,621	12 %	1,200	1,082	11 %	6.1 %	6.1 %
Overseas	2,016	1,882	7 %	120	115	5 %	6.0 %	6.1 %
Corporate	-	-	-	(215)	(176)	22 %	(0.5)%	(0.5)%
Group	**40,355**	**36,165**	**12 %**	**2,279**	**2,032**	**12 %**	**5.6 %**	**5.6 %**

[1] A reclassification between segments has been made compared with 2003. Comparative figures have been restated. See page 102 of this report for further details.
[2] Before other income and expenses and associates.

price in December 2004. The issue was more than six times over-subscribed, and the new ISS shares were issued at a price of DKK 304 each. A total of 2,548,982 new shares were issued, equal to 5.7% of the total share capital of ISS prior to the new issue. Gross proceeds amounted to DKK 775 million.

BOARD OF DIRECTORS

At the annual general meeting on 31 March 2004, Mr. Tom Knutzen and Mr. Sven Riskær were re-elected as members of the Board of Directors. In addition, Ms. Karin Verland was elected new member of the Board of Directors. Ms. Verland has been CEO of Pfizer Denmark since 2001 and is chairman of the Danish Medical Industry Association. Mr. Lars Vestergård, employee representative on the Board of Directors, resigned from the Board and was replaced by his alternating director, Ms. Tina Hilligsø.

SUBSEQUENT EVENTS

Apart from the events described in this Annual Report, Group Management is not aware of events subsequent to 31 December 2004, which are expected to have a material impact on the Group's financial position or outlook.

Forward-looking statements

This Annual Report contains forward-looking statements within the meaning of the US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations to the future development, in particular future sales, operating efficiencies and business expansion. Such statements are subject to risks and uncertainties as various factors, many of which are beyond ISS' control, may cause actual development and results to differ materially from the expectations contained in the Annual Report. Factors that might affect such expectations include, but are not limited to, overall economic and business conditions, fluctuations in currencies, the demand for ISS' services, competitive factors in the service industry, operational problems in one or more of the Group's business units and uncertainties concerning possible acquisitions and divestments. Reference is made to the description of risk factors on pages 43-49 of this report.

Governing text

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

PROPOSALS FOR THE ANNUAL GENERAL MEETING

At the annual general meeting to be held on 13 April 2005, the Board of Directors intends to propose that a dividend of DKK 5 per share be paid in respect of the 2004 financial year. The proposed dividend implies that a total of DKK 237 million will be paid out as dividends.

This proposal is consistent with the dividend policy set out below, which was announced in the Annual Report 2003.

The Board of Directors intends to propose that the election period for Board members be reduced from two years to one. In addition, the Board of Directors proposes that only one auditor be elected, which is in line with the amended requirements for listed Danish companies.

DIVIDEND POLICY

ISS continuously monitors its capital structure. The aim is to strike a balance between optimising the cost of capital and ensuring a credit-worthiness that allows flexible access to a range of debt instruments.

The Board of Directors will generally determine payout ratios as a percentage of the company's net profit. Decisions on the payout ratio will, among other factors, take into consideration the following long-term targets: an equity ratio of 35-40%, satisfactory interest coverage and a net debt to equity ratio not exceeding one.

Should ISS at any given time find it appropriate to adjust its capital structure further, a share buy-back would likely be the preferred method.

OUTLOOK

The outlook set out below should be read in conjunction with "Forward-looking statements" on page 12 and the description of risk factors set out on pages 43-49 of this report.

ISS will with effect from the financial year 2005 prepare its consolidated financial statements using International Financial Reporting Standards (IFRS). On pages 155-161 of this Annual Report, the expected comparable figures for 2004 for ISS' financial ratios, income statement, cash flow statement, and balance sheet are presented.

At the prevailing forward currency exchange rates and including acquisitions and divestments announced up to 9 March 2005, ISS in 2005 expects:

- Revenue to grow by more than 10%
- Operating profit before other items to grow by more than 10%

The stated growth is based on the 2004 IFRS compliant figures as set out on pages 156-157 of this report.

Corporate Governance

ISS A/S is a company incorporated with limited liability and operating under Danish law. The company has a two-tier board structure consisting of a Board of Directors (the Board) and an Executive Management Board (the EMB). The Board supervises the performance of the company, its management and organisation on behalf of the shareholders. The EMB is responsible for ISS' day-to-day operations. The two bodies are separate and do not have overlapping members. The EMB members and certain senior and executive vice presidents constitute the Group Management.

ISS' Board of Directors is committed to good corporate governance. Good corporate governance is recognised as fundamental to all ISS' activities as it benefits stakeholders and the business itself. Consequently, ISS monitors international developments in the area and continuously seeks to improve its governance practices. Responsibility for the ongoing development of corporate governance practices is a task charged to the entire Board.

For ISS, openness towards stakeholders plays an instrumental role in good corporate governance and the **create2005** strategy aims at increasing the transparency of the business. In January 2004, the Danish Society of Investment Professionals awarded ISS the "Information Award 2003". The award – which ISS has won three times since 1992 – is given to the Danish listed company, which, in the opinion of the Society, shows the highest standards of market information. In May 2004, the Danish Shareholders' Association gave ISS the award for best corporate governance among companies listed on the Copenhagen Stock Exchange. This was the second time ISS has won this recognition since the award was introduced in 2002.

At the initiative of the Danish government, "The Nørby committee's report on corporate governance in Denmark – recommendations for good corporate governance in Denmark" was presented at the end of 2001. In January 2004, a corporate governance committee under the Copenhagen Stock Exchange (the CSE committee) presented a "Report on corporate governance in Denmark". This report contains proposed revisions to the recommendations of the Nørby committee. The sections below set out ISS' corporate policies and procedures on the basis of the eight headings defined as the main areas of recommendation in the CSE committee's report. At the annual general meeting to be held on 13 April 2005, the Board will propose to the shareholders that the election period for Board members be reduced from two years to one as recommended by the Nørby committee. If this is approved by the shareholders, ISS complies with the recommendations with two exceptions: ISS has no maximum on the number of times a Board member can be re-elected, and ISS has no restrictions on other directorships of ISS' Board members (see description below).

SHAREHOLDERS

The general meeting has supreme authority in all company affairs. General meetings must be convened at not more than four weeks' and not less than eight days' notice. The convening notice must briefly state the agenda of the general meeting. Any shareholder is entitled to attend a general meeting provided an admission card has been obtained. The general meeting provides an opportunity for shareholders to address the entire Board and the EMB directly. Normally all members of the two bodies are present. Proposals from the shareholders to be considered at the annual general meeting must be submitted to the company no later than 15 February.

At any general meeting, resolutions can be passed by a simple majority of votes, unless otherwise provided in the Articles of Association or by law (such as the adoption of resolutions to amend the Articles of Association or resolutions to dissolve the company). Voting rights can generally be exercised using separate proxies for each item on the agenda.

ISS' Articles of Association contain no voting rights differentiation, no restrictions on the number of votes that can be cast, and no other restrictions of shareholder rights.

The CSE committee recommends that the Board should not take steps to counter takeover attempts without prior acceptance from the shareholders. The Articles of Association do not contain clauses that enable the Board to counter takeover attempts. In any case, it is ISS' policy to act in the interest of its shareholders.

STAKEHOLDERS

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

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

The stakeholder approach is also put into practice in dialogues and partnerships with the United Nations (the Global Compact initiative), the European Works Council and Amnesty International's Business Club. Relations with stakeholders are described in further detail in the Stakeholder Review on pages 32-42 of this report.

OPENNESS AND TRANSPARENCY

ISS believes that objective, sufficient and timely disclosure of information to the market is a prerequisite for a fair valuation of ISS' shares and in turn, the generation of value for ISS' shareholders. For this purpose, ISS has an investor relations department, which reports to the CEO. The framework for the investor relations activities is contained in a manual describing ISS' investor relations policy. The policy also provides guidelines for market communication and rules to ensure compliance with stock exchange disclosure obligations etc.

ISS is committed to giving all investors comprehensive and equal access to information about the company's affairs. In addition to its country-specific websites, the Group has a corporate website (www.issworld.com). Financial statements and other stock exchange announcements are posted on the Group's website immediately after they have been released to the Copenhagen Stock Exchange. The website also contains a description of investor relations activities and material used at investor presentations. ISS endeavours to keep the website up to date at all times. Due to ISS' international relations, the website is in English, but the Articles of Association, financial statements and stock exchange announcements are also available in Danish.

Through meetings, webcasts, presentations and sector seminars, ISS informs investors, analysts and the press about relevant issues. In addition, investors, analysts and other

stakeholders are always welcome to contact ISS' investor relations department.

ISS prepares its annual reports in accordance with the provisions of Danish accounting regulations and the guidelines of the Copenhagen Stock Exchange, including Danish accounting standards. The annual reports include financial as well as non-financial information. ISS will prepare its Annual Report 2005 in accordance with International Financial Reporting Standards (IFRS). To provide readers of the financial statements with an opportunity to assess the expected impact of the transition to IFRS, restated quarterly income statements, cash flow statements and balance sheets for 2004 are presented on pages 155-161 of this report.

ISS' existing in-house rules on trading in the company's shares generally stipulate that a defined group of persons may only trade in the company's shares during a four-week period following the release of ISS' interim or annual financial statements. The relevant persons are defined as members of the Board of ISS A/S; members of the EMB; members of Group Management; all managers and employees of ISS A/S and of such subsidiaries which share premises with ISS A/S; members of the Board of Directors and the Board of Management of ISS' largest subsidiaries, and managers and employees of ISS companies, as identified by the managing directors of such companies. In addition, all transactions involving the company's shares carried out by managers and employees of ISS A/S, also during the four-week window, must be approved in advance by the Corporate Legal Department.

Following an amendment of the Danish Securities Trading Act effective as of 1 April 2005, the definition of the relevant persons in the in-house rules will change to include any such employees or persons working for the company, who customarily or incidentally have access to internal information. The definition may from case to case also include external advisors of the company.

ISS will amend its disclosure rules in respect of management's trading in ISS' shares and derivatives in response to the above-mentioned change in the Danish Securities Trading Act. All transactions by

- members of the Board of Directors of ISS A/S
- members of the EMB

(including connected persons and corporate bodies under their control) involving ISS shares and derivatives will after each reportable transaction be disclosed on an individual basis to the Copenhagen Stock Exchange, provided that the accumulated annual market value of the individual's transactions exceeds EUR 5,000.

THE TASKS OF THE BOARD

The rules of procedure for the Board set out guidelines for the Board's work in general and prescribe any special duties assigned to the Chairmanship and the committees of the Board. The rules of procedure are reviewed annually and adapted to ISS' requirements on an ongoing basis.

The Board is generally accountable to shareholders for the performance of ISS. The Board has defined its role as follows:

"To pursue the ongoing prosperity of ISS and its constituencies, create maximum shareholder value and maintain the trust and confidence of all ISS' global stakeholders."

This role entails the following main tasks of the Board:

- Ensure that ISS has a viable vision and meaningful values
- Ensure that ISS' strategic objectives reflect the vision
- Ensure the development of a properly balanced strategy for growth versus risk/return
- Ensure that a competent EMB is in place and retained
- Ensure proper interaction and division of tasks between the Board and the EMB
- Ensure and recommend to the shareholders a composition of the Board that adequately addresses strategic issues in a constructive dialogue with the EMB
- Ensure an open and honest business conduct in compliance with ISS' values
- Ensure an appropriate financial structure and reserves in order to utilise relevant growth opportunities and overcome risks
- Ensure effective execution, proper reporting systems and financial controls and cost discipline
- Ensure an independent audit

The corporate strategy, and any update thereof, is presented by the EMB at an annual strategy seminar for discussion and approval by the entire Board. The current strategy approved by the Board is described in the **create2005** document, which is available from the corporate website: www.issworld.com. It contains the Group's visions, goals, core values etc. In addition, detailed plans and business procedures are described in manuals and guidelines for a number of functions.

The Board meets formally at least five times a year according to a pre-defined schedule. One meeting is devoted to consideration and formulation of the corporate strategy and another meeting is devoted to the adoption of the annual budget. In 2004, seven Board meetings were held. The Board is briefed about important matters in the period between Board meetings. Extraordinary meetings are convened whenever specific matters need attention between scheduled meetings. Meeting agendas are determined jointly by the Chairman and the CEO, and Board papers are circulated ahead of meetings. Board members are expected to participate in discussions and to bring their independent judgements to bear on the issues and decisions at hand.

The monthly reporting is the primary, formal communication vehicle between the EMB and the Board. In addition to detailed financial information, the reporting contains information concerning the Group's controlling, investor relations and risk management.

The Board approves the annual budget and receives recommendations on potential large or strategic acquisitions, certain draft stock exchange announcements and other information as and when required. In addition, the CEO might convey additional information to the Chairman of the Board. The Chairman decides at his discretion whether such information needs to be communicated to all Board members.

The Board can take independent professional advice at the company's expense if deemed necessary in the discharge of its duties.

The Board seeks to uphold an understanding of the dynamics and trends in the equity markets as well as major shareholders' views about the company.

The Board performs self-evaluation on an annual basis with respect to the following:

- The Board's competencies
- The role of the Chairman

- Contributions by individual Board members
- The conduct of meetings
- Material for Board meetings
- The relationship with the EMB and the split of tasks between the Board and the EMB

Formal meetings are held at EMB level every fortnight. The entire Group Management meets on a monthly basis to discuss the day-to-day operations.

COMPOSITION OF THE BOARD

The Board determines the number of seats on the Board subject to shareholder approval and the limits imposed by the Articles of Association. ISS' Articles of Association require that a minimum of four and a maximum of seven members be elected by the shareholders. Currently, six shareholder-elected members serve on the Board.

At the Annual General Meeting in April 2004, the shareholders elected Ms. Karin Verland as a new member of the Board of Directors. Ms. Verland has been CEO of Pfizer Denmark since 2001 and is chairman of the Danish Medical Industry Association.

According to Danish law, employees of ISS A/S are entitled to elect a number of representatives to the Board equal to half of the total number of Board members elected by the shareholders. Mr. Lars Vestergård, employee-elected board member, resigned from the Board in 2004 and his alternating member, Ms. Tina Hilligsø, took up the position. The comments below relate exclusively to the members elected by the shareholders.

Having an independent Board elected by the shareholders with no conflicts of interest between Board members and the company is essential to good corporate governance. Accordingly, neither members of the EMB nor members of Group Management are Board members. ISS believes that all shareholder-elected members are independent. The definition of independence implies that the member

- has not been employed by ISS in the last five years
- has not been a member of the EMB
- is not a professional consultant to ISS
- is not employed by a company with a significant business relationship with ISS
- does not have other significant strategic interests in the company

Claus Høeg Madsen, who joined the Board in 2003, is a partner with the law firm Jonas Bruun, which provides legal services to ISS. Jonas Bruun is not ISS' principal legal advisor and the extent of the business relationship is insignificant to both Jonas Bruun and ISS.

Peter Lorange has been a Board member of ISS since 1998. He is President of the International Institute for Management Development (IMD) in Switzerland. ISS uses IMD and other institutions for management development programmes as a supplement to ISS' internal development programmes provided by ISS University. As part of the cooperation, ISS pays an annual fee to IMD, amounting to approximately DKK 0.5 million in 2004. ISS' development activities are not dependent on IMD and the business relationship is insignificant to both IMD and ISS.

Tom Knutzen has been a Board member of ISS since 2002. He is President and CEO of NKT Holding A/S, parent company of the cleaning equipment manufacturer Nilfisk-Advance A/S. ISS purchases cleaning equipment from a number of suppliers, including Nilfisk-Advance. ISS' operation is not dependent on equipment from Nilfisk-Advance and the business relationship is insignificant to both NKT and ISS.

Nomination and recruitment of candidates for the Board are given high priority as it is deemed essential to ISS' long-term success. The Board has established a nomination committee consisting of all shareholder-elected Board members. External consultants are engaged to identify and review the qualifications of prospective candidates from various disciplines and backgrounds. Before presenting candidates for election by the shareholders, the nomination committee reviews their qualifications against a range of criteria including their professional skills, business experience, personal qualifications, whether their profiles match the company's needs, and their ability to commit themselves to the Board's activities and enhance their knowledge of the industry.

Newly elected Board members meet with the CEO for an introduction to the Group and to enhance the members' knowledge of the Group, the strategy and current Board issues. Board members receive supplementary training as required, and they are invited to visit local ISS operations.

As described above, the Board will propose to the shareholders to change the election period from two years to one. Shareholders are provided with information about candidates in order that they are able to make informed decisions in the election. ISS does not restrict the number of times a Board member can stand for re-election, as it is deemed irrelevant in the assessment of a candidate's qualifications. Members must retire at the first annual general meeting after having reached the age of 70.

ISS has no rules in respect of Board members' directorships in other companies. The company believes that the present Board members' directorships in such companies do not conflict with good corporate governance. The composition of the current Board with details of each member's other current directorships is set out on pages 140-141 of this report.

ISS' in-house rules stipulate that no member of the EMB and Group Management can hold more than three directorships in companies outside the Group. Directorships held in companies outside the Group are detailed on pages 142-143 of this report. Remuneration received in respect of directorships in companies outside the Group by members of the EMB and Group Management are retained by the member and ISS assumes no liability for such directorships. Directorships in companies in the ISS Group held by members of the EMB or Group Management are not remunerated separately.

Shareholdings of the Executive Management Board and the Board of Directors

	Executive Management Board				
	Eric S. Rylberg	Thorbjørn Graarud	Karsten Poulsen	Flemming Schandorff	Board of Directors
Number of shares as at 1 January 2004	8,007	5,719	2,817	2,151	8,125 [1]
Additions in 2004	3,321	1,911	1,781	1,919	4,358
Number of shares as at 31 December 2004	11,328	7,630	4,598	4,070	12,483
Market value as at 31 December 2004, DKKm	3.5	2.3	1.4	1.2	3.8

[1] At 1 January 2004, members of the Board of Directors held a total of 7,920 shares. The difference to the number of shares stated reflects a change in the composition of the Board.

REMUNERATION

Before a proposal to change the remuneration of the Board is submitted to the general meeting, an independent consultant is conferred with to ensure that the Board's remuneration conforms to market practice and reflects the work required.

In 2003, the Board decided to abolish stock options as part of its remuneration. Five members of the Board currently hold stock options granted in 2000 but due to unfavourable taxation rules, stock options already granted will not be cancelled.

The Board considers it appropriate that a remuneration committee establishes the remuneration package for the EMB. The committee, consisting of three shareholder-elected Board members, reviews the emoluments once a year to ensure that the compensation package reflects market salaries and the results achieved.

Members of the EMB have individual bonus schemes based on operating margin, cash flow and EVA®. In addition, members of the EMB are remunerated in the form of stock options that are granted out-of-the-money. The Board believes this structure provides the holders with an incentive to pursue long-term results for the Group.

Eric S. Rylberg's and Thorbjørn Graarud's contracts are subject to two years' notice of termination, and Karsten Poulsen's and Flemming Schandorff's contracts are subject to one year's notice. If Eric S. Rylberg's employment ceases other than by virtue of his resignation (provided that such resignation is not attributable to a takeover of the company or a material breach of his service contract by the company) he is entitled to special compensation

Remuneration to the Board of Directors and the Executive Management Board

	Board of Directors [1]			Executive Management Board [2]			
Amounts in DKK	Chairman	Vice-chairman	Other members	Eric S. Rylberg	Thorbjørn Graarud	Karsten Poulsen	Flemming Schandorff
2003:							
Salaries/ fees	625,000	375,000	250,000	5,400,000	3,850,000	3,000,000	3,500,000
Bonus	-	-	-	862,798	341,798	1,190,239	1,431,977
Pension	-	-	-	540,000	-	-	-
Total	**625,000**	**375,000**	**250,000**	**6,802,798**	**4,191,798**	**4,190,239**	**4,931,977**
2004:							
Salaries/ fees	625,000	375,000	250,000	5,832,000	4,100,000	3,450,000	3,750,000
Bonus	-	-	-	1,469,558	1,171,976	1,675,646	1,805,038
Pension	-	-	-	583,200	-	-	-
Total	**625,000**	**375,000**	**250,000**	**7,884,758**	**5,271,976**	**5,125,646**	**5,555,038**

[1] In addtion to the fee, Board members' expenses in connection with participation in Board meetings, such as hotel and travel expenses etc. are refunded by ISS.

[2] The EMB received stock options as described on page 27 of this report. In addition, each member of the EMB has a car at his disposal. The total costs of the EMB's car arrangements were approximately DKK 1 million in 2004. The total actuarial value of the EMB's pension schemes is nil at 31 December 2004.

Remuneration received in 2004 by the Executive Management Board from directorships and advisory positions outside the ISS Group

	Eric S. Rylberg	Thorbjørn Graarud	Karsten Poulsen	Flemming Schandorff
Remuneration, DKK	50,000	-	-	60,000

equivalent to 10% of his annual salary multiplied by his commenced years of service counted from 1 January 2003. The compensation is payable in monthly installments commencing in the month following his departure and continuing until he reaches the age of 62 or his death, whichever occurs first. In case he retires from the company at the age of 62, the compensation is payable in full as a lump sum.

All members of the EMB have a golden parachute. Should the company be taken over, the members may terminate their employment at short notice. Should they elect to do so, Eric S. Rylberg, Karsten Poulsen and Flemming Schandorff are entitled to compensation equivalent to the salaries which would have been payable to them had their employment been terminated by the company, while Thorbjørn Graarud is entitled to compensation equivalent to one year's salary. If the company is taken over, members of the EMB may also exercise any stock options prematurely or receive settlement of such options. In addition, they will receive the amounts, if any, vested in their individual EVA® bonus accounts (see page 24 of this report).

RISK MANAGEMENT

ISS strives to identify risk factors that may have an adverse effect on the Group's activities, financial position, results and future growth. Some of the risk factors that may have an adverse impact on ISS are described on pages 43-49 of this report.

ISS considers strong controls to be an essential management tool. Accordingly, reasonable care is taken to ensure that a sound framework of controls is in place for safeguarding the business. However, such controls are designed to manage rather than eliminate the risks and can provide only reasonable and not absolute assurance against material misstatements or losses.

The internal control system and the risk management system are subject to an annual review by the Board. The policies and procedures set out below reflect the principal features of the Group's control environment.

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

Operational risk management principally focuses on procedures for claims management, entering into contracts, occupational safety, the environment and the safeguarding of physical assets. Operational risk is assessed on the basis of the activities of each operating company, historic and current claims events, and the markets in which the companies operate. Operational risk is monitored and hedged in accordance with Group standards for risk management, risk financing and good operational practice. Operational risk financing is based on insurance and own funding, in part through local insurance programmes and in part through global schemes coordinated centrally.

Financial risk management principally focuses on interest rate risk, currency risk and credit risk. The Group's financial risk management is reviewed on pages 85-88 of this report.

The policies for operational and financial risk management and the Group's standards are documented in manuals that are distributed to the operating companies. Corporate Risk Management and Corporate Treasury supervise compliance with the standards. The monthly reporting to the Board contains an overview of the status in these areas, and the results are discussed at Board meetings at least once a year.

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

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

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

AUDITORS

The Board nominates the external auditors for election at each annual general meeting. The nomination is made upon consultation with the EMB and after an assessment of the competencies, objectivity and independence of the external auditors and the effectiveness of the audit process. In 2004, the annual general meeting elected two independent auditing firms. In line with the amended requirements for Danish listed companies, the Board proposes to the annual general meeting in 2005 to elect only one auditing firm.

An independent business relationship with the Group's external auditors is essential for ISS' control environment.

ISS continuously monitors that the external auditors do not perform non-audit services that may compromise their independence. In the evaluation of independence, ISS reviews the development in corporate governance recommendations and legislation.

As part of the safeguards related to independence, the external auditors may not be used for certain non-audit services for ISS including, but not limited to, preparation of accounting records and financial statements and recruitment for senior management positions.

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

The internal control system and the risk management system are subject to an annual review by the Board. As part of the external auditors' reporting to the Board, comments are provided on the Group's procedures and internal control systems. In addition, the external auditors review expense claims of the EMB members and report findings, if any, to the Board.

Since all members of the Board share responsibility for the relationship with the Group's auditors, an audit committee has not been established.

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

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

Incentive Schemes

As part of the **create2005** strategy, ISS has defined the people model Encentivise™, which sets out goals for employee ownership and incentives for management.

EMPLOYEE SHARES

ISS has on several occasions offered employee shares to employees, officers and executives at all levels of the organisation.

In accordance with Danish legislation, employee shares must be held in blocked custody accounts until the end of the fifth calendar year following subscription. Thus, the shares cannot be sold or otherwise disposed of prior to this date, except in case of the employee shareholder's death or permanent disability.

At 31 December 2004, 449,868 shares subscribed for under the 1999 employee share programme were released from blocked custody accounts.

In the period from 2001 to 2003, ISS launched three employee share programmes under which a total of 1,124,024 new shares were subscribed for.

In 2004, ISS launched another employee share programme under which 476,124 new shares were subscribed for. The subscription price was DKK 101 per share, equivalent to one third of the average ISS share price as quoted on the Copenhagen Stock Exchange in the five-day trading period following the release of the Group's interim report for January - June 2004.

BONUS SCHEMES

Members of the Executive Management Board (EMB) have individual bonus schemes based on Economic Value Added (EVA®), operating margin and cash flow. The EMB members receive a bonus of up to 1.25% of the increase in EVA® in a given year.

EVA® bonus accounts for the Executive Management Board [1)]

Amounts in DKK	Eric S. Rylberg	Thorbjørn Graarud	Karsten Poulsen	Flemming Schandorff
Balance, 1 January 2004	1,762,959	939,305	1,410,367	933,873
EVA® bonus for 2003	825,437	86,090	660,350	962,059
Paid out in 2004	(862,798)	(341,798)	(690,239)	(631,977)
Balance, 31 December 2004	**1,725,598**	**683,597**	**1,380,478**	**1,263,955**
EVA® bonus for 2004	2,683,076	1,032,330	2,146,459	1,451,159
To be paid out in March 2005	(1,469,558)	(571,976)	(1,175,646)	(905,038)
Balance carried forward	**2,939,116**	**1,143,951**	**2,351,291**	**1,810,076**

[1)] EVA® measures the value creation and is calculated as operating profit less tax and a capital charge.

Employee share programmes	2001	2002	2003	2004	Total
Number of shares subscribed	345,705	396,492	381,827	476,124	1,600,148
% of total share capital	0.7%	0.8%	0.8%	1.0%	3.4%
Expiry of lock-up period	31 Dec. 2006	31 Dec. 2007	31 Dec. 2008	31 Dec. 2009	

In the member's first year on the EMB, one third of the EVA® bonus earned is paid to the EMB member and the remaining two thirds deposited in the member's personal EVA® bonus account. In the following years, the bonus result of the year is added or deducted, as the case may be, to/from the bonus account and one third of the resulting balance of the bonus account is paid to the EMB member. The accumulated balance of the bonus account is forfeited if the EMB member retires (other than due to age or a take-over of the company) or if the EMB member's contract is terminated due to material breach by the member. In no event can a negative balance on the bonus account entitle the company to claim any payment from the EMB member or entitle the company to set-off such amount against other payments that it is otherwise obligated to pay to the EMB member. The EVA® bonus amount earned in respect of the financial year 2004 and falling due for payment in 2005 is expensed in the Group accounts and provided for in the balance sheet at 31 December 2004. The unpaid balance carried forward is included in contingent liabilities.

For the purpose of measuring and rewarding managers outside the EMB for their contribution to value creation, ISS has identified a set of prime EVA® drivers from which a simplified performance measure is derived. Hence, the Group has defined the $E=MC^2$ formula based on the following key value drivers:

- Margin
- Continuous organic growth
- Cash conversion

To increase focus on the three E-parameters and comparability across borders, countries are ranked by $E=MC^2$ performance and listed according to their E-results in a monthly "league table".

$E=MC^2$ league table 2004

Countries	$E=MC^2$	Margin, %	Organic growth, %	Cash conversion [1]
Star [2] *(All parameters are positive and $E=MC^2 > 36$)*				
Indonesia	315	9.4	31	1.1
Portugal	196	6.9	19	1.5
Thailand	142	6.9	22	0.9
Brunei	96	24.5	4	1.0
Austria	92	7.9	12	1.0
Finland	85	7.9	10	1.1
Spain	41	5.7	8	0.9
France	40	6.8	6	1.0
The United Kingdom	38	6.5	5	1.2
Ireland	37	7.9	9	0.5
Australia	37	11.7	4	0.9
Plus [2] *(All parameters are positive)*				
Israel	29	5.0	6	0.9
Greece	27	5.8	5	1.0
Belgium and Luxembourg	14	5.9	2	1.5
Brazil	4	5.4	1	1.0
China and Hong Kong	3	5.1	1	0.8
Denmark	3	6.4	0	1.0
Central Eastern Europe	1	6.4	0	1.5
Singapore	1	6.6	0	1.0
Single Minus [3] *(One parameter is negative)*				
Poland	(1)	4.3	5	(1.0)
Norway	(1)	6.7	(1)	1.0
Japan	(1)	2.2	1	(1.1)
Malaysia	(2)	7.6	(2)	0.0
Switzerland	(2)	5.6	(2)	1.3
Italy	(4)	6.6	(4)	1.6
The Netherlands	(5)	6.8	(5)	0.7
Sweden	(6)	4.9	(6)	1.3
Germany	(13)	1.7	(13)	3.0
Double minus [4] *(Two parameters are negative)*				
Sri Lanka	(9)	(0.0)	27	(1,742.2)
Argentina	(14)	(2.8)	50	(5.2)

[1] For the purpose of this calculation, cash conversion is defined as (operating profit before other income and expenses and associates + changes in working capital)/operating profit before other income and expenses and associates. If the formula produces a negative cash conversion, the cash conversion to be applied in the E-calculation is (cash conversion minus 1).
[2] E = margin x organic growth x cash conversion.
[3] E = the value of the negative parameter.
[4] E = -1 x (the product of the negative parameters).

The weighting of the E-parameters in the $E=MC^2$ bonus schemes are customised case by case to align the incentives with the current focus of the organisation.

On occations, other bonus schemes are put in place to support discretionary operational or strategic inititives.

PERFORMANCE AWARDS

Each year, a conference is held for senior managers of the Group. On this occasion, top performing country managers and management teams are rewarded.

Country managers are rewarded based on the $E=MC^2$ performance. To qualify for a performance reward, a country manager is required to

- produce $E=MC^2$ above the common Group target of at least 36 and
- at least meet the country's budgeted $E=MC^2$ target

Country management teams are rewarded on the basis of a range of performance measures. At the conference held in April 2004, approximately 220 senior managers witnessed the management team from ISS Finland winning the award for best country performance overall in 2003. The management team of ISS Finland has pushed the development of an advanced facility services business model and support systems. In 2003 the consistent and reliable performance continued in terms of margin, cash conversion and organic growth. The continuous improvement is fuelled by an ambitious management team who strengthened the organisation further in 2004 through the acquisition of the Engel Group.

The Central Europe management team (in 2003 comprising Austria, the Czech Republic, Greece, Slovenia, Slovakia, Poland, Hungary, Rumania and Croatia) won the award for best performance in Continental Europe while the management teams from the UK and Indonesia won the awards for best performance in Northern Europe and Overseas, respectively. In addition, special awards were given to country management teams for remarkable achievements.

Employees at the Group's head office held their annual meeting in December 2004. At the meeting, the CEO gave performance awards to the best performing employees at head office in 2004.

WARRANT AND STOCK OPTION PROGRAMMES

ISS has set up share based incentive schemes for senior management, particularly qualified employees, the EMB and the Board of Directors.

Senior management Since 1999, ISS has issued warrants to senior managers. The Board of Directors has used authorisations from the shareholders to launch five warrant programmes to the effect that at 31 December 2004, 278 senior managers held a total of 2,020,217 warrants.

Senior managers are granted warrants on the basis of their position and performance after being nominated by their local country manager.

The warrants entitle the holder to subscribe for ISS shares at specific dates within the exercise period. The warrants are granted "out-of-the-money", i.e. the subscription price is higher than the market price of the shares at the time of grant. The warrants are not repriced in case of a decline in the share price. No warrants were granted in 2004.

The Executive Management Board At 31 December 2004, the current members of the EMB held a total of 525,000 stock options. Former members of the EMB held 137,500 stock options: Theo Dilissen, former COO, held 50,000 stock options; 25,000 granted in 1998 and 25,000 granted in 1999. Stuart W. Graham, former COO, held 62,500 stock options; 25,000 granted in 1998, 25,000 granted in 1999 and 12,500 granted in 2000. Former CEO, Waldemar Schmidt, held 25,000 stock options granted in 1999. The stock options were granted "out-of-the-money" and are not re-priced in case of a decline in the share price.

Three EMB-members, Thorbjørn Graarud, Karsten Poulsen and Flemming Schandorff, held a total of 132,000 warrants, all of which were granted before they were appointed to the EMB.

Board of Directors At 31 December 2004, the current members of the Board of Directors held a total of 27,500 stock options. The stock options entitle the holder to acquire ISS shares from the company at a price of DKK 598 per share within a period of 30 days following the

Warrant programmes [1]	1999	2000	2001	2002	2003
1999 Warrant programme [2]					
Number of warrants granted	458,000	412,000	-	-	-
Subscription price (DKK) [7]	547	550-861	-	-	-
At 31 December 2004, 707,000 warrants were still outstanding under the 1999 Warrant programme while 163,000 warrants were forfeited.					
2000 Warrant programme [3]					
Number of warrants granted	-	-	279,000	135,000	-
Subscription price (DKK) [7]	-	-	514-522	514	-
At 31 December 2004, 343,000 warrants were still outstanding under the 2000 Warrant programme while 71,000 warrants were forfeited.					
2001 Warrant programme [4]					
Number of warrants granted	-	-	-	322,050	146,987
Subscription price (DKK) [7]	-	-	-	440	418
At 31 December 2004, 410,539 warrants were still outstanding under the 2001 Warrant programme while 58,498 warrants were forfeited.					
2002 Warrant programme [5]					
Number of warrants granted	-	-	-	-	328,513
Subscription price (DKK) [7]	-	-	-	-	247
At 31 December 2004, 285,178 warrants were still outstanding under the 2002 Warrant programme while 43,335 warrants were forfeited.					
2003 Warrant programme [6]					
Number of warrants granted	-	-	-	-	291,500
Subscription price (DKK) [7]	-	-	-	-	319
At 31 December 2004, 274,500 warrants were still outstanding under the 2003 Warrant programme while 17,000 warrants were forfeited.					

[1] Following rulings of the Danish Supreme Court in 2004 certain warrants must be considered vested at the time of grant contrary to the conditions set out in the grant. The number of warrants forfeited has been restated accordingly.

[2] No further warrants can be subscribed for under this programme. The warrants are exercisable within a period of 30 days following the announcement of the annual results for the years 2002-2005.

[3] No further warrants can be subscribed for under this programme. The warrants are exercisable within a period of 30 days following the announcement of the annual results for the years 2003-2006.

[4] No further warrants can be subscribed for under this programme. The warrants are exercisable within a period of 30 days following the announcement of the annual results for the years 2004-2007.

[5] No further warrants can be subscribed for under this programme. The warrants are exercisable within a period of 30 days following the announcement of the annual results for the years 2005-2008.

[6] The Board of Directors has used an authorisation from the shareholders to issue up to 400,000 warrants under the 2003 Warrant Programme. The minimum subscription price is 10% above the share price at the time of allocation. The warrants are exercisable within a period of 30 days following the announcement of the annual results for the years 2006-2009.

[7] Unadjusted subscription prices. If changes in the company's capital structure are made, an adjustment of the subscription price and/or the number of ISS shares which can be subscribed for by virtue of the warrants, shall be made according to the circumstances. Examples include certain capital increases and decreases, bonus shares to the current shareholders, mergers and demergers.

Warrants granted to the Executive Management Board [1]

	Thorbjørn Graarud	Karsten Poulsen	Flemming Schandorff	Subscription price	Exercise period
1999 Warrant programme	10,000	3,000	-	547	Mar 2003 - Apr 2006
1999 Warrant programme	10,000	17,000	-	654	Mar 2003 - Apr 2006
1999 Warrant programme	8,000	8,000	8,000	739	Mar 2003 - Apr 2006
1999 Warrant programme	-	-	20,000	744	Mar 2003 - Apr 2006
2000 Warrant programme	10,000	10,000	10,000	514	Mar 2004 - Apr 2007
2000 Warrant programme	6,000	6,000	6,000	522	Mar 2004 - Apr 2007
Outstanding at 31 Dec. 2004	**44,000**	**44,000**	**44,000**		

[1] For detailed information about the warrant programmes, see the table on page 27 of this report.

Stock options granted to the Executive Management Board

	Eric S. Rylberg	Thorbjørn Graarud	Karsten Poulsen	Flemming Schandorff	Former members	Exercise price [1]	Exercise period
Granted in 1998	25,000	–	–	–	75,000	385	1.1.02-31.12.05
Granted in 1999	25,000	–	–	–	100,000	650	1.1.02-31.12.05
Granted in 1999	25,000	–	–	–	–	470	1.1.03-31.12.06
Granted in 1999	25,000	–	–	–	–	500	1.1.04-31.12.07
Granted in 2000	–	–	–	–	25,000	650	1.1.03-31.12.06
Granted in 2000	–	–	–	–	25,000	700	1.1.04-31.12.07
Granted in 2000	25,000	–	–	–	25,000	585	1.1.04-31.12.08
Granted in 2002	25,000	–	–	–	25,000	480	1.1.03-31.12.08
Granted in 2002	50,000	25,000	25,000	25,000	–	315	1.1.06-31.12.09
Discontinued in 2002	–	–	–	–	(137,500)		
Granted in 2003	50,000	25,000	25,000	25,000	–	319	1.1.07-31.12.10
Granted in 2004	50,000	25,000	25,000	25,000	–	340	1.1.08-31.12.11
Outstanding at 31 Dec. 2004	**300,000**	**75,000**	**75,000**	**75,000**	**137,500**		

[1] Unadjusted exercise prices. The exercise price may be adjusted: if accumulated dividends in excess of DKK 2 per share (adjusted for inflation) are paid; if the nominal value of the shares is changed; if shares are issued below market price; or in case of an exceptional non-performance related share price increase.

Stock options granted to the Board of Directors [1]

	2000	2001	2002	2003	2004
Number of options granted	55,000	-	-	-	-
Number of options forfeited	-	(5,000)	(10,000)	-	(12,500)
Outstanding at 31 December	**55,000**	**50,000**	**40,000**	**40,000**	**27,500**

[1] Exercise prices are adjusted on the same basis as stock options granted to the EMB.

announcement of the financial results for each of the years 2002-2006. The stock options are not re-priced in case of a decline in the share price.

At the request of the Board of Directors, the annual general meeting in April 2004 adopted a resolution to cancel an existing authorisation to issue up to 60,000 warrants to the Board members. Stock options and warrants are not seen as a part of their future remuneration. The stock options already granted will remain in force, as the holders would be subject to taxation if the options were cancelled.

ACCOUNTING

As described above, ISS has issued stock options as well as subscription rights, i.e. warrants and employee shares.

In 2004, ISS accounted for stock options and subscription rights as discussed below applying accounting policies that are consistent with 2003. For a discussion of the IFRS accounting policies, see pages 150-154.

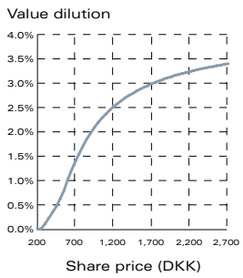
Stock options ISS has in the past hedged the intrin-

Estimated market value of ISS' warrant and stock option schemes at 31 December 2004

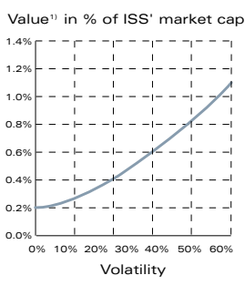
Exercise price	Number of warrants/options	Exercise period	Intrinsic value DKKm	Black Scholes value DKKm
1999 Warrant programme				
547	384,000	Mar. 2003 - Apr. 2006	0	0
550	12,000	Mar. 2003 - Apr. 2006	0	0
654	63,000	Mar. 2003 - Apr. 2006	0	0
662	30,000	Mar. 2003 - Apr. 2006	0	0
716	3,000	Mar. 2003 - Apr. 2006	0	0
723	3,000	Mar. 2003 - Apr. 2006	0	0
732	3,000	Mar. 2003 - Apr. 2006	0	0
733	6,000	Mar. 2003 - Apr. 2006	0	0
737	1,000	Mar. 2003 - Apr. 2006	0	0
738	3,000	Mar. 2003 - Apr. 2006	0	0
739	121,000	Mar. 2003 - Apr. 2006	0	0
744	27,000	Mar. 2003 - Apr. 2006	0	0
760	6,000	Mar. 2003 - Apr. 2006	0	0
807	36,000	Mar. 2003 - Apr. 2006	0	0
812	3,000	Mar. 2003 - Apr. 2006	0	0
830	6,000	Mar. 2003 - Apr. 2006	0	0
	707,000		**0**	**0**
2000 Warrant programme				
514	135,000	Mar. 2004 - Apr. 2007	0	0
519	36,000	Mar. 2004 - Apr. 2007	0	0
522	172,000	Mar. 2004 - Apr. 2007	0	0
	343,000		**0**	**0**
2001 Warrant programme				
440	286,050	Mar. 2005 - Apr. 2008	0	0
418	124,489	Mar. 2005 - Apr. 2008	0	0
	410,539		**0**	**0**
2002 Warrant programme				
247	285,178	Mar. 2006 - Apr. 2009	17	20
2003 Warrant programme				
319	274,500	Mar. 2006 - Apr. 2009	0	10
EMB stock options				
385	75,000	Jan. 2002 - Dec. 2005	0	0
650	100,000	Jan. 2002 - Dec. 2005	0	0
470	25,000	Jan. 2003 - Dec. 2006	0	0
500	25,000	Jan. 2004 - Dec. 2007	0	0
585	37,500	Jan. 2004 - Dec. 2008	0	0
480	25,000	Jan. 2003 - Dec. 2008	0	0
315	125,000	Jan. 2006 - Dec. 2009	0	5
319	125,000	Jan. 2007 - Dec. 2010	0	6
340	125,000	Jan. 2008 - Dec. 2011	0	6
	662,500		**0**	**17**
Board stock options				
598	27,500	Mar. 2003 - Apr. 2007	0	0
Total	**2,710,217**		**17**	**47**

The valuation is based on a volatility of 19%, a risk free interest rate of 3.3%, a share price of DKK 305.5 and an assumed dividend of DKK 5 per share.

Potential value dilution from outstanding warrants at 31 December 2004

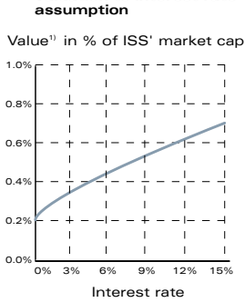


Sensitivity of Black-Scholes valuation to volatility assumption



[1] Value of outstanding options and warrants at 31 December 2004.

Sensitivity of Black-Scholes valuation to interest rate assumption



[1] Value of outstanding options and warrants at 31 December 2004.

sic value of stock options. The intrinsic value equals the positive difference between the market price and the exercise price. If this difference is negative, the intrinsic value is nil. ISS may buy a number of ISS shares in the market (hedge position) corresponding to the number of stock options with a positive intrinsic value, i.e. "in-the-money". Hence, in theory, the change in intrinsic value is exactly offset by the change in the value of the hedge position. Consequently, the hedging costs incurred by ISS consist of financial expenses relating to the capital tied up in the hedge position. Such costs are expensed under financial expenses in the income statement. Hedge positions established in relation to stock options with a positive intrinsic value are generally maintained if the share price declines to a level below the exercise price, i.e. if the intrinsic value returns to nil after having been "in-the-money".

Subscription rights Employee shares and warrants are subscription rights issued to the Group's employees and managers. Under employee share programmes, the employee has a right to subscribe for employee shares at a discount to the market price, while warrants provide the warrantholder with the right to subscribe for shares at a fixed subscription price at specific future dates. ISS accounts for employee shares and exercise of warrants as a share issue, which is taken to equity. No costs are expensed in the income statement since no cash outflow would be included in the cash flow statement in case the warrants were exercised.

From a shareholder's perspective, the exercise of subscription rights implies value dilution. The value dilution after tax related to employee shares issued in 2004 was approximately 0.6%. Assuming that all outstanding warrants with a positive intrinsic value were exercised at 31 December 2004, the dilution from warrants amounted to approximately 0.1%, equalling the aggregate intrinsic value of all of the outstanding warrants. The maximum potential value dilution from warrants amounts to approximately 4.6%. However, a value dilution of this magnitude would require an infinite share price. If, for example, the share price had been DKK 600 rather than DKK 305.5 on 31 December 2004 and all warrants were exercised, the value dilution would be approximately 1% as illustrated to the left.

BLACK-SCHOLES VALUATION

It is market practice to value equity based incentive schemes using option-pricing models, such as the Black-Scholes formula. These models are subject to a number of assumptions and the valuation will to a certain extent be subjective. At 31 December 2004, the applied Black-Scholes model produced a theoretical total market value of ISS' warrant and option schemes of approximately DKK 47 million. This is equivalent to 0.3% of the Group's total market capitalisation. As at 31 December 2003, the theoretical market value of the schemes was DKK 105 million. The decrease in estimated market value is mainly due to a lower volatility compared with the volatility for 2003.

The annualised volatility derived from the standard deviation of weekly observations in the 52-week period ending 31 December 2004 was approximately 19%. The sensitivity of the Black-Scholes valuation to the volatility assumption is shown in the chart.

The risk free interest rate was 3.3% at 31 December, which is equal to an estimated five-year zero coupon interest rate. The sensitivity of the Black-Scholes valuation to the interest rate assumption is shown in the chart.

A key assumption in the Black-Scholes model is that warrants and options are transferable assets. However, warrants and options issued by ISS are not transferable. Consequently, ISS uses an expected life of warrants and options when applying the Black-Scholes model. The expected life is estimated to one year from the start of the exercise period or – if the exercise period has commenced – one year from the reporting date. If the remaining contracted life is less than one year, the expected life is equal to the remaining contracted life.

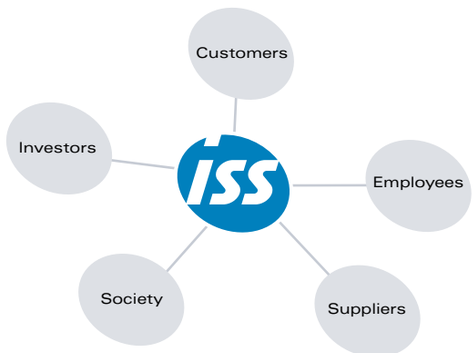
The share price at 31 December 2004 was DKK 305.5 and an annual dividend of DKK 5 per share is assumed in the applied model.

Assumptions applied in the valuation of stock options and warrants	2004	2003	2002
Market value at 31 Dec., DKKm	47	105	29
Share price, DKK	305.5	291.0	255.0
Volatility, %	19	41	45
Risk free interest rate, %	3.3	3.9	3.8
Assumed dividend per share, DKK	5	4	0 [1]

[1] For 2002, the dividend applied in the model was assumed to be nil as the effect on the estimated total market value of the proposed dividend was insignificant.

Stakeholder Review

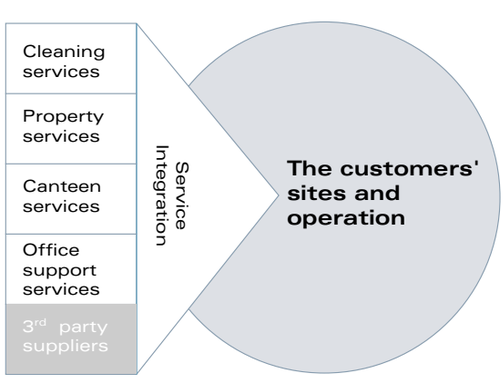
This section explores ISS' relations with five stakeholder groups, which are all contributors to and beneficiaries from the value creation at ISS.



CUSTOMERS

Service integration and extension It is ISS' experience that both owners and users of facilities are able to benefit from the outsourcing of support services. Customers can optimise their non-core services by outsourcing and applying ISS' core business model. The extent of potential cost savings generally depends on whether they outsource single services, opt for a facility management model or outsource a range of services to a supplier of integrated facility services solutions. The more services and the higher the level of service integration, the greater the potential savings. Therefore, ISS' ability to integrate and deliver a broad range of support services to customers through a single point of contact is considered a competitive advantage. As part of the service solution, ISS can manage the entire service delivery and ensure staff flexibility, quality of service and reliability in a cost efficient manner, whilst customers can direct their resources towards developing and managing their core business.

The customer interface in facility services



In 2004, ISS further strengthened its service integration skills and several countries deepened their facility management capabilities. Country organisations were reshaped to adapt to customer demands for a single point of contact and a transparent and timely delivery of services. In addition, new services were developed or acquired to ensure that customers benefit from a growing choice of integrated services. Within the area of cleaning services, ISS sustained the development of its washroom, dust control, and indoor air quality businesses. In property services, building and technical maintenance businesses were acquired in markets such as Belgium, Finland, France, Portugal and the UK. Pest control businesses were acquired in several European operations. Catering competencies were added throughout Northern Europe, in Belgium and Singapore. Other service development projects were undertaken in several countries.

Contracts ISS' customer base is broadly diversified across industries and geographies, and includes a mix of public sector and business-to-business customers. Annualised revenue derived from the ten largest contracts in 2004 amounted to less than 5% of Group revenue.

Quality Customer relations rely on ISS' ability to deliver the quality agreed upon. For larger contracts, the quality of the service

delivery is often measured against defined quality benchmarks stipulated in Service Level Agreements (SLA).

More than 90% of ISS' operations have adopted a formalised quality approach. Generally, ISS uses ISO certified quality management systems, and a number of countries have implemented total quality and Business Excellence models. During the year ISS won several awards for its commitment to quality, including Golden Service and Building Cleanability awards.

Knowledge sharing Knowledge sharing with customers is integral to the Group's partnership approach. ISS is continuously deepening its professional advice in areas such as project and workplace management, indoor climate control, building logistics and environmental services/ waste management.

Throughout 2004, ISS increased the use of IT systems to support knowledge sharing with customers. The use of ISS' international intranet, Business Insight, continues to spread, supported by new tools and information, including tools provided by the ISS Integrated Facility Services Development Centre. Serving as a single point of online access to information for customers and employees, the portal solutions are being strengthened through the rollout of an improved IT infrastructure, which is consistent with the CSC outsourcing agreement.

The ISS Collaboration Extranet now serves more than twice as many customers as it did in 2003. This enables ISS and its customers to communicate through a single point of access, exchanging documents, contract information and services for a coordinated cross-border service delivery.

International sales In 2004, most international sales support was channelled through the development of local sales organisations, to raise their capacity to sell broad-ranged service solutions to major accounts. The Nordea deal, spanning four Nordic countries, was a key cross-border account secured in 2004 (see box). The existing cross border contract with PACCAR and the European Facility Services agreement with CSC were both extended during the year.

Nordea opts for Nordic synergies

In December 2004, ISS secured a cross-border contract with Nordea, a leading financial services group in the Nordic and Baltic regions. Generating more than DKK 100 million annual revenue, the deal is one of the largest of its kind in Northern Europe.

Commencing January 2005, ISS is servicing Nordea offices in Denmark, Finland, Norway and Sweden. The service package covers three main areas:

- Catering (canteens and restaurants on major Nordea sites)
- Cleaning (some 400,000 m^2 office space)
- Reception services

"Nordea is a very significant contract win for several reasons," says Lars Folkmann, Director of Sales at ISS Denmark. "This is a large contract with a highly respected company, and the deal supports ISS' ambition to deliver Integrated Facility Services solutions with both a domestic and an international scope."

The agreement runs for three years after which it is subject to renewal. More than 270 ISS employees now work at Nordea's sites in the four countries. This number includes operatives and managers transferring from Nordea to ISS.

EMPLOYEES

A dedicated and skilled workforce makes all the difference for a service business like ISS.

This is reflected in the **create2005** ambition of being the premier employer in the industry.

Human capital The Group-wide employee strategy Encentivise™ is designed to motivate, educate and reward employees at all levels. Training is a cornerstone of this strategy. Substantial resources are invested in staff and management development – ranging from basic skills training through middle management programmes to a full corporate MBA. The philosophy is to offer tailored training and education at all functional levels in order to enhance employee competencies and upward mobility of staff. Much attention is devoted to the development of the first management layer – e.g. team leaders, supervisors and contract managers, who interact directly with staff and customers. Most training is conducted at ISS academies and training facilities in national and local operations.

2004 saw increased activity at the corporate ISS University in Copenhagen. Seven new programmes were introduced. They included workshops in operational finance, presentation skills, management of integrated facility services contracts, and managing the ISS Service Profit Chain. Some programmes were developed exclusively at ISS University; others inspired by or designed in cooperation with suppliers such as IMD, Henley, INSEAD, Ashridge, DDI and Miller Heiman. During the year, close to 500 senior managers from the entire Group attended a total of 38 workshops and programmes at ISS University. Increasingly, operations now certify local managers to run core ISS University programmes locally in their own language.

At ISS, talent management receives full attention. Increasingly, operations use a proven system for management assessment. In addition, corporate talent management software is used to monitor the profiles of the top 300 ISS managers. The system facilitates Group-wide career and succession planning. The system supports the Group's efforts to use internal cross-border recruitments as a means of enhancing management competencies and facilitate internal knowledge sharing between countries.

Employee loyalty The service industry is characterised by relatively high levels of employee turnover, as the industry is often considered for short-term or secondary employment. ISS pursues a range of strategies to retain its employees, including the offering of more full-time and daytime work, multi-task jobs, teamwork, skills development, career opportunities, leisure activities etc. In 2004, the share of full-time employees (working 25 hours or more per week) rose to 57% from 55% in 2003. The distribution of employee seniority (in years) provides another perspective on employee loyalty at ISS. In 2004, 69% of the Group's employees had been with ISS for more than one year.

People indicators	2004 [1]	2003	2002
Number of employees	273,500	245,000	248,500
Share of employees on full-time	57%	55%	53%
Staff turnover blue collar workers	50%	50%	51%
Staff turnover white collar workers	24%	19%	18%
Total staff turnover	49%	49%	49%
Share of employees with less than one year seniority	31%	31%	-
Share of employees with one to five years of seniority	39%	42%	-
Share of employees with more than five years of seniority	30%	27%	-

[1] Approximate figures derived on the basis of 99% of the total number of employees.

Equal opportunities ISS rewards its people on the basis of merit, and ISS operations are aligned to focus on individual capabilities rather than the sex, age, ethnic origin, religion, political views etc. of a candidate when taking decisions about recruitment, development and promotion. Thanks to the corporate culture and aided by language courses and adapted training materials, ISS is today an employer of choice for many immigrants and ethnic minorities. In countries such as Belgium, Denmark, France, Norway and the UK, ISS is among the largest employers of non-natives.

European Works Council Employee and trade union relations are a natural part of a people-centred business like ISS. The corporate policy of involvement and dialogue is applied locally in the country operations. Established in 1995, the European Works Council (EWC) serves as a forum for dialogue between ISS executives and employee representatives from across Europe. A total of 31 representatives from 17 countries, including some of the new EU member states, took part in the EWC discussions in 2004. Some of the key issues on the agenda were the rollout of Integrated Facility Services within ISS, as well as how to address the challenge of sickness and absenteeism in the ISS Group.

SUPPLIERS

Supplier relations are an integral part of ISS' service delivery. At Group level and locally, ISS is working towards reducing the overall number of suppliers and establishing strategic supplier partnerships in key areas. Working with few preferred suppliers has a positive impact on ISS' cost-efficiency and other operational targets. In return, the strategy offers documented growth opportunities for the selected suppliers.

Putting people at the core of service innovation

In 2004 the National Exhibition Centre (NEC) in Birmingham put its contract with ISS on tender, inviting companies to place a bid for services such as build-up and breakdown of exhibitions, cleaning and waste management. The NEC is Europe's busiest exhibition centre, and a major reference client, which may employ up to 500 ISS employees during peak events.

"We knew we had to think out-of-the-box to offer new service improvements and be in the race to retain the contract," says Anthea Burns, Divisional Director at ISS UK. "But it was not a simple task to do so. Our service at the NEC requires great flexibility because staff levels are driven by the events, and we cover a lot of different sites."

To rethink the operating strategy, ISS UK put together a task force comprising of the on-site team, specialists from all corners of the business, and facility management experts. The task force produced 31 innovations, many of which involved the people area. E.g.:

- A purpose built staff training Academy and assessor centre with state of the art training equipment, reference library, facilities for role-plays etc.
- A personal "Passport to Skills", which gives employees ownership of their individual training plan
- A mobile training toolbox offered to team leaders and duty managers, allowing them to conduct on-site staff training
- A complete refit of the ISS offices and rest area to the benefit of all staff
- A permanent recruitment suite focusing on "casual staff"

In September 2004 the NEC decided that ISS was to retain the contract for another seven-year period. The NEC Group contract also includes the National Indoor Arena, the Symphony Hall and the International Convention Centre – all of which are host to some of the most prestigious events and congresses in Britain.

Corporate Procurement Corporate Procurement was reorganised in 2004 to increase focus on three core areas: cleaning products, automotives and fleet management, and catering supplies. The department sustained its close cooperation with suppliers during the year. In the case of JohnsonDiversey, ISS assisted the newly merged company in its selection of a core range of products to the cleaning industry. In the process, ISS supported JohnsonDiverseys' Environment, Health and Safety objectives by suggesting improved user labels and furthering eco-product ranges.

Supplier partnership accelerates dust control roll-out

For years, ISS has procured entry mats and rugs from a variety of suppliers. Following a recent decision to roll out a uniform dust control concept across the Group, ISS screened the market to find a global partner.

"We looked for a single supplier with the capacity to help us grow this service Group-wide," says Steen Keller, Senior Vice President at ISS. "In Milliken we found a supplier with high quality mats, an extensive geographic presence and the ability and expertise to support us in local implementation."

As part of the agreement, ISS will be able to introduce a core range of mats in any of its operating countries, and draw on Milliken's technical support and staff training while doing so.

"We have supplied parts of the ISS group with our products over many years. However, we are delighted to have recently signed a global agreement with ISS for the supply of our dust control, logo and anti-fatigue mats to its operations worldwide," says Mike Thomas, Sales Director at Milliken Walk Off® Mats. "We see this as a significant step for both parties to address the enormous untapped potential for these products. Even in markets where the concept of serviced entry matting is well established, only a tiny proportion of commercial establishments currently use this type of service", he ends.

Milliken Walk Off® Mats is the European dust control division of Milliken and Company, one of the world's largest privately owned textile and chemical companies.

Corporate work wear The Group-wide work wear programme, initiated in mid-2002 to enhance corporate branding and self-esteem of staff, was expanded to three more countries in 2004. The programme now covers 23 countries, and purchases under the programme reached 350,000 pieces for the full year.

Fleet management In 2004 a European fleet management tender was carried out to support the ISS strategy of building strategic supplier partnerships. ISS chose to sign up with two global car manufacturers and one global leasing company. The strategy enables ISS to negotiate on a European and potentially global level and leverage from a fleet position of more than 13,000 vehicles in Europe alone.

SOCIETY

Sustainability Corporate sustainability is the key for ISS in maintaining firm, trust-based relations with its various stakeholders, and in reaping operational benefits. ISS aims at setting high social, environmental and ethical standards in all markets and demonstrating leadership within the facility services industry. The Board of Directors has adopted an ISS Code of Conduct, co-vering the areas of employee conduct, anti-corruption and bribery, compliance with competition rules, customer relations and supplier relations, workplace standards and corporate responsibility. In 2004, ISS sustained its efforts to communicate and enforce these standards Group-wide.

United Nations Global Compact ISS has been a signatory and supporter of the Global Compact since its inception in 1999. As a member, ISS endeavours to comply with the ten Global Compact principles and publishes examples of how this implementation is undertaken. As called for by the Global Compact, the paragraph below describes selected implementa-

tion measures taken in 2004 within the areas of human rights, labour rights, environmental protection and anti-corruption. For more information, visit www.issworld.com.

Human rights *The Global Compact calls for companies to support and protect international human rights and to ensure that they are not complicit in abuse.*

The ISS Code of Conduct remains the key operational framework for the protection of human rights within ISS. ISS' commitment to human rights protection has been communicated to suppliers, major customers and employees by means of leaflets, meetings, management training sessions, employee magazines etc. Responsibility for compliance rests with local country managers. Implementation of the code of conduct is discussed at business reviews and monitored by corporate officers.

ISS joined the Amnesty Business Forum in 2002 to discuss human rights protection with Amnesty International Denmark and a group of companies headquartered in Denmark. In 2004, ISS took part in network activities and maintained a dialogue with Amnesty International regarding the implementation of the ISS Code of Conduct.

Labour rights *The Global Compact calls for companies to uphold the freedom of association, recognition of collective bargaining, elimination of forced labour, child labour and discrimination at work.*

ISS recognises labour rights and maintains good and open ties with unions. ISS has signed a letter of agreement with Union Network International (UNI) committing itself to 12 fundamental principles in the workplace. UNI in turn has pledged to address and disclose companies, which undermine fundamental standards in the service industry.

ISS uses no forced, compulsory or child labour. ISS tolerates no form of discrimination and the Group and its subsidiaries continuously support a number of public anti-discrimination campaigns and equal opportunity initiatives. Furthermore, ISS takes an active role in efforts to improve the employability of vulnerable groups in the labour market. As a large employer, ISS has both the capability

ISS offers a second chance

More than 400 long-term-unemployed Danes were recommended for a reintegration and employment programme at ISS during 2004. Of those taking part in a programme, four in five went on to get a regular job or commence formal education.

For years, ISS has been an active company in the field of reintegrating people on the outskirts of the labour market. The efforts are proving worthwhile for the unemployed and Danish society as well as for ISS, explains Lise Lotte Erichsen, who is manager of the ISS Job Centre, and in charge of all schemes for the unemployed.

"We take each individual participant very seriously, mapping his or her resources before providing tailored training and on-the-job practice to increase their employability. Then we help the participant find a job either within ISS or at another company," says Mrs. Erichsen. "The formula, which relies on close cooperation with authorities and strong support from in-house ISS trainers, has proven highly efficient. Our results are well above the average of comparable programmes, and it's safe to say, that all parties benefit from our projects", she explains.

ISS' contribution to reintegration of long-term unemployed people has not gone unnoticed. In 2004 the Danish Minister of Employment paid several visits to ISS, and in the autumn ISS won a tender from the Ministry of Employment to launch and operate a centre for "competence mapping of refugees and immigrants" in three Danish counties. The centre is already in place, working to improve the way individuals' skills and foreign diplomas are evaluated and mapped out. The exact knowledge of an unemployed candidate's competencies makes it much easier to find a relevant position for him or her.

Ethical dilemmas

Most instances of unethical conduct are fairly easy to set straight when disclosed. However, real ethical dilemmas do arise – typically when business interests conflict with ethical standards – and they are considerably harder to deal with. This is when the stated policies for ethical conduct stand their true test. This section provides a non-exhaustive list of some of the dilemmas challenging ISS' commitment to business ethics.

Living wages In some low-pay markets, ISS would be in favour of raising minimum wage levels. That would support ISS' recruitment objectives and help raise the general standing of the service industry. This step would also be in line with international human rights calling for remuneration, which ensures a worker and his/her family a dignified life. However, with no industry-wide support for the initiative, a unilateral wage increase is left aside, as it would price ISS out of the market. The dilemma for ISS is whether to remain competitive in the markets it competes in, or raise social standards for its employees by raising wages.

Equal opportunities With a diverse staff composition, ISS has managed to create an open and non-discriminating workplace. In spite of recent progress, the diversity at service operative level is not yet reflected at higher management levels. ISS would welcome having more women and immigrants in management positions, but at the moment the supply of qualified candidates does not support this objective. For ISS, the dilemma is whether to develop career programmes offering preferential treatment to selected "groups" or keep selecting the best performing individual for a given assignment or position.

Environmental management ISS has made a commitment to environmental protection. Among other things, this includes the management of waste, water, power and chemicals. With more than 125,000 customers and an even greater number of customer sites, tracking and managing environmental effects poses problems. ISS relies on its customers for help, and in some cases the benefit of large-scale environmental systems may not merit the effort and costs involved. For ISS balancing intangible and non-quantifiable benefits with direct costs constitutes a dilemma.

Anti-corruption and bribery ISS operates in 42 countries, some of which where bribery and corruption are normal part of everyday business. A facilitation payment to a government official may speed up a governmental approval, and even a small bribe or service may help win new business – public or private. The commitment to combat all forms of corruption and bribery prevents ISS from servicing selected customer segments and geographies. For ISS the dilemma is whether to put in place highly elaborate and almost prohibitively costly control measures involving each business transaction or risk some local interpretation of ISS policies and rules.

The above-mentioned dilemmas serve as an illustration of the real-life challenges a Group like ISS is facing, despite a dedicated and honest effort in terms of ethical conduct. Stated policies and monitoring of the conduct do not eliminate the possibility of breach and the risk associated with it.

and the motivation to conduct training and reintegration programmes for long-term unemployed – often in partnership with local authorities. The employment of disabled persons receives special attention in a number of countries. Positions are found both in administrative and service operative functions.

Environmental protection

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

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

- Minimise emissions and effluents (primarily arising from transport and use of chemicals in cleaning)
- Minimise the use of energy and water
- Reduce, manage and recycle waste
- Use safe products and materials

On the basis of the corporate environmental policy, ISS' country organisations are implementing local environmental polices and management systems to meet corporate and local objectives. In most countries, the environmental policies and systems are already in place and many of them are certified to the ISO 14001 standard. In addition, environmen-

tal responsibility is promoted through staff training and awareness programmes.

As mentioned above, ISS closed a direct supplier deal with two leading car manufacturers in 2004. When fully implemented, the new partnership could raise the share of diesel-fuelled cars to 90% (of the entire ISS fleet). This in turn will improve ISS' fuel efficiency considerably. Work in this area – as well as that of continuously reducing the environmental impact from the use of chemicals – will continue in 2005.

Anti-corruption *The Global Compact calls for companies to work against all forms of corruption, including extortion and bribery.*

ISS welcomes the tenth Global Compact principle on anti-corruption. The ISS Code of Conduct expresses a clear commitment to combating all forms of corruptive practice.

Through the implementation of the ISS Code of Conduct, the anti-corruption position has been communicated to the entire Group. When acquiring new companies or entering joint venture opportunities, ISS encourages that business will be conducted in compliance with the ISS Code of Conduct, i.e. the code is applied in the due diligence and negotiation processes.

Sustainability in the market The ISS share is a component of ethical stock indices and asset management portfolios in a number of countries, including the USA, the UK, France, Belgium and the Nordic countries. For more information on share indices, see the section "Share indices" on page 40 of this report.

INVESTORS

The ISS share At 31 December 2004, ISS' share capital amounted to DKK 946.7 million consisting of 47,335,000 shares of DKK 20 nominal value each. ISS has one class of shares and no shares carry special rights. The shares are freely transferable, negotiable instruments.

The ISS share price increased by 5% during the year, while the average share price performance of the peer group was flat. The peer group comprises the international service companies Aramark, Compass, Group 4 Securicor, Rentokil, Securitas, Serco and Sodexho.

ISS completed an employee share programme in October 2004 under which a total of 476,124 shares yielding total gross proceeds of DKK 48 million were issued. The new shares are included in the calculation of the average number of shares with effect from 1 November 2004.

To ensure adequate financial resources for continued business development, ISS issued 2,548,982 new shares at market price in December 2004 in a share issue at market price. The shares, which were more than six times over-subscribed, were issued at a price of DKK 304 per share, yielding gross proceeds of approximately DKK 775 million. The new shares are included in the calculation of the average number of shares with effect from 9 December 2004.

Due to the increase in the share price and the issue of new shares, ISS' market capitalisation increased by 12% from DKK 12.9 billion at the end of 2003 to DKK 14.5 billion at the end of 2004. ISS was the 11th largest company on the Copenhagen Stock Exchange in terms of market capitalisation at 31 December 2004.

Aggregate turnover of the share on the Copenhagen Stock Exchange amounted to DKK 15.3 billion, making ISS the 11th largest stock in terms of turnover. In terms of trading volume,

Share price in 2004
(rebased to ISS)

The ISS share

ISIN securities code	DK0010267046
Number of shares outstanding, 31 Dec. 2004	47,335,000
Average number of shares 2004	44,318,094
Treasury shares, 31 Dec. 2004	250,675
Free float	100%
Price, 31 Dec. 2003	DKK 291.0
Lowest price in 2004	DKK 285.0
Highest price in 2004	DKK 336.0
Price, 31 Dec. 2004	DKK 305.5
Dividend per share, 2004	DKK 4.0
Total shareholder return, 2004 [1]	6%
Listing	Copenhagen Stock Exchange
Bloomberg	ISSDC
Reuters	ISS.CO

[1] (Share price, 31 Dec. 2004 + dividend per share, 2004 - share price, 31 Dec. 2003)/(share price, 31 Dec. 2003).

ISS Global A/S bonds

Issuer	ISS Global A/S
Bloomberg	ISS DC
S&P rating	BBB+
Listing	Luxembourg

Bond issue, September 2003

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

Bond issue, November 2004

Issue amount	EUR 500 million
Maturity date	8 December 2014
Coupon	4.50%
ISIN securities code	XS0206714247
Reuters	DK020671424=
Lead managers	Deutsche Bank, Nordea, Société Generale

approximately 49.3 million shares were traded, corresponding to approximately 104% of the share capital at 31 December 2004.

Shareholders ISS has two shareholders holding more than 5% of the company's total share capital. At 31 December 2004, approximately 18,000 shareholders representing about 73% of the share capital were registered in the company's register of shareholders. Data from the register indicated that Danish investors held 35% of the shares at the end of 2004 compared with 29% at the end of 2003. Investors in the USA and the UK held 21% and 10%, respectively, while other European investors outside Denmark held 6%. ISS has no detailed information on the unregistered holders of the remaining 27% of the share capital but believes that the majority of these shareholders were based outside Denmark. ISS encourages all shareholders to register their holdings in the register of shareholders.

Through ISS' employee share programmes in the period 2001-2004, employees have acquired approximately 3% of the share capital. As described on page 24 of this report, employee shares are subject to a lock-up period during which the shares cannot be sold.

Treasury Shares At 31 December 2004, the Group had increased its holding of treasury shares by 95,000 shares to 250,675 shares, equivalent to approximately 0.5% of the share capital at 31 December 2004. These shares, which had a total market value of DKK 77 million, were held in order to hedge incentive schemes.

Share indices In 2004, ISS was again included in the Dow Jones Sustainability World Index, the FTSE4Good Global Index and the Ethibel Sustainability Indices. In addition, ISS was

included in the Nordic Sustainability Index. Furthermore, ISS is a component of Danish and international share indices: KFX, Dow Jones STOXX, Standard & Poor's Global 1200, Standard & Poor's Europe 350, Morgan Stanley MSCI and FTSE EuroMid. The weight of the ISS share in the Danish blue chip index, KFX, was approximately 2% at 31 December 2004.

Dividends The Board of Directors intends to propose to the annual general meeting that a dividend of DKK 5 per share be paid in respect of the 2004 financial year. See page 12 of this report.

Bonds ISS Global A/S, a wholly owned subsidiary of ISS A/S, listed a Euro Medium Term Note (EMTN) programme in September 2003 and subsequently launched its inaugural EUR 850 million bond issue.

ISS Global A/S addressed the debt capital markets again in November 2004 to complete a EUR 500 million 10-year bond issue. The proceeds were used for refinancing and general corporate purposes

The EMTN programme and the issued bonds are rated BBB+ with Stable Outlook by Standard & Poor's.

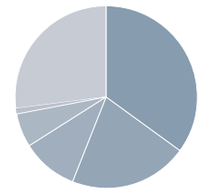
Investor relations ISS' investor relations department is responsible for upholding and developing the contact to investors and analysts. Through a dialogue with market participants, ISS seeks to provide objective, relevant and timely information on the Group's performance and strategic development. To support the liquidity of the share, ISS promotes broad analyst coverage. A total of 19 equity analysts, 9 based in Denmark and 10 abroad, and 8 credit analysts follow ISS on a regular basis.

A key factor in the Group's investor relations policy is to ensure that all investors have uniform access to all published information. The website (www.issworld.com) is a primary source of information.

ISS presents consensus estimates on the Group's website from independent analysts prior to the release of each interim and annual profit announcement. ISS has no influence on these estimates, which are compiled as a simple average of the analysts' estimates.

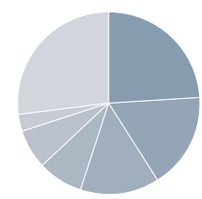
ISS continuously monitors advances in information technology that may be used to improve communications with shareholders. It is possible to subscribe to SMS and e-mail

Shareholders by geography



Denmark	35%
US	21%
The UK	10%
Other Europe	6%
Rest of world	1%
Unregistered shareholders	27%

Shareholders by type



Foreign private investors and institutions	24%
Danish pension funds	17%
Nominee accounts	14%
Danish private investors, trusts and foundations	8%
Other Danish institutions	7%
Restricted employee shares	3%
Unregistered shareholders	27%

Shareholders holding more than 5% of ISS' shares	Capital and votes	As at
ATP, the Danish Labour Market Supplementary Pension Scheme	9.0%	5 Jan. 2005
Franklin Templeton, USA	9.0%	31 Dec. 2004

Financial calendar 2005

13 April 2005	Annual general meeting
18 May 2005	Interim Report, January - March 2005
22 August 2005	Interim Report, January - June 2005
17 November 2005	Interim Report, January - September 2005

notification services, which distribute electronic versions of stock exchange releases after they have been made public. In order to provide cost-efficient access to conference calls for all stakeholders, ISS webcasts its annual general meetings and presentations following earnings releases. An indexed replay is available on the website shortly after the conclusion of the presentation.

ISS publishes scheduled and completed investor relations events. Presentations and webcasts related to such events are also available.

The website contains further information on ISS' investor relations. In addition, shareholders, bondholders, analysts and other interested parties are always welcome to contact ISS' investor relations department:

e-mail: ir@group.issworld.com
Website: www.investor.issworld.com
Telephone: +45 38 17 00 00

Analysts following ISS

Equity analysts

Alfred Berg/ABN Amro	Kitty Grøn
Alm. Brand Børs	Michael Drøscher Jørgensen
CAI Cheuvreux	Niklas Ekman
Carnegie	Carsten Leth
Cazenove	Mike Yates
Citigroup	Ed Steele
Danske Bank	Lars Heindorff
Deutsche Bank	Tim Ramskill
Dresdner Kleinwort Wasserstein	Keith Watson
Enskilda Securities	Jeff Saul
GP Børsmæglerselskab	Johannes Møller
Goldman Sachs International Ltd.	Matthew Lloyd
Handelsbanken	Torben Sand
Jyske Bank	Jesper Klitgaard Frederiksen
Merrill Lynch	Paul Steegers
Morgan Stanley Dean Witter	Oisin Crawley
Standard & Poor's	Stefan Andersson
Sydbank	Bjørn Schwarz
UBS	Lindy Newton

Credit analysts

ABN Amro	Richard Morawetz
Danske Bank	Thomas Howard
Deutsche Bank	James Maxwell
HSBC	Phillipe Landroit
Nordea Markets	Johan Sahlström
Nykredit Markets	Niklas Hansen
SEB Merchant Banking	Ebba Lindahl
Société Generale	Sonia van Dorp

Risk Factors

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

MARKET TRENDS

The potential underlying growth in the demand for services offered by ISS is estimated to be on a level equalling the long-term growth in the gross domestic products of the relevant countries. The development of the outsourced part of the market available to ISS is considered more volatile than the total market for facility services, as it may be impacted by political decisions, public opinion, positive and negative experience with outsourcing, public institutions and individual users, media coverage of isolated events, etc. These factors may dampen growth in outsourcing, cause contracts to be discontinued or reduce the Group's ability to achieve satisfactory growth rates in the future. In any of such cases, the Group's growth and earnings and general financial position may be adversely affected.

The service industry is normally considered to be less sensitive to economic cycles than certain other industries. However, ISS is not immune to the external economy, and macroeconomic cyclicality – both weak and strong economic activity – represents a challenge to ISS. Periods of recession may have an adverse impact on prices and on the demand for services, e.g. if customers downscale their business or reduce demand for one-off jobs. In periods of rapid economic growth, ISS may encounter problems in recruiting qualified employees or of generally increasing staff costs.

Government intervention aiming at improving pay and working conditions may increase the costs incurred by the Group. ISS is also subject to political risks concerning changes to legislation governing taxation, duties and social charges etc., which may cause ISS to incur higher costs or reduce its competitive strength relative to in-house service providers. Among other issues, problems concerning deductibility of input VAT may reduce ISS' competitiveness relative to in-house service providers. ISS expects that it will be possible over time to offset part of the effects of changes in pay and working conditions, taxation and social charges when renegotiating contracts with customers, but there can be no assurance that this will be the case. Therefore, changes to legislation may adversely affect the Group's earnings.

In many countries, the public sector is an important segment for ISS. The Group's business with public sector customers is affected by political and administrative decisions concerning the level of public spending. Thus, decisions to cut down on public spending may have an adverse impact on the Group's growth and earnings.

COMPETITION

Competition in ISS' markets is characterised by many service providers, especially within

the area of general cleaning. Therefore, there is a risk that over-capacity and increased price competition may have a material, adverse impact on the Group. ISS strives to counter this risk by focusing on integrated facility services solutions targeted at and tailored to individual customers in selected customer segments. Such service solutions comprise a number of more or less specialised services within cleaning, catering, office support and property services. One of the factors that make facility services contracts attractive is that they often enable ISS to forge closer ties with the customer. However, competition may intensify if service providers, who have historically focused mainly on providing single services, move into the market for facility services. Moreover, there is a risk that new competitors and a changed competitive environment may affect ISS' competitiveness. Thus, there can be no assurance that the Group's facility services strategy will enable ISS to achieve satisfactory operating profits.

Although the Group has issued internal guidelines concerning compliance with competition law, individual managers may act against Group instructions and deliberately violate the rules and engage in illegal, punishable activities such as price fixing or allocation of markets or customers with competitors; activities for which ISS may be held responsible. Likewise, an ISS subsidiary may inadvertently be charged with illegal collaboration with its competitors simply by virtue of its participation in the activities of an industry association. Such incidents may have a negative impact on ISS' reputation, market position and financial position.

MANAGING CONTRACTS

ISS strives to increase the share of revenue generated from integrated facility services contracts. Generally, such contracts place greater demands on the service provider due to their scope and complexity compared with single service contracts. ISS' efforts to penetrate new service areas increase the risk of mismanagement and other start-up difficulties during the initial phase because of the Group's limited experience in such new service areas and markets. When negotiating contracts, ISS endeavours to counter such risks by obtaining a clear understanding of the customer's expectations for the services being outsourced, including definitions of success criteria.

The profitability of large, long-term contracts depends on ISS' ability to integrate services, calculate prices and manage day-to-day operations. Miscalculations in large contracts or subsequent problems in the management of contracts may have a material, adverse impact on the Group. In addition to the direct adverse financial impact, the discontinuance of contracts may have indirect, adverse effects on, for example, ISS' reputation and may affect the Group's ability to win similar contracts.

The Group's entering into of major Private Finance Initiative (PFI) contracts and other similar contracts is in some cases subject to ISS participating with an equity stake in the company signing the PFI. This affects the risk for the Group. The ever-increasing scope of the Group's contracts, including existing PFI contracts, some of which are for 30-year terms, imply a general risk for the Group. Large contracts often subject the Group to penalties or fines in the event that the quality of the services provided fails to meet agreed standards or if the Group otherwise fails to comply with the contracts. Terms and conditions of major contracts may, accordingly, adversely affect the Group in the event that the agreed benchmarks are not met or if contracts are otherwise not complied with due to conditions for which ISS is responsible or for

which ISS bears the risk. Equally, inflation, deflation, wage inflation etc. may adversely affect ISS if the service contract does not provide for adequate price compensation.

ISS may contract with sub-contractors for the provision of services, inter alia, in connection with certain integrated facility services contracts. In such cases, the Group is exposed to risks relating to managing sub-contractors and the risk that sub-contractors are not able to provide services that meet the agreed quality benchmarks or generally comply with legislative requirements. Furthermore, the Group is exposed to the risk that sub-contractors have inadequate insurance cover or inadequate financial strength to honour financial claims resulting from damages or losses inflicted on the customer by sub-contractors.

GROWTH AND ACQUISITIONS

Organic growth and acquisitions place the Group's management and financial resources under pressure. ISS uses growth models as a management tool in making financial assessments of the Group's growth potential, both from organic growth and from acquisitions. Such assessments are subject to a number of assumptions concerning profitability, growth, interest rates, valuation of companies and other assumptions. There can be no assurance that the applied models and management's assessment of the growth potential take all relevant factors into consideration. Other factors not accounted for in the models and management assessments may cause actual developments to differ significantly and adversely from expectations.

ISS' ability to manage growth relies on the Group's ability to integrate acquired operations. Integration of acquired companies is important in order to maintain an efficient organisation. The risk that integration takes longer than anticipated or otherwise creates problems may cause actual results to deviate from expectations.

Acquisitions are generally priced on the basis of a number of assumptions, which are subject to substantial uncertainty. There can be no assurance that, following integration into the Group, an acquired operation will be able to maintain a customer base in line with expectations, operate at the assumed margins or generate the expected cash flows. Furthermore, acquisitions of companies expose the Group to the risk of unforeseen obligations towards employees, customers, suppliers, sub-contractors, public authorities or other parties. Such obligations may adversely affect the Group.

INTERNATIONAL OPERATIONS

ISS currently operates in 42 countries. In 2004, approximately 91% of the Group's total revenue was generated outside Denmark. Because of the international scope of its activities, the Group is subject to a number of risks and challenges, including the management of a decentralised international business operation and the fulfilment of legislative requirements, including tax rules and social security legislation, in many different jurisdictions. Especially, conflicting and/or complicated tax rules and social security legislation – and changes in such rules and legislation – mean that there is a risk that the Group in one or more countries inadvertently makes less optimal choices or commits mistakes when filing tax returns etc. Equally, the risk of inadvertently making business decisions that lead to unforeseen tax consequences exists, since tax rules can be complex and are often subject to uncertainty as to their interpretation. In spite of the fact that ISS employs people with special expertise within the tax area and/or uses external specialist

assistance, there can be no assurance that circumstances as described above will not lead to significant, unforeseen or unintended expenses.

ISS A/S delegates considerable responsibility to its subsidiaries. The management and performance of the subsidiaries are subject to controlling activities performed by ISS A/S' controlling function. These controls are described on pages 21-22 of this report. The company strives to reduce the risk of irregularities by, inter alia, making regular visits to the individual subsidiaries and applying a comprehensive reporting system covering all subsidiaries. Despite these efforts, there can be no assurance against the occurrence of irregularities, unintended accounting misstatements or breaches of local legislation, which could have a material adverse effect.

CURRENCY AND INTEREST RATE EXPOSURE

The Group's currency and interest rate exposure is managed and controlled in accordance with a treasury policy approved by the Board of Directors. The financial risk and the hedge of risks are described on pages 87-88 of this report.

Most often, currency fluctuations have no immediate impact on the Group's subsidiaries, as revenue and costs are normally denominated in the same currency. Currency movements may, however, materially affect the economic environment in which the subsidiaries operate. Currency fluctuations may also have a significant impact on the year-on-year growth of sales, earnings and cash flow, when measured in the Group's reporting currency, Danish kroner. Currency fluctuations may cause actual growth rates to fall short of forecasts in management's outlook.

ISS monitors and assesses trends in interest rates on an ongoing basis and, based on the approved policy, the Group is prepared to adjust its interest rate exposure relative to the Group's expectations of future developments in interest rates. However, there can be no assurance that the Group will not misjudge trends or for other reasons be materially, adversely affected by changes in the level of interest rates.

KEY FIGURES AND CREDIT RATINGS

Investors and other financing sources and credit rating agencies traditionally use a range of financial key figures such as operating margin, earnings per share, cash flow from operating activities, cash conversion, cash earnings per share, interest coverage, equity ratio and debt ratio to evaluate the Group's financial position and performance. Macroeconomic trends, changes in legislation, implementation of IT, shortage of manpower and other operational issues are factors which may cause the Group's financial key figures to fluctuate substantially. An adverse development in ISS' financial key figures and credit ratings may affect the Group's ability to finance operations, development and growth. This may have a material, adverse effect on the Group's financial development. ISS seeks to reduce this risk by regularly evaluating the Group's capital structure. It is company policy to seek to ensure an appropriate development in its financial key figures so as to enable the Group to, inter alia, uphold its credit rating and comply with the covenants specified in the Group's loan agreements. For this purpose, the Group has established a set of financial management tools that support ISS in evaluating future requirements for capital contributions by means of equity and debt. However, there can be no assurance that ISS will always be able to uphold the credit rating or comply

with the minimum limits in loan agreements. Material adverse effects could stem from such breaches.

IT

The administrative part of the Group's operations is increasingly dependent on the use of IT. System failures or disruptions resulting from computer viruses, acts of hackers or other causes may have a material, adverse effect on the Group. The Group's development plans include increased development and use of IT in all countries. This implies certain requirements regarding the compatibility of the Group's computer systems and software applications and on the reliability of such systems and applications. Non-compatibility between the Group's computer systems and software applications may require additional IT investments. This may also be the case if systems reliability is unsatisfactory. These problems may, to the extent they materialise, adversely affect the Group.

The levels of required IT-related investments and future costs depend on technological opportunities, market demands, competitive actions and other factors. To protect its competitiveness, ISS may have to allocate further resources to the development of the Group's IT infrastructure and IT-related business processes. This may have an adverse effect on the Group's financial position.

ISS outsources IT as a means of ensuring effective management of IT resources and improving cost efficiency of the Group's IT infrastructure, systems and applications. ISS relies on the ability of outsourcing partners to deliver agreed services. Failure by an outsourcing partner to perform according to the contract may have an adverse impact on ISS' operation and its financial position.

QUALIFIED EMPLOYEES

Employee costs make up ISS' largest single cost item, and the Group's competitive strength depends, among other factors, on its ability to attract, train and retain employees with the right qualifications and experience. The service industry in general is characterised by a relatively high staff turnover. To the extent that the Group is unable to offer satisfactory pay and working conditions, there is a risk that ISS will experience a shortage of labour resources and this may have an adverse effect on the Group. Such situations may also occur in a tight labour market to the effect that it may be necessary to use more temporary staff, thereby increasing the Group's staff costs. ISS is working to counter this risk partly through targeted efforts to increase employee satisfaction, and partly through an active effort to professionalise the service industry and to enhance the general standing of the industry. ISS' possible inability to attract and retain the required number of qualified employees may have a material, adverse effect on the Group's growth and earnings.

MANAGEMENT RESOURCES

The ability to attract and retain managers at middle and senior level is important to ISS. ISS' possible inability to attract and retain an adequate number of qualified managers may have a material, adverse effect on the Group's ability to meet targets. The ability to retain key management resources in acquired companies is also important in order to ensure effective integration into the Group and thus minimise the costs of integration. The resignation of key managers may have a material, adverse effect on the profitability of the relevant companies.

ENVIRONMENTAL ISSUES

The environmental requirements applying to the service industry, made by legislators, customers as well as unions, are becoming

ever more rigorous. ISS anticipates that an increasing number of countries will introduce environmental taxes on the use of chemicals, e.g. in the cleaning materials used by the Group. To the extent that ISS is unable to pass the costs of the stricter requirements and higher taxes on to its customers, such factors may have an adverse effect on the Group.

The possible presence of pollution on properties owned or rented by ISS may also result in claims arising from cleaning of such properties, and may have an adverse impact on the Group. Likewise, the value of properties owned by ISS may decrease significantly due to pollution and thus result in financial losses.

WORKING ENVIRONMENT

Having a large number of employees in many different countries and cultures involves a potential risk to the Group of being subjected to litigation relating to violations of social and working environment legislation. The effects of new services, detergents, tools, machinery etc. on the working environment or any currently unknown long-term effects of existing products or work processes may have an adverse effect on the Group. ISS seeks to reduce risks related to the working environment and the environment in general by choosing detergents, materials and equipment, which ISS considers to be environmentally friendly, and by running training programmes on personal protection for employees and by monitoring the indoor and outdoor environment. However, despite the Group's efforts, there is a risk that claims against ISS in relation to the working environment may have an adverse impact on the Group's financial position.

DAMAGE TO PROPERTY AND BUSINESS INTERRUPTIONS

It is a characteristic of many service providers that employees deliver the services in buildings and at locations owned or operated by the customers. This involves a risk of claims in connection with damage to property, business interruptions, unauthorised use of the customer's property or other tortious acts by ISS employees or people who have gained unauthorised access to premises operated by ISS. Such claims may adversely affect the Group.

DIVESTMENT OF OPERATIONS

In the 1990s, ISS initiated a process involving the divestment of activities not directly related to its core services. A significant divestment was that of ISS Inc. in 1996. In the accounts, ISS makes provisions for claims from purchasers or other parties in connection with divestments. In the opinion of management, the provisions at 31 December 2004 are adequate. However, there can be no assurance that one or more major claims arising out of the Group's divestments of companies will not adversely affect the Group.

RETIREMENT BENEFIT PLANS

In certain countries, the Group has pension plans under which the Group has an obligation to provide agreed benefits to current and former employees. The Group's future liabilities under defined benefit plans may be significantly impacted by changes in the discount rate, the expected return on plan assets, the social security rate, the rate of increase in salaries and pension contributions, changes in demographic variables or other circumstances. There can be no assurance that the Group will not be significantly, negatively impacted by adverse developments in any of the above factors.

RISK MANAGEMENT

ISS' central risk management function evaluates the Group's risks on an ongoing basis and implements initiatives aimed at reducing the scope and consequence of risks to the Group. Insurance taken out include cover in respect of liability, industrial injury, environmental issues, pension liabilities and personal injury. Insurance is taken out after advice from the Group's global insurance broker. The insurance programmes contain Group programmes for major and uniform risks. Local insurance is established, where this is legally required and in accordance with practice in the individual country. However, there can be no assurance that the Group will not experience major incidents of a nature for which no insurance cover is established. Furthermore, the occurrence of several events resulting in substantial claims for damages within a calendar year may have a material, adverse effect on the Group. In addition, the Group's insurance costs may increase over time in response to a potential negative development in the Group's claims statistics or due to material price increases in the insurance market in general.

Self-insurance instruments may be used as a result of the Group's policy with regard to insurance. This may affect the Group's risk profile. In general, there can be no assurance that the Group has correctly anticipated all its risks and/or taken out sufficient insurance, or is at all able to take out adequate insurance at a reasonable price. Thus, material, adverse effects from insufficient insurance may occur.

EXTERNAL EVENTS

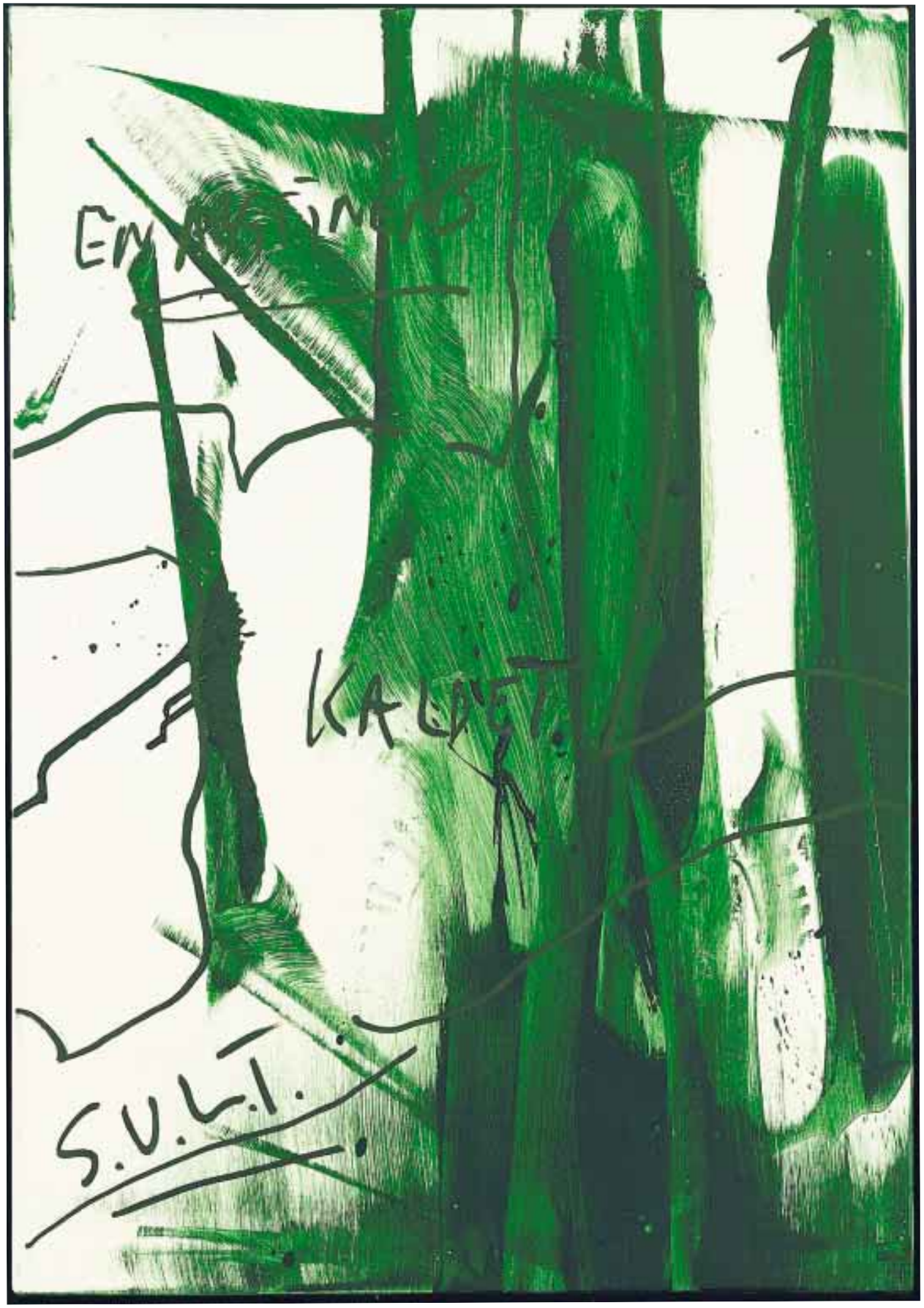
The impact of natural disasters, major diseases, epidemics, war, terror or other external events are difficult to quantify. Thus, there can be no assurance that such factors will not have a significant adverse operational or financial impact on the Group.

FORWARD LOOKING STATEMENTS

In connection with ISS' financial reports and other public announcements, ISS may express statements concerning the company's expectations with regard to growth, earnings, cash flow and other financial and non-financial performance measures. Any statement concerning the Group's future overall performance or the development of individual measures or the occurrence of expected events, whether financially, operationally or otherwise, are subject to uncertainty, and there can be no assurance that such expected developments or events will occur.

Furthermore, statements issued by ISS may be subject to journalistic interpretation and other public restatements, which may provide the company's stakeholders with information that is not consistent with the information communicated to the market by ISS itself. ISS is generally not in a position to comment, correct or deny, as the case may be, any wrong, inadequate or misleading information about the Group that may appear in the media or on Internet-based news services, chat-rooms or elsewhere. Therefore, the lack of comments, corrections and clarifications from ISS in relation to any such information cannot be interpreted as ISS confirming such information.

For information on the Group's general disclaimer concerning forward looking statements, see the textbox "Forward looking statements" shown in connection with the Outlook section on page 13 of this report.


KALDET.
S.V.L.T.

Operational Review

"An Abstinence Called s.u.l.t." (English: h.u.n.g.e.r.), Claus Carstensen
Acrylic and tempera on canvas, 100 x 70 cm

create2005

create2005 was launched in the autumn of 2000 to clearly communicate the Group's strategy for the five-year period; a strategy based on ISS' fundamental objective of creating value for investors, employees, customers and other stakeholders.

create2005 maps out how the Group intends to advance its business further and states the overall aspiration of ISS:

Advance the Facility Services industry and lead it – globally

For ISS, the aspiration has the following implications:

- Moving from multi-services to facility services
- Delivering global concepts through strong local presence
- Partnering with customers to enhance their competitiveness
- Being the premier employer in the industry

Along with the aspiration, **create2005** outlines goals for ISS' development over the five-year period – in terms of financial, operating and people goals.

Financial goals – in the period 2000-2005:
- At least double earnings per share (before goodwill amortisation)
- At least double top line
- At least double operating profit

Operating goals – by 2005 to reach:
- At least 6% annual organic growth on average
- At least 6% margin in business units with critical mass

People goals – by 2005 to reach:
- Continuous growth in full-time employment
- Increased employee ownership

These goals for the five-year period were initially stated in 2000, based on then prevailing circumstances and expectations. In the event of significant changes to expected business fundamentals, management would consider the impact of such changes on stated goals, priorities and strategies, to ensure that business decisions at any given time support the overall objective of maximising value creation for shareholders, employees, customers and other stakeholders. Therefore, in light of the weak macro-economic conditions over the period, and in order to ensure that the Group advances in a balanced and sustainable way, ISS has deliberately lowered short-term growth targets compared with the growth rate of 15% p.a. implied in the strategic goal of doubling turnover over the horizon of **create2005**.

In 2004 – four years into the strategy – the main focus was on further developing the concept of facility services and establishing the operational platform required in each of the country operations to provide facility services. This implied developing the required service offerings, shaping the organisational model and educating management and key staff. From a strategic perspective, the addition of new businesses in 2004 focused on competence-enhancing bolt-on acquisitions.

In the spring of 2004, additional resources were allocated to the Facility Services Development Centre. The Development Centre was established in 2003 to lead the thinking of facility services implementation and be the Group's centre of excellence on the facility services concept.

At country level, the transformation of the business along the lines laid out in **create2005** continued, with acquisitions being the primary driver of change. However, the efforts to integrate the acquired businesses into ISS' operating model and to drive organic transformation are equally important for a successful outcome. In several countries smaller operating units were merged to create larger entities that would be better positioned to serve the larger and more complex contracts targeted by the corporate strategy.

NEW STRATEGY PLAN

The Group plans to introduce an updated strategy plan in 2005. The work is currently in progress, and a final date for the launch has not been set. The Group believes that the move towards Integrated Facility Services is the right way forward. The overall aspiration and strategic direction of the current plan will therefore be retained in the new strategy.

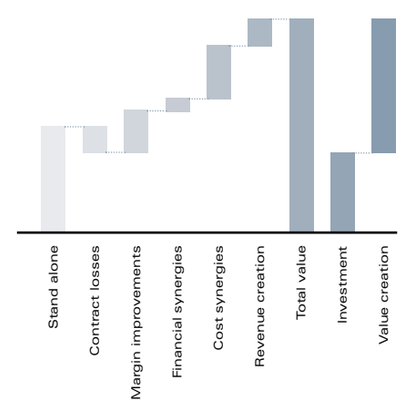
Acquisitions

ISS considers acquisitions an integral part of the business model. Acquisitions are the primary means of the Group to invest in the business, to develop and refine the business concept and to continuously strengthen competitiveness in an unconsolidated industry structure.

The acquisition process is aimed at creating value for shareholders. The acquisition process is anchored with local management teams to take advantage of and leverage the local presence. The local management team screens the market for potential targets and builds a pipeline of qualified opportunities. The management teams stay involved throughout the acquisition process from the very beginning of target identification to the final step of the integration to make sure that responsibility and focus on the execution is maintained.

The Group M&A department is involved in the acquisition process where centralised resources add value. The department ensures that a uniform process is applied to all acquisitions. Group M&A supports small and mid sized acquisitions, while they are more directly involved in large sized acquisitions. The most important element of Group involvement is in the valuation of acquisitions. On a discounted cash flow basis a total value of the target is estimated by assigning value to six independent components (see illustration).

1. Stand alone value of the target
2. Value of expected contract losses
3. Value of expected margin improvements
4. Value of expected financial synergies
5. Value of expected cost synergies
6. Value of expected future organic growth



The value creation to ISS (MVA) is measured by the difference between the total value (sum of the parts) and the investment.

The Group operates with three key valuation indicators. First, the time structure of the MVA and the EVA break-even horizon is assessed. In addition Return on Investment (ROI) and price multiples are assessed and measured up against appropriate benchmarks varied according to size, industry segment, geography, etc. Besides the mentioned valuation parameters a range of other criteria are employed on a discretionary basis.

Before signing, all acquisitions are approved by the Executive Management Board. Furthermore, the Board of Directors must approve all large acquisitions.

Segmental Summary

Business area	Revenue DKKm	Operating profit [1] DKKm	Operating margin %	Growth Organic %	Net acq. %	Currency %	Total %	Employees
Facility Services	37,150	2,343	6.3	2	12	(1)	13	265,874
Damage Control	1,656	26	1.6	(4)	(4)	(1)	(9)	2,285
Food Hygiene	930	58	6.3	5	2	1	8	4,406
Health Care	619	67	10.8	(1)	10	0	9	892
Total operations	**40,355**	**2,494**						**273,457**
Corporate		(215)	(0.5)					77
Group	**40,355**	**2,279**	**5.6**	**1.5**	**11**	**(0)**	**12**	**273,534**
Country								
France	7,798	527	6.8	6	8	0	14	37,973
The United Kingdom	5,537	358	6.5	5	14	3	22	37,890
Sweden	3,628	178	4.9	(6)	3	1	(2)	11,038
Denmark [2]	3,578	230	6.4	0	0	0	0	13,062
The Netherlands	3,094	211	6.8	(5)	6	0	1	21,904
Norway	3,084	206	6.7	(1)	7	(4)	2	7,343
Finland	2,441	194	7.9	10	51	0	61	13,303
Belgium and Luxembourg	2,072	123	5.9	2	13	0	15	9,990
Spain	1,791	102	5.7	8	74	0	82	18,091
Germany	1,568	27	1.7	(13)	3	0	(10)	16,462
Switzerland	1,153	65	5.6	(2)	4	(2)	0	7,156
Austria	1,150	91	7.9	12	12	(1)	23	7,063
Central Eastern Europe [3]	466	30	6.4	0	(4)	0	(4)	8,216
Israel	373	19	5.0	9	36	(15)	30	5,821
China and Hong Kong	355	18	5.1	1	0	(9)	(8)	5,033
Brazil	341	19	5.4	1	1	(5)	(3)	12,381
Singapore	307	20	6.6	0	7	(6)	1	3,818
Ireland	300	24	7.9	9	7	0	16	1,998
Australia	242	28	11.7	4	13	3	20	487
Portugal	226	16	6.9	19	5	0	24	2,746
Greece	193	11	5.8	5	0	0	5	1,602
Italy	192	13	6.6	(4)	7	(0)	3	616
Thailand	93	6	6.9	22	1	(7)	16	7,726
Japan	78	2	2.2	1	0	(3)	(2)	488
Indonesia	69	6	9.4	31	0	(17)	14	6,977
Malaysia	69	5	7.6	(2)	0	(8)	(10)	2,392
Poland	67	3	4.3	5	0	(2)	3	1,924
Argentina	39	(1)	(2.8)	50	36	(16)	70	2,304
Chile	19	1	5.2	-	-	-	-	1,582
Sri Lanka	17	(0)	(0.0)	27	0	(17)	10	5,650
Brunei	13	3	24.5	4	0	(5)	(1)	161
Uruguay	2	0	10.0	21	67	(27)	61	260
Regional costs, not allocated to countries		(41)						
Total operations	**40,355**	**2,494**						**273,457**
Corporate		(215)	(0.5)					77
Group	**40,355**	**2,279**	**5.6**	**1.5**	**11**	**(0)**	**12**	**273,534**

[1] Before other income and expenses and associates.
[2] Including Iceland, Greenland and the Faroe Islands.
[3] Including the Czech Republic, Slovenia, Slovakia, Romania, Hungary and Croatia.

Review of Business Performance

FACILITY SERVICES

ISS offers a range of facility services to support the operation of factories, offices, hospitals, means of transportation etc. The service offering is divided into four general areas of related services: Cleaning services (including general cleaning, specialised cleaning, window cleaning, dust control and washroom services), property services (including landscaping, maintenance and technical services, pest control, sewage services and ventilation services), catering services (including conference services), and office support services (including call centres, reception and mail room services, tropical plants and in-house services).

Facility Services accounted for 92% of Group revenue in 2004. Organic growth was 2%, comprising 2% in Northern Europe, 2% in Continental Europe and 5% Overseas. The improvement in the organic growth rate from (2)% in 2003 stemmed from a committed effort to improve the organic growth. Initiatives included a review country by country of the entire sales process in order to strengthen sales and customer retention. Improvement and refinement is an ongoing initiative. Organic growth varied country by country. Leaving out the poorest performing entity, ISS Germany, from the calculation, would lift organic growth in Facility Services by nearly 1 percentage point.

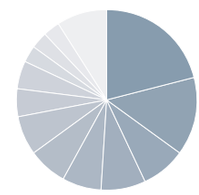
The operating margin in the facility services organisations was 6.3%, up from 6.2% in 2003 with the major countries ranging from 0.9% in Germany to 7.9% in Austria and 8.1% in Finland. The overall improvement of the operating margin was due to improvement in Northern Europe and Continental Europe. In Northern Europe, the operating margin rose from 6.4% to 6.5%. Continental Europe reported an increase in operating margin from 6.1% to 6.2%, while Overseas saw its margin decline from 6.1% to 6.0%. Continuing the trend of recent years, the country organisations with the most advanced facility services concepts were the top performers in terms of operating margin in 2004, thus supporting the Group's facility services strategy as outlined in **create2005**.

The gradual transformation of ISS from a cleaning and multi-services supplier to a provider of facility services continued in 2004, spearheaded by those ISS organisations with the most developed facility services concepts. A number of new facility services contracts were won, some of which comprised a range of integrated services.

In 2004, an existing cleaning contract with Nordea in Denmark was expanded to include the provision of integrated facility services to Nordea on a pan-Nordic scale. This highlights ISS' opportunities to leverage its existing customer relationships based on a solid platform in cleaning services. Other examples of new integrated facility services contracts in 2004 include an expansion of the CSC contract on a pan-European scale, Norsk Hydro in Norway, Renault/Nissan, ICI and Chelsea & Westminster Hospital in the UK and Seagate in Thailand.

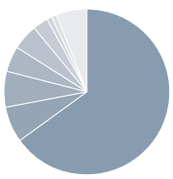
All ISS countries continued to develop the business model further towards facility services. However, due to local conditions and organisations being at different stages of development, the initiatives differed from one

Facility Services revenue 2004



	2004	2003	2002
Revenue, DKKm	37,150	32,918	33,907
Organic growth, %	2	(2)	1
Operating margin, %	6.3	6.2	5.7
Employees at year-end	265,874	237,362	240,849

Group revenue by service type 2004



- Cleaning 65%
- Landscaping 7%
- Building and technical services 7%
- Canteen services 5%
- Office support services 5%
- Pest control 3%
- Washrooms and dust control 1%
- Other facility services 1%
- Business Builds 6%

country to the next. Thus, for some countries the focal area was the initial development of a key account organisation while others gave top priority to refining the concept of service integration. Some countries took a leap within the provision of facility services by adding competences and expanding the service offering through acquisitions. Examples include Belgium, Singapore, Sweden and the UK adding catering; Austria and Denmark adding pest control; the Netherlands, Norway and Sweden adding office support and the UK adding facility management. Organic development of services, in particular washroom services, was also on the agenda in a number of countries.

ISS' facility services concept includes a flexible range of services tailored to customer-specific requirements. Thus, the customer portfolio includes customers to whom ISS provides large, integrated service solutions as well as other customers to whom ISS provides a single or a few services.

The Group's transformation to facility services is a gradual process, and delivery of cleaning and other services on a single service basis will continue to be an important source of revenue and a basis for the development of more extensive customer relationships. As cleaning is often used as the starting point for developing more comprehensive facility services contracts, cleaning services is also seen as a major activity for the Group going forward.

DAMAGE CONTROL

By responding quickly to damages and emergencies caused by fire, water, storms, vandalism or otherwise, ISS Damage Control supports its customers in controlling, remedying, restoring and cleaning up after damage to buildings, furniture, machinery and IT equipment.

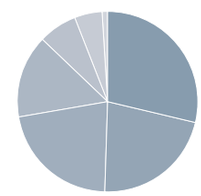
2004 was another difficult year for the damage control activities. The demand for after damage restoration services was weaker than in 2003 due to unusually dry weather conditions in the regions ISS operates in and because the industry in general is suffering from overcapacity and a tough pricing environment. ISS participated in the industry consolidation by acquiring Anticimex Building Environment in Norway and thereby taking some overcapacity out of the market. In addition, insurance companies are increasingly adopting a one-stop-shopping approach to damage control activities, seeking business partners who can offer an efficient claims handling process and effective delivery of damage control services. Damage Control aims at meeting the changing demands of insurance companies and turning the above trend into a strategic competitive advantage.

In 2004, Damage Control generated revenue of DKK 1,656 million, a decrease of 9% over 2003. Acquisitions added an insignificant increase in turnover while divested activities accounted for (4)%. Organic growth was (4)%. The disappointing organic growth reflected the difficult market conditions with unusually dry weather, especially in Scandinavia. In the UK and Germany positive organic growth was achieved due to a dedicated effort to sign framework agreements with insurance companies.

The operating margin was 1.6% against 3.5% in 2003. The decrease was primarily due to an unsatisfactory performance by Damage Control in Denmark, Sweden and the Netherlands. The reorganisation initiative undertaken in Norway has paid off with improved performance compared to last year but remains at a low level. The UK managed to improve the operating margin on the damage control activities.

As announced in February 2005, ISS has responded to recent years' declining market and structural changes in the damage control industry by downscaling the damage control activities in Denmark and Sweden, thus reducing exposure to market volatility by reducing the fixed cost base. As part of the downscaling, the damage control business in each country where ISS offers this service will be transferred to the facility services organisation of that country. Going forward, the results of Damage Control will be reported as a part of Facility Services.

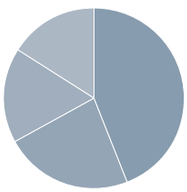
Damage Control revenue 2004



	2004	2003	2002
Revenue, DKKm	1,656	1,818	1,731
Organic growth, %	(4)	0	12
Operating margin, %	1.6	3.5	6.8
Employees at year-end	2,285	2,417	2,416

FOOD HYGIENE

Food Hygiene revenue 2004



- Nordic 44%
- The UK 23%
- The Netherlands 17%
- Belgium 16%

ISS Food Hygiene offers services such as specialised cleaning to meet specific hygiene standards in companies that produce or process food. In addition, the services include evaluation of risk profile, bacteriological testing and advice on food hygiene quality control systems such as HACCP (Hazard Analysis of Critical Control Points). ISS' service offering also includes a full facility services package to the food processing industry.

	2004	2003	2002
Revenue, DKKm	930	861	1,058
Organic growth, %	5	(2)	(4)
Operating margin, %	6.3	6.6	6.9
Employees at year-end	4,406	4,411	4,481

At the beginning of 2004, ISS Greenland and ISS Iceland were transferred from Food Hygiene to Facility Services to better reflect their underlying customer mix. Comparative figures have been restated.

Food Hygiene increased revenue by 8% to DKK 930 million. Organic growth amounted to 5%, while acquisitions contributed 2% and currency adjustments increased revenue by 1%. Organic growth varied substantially from country to country. Belgium, Sweden and the UK reported above average performances, whereas Denmark was affected by consolidation in the abattoir industry and the Netherlands felt the after-effects of the 2003 outbreak of avian influenza.

The operating margin fell relative to 2003 to stand at 6.3%. Margin improvements in Sweden and the UK were offset by weaker performances in Belgium, Denmark and the Netherlands.

ISS remained focused on defining operational standards and procedures to be applied by Food Hygiene. The benefits of a uniform international food hygiene concept were evidenced by contract wins in Belgium, Sweden and the UK based on proven service concepts. In Denmark Food Hygiene won the contract for Danish Crown's new abattoir facility, the largest of its kind in Europe. In the UK a contract was won with Young's Bluecrest.

During 2004, ISS Food Hygiene has been brought closer to the facility services organisations to benefit from synergies at the operational level. Going forward, Food Hygiene will be reported as part of Facility Services.

HEALTH CARE

ISS Health Care offers diagnostic competencies and medical treatment, including clinical physiology, MR scanning, X-ray and ultrasound, eye operations and fitting of hearing aids. In addition, ISS operates institutions providing treatment of abuse and psychiatric care. The services are performed in hospitals and clinics set up in rented premises. Health Care operates in Sweden.

2004 was a year of turnaround for the health care activities. At the end of 2003 the Group encountered difficulties in the segment due to demand side changes. The business is sensitive to public spending since activities are based on close cooperation with the public health care sector and the City of Stockholm is the single largest customer. Waiting list guarantees were suspended and at the beginning of 2004, the Stockholm County Council implemented new standards for the use of hospitals. The new standards require more extensive use of referrals from general practitioners as a means of admission to a hospital for treatment. The response from ISS was to resize the business and a number of profitability enhancing measures were initiated aiming at aligning the operations to current market conditions and improve the cost efficiency. The cost reductions focused on local hospitals and radiology clinics since these activities carry a higher proportion of fixed costs than ISS overall, and the downscaling in these segments had a considerable impact on profitability. The effects were reflected in an increase in the operating margin from 6.9% in 2003 to 10.8%.

In 2004, revenue amounted to DKK 619 million against DKK 568 million in 2003. To strengthen the position within rehabilitation, Health Care acquired the rehabilitation centre Nåjdens Behandlingskonsult AB in 2004, an acquisition adding 10% growth. Organic growth was negative at 1%, reflecting the changes in market conditions.

	2004	2003	2002
Revenue, DKKm	619	568	1,288
Organic growth, %	(1)	(2)	7
Operating margin, %	10.8	6.9	7.7
Employees at year-end	892	763	679

On 1 February 2005, ISS Health Care was sold to a joint venture, which is jointly owned and controlled by ISS and the private equity fund, EQT Partners. The joint venture also acquired 100% of CarePartner AB, which was 49% owned by ISS and 51% owned by management. ISS acquired the 51%-stake in CarePartner AB from management prior to the sale of the combined activities to the joint venture. Going forward, Health Care will be proportionally consolidated in the Group's accounts and will be reported as a separate entity outside the Facility Services country organisations.

Review of Country Performance

FRANCE

ISS France increased its revenue by 14% to DKK 7,798 million in 2004, consolidating its position as the Group's largest country in terms of volume. Following a few years of negative organic growth, the trend was upward in 2004 and organic growth accelerated to 6%. Growth was secured through a sustained focus on the sales process and primarily driven by landscaping and waste management activities. Growth from acquisitions was 8%.

	2004	2003	2002
Revenue, DKKm	7,798	6,858	6,839
Organic growth, %	6	(0)	(2)
Operating margin, %	6.8	6.7	6.9
Employees at year-end	37,973	35,859	36,412

In France, no Business Builds have been carved out.

The competitive situation in France remained tough in 2004. An increase of 6% in the minimum wage effective from July 2004 was generally compensated for by productivity gains and the operating margin increased slightly compared with 2003 to 6.8%.

An increase in the cleaning services portfolio lead to positive organic growth in the segment. A number of new waste management contracts were won in 2004, including five-year contracts with the municipalities of Marseille, Rungis and Lyon and an 18-year contract with the Communauté d'Agglomération de Brive, leading to solid organic growth. Within property services, organic growth was lifted by increased demand for green spaces in urban areas.

The development of Facility Services continued in 2004 and more resources were allocated to dedicated employee training. The service offering was further strengthened in 2004 through 17 acquisitions. Access control and reception services were added and integrated into a combined service offering. Technical maintenance competencies and geographical scope within property services were also added in 2004. Within hygiene services a range of small or medium-sized acquisitions added density to the current operation. The hygiene services activities were brought closer to the facility services organisation with a view to achieving additional cost and sales synergies.

THE UNITED KINGDOM

ISS UK generated revenue of DKK 5,537 million in 2004, an increase of 22%. Acquisitive growth was 14%, while organic growth and currency adjustments contributed 5% and 3%, respectively. Organic growth was driven by contract wins and increases in Facility Services including ISS Mediclean, and Food Hygiene.

The operating margin increased from 6.2% in 2003 to 6.5% as the impact from margin dilutive acquisitions was offset by an improved performance in most service areas and in the hospital segment served by ISS Mediclean.

In the UK market, demand for integrated facility services increased. Consequently, ISS UK remained focused on developing an organisation that offers Integrated Facility Services within both the commercial and the public sector. Within the public sector ISS Mediclean is already a long established provider of Inte-

grated Facility Services to the health care segment. Within the commercial sector ISS complemented the service offering by competence enhancing acquisitions. Acquisitions in 2004 included a facility management company and a business-to-business caterer. Furthermore, building maintenance and landscaping were strengthened through acquisitions. The acquisitions have been instrumental in the transformation of ISS UK to a full facility services provider to the commercial sector and the ability to compete for the larger integrated contracts with national and international clients. As a result of the enhanced offerings, ISS was awarded a number of contracts within these segments in 2004.

Both Food Hygiene and Damage Control in the UK reported a positive organic growth and operating margin improvements.

	2004	2003	2002
Revenue, DKKm	5,537	4,545	5,065
Organic growth, %	5	2	6
Operating margin, %	6.5	6.2	5.3
Employees at year-end	37,890	36,207	37,272
Of which Facility Services			
Revenue, DKKm	5,195	4,265	4,778
Operating margin, %	6.2	6.1	5.1

SWEDEN

In 2004, revenue in ISS Sweden decreased by 2% to DKK 3,628 million. Business conditions were difficult with public budgets under pressure and vacant office space in the private sector. The decrease in revenue was due to contract losses and reductions, which led to a negative organic growth rate of 6%. An initiative aimed at becoming a more customer-focused organisation and streamlining the sales process was launched to counter the negative organic growth.

ISS Sweden's overall operating margin declined from 5.8% to 4.9%. The decline came from underperformance in Ecuro, a facility management company, and from the impact of reduced revenue.

In Facility Services the operating margin declined from 5.4% to 3.9%. The efforts to improve the performance of Ecuro did not produce satisfactory results. As a result, Ecuro was operationally brought closer to Facility Services late in 2004. The effects of the initiative are expected to materialise gradually during 2005.

In 2004, ISS Sweden expanded and strengthened its integrated facility services offering through catering and facility management acquisitions and key staff was hired to drive the integrated offering. During the year, customers like Fortum and Nordea opted for an integrated facility services solution.

Damage Control experienced difficult business conditions. Revenue and the operating margin declined compared with last year as a low number of damages resulted in weak demand and competitive pressures in the market.

	2004	2003	2002
Revenue, DKKm	3,628	3,717	4,272
Organic growth, %	(6)	(2)	4
Operating margin, %	4.9	5.8	7.0
Employees at year-end	11,038	11,135	12,311
Of which Facility Services			
Revenue, DKKm	2,608	2,721	2,767
Operating margin, %	3.9	5.4	5.2

See the specific comment on the health care activities in Sweden under the separate section dealing with ISS Health Care on page 59.

DENMARK (INCLUDING ICELAND, GREENLAND AND THE FAROE ISLANDS)

In 2004, revenue in ISS Denmark decreased slightly to DKK 3,578 million. Organic growth was slightly positive after two years of negative performance. An effort to improve the sales process, and reduce losses especially within Facility Services was initiated in 2004 and has paid off. A new sales organisation was set up, all sales processes were reviewed and new and existing sales representatives upgraded their sales competencies.

The competitive environment meant that price increases could not fully compensate for a 100% increase in industrial injury insurance costs. However, Facility Services improved the operating margin from 5.8% in 2003 to 7.3% in 2004 through a combination of productivity gains and achieved synergies from integrated facility services contracts. However, the overall operating margin was almost unchanged at 6.4% as the improved performance in Facility Services was offset by negative contributions from the remaining businesses, especially the damage control business.

	2004	2003	2002
Revenue, DKKm	3,578	3,586	4,008
Organic growth, %	0	(7)	(2)
Operating margin, %	6.4	6.5	5.9
Employees at year-end	13,062	13,148	14,022
Of which Facility Services			
Revenue, DKKm	2,721	2,431	2,676
Operating margin, %	7.3	5.8	5.1

ISS Denmark expanded its facility services offering through a number of smaller bolt-on acquisitions, adding competencies within landscaping (interior plants), dust control, pest control and waste management. As part of a pan-Nordic agreement, Nordea was added to the portfolio of integrated facility services customers. A cleaning contract in Denmark was transformed to an integrated facility services contract comprising cleaning, catering as well as conferencing and reception services in four Nordic countries.

In Damage Control, the market situation in 2004 was characterised by a low level of damages, especially large damages, which lead to overcapacity and increased price competition. This put pressure on operating margins. Small, non-core business activities were divested to enhance the focus on damage restoration, dehumidification and industrial cleaning.

The Food Hygiene activities in Denmark were affected by consolidation of the abattoir industry. However, a new contract was secured with the largest abattoir facility in Europe, opened by Danish Crown in 2004. In February 2004, Food Hygiene started up an operation on the Faeroe Islands to service the local food industry. The activities in Greenland and Iceland with aggregate revenue of approximately DKK 230 million, formerly a part of Food Hygiene, were transferred to Facility Services during the year.

THE NETHERLANDS

In the Netherlands, market conditions were challenging due to continuing weak macroeconomics. The market for facility services declined as businesses closed down and combined their offices. In addition, customers' tight budgets had a negative impact on the demand for one-off jobs. In spite of these conditions, ISS generated revenue of DKK 3,094 million, an increase of 1% compared with 2003. Acquisitive growth of 6% was offset by negative organic growth of 5% as losses and contract reductions exceeded new sales and contract expansions. The organic growth rate developed positively during the year, improving from (13)% in Q1 to 0% in Q4.

ISS Netherlands responded to fierce price competition in the market by focusing on productivity enhancing measures. The operating margin improved from 6.1% to 6.8% in 2004. The improvement was due to a settlement of a defined benefit plan in 2004, resulting in the recognition of non-recurring income.

In Facility Services, the geographical presence of landscaping activities was expanded through a bolt-on acquisition at the end of 2004. ISS took another step towards completing the integrated facility services offering, as the service range was expanded by a green field start-up of catering services. The start-up has so far performed well in terms of contract wins. Service delivery under the integrated facility services contract with insurer Delta Lloyd won in 2003 commenced in 2004. The first full year of operation was a steep learning curve for the underlying delivery organisation, and the integrated facility services skills have been improved along the way. The efforts to train and educate frontline managers were awarded a Golden Service Award by the industry association. The programme covers more than 1,200 task leaders, supervisors, area managers and project managers.

The after-effects of the outbreak of avian influenza in 2003, which caused several poultry dressing stations to close down, and the ongoing consolidation of the abattoir industry had a negative impact on both revenue and operating profit in Food Hygiene. The Damage Control activities in the Netherlands performed below expectation in 2004 primarily due to a difficult market situation with weak demand for after damage restoration services.

	2004	2003	2002
Revenue, DKKm	3,094	3,062	3,468
Organic growth, %	(5)	(10)	(5)
Operating margin, %	6.8	6.1	4.2
Employees at year-end	21,904	22,849	26,270
Of which Facility Services			
Revenue, DKKm	2,852	2,787	3,208
Operating margin, %	7.2	6.3	4.6

NORWAY

The Norwegian organisation continues to develop the integrated facility services offering, and is one of the Group's most advanced country organisations in this field. A number of acquisitions strengthened the service offering, especially within office support services where two acquisitions have positioned ISS in the segment.

ISS grew its portfolio of integrated contracts, entering into a contract with Norsk Hydro to serve Ormen Lange, the second largest gas

	2004	2003	2002
Revenue, DKKm	3,084	3,035	3,304
Organic growth, %	(1)	(3)	13
Operating margin, %	6.7	5.3	6.7
Employees at year-end	7,343	7,934	8,032
Of which Facility Services			
Revenue, DKKm	2,841	2,707	2,854
Operating margin, %	7.4	7.1	7.0

field in Norway. Under the three-year contract, ISS Norway will provide services for 2,200 Norsk Hydro employees. ISS expects to have 135 employees on the contract when it is fully implemented in 2005.

Market conditions were unfavourable with low activity in the private sector in 2004. Revenue increased by 2% to DKK 3,084 million. Growth from acquisitions was 7%, net, and the impact from currencies was (4)%. Organic growth was (1)%, impacted by a contractual commitment to reduce costs substantially on a large public contract with Posten Norway AS. Excluding this contract, underlying portfolio growth was positive.

The operating margin improved from 5.3% in 2003 to 6.7% in 2004. The increase was due to improvements in both Facility Services and Damage Control. The improvement in Facility Services stemmed from a dedicated effort to manage fixed costs at all levels of the organisation and from an ongoing initiative to improve efficiency within cleaning and catering.

The damage control activities in Norway have integrated Anticimex Building Environment, which was acquired in the beginning of 2004. The integration was completed as planned. The consolidated organisation improved the performance compared with last year, although general market conditions for the damage control business remain difficult with structurally weak demand.

FINLAND

ISS Finland is the country with the Group's most developed facility services concept. All four core services are provided as integrated services based on a fully customer focused business model. ISS Finland has developed a business concept based on the life cycle of a facility. Today, ISS is positioned to handle most of the services related to day-to-day operations and maintenance of a facility from the very beginning of the life cycle.

Overall, revenue in ISS Finland increased by 61% to DKK 2,441 million, with organic growth contributing 10% and acquisitions adding 51%, net. The organic growth derived from a focused effort on developing customer relationships by service scope expansion. Property and technical services have proven to be a strong fit with the facility services concept, generating more one-off jobs with existing customers. Nine acquisitions were undertaken in 2004. The largest and most significant one being the acquisition of Engel. This July 2004 acquisition added annual revenue of approximately DKK 1.4 billion and 6,600 new employees. The integration of the Engel activities has so far followed the outlined plan, with consolidation of administrative functions and reductions of the fixed cost base.

ISS Finland operates a franchise model for the small-sized customer segment. The model has

proven effective in the Finnish business environment with its strong entrepreneurial spirit and legislation that ensures the protection of ISS' interests. The implications for the core business system have been increased focus and commitment to serving large customers.

The operating margin was lower than last year at 7.9%. However, this is still among one of the best performances among the Group's large country organisations. The negative development compared with last year was due to the short-term effect of the Engel acquisition, as the related costs have been incurred but cost synergies have only just begun to materialise.

During 2004, the remaining damage control activities were carved into the facility services organisation.

	2004	2003	2002
Revenue, DKKm	2,441	1,520	1,374
Organic growth, %	10	7	6
Operating margin, %	7.9	8.1	7.0
Employees at year-end	13,303	6,772	6,538
Of which Facility Services			
Revenue, DKKm	2,430	1,421	1,242
Operating margin, %	8.1	8.7	7.8

BELGIUM AND LUXEMBOURG

In 2004, ISS Belgium added another two core services from the facility services concept. Two acquisitions brought competencies within building maintenance and a single acquisition added catering services to ISS' service offering in Belgium. To further promote the integrated services offering a dedicated Integrated Facility Services project manager was hired to bring the concept of integrated services to the market.

Revenue of DKK 2,072 million was 15% above last year. Acquisitions added 13% and organic growth 2%. The positive organic growth provided a turning point for ISS Belgium after three years of negative organic growth. The improvement was the result of a focused effort to restructure the sales process. The sales organisation was reshaped with a centralised sales team and increased focus on key accounts. To support the sales process, ISS Belgium acted as the Group's pilot country for the development of a SAP-based Customer Relationship Management (CRM) tool. The development and implementation project was successfully completed in 2004.

ISS Belgium maintained its focus on profitability during 2004. The operating margin increased from 5.5% to 5.9%, close to the Group target for operating entities of 6.0%. The improvement was a result of operational efficiency, tight cost control and the increased activity level, which lead to overhead cost dilution.

The food hygiene activities in Belgium developed positively in 2004 and achieved 10% organic growth. Damage Control, which constitutes only an insignificant part of the overall business, experienced an unchanged level of activity and a negative operating margin in line with last year.

	2004	2003	2002
Revenue, DKKm	2,072	1,801	1,789
Organic growth, %	2	(2)	(10)
Operating margin, %	5.9	5.5	4.8
Employees at year-end	9,990	11,510	11,511
Of which Facility Services			
Revenue, DKKm	1,878	1,676	1,689
Operating margin, %	5.8	5.5	4.7

SPAIN

Revenue in ISS Spain increased by 82% to DKK 1,791 million in 2004. Acquisitions contributed 74%, primarily due to the acquisition of Grupo Unica. A structured sales approach focusing on the different business segments resulted in 8% organic growth.

The operating margin declined compared with 2003, as Grupo Unica operated with a lower margin on average than the existing ISS business in Spain. Overall, the existing ISS activities reported year-on-year, margin improvements, primarily due to dilution of overhead.

	2004	2003	2002
Revenue, DKKm	1,791	983	780
Organic growth, %	8	7	6
Operating margin, %	5.7	5.9	5.0
Employees at year-end	18,091	9,160	6,660

In Spain, no Business Builds have been carved out.

The organisation in Spain has been built through bolt-on acquisitions, while at the same time producing solid organic growth rates. The strategy was sustained in 2004, with acquisitions within the pest control segment and the acquisition of Grupo Unica, a leading provider of cleaning services. The Grupo Unica acquisition made ISS a nationwide provider of facility services in Spain, adding solid market positions in Madrid and southern Spain where ISS previously held weak positions or had no presence at all. The integration of Grupo Unica progressed as planned, and key staff functions have been integrated.

The focus on developing the integrated facility services concept was sustained. A washroom services division was set up at the beginning of the year taking the Group washroom concept to the Spanish market. The roll-out has so far progressed according to plan.

GERMANY

Business conditions in Germany remained challenging with continued fierce price competition. Due to Germany's VAT-regulations, which do not allow public sector hospitals to deduct VAT, the hospitals are continuing to in-source service contracts. This caused the loss of some significant contracts. In addition, the collective labour agreements led to an average reduction of 6% in blue-collar wages starting as of April 2004. The resulting price reductions were reflected in organic growth of (13)%. Revenue declined by 10% to DKK 1,568 million.

	2004	2003	2002
Revenue, DKKm	1,568	1,733	1,897
Organic growth, %	(13)	(8)	(8)
Operating margin, %	1.7	4.5	4.1
Employees at year-end	16,462	13,047	14,185
Of which Facility Services			
Revenue, DKKm	1,210	1,401	1,716
Operating margin, %	0.9	3.6	3.6

Margins remained under pressure as a result of price competition and the reduced revenue to carry overhead. The operating margin was 1.7%, impacted by additional costs of closing down lost contracts in the hospital services segment.

The remedies to address the prevailing business issues are to target the business-to-business segment; build critical mass in the regions ISS serves, and ensure that ISS operates in selected and clearly defined geographi-

cal areas. Through two acquisitions in 2004, most significantly the acquisition of Nobis in December 2004, ISS strengthened the facility services offering to business-to-business customers particularly in the Düsseldorf, Hamburg and Frankfurt regions.

As a consequence of the performance issues and the difficult macroeconomic environment, a goodwill impairment loss of DKK 50 million was recognised at the end of Q2 and goodwill amortisation relating to Facility Services in Germany was accelerated in the last six months of 2004.

ISS has decided to phase out larger contracts in the German hospital services segment due to the prevailing and discriminating VAT legislation and the unfavourable development. All sales and business development activities have been stopped and existing customer contracts will be phased out over 24 months. Only small contracts (if any) where the VAT problem is not prohibitive will remain by 2007 and they will be serviced by the facility services organisation. Going forward the organic growth calculation for ISS Germany and the Group will only include the continuing business. Following the decision of a phase-out, an updated business plan including the acquisitions made during the year was prepared for Facility Services in Germany. This resulted in further goodwill impairment of DKK 50 million in Q4 2004.

The number of projects in Damage Control increased year-on-year. However, price competition was tough as a consequence of a low level of large after-damage restoration activities. As a result, the operating margin declined compared with 2003.

SWITZERLAND

Revenue of DKK 1,153 million in ISS Switzerland was a slight increase compared with 2003. Acquisitive growth of 4% was offset by (2)% currency adjustments and (2)% organic growth. The negative organic growth was primarily due to the aviation- and landscaping segments.

The operating margin increased from 3.8% in 2003 to 5.6% partly reflecting that the efforts to reverse the disappointing performance of 2003 in the landscaping segment progressed according to plan.

In the Annual Report 2003, Switzerland was mentioned as one of the Group's operational challenges. Consequently, a new management team was appointed and focus was devoted to turning around the landscaping activities that diluted performance in 2003. The initiatives progressed as planned, and ISS Switzerland is expected to come off the list within 3-6 months.

The facility services concept progressed during the year, as more new customers opted for solutions that include more than one service. A key account approach is being implemented to further strengthen the customer relationships.

	2004	2003	2002
Revenue, DKKm	1,153	1,149	1,152
Organic growth, %	(2)	(3)	(3)
Operating margin, %	5.6	3.8	5.2
Employees at year-end	7,156	6,869	7,145

In Switzerland, no Business Builds have been carved out.

AUSTRIA

Revenue in ISS Austria increased by 23% to DKK 1,150 million. A structured approach to sales resulted in organic growth of 12%. Acquisitions contributed 12% growth, while currency adjustments were slightly negative.

The operating margin increased year-on-year to 7.9%, mainly as a result of fixed cost scale economies and partly due to efficiency gains at contract level.

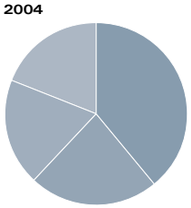
	2004	2003	2002
Revenue, DKKm	1,150	931	819
Organic growth, %	12	11	10
Operating margin, %	7.9	7.4	6.5
Employees at year-end	7,063	6,091	5,702

In Austria, no Business Builds have been carved out.

In 2004, ISS Austria continued its development towards integrated facility services as the service range was expanded to include pest control through an acquisition. The landscaping activities acquired in 2003 developed positively and cross selling to existing customers contributed to organic growth.

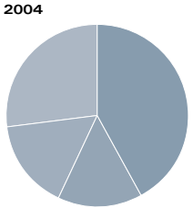
ISS Austria's focus on developing a professional results-oriented sales organisation and strengthening customer relationships continued in 2004. Particular attention was paid to key account relations and to selling more services to existing customers. An incentive structure has been set up for all white collar workers and education of front-line supervisors was undertaken to strengthen customer retention.

Revenue Central Eastern Europe 2004



- Czech Republic 39%
- Slovenia 23%
- Slovakia 19%
- Others 19%

Operating profit Central Eastern Europe 2004



- Czech Republic 42%
- Slovenia 15%
- Slovakia 16%
- Others 27%

CENTRAL EASTERN EUROPE

The Central Eastern Europe unit was formed in 2004 and comprises the Czech Republic, Slovenia, Slovakia, Romania, Hungary and Croatia. Revenue was DKK 466 million, a decrease of 4% due to divestments. Organic growth was flat and currency impact was neutral. The operating margin was lower than last year at 6.4%.

The Czech Republic Revenue in the Czech Republic decreased by 8% to DKK 181 million. A number of significant contracts were lost during the year, mainly with state hospitals. The Czech VAT-regulation does not allow the public sector hospitals to deduct VAT and the change of the VAT rate from 5% to 19% caused the public sector hospitals to return to in-sourcing. As a result organic growth was (8)%. The operating margin was unchanged compared with 2003.

Slovenia Revenue in ISS Slovenia was DKK 108 million, a decrease of 1% compared with 2003. Organic growth of 2% was more than offset by a negative currency adjustment of 3%. The positive organic growth was due to the implementation of a structured sales process supported by the Group's Customer Relationship Management (CRM) software. Contract wins included the national postal services, Posta Slovenija. The operating margin was down compared with last year due to an increasingly competitive environment.

Slovakia In 2004 revenue in ISS Slovakia was DKK 88 million, up 19% compared with last year. Organic growth, the driver behind the improvement, was based on new sales and contract increases in Facility Services with particular focus on selling additional services to key accounts in the commercial sector. The automotive segment saw a slowdown in activities because the largest customer was under pressure in 2004. Depending on customer preferences, increases in social charges for part time workers resulted in either price increases

or adjustments of the services provided. The operating margin was adversely impacted by the negative developments of the automotive segment and came in below the 2003 level.

Romania The business in Romania generated revenue of DKK 36 million in 2004. The activities are based on a contract with the City of Bucharest, under which ISS provides pest control services for the council. The operating margin was lower than last year.

Hungary Revenue in ISS Hungary declined from DKK 48 million in 2003 to DKK 32 million in 2004. The decline was due to a divestment in 2003, which reduced turnover by 34%. The business was negatively impacted from contract losses in business segments, in which customers have relocated their operations to countries with lower wages. The operating margin was lower than last year.

Croatia Having started operations only a few years ago, ISS Croatia has grown revenue to DKK 21 million. In 2004, organic growth was 36%, among the highest in the Group. The operating margin declined year-on-year due to non-recurring costs but remained above the Group average.

	2004	2003	2002
Revenue, DKKm	466	485	499
Organic growth, %	0	6	13
Operating margin, %	6.4	7.9	9.7
Employees at year-end	8,216	9,151	9,020

In Central Eastern Europe, no Business Builds have been carved out.

ISRAEL

Since 1 July 2003, ISS has held a controlling interest in the joint venture with the Hashmira Group in Israel. Therefore, as from that date, the operations of the joint venture were fully consolidated in the Group accounts. Compared with 2003, this added DKK 94 million to total revenue. Organic growth added 9% and revenue ended at DKK 373 million for 2004 Moreover, developing range of services offered to customers has strengthened client relationships. Currency adjustments had an adverse effect of 15% on revenue measured in Danish kroner.

The operating margin of 5.0% was less than last year. Shutting down initiated projects had a non-recurring negative effect on the operating margin, which would otherwise have been in line with prior-year figures. In addition, tight cost controls helped offsetting the effect of persistent price pressure on margins.

	2004	2003	2002
Revenue, DKKm	373	287	210
Organic growth, %	9	5	12
Operating margin, %	5.0	6.3	6.5
Employees at year-end	5,821	5,842	5,302

In Israel, no Business Builds have been carved out.

CHINA AND HONG KONG

In China, ISS has activities in Hong Kong and a small operation in Beijing. Revenue declined by 8% to DKK 355 million, impacted by currency adjustments of (9)%. The competitive environment in Hong Kong remained challenging although the economy is gradually recovering. Organic growth was 1% driven by hospital cleaning contract wins.

Following the SARS outbreak in Hong Kong in 2003, ISS experienced pressure from customers to recoup the additional costs they had

	2004	2003	2002
Revenue, DKKm	355	388	455
Organic growth, %	1	3	(2)
Operating margin, %	5.1	5.4	5.7
Employees at year-end	5,033	4,322	4,316

In China and Hong Kong, no Business Builds have been carved out.

incurred. Competition intensified and caused margins to come under pressure, resulting in an operating margin of 5.1%.

To continue the development of Facility Services in Hong Kong, ISS expanded its service offering to include washroom services. Initiatives aimed at increasing the proportion of revenue outside daily office cleaning resulted in new contract wins in the hospital segment.

The Hong Kong Social Welfare Department presented ISS with its "Caring Company" award. The award was given in recognition of ISS' efforts in caring for the community and its commitment to corporate citizenship.

BRAZIL

In 2004, the Brazilian real depreciated versus Danish kroner leading to a negative currency adjustment of 5%. Revenue was DKK 341 million, a decline of 3% compared with 2003 – acquisitive growth was 1% and organic growth was 1%. The efforts to push sales focused on facility services, achieving success through new contract wins and one-off activity with existing customers. However, sales tax increases restricted the opportunities for organic growth, since some customers asked for cutbacks in services to offset the sales tax increases.

	2004	2003	2002
Revenue, DKKm	341	353	433
Organic growth, %	1	4	(3)
Operating margin, %	5.4	3.5	(1.2)
Employees at year-end	12,381	11,895	12,189

In Brazil, no Business Builds have been carved out.

In addition to the positive organic growth, the operating margin increased to 5.4% from 3.5% in 2003 as a result of the restructuring effort undertaken in 2003 and a continuous focus on cost control. ISS Brazil's continued focus on Facility Services enabled the organisation to increase its sales and operating margin. The service offering was expanded to encompass office support, a call centre service, rendered to Siemens.

The sustained commitment to quality was rewarded in 2004, as both Goodyear and VW presented ISS with supplier awards.

SINGAPORE

Although the currency impact was negative, ISS Singapore was able to marginally increase revenue to DKK 307 million in 2004. A single acquisition contributed 7% growth. With the acquisition, ISS Singapore enhanced the service range to include catering, which is expected to provide additional cross selling of services. Organic growth was flat.

Measures to differentiate ISS from the competition were initiated and included ISO certifications, additional use of IT in operations, staff training and a broader services offering, among other things.

The business environment is characterised by price pressured due to price focused retende-

ring processes of contracts. However, by continuous focus on keeping costs down and efficiency improvements the operating margin equalled 6.6% for the year compared with 5.9% last year.

	2004	2003	2002
Revenue, DKKm	307	305	347
Organic growth, %	0	1	4
Operating margin, %	6.6	5.9	5.9
Employees at year-end	3,818	3,820	3,930

In Singapore, no Business Builds have been carved out.

IRELAND

The positive momentum continued in Ireland in 2004. Organic growth of 9% and an improved operating margin placed the Irish operation well ahead of the Group average. Organic growth was positive partly due to positive developments in key accounts and retention of all major contracts re-tendered and in part to the signing of new large contracts. Three acquisitions provided 7% revenue growth. Two of them added scale and density to the pest control service business and washroom services. The 2004 revenue was DKK 300 million.

The operating margin increased from 6.3% in 2003 to 7.9%, mainly due to a one-off income and changes in the service mix.

	2004	2003	2002
Revenue, DKKm	300	259	220
Organic growth, %	9	14	24
Operating margin, %	7.9	6.3	5.4
Employees at year-end	1,998	1,950	1,906

In Ireland, no Business Builds have been carved out.

AUSTRALIA

Operations in Australia generated revenue of DKK 242 million in 2004. This was achieved partly through organic growth of 4% driven by new contracts, among other things, in the fumigation and the mat service segments and a one-off job in landscaping. Measured in Danish kroner, revenue was positively affected by currency adjustments. Growth through acquisitions was 13%. Two acquisitions were completed during the year, which reinforced the range of service offerings.

The operating margin was 11.7% in 2004, lower than the year before. Underperformance in pest control more than outweighed a one-off income.

In December 2004, ISS was invited to participate in a venture headed by DB Capital Partners to take Australian based Tempo Services Limited private. If the takeover is successful ISS will co-invest with a 49% stake in the venture. The total commitment from ISS is around DKK 240 million. At 31 December, the joint venture had acquired a 19.5% stake in Tempo Services. ISS has accepted to take over the 19.5% stake currently held by the venture, if the attempt to take the company private is not successful.

	2004	2003	2002
Revenue, DKKm	242	201	138
Organic growth, %	4	4	-
Operating margin, %	11.7	13.5	11.7
Employees at year-end	487	410	371

In Australia, no Business Builds have been carved out.

PORTUGAL

ISS Portugal continued its positive trend with double-digit organic growth in 2004. Organic growth boosted sales by 19%, which was more than the last two years' organic growth rates combined. New contracts for e.g. the Lisbon subway and one-off jobs in connection with the EURO 2004 football event contributed to organic growth. The 2004 revenue grew by 24% to DKK 226 million, of which 5% was due to an acquisition. The acquisition added technical maintenance to the service offering and the competencies have successfully been integrated into the ISS service offering.

Although the operations of the acquired company were margin dilutive, the operating margin improved to 6.9%.

	2004	2003	2002
Revenue, DKKm	226	182	168
Organic growth, %	19	9	9
Operating margin, %	6.9	6.8	6.7
Employees at year-end	2,746	2,449	2,448

In Portugal, no Business Builds have been carved out.

GREECE

The revenue generated in Greece amounted to DKK 193 million which was higher than last year. This was achieved through organic growth of 5% following contract extensions with existing customers and a range of new contracts signed, mainly in the hospitals segment. The Olympic Games held during the year did not affect business volume and in the wake of the event market climate has become somewhat stagnant.

The operating margin was unchanged at 5.8%. This was realised through a better performance in cleaning activities but on a somewhat weaker showing in hospital activities.

	2004	2003	2002
Revenue, DKKm	193	185	167
Organic growth, %	5	11	17
Operating margin, %	5.8	5.8	4.8
Employees at year-end	1,602	1,456	1,513

In Greece, no Business Builds have been carved out.

ITALY

Revenue in ISS Italy increased 3% to DKK 192 million for the year. The development in revenue was affected by organic growth of (4)% due to the loss of a large cleaning contract, which was only partly offset by new contracts. Three bolt-on acquisitions added 7% growth, all strengthening the scale of the pest control offering.

The operating margin declined to 6.6%, influenced by the contract loss mentioned above and increased labour costs.

	2004	2003	2002
Revenue, DKKm	192	186	145
Organic growth, %	(4)	2	29
Operating margin, %	6.6	13.0	15.4
Employees at year-end	616	597	617

In Italy, no Business Builds have been carved out.

THAILAND

The operation in Thailand followed last year's positive performance and reported 22% organic growth. This was accomplished by new contract wins and volume increases on existing contracts. The development of integrated facility services offerings was an important contributor to the improvement, and the Group's washroom concept was successfully introduced on the Thai market in 2004. Revenue ended the year at DKK 93 million, up 16% compared with last year. Revenue measured in Danish kroner was adversely affected by currency adjustments. The last quarter of 2004 saw the completion of an acquisition that enhanced the customer base and provided an improved market position north of Bangkok. The operating margin increased marginally to 6.9%.

	2004	2003	2002
Revenue, DKKm	93	80	88
Organic growth, %	22	5	2
Operating margin, %	6.9	6.8	7.3
Employees at year-end	7,726	5,992	5,412

In Thailand, no Business Builds have been carved out.

JAPAN

ISS' business in Japan is based on a 50/50 joint venture between ISS and Mitsui & Co Ltd., one of Japan's largest companies. Consequently, ISS consolidated half of the operation in the Group financial statements. Organic growth was 1%, but currency adjustments had a negative impact on revenue, which amounted to DKK 78 million.

The operating margin fell relative to 2003 to 2.2% for the year.

	2004	2003	2002
Revenue, DKKm	78	79	91
Organic growth, %	1	(3)	(13)
Operating margin, %	2.2	2.8	1.2
Employees at year-end	488	493	502

In Japan, no Business Builds have been carved out.

INDONESIA

ISS Indonesia operates branches in five big cities, with almost 90% of turnover generated in the Jakarta region. Strengthening of the sales department and new service offerings helped the Indonesian operation to post organic growth of 31%. The 2004 revenue was DKK 69 million. Adverse exchange rate developments impacted growth measured in Danish kroner by (17)%.

The operating margin improved through fixed cost base dilution and a margin of 9.4% was realised for the year. During the last five years, ISS Indonesia has shown a compound annual organic growth rate of 38%, year-on-year margin improvements and a continued focus on developing customer loyalty. Customer relationship management progressed and strengthened the positive business momentum. In addition, action was taken to improve employee satisfaction by means of continuous education, incentive schemes and the establishment of a mentorship arrangement.

	2004	2003	2002
Revenue, DKKm	69	60	46
Organic growth, %	31	43	58
Operating margin, %	9.4	9.0	8.5
Employees at year-end	6,977	5,982	5,500

In Indonesia, no Business Builds have been carved out.

MALAYSIA

Persistent, fierce price competition and contract losses negatively impacted operations in ISS Malaysia. A positive performance within fumigation was offset by negative developments in the sanitation business.

	2004	2003	2002
Revenue, DKKm	69	76	86
Organic growth, %	(2)	1	7
Operating margin, %	7.6	9.6	10.1
Employees at year-end	2,392	2,497	2,554

In Malaysia, no Business Builds have been carved out.

For the year 2004 revenue declined to DKK 69 million partly through lower organic growth of (2)% and negative currency effects. The operating margin fell to 7.6%.

POLAND

Revenue in Poland increased 3% to DKK 67 million due to organic growth of 5% but was negatively affected by currency adjustments.

	2004	2003	2002
Revenue, DKKm	67	65	71
Organic growth, %	5	4	6
Operating margin, %	4.3	4.8	5.1
Employees at year-end	1,924	1,946	1,964

In Poland, no Business Builds have been carved out.

The increase in organic growth was due to a new contract with one of the largest shopping centres in Poland.

The operating margin of 4.3% was lower than the previous year as ISS Poland lost some contracts with higher profitability.

ARGENTINA

The Argentinean operation increased revenue to DKK 39 million in 2004. This was partly attributable to strong organic growth of 50%, partly to acquisitions that added 36%. The acquisitive growth comprised three takeovers that supported the scope of the facility services offering. Currency adjustments had a negative effect on revenue expressed in Danish kroner. Profitability improved as a result of the efforts to obtain critical mass to support fixed costs and renegotiations of key contracts. However, the operating margin for the full year remained negative at (2.8)%. The positive trend seen in 2004 and a positive run-rate margin by the end of the year confirmed the Group's long-term confidence in the Argentinean market.

	2004	2003	2002
Revenue, DKKm	39	23	21
Organic growth, %	50	37	(7)
Operating margin, %	(2.8)	(12.7)	(46.0)
Employees at year-end	2,304	1,050	830

In Argentina, no Business Builds have been carved out.

SRI LANKA

ISS activities in Sri Lanka are managed through a joint venture. Consequently, ISS consolidates half of the operation in the Group financial statements. Revenue attributable to ISS in 2004 was DKK 17 million, equivalent to a growth of 10% measured in Danish kroner. The two waste management contracts won in 2003 with the Colombo Municipality took effect during the year and contributed to the organic growth of 27%, whereas currency adjustments adversely affected growth measured in Danish kroner.

Due to an unexpected VAT liability, which is non-recurring, the operating margin was close to break-even.

	2004	2003	2002
Revenue, DKKm	17	15	15
Organic growth, %	27	23	24
Operating margin, %	(0.0)	5.1	7.6
Employees at year-end	5,650	4,330	3,794

In Sri Lanka, no Business Builds have been carved out.

BRUNEI

The organic growth in 2004 was 4%. However, due to negative currency adjustments the total revenue growth measured in Danish kroner was (1)%. The start-up of new contracts and one-off jobs in connection with the royal wedding fuelled organic growth. Revenue for the year totalled DKK 13 million.

Continued improvement in margins derived from the introduction of hygiene services with better profitability resulted in an operating margin of 24.5%.

	2004	2003	2002
Revenue, DKKm	13	14	16
Organic growth, %	4	1	11
Operating margin, %	24.5	24.3	23.9
Employees at year-end	161	151	155

In Brunei, no Business Builds have been carved out.

NEW GEOGRAPHIES

Chile Operations in Chile commenced in July 2004 through an acquisition, which is a platform for further growth. From the outset, services provided involve cleaning and pest control. Revenue reached DKK 19 million. The revenue slightly exceeded expectations due to contract extensions and securing of new contracts. The operating margin was 5.2%.

Uruguay ISS established a country organisation in Uruguay in 2004 through the acquisition of Samilar in September 2004. Previously, Uruguayan contracts were handled through the established organisation in Argentina. Revenue in Uruguay amounted to DKK 2 million in 2004 and the operating margin was 10.0%.

Financial Statements

"First Blood / First Blood / Hospitality", Claus Carstensen
Acrylic and tempera on canvas, 100 x 70 cm

Signatures to the Financial Statements

COPENHAGEN, 10 MARCH 2005

The Board of Directors and the Executive Management Board have today discussed and approved the Annual Report 2004 of ISS A/S. The Annual Report has been prepared in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the Copenhagen Stock Exchange financial reporting requirements for listed companies.

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2004 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows of the Group for the financial year 1 January - 31 December 2004.

The Annual Report is presented for approval at the annual general meeting on 13 April 2005.

EXECUTIVE MANAGEMENT BOARD

Eric Søe Rylberg
Group Chief
Executive Officer

Thorbjørn Graarud
Group Chief
Operating Officer

Karsten Poulsen
Group Chief
Financial Officer

Flemming Schandorff
Group Chief
Operating Officer

BOARD OF DIRECTORS

Erik Sørensen
Chairman

Sven Riskær
Vice-chairman

Tom Knutzen

Peter Lorange

Claus Høeg Madsen

Karin Verland

Karina Deacon

Tina Hilligsø

Flemming Quist

Auditors' Report

COPENHAGEN, 10 MARCH 2005

TO THE SHAREHOLDERS OF ISS A/S

We have audited the Annual Report 2004 of ISS A/S, pages 1-147, prepared in accordance with the Danish Financial Statements Act, Danish Accounting Standards and the Copenhagen Stock Exchange financial reporting requirements for listed companies.

The Annual Report is the responsibility of the Company's Board of Directors and Executive Management Board. Our responsibility is to express an opinion on the Annual Report, pages 1-147, based on our audit.

BASIS OF OPINION

We conducted our audit in accordance with Danish and International Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. An audit also includes assessing the accounting policies used and significant estimates made by the Board of Directors and the Executive Management Board, as well as evaluating the overall Annual Report presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not resulted in any qualification.

OPINION

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2004 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows of the Group for the financial year 1 January - 31 December 2004 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

KPMG C. Jespersen
Statsautoriseret Revisionsinteressentskab

Deloitte
Statsautoriseret Revisionsaktieselskab

Finn L. Meyer
State Authorized
Public Accountant

Søren Thorup Sørensen
State Authorized
Public Accountant

Jens Rudkjær
State Authorized
Public Accountant

Jesper Jørgensen
State Authorized
Public Accountant

Financial Review

The financial information provided in this report has been prepared in accordance with the same accounting policies as were applied in 2003. ISS' accounting policies are set out on pages 89-95 of this report.

INCOME STATEMENT

Revenue in 2004 was DKK 40,355 million, an increase of DKK 4,190 million over last year. Currency adjustments and divestments were insignificant. Acquisitions added 11% while organic growth improved from (1.6)% in 2003 to 1.5% in 2004. Facility Services contributed 92% of Group revenue in 2004, and the Business Builds contributed 8%.

Geographically, revenue increased by 11% in Northern Europe and 12% in Continental Europe, while Overseas reported an increase of 7% relative to last year. Spain and Finland produced the steepest growth rates among the Group's large countries, primarily due to acquisitions, but also due to solid organic growth rates.

Facility Services Revenue from Facility Services amounted to DKK 37,150 million. Organic growth was 2%, comprising 2% in Northern Europe, 2% in Continental Europe and 5% Overseas. Acquisitions added 12% while currency adjustments and divestments were insignificant.

Revenue growth

	Organic %	Net acquisitions %	Currency %	Total %
Group	**1.5**	**11**	**(0)**	**12**
Business area				
Facility Services	2	12	(1)	13
Damage Control	(4)	(4)	(1)	(9)
Food Hygiene	5	2	1	8
Health Care	(1)	10	0	9
Region				
Northern Europe	1	10	0	11
Continental Europe	2	11	(1)	12
Overseas	5	9	(7)	7

Organic growth calculation going forward
To enhance the comparability of ISS' organic growth rates with its industry peers, ISS will change the method for calculating organic growth.

The new method assumes that organic growth in acquired businesses generating annual revenue of more than DKK 50 million is neutral in the first 12 months following take-over.

Since the integration of acquisitions into the existing ISS business complicates the isolation of organic growth from acquisitions and organic growth from the existing business, the organic growth from small acquisitions (defined as businesses generating revenue of less than DKK 50 million) will continue to be included in the Group's organic growth from the day of takeover.

The new method for calculating organic growth will take effect for acquisitions made after 1 January 2005.

Business Builds Damage Control generated revenue of DKK 1,656 million in 2004, a decrease of 9% over 2003. Divestments, net, reduced revenue by 4%. Organic growth was (4)%, with positive organic growth in Germany and the UK being offset by the impact of difficult market conditions, particularly in Scandinavia.

Food Hygiene increased revenue by 8% to DKK 930 million. Organic growth accounted for 5%, while acquisitions contributed 2% and currency adjustments added 1%.

In Health Care, revenue amounted to DKK 619 million against DKK 568 million in 2003. The increase stemmed from an acquisition adding 10% to revenue. Organic growth was (1)% following demand side changes.

Operating profit before other income and expenses and associates was up by 12% to DKK 2,279 million. The operating margin was unchanged compared with 2003 at 5.6%, the highest level recorded since the Group was listed in 1977. A comparison with historical performance should take into account that ISS today leases most of its cars and buildings. As the funding costs of leased assets are included in operating expenses, the current operating margin is negatively impacted on a comparable basis.

Facility Services The operating margin increased from 6.2% to 6.3% in 2004, comprising 6.5% in Northern Europe, 6.2% in Continental Europe and 6.0% in Overseas.

Facility Services in Northern Europe improved its operating margin relative to 2003 with progress in all countries of the region, except Finland and Sweden. Denmark had the strongest impact, lifting its operating margin by 1.4 percentage points from 5.9% in 2003 to 7.3%. Facility Services in Sweden saw a decline in its operating margin from 5.4% to 3.9%, primarily due to underperformance in Ecuro, the facility management business.

In Continental Europe, the overall margin in Facility Services increased compared with 2003. Margin improvements were achieved in Austria, Belgium, France, Portugal, the Netherlands and Switzerland. The overall operating margin performance in Continental Europe was impacted by a lower operating margin in Germany where contract losses in the hospital service business caused the operating margin for Facility Services to decrease from 3.6% in 2003 to 0.9%.

Overseas saw a slight decline in the operating margin from 6.1% to 6.0% due to shortfalls in Australia and Israel.

Business Builds Damage Control was impacted by adverse weather conditions in Scandinavia and generally low activity. The operating margin was 1.6% compared with 3.5% in 2003. Food Hygiene saw a decline in the operating margin from 6.6% to 6.3% because the performance in Belgium, Denmark and the Netherlands fell short of last year's mark. The operating margin of Health Care improved from 6.9% in 2003 to 10.8% as a result of restructuring initiatives undertaken.

Operating results by business area [1)]

	Revenue DKKm			Operating profit [2)] DKKm			Operating margin	
	2004	2003	Change	2004	2003	Change	2004	2003
Facility Services	37,150	32,918	13 %	2,343	2,048	14 %	6.3 %	6.2 %
Damage Control	1,656	1,818	(9)%	26	64	(59)%	1.6 %	3.5 %
Food Hygiene	930	861	8 %	58	57	2 %	6.3 %	6.6 %
Health Care	619	568	9 %	67	39	72 %	10.8 %	6.9 %
Corporate	-	-	-	(215)	(176)	22 %	(0.5)%	(0.5)%
Group	**40,355**	**36,165**	**12 %**	**2,279**	**2,032**	**12 %**	**5.6 %**	**5.6 %**

[1)] A reclassification between segments has been made compared with 2003. Comparative figures have been restated, see page 102 of this report for further details.
[2)] Before other income and expenses and associates.

Staff costs amounted to DKK 26,577 million, an increase of 9% over last year. Staff costs relative to turnover were 65.9% compared with 67.5% in 2003. This reflected a change in ISS' service delivery, since services such as pest control, catering and landscaping are less staff intensive than other facility services.

Cost of sales was DKK 3,146 million. This was equal to 7.8% of turnover, an increase of 0.4 percentage point from 2003.

Other operating expenses amounted to DKK 7,736 million or 19.2% of turnover, up from 17.8% in 2003.

Other income and expenses, net stood at a net expense of DKK 69 million. Divestments and closures were a net loss of DKK 10 million, of which DKK 4 million was realised as a consequence of the disposal of the Group's 49% stake in Fernley Airport Services Ltd. in the UK in December 2004.

Redundancy payments and termination of ISS entities' rental obligations as a result of acquisitions, primarily in Finland, Germany, Norway and Spain, amounted to DKK 32 million, which amount was included in Other income and expenses, net in accordance with ISS' accounting policies. Due to the nature of the acquisitions, no such costs were incurred in 2003.

Some of the management and structural changes that were announced in November 2003 were executed in 2004, leading to a total charge of DKK 20 million of which DKK 15 million related to redundancy payments and DKK 5 million resulted from the disposal of vacated office space.

Share of profit from associates is presented after Other income and expenses, net and included in the calculation of Operating profit. Share of profit from associates of DKK 39 million reflected ISS' share of the pre-tax results in associated companies, most significantly CarePartner AB.

Operating profit increased by 15% from DKK 1,964 million to DKK 2,249 million.

Net finance costs increased to DKK 343 million from DKK 265 million in 2003. The increase was due to increased net debt and one-off interest expenses primarily related to interest resulting from a Danish tax audit, slightly offset by a lower level interest rates. Interest income amounted to DKK 101 million and comprised primarily interest income and gains on listed Danish mortgage bonds. The Group realised a net currency exchange loss of DKK 8 million compared with a loss of DKK 13 million in 2003.

Interest coverage decreased to 8.4 from 9.9 in 2003 as a result of the increase in interest expenses.

Profit before tax and goodwill amortisation was DKK 1,906 million compared with DKK 1,732 million in 2003.

Income taxes were DKK 598 million. The effective tax rate decreased to 31.4% from 31.9% in 2003 due to the reversal of a tax provision no longer required.

Profit before goodwill amortisation was up by 11%, from DKK 1,179 million in 2003 to DKK 1,308 million in 2004.

Goodwill amortisation totalled DKK 1,217 million against DKK 894 million in 2003. The increase was mainly a result of the increased acquisition activity during 2004 and an accelerated goodwill amortisation period in Ger-

many. Goodwill write-down related to discontinued businesses in Spain and Damage Control, Norway was DKK 18 million. At the end of Q2 2004, goodwill impairment of DKK 50 million was recognised in Facility Services, Germany as a consequence of the prevailing performance issues. An updated business plan was prepared following the acquisition of Nobis in December 2004 and a decision to phase out larger contracts in the German hospital services segment in February 2005. This resulted in a further goodwill impairment of DKK 50 million, which was recognised at the end of Q4 2004.

Tax effect of goodwill amortisation was DKK 59 million against DKK 31 million in 2003. The increase was mainly due to two larger acquisitions in Finland and Spain. Tax effect of goodwill amortisation arises in countries where goodwill is tax deductible. For 2004, the impact primarily stemmed from Denmark, Finland, Germany, Norway, and Spain.

Net profit for the year was DKK 131 million against DKK 286 million in 2003.

Earnings per share (before goodwill amortisation) increased by 10% to DKK 29.5.

CASH FLOW STATEMENT

Cash flow from operating activities was DKK 1,979 million (2003: DKK 2,345 million) after positive changes in working capital of DKK 186 million. The number of consolidated debtor days was 44, a decrease of one day compared with 2003.

Investments in intangible assets and property, plant and equipment, net amounted to DKK 583 million, a 45% increase over 2003, inter alia affected by investments in France following contract start-ups in waste management. Relative to revenue, investments, net amounted to 1.4% while depreciation amounted to 1.5%.

Free cash flow, defined as Cash flow from operating activities less Investments in intangible assets and property, plant and equipment, net, stood at DKK 1,396 million compared with DKK 1,942 million in 2003.

Cash conversion was 107% in 2004, marking the sixth consecutive year with cash conversion above the Group's target of approximately 95%. Cash conversion is defined as Free cash flow divided by Profit before goodwill amortisation.

Acquisition of businesses, net amounted to a cash outflow of DKK 3,886 million. The largest companies acquired were Engel in Finland and Grupo Unica in Spain.

Investments in financial assets, net changed from an inflow in 2003 to an outflow of DKK 53 million in 2004, mainly affected by the acquisition of a 40% stake in Aircon in Norway and the investment in the joint venture with DB Capital Partners in Australia described on page 71 of this report.

Proceeds from issuance of share capital of DKK 793 million related to a share issue at market price in December 2004 of DKK 746 million and a DKK 47 million issue of employee shares in October 2004, net of costs.

BALANCE SHEET

Total assets amounted to DKK 29,676 million as at 31 December 2004 compared with DKK 23,385 million at the end of 2003.

Goodwill relates to acquisitions carried out under varying circumstances and at different stages of macroeconomic cycles. The goodwill is distributed on most of the countries in

which the Group operates. The acquired companies, to which the goodwill relates, comprise a diverse portfolio of service types, customer segments, geographical regions, contract sizes and management skills. The largest amount of goodwill relates to the Group's operations in France, representing 24% of the total carrying amount of goodwill. At 31 December 2004, goodwill stood at DKK 15,494 million, an increase of DKK 3,029 million over last year, being the net effect of Goodwill amortisation of DKK 1,217 million, addition of goodwill of DKK 4,268 million, disposals of DKK 10 million and foreign exchange adjustments of DKK (12) million.

Deferred tax assets increased from DKK 327 million to DKK 474 million in part due to acquisitions and the accelerated goodwill amortisation in Germany.

Total equity increased by DKK 703 million to DKK 8,336 million at 31 December 2004.

The increase in equity was mainly attributable to the issue of new shares amounting to DKK 793 million, net of costs. Net profit for the year was DKK 131 million.

Currency adjustments, relating to investments in foreign subsidiaries net of hedges, reduced equity by DKK 36 million at 31 December 2004. The decrease comprised a negative foreign exchange adjustment of DKK 38 million on investments in foreign subsidiaries and a gain on related hedge positions of DKK 2 million, net of tax.

The equity ratio, defined as total equity relative to total assets, was 28.1% – a decrease of 4.5 percentage points.

Pensions and similar obligations amounted to DKK 263 million against DKK 253 million at 31 December 2003. The majority of the Group's pension plans are defined contribution plans. ISS' contributions to such plans are accrued and expensed on an ongoing basis.

In certain countries, mainly in the Netherlands, Norway, Sweden, Switzerland and the UK, ISS has defined benefit plans. ISS uses the accounting principle known as the corridor approach in the recognition of actuarial gains and losses to ensure that both positive and negative random changes in the obligations and plan assets are levelled out over a number of years. This implies that any actuarial gain or loss of each individual plan exceeding 10% of the higher of plan assets and the present value of the obligations at the beginning of the year is amortised on a straight line basis over the expected average remaining working lives of the employees comprised by the schemes. ISS' time horizon in this respect is between 7 and 16 years due to differences in the individual pension schemes.

The net liability for the defined benefit plans amounted to DKK 229 million at 31 December 2004, which was on a level with 2003. Unrecognised actuarial losses and unrecognised transition losses amounted to DKK 435 million compared with DKK 306 million in 2003. The increase was in part due to inclusion of a pension plan in Switzerland and in part reduced interest rates in certain countries.

Pension costs related to defined benefit plans amounted to DKK 82 million in 2004, an increase of DKK 2 million compared with 2003 after inclusion of a one-off income of DKK 27 million relating to a settlement of a pension scheme. Based on the current discount rates ranging between 2.5% and 5.5%, pension costs are expected to amount to approximately DKK 124 million in 2005. A simultaneous change in the discount rates of

0.25 percentage point is estimated to increase or decrease, as the case may be, the costs in 2005 to approximately DKK 132 million or approximately DKK 116 million, all other things being equal. For detailed information on pension obligations, please refer to note 20 to the consolidated financial statements on pages 111-112 of this report.

Other provisions were DKK 646 million as at 31 December 2004. Provisions related to acquired companies amounted to DKK 115 million. This was an increase of DKK 54 million compared with 2003 reflecting the increased acquisition activity. The remaining provisions comprise various obligations incurred in the ordinary course of business, e.g. labour related obligations, legal obligations, contract closures etc. The increase in such provisions was primarily due to inclusion of a provision of DKK 69 million for dismantling costs relating to a waste management contract in France. This provision is counterpart to an addition under Land and buildings.

Interest-bearing debt, net was DKK 7,214 million against DKK 4,784 million in 2003. The net debt comprised debt of DKK 11,170 million, securities and liquid funds of DKK 3,707 million and the positive marked-to-market value of the interest rate swaps at 31 December 2004 of DKK 249 million. The Interest-bearing debt, net was mainly affected by the free cash flow of DKK 1,396 million, the issue of new shares of DKK 793 million and cash outflow for acquisitions of DKK 3,886 million.

FUNDING AND FINANCIAL RISK MANAGEMENT

The key objective of the Group's funding strategy is to ensure sufficient financial flexibility to support the outlined strategy.

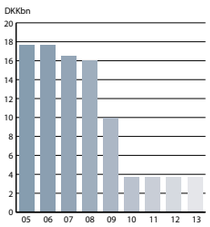
The majority of the external funding is obtained by ISS Global A/S, a 100% owned subsidiary of ISS A/S. ISS Global A/S owns – directly or indirectly – the Group's operating companies.

Funding The Group's funding was changed during the autumn 2003 when ISS Global A/S listed a Euro Medium Term Note (EMTN) programme and subsequently launched its inaugural EUR 850 million bond issue, which has a coupon of 4.75% and expires in 2010. In November 2004, ISS Global A/S tapped the corporate bond market once again, launching another corporate bond issue, this time for EUR 500 million with a coupon of 4.50% and a tenor of 10 years. The proceeds were used to repay the majority of the Group's existing bank loans. After the bond issues, the Group's funding comprises a blend of corporate bonds and unutilised bank commitments.

The Group's bank facilities are primarily established with its core banks, currently comprising 11 international banks. The borrowing facilities are established through individual bilateral agreements based on ISS' standard documentation. The Group aims to renegotiate and extend the loan agreements on an annual basis in order to ensure sufficient borrowing capacity and a continuing long-term commitment on the funding, thereby reducing a potential refinancing risk.

At 31 December 2004, ISS had total long-term credit facilities of DKK 17.7 billion including the issued bonds, of which DKK 10.4 billion had been drawn. The comparative figures for 2003 were DKK 14.2 billion and DKK 6.4 billion, respectively. The average commitment period for the long-term facilities was 5.9 years, up from 5.1 years in 2003.

Commitment curve



Financing structure The vast majority of the Group's external borrowing is centralised with ISS Global A/S, which functions as an intra-group bank for the operating companies. According to the Group's internal treasury policy, operating companies place surplus cash with ISS Global A/S in order to ensure central management of the Group's liquid funds. Surplus cash is primarily invested in listed Danish mortgage bonds or held as bank deposits.

To ensure that surplus cash and debt are netted at country level, ISS sets up country-based cash pools with overdraft facilities in countries where the Group has more than one operating company.

Credit rating ISS A/S and ISS Global A/S are rated BBB+ with Stable Outlook by Standard & Poor's. Both bond issues carry the same rating.

Capital planning The Group's capital planning aims at reducing the cost of capital subject to maintaining financial flexibility. To ensure the right proportions of equity and debt in the medium term, ISS prepares rolling multi-year plans, which take into account the use and generation of capital under different strategic growth scenarios.

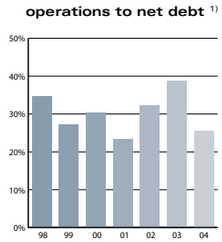
The Group evaluates its financial position and credit quality on an ongoing basis using various financial planning and credit rating models. The planning models incorporate a number of parameters, including acquisitions, operating margins, organic growth, working capital levels, dividend policy etc. In accordance with the strategy and capital planning, ISS A/S raised DKK 746 million in net proceeds through a share issue at market price in December 2004.

In the assessment of creditworthiness, off-balance sheet liabilities are taken into account in accordance with principles used by credit rating agencies. These are primarily contingent liabilities relating to operational leasing or renting of vehicles (DKK 899 million) and buildings (DKK 1,895 million). At the end of 2004, total contingent liabilities amounted to DKK 3,066 million compared with DKK 2,620 million in 2003. The Group aims to reduce the maturity on its contingent liabilities.

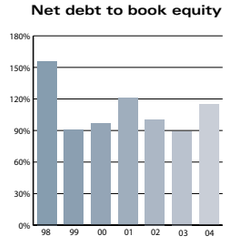
The following key financial ratios are applied as credit strength indicators when assessing the Group's financial strength:

- Free funds from operations to net debt
- Net debt to book equity
- Interest coverage

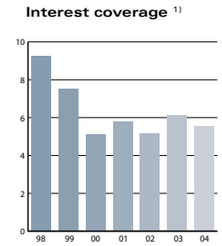
Free funds from operations to net debt [1)]



Net debt to book equity [1)]



Interest coverage [1)]



[1)] Lease adjusted.

Based on the Group's strategy and the current business environment, ISS' financial planning incorporates the following long-term guidelines: Free funds from operations to net debt above 30%; Net debt to book equity below 1; and an Interest coverage of at least 4.5. The ratios are adjusted for operating leases and rental of assets as defined on page 147 of this report. ISS continuously evaluates the relevance of the applied ratios and makes adjustments if deemed necessary. The individual guidelines may vary periodically and the evaluation, which should be considered in conjunction with other relevant factors, comprises the combination of all three ratios.

As at 31 December 2004, the Free funds from operations to net debt was 26%, compared with 39% at the end of 2003. The ratio is by definition negatively affected by acquisitions completed in 2004: the numerator does not reflect the cash flow generated by the acquired companies on a full-year basis, while the net debt increase is fully recognised in the deno-

minator. Net debt to book equity was 115% compared with 89% in 2003. Interest coverage was 5.5 – down from 6.1 in 2003.

Financial risk management The Group's financial risk management is based on policies approved by the Board of Directors, specifying guidelines and risk limits for the Group's financial transactions and positions. ISS may use derivatives to hedge financial risks and may invest surplus cash in securities. Hedging of financial risks is managed at corporate level.

Interest rate risk is measured by the duration of the net debt. The duration reflects the effect of a simultaneous increase or decrease in the general level of interest rates for the currencies included in the debt portfolio. As at 31 December 2004, the duration of net debt was approximately 0.2 years. Thus, all other things being equal, an increase (decrease) of one percentage point in the relevant interest rates would reduce (increase) the market value of net debt by approximately DKK 14 million. Based on the net debt and taking into account the effect of hedging instruments as at 31 December 2004, a general decrease (increase) of one percentage point in relevant interest rates would reduce (increase) the annual net interest expense by approximately DKK 58 million, all other things being equal.

The Group's loan portfolio primarily consists of bonds issued under the EMTN-programme.

The interest payments on the corporate bonds have been swapped from fixed into floating rates. To manage the duration of the net debt, ISS applies derivatives, such as interest rate swaps, futures and options. The deferred gain or loss on the interest rate instruments will in accordance with the matching principle be charged to the income statement as a financial item at the time when the hedged interest expense is recognised in the income statement. See note 25 to the consolidated financial statements for further information.

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

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

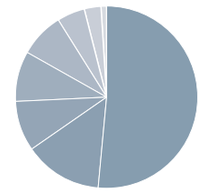
The service industry is characterised by a relatively low level of transaction risk, since the services are produced and delivered in the same local currency with minimal exposure from imported components. ISS' transaction risk primarily relates to payment of royalties and service fees to ISS A/S, which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

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

Corporate Treasury may choose to hedge the currency exposure on foreign investments by funding such investments in local currencies or entering into hedging transactions.

In 2004, the currencies in which the Group's revenue was denominated depreciated by an

Revenue



EUR	51%
GBP	14%
SEK	9%
DKK	9%
NOK	8%
USD related	5%
CHF	3%
Others	1%

average of 0.4% relative to Danish kroner, reducing Group revenue by DKK 159 million. Currency movements affected the operating profit by DKK 8 million. The effect of the translation of investments in foreign subsidiaries, including the effect of hedge transactions, net of tax, reduced equity by DKK 36 million.

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

Accounting Policies

BASIS OF PREPARATION

The Annual Report has been prepared in accordance with the provisions of the Danish Financial Statements Act, Reporting Class D, and the regulations for companies listed on the Copenhagen Stock Exchange, including Danish Accounting Standards. The accounting policies are consistent with last year. Compared to previous years, the presentation of Share of profit from associates has been adjusted. On the face of the income statement Operating profit now includes Share of profit from associates, as the investments are considered part of the ordinary operations. Comparative figures have been restated accordingly.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include ISS A/S ("the Company") and all subsidiaries (together with the Company referred to as "the Group") in which the Company, directly or indirectly, holds more than 50% of the voting rights or otherwise has a controlling interest.

The consolidated financial statements are based on the financial statements of the Company and the individual subsidiaries by adding items of a similar nature. Intra-group income and expenses, shareholdings, dividends and balances as well as realised and unrealised gains and losses on intra-group transactions are eliminated.

Minority interests' proportionate share of profit and equity in subsidiaries is recognised separately in the income statement and balance sheet.

Investments in associates Enterprises, which are not regarded as subsidiaries, but in which the Group holds investments and exercises a significant, but not a controlling influence are regarded as associates. The proportionate share of the associate's profit or loss is recognised in the income statement under the equity method. A proportionate share of transactions with the Group is eliminated, including realised and unrealised gains and losses.

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

Acquisition and divestment of businesses Acquired enterprises are included in the consolidated financial statements as from the date of acquisition. Enterprises that are divested or wound up are included until the date of divestment or wound up.

Acquisitions are treated in accordance with the purchase method, under which identifiable assets and liabilities of acquired enterprises are recognised in the balance sheet at fair value at the date of acquisition. Provisions are recognised for obligations concerning planned restructuring in the acquired enterprise arising at the date of acquisition as a direct consequence of the acquisition, including severance payments and expenses related to the closing down of branches and offices. Any tax impact related to revaluations and provisions regarding restructuring is taken into account.

Any excess cost of acquisition over the fair value of net assets acquired is capitalised as goodwill and amortised in the income statement over the expected useful economic life up to a maximum of 20 years.

The carrying amount of goodwill is evaluated on an ongoing basis and written down to the recoverable amount in the income statement if the carrying amount exceeds the higher of the net selling price and value in use (the present value of expected future cash flows) from the cash generating unit to which the goodwill belongs.

Where the fair value of acquired net assets subsequently proves to differ from the value computed at the date of acquisition, the initial recognised goodwill is adjusted until the end of the financial year following the year of acquisition.

Changes in the purchase price after the acquisition as well as reversal of restructuring provisions made at the date of acquisition are accounted for as adjustments to goodwill.

Gains or losses on divestment or winding up of subsidiaries or associates are measured as the difference between the sales or winding up sum adjusted for directly related sales or winding up costs and the carrying amount of the net assets at the time of the disposal or winding up (any unamortised goodwill is written-down and included in the income statement under Goodwill amortisation). Any accumulated exchange rate adjustments previously recognised in equity are included in the income statement under Net finance costs.

Danish Accounting Standard 18 applies to business combinations which have taken place after the implementation of the standard as of 1 January 2002. In previous years, certain integration costs in the acquiring companies were included in the calculation of goodwill in accordance with Danish Accounting legislation prevailing at the time.

Foreign currency Transactions in foreign currency are translated into Danish kroner at the exchange rate ruling at the date of transaction. Assets and liabilities in foreign currency are translated into Danish kroner at the exchange rate prevailing at the balance sheet date.

The income statements of foreign subsidiaries are translated into Danish kroner using the average exchange rates prevailing during the year, whereas balance sheet items are translated by applying the exchange rates ruling at the balance sheet date. Goodwill arising on the acquisition of foreign subsidiaries/joint ventures is treated as an asset belonging to the foreign subsidiaries/joint ventures and translated into Danish kroner at the exchange rates prevailing at the balance sheet date.

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

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

Realised and unrealised exchange gains and losses related to the translation of the above four groups of transaction are taken directly to

equity. Any related tax impact is taken into account.

INCOME STATEMENT

Revenue comprises the value of services provided during the year less VAT and duties as well as price and quantity discounts. Contract work in progress is recognised using the percentage-of-completion method based on the value of work completed at the balance sheet date.

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

Other income and expenses, net comprises items which do not form part of the Group's normal ordinary operations, e.g. integration costs related to the ISS acquiring company, gains/losses and costs related to divestment or winding up of activities and gains/losses arising from disposal of property.

Share of profit from associates comprises the share of profit before tax in associates after proportionate elimination of intra-group profit and loss. The Group's share of tax in associates is recognised under Income taxes.

Net finance costs comprises interest, realised and unrealised gains and losses regarding foreign currency, securities and certain derivatives. Furthermore, interest on certain insurance and pension provisions as well as commitment fees are included under Net finance costs.

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

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

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

The recognised income tax is allocated to Income taxes, Tax effect of goodwill amortisation and Equity, as applicable.

The Company is jointly taxed with a number of wholly owned Danish and foreign 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 Net finance costs.

CASH FLOW STATEMENT

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

The cash flow statement is prepared using the indirect method based on Operating profit before other income and expenses and associates.

The liquidity effect of acquisitions and divestments of businesses, including related restructuring costs (see "Acquisition and divestment of businesses" above), is shown separately under Cash flow from investing activities. The cash flow statement includes cash flows from acquired enterprises from the date of acquisition and cash flows from divested enterprises until the date of divestment.

Cash flow from operating activities comprises Operating profit before other income and expenses and associates adjusted for non-cash items, changes in working capital and payments regarding provisions, interest, income taxes and other income and expenses. Working capital consists of current assets less current liabilities excluding liquid funds, securities, interest-bearing loans and borrowings, interest receivable/payable and tax receivable/payable.

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

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

Cash and cash equivalents comprises liquid funds and highly liquid securities, including listed Danish mortgage bonds, which are held as part of the Group's current cash management.

BALANCE SHEET

Intangible assets and property, plant and equipment are measured at cost less accumulated amortisation, depreciation, impairment loss and write-down. Cost of assets includes cost price as well as costs directly associated with the purchase until the asset is ready to be brought into use.

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

Amortisation and depreciation is provided on a straight-line basis over the expected useful lives of the assets taking into account the estimated residual value.

Non-current assets	Expected useful life
Goodwill	Maximum of 20 years
Software and other intangible assets	Maximum of 5 years
Land and buildings	20-40 years
Leasehold improvements	Over the lease term
Plant and equipment	3-10 years

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

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

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

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

Other securities and investments are measured at fair value at the balance sheet date.

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

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

Contract work in progress is measured at the sales value of the proportion of work completed at the balance sheet date. The sales value is calculated based on the stage of comp-

letion and the total amount expected to be received for each individual contract. Progress billings related to the completed proportion of work to be performed are deducted from the recognised value, while progress billings exceeding the completed proportion of work to be performed are recognised as Prepayments from customers under Current liabilities.

Securities include highly liquid securities, such as listed Danish mortgage bonds, which are used in the Group's current cash management. These securities are measured at fair value at the balance sheet date.

Treasury shares Proceeds related to the acquisition or disposal of treasury shares are taken directly to equity. In the calculation of the Group's key figures, the number of shares is reduced by the number of Treasury shares.

Dividends are recognised in the period in which they are declared at the annual general meeting.

Provisions comprise obligations related to employee retirement plans and restructurings of acquired businesses etc. The provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Employee retirement plans and similar obligations as well as contributions to defined contribution plans are recognised in the income statement as incurred. Any difference between the charge to the income statement and the contribution payable are included in Other payables and accrued expenses.

For defined benefit plans, the amount recognised under Pensions and similar obligations is determined as the present value of the defined benefit obligation adjusted for unrecognised actuarial and transition gains and losses and less any past service costs not yet recognised. The present value of the defined benefit obligation and the related service costs are based on actuarial calculations.

Financial liabilities Debt to financial institutions etc. is initially measured at the value of the proceeds received less related transaction costs. Subsequently, financial liabilities are measured at amortised cost, equal to the capitalised value when applying a constant effective rate of interest, and the difference between the proceeds initially received and the nominal value is recognised in the income statement over the loan period. Lease commitments on finance leases are capitalised and recognised under financial liabilities at the lower of fair value of the leased asset and the present value of future lease payments.

Derivatives are measured at fair value and recognised in Other receivables or Other payables and accrued expenses. Gains/losses are recognised as Net finance costs except for derivatives designated as hedges.

Changes in the fair value of derivatives hedging the fair value of recognised assets and liabilities are recognised in the income statement together with changes in the value of the hedged asset or hedged liability. Derivatives that qualify as net investment hedges in subsidiaries, joint ventures and associates are recognised directly in equity, net of tax.

Changes in the fair value of derivatives hedging future transactions are recognised directly in equity, net of tax. On realisation of the hedged item, value changes recognised under equity are reversed and recognised together with the hedged item.

For derivatives which do not comply with the hedge accounting conditions changes in fair value are recognised in the income statement when they occur.

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

Incentive schemes Proceeds from the disposal of treasury shares or issuance of shares in the Company in connection with the exercise of stock options or warrants are recognised in equity. A more detailed description of the accounting treatment of incentive schemes is set out on pages 24-31 of this report.

Segment information Information is provided by business segments (Primary segment) and geographical segments (Secondary segment). Segment information follows the Group's accounting policies and internal financial management.

Consolidated Financial Statements

CONSOLIDATED INCOME STATEMENT

1 January – 31 December. Amounts in DKKm

Note		2004	2003	2002
1	**Revenue**	**40,355**	**36,165**	**37,984**
2	Staff costs	(26,577)	(24,414)	(25,705)
	Cost of sales	(3,146)	(2,686)	(2,825)
	Other operating expenses	(7,736)	(6,446)	(6,841)
11, 12	Depreciation and amortisation	(617)	(587)	(603)
1	**Operating profit before other income and expenses and associates**	**2,279**	**2,032**	**2,010**
3	Other income and expenses, net	(69)	(75)	5
5, 13	Share of profit from associates	39	7	(11)
	Operating profit	**2,249**	**1,964**	**2,004**
4	Net finance costs	(343)	(265)	(361)
	Other financial income, net	-	33	-
	Profit before tax and goodwill amortisation	**1,906**	**1,732**	**1,643**
5	Income taxes	(598)	(553)	(528)
	Profit before goodwill amortisation	**1,308**	**1,179**	**1,115**
6, 11	Goodwill amortisation	(1,217)	(894)	(890)
5	Tax effect of goodwill amortisation	59	31	39
	Minority interests	(19)	(30)	(18)
	Net profit for the year	**131**	**286**	**246**
29	Basic earnings per share before goodwill amortisation, DKK	29.5	26.8	25.8
29	Diluted earnings per share before goodwill amortisation, DKK	29.5	26.8	25.8

CONSOLIDATED CASH FLOW STATEMENT

1 January – 31 December. Amounts in DKKm

	2004	2003	2002	Note
Operating profit before other income and expenses and associates	2,279	2,032	2,010	
Depreciation and amortisation	617	587	603	11, 12
Changes in working capital	186	319	412	7
Changes in provisions	(91)	(36)	(98)	
Interest paid, net	(334)	(215)	(333)	
Income taxes paid, net	(602)	(323)	(263)	5
Payments related to other income and expenses, net	(76)	(19)	(67)	
Cash flow from operating activities	**1,979**	**2,345**	**2,264**	
Acquisition of businesses	(3,886)	(1,065)	(1,898)	8
Divestment of businesses	36	20	16	8
Investments in intangible assets and property, plant and equipment, net	(583)	(403)	(525)	9
Investments in financial assets, net	(53)	29	269	9
Cash flow from investing activities	**(4,486)**	**(1,419)**	**(2,138)**	
Financial payments, net	3,358	556	(782)	10
Proceeds from issuance of share capital	793	25	569	
Purchase of treasury shares, net	(30)	-	(5)	
Dividends paid to shareholders	(177)	(88)	-	
Minority interests	(6)	(8)	(5)	
Cash flow from financing activities	**3,938**	**485**	**(223)**	
Total cash flow	**1,431**	**1,411**	**(97)**	
Cash and cash equivalents at beginning of year	2,281	891	1,023	
Total cash flow	1,431	1,411	(97)	
Foreign exchange adjustments	(5)	(21)	(35)	
Cash and cash equivalents at end of year	**3,707**	**2,281**	**891**	

CONSOLIDATED BALANCE SHEET

At 31 December. Amounts in DKKm

Note	**Assets**	2004	2003	2002
	Goodwill	15,494	12,465	12,669
	Software and other intangible assets	175	164	194
11	**Total intangible assets**	**15,669**	**12,629**	**12,863**
	Land and buildings	234	156	168
	Plant and equipment	1,559	1,313	1,341
12	**Total property, plant and equipment**	**1,793**	**1,469**	**1,509**
13	Investments in associates	178	67	35
13	Receivables from associates	-	23	25
13	Other securities and investments	59	37	45
13, 23	Other receivables	162	141	160
5, 15	Deferred tax assets	474	327	360
	Total financial assets	**873**	**595**	**625**
	Total non-current assets	**18,335**	**14,693**	**14,997**
16	Inventories	263	178	170
23	Trade receivables	6,376	5,420	5,517
17	Contract work in progress	156	102	113
23	Other receivables	444	325	229
18	Prepayments	292	360	389
5	Income tax receivable	103	26	106
14, 23	Securities	586	38	618
23	Liquid funds	3,121	2,243	273
	Total current assets	**11,341**	**8,692**	**7,415**
	Total assets	**29,676**	**23,385**	**22,412**

Equity and liabilities	2004	2003	2002	Note
Share capital	947	886	878	19
Treasury shares	(58)	(28)	(28)	19
Share premium account	-	17	583	
Retained earnings	7,692	6,967	6,008	
Foreign exchange adjustments	(245)	(209)	(110)	
Total equity	**8,336**	**7,633**	**7,331**	
Minority interests	**100**	**108**	**88**	
Pensions and similar obligations	263	253	216	20
Deferred tax liabilities	318	310	308	5, 15
Other provisions	646	530	573	21
Total provisions	**1,227**	**1,093**	**1,097**	
Long-term debt	**10,359**	**6,446**	**5,642**	22, 23
Total non-current liabilities	**11,586**	**7,539**	**6,739**	
Current portion of long-term debt	1	5	1	22, 23
Interest-bearing loans and borrowings	747	614	852	23
Debt to associates	63	-	-	23
Prepayments from customers	215	126	104	
Trade payables	1,773	1,355	1,290	23
Income tax payable	240	189	259	5
Tax withholdings, VAT etc.	2,274	1,955	1,977	
Accrued wages and holiday allowances	2,761	2,463	2,520	
Other payables and accrued expenses	1,580	1,398	1,251	
Total current liabilities	**9,654**	**8,105**	**8,254**	
Total liabilities	**21,240**	**15,644**	**14,993**	
Total equity and liabilities	**29,676**	**23,385**	**22,412**	
Contingent liabilities				24
Derivatives				25
Related party transactions				26
Interests in joint ventures				27
Fees to Group auditors				28

CONSOLIDATED STATEMENT OF EQUITY

At 31 December. Amounts in DKKm

Equity and minorities	Share capital	Treasury shares	Share premium	Retained earnings	Foreign exch. adj.	Total equity	Minority interests
2002							
Equity and minorities at 1 January 2002	844	(62)	48	5,795	(4)	6,621	57
Foreign exchange adj. of subsidiaries and minorities [1]	-	-	-	-	(106)	(106)	1
Deferred gain on hedging derivatives	-	-	-	9	-	9	-
Tax on entries recognised directly in equity	-	-	-	(3)	-	(3)	-
Net income/(expenses) recognised directly in equity	**-**	**-**	**-**	**6**	**(106)**	**(100)**	**1**
Net profit for the year	-	-	-	246	-	246	18
Total recognised income/(expenses) for the year	**-**	**-**	**-**	**252**	**(106)**	**146**	**19**
Acquisition of minorities, net	-	-	-	-	-	-	17
Dividends paid	-	-	-	-	-	-	(5)
Share issue	26	-	492	-	-	518	-
Employee shares	8	-	43	-	-	51	-
Disposal/(purchase) of treasury shares, net [2]	-	34	-	(39)	-	(5)	-
Total other movements	**34**	**34**	**535**	**(39)**	**-**	**564**	**12**
Equity and minorities at 31 December 2002	**878**	**(28)**	**583**	**6,008**	**(110)**	**7,331**	**88**
2003							
Equity and minorities at 1 January 2003	878	(28)	583	6,008	(110)	7,331	88
Transfer	-	-	(583)	583	-	-	-
Adjusted equity and minorities at 1 January 2003	**878**	**(28)**	**-**	**6,591**	**(110)**	**7,331**	**88**
Foreign exchange adj. of subsidiaries and minorities [1]	-	-	-	-	(99)	(99)	(5)
Deferred gain on hedging derivatives	-	-	-	9	-	9	-
Tax on entries recognised directly in equity	-	-	-	(3)	-	(3)	-
Net income/(expenses) recognised directly in equity	**-**	**-**	**-**	**6**	**(99)**	**(93)**	**(5)**
Net profit for the year	-	-	-	286	-	286	30
Total recognised income/(expenses) for the year	**-**	**-**	**-**	**292**	**(99)**	**193**	**25**
Acquisition of minorities, net	-	-	-	-	-	-	3
Dividends paid	-	-	-	(88)	-	(88)	(8)
Employee shares	8	-	17	-	-	25	-
Tax regarding employee shares	-	-	-	172	-	172	-
Total other movements	**8**	**-**	**17**	**84**	**-**	**109**	**(5)**
Equity and minorities at 31 December 2003	**886**	**(28)**	**17**	**6,967**	**(209)**	**7,633**	**108**

[1] Net of hedges and tax on hedges.
[2] Including options settled.

Continues on page 101

Equity and minorities (continued)	Share capital	Treasury shares	Share premium	Retained earnings	Foreign exch. adj.	Total equity	Minority interests
2004							
Equity and minorities at 1 January 2004	886	(28)	17	6,967	(209)	7,633	108
Foreign exchange adj. of subsidiaries and minorities [1]	-	-	-	-	(36)	(36)	(1)
Deferred gain on hedging derivatives	-	-	-	9	-	9	-
Tax on entries recognised directly in equity	-	-	-	(3)	-	(3)	-
Net income/(expenses) recognised directly in equity	**-**	**-**	**-**	**6**	**(36)**	**(30)**	**(1)**
Net profit for the year	-	-	-	131	-	131	19
Total recognised income/(expenses) for the year	**-**	**-**	**-**	**137**	**(36)**	**101**	**18**
Acquisition of minorities, net	-	-	-	-	-	-	(20)
Dividends paid	-	-	-	(177)	-	(177)	(6)
Share issue	51	-	695	-	-	746	-
Employee shares	10	-	37	-	-	47	-
Tax regarding employee shares	-	-	-	16	-	16	-
Purchase of treasury shares	-	(30)	-	-	-	(30)	-
Transfer [2]	-	-	(749)	749	-	-	-
Total other movements	**61**	**(30)**	**(17)**	**588**	**-**	**602**	**(26)**
Equity and minorities at 31 December 2004 [3]	**947**	**(58)**	**-**	**7,692**	**(245)**	**8,336**	**100**

[1] Net of hedges and tax on hedges.

[2] In accordance with changed legislation, the share premium account is transferred to retained earnings at 31 December 2004.

[3] At 31 December 2004, retained earnings included DKK 237m in proposed dividends of which DKK 1m is attributable to the Company's wholly owned subsidiaries.

Amounts in DKKm

1. Segment information

The business segments of the Group reflect the operating model in **create2005** and consist of Facility Services and the Business Builds: Damage Control, Food Hygiene and Health Care (Primary segment). The business segments operate in three principal geographical regions: Northern Europe, Continental Europe and Overseas (Secondary segment).

Compared to 2003, the following reclassifications between Facility Services and Business Builds have been made: From 1 January 2004, Innovation ceased as a segment. Coffee vending machine activities and activities in ISS Data (2003 only) were transferred to Facility Services. ISS Greenland and ISS Iceland were transferred from Food Hygiene to Facility Services. Associated interests (CarePartner) have been moved from Facility Services to Health Care. In 2004, a separate column for eliminations has been included. No eliminations have been made in the segments for inter-company transactions and balances. Comparative figures in the notes and the Operational Review on pages 51-75 of this report have been restated accordingly.

Business - Primary segment	Facility Services	Damage Control	Food Hygiene	Health Care	Corporate functions	Elimina-tions	Group
2004							
External revenue	37,150	1,656	930	619	-	-	40,355
Internal revenue	40	17	-	-	-	(57)	-
Revenue	37,190	1,673	930	619	-	(57)	40,355
Operating profit [1]	2,343	26	58	67	(215)	-	2,279
Operating margin, %	6.3	1.6	6.3	10.8	-	-	5.6
Share of profit from associates	8	-	-	31	-	-	39
Depreciation and amortisation	519	52	12	23	11	-	617
Goodwill impairment	100	-	-	-	-	-	100
Total non-current assets	17,068	719	191	875	10,499	(11,017)	18,335
Investments in associates	135	-	-	43	-	-	178
Total assets	25,184	1,252	374	1,029	19,593	(17,756)	29,676
Total provisions	1,018	27	3	21	158	-	1,227
Total current liabilities	13,212	799	140	878	1,364	(6,739)	9,654
Cash flow from operating activities	2,237	39	64	74	(435)	-	1,979
Investments in intangible assets and property, plant and equipment, net	(452)	(58)	(19)	(22)	(32)	-	(583)
Employees at year-end	265,874	2,285	4,406	892	77	-	273,534
2003							
External revenue	32,918	1,818	861	568	-	-	36,165
Internal revenue	30	13	1	-	-	(44)	-
Revenue	32,948	1,831	862	568	-	(44)	36,165
Operating profit [1]	2,048	64	57	39	(176)	-	2,032
Operating margin, %	6.2	3.5	6.6	6.9	-	-	5.6
Share of profit from associates	6	-	-	1	-	-	7
Depreciation and amortisation	481	62	10	19	15	-	587
Goodwill impairment	-	-	-	-	-	-	-
Total non-current assets	13,411	821	180	834	9,527	(10,080)	14,693
Investments in associates	46	-	-	21	-	-	67
Total assets	20,670	1,366	352	977	15,137	(15,117)	23,385
Total provisions	879	46	3	15	150	-	1,093
Total current liabilities	10,081	833	164	952	1,112	(5,037)	8,105
Cash flow from operating activities	2,173	104	47	32	(11)	-	2,345
Investments in intangible assets and property, plant and equipment, net	(337)	(44)	(12)	(19)	9	-	(403)
Employees at year-end	237,362	2,417	4,411	763	68	-	245,021

[1] Before other income and expenses and associates.

Continues on page 103

1. Segment information (continued)

Geographical - Secondary segment	Northern Europe	Continental Europe	Overseas	Corporate functions	Elimina-tions	Group
2004						
External revenue	18,568	19,771	2,016	-	-	40,355
Internal revenue	10	-	-	-	(10)	-
Revenue	18,578	19,771	2,016	-	(10)	40,355
Operating profit [1]	1,174	1,200	120	(215)	-	2,279
Operating margin, %	6.3	6.1	6.0	-	-	5.6
Share of profit from associates	39	-	-	-	-	39
Depreciation and amortisation	325	251	30	11	-	617
Goodwill impairment	-	100	-	-	-	100
Total non-current assets	7,479	10,053	753	10,499	(10,449)	18,335
Investments in associates	108	8	62	-	-	178
Total assets	10,510	15,040	1,329	19,593	(16,796)	29,676
Total provisions	393	635	41	158	-	1,227
Total current liabilities	6,447	7,763	427	1,364	(6,347)	9,654
Cash flow from operating activities	1,227	1,092	95	(435)	-	1,979
Investments in intangible assets and property, plant and equipment, net	(276)	(239)	(36)	(32)	-	(583)
Employees at year-end	84,634	133,743	55,080	77	-	273,534
2003						
External revenue	16,661	17,621	1,883	-	-	36,165
Internal revenue	24	-	-	-	(24)	-
Revenue	16,685	17,621	1,883	-	(24)	36,165
Operating profit [1]	1,011	1,082	115	(176)	-	2,032
Operating margin, %	6.1	6.1	6.1	-	-	5.6
Share of profit from associates	5	2	-	-	-	7
Depreciation and amortisation	305	240	27	15	-	587
Goodwill impairment	-	-	-	-	-	-
Total non-current assets	5,266	8,811	684	9,527	(9,595)	14,693
Investments in associates	57	8	2	-	-	67
Total assets	8,064	13,090	1,247	15,137	(14,153)	23,385
Total provisions	355	541	47	150	-	1,093
Total current liabilities	4,769	6,487	294	1,112	(4,557)	8,105
Cash flow from operating activities	1,120	1,127	109	(11)	-	2,345
Investments in intangible assets and property, plant and equipment, net	(232)	(153)	(27)	9	-	(403)
Employees at year-end	77,146	120,984	46,823	68	-	245,021

[1] Before other income and expenses and associates.

2. Staff costs	2004	2003
Wages and salaries	(20,250)	(18,559)
Pension costs, defined benefit plans	(74)	(70)
Pension costs, defined contribution plans [1]	(868)	(779)
Social charges and other costs [1]	(5,385)	(5,006)
Staff costs	**(26,577)**	**(24,414)**
Average number of employees	267,279	246,073

Remuneration to the Board of Directors of the Company amounted to DKK 2.7m (DKK 2.5m in 2003). Remuneration to the Company's Executive Management Board (EMB) amounted to DKK 24.8m (DKK 21.8m in 2003). Remuneration to the Board of Directors and the EMB is specified on pages 20-21 of this report. Warrant and stock option programmes are described and specified on pages 26-31 of this report.

[1] In the 2003 figures, DKK 247m has been reclassified from Social charges and other costs to Pensions costs, defined contribution plans.

3. Other income and expenses, net	2004	2003
Gain on sale of the elderly care segment	-	6
Loss on discontinuation of aviation businesses	(4)	(10)
Loss on sale and closure of other businesses, net	(6)	(12)
Divestments and closures, net [1]	**(10)**	**(16)**
Integration costs in the acquiring company	**(32)**	**-**
Disposal of vacated office space	(5)	(10)
Redundancy payments relating to organisational adjustments	(15)	(42)
Management and structural changes [2]	**(20)**	**(52)**
Gain/(loss) on sale of properties	5	(4)
Other, net	(12)	(3)
Other income and expenses, net	**(69)**	**(75)**

[1] Excluding goodwill write-down.
[2] Announced in November 2003.

4. Net finance costs	2004	2003
Interest income etc.	101	125
Foreign exchange gain	1	6
Financial income	**102**	**131**
Interest expenses etc.	(428)	(367)
Interest on pension obligations	(8)	(10)
Foreign exchange loss	(9)	(19)
Financial expenses	**(445)**	**(396)**
Net finance costs	**(343)**	**(265)**

5. Taxes	2004			2003		
	Tax in the income statement	Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)	Tax in the income statement	Income tax payable/ (receivable)	Deferred tax liabilities/ (assets)
Balance at 1 January	-	163	(17)	-	153	(52)
Foreign exchange adjustments	-	0	1	-	(5)	(3)
Additions from acquired companies, net	-	16	(99)	-	11	(16)
Adjustments relating to prior years, net	(6)	3	3	(7)	8	(3)
Tax regarding employee shares	-	(16)	-	-	(168)	(4)
Tax regarding other equity movements	-	-	3	-	28	-
Tax on profit before goodwill amortisation	(585)	632	(47)	(551)	490	61
Tax on profit from associates	(7)	-	-	5	-	-
Tax effect of goodwill amortisation	59	(59)	-	31	(31)	-
	(539)	**739**	**(156)**	**(522)**	**486**	**(17)**
Tax received regarding employee shares	-	-	-	-	(168)	-
Tax paid	-	602	-	-	491	-
Paid during the year	**-**	**602**	**-**	**-**	**323**	**-**
Taxes at 31 December	**(539)**	**137**	**(156)**	**(522)**	**163**	**(17)**
Income tax receivable/deferred tax assets		(103)	(474)		(26)	(327)
Income tax payable/deferred tax liabilities		240	318		189	310
Income tax, net/deferred tax, net		**137**	**(156)**		**163**	**(17)**

Computation of effective tax rate	2004	2003
Statutory income tax rate in Denmark	30.0 %	30.0 %
Non-tax deductible expenses less non-taxable income	0.7 %	1.1 %
Adjustments relating to prior years, net	0.3 %	0.4 %
Foreign tax rate differential, net	0.7 %	1.0 %
Effect of changes in foreign tax rates	0.2 %	0.2 %
Other, net	(0.5)%	(0.8)%
Effective tax rate (excluding effect of goodwill amortisation)	**31.4 %**	**31.9 %**

6. Goodwill amortisation	2004	2003
Amortisation	(1,099)	(883)
Write-down	(18)	(11)
Impairment	(100)	-
Goodwill amortisation	**(1,217)**	**(894)**

Goodwill write-down relates to the winding up and divestment of businesses. Goodwill impairment of DKK 100m relates to the German Facility Services business. For further description see pages 82-83 of this report.

7. Changes in working capital	2004	2003
Changes in inventories	(9)	(3)
Changes in trade receivables etc.	28	303
Changes in payables etc.	167	19
Changes in working capital	**186**	**319**

8. Acquisition and divestment of businesses

As described on pages 132-134 of this report, the Group made 95 acquisitions during 2004 (51 during 2003). The total purchase price amounted to DKK 4,204m (DKK 990m in 2003). The total annual revenue of the acquisitions amounted to approximately DKK 6,095m (DKK 1,280m in 2003). The balance sheet items etc. relating to acquisitions and divestments (including adjustments to acquisitions and divestments in prior years) are specified below:

	2004		2003	
	Acquisitions	Divestments	Acquisitions	Divestments
Total non-current assets	(396)	45	(191)	38
Trade receivables	(978)	8	(242)	14
Other current assets	(463)	4	(150)	31
Other provisions	81	-	(11)	(4)
Pensions, deferred tax and minority interest	28	(3)	(13)	(9)
Long-term debt	147	-	47	(9)
Interest-bearing loans and borrowings	360	(2)	71	(14)
Other current liabilities	1,144	(2)	274	(19)
Net identifiable assets	**(77)**	**50**	**(215)**	**28**
Goodwill	(4,312)	9	(845)	-
Loss on divestment of businesses	-	1	-	(4)
Acquisition and integration costs [1]	230	-	78	-
Deferred tax on acquisition and integration costs	(45)	-	(8)	-
(Purchase)/sales price [2]	**(4,204)**	**60**	**(990)**	**24**
Payments made in prior year relating to acquisitions taken over in current year	136	-	-	-
Acquisition and integration costs paid in the year, net of tax	(185)	-	(87)	-
Deferred payments	148	(24)	94	-
Payments relating to prior years	(85)	-	(64)	-
Payments relating to acquisitions taken over next year	(23)	-	(136)	-
(Purchase)/sales price and acquisition costs paid	**(4,213)**	**36**	**(1,183)**	**24**
Liquid funds in acquired/(divested) businesses	327	-	118	(4)
Cash flow from (acquisition)/divestment of businesses, net	**(3,886)**	**36**	**(1,065)**	**20**

[1] Acquisition and integration costs in 2004 of DKK 230m (DKK 78m in 2003) consisted of acquisition costs of approximately DKK 120m (DKK 34m in 2003) and integration costs of approximately DKK 110m (DKK 44m in 2003). The costs mainly related to the acquisitions of Engel in Finland, Grupo Unica in Spain, Nobis Beteiligungen in Germany, and SEDE Holding in France.

[2] In order to respect the interest of the sellers/buyers, the purchase/sales price is not disclosed for each individual transaction.

9. Investments in non-current assets	2004	2003
Purchase of intangible assets and property, plant and equipment	(708)	(585)
Proceeds on sale of intangible assets and property, plant and equipment	125	182
Investments in intangible assets and property, plant and equipment, net	**(583)**	**(403)**
Purchase of financial assets	(137)	(61)
Proceeds on sale of financial assets	84	90
Investments in financial assets, net	**(53)**	**29**

10. Financial payments, net	2004	2003
Interest-bearing debt at 1 January	(7,065)	(6,495)
Foreign exchange adjustments	7	81
Additions from acquired companies, net	(505)	(95)
Reversal of fair value adjustment of swap [1]	(249)	-
Interest-bearing debt at 31 December	11,170	7,065
Financial payments, net	**3,358**	**556**

[1] For further information see pages 85, 87 and note 25 of this report.

11. Intangible assets	2004			2003		
	Goodwill	Software and other intangible assets	Total	Goodwill	Software and other intangible assets	Total
Cost at 1 January	16,723	420	17,143	16,118	356	16,474
Foreign exchange adjustments	(20)	1	(19)	(180)	(8)	(188)
Additions [1]	4,268	88	4,356	813	86	899
Additions from acquired companies, net	-	31	31	(10)	6	(4)
Disposals	(38)	(74)	(112)	(18)	(75)	(93)
Transfer (to)/from Property, plant and equipment	-	(37)	(37)	-	55	55
Cost at 31 December	**20,933**	**429**	**21,362**	**16,723**	**420**	**17,143**
Amortisation at 1 January	(4,258)	(256)	(4,514)	(3,449)	(162)	(3,611)
Foreign exchange adjustments	8	(1)	7	57	5	62
Amortisation	(1,217)	(82)	(1,299)	(894)	(89)	(983)
Amortisation from acquired companies, net	-	(21)	(21)	10	(3)	7
Disposals	28	74	102	18	26	44
Transfer to/(from) Property, plant and equipment	-	32	32	-	(33)	(33)
Amortisation at 31 December	**(5,439)**	**(254)**	**(5,693)**	**(4,258)**	**(256)**	**(4,514)**
Carrying amount at 31 December	**15,494**	**175**	**15,669**	**12,465**	**164**	**12,629**

[1] Additions of goodwill is off-set by a reversal of DKK 33m relating to acquisitions in prior years.

12. Property, plant and equipment	2004			2003		
	Land and buildings	Plant and equipment	Total	Land and buildings	Plant and equipment	Total
Cost at 1 January	206	3,947	4,153	229	4,031	4,260
Foreign exchange adjustments	0	(4)	(4)	(2)	(104)	(106)
Additions	9	613	622	5	494	499
Other additions [1]	78	-	78	-	-	-
Additions from acquired companies, net	73	614	687	36	199	235
Disposals	(77)	(560)	(637)	(39)	(647)	(686)
Transfers [2]	1	57	58	(23)	(26)	(49)
Cost at 31 December	**290**	**4,667**	**4,957**	**206**	**3,947**	**4,153**
Depreciation at 1 January	(50)	(2,634)	(2,684)	(61)	(2,690)	(2,751)
Foreign exchange adjustments	0	5	5	1	76	77
Depreciation	(8)	(527)	(535)	(10)	(488)	(498)
Depreciation from acquired companies, net	(11)	(388)	(399)	(4)	(110)	(114)
Disposals	13	468	481	15	554	569
Transfer (from)/to Intangible assets	-	(32)	(32)	9	24	33
Depreciation at 31 December	**(56)**	**(3,108)**	**(3,164)**	**(50)**	**(2,634)**	**(2,684)**
Carrying amount at 31 December	**234**	**1,559**	**1,793**	**156**	**1,313**	**1,469**

Land and buildings with a carrying amount of DKK 22m (DKK 40m in 2003) have been provided as collateral for mortgage debt of DKK 10m (DKK 15m in 2003). Service equipment with a carrying amount of DKK 7m (DKK 7m in 2003) has been provided as collateral for interest-bearing loans and borrowings of DKK 3m (DKK 18m in 2003). The carrying amount of the Group's service equipment under finance leases was DKK 83m (DKK 78m in 2003). The official rateable value for land and buildings in Denmark, with a carrying amount of DKK 8m, amounted to DKK 4m (DKK 0m in 2003).

[1] Counterpart to dismantling costs under Other provisions.
[2] In 2004, DKK 37m was transferred from Intangible assets, and DKK 21m was transferred from Other receivables. In 2003, DKK 55m was transferred to Intangible assets and DKK 6m was transferred from Other receivables.

13. Financial assets	Investments in associates	Receivables from associates	Other securities and investments	Other receivables
Cost at 1 January 2004	71	23	36	141
Foreign exchange adjustments	0	0	0	(1)
Additions	96	-	25	79
Additions from acquired companies, net	1	-	3	4
Disposals	(11)	(23)	(6)	(61)
Cost at 31 December 2004	**157**	**-**	**58**	**162**
Revaluation at 1 January 2004	(4)	-	1	-
Foreign exchange adjustments	0	-	-	-
Net profit for the year	32	-	-	-
Dividends received	(4)	-	-	-
Disposals	(3)	-	-	-
Revaluation at 31 December 2004	**21**	**-**	**1**	**-**
Carrying amount at 31 December 2004	**178**	**-**	**59**	**162**
Carrying amount at 31 December 2003	**67**	**23**	**37**	**141**

Investments in associates:

							ISS Group part		
	Country	Revenue	Operating profit	Net profit	Assets	Liabilities	Stake %	Equity	Net profit [1]
CarePartner Sverige AB	Sweden	757	46	46	206	131	49	37	23
Grødegaard AS	Norway	237	10	10	56	38	48	8	5
Aircon AS	Norway	134	8	0	37	33	40	2	0
Other associates [2]		382	10	11	225	54		83	5
		1,510	**74**	**67**	**524**	**256**		**130**	**33**
Goodwill at 31 December 2004								48	(1)
								178	**32**

[1] Share of profit from associates amounted to DKK 39m (DKK 7m in 2003). Tax provision of DKK 7m is included in Income taxes (tax income of DKK 5m in 2003). Please refer to note 5.

[2] Investments in associates are listed on pages 138-139 of this report.

14. Securities

	Carrying amount		Average effective rate (%)		Average duration (years)	
	2004	2003	2004	2003	2004	2003
Bonds [1]	568	26	3.0	2.5	2.0	0.8
Other	18	12	-	-	-	-
Securities	**586**	**38**				

[1] Mainly listed Danish mortgage bonds.

15. Deferred tax	2004	2003
Tax loss carried forward, net [1]	176	190
Goodwill [1]	85	130
Provisions	239	157
Other	76	-
Set-off within legal tax units and jurisdictions	(102)	(150)
Deferred tax assets	**474**	**327**
Goodwill	78	191
Total non-corrent assets	90	82
Losses in foreign subsidiaries under Danish joint taxation	104	147
Other	148	40
Set-off within legal tax units and jurisdictions	(102)	(150)
Deferred tax liabilities	**318**	**310**

The Group has unrecognised tax assets in Argentina, Brazil and Israel amounting to approximately DKK 60m. The deferred tax assets related to the Group's activities in Germany amounted to approximately DKK 300m (DKK 246m in 2003) of which DKK 142m were recognised as at 31 December 2004 (DKK 114m in 2003). The recognition of the tax asset is supported by expected improved future profitability.

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

[1] A deferred tax asset relating to goodwill of DKK 130m has been reclassified from tax loss carried forward in 2003.

16. Inventories	2004	2003
Raw materials and supplies	128	92
Work in progress	54	-
Finished goods	81	86
Inventories	**263**	**178**

17. Contract work in progress	2004	2003
Contract expenses	165	132
Recognised profits	29	33
Contract work in progress, gross	**194**	**165**
Advances and prepayments from third parties	(38)	(63)
Contract work in progress, net	**156**	**102**

18. Prepayments

Prepayments primarily consisted of prepaid costs, e.g. rent and insurance premiums.

19. Share capital and Treasury shares	2004	2003	2002	2001	2000
Share capital (in DKKm)					
Share capital at 1 January	886	878	844	803	764
Share issues	51	-	26	34	39
Employee shares	10	8	8	7	-
Share capital at 31 December	**947**	**886**	**878**	**844**	**803**
Share capital (in thousands of shares)					
Number of shares at 1 January	44,310	43,928	42,217	40,167	38,214
Issued during the year	3,025	382	1,711	2,050	1,953
Number of shares at 31 December – fully paid	**47,335**	**44,310**	**43,928**	**42,217**	**40,167**

In October 2004, the Company issued 476,124 new shares in an employee share programme and 2,548,982 new shares were issued in a share issue at market price in December 2004. The total costs of the share issues amounted to approximately DKK 30m comprising fees to banks, lawyers and auditors. The costs were charged to the Share premium account.

Treasury shares	Number of shares (thousands)	Nominal value DKKm	Purchase price DKKm	% of share capital
Treasury shares at 1 January 2004	156	3	28	0.4 %
Additions	95	2	30	0.1 %
Treasury shares at 31 December 2004	**251**	**5**	**58**	**0.5 %**

In accordance with the Group's policy to hedge stock options with a positive intrinsic value, the Group purchased 95,000 treasury shares during the year. The purchase price is recognised directly in equity. The market value of treasury shares at 31 December 2004 amounted to DKK 77m (DKK 45m in 2003). At 31 December 2004, all treasury shares were held by wholly owned subsidiaries.

20. Pensions and similar obligations

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

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

The Group participates in the Finnish TEL pension insurance scheme, which covers employees in the private sector in Finland. Due to continued uncertainty in Finland regarding the appropriate classification of this scheme, the Group has continued to account for its liability under the scheme as a defined contribution plan. In December 2004, the Finnish Ministry of Social Affairs and Health approved certain changes to the principles for calculating disability pension liabilities under the TEL pension insurance scheme effective beginning of 2006. Hereafter, the TEL pension insurance scheme definitively meets the criterion for classification as a defined contribution plan.

Continues on page 112

20. Pensions and similar obligations (continued)

In Sweden, the Group participates in a multi-employer pension scheme. The fund is currently not able to provide the necessary information in order for ISS to account for the scheme as a defined benefit plan.

For a further discussion of Pensions and similar obligations, see pages 84-85 of this report.

Principal actuarial assumptions for defined benefit plans at the balance sheet date are as follows:

	2004	2003
Discount rates at 31 December [1]	2.5-5.5%	2.5-5.5%
Expected return on plan assets	2.5-7.2%	2.5-7.2%
Social security rates	2.0-3.0%	2.0-3.0%
Future salary increases	2.0-4.0%	2.0-4.0%
Future pension increases	0.5-3.0%	1.6-3.0%

The amounts recognised in the consolidated income statement for defined benefit plans are as follows:

	2004	2003
Current service costs	93	62
Interest on obligation	103	79
Expected return on plan assets	(95)	(63)
Recognised transition, past service and actuarial losses, net	8	2
Settlement	(27)	-
Recognised in the income statement [2]	**82**	**80**

The amounts recognised in the consolidated balance sheet for defined benefit plans are as follows:

	2004	2003
Present value of funded obligations	1,991	1,329
Fair value of plan assets	(1,652)	(1,084)
Funded obligations, net	339	245
Present value of unfunded obligations	324	285
Unrecognised actuarial losses	(343)	(307)
Unrecognised transition (losses)/gains	(92)	1
Unrecognised past service income	1	1
Net liability for defined benefit plans at 31 December	**229**	**225**

Movements in the net liability recognised in the consolidated balance sheet are as follows:

	2004	2003
Net liability at 1 January before reclassifications	225	189
Reclassifications	5	17
Net liabilities at 1 January	230	206
Foreign exchange adjustments	(1)	3
Additions from acquired companies, net	22	3
Net expenses recognised in the income statement	82	80
Contributions	(104)	(67)
Net liability for defined benefit plans at 31 December	**229**	**225**
Other pensions and obligations	34	28
Pensions and similar obligations at 31 December	**263**	**253**

[1] Based on high quality corporate bonds.
[2] Of which DKK 8m was included in Net finance costs (DKK 10m in 2003).

21. Other provisions	Labour-related items	Self-insurance	Acqui-sitions	Other	Total
Carrying amount at 1 January 2004	83	38	61	348	530
Foreign exchange adjustments	0	0	0	(1)	(1)
Additions from acquired companies, net	14	-	-	66	80
Provisions included in goodwill during the year	-	-	230	-	230
Provisions made during the year (included in the income statement)	29	16	32	104	181
Other provisions made [1]	-	-	-	69	69
Provisions not used (reversed against the income statement)	(14)	(3)	-	(41)	(58)
Provisions not used (reversed against goodwill)	-	-	(7)	(26)	(33)
Provisions used during the year	(41)	(15)	(201)	(95)	(352)
Carrying amount at 31 December 2004	**71**	**36**	**115**	**424**	**646**
Expected maturity					
Within 1 year	64	16	114	183	377
1-5 years	7	20	1	138	166
After 5 years	-	-	-	103	103
Carrying amount at 31 December 2004	**71**	**36**	**115**	**424**	**646**

Labour-related items The provision mainly relates to obligations in Belgium, France, the Netherlands and Spain.

Self-insurance In the UK and Ireland, ISS carries an insurance provision on employers liability. ISS is self-insured up to DKK 41m for employers liability.

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

Other The provision comprises various obligations incurred in the normal course of business e.g. costs related to changes in local working and social regulations etc., provision for dismantling costs, operational issues, closure of contracts and legal cases.

[1] Dismantling costs with counterpart in Other additions under Land and buildings.

22. Long-term debt	Carrying amount 2004	2003
Facilities [1]		
DKK 7,661m [2]	-	-
DKK 7,927m (2003)	-	24
Revolving loan facilities	-	**24**
Bond loans	10,274	6,323
Mortgage loans	13	16
Other bank loans	25	27
Obligations under finance leases	48	61
Current portion of long-term debt	(1)	(5)
Total long-term debt	**10,359**	**6,446**

[1] Loan facilities are denominated in several currencies and translated to Danish kroner using year-end exchange rates.
[2] As at 31 December 2004, nothing is drawn on loan facilities totalling DKK 7,661m. The maturity is as follows: DKK 1,154m in 2007, DKK 558m in 2008, and DKK 5,949m in 2009.

Continues on page 114

22. Long-term debt (continued)

The Group's total long-term loans and borrowings at 31 December are denominated in the following original currencies:

	2004	2003
DKK	0.1 %	0.5 %
EUR	99.9 %	98.9 %
NOK	0.0 %	0.1 %
SEK	0.0 %	0.3 %
USD related	0.0 %	0.0 %
Others	0.0 %	0.2 %
	100.0 %	**100.0 %**

The Group has no subordinated debt and no debt convertible into equity.

Finance lease obligations as at 31 December 2004 are payable as follows:

	Minimum lease payments	Interest	Principal
Within 1 year	37	(4)	33
1-5 years	54	(6)	48
After 5 years	0	0	0
	91	**(10)**	**81**

23. Financial assets and liabilities

Repayment periods and effective interest rates applying to the Group's financial assets and liabilities are stated below:

	Within 1 year	1-5 years	After 5 years	Total	Effective interest rate [1]
Other receivables [2]	-	125	37	162	-
Trade receivables	6,376	-	-	6,376	-
Other receivables (current) [3]	195	-	249	444	-
Securities	586	-	-	586	3.0%
Liquid funds	3,121	-	-	3,121	2.2%
Long-term debt [4]	(1)	(75)	(10,284)	(10,360)	2.8%
Interest-bearing loans and borrowings	(747)	-	-	(747)	3.5%
Debt to associates	(63)	-	-	(63)	3.0%
Trade payables	(1,773)	-	-	(1,773)	-

[1] Weighted average taking the effect of interest rate hedges into account.
[2] Consists of various receivables, e.g. deposits and finance lease (lessor).
[3] Of which DKK 249m represents the positive marked-to-market value of the interest rate swaps, see pages 85, 87 and note 25 of this report.
[4] The fixed interest on the bond loans is swapped into a floating 3 month interest rate. Next repricing is 14 March 2005.

24. Contingent liabilities

Operating leases
Operating leases consist of leases and rentals of properties, vehicles (primarily cars) and other equipment. The total expense under operating leases in the income statement amounted to DKK 1,272m (DKK 1,154m in 2003). Assuming the current car fleet etc. is maintained, the future minimum lease payments under operating leases are:

	Year 1	Year 2	Year 3	Year 4	Year 5	After 5 years	Total lease payment
31 December 2004	934	695	493	315	222	407	3,066
31 December 2003	824	571	413	293	194	325	2,620

DKK 28m of the total future lease payments at 31 December 2004 (DKK 37m in 2003) relates to sub-leasing of properties and cars to associates (CarePartner). CarePartner was divested in February 2005, as described on page 10 of this report.

Guarantee commitments
Indemnity and guarantee commitments at 31 December 2004 amounted to DKK 48m (DKK 59m in 2003).

Bonus schemes and stock options
Members of the Executive Management Board have individual bonus schemes based on EVA® as described on pages 24-26 of this report. The total accumulated balance of their bonus accounts, not provided for in the balance sheet, amounted to DKK 8m at 31 December 2004 (DKK 5m in 2003).

Performance guarantees
The Group has issued performance guarantee bonds for service contracts with an annual revenue of DKK 514m (DKK 586m in 2003) of which DKK 323m (DKK 446m in 2003) are bank-guaranteed performance bonds. Such performance bonds are issued in the ordinary course of business in the service industry.

Outsourcing of IT
The Group has an IT-outsourcing agreement with Computer Sciences Corporation (CSC) running until 2015. The Group's contractual obligations related to the agreement at 31 December 2004 amounted to DKK 280m (DKK 209m in 2003).

Divestments
ISS makes provisions for claims from purchasers or other parties in connection with divestments. Management believes that provisions made at 31 December 2004 are adequate. However, there can be no assurance that one or more major claims arising out of the Group's divestment of companies will not adversely affect the Group's activities, results of operations and financial position.

Legal proceedings
The Group is party to certain legal proceedings. Management believes that these proceedings (which are to a large extent labour cases incidental to its business) will not have a material impact on the Group's financial position.

Other contingent liabilities
In the Annual Report 2003 it was mentioned that ISS Brazil in the first half of 2000 received an enquiry from the local authorities on corporate tax issues for the fiscal year 1989-90. There has been no change during 2004. ISS has a number of counterclaims and the matter has been investigated by the ISS Brazil management, by KPMG Brazil and by local lawyers. The conclusion from the risk evaluation is that ISS has strong arguments of defence.

25. Derivatives

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

Financial instruments	Contractual values	Unrealised gain/(loss) on revaluation to fair value	Included in the income statement for 2004	Taken directly to equity at 31 December 2004	Maturity
Forward foreign currency, purchases					
AUD	63	-	-	-	2005
EUR	3,228	(1)	(1)	-	2005
GBP	52	-	-	-	2005
HKD	38	-	-	-	2005
SEK	74	-	-	-	2005
SGD	13	-	-	-	2005
Others	16	1	1	-	2005
	3,484	-	-	-	
Forward foreign currency, sales					
AUD	254	(14)	-	(14)	2005
CHF	409	(0)	-	(0)	2005
EUR	3,585	2	1	1	2005
GBP	1,013	8	5	3	2005
NOK	294	(1)	(1)	(0)	2005
SEK	1,259	1	1	(0)	2005
USD related	71	-	-	-	2005
Others	66	(5)	-	(5)	2005
	6,951	**(9)**	**6**	**(15)**	
Interest rate instruments					
Interest rate swap - 2010 (EUR), receiver [1]	6,322	325	325	-	2010
Interest rate swap - 2014 (EUR), receiver [1]	3,719	5	5	-	2014
Interest rate swap (EUR), payer	298	(7)	-	(7)	2005
		323	**330**	**(7)**	
Total financial instruments		**314**	**336**	**(22)**	

Hedging of net investments in foreign subsidiaries at 31 December 2004	Net investments in foreign subsidiaries in DKKm	Hedging in DKKm	Net investments with translation risk in DKKm	Net investments with translation risk in local currency
AUD	266	(212)	54	13
CHF	294	(283)	11	2
EUR	2,626	(671)	1,955	263
GBP	644	(315)	329	31
NOK	275	(112)	163	180
SEK	654	(534)	120	145
SGD	76	-	76	23
USD related	290	(71)	219	40
Others	307	(66)	241	-
	5,432	**(2,264)**	**3,168**	

For a description of foreign exchange risk, credit risk and interest rate risk, see page 46 of this report.

[1] The swaps convert the fixed interest rate on the EUR 850m and EUR 500m bond loans into a floating rate. The income of DKK 330m off-sets a similar expense in the income statement related to the bond loans. Of this amount DKK 249m represents the positive marked-to-market value of the interest rate swaps.

26. Related party transactions

None of the Group's related parties have controlling influence. Related parties to the Group with a significant, but not controlling influence are defined as:

Members of the Board of Directors and the Executive Management Board
Apart from remuneration as described on pages 20-21 of this report, there have been no significant transactions with members of the Board of Directors or the Executive Management Board during the year. For a description of business relationships see pages 18-20 of this report.

Joint ventures and associates
Transactions with joint ventures and associates are limited to transactions related to shared service agreements. There have been no significant transactions with joint ventures and associates during the year. All transactions are made on market terms. The joint ventures and associates are specified on pages 138-139 of this report.

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

27. Interests in joint ventures

The Group has interests in 5 joint ventures (5 in 2003), which are specified on pages 138-139 of this report. The Group's interests in the 5 joint ventures' net profit for the year and the balance sheet items are included in the Group's consolidated income statement and balance sheet with the following amounts:

	2004	2003
Revenue	300	210
Operating profit	19	11
Profit before goodwill amortisation	17	9
Net profit for the year	15	9
Intangible assets [1]	-	1
Property, plant and equipment	1	15
Financial assets	29	3
Deferred tax assets	1	1
Current assets	82	49
Total assets	**113**	**69**
Equity	48	33
Non-current liabilities	1	3
Current liabilities	64	33
Total equity and liabilities	**113**	**69**
ISS' part of contingent liabilities (operating leases) in joint ventures	**6**	**1**

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

28. Fees to Group auditors	2004	2003
KPMG		
Audit fees [1]	25	26
Other audit related services	8	4
Tax and VAT advisory services	6	2
Other services [2]	26	6
Total KPMG	**65**	**38**
Deloitte		
Audit fees [1]	1	1
Other audit related services	1	-
Other services	0	0
Total Deloitte	**2**	**1**
Total fees to Group auditors	**67**	**39**

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

29. Earnings per share	2004	2003
Profit before goodwill amortisation	**1,308**	**1,179**
Weighted average number of shares		
Number of shares at 1 January	44,309,894	43,928,067
Treasury shares, average	(226,925)	(155,675)
Share issue, average	155,771	-
Share issue to employees, average	79,354	222,732
Weighted average number of shares	**44,318,094**	**43,995,124**
Dilutive effect of share options and warrants granted	50,722	16,954
Weighted average number of shares (diluted)	**44,368,816**	**44,012,078**
Basic earnings per share before goodwill amortisation, DKK	29.5	26.8
Diluted earnings per share before goodwill amortisation, DKK	29.5	26.8

Parent Company Financial Statements

INCOME STATEMENT OF THE PARENT COMPANY

1 January – 31 December. Amounts in DKKm

	2004	2003	2002	Note
Revenue, net	**449**	**405**	**529**	1
Staff costs	(119)	(96)	(108)	2
Other operating expenses	(69)	(90)	(56)	
Depreciation and amortisation	(11)	(15)	(14)	6, 7
Operating profit before other income and expenses	**250**	**204**	**351**	
Other income and expenses, net	(14)	(8)	80	3
Operating profit	**236**	**196**	**431**	
Income from subsidiaries	411	525	233	
Net finance costs	23	54	71	4
Other financial income, net	-	33	-	
Profit before tax	**670**	**808**	**735**	
Income taxes	(539)	(522)	(489)	5
Net profit for the year	**131**	**286**	**246**	
Proposed appropriation of net profit:				
Dividends	237	177	88	
Retained earnings	(106)	109	158	
	131	**286**	**246**	

BALANCE SHEET OF THE PARENT COMPANY

At 31 December. Amounts in DKKm

Note	**Assets**	2004	2003	2002
6	Software	45	22	50
	Total intangible assets	**45**	**22**	**50**
7	Fixtures, IT equipment etc.	19	21	17
	Total equipment	**19**	**21**	**17**
8	Investments in subsidiaries	6,604	5,980	5,997
8	Other securities and receivables	5	5	3
	Total financial assets	**6,609**	**5,985**	**6,000**
	Total non-current assets	**6,673**	**6,028**	**6,067**
	Receivables from subsidiaries	135	114	970
	Other receivables	26	17	30
	Securities	545	17	596
	Liquid funds	1,272	1,819	2
	Total current assets	**1,978**	**1,967**	**1,598**
	Total assets	**8,651**	**7,995**	**7,665**

Equity and liabilities	2004	2003	2002	Note
Share capital	947	886	878	9
Share premium account	-	17	583	
Retained earnings	7,634	6,939	5,980	
Foreign exchange adjustments	(245)	(209)	(110)	
Total equity	**8,336**	**7,633**	**7,331**	
Deferred tax liabilities	107	148	128	5
Other provisions	-	2	2	10
Total non-current liabilities	**107**	**150**	**130**	
Trade payables and accrued expenses	132	132	90	
Debt to subsidiaries	15	6	1	
Income tax payable	61	74	113	5
Total current liabilities	**208**	**212**	**204**	
Total liabilities	**315**	**362**	**334**	
Total equity and liabilities	**8,651**	**7,995**	**7,665**	
Contingent liabilities				11
Fees to Company auditors				12

STATEMENT OF EQUITY OF THE PARENT COMPANY

At 31 December. Amounts in DKKm

Equity	Share capital	Treasury shares	Share premium	Retained earnings	Foreign exch. adj.	Total equity
2002						
Equity at 1 January 2002	844	(62)	48	5,795	(4)	6,621
Foreign exchange adj. of subsidiaries [1]	-	-	-	-	(106)	(106)
Deferred gain on hedging derivatives	-	-	-	9	-	9
Tax on entries recognised directly in equity	-	-	-	(3)	-	(3)
Net income/(expenses) recognised directly in equity	**-**	**-**	**-**	**6**	**(106)**	**(100)**
Net profit for the year	-	-	-	246	-	246
Total recognised income/(expenses) for the year	**-**	**-**	**-**	**246**	**-**	**246**
Share issue	26	-	492	-	-	518
Employee shares	8	-	43	-	-	51
Disposal/(purchase) of treasury shares, net [2]	-	62	-	(67)	-	(5)
Total other equity movements	**34**	**62**	**535**	**(67)**	**-**	**564**
Equity at 31 December 2002	**878**	**-**	**583**	**5,980**	**(110)**	**7,331**
2003						
Equity at 1 January 2003	878	-	583	5,980	(110)	7,331
Transfer	-	-	(583)	583	-	-
Adjusted equity at 1 January 2003	**878**	**-**	**-**	**6,563**	**(110)**	**7,331**
Foreign exchange adj. of subsidiaries [1]	-	-	-	-	(99)	(99)
Deferred gain on hedging derivatives	-	-	-	9	-	9
Tax on entries recognised directly in equity	-	-	-	(3)	-	(3)
Net income/(expenses) recognised directly in equity	**-**	**-**	**-**	**6**	**(99)**	**(93)**
Net profit for the year	-	-	-	286	-	286
Total recognised income/(expenses) for the year	**-**	**-**	**-**	**286**	**-**	**286**
Dividends paid	-	-	-	(88)	-	(88)
Employee shares	8	-	17	-	-	25
Tax regarding employee shares	-	-	-	172	-	172
Total other equity movements	**8**	**-**	**17**	**84**	**-**	**109**
Equity at 31 December 2003	**886**	**-**	**17**	**6,939**	**(209)**	**7,633**

[1] Net of hedges and tax on hedges.
[2] Including options settled.

Continues on page 123

Equity (continued)	Share capital	Treasury shares	Share premium	Retained earnings	Foreign exch. adj	Total equity
2004						
Equity at 1 January 2004	886	-	17	6,939	(209)	7,633
Foreign exchange adj. of subsidiaries [1]	-	-	-	-	(36)	(36)
Deferred gain on hedging derivatives	-	-	-	9	-	9
Tax on entries recognised directly in equity	-	-	-	(3)	-	(3)
Net income/(expenses) recognised directly in equity	**-**	**-**	**-**	**6**	**(36)**	**(30)**
Net profit for the year	-	-	-	131	-	131
Total recognised income/(expenses) for the year	**-**	**-**	**-**	**131**	**-**	**131**
Dividends paid	-	-	-	(177)	-	(177)
Share issue	51	-	695	-	-	746
Employee shares	10	-	37	-	-	47
Tax regarding employee shares	-	-	-	16	-	16
Purchase of ISS shares by wholly owned subsidiaries	-	-	-	(30)	-	(30)
Transfer [2]	-	-	(749)	749	-	-
Total other equity movements	**61**	**-**	**(17)**	**558**	**-**	**602**
Equity at 31 December 2004 [3]	**947**	**-**	**-**	**7,634**	**(245)**	**8,336**

[1] Net of hedges and tax on hedges.
[2] In accordance with changed legislation, the share premium account is transferred to retained earnings at 31 December 2004.
[3] At 31 December 2004, retained earnings included DKK 237m in proposed dividends.

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

Amounts in DKKm

1. Revenue, net	2004	2003
Revenue from subsidiaries	488	436
Paid to subsidiaries	(39)	(31)
Revenue, net	**449**	**405**

2. Staff costs	2004	2003
Wages and salaries	(118)	(95)
Pension costs, defined contribution plans	(1)	(1)
Social charges and other costs	(0)	(0)
Staff costs	**(119)**	**(96)**
Average number of employees	76	65

Remuneration to the Board of Directors of the Company amounted to DKK 2.7m (DKK 2.5m in 2003). Remuneration to the Company's Executive Management Board amounted to DKK 24.8m (DKK 21.8m in 2003). Remuneration to the Board of Directors and the EMB is specified on pages 20-21 of this report. Warrant and stock option programmes are described and specified on pages 26-31 of this report.

3. Other income and expenses, net	2004	2003
Redundancy payments relating to organisational adjustments [1]	(11)	(5)
Other, net	(3)	(3)
Other income and expenses, net	**(14)**	**(8)**

[1] Announced in November 2003.

4. Net finance costs	2004	2003
Interest income	45	57
Financial income	**45**	**57**
Interest expenses on loans from subsidiaries	(0)	-
Other financial expenses	(22)	(3)
Financial expenses	**(22)**	**(3)**
Net finance costs	**23**	**54**

5. Taxes	2004			2003		
	Tax in the income statement	Income tax payable/ (receivable)	Deferred tax liabilities/ (asset)	Tax in the income statement	Income tax payable/ (receivable)	Deferred tax liabilities/ (asset)
Balance at 1 January	-	74	148	-	113	128
Adjustments relating to prior years, net	(1)	67	(66)	3	(5)	-
Effect of joint taxation with foreign subsidiaries	-	(21)	21	-	(32)	32
Tax regarding employee shares, net	(3)	3	-	-	(168)	(2)
Tax on profit	(79)	75	4	(76)	86	(10)
Tax on income from subsidiaries	(456)	-	-	(449)	-	-
	(539)	**198**	**107**	**(522)**	**(6)**	**148**
Tax received regarding employee shares	-	-	-	-	(168)	-
Tax paid	-	137	-	-	88	-
Paid during the year	-	**137**	-	-	**(80)**	-
Taxes at 31 December	**(539)**	**61**	**107**	**(522)**	**74**	**148**

6. Intangible assets	Software
Cost at 1 January 2004	44
Additions	29
Disposals	-
Cost at 31 December 2004	**73**
Amortisation at 1 January 2004	(22)
Amortisation	(6)
Disposals	-
Amortisation at 31 December 2004	**(28)**
Carrying amount at 31 December 2004	**45**
Carrying amount at 31 December 2003	**22**

7. Equipment	Fixtures, IT equipment etc.
Cost at 1 January 2004	42
Additions	3
Disposals	(2)
Cost at 31 December 2004	**43**
Depreciation at 1 January 2004	(21)
Depreciation	(5)
Disposals	2
Depreciation at 31 December 2004	**(24)**
Carrying amount at 31 December 2004	**19**
Carrying amount at 31 December 2003	**21**

8. Financial assets	Investments in subsidiaries	Other securities and receivables
Cost at 1 January 2004	8,397	3
Additions	750	1
Cost at 31 December 2004	**9,147**	**4**
Revaluation at 1 January 2004	(2,417)	2
Foreign exchange adjustments, net of hedges	(36)	-
Deferred gain on hedging derivatives, net of tax	6	-
Other adjustments	(51)	-
Net profit for the year	(45)	(1)
Revaluation at 31 December 2004	**(2,543)**	**1**
Carrying amount at 31 December 2004	**6,604**	**5**
Carrying amount at 31 December 2003	**5,980**	**5**

9. Share capital

In October 2004, the Company issued 476,124 new shares in an employee share programme and 2,548,982 new shares were issued in a share issue at market price in December 2004. The total costs of the share issues amounted to approximately DKK 30m, comprising fees to banks, lawyers and auditors. The costs were charged to the Share premium account.

The share capital consists of 47,335,000 shares with a par value of DKK 20. As at 31 December 2004, the shares were officially quoted at DKK 305.5. As at 31 December 2004, ATP (the Danish Labour Market Supplementary Pension Scheme) and Franklin Templeton, USA each held more than 5% of the Company's share capital, see page 41.

As at 31 December 2004, members of the Board of Directors and the Executive Management Board held a total of 40,109 shares (2003: 26,614 shares).

For a specification of the development in the share capital, see note 19 of the Consolidated Financial Statements.

10. Other provisions	
Carrying amount at 1 January 2004	2
Provisions not used (reversed against the income statement)	(2)
Carrying amount at 31 December 2004	**-**

11. Contingent liabilities

Operating leases
Operating leases consist of leases and rentals of properties, cars and other equipment. The total expense under operating leases in the income statement amounted to DKK 15m (DKK 13m in 2003). Assuming the current car fleet etc. is maintained the future minimum lease payments under operating leases are:

	Year 1	Year 2	Year 3	Year 4	Year 5	After 5 years	Total lease payment
31 December 2004	14	4	4	3	2	7	34
31 December 2003	12	4	3	2	1	3	25

Bonus schemes and stock options
Members of the Executive Management Board have individual bonus schemes based on EVA® as described on pages 24-26 of this report. The total accumulated balance of their bonus accounts, not provided for in the balance sheet, amounted to DKK 8m at 31 December 2004 (DKK 5m in 2003).

Tax and VAT
The Company and the other Danish jointly-taxed companies are jointly liable for the taxes on the income subject to joint taxation. Furthermore, the Company and some of the Danish subsidiaries are jointly registered for VAT and are jointly liable for the payments hereof.

Declarations to banks
The Company has issued parent company declarations to the core banks related to bilateral committed loan agreements between the banks and ISS Global A/S. The parent company declarations constitute an undertaking by ISS A/S not to take certain actions.

12. Fees to Company auditors

	2004	2003
KPMG		
Audit fees [1]	1	1
Other services [2]	2	1
Total KPMG	**3**	**2**
Deloitte		
Audit fees [1]	1	1
Other services	-	-
Total Deloitte	**1**	**1**

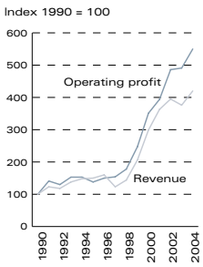
[1] Audit fees comprised statutory audit of the Annual Report for the parent company.
[2] Other services primarily include assistance in relation to acquisitions and divestments, tax advisory services and other advisory services.

Company Information

"Silent Takeover", Claus Carstensen
Acrylic and tempera on canvas, 100 x 70 cm

ISS in Brief

Revenue and operating profit 1990 - 2004 [1)]



[1)] Before other income and expenses and associates.

With more than 125,000 business-to-business customers, ISS is a leading facility services provider with operations in 42 countries in Europe, Asia, Australia and South America.

ISS employs more than 270,000 people, the vast majority in the front-line delivery of services.

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

ISS milestones

1901	The basis for the ISS Group is created by the establishment of a small guarding company
1934	Det Danske Rengørings Selskab A/S (The Danish Cleaning Company) is established as an independent subsidiary of the guarding company
1943	Activities commence in Sweden – the Group's first geographical expansion outside Denmark
1973	The Group changes its name to ISS
1975	Group revenue reaches DKK 1 billion
1977	Listing of ISS shares on the Copenhagen Stock Exchange
1979	ISS acquires a company in the US
1996	ISS divests its US activities
1997	The strategy *aim2002* is launched. This strategy focuses on multi-services – selling a number of services to the same customer
1999	ISS acquires Abilis, the second largest European provider of cleaning and specialised services, in a DKK 3.6 billion acquisition, the Group's largest ever. Abilis had about 50,000 employees and an annual revenue of DKK 5.2 billion in 1998
2000	Eric S. Rylberg appointed CEO. A new five-year strategy **create2005** is launched introducing the facility services concept
2003	ISS' first major pan-European Integrated Facility Services contract signed

FACILITY SERVICES

ISS' core business is Facility Services, which covers a range of business support services within cleaning, property services, canteen and office support services.

The services are provided on a single services basis as well as on integrated services.

ORGANISATION

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

OWNERSHIP

The parent company, ISS A/S, is listed on the Copenhagen Stock Exchange and has approximately 18,000 shareholders. Approximately 65% of the shares are held by investors based outside Denmark.

HISTORY

ISS originates back to the beginning of the 20th century. Selected key milestones of the Group's history are listed to the left.

VISION

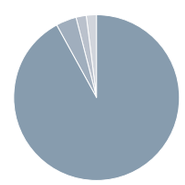
Advance the Facility Services industry and lead it – globally

FACT SHEET

Key figures 2004

Revenue	DKK 40 billion (EUR 5.4 billion)
Operating profit [1]	DKK 2.3 billion (EUR 306 million)
Market capitalisation, 31 Dec.	DKK 14.5 billion (EUR 1.9 billion)
Enterprise value, 31 Dec.	DKK 21.7 billion (EUR 2.9 billion)
Employees	273,500

Revenue 2004

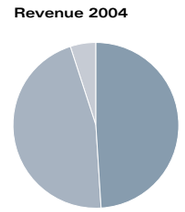


- Facility Services 92%
- Damage Control 4%
- Food Hygiene 2%
- Health Care 2%

Contact information

ISS A/S	Website:	www.issworld.com
Bredgade 30	e-mail:	info@group.issworld.com
DK-1260 Copenhagen K	Tel:	+45 38 17 00 00
Denmark	Fax:	+45 38 17 00 11
Investor Relations and External Affairs	Thyge Boserup, Senior Vice President	

Revenue 2004



- Continental Europe 49%
- Northern Europe 46%
- Overseas 5%

1) Before other income and expenses and associates.

Acquistions and Divestments

During 2004, the Group made 95 acquisitions [1]

Company	Service segment	Country	Income Statement consolidated from	Revenue DKKm [2]	Goodwill DKKm	Acquisition and integration costs DKKm	Number of employees [2]
ABB MGT	Facility Services	Portugal	January	9	0	0	27
Adviso Office AS	Facility Services	Norway	January	82	62	3	67
AGS Gebäudeservice GmbH	Facility Services	Austria	January	100	53	3	700
Anticimex Building Environment	Damage Control	Norway	January	64	0	0	158
Assainic SNC	Facility Services	France	January	15	23	2	28
Clean Tekstil Service	Facility Services	Norway	January	10	14	1	19
Erik Nilsen rengøring	Facility Services	Norway	January	3	2	0	14
FSI	Facility Services	France	January	82	34	1	400
Harrwood Services Ltd.	Facility Services	The UK	January	43	24	3	897
HS-Maalaus OY	Facility Services	Finland	January	3	0	0	7
Hygiene Haut-Rhinoise	Facility Services	France	January	1	0	0	0
Kiinteistöhuolto Suoknuuti	Facility Services	Finland	January	4	0	0	15
MTH-Palvelu	Facility Services	Finland	January	4	0	0	20
Novipam	Facility Services	Italy	January	1	0	0	3
Pohjolan Euroilma Oy	Facility Services	Finland	January	21	5	0	17
Cap Invest	Facility Services	France	February	18	10	1	350
Donegal Vermin Controls	Facility Services	Ireland	February	1	3	0	2
Het Groene Team	Facility Services	The Netherlands	February	19	10	0	50
Party & Dinner N.V.	Facility Services	Belgium	February	99	45	2	225
ServicePartneren	Facility Services	Denmark	February	1	0	0	5
STHH-HDH	Facility Services	France	February	4	3	0	8
Coflex	Facility Services	The UK	March	233	149	4	199
Eaton Fine Dining	Facility Services	The UK	March	214	161	6	560
Haagan Putki Oy	Facility Services	Finland	March	19	13	0	31
HYMO Sarl	Facility Services	France	March	9	11	1	10
Kestens Groep	Facility Services	Belgium	March	61	50	1	150
Melin Participations	Facility Services	France	March	49	10	3	52
Olssons Städ AB	Facility Services	Sweden	March	17	12	0	135
AFO Sarl	Facility Services	France	April	9	6	0	21
FMT A/S	Facility Services	Denmark	April	2	0	0	0
Hedegaard Service A/S	Facility Services	Denmark	April	19	42	0	28
J Control	Facility Services	Finland	April	1	0	0	1
Oprocon SA	Facility Services	Spain	April	20	35	3	52
Pesticol 1966	Facility Services	Italy	April	1	1	0	1
Prosessipesu	Facility Services	Finland	April	19	0	0	56
Skatec Finnmark AS	Facility Services	Norway	April	12	4	0	41
Svensk Telepass AB	Facility Services	Sweden	April	4	2	0	7
Continental Delight Catering Services	Facility Services	Singapore	May	27	15	0	110
Fallbrand Erhvervsrengøring	Facility Services	Denmark	May	14	9	1	130
Gruppo Insecto	Facility Services	Italy	May	12	7	1	15
Langlois-Action	Facility Services	France	May	1	0	0	1
M J Building Services Group Plc	Facility Services	The UK	May	153	98	3	100
Rixen GmbH	Facility Services	Germany	May	55	33	5	1,087
Trio Rengjøringskomani, Trio Rens & Trio Eiendom	Facility Services	Norway	May	79	43	3	429
Brants Industrial Services Group	Facility Services	Belgium	June	118	15	1	474
Dahlgren A/S	Facility Services	Denmark	June	8	6	0	20
HIF Sarl	Facility Services	France	June	4	4	0	9
Kirwan Industrial Services	Facility Services	Australia	June	32	21	1	117
Køster	Damage Control	Denmark	June	23	14	0	31
Ylä-Savon Talohuolto	Facility Services	Finland	June	3	3	0	10

Continues on page 133

Company	Service segment	Country	Income Statement consolidated from	Revenue DKKm [2]	Goodwill DKKm	Acquisition and integration costs DKKm	Number of employees [2]
ALITECNIC SL	Facility Services	Spain	July	10	21	1	21
Canteen Catering & Consulting	Facility Services	Norway	July	12	7	1	30
Chenies Landscape Limited	Facility Services	The UK	July	24	11	1	70
Corporate Personnel Services Limited	Facility Services	Ireland	July	23	15	0	208
De Logé Schoonmaakdiensten BV	Facility Services	The Netherlands	July	50	23	2	286
Engel	Facility Services	Finland	July	1,443	1,522	85	6,600
Lofoten Rengjøringsbyrå AS	Facility Services	Norway	July	3	3	0	11
Nåjdens Behandlingskonsult AB	Health Care	Sweden	July	60	53	1	22
RePetro AB	Damage Control	Sweden	July	14	5	0	24
SEDE Holding SA	Facility Services	France	July	259	306	15	450
Serviman S.A. & Seasur Ltda.	Facility Services	Chile	July	31	18	2	1,372
Sim S.A.	Facility Services	Argentina	July	7	8	2	666
Grupo Unica	Facility Services	Spain	July	1,230	429	29	12,200
Affaldskonsortiet	Facility Services	Denmark	August	10	4	0	5
Profesjonelle Sikkerhets Systemer	Facility Services	Norway	August	4	5	0	5
EnviroKare	Facility Services	Ireland	August	2	7	1	5
Berthier	Facility Services	France	August	9	3	0	12
Sevis	Facility Services	Switzerland	August	110	66	2	700
Boudon Services Environment	Facility Services	France	September	19	44	0	31
Fruktbudet i Linköping	Facility Services	Sweden	September	2	2	0	3
GK Rengörna AB	Facility Services	Sweden	September	31	22	0	115
Groupe F2E	Facility Services	France	September	208	58	1	276
Nannestad Renhold & Driftsassistanse	Facility Services	Norway	September	17	7	0	50
PN Blomster & Plantedekorationer	Facility Services	Denmark	September	2	1	0	4
Samilar	Facility Services	Uruguay	September	3	1	0	170
Sandnessjøen Renhold	Facility Services	Norway	September	5	4	0	20
Surveillor	Facility Services	France	September	46	36	1	177
Preventys	Facility Services	France	October	4	1	0	44
Provense and Gabriel	Facility Services	France	October	28	20	1	26
Trio Entreprise ApS	Facility Services	Denmark	October	6	3	0	23
Dansk Hygiejne & Miljø	Facility Services	Denmark	November	1	0	0	0
Elo Ltda	Facility Services	Brazil	November	17	6	1	639
Huib van den Hoven Plantsoen-werken BV	Facility Services	The Netherlands	November	79	45	3	110
Indalsleden Städ	Facility Services	Sweden	November	5	2	0	18
Indoor IMC Miljøservice A/S	Facility Services	Denmark	November	8	10	0	12
Invita Måltider AB	Facility Services	Sweden	November	54	18	1	111
Sara Service Co.	Facility Services	Thailand	November	6	4	0	456
Angeluz S.A.	Facility Services	Argentina	December	7	9	1	260
Arctella AB	Facility Services	Sweden	December	19	7	0	20
Dialog Call Processing Centre AS	Facility Services	Norway	December	6	3	0	20
Fresh Hygiene Company	Facility Services	Australia	December	1	0	0	1
Nobis Beteiligungen GmbH	Facility Services	Germany	December	398	336	19	4,404
Sogn og Fjordan Industriservice DA	Facility Services	Norway	December	4	2	0	35
Solkin S.A.	Facility Services	Argentina	December	12	8	1	447
Triotex AS	Facility Services	Norway	December	4	11	0	9
Total				**6,095**	**4,218**	**220**	**37,057**

[1] As a general rule, acquisitions or divestments are notified to the Copenhagen Stock Exchange if the revenue of the acquired or divested company is above 2% of Group revenue. Smaller acquisitions and divestments are announced on the Group's website, www.issworld.com, when they are signed.

[2] Approximate figures based on information available at the time of acquisition or divestment.

From 1 January to 2 March 2005, the Group has made 19 acquisitions [1)]

Company	Service segment	Country	Income statement consolidated from	Revenue DKKm [2)]	Number of employees [2)]
Edens Gave AS	Facility Services	Norway	January	12	18
Jakober AG	Facility Services	Switzerland	January	34	39
Motivator	Facility Services	Denmark	January	13	19
Vandenzande NV	Facility Services	Belgium	January	72	500
Reif Rein Reinigungs- und Umweltschutz GmbH	Facility Services	Austria	January	55	250
Alois Haltner Gebäudereinigungs AG	Facility Services	Switzerland	January	9	100
Facility Services Rus	Facility Services	Russia	January	22	600
Mitchell & Struthers Ltd.	Facility Services	The UK	January	125	350
LMCB SAS	Facility Services	France	January	114	1,000
Siemens Service Management	Facility Services	Denmark	January	50	30
Groupe Apex	Facility Services	France	January	95	500
Leif Hermansson Miljövård AB	Damage Control	Sweden	January	7	5
Grangemore Landscapes	Facility Services	Ireland	January	70	135
Ador Chimie	Facility Services	France	January	2	2
Park og Landskapspleie	Facility Services	Norway	February	14	40
Superclean Support Service plc	Facility Services	The UK	February	62	630
Proser S.A.[3)]	Facility Services	Turkey	February	233	4,219
Lawn Ltd.	Facility Services	Hong Kong	March	2	7
Grødegaard AS [4)]	Facility Services	Norway	June	242	500
Total				**1,233**	**8,944**

During 2004, the Group has divested the following activities [1)]

Company/activity	Service segment	Country	Month of disposal	Revenue DKKm [2)]
Industriservice AS	Damage Control	Norway	January	28
MiljøService A/S	Damage Control	Denmark	January	12
Various craftsman services	Damage Control	Denmark	May	44
House of Coffee, Finans	Facility Services	Denmark	May	6
Property management	Facility Services	Denmark	June	6
Catering	Facility Services	Czech Republic	October	2
Interfurn	Facility Services	Denmark	October	14
Hypermarket cleaning	Facility Services	France	December	80
Total				**192**

Effective in January 2005, ISS has divested Fjordkøkkenet A/S in Denmark with annual revenue of approximately DKK 8 million.

[1)] As a general rule, acquisitions or divestments are notified to the Copenhagen Stock Exchange if the revenue of the acquired or divested company is above 2% of Group revenue. Smaller acquisitions and divestments are announced on the Group's website, www.issworld.com, when they are signed.

[2)] Approximate figures based on information available at the time of acquisition or divestment.

[3)] Completion subject to approval by antitrust authorities and other customary closing conditions.

[4)] The acquisition comprises the remaining 52% stake in Grødegaard AS not already owned by ISS.

Stock Exchange Releases

During 2004, ISS made 29 announcements to the Copenhagen Stock Exchange

Number	Date	Title
1	11 March	ISS Annual Report 2003
2	12 March	Notice of Annual General Meeting
3	18 March	Statement of trading in ISS shares
4	31 March	ISS' Annual General Meeting 31 March 2004
5	31 March	Employee share programme
6	13 April	Quarterly statement of shareholdings
7	18 May	Interim Report, January - March 2004
8	18 June	Quarterly statement of shareholdings
9	19 June	ISS acquires Grupo Unica of Spain
10	29 June	ISS acquires Engel, a leading Facility Services provider in Finland
11	27 July	ISS completes acquisition of Grupo Unica
12	28 July	ISS expects to complete acquisition of Engel on 3 August 2004
13	03 August	ISS completes acquisition of Engel
14	26 August	ISS A/S Interim Report, January - June 2004
15	06 September	Statement of trading in ISS shares
16	24 September	Quarterly statement of shareholdings
17	25 October	ISS has completed an employee share programme
18	26 October	Statement of trading in ISS shares
19	27 October	Financial Calendar 2005
20	18 November	Interim Report, January - September 2004
21	22 November	ISS Global A/S intends to issue 10-year benchmark bond
22	23 November	Statement of trading in ISS shares
23	23 November	ISS Global A/S completes EUR 500 million bond issue
24	09 December	ISS issues new shares
25	09 December	ISS issues 2,548,982 new ISS shares
26	10 December	Statement of trading in ISS shares
27	13 December	Grant of stock options
28	17 December	Quarterly statement of shareholdings
29	21 December	ISS to buy minority stake in Australia

Addresses

MARCH 2005

Argentina
ISS Argentina S.A.
Bazurco 2355
C1419FKC Buenos Aires
Tel.: +54 11 4830 4100
Fax: +54 11 4830 4111
Country Manager: Claus E. Madsen
www.ar.issworld.com

Australia
WA Flick & Co. Pty. Ltd.
Suite G4, Tower B, Zenith Center,
821-843 Pacific Hwy
Chatswood, NSW 2067
Tel.: +612 94 95 96 97
Fax: +612 94 95 96 88
Management: Gerard Brand
www.au.issworld.com

Austria
ISS Facility Services GmbH
Brünner Strasse 85
A-1210 Vienna
Tel.: +43 1 29 111 0
Fax: +43 1 290 1473
Country Manager: Michael Maximilian
www.at.issworld.com

Belgium
ISS N.V.
Steenstraat 20/1
B-1800 Vilvoorde / Koningslo
Tel.: +32 2 263 66 11
Fax: +32 2 263 66 12
Country Manager: Kris Cloots
www.be.issworld.com

Brazil
ISS Servisystem do Brasil Ltda.
Estrada da Ressaca, 960
06844-900 Embu SP
Tel.: +55 11 4785 54 00
Fax: +55 11 4704 62 52
Country Manager: Andre Ohl
www.br.issworld.com

Brunei
ISS Thomas Cowan Sdn. Bhd.
1A, Bangunan Menglait 1, Mile 2
Jalan Gadong
Bandar Seri Begawan BE3919
Brunei Darussalam
Tel.: +673 2 420973
Fax: +673 2 446498
Country Manager: Jose F. Robles, III
www.bn.issworld.com

Chile
Serviman S.A.
Bulnes 76
Concepción
Tel.: +56 41 22 89 18
Fax: +56 41 23 28 74
Country Manager: Claus E. Madsen
www.cl.issworld.com

China
ISS ESGO Beijing Xin Sha
Building Services Co. Ltd.
5A CITIC Building
19 Jiangoumenwai Dajie
Beijing 10004
Tel.: +86 10 8526 3220
Fax: +86 10 6501 0978
Country Manager: Yuan Yong
www.cn.issworld.com

Croatia
ISS Multiservis d.o.o.
Trnjanska 72
CR-10000 Zagreb
Tel.: +385 1 61 55 868
Fax: +385 1 61 55 869
Country Manager: Davor Turčić
www.hr.issworld.com

The Czech Republic
ISS Facility Services s.r.o.
Pod Visnovkou 1662/21
140 00 Prague 4 - Krc
Tel.: +420 2 3403 4376
Fax: +420 2 3403 4378
Country Manager: Ladislav Burian
www.cz.issworld.com

Denmark
ISS Danmark A/S
Møntmestervej 31
DK-2400 Copenhagen NV
Tel.: +45 38 17 17 17
Fax: +45 38 33 12 11
Country Manager: Allan Aebischer
www.dk.issworld.com

The Faroe Islands
P/f ISS Føroyar
Tinghusvegur 14, 4. hædd
DK-100 Torshavn
Tel: +298 31 88 84
Fax: +298 31 88 74
Management: Niels Mortensen

Finland
ISS Palvelut Oy
P.O.Box 100 FIN-01055 ISS
Råtorpsvägen 8A - FIN-01600 Vanda
Tel.: +358 205 155
Fax: +358 205 150 155
Country Manager: Matti Kyytsönen
www.fi.issworld.com

France
ISS Abilis France SAS
65-67, rue Ordener
F-75018 Paris
Tel.: +33 1 44 92 48 48
Fax: +33 1 44 92 48 00
Country Manager: Hubert Boisson
www.fr.issworld.com

Germany
ISS Facility Services GmbH
Keniastrasse 24
D-47269 Duisburg
Tel.: +49 203 9982 0
Fax: +49 203 9982 222
Country Manager: Andreas Weber
www.de.issworld.com

Greece
ISS Facility Services S.A.
213, Demirdessiou Str.
GR-142 33 Nea Ionia
Tel.: +30 210 270 5600
Fax: +30 210 270 5649
Country Manager: Stefanos Valteras
www.gr.issworld.com

Greenland
ISS Grønland A/S
Postboks 519
DK-3900 Nuuk
Tel.: +299 34 20 50
Fax: +299 34 20 77
Management: Jørgen Pedersen
www.gl.issworld.com

Hong Kong
ISS Hong Kong Services Ltd.
12th Floor North, Somerset House
Taikoo Place, 979 King's Road
Quarry Bay, Hong Kong
Tel.: +852 2621 4333
Fax: +852 2621 5260
Country Manager: Thomas Lee
www.hk.issworld.com

Hungary
ISS Servisystem Kft.
Gubacsi út. 6
H-1097 Budapest
Tel.: +36 1 216 3948
Fax: +36 1 216 3947
Country Manager: Reinhard Poglitsch
www.hu.issworld.com

Iceland
ISS Island ehf.
Armulí 40
IS-108 Reykjavik
Tel.: +354 5800 600
Fax: +354 5800 666
Country Manager: Gudmundur Gudmundsson
www.is.issworld.com

Indonesia
Pt. ISS Servisystem
Graha Simatupang Menara II, 4th Floor
Jl. Letjen. T.B. Simatupang Kav. 38
Jakarta 12540
Tel. +62 21 7829455
Fax +62 21 7829438
Country Manager: Houtman Simanjuntak
www.id.issworld.com

Ireland
ISS Ireland Ltd.
11/13 Malpas St.
Dublin 8
Tel.: +353 1 453 7711
Fax: +353 1 453 7870
Country Manager: David Healy
www.ie.issworld.com

Israel
ISS-Ashmoret Ltd.
26 Hamasger Str.
52157 Tel Aviv
Tel.: +972 3 689 9292
Fax: +972 3 639 7374
Country Manager: Doron Sapir
www.il.issworld.com

Italy
ISS Facility Services srl
Via Privata Maria Teresa 7
I-20123 Milan
Tel.: +39 02 72 01 02 74
Fax: +39 02 72 01 02 22
Country Manager: Carlo Garavaglia
www.it.issworld.com

Japan
ISS Nesco Ltd.
27-7 Sendagaya 5-Chome
Shibuya-ku
Tokyo 151-0051
Tel.: +81 3 3355 9031
Fax: +81 3 3355 9164
Country Manager: Mamoru Nakamura
www.jp.issworld.com

Luxembourg
ISS Facility Services S.A.
Rue Pletzer, 6
L-8080 Bertrange
Tel.: +352 42 46 20 1
Fax: +352 42 46 20 20
Country Manager: Kris Cloots
www.lu.issworld.com

Malaysia
ISS Facility Services Sdn. Bhd.
No. 1 Jalan 2/118B
Desa Tun Razak, Cheras
56000 Kuala Lumpur
Tel.: +60 3 9173 1282
Fax: +60 3 9173 1281
Country Manager: Terry Kong
www.my.issworld.com

The Netherlands
ISS Nederland B.V.
Atoomweg 464-466
NL-3542 AB Utrecht
Tel.: +31 30 242 43 44
Fax: +31 30 241 39 47
Country Manager: André Bakker
www.nl.issworld.com

Norway
ISS Norge AS
Sjølyst Plass 2
Postboks 132 Økern
N-0509 Oslo
Tel.: +47 2288 5000
Fax: +47 2288 5120
Country Manager: Bjørn Nilsen
www.no.issworld.com

Poland
ISS Multiservice Sp. z.o.o.
Ul. Jordanowska 2A
PL-04-204 Warsaw
Tel.: +48 22 879 9391
Fax: +48 22 612 5345
Country Manager: Adam Szymczyk
www.pl.issworld.com

Portugal
ISS Servisystem
Serviços de Limpeza, Lda
Rua Moinho da Barrunchada 4 – 1°dt°
P-2790-109 Carnaxide
Tel.: +351 21 424 6760
Fax: +351 21 424 6799
Country Manager: Luís Andrade
www.pt.issworld.com

Romania
3D Romania S.A.
Str Domnita Ruxandra no 12
Sector 2, Bucharest
Tel.: +40 21 211 47 45
Fax: +40 21 211 47 96
Country Manager: Dan Jakota
www.ro.issworld.com

Russia
Facility Services Rus OOO
Semyonovskaya street, 3-A, Bld. 1.
Malaya
105023 Moscow
Tel.: +7 095 933-44-73
Fax: +7 095 775-17-86
Management: Yevgeny Ilin

Singapore
ISS Facility Services Pte. Ltd.
315 Outram Road #04-09
Tan Boon Lait Building
Singapore 169074
Tel.: +65 6 227 9711
Fax: +65 6 225 8340
Country Manager: C.C. Woon
www.sg.issworld.com

Slovakia
ISS Facility Services spol. s.r.o.
Pluhova 50/A
831 03 Bratislava
Tel.: +421 2 49 20 05 11
Fax: +421 2 44 63 35 54
Country Manager: Honor Ilavský
www.sk.issworld.com

Slovenia
ISS Servisystem d.o.o.
Ptujska cesta 95
2000 Maribor
Tel.: +386 2 450 33 00
Fax: +386 2 450 33 38
Country Manager: Rudi Zupan
www.si.issworld.com

Spain
ISS Facility Services S.A.
C/Fedanci, 8-10
E-08190 Sant Cugat del Valles
Tel.: +34 93 590 3060
Fax: +34 93 675 5220
Country Manager: Joaquim Borrás Ferré
www.es.issworld.com

Sri Lanka
ISS Abans Environmental Services (PT) Ltd.
141, Kirula Road
Colombo 5
Tel.: +94 11 236 9369
Fax: +94 11 236 9555
Country Manager: Pheroze Pestonjee
www.lk.issworld.com

Sweden
ISS Facility Services AB
Årstaängsvägen 11
Box 47635
S-117 94 Stockholm
Tel.: +46 8 681 60 00
Fax: +46 8 681 90 88
Country Manager: Hans John Øiestad
www.se.issworld.com

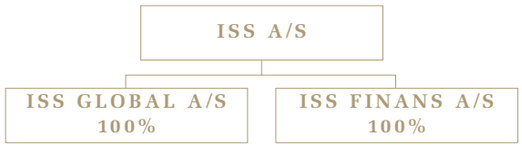
Switzerland
ISS Holding AG
Riedstrasse 12
CH-8953 Dietikon
Tel.: +41 43 322 3636
Fax: +41 43 322 3637
Country Manager: André Nauer
www.ch.issworld.com

Thailand
ISS Facility Services Co., Ltd.
92/9 Moo 7, Phaholyothin Road
Anusawaree, Bangkhen
Bangkok 10220
Tel.: +66 2 552 5015
Fax: +66 2 552 1260
Country Manager: Theinsiri Theingviboonwong
www.th.issworld.com

The United Kingdom
ISS UK Ltd.
Wells House
65 Boundary Road
Woking
Surrey GU21 5BS
Tel: +44 1483 754 900
Fax: +44 1483 754 999
Country Manager: David Openshaw
www.uk.issworld.com

Uruguay
Samilar S.A.
Francisco Acuna de Figueroa 2065
11000 Montevideo
Tel.: +54 11 4830 4100
Fax: +54 11 4830 4111
Country Manager: Claus E. Madsen
www.uy.issworld.com

Subsidiaries, Joint Ventures and Associates [1)]



ISS GLOBAL A/S

Argentina

ISS Argentina S.A.	100%

Australia

Flick Fumigation Pty Ltd.	100%
Flick Holdings Pty Ltd.	100%
Flick Services Pty Ltd.	100%
ISS Facility Services Pty Ltd.	100%
Pacific Invest December 2004 Pty. Ltd.	100%
Pacific Service Solutions Pty. Ltd.	49% **
WA Flick & Co. Pty. Ltd.	100%

Austria

ISS Airest Bodenabfertigungsdienste GmbH	51%
ISS Central Europe Holding GmbH	100%
ISS Facility Services GmbH	100%
Steinbauer GmbH	100%

Belgium

ISS Building Services N.V.	100%
ISS Industrial Services N.V.	100%
ISS Food N.V.	100%
ISS N.V.	100%
Party & Dinner N.V.	100%
Prohygiena S.A.	100%
Vending Industries N.V.	100%

Brazil

ISS Servisystem do Brasil Ltda.	100%

Brunei

ISS Thomas Cowan Sdn. Bhd.	50%

Chile

ISS Chile S.A.	100%
Seasur Ltda.	100%
Serviman S.A.	100%

China

ISS ESGO Beijing Xin Sha Building Services Co. Ltd.	50%**

Croatia

ISS Multiservice d.o.o.	100%

The Czech Republic

ISS Automotive Services s.r.o.	100%
ISS Facility Services s.r.o.	100%
Marintec s.r.o.	50% *

Denmark

Albertslund Kloakservice ApS	100%
Fjordkøkkenet A/S	51%
House of Coffee A/S	100%
ISS Damage Control A/S	100%
ISS Danmark A/S	100%
ISS Food Hygiene A/S	100%
ISS Funding A/S	100%
ISS Venture A/S	100%
Slotsholmen Teknik A/S	50%
Waste Service A/S	51%

The Faroe Islands

P/f ISS Føroyar	55%

Finland

Engel Palvelut Oy	100%
Engel Rakennuttamispalvelut Oy	100%
ISS Palvelut Oy	100%
ISS Proko Oy	100%
ISS Security Oy	100%
ISS Tekniset Palvelut Oy	100%
ISS Teollisuuspalvelut Oy	100%
ISS Vahinkosaneeraus Oy	100%
Kalustekarhut Oy	100%
Suomen Laatutakuu Palvelut Oy	100%

France

Aquaplant SAS	100%
Arden Espaces Verts SAS	100%
Atlantique Paysage SAS	100%
Berthier Sarl	100%
Brio SAS	100%
Channel Passenger Services SAS	100%
Chloroville SAS	100%
CPMS SA	100%
Espaces Verts Méditerranee SAS	100%
Eurogestion SAS	100%
Force Protection Sarl	100%
FSI SA	100%
Gabriel Recyclage Sarl	100%
Groupe F2E SAS	100%
Interaccueil SAS	100%
ISS Abilis France SAS	100%
ISS Bati Services SAS	100%
ISS Energie SAS	100%
ISS Environnement SAS	100%
ISS Espaces Verts SAS	100%
ISS Holding Paris SA	100%
ISS Hygiene Services SA	100%
ISS Logistique et Production SA	100%
Jardem SAS	100%
Paysages de France SAS	100%
Poirel Parcs & Jardins SAS	100%
Provence Environnement Services Sarl	100%
Qualitec SAS	100%
Securisport Evenement Sarl	100%
Sede Holding SA	100%
Sol Vert Paysage SAS	100%
Surveillor SAS	100%
Therasylve Sarl	100%
Vert Paysages & Aménagement SAS	100%
ViaPark SAS	100%

Germany

Claus und NOBIS Gebäude-Service GmbH	100%
Gebäudereinigung H.-J. Scheller GmbH & Co. KG	100%
GRS Gebäude-Reinigungs-Service GmbH	100%
Heinrich Büschler Gebäudedienstleistungen GmbH	100%
Industriereinigung Zoege von Manteuffel GmbH	100%
Intercare services GmbH	100%
ISS Damage Control Deutschland GmbH	100%
ISS Facility Services GmbH	100%
ISS HWD GmbH	100%
ISS HWS GmbH & Co. KG	100%
ISS Personaldienstleistungen GmbH	100%
ISS Personalservice GmbH	100%
ISS Services GmbH	100%
ISS Wäscheservice GmbH & Co. KG	100%
Klaus Harren GmbH	100%
Kleesattel GmbH	100%
NOBIS Beteiligungen GmbH	100%
NOBIS Gebäude-Service GmbH, Hamburg	100%
NOBIS Gebäude-Service GmbH, München	100%
NOBIS Gebäude-Service GmbH, Schwerin	100%
NOBIS Security GmbH	100%
Otto Böhm Gebäudereinigung GmbH	100%
Paul Henschel Glas- und Gebäudereinigung GmbH	100%
Unidienst Sartorius GmbH Glas- und Gebäudereinigung	100%
Vatro Trocknungs- und Sanierungstechnik GmbH & Co.KG	86%
Vatro Verwaltungs GmbH	86%

Greece

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

Greenland

ISS Grønland A/S	100%

Hong Kong

ISS China Holdings I Ltd.	100%
ISS Environmental Services (HK) Ltd.	100%
ISS Greater China Ltd.	100%
ISS Hong Kong Services Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
Roboclean (HK) Co. Ltd.	80%

Hungary

ISS Servisystem Kft.	100%

Iceland

ISS Island ehf.	100%

Indonesia

Pt. ISS Servisystem	100%

Ireland

Contract Cleaners Ltd.	100%
Corporate Personnel Services Ltd.	100%
ISS Hygiene Services Ltd.	100%
ISS Ireland Ltd.	100%

Israel

ISS-Ashmoret Ltd.	50%
ISS-Israel Manpower Services Ltd.	50%
ISS-Israel Restoration Engineering Ltd.	50%
M.A.S.H Machatz Agencies Ltd.	50%

Italy

ISS Facility Services srl	100%
ISS Hygiene Services srl	100%

Japan

ISS Nesco Ltd.	50% *

Luxembourg

ISS Facility Services S.A.	100%

Malaysia

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

The Netherlands

De Logé Schoonmaakdiensten B.V.	100%
Het Groene Team B.V.	50%
Huib van den Hoven Plantsoenwerken B.V.	100%
ISS Arbo Plus B.V.	100%
ISS Catering Services B.V.	100%
ISS Damage Services B.V.	100%
ISS Food Hygiene B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Hospital Services B.V.	100%
ISS Integrated Facility Services B.V.	100%
ISS Landscaping Services B.V.	100%
ISS Nederland B.V.	100%
Muraka Groep B.V.	100%

Norway

Aircon AS	40% **
ForvaltningsCompagniet AS	100%
Grødegaard AS	48% **
Hero Mottak og Kompetanse AS	50% *
House of Coffee Norge AS	100%
ISS Damage Control AS	100%
ISS Lufthavnservice AS	100%
ISS Norge AS	100%
ISS Skaaret AS	100%
ISS Vaktmester Kompaniet AS	100%
Profesjonelle Sikkerhetssystemer AS (PSS)	100%
PSP-Procuro Servicepartner AS	100%
Raufoss Beredskap AS	51%
Serveringspartner AS	100%
Telenor Renhold og Kantine AS	50% *
Triotex AS	100%
Varig Gruppen AS	70%

Poland

ISS Multiservice Sp. z.o.o.	100%

Portugal

ISS Servisystem Serviços de Limpeza, Lda.	100%

Romania

3D Romania S.A.	98%

Singapore

Continental Delight Catering Services Pte. Ltd.	100%
Essential Services Pte. Ltd.	100%
ISS Facility Services Pte. Ltd.	100%
ISS Hygiene Services Pte. Ltd.	100%
ISS Sanitation Services Pte. Ltd.	100%
Serve1st Services Pte. Ltd.	100%

Slovakia

ISS Automotive Service s.r.o.	100%
ISS Facility Services spol s.r.o.	100%
ISS Security s.r.o.	100%

Slovenia

ISS Servisystem d.o.o.	100%

Spain

Amalis S.A.	100%
Gelim S.A.	100%
Integrated Service Solutions Holding S.L.	100%
ISS Facility Services S.A.	100%
ISS Higiene Ambiental 3D S.A.	100%
Universal Cleaning Activities UNICA S.L.	100%

Sri Lanka

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

Sweden

Arctella AB	100%
CarePartner Sverige AB	49% **
Elisabethsjukhuset AB	100%
FysiologLab i Stockholm AB	100%
GK Rengörarna AB	100%
Invita Måltider AB	100%
ISS Ecuro AB	100%
ISS Ekonomiförvaltning AB	100%
ISS Facility Services AB	100%
ISS Health Care AB	100%
ISS Industri- och Skadeservice AB	100%
ISS Rehab AB	100%
ISS Teleoffice AB	100%
ISS TraffiCare AB	100%
Knivsta Rehabilitering AB	100%
Lemonia AB	100%
M & M Medical AB	100%
Nordisk Besiktnings AB	100%
Nåjden Behandlingskonsult AB	100%
Ocab i Stockholm AB	92%
Ocab Skadeservice AB	100%
Ocab Syd AB	92.8%
Rånäs Rehabiliteringscenter AB	100%
Östergötlands Högtryckssspolning & Fastighedsjour AB	100%

Switzerland

AMH Airport Multiservice Holding AG	44% **
Deratex S.A.	100%
ISS Aviation AG	72%
ISS Aviation SA	72%
ISS Bernasconi SA	100%
ISS COMMultiservice AG	80%
ISS Facility Services AG	100%
ISS Facility Services AG (Liechtenstein)	100%
ISS Gartenbau AG	100%
ISS Holding AG	100%
Ketol AG	100%
Sevis AG	100%
Swissport Baggage Sorting AG	48.4% **

Thailand

ISS Facility Services Co., Ltd.	100%
Sara Service Co., Ltd.	100%

The United Kingdom

Chenies Landscapes Ltd.	100%
Coflex Ltd.	100%
Eaton Fine Dining Ltd.	100%
ISS Aviation UK Ltd.	100%
ISS (Brentwood) Plc	100%
ISS Damage Control Ltd.	100%
ISS Damage Control (Scotland) Ltd.	76%
ISS Facility Services Ltd.	100%
ISS Finance and Investment Ltd.	100%
ISS Finance and Investment (Bishop Auckland) Ltd.	100%
ISS Food Hygiene Ltd.	100%
ISS Mediclean Ltd.	100%
ISS UK Ltd.	100%
MJ Building Services Group Plc	100%
RCO Support Services Ltd.	100%
Spectrum Holdings Ltd.	100%
Spectrum Franchising Ltd.	100%
Waterers Landscape (Holdings) Plc	100%
Waterers Landscape Plc	100%

Uruguay

Samilar S.A.	100%

ISS FINANS A/S

Denmark

Global Insurance A/S	100%

[1] Undertakings of immaterial interest are left out.

* Joint venture
** Associates

Board of Directors

Erik Sørensen (60)
Chairman.
Member of the Board of ISS A/S since 1996.
Latest re-election in 2003.
Election period expires in 2005.
President and CEO of Chr. Hansen Holding A/S.
Number of shares: 3,000 (2003: 2,000).
Stock options: 7,500 (2003: 7,500).
Member of the remuneration committee and the nomination committee.

Karina Deacon*) (35)
Member of the Board of ISS A/S since 1999.
Latest re-election in 2003. Election period expires in 2007.
Executive Vice President – Corporate Finance and Control.
Joined ISS in 1997.
Number of shares: 1,719 (2003: 1,071).
Stock options: 5,000 (2003: 5,000).
Warrants: 5,000 (2003: 5,000).

Claus Høeg Madsen (59)
Member of the Board of ISS A/S since 2003.
Election period expires in 2005.
Partner in the law firm Jonas Bruun. Member of the Board of Nordea AB, Genpack A/S, Singer Danmark A/S, Ejendomsselskabet Ny Mårumvej 260 A/S and Ejendomsaktieselskabet Vennelyst.
Number of shares: 120 (2003: 120).
Member of the nomination committee.

Peter Lorange (62)
Member of the Board of ISS A/S since 1998.
Latest re-election in 2003. Election period expires in 2005.
President of International Institute for Management Development (IMD), Switzerland; Member of the Board of Stream Serve AB, Christiania Eiendomsselskap AS, Copenhagen Business School, Zaruma Mining PLC and S. Ugelstad Skipsrederi A/S.
Number of shares: 2,100 (2003: 1,500).
Stock options: 5,000 (2003: 5,000).
Member of the nomination committee.

Sven Riskær (66)
Vice-Chairman.
Member of the Board of ISS A/S since 1987.
Latest re-election in 2004. Election period expires in 2006.
Managing director of the Industrialisation Fund for Developing Countries (IFU), The Investment Fund for Central and Eastern Europe (IØ) and The Investment Fund for the Emerging Markets (IFV);
Chairman of the Board of Dansk Olie og Naturgas A/S and Kapacitet A/S; Member of the Board of Air Liquide/Hede Nielsen A/S, C. L. Davids Legat and Ejendomsaktie-selskabet Vennelyst.
Number of shares: 700 (2003: 700).
Stock options: 5,000 (2003: 5,000).
Member of the remuneration committee and the nomination committee.

Tina Hilligsø*) (36)
Member of the Board of ISS A/S since 2004.
Election period expires in 2007.
Secretary. Joined ISS in 1998.
Number of shares: 1,136 (2003: 826).

Flemming Quist*) (40)
Member of the Board of ISS A/S since 1999. Latest re-election in 2003.
Election period expires in 2007.
Finance Manager.
Joined ISS in 1996.
Number of shares: 1,156 (2003: 856).
Stock options: 5,000 (2003: 5,000).

Tom Knutzen (42)
Member of the Board of ISS A/S since 2002.
Latest re-election in 2004.
Election period expires in 2006.
President and CEO of NKT Holding A/S.
Chairman of the Board of NKT Flexibles I/S.
Member of the Board of FLS Industries A/S.
Number of shares: 2,552 (2003: 1,052).
Member of the remuneration committee and the nomination committee.

Karin Verland (47)
Member of the Board of ISS A/S since 2004. Election period expires in 2006.
Managing Director of Pfizer Denmark.
Chairman of the Board of The Danish Association of the Pharmaceutical Industry (Lif); Vice Chairman of the Board of Infomatum A/S; Member of the Steering Committee of Institute for Rational Pharmacotherapy (IRF).
Number of shares: 0 (2003: 0).
Member of the nomination committee.

*) Elected by the employees.

Group Management

Eric S. Rylberg (48)
Group Chief Executive Officer.
Chairman of the Executive Management Board.
Member of the Executive Management Board since 1997.
Joined ISS in 1997.
Senior Adviser to EQT IV.
Number of Shares: 11,328 (2003: 8,007).
Stock options: 300,000 (2003: 250,000).

Thorbjørn Graarud (51)
Group Chief Operating Officer.
Member of the Executive Management Board since 2002.
Joined ISS in 1985.
Number of shares: 7,630 (2003: 5,719).
Stock options: 75,000 (2003: 50,000).
Warrants: 44,000 (2003: 44,000).

Bjørn Raasteen (40)
Senior Vice President, General Counsel.
Joined ISS in 1999.
Number of shares: 1,615 (2003: 971).
Warrants: 13,000 (2003: 13,000).

Martin Gaarn Thomsen (34)
Regional Director.
Joined ISS in 1999.
Number of shares: 1,454 (2003: 859).
Warrants: 14,700 (2003: 14,700).

Stig Pastwa (37)
Regional Director.
Joined ISS in 1998.
Number of shares: 1,963 (2003: 916).
Warrants: 26,400 (2003: 26,400).

Jens E. Olesen (42)
Executive Vice President, Mergers and Acquisitions.
Joined ISS in 1998.
Number of shares: 2,761 (2003: 1,818).
Warrants: 21,700 (2003: 21,700).

Karsten Poulsen (41)
Group Chief Financial Officer.
Member of the Executive Management Board since 2002.
Joined ISS in 1998.
Number of shares: 4,598 (2003: 2,817).
Stock options: 75,000 (2003: 50,000).
Warrants: 44,000 (2003: 44,000).

Flemming Schandorff (56)
Group Chief Operating Officer.
Member of the Executive Management Board since 2002.
Employed with ISS from 1973-1994 and since 2000.
Member of the Board of Modulex A/S.
Number of shares: 4,070 (2003: 2,151).
Stock options: 75,000 (2003: 50,000).
Warrants: 44,000 (2003: 44,000).

Jacob Götzsche (37)
International Business Director.
Joined ISS in 1999.
Number of shares: 1,791 (2003: 956).
Warrants: 12,500 (2003: 12,500).

Søren Kongsbak (47)
International Business Director.
Joined ISS in 1997.
Number of shares: 2,954 (2003: 1,931).
Warrants: 25,900 (2003: 25,900).

Henrik Juul Nordenlund (41)
International Director.
Joined ISS in 1999.
Number of shares: 3,030 (2003: 1,795).
Warrants: 25,000 (2003: 25,000).

Kristian Tuft (43)
Executive Vice President.
Joined ISS in 1999.
Number of shares: 2,053 (2003: 1,101).
Warrants: 26,900 (2003: 26,900).

Henrik Andersen (37)
International Business Director.
Joined ISS in 2000.
Number of shares: 2,039 (2003: 1,174).
Warrants: 22,200 (2003: 22,200).

Quarterly Financial Figures [1)]

Amounts in DKKm	Q1 2004		Q2 2004		Q3 2004		Q4 2004		FY 2004	
Revenue										
Facility Services	8,441		8,945		9,628		10,136		37,150	
Damage Control	422		417		409		408		1,656	
Food Hygiene	226		230		233		241		930	
Health Care	155		151		141		172		619	
Group	**9,244**		**9,743**		**10,411**		**10,957**		**40,355**	
Northern Europe	4,264		4,477		4,821		5,006		18,568	
Continental Europe	4,497		4,770		5,079		5,425		19,771	
Overseas	483		496		511		526		2,016	
Group	**9,244**		**9,743**		**10,411**		**10,957**		**40,355**	
Operating profit before other income and expenses and associates		%		%		%		%		%
Facility Services	423	5.0	584	6.5	650	6.8	686	6.8	2,343	6.3
Damage Control	10	2.4	17	4.1	14	3.3	(15)	(3.7)	26	1.6
Food Hygiene	12	5.1	16	7.1	16	7.1	14	5.9	58	6.3
Health Care	14	9.1	14	9.6	15	10.6	24	13.5	67	10.8
Corporate	(47)	(0.5)	(39)	(0.4)	(38)	(0.4)	(91)	(0.8)	(215)	(0.5)
Group	**412**	*4.5*	**592**	*6.1*	**657**	*6.3*	**618**	*5.6*	**2,279**	*5.6*
Northern Europe	241	5.7	295	6.6	331	6.9	307	6.1	1,174	6.3
Continental Europe	191	4.2	308	6.5	339	6.7	362	6.7	1,200	6.1
Overseas	27	5.5	28	5.7	25	4.9	40	7.7	120	6.0
Corporate	(47)	(0.5)	(39)	(0.4)	(38)	(0.4)	(91)	(0.8)	(215)	(0.5)
Group	**412**	*4.5*	**592**	*6.1*	**657**	*6.3*	**618**	*5.6*	**2,279**	*5.6*
Other income and expenses, net	(11)		(6)		(16)		(36)		(69)	
Share of profit from associates	1		13		7		18		39	
Operating profit	**402**		**599**		**648**		**600**		**2,249**	
Net finance costs	(64)		(87)		(87)		(105)		(343)	
Other financial income, net	-		-		-		-		-	
Profit before tax and goodwill amortisation	**338**		**512**		**561**		**495**		**1,906**	
Income taxes	(100)		(154)		(182)		(162)		(598)	
Profit before goodwill amortisation	**238**		**358**		**379**		**333**		**1,308**	
Goodwill amortisation	(230)		(309)		(311)		(367)		(1,217)	
Tax effect of goodwillamortisation	4		5		11		39		59	
Minority interests	(4)		(7)		(3)		(5)		(19)	
Net profit for the period	**8**		**47**		**76**		**0**		**131**	
Cash flow from operations	23		158		643		1,155		1,979	
Free cash flow	(80)		(33)		519		990		1,396	
Total assets, end of period	24,307		24,861		28,141		29,676		29,676	
Total equity, end of period	7,482		7,485		7,558		8,336		8,336	
Interest-bearing debt, net, end of period	5,668		6,222		8,469		7,214		7,214	

[1)] The quarterly figures are unaudited.

Amounts in DKKm	Q1 2003		Q2 2003		Q3 2003		Q4 2003		FY 2003	
Revenue										
Facility Services	8,130		8,229		8,096		8,464		32,919	
Damage Control	430		437		497		453		1,817	
Food Hygiene	216		210		208		227		861	
Health Care	141		137		130		160		568	
Group	**8,917**		**9,013**		**8,931**		**9,304**		**36,165**	
Northern Europe	4,182		4,150		4,045		4,285		16,662	
Continental Europe	4,297		4,411		4,389		4,524		17,621	
Overseas	438		452		497		495		1,882	
Group	**8,917**		**9,013**		**8,931**		**9,304**		**36,165**	
Operating profit before other income and expenses and associates		%		%		%		%		%
Facility Services	400	4.9	554	6.7	539	6.7	556	6.6	2,049	6.2
Damage Control	7	1.7	10	2.3	32	6.3	15	3.3	64	3.5
Food Hygiene	13	6.1	14	6.7	13	6.3	16	7.2	56	6.6
Health Care	26	18.3	14	10.5	7	5.5	(8)	(5.2)	39	6.8
Corporate	(40)	(0.4)	(50)	(0.6)	(28)	(0.3)	(58)	(0.6)	(176)	(0.5)
Group	**406**	***4.6***	**542**	***6.0***	**563**	***6.3***	**521**	***5.6***	**2,032**	***5.6***
Northern Europe	235	5.6	276	6.6	247	5.9	253	6.1	1,011	6.1
Continental Europe	184	4.3	290	6.6	318	7.2	290	6.5	1,082	6.1
Overseas	27	6.1	26	5.8	26	5.3	36	7.2	115	6.1
Corporate	(40)	(0.4)	(50)	(0.6)	(28)	(0.3)	(58)	(0.6)	(176)	(0.5)
Group	**406**	***4.6***	**542**	***6.0***	**563**	***6.3***	**521**	***5.6***	**2,032**	***5.6***
Other income and expenses, net	0		(25)		0		(50)		(75)	
Share of profit from associates	0		0		4		3		7	
Operating profit	**406**		**517**		**567**		**474**		**1,964**	
Net finance costs	(72)		(71)		(53)		(69)		(265)	
Other financial income, net	-		28		5		-		33	
Profit before tax and goodwill amortisation	**334**		**474**		**519**		**405**		**1,732**	
Income taxes	(107)		(148)		(165)		(133)		(553)	
Profit before goodwill amortisation	**227**		**326**		**354**		**272**		**1,179**	
Goodwill amortisation	(217)		(224)		(219)		(234)		(894)	
Tax effect of goodwillamortisation	6		9		6		10		31	
Minority interests	(2)		(8)		(8)		(12)		(30)	
Net profit for the period	**14**		**103**		**133**		**36**		**286**	
Cash flow from operations	127		279		794		1,145		2,345	
Free cash flow	17		167		724		1,034		1,942	
Total assets, end of period	23,495		23,353		24,793		23,385		23,385	
Total equity, end of period	7,297		7,485		7,626		7,633		7,633	
Interest-bearing debt, net, end of period	5,742		5,747		5,516		4,784		4,784	

Financial Review 1995 – 2004

Amounts in DKKm (unless otherwise stated)

Financial highlights	EURm [6] 2004	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Revenue	5,425	40,355	36,165	37,984	34,852	28,719	19,802	13,801	11,782	10,738	9,198
Operating profit [1]	306	2,279	2,032	2,010	1,633	1,454	1,021	735	639	553	405
Net finance costs	(46)	(343)	(265)	(361)	(310)	(244)	(128)	(80)	(54)	(76)	6
Net profit for the year	18	131	286	246	222	210	237	211	451	(1,856)	20
Free cash flow [2]	188	1,396	1,942	1,739	1,058	874	795	460	309	302	294
Depreciation and amortisation	(83)	(617)	(587)	(603)	(551)	(468)	(351)	(255)	(228)	(234)	(212)
Total assets	3,990	29,676	23,385	22,412	22,419	17,164	13,696	7,139	4,668	4,639	6,118
Goodwill	2,083	15,494	12,465	12,669	12,022	9,522	7,576	2,995	1,615	1,697	1,787
Total equity	1,121	8,336	7,633	7,331	6,621	5,678	4,415	1,408	1,295	871	2,717
Interest-bearing debt, net [2]	970	7,214	4,784	5,604	6,317	4,357	3,050	1,898	338	678	670
Dividends declared [3]	-	-	177	88	-	-	-	-	60	-	66
Key figures [2]											
Operating margin, %	5.6	5.6	5.6	5.3	4.7	5.1	5.2	5.3	5.4	5.1	4.4
Interest coverage [4]	8.4	8.4	9.9	7.2	7.0	7.9	10.7	12.4	16.1	10.4	-
Earnings per share, DKK	0.4	3.0	6.5	5.7	5.5	5.4	7.0	9.3	8.3	3.4	6.6
Earnings per share before goodwill amortisation, DKK	4.0	29.5	26.8	25.8	21.6	21.1	18.6	16.4	13.3	8.1	10.7
Earnings per share before goodwill amortisation (adj.), DKK [5]	4.1	30.8	27.6	26.4	22.2	21.7	19.1	16.9	13.6	8.3	10.8
Free cash flow per share, DKK	4.2	31.5	44.1	40.2	25.5	22.3	23.7	15.5	10.4	10.2	9.9
Dividends per share, DKK [3]	-	-	4.0	2.0	-	-	-	-	2.0	-	2.2
Equity ratio, %	28.1	28.1	32.6	32.7	29.5	33.1	32.2	19.7	27.7	18.8	44.4
Net debt to book equity ratio, %	86.5	86.5	62.7	76.4	95.4	76.7	69.1	134.9	26.1	77.8	24.7
Net debt to total enterprise value ratio, %	33.3	33.3	27.1	33.3	26.7	16.7	14.0	13.2	4.4	12.9	15.1
Quoted share price, 31 December											
ISS-shares, DKK	41	306	291	255	411	541	-	-	-	-	-
A-shares, DKK	-	-	-	-	-	-	440	390	237	149	132
B-shares, DKK	-	-	-	-	-	-	497	422	251	154	126
Average number of shares, m	44.32	44.32	44.00	43.28	41.50	39.23	33.50	29.76	29.76	29.76	29.76
Number of shares end of period, m	47.34	47.34	44.31	43.93	42.22	40.17	38.21	29.76	29.76	29.76	29.76
Market capitalisation	1,944	14,461	12,894	11,202	17,351	21,730	18,773	12,437	7,417	4,564	3,773
Enterprise value [2]	2,914	21,675	17,678	16,806	23,668	26,087	21,823	14,335	7,755	5,242	4,443
Number of employees at year-end	273,500	273,500	245,000	248,500	259,800	253,200	216,700	137,800	106,600	103,400	96,650

Note: The Annual Report 2004 is audited and has been prepared in accordance with the same accounting principles as were applied in the Annual Report 2003. Comparative figures for 1995-1996 are exclusive of ISS Inc.

[1] Before other income and expenses and associates.
[2] See page 147 for definitions.
[3] For 2004, a dividend of DKK 237 million (EUR 32 million) is proposed, equivalent to DKK 5 per share.
[4] Interest coverage in 1995 omitted due to lack of comparability.
[5] Adjusted for the number of shares assumed repurchased if the dividend amount each year instead was used for repurchase of shares at the prevailing share price at the time of the dividend pay out. The number of shares assumed repurchased is cummulated from 1995. In total, approximately 1.9 million shares are assumed repurchased in the period 1995 to 2004.
[6] The exchange rate used is of 31 December 2004 (EUR/DKK = 7.4381).

Definitions

Cash conversion, %	=	Free cash flow x 100 / Profit before goodwill amortisation
Earnings per share before goodwill amortisation	=	Profit before goodwill amortisation / Average number of shares
Earnings per share	=	Net profit for the year [1] / Average number of shares
Enterprise value	=	Interest-bearing debt, net + Market capitalisation
Equity ratio, %	=	Total equity x 100 / Total assets
Free cash flow	=	Cash flow from operating activities - Investments in intangible assets and property, plant and equipment, net
Free cash flow per share	=	Free cash flow / Average number of shares
Interest-bearing debt, net	=	Long-term debt + Current portion of long-term debt + Interest-bearing loans and borrowings + Debt to associates - Liquid funds - Securities +/- Marked-to-market value of interest rate swaps
Interest coverage	=	Operating profit before other income and expenses and associates + Depreciation and amortisation / Net finance costs
Net debt to book equity ratio, %	=	Interest-bearing debt, net x 100 / Total equity
Net debt to total enterprise value ratio, %	=	Interest-bearing debt, net x 100 / Enterprise value
Operating margin, %	=	Operating profit before other income and expenses and associates x 100 / Revenue

Lease adjusted figures

Operating leases are adjusted for according to the methodology used by Standard & Poor's. The adjustments are summarised below. Details about the methodology are available from Standards & Poor's on request.

Free funds from operations to net debt ratio, %	=	(Cash flow from operating activities – Changes in working capital + Lease depreciation) x 100 / Interest-bearing debt, net
Interest-bearing debt, net	=	Interest-bearing debt, net + Implied off-balance sheet financing
Interest coverage	=	(Operating profit before other income and expenses and associates + Depreciation and amortisation + Implied interest charge) / Net finance costs + Implied interest charge

The implied interest charge is the estimated financial cost that would have been incurred, if leased assets were debt financed. Lease depreciation is calculated by subtracting the implicit interest charge from the lease payment. Implied off-balance sheet financing is the net present value of future minimum lease payments using a discount rate of 10%.

[1] Before loss from discontinued business, net of tax.

International Financial Reporting Standards (IFRS)

No title, Claus Carstensen
Acrylic, spray and tempera on canvas, 200 x 130 cm

Transition to IFRS
(unaudited)

In the consolidated financial statements for 2004 ISS has applied accounting policies that are consistent with 2003, see page 89-95 of this report.

As required by EU regulations, ISS will prepare its consolidated financial statements for 2005 in accordance with International Financial Reporting Standards (IFRS).

ISS' consolidated financial statements for 2005 will be impacted in two steps. Firstly at the IFRS opening balance sheet date 1 January 2004 and secondly when applying the IFRS standards and interpretations to the figures for 2005 and the comparative figures for 2004.

In order to facilitate an understanding of the expected impact from the IFRS transition, the expected accounting implications of implementing IFRS are described in this section.

The expected transition implications are based on IFRS 1 First-time Adoption and the standards and interpretations expected to be applicable as at 31 December 2005 including early adoption of the amendment to IAS 19 Employee Benefits issued in December 2004. IAS 39 Financial Instruments: Recognition and Measurement is applied from 1 January 2005 with no restatement of comparative figures for 2004.

It should be noted that the outlined impact is unaudited and can only be considered provisional as it will be the standards and interpretations applicable at 31 December 2005 that provides the basis for the final transition implications.

Expected impact on the Group's financial ratios [1] for 2004	**Current accounting policies**	**IFRS**
Operating margin, %	5.6	5.6
Interest coverage	8.4	8.6
Earnings per share before goodwill impairment, DKK	29.5	27.7
Basic earnings per share, DKK	3.0	19.8
Cash conversion, %	107	111
Free cash flow per share, DKK	31.5	30.8
Equity ratio, % [2]	28.4	29.1
Net debt to book equity, % [2]	85.5	81.1
Net debt to total enterprise value ratio, %	33.3	33.3

[1] See page 147 of this report for definitions.
[2] Calculated based on equity including minority interests.

Expected impact on Earnings per share before goodwill impairment for 2004	**DKKm**
Earnings per share before goodwill impairment according to current accounting policies, DKK	29.5
Profit before goodwill impairment according to current accounting policies	1,308
Integration costs related to acquired companies (previously included in goodwill)	(110)
Other, net	(6)
Tax impact	37
Profit before goodwill impairment according to IFRS	1,229
Earnings per share before goodwill impairment according to IFRS, DKK	**27.7**

IMPACT ON THE GROUP'S FINANCIAL RATIOS

Earnings per share before goodwill impairment, Cash conversion and Free cash flow per share will be impacted by a changed accounting policy under IFRS regarding integration costs, as set out on page 152.

Equity and Net debt to book equity ratios will be impacted by an increased equity as set out on page 152.

Expected impact on Cash conversion for 2004	DKKm
Cash conversion under current accounting policies, %	107
Cash flow from operating activities according to current accounting policies	1,979
Payments related to integration costs	(33)
Cash flow from operating activities according to IFRS	1,946
Investment in intangible assets and property, plant and equipment according to current accounting policies and IFRS	(583)
Free cash flow according to IFRS	1,363
Profit before goodwill impairment according to IFRS	1,229
Cash conversion under IFRS, %	**111**

IFRS 1 FIRST-TIME ADOPTION

The effect of ISS's transition to IFRS is determined by the provisions set out in IFRS 1 First-time Adoption, which includes certain transitional rules for companies adopting IFRS for the first time.

Business Combinations In accordance with IFRS 1, ISS will use the option of recognising the existing carrying amount of assets and liabilities for business combinations made prior to 1 January 2004.

Employee Benefits In accordance with IFRS 1, unrecognised actuarial gains and losses net of taxes related to defined benefit plans will be included in equity in the IFRS opening balance as at 1 January 2004.

Cumulative currency translation differences In accordance with IFRS 1, ISS will reset cumulative translation differences related to foreign subsidiaries in the opening equity on 1 January 2004.

IMPACT ON EQUITY

Equity as at 1 January 2004 will primarily be impacted by the recognition of unrecognised actuarial gains and losses net of tax related to the Group's defined benefit plans. See note 20 to the consolidated financial statements for further details of the Group's pensions and similar obligations.

As at 31 December 2004, equity will also be impacted by reversal of goodwill amortisation, net of goodwill impairment and write-down, and by recognition of integration costs in the income statement.

IFRS CONVERGENCE

Differences between the current accounting policies as described on pages 89-95 of this report and IFRS are described below.

IFRS 2 Share-based Payment ISS's current treatment of share-based payment is described on pages 24-31 of this report. According to the transitional provisions in IFRS 2, warrants granted after 7 November 2002 with vesting date after 1 January 2005 must be treated in accordance with the provisions of IFRS 2.

ISS has granted warrants to certain managers and employees in June 2003 and November 2003 with vesting dates after 1 January 2005. Following rulings by the Danish Supreme Court in 2004 certain of these warrants must be considered vested at the time of grant contrary to the conditions set out in the grant. The fair value of the warrants not considered vested at grant must be expensed in the income statement over the vesting period.

Expected impact on Equity DKKm	As at 1 January 2004	As at 31 December 2004
Equity attributable to equity holders of the Company according to current accounting policies	**7,633**	**8,336**
Recognition of unrecognised actuarial gains/(losses)	(392)	(434)
Release of unused integration provisions	17	17
Reversal of goodwill amortisation, net of goodwill impairment and write-down	-	873
Reversal of integration costs provided for in 2004 and included in goodwill	-	(110)
Tax impact	108	112
Equity attributable to equity holders of the Company according to IFRS	**7,366**	**8,794**

Since 7 November 2002 ISS has also issued stock options to members of the Executive Management Board and offered employee shares at a discount to the market price. These options and employee shares were vested at the time of grant and subscription, i.e. prior to 1 January 2005. Therefore, the IFRS 2 transitional provisions will not impact the Group's consolidated financial statements in regard to these stock options and employee shares.

IFRS 3 Business Combinations Under IFRS 3 the purchase price allocation requires more intangible assets, mainly customer related contracts, to be recognised before the residual value is assigned to goodwill. However, since ISS is a service company that acquires businesses in order to apply the ISS model and generate value by restructuring and refining the acquired business, it is generally not possible to measure the fair values of the customer related contracts reliably. Furthermore, the main impact will still derive from synergies, values related to human resources and the creation of platforms for growth, which will result in the purchase price being allocated to goodwill. No part of the un-amortised purchase price related to acquisitions up to 31 December 2004 has been allocated to intangible assets other than goodwill.

Under IFRS 3 goodwill is not amortised. Instead goodwill must be tested for impairment. The impairment tests will be carried out at the lowest level of cash generating units at which the carrying amount of goodwill can be allocated and monitored with any reasonable certainty.

Today, the lowest level of cash generating units under IFRS is the Facility Service and Business Build segment per country similar to ISS' current accounting policy. This level of allocation and monitoring of goodwill is in accordance with the monitoring for internal management purposes and should be seen in light of ISS' strategy to integrate acquired companies as quickly as possible to benefit from synergies.

Acquired companies are typically merged with (or activities transferred to) existing companies shortly after completion of the acquisition. Furthermore, synergies and other effects resulting from co-operation with existing ISS 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 goodwill of acquired companies (or activities) with any reasonable certainty.

Under IFRS, integration costs are prohibited from being included in goodwill. Instead integration costs must be charged to the income statement when a legal or constructive obligation occurs.

IMPACT ON THE INCOME STATEMENT

Operating profit before other items will be impacted by share-based payments, reversal of amortisation and recognition of unrecognised actuarial gains and losses in 2004, and a reclassification of calculated interest related to pension obligations.

Expected impact on Operating profit before other items for 2004	DKKm
Operating profit before other items according to current accounting policies	**2,279**
Share-based payments	(4)
Reversal of amortisation and recognition of unrecognised actuarial gains and losses in 2004	(2)
Interest on pension obligations	(8)
Operating profit before other items according to IFRS	**2,265**

Net profit for the year will primarily be impacted by reversal of goodwill amortisation net of goodwill impairment and write-down and by expensing integration costs in the income statement.

For 2004, reversal of goodwill amortisation amounts to DKK 1,217 million. Goodwill impairment amounts to DKK 306 million and write-down (related to divestments) amounts to DKK 38 million. The goodwill impairment primarily relates to the Group's activities in Germany as DKK 188 million in amortisation and DKK 100 million in goodwill impairment recognised under current accounting policies in 2004 are recognised as goodwill impairment in the 2004 IFRS figures.

The effective tax percentage (excluding effect from goodwill impairment and write-down) will decrease from 31.4% to 31.1% since share of profit from associates is presented net of tax under IFRS.

Expected impact on Net profit for 2004	DKKm
Net profit for the year according to current accounting policies	**150**
Reversal of goodwill amortisation, net of goodwill impairment and write-down	873
Integration costs related to acquired companies	(110)
Share-based payments	(4)
Reversal of amortisation and recognition of unrecognised actuarial gains and losses in 2004	(2)
Tax impact	(12)
Net profit for the year according to IFRS	**895**

IMPACT ON THE CASH FLOW STATEMENT

The cash flow statement will primarily be impacted by securities (bonds) being excluded from cash and cash equivalents.

Cash from operating activities will be impacted by reclassification of integration costs from the acquisition of businesses (under investing activities) to payments related to integration costs (under operating activities).

PARENT COMPANY

The 2005 financial statements for the parent company ISS A/S will be prepared in accordance with IFRS.

Under IFRS the equity method of accounting for subsidiaries and associated companies is prohibited. Consequently, subsidiaries and associated companies will be recognised at the lower of cost and recoverable value.

No significant net impact is expected in the IFRS opening balance sheet 1 January 2004 as the carrying amount of subsidiaries and associated companies according to the equity method is below the cost price. An impairment loss will therefore initially be recognised by which the IFRS carrying amount of the investments will be equal to the current value according to the equity method.

Under IFRS the income statement will reflect the dividends received from the subsidiaries and the associated companies and accordingly the parent company's net profit for the year and equity will differ from net profit for the year and equity in the consolidated financial statements.

Under IFRS a cash-flow statement will be provided for the parent company.

Disclosures will be changed and extended, primarily regarding impairment tests, derivatives, and related parties.

QUARTERLY FIGURES

The impact on the consolidated financial statements from the transition to IFRS is further outlined on the following pages. This includes 2004 IFRS compliant quarterly financial ratios, income statements, cash flow statements and balance sheets with accompanying explanatory notes for the reconciliation to current accounting policies.

Additional notes to the financial statements required under IFRS and current notes affected by IFRS are provided on pages 163-172 of this report.

Expected impact on the Cash flow statement for 2004 DKKm	Cash flow from operating activities	Total cash flow	Cash and cash equivalents at end of year
According to current accounting policies	**1,979**	**1,431**	**3,707**
Securities	-	(548)	(586)
Payments related to integration costs	(33)	-	-
According to IFRS	**1,946**	**883**	**3,121**

Consolidated Financial Statements under IFRS
(unaudited)

FINANCIAL RATIOS UNDER IFRS

	Q1 2004		Q2 2004	
	Current GAAP	IFRS	Current GAAP	IFRS
Operating margin, %	4.5	4.5	6.1	6.1
Interest coverage	8.6	8.8	8.5	8.8
Earnings per share before goodwill impairment, DKK	5.4	5.4	8.1	8.1
Basic earnings per share, DKK	0.2	5.2	1.1	4.7
Diluted earnings per share, DKK	0.2	5.2	1.1	4.6
Equity ratio, % [1]	31.2	30.6	30.5	30.4
Net debt to book equity, % [1]	72.5	73.0	82.0	80.9
Net debt to total entreprise value ratio, %	28.1	28.1	31.6	31.6

	Q3 2004		Q4 2004		Total 2004	
	Current GAAP	IFRS	Current GAAP	IFRS	Current GAAP	IFRS
Operating margin, %	6.3	6.3	5.6	5.5	5.6	5.6
Interest coverage	9.4	9.6	7.5	7.5	8.4	8.6
Earnings per share before goodwill impairment, DKK	8.6	7.9	7.4	6.3	29.5	27.7
Basic earnings per share, DKK	1.7	7.8	0.0	2.2	3.0	19.8
Diluted earnings per share, DKK	1.7	7.8	0.0	2.2	3.0	19.7
Equity ratio, % [1]	27.2	27.8	28.4	29.1	28.4	29.1
Net debt to book equity, % [1]	110.6	105.5	85.5	81.1	85.5	81.1
Net debt to total entreprise value ratio, %	37.1	37.1	33.3	33.3	33.3	33.3

[1] Calculated based on equity including minority interests.

CHANGES IN ACCOUNTING POLICIES - ADOPTION OF IFRS

In the 1 January 2004 IFRS opening balance sheet the following changes will occur in accordance with IFRS 1 First-time Adoption:

a) Recognition of unrecognised actuarial gains/losses by a net increase of the obligations under defined benefit plans against equity, net of tax.
b) Release of unused integration provisions related to aquisitions in prior years, net of tax.

Compared with current accounting policies (current GAAP) the transition to IFRS will result in the following changes:

c) No goodwill amortisation will be charged to the income statement. Goodwill will as under the Group's current accounting policies be tested for impairment by comparing the carrying amount of goodwill with the estimated value-in-use.
d) Costs related to integration of acquired companies will not be included in the calculation of goodwill but will be charged to the income statement under "Integration Costs" when a legal or constructive obligation occurs. Costs related to integration in the acquiring ISS company will be reclassified from "Other income and expenses, net" to "Integration Costs".
e) Share-based payments will be accounted for by recognising the value of instruments expected to vest over the service period.
f) Due to recognition of previous years' unrecognised actuarial gains/losses - see a) - amortisation and recognition of actuarial gains and losses in 2004 will be reversed in the income statement.
g) Actuarial gains and losses occured during 2004 will be recognised through equity in accordance with the IAS 19 December 2004 amendment.
h) Calculated interest related to pension obligations will be reclassifed from "Net finance costs" to "Staff costs" under "Operating expenses".
i) The tax impact of changes in applied accounting policies will be recorded.
j) Share of profit from associates will be presented net of tax.
k) Payments related to integration costs will be reclassified from investing activities to operating activities in the cash flow statement.
l) Securities (bonds) will no longer be included in cash and cash equivalents in the cash flow statement but included under financial assets.

CONSOLIDATED INCOME STATEMENT UNDER IFRS

Amounts in DKKm

	Q1 2004			Q2 2004		
	Current GAAP	IFRS impact	IFRS	Current GAAP	IFRS impact	IFRS
Revenue	**9,244**	-	**9,244**	**9,743**	-	**9,743**
Operating expenses	(8,692)	3	(8,689)	(9,005)	1	(9,004)
Depreciation and amortisation	(140)	-	(140)	(146)	-	(146)
Operating profit before other items	**412**	3	**415**	**592**	1	**593**
Other income and expenses, net	(11)	-	(11)	(6)	-	(6)
Integration costs	-	(3)	(3)	-	(7)	(7)
Share of profit from associates j)	1	(1)	-	13	(2)	11
Operating profit	**402**	(1)	**401**	**599**	(8)	**591**
Net finance costs h)	(64)	1	(63)	(87)	3	(84)
Profit before tax and goodwill impairment	**338**	0	**338**	**512**	(5)	**507**
Income taxes	(100)	1	(99)	(154)	3	(151)
Profit before goodwill impairment	**238**	1	**239**	**358**	(2)	**356**
Goodwill amortisation	(230)	230	-	(309)	309	-
Tax effect of goodwill amortisation	4	(4)	-	5	(5)	-
Goodwill impairment and write-down	-	(4)	(4)	-	(151)	(151)
Tax effect of goodwill impairment and write-down	-	-	-	-	7	7
Net profit for the period/year	**12**	223	**235**	**54**	158	**212**
Attributable to:						
Equity holders of the Company	8	223	231	47	158	205
Minority interests	4	-	4	7	-	7
Net profit for the period/year	**12**	223	**235**	**54**	158	**212**
Earnings per share before goodwill impairment, DKK	5.4		5.4	8.1		8.1
Basic earnings per share, DKK	0.2		5.2	1.1		4.7
Diluted earnings per share, DKK	0.2		5.2	1.1		4.6

Reconciliation of Operating profit before other items						
According to current GAAP	412			592		
e) Share-based payments		(1)			(1)	
f) Reversal of amortisation and recognition of unrecognised actuarial gains and losses in 2004		5			5	
h) Interest on pension obligations		(1)			(3)	
According to IFRS			**415**			**593**

Reconciliation of Net profit for the period/year						
According to current GAAP	12			54		
c) Reversal of goodwill amortisation, net of goodwill impairment and write down		226			158	
d) Integration costs		(3)			(7)	
e) Share-based payments		(1)			(1)	
f) Reversal of amortisation and recognition of unrecognised actuarial gains and losses in 2004		5			5	
i) Tax impact		(4)			3	
According to IFRS			**235**			**212**

	Q3 2004			Q4 2004			Total 2004		
	Current GAAP	IFRS impact	IFRS	Current GAAP	IFRS impact	IFRS	Current GAAP	IFRS impact	IFRS
Revenue	**10,411**	**-**	**10,411**	**10,957**	**-**	**10,957**	**40,355**	**-**	**40,355**
Operating expenses	(9,596)	2	(9,594)	(10,166)	(20)	(10,186)	(37,459)	(14)	(37,473)
Depreciation and amortisation	(158)	-	(158)	(173)	-	(173)	(617)	-	(617)
Operating profit before other items	**657**	2	**659**	**618**	(20)	**598**	**2,279**	(14)	**2,265**
Other income and expenses, net	(16)	8	(8)	(36)	24	(12)	(69)	32	(37)
Integration costs	-	(55)	(55)	-	(77)	(77)	-	(142)	(142)
Share of profit from associates j)	7	(1)	6	18	(3)	15	39	(7)	32
Operating profit	**648**	(46)	**602**	**600**	(76)	**524**	**2,249**	(131)	**2,118**
Net finance costs h)	(87)	2	(85)	(105)	2	(103)	(343)	8	(335)
Profit before tax and goodwill impairment	**561**	(44)	**517**	**495**	(74)	**421**	**1,906**	(123)	**1,783**
Income taxes	(182)	15	(167)	(162)	26	(136)	(598)	44	(554)
Profit before goodwill impairment	**379**	(29)	**350**	**333**	(48)	**285**	**1,308**	(79)	**1,229**
Goodwill amortisation	(311)	311	-	(367)	367	-	(1,217)	1,217	-
Tax effect of goodwill amortisation	11	(11)	-	39	(39)	-	59	(59)	-
Goodwill impairment and write-down	-	(4)	(4)	-	(185)	(185)	-	(344)	(344)
Tax effect of goodwill impairment and write-down	-	-	-	-	3	3	-	10	10
Net profit for the period/year	**79**	267	**346**	**5**	98	**103**	**150**	745	**895**
Attributable to:									
Equity holders of the Company	76	267	343	0	98	98	131	745	876
Minority interests	3	-	3	5	-	5	19	-	19
Net profit for the period/year	**79**	267	**346**	**5**	98	**103**	**150**	745	**895**
Earnings per share before goodwill impairment, DKK	8.6		7.9	7.4		6.3	29.5		27.7
Basic earnings per share, DKK	1.7		7.8	0.0		2.2	3.0		19.8
Diluted earnings per share, DKK	1.7		7.8	0.0		2.2	3.0		19.7

Reconciliation of Operating profit before other items

According to current GAAP	657			618			2,279		
e) Share-based payments		(1)			(1)			(4)	
f) Reversal of amortisation and recognition of unrecognised actuarial gains and losses in 2004		5			(17)			(2)	
h) Interest on pension obligations		(2)			(2)			(8)	
According to IFRS			**659**			**598**			**2,265**

Reconciliation of Net profit for the period/year

According to current GAAP	79			5			150		
c) Reversal of goodwill amortisation, net of goodwill impairment and write down		307			182			873	
d) Integration costs		(47)			(53)			(110)	
e) Share-based payments		(1)			(1)			(4)	
f) Reversal of amortisation and recognition of unrecognised actuarial gains and losses in 2004		5			(17)			(2)	
i) Tax impact		3			(13)			(12)	
According to IFRS			**346**			**103**			**895**

CONSOLIDATED CASH FLOW STATEMENT UNDER IFRS

Amounts in DKKm

	Q1 2004			Q2 2004		
	Current GAAP	IFRS impact	IFRS	Current GAAP	IFRS impact	IFRS
Operating profit before other items	412	3	415	592	1	593
Share-based payment e)	-	1	1	-	1	1
Depreciation and amortisation	140	-	140	146	-	146
Changes in working capital	(301)	-	(301)	(320)	-	(320)
Changes in provisions	(20)	(5)	(25)	19	(5)	14
Interest paid, net	(83)	1	(82)	(116)	3	(113)
Income taxes paid, net	(111)	-	(111)	(148)	-	(148)
Payments related to other income and expenses, net	(14)	-	(14)	(15)	-	(15)
Payments related to integration costs	-	-	-	-	(2)	(2)
Cash flow from operating activities	**23**	-	**23**	**158**	(2)	**156**
Acquisition of businesses	(605)	-	(605)	(465)	2	(463)
Divestment of businesses	25	-	25	4	-	4
Investment in intangible assets and property, plant and equipment, net	(103)	-	(103)	(191)	-	(191)
Investment in financial assets, net	1	(1,164)	(1,163)	16	9	25
Cash flow from investing activities	**(682)**	(1,164)	**(1,846)**	**(636)**	11	**(625)**
Financial payments, net	661	-	661	579	-	579
Proceeds from issuance of share capital	-	-	-	-	-	-
Purchase of treasury shares	-	-	-	(30)	-	(30)
Dividends paid to shareholders	-	-	-	(177)	-	(177)
Minority interests	(1)	-	(1)	(1)	-	(1)
Cash flow from financing activities	**660**	-	**660**	**371**	-	**371**
Total cash flow	**1**	(1,164)	**(1,163)**	**(107)**	9	**(98)**
Cash and cash equivalents at beginning of year	2,281	(38)	2,243	2,286	(1,202)	1,084
Total cash flow	1	(1,164)	(1,163)	(107)	9	(98)
Foreign exchange adjustments	4	-	4	(4)	-	(4)
Cash and cash equivalents at end of year	**2,286**	(1,202)	**1,084**	**2,175**	(1,193)	**982**
Reconciliation of Cash flow from operating activities						
According to current GAAP	23			158		
k) Integration costs reclassified from investing to operating activities		-			(2)	
According to IFRS			**23**			**156**
Reconciliation of Total cash flow						
According to current GAAP	1			(107)		
l) Securities excluded from cash and cash equivalents and included in financial assets		(1,164)			9	
According to IFRS			**(1,163)**			**(98)**

	Q3 2004			Q4 2004			Total 2004		
	Current GAAP	IFRS impact	IFRS	Current GAAP	IFRS impact	IFRS	Current GAAP	IFRS impact	IFRS
Operating profit before other items	657	2	659	618	(20)	598	2,279	(14)	2,265
Share-based payment e)	-	1	1	-	1	1	-	4	4
Depreciation and amortisation	158	-	158	173	-	173	617	-	617
Changes in working capital	2	-	2	805	-	805	186	-	186
Changes in provisions	(2)	(5)	(7)	(88)	17	(71)	(91)	2	(89)
Interest paid, net	(62)	2	(60)	(73)	2	(71)	(334)	8	(326)
Income taxes paid, net	(96)	-	(96)	(247)	-	(247)	(602)	-	(602)
Payments related to other income and expenses, net	(14)	-	(14)	(33)	12	(21)	(76)	12	(64)
Payments related to integration costs	-	(13)	(13)	-	(30)	(30)	-	(45)	(45)
Cash flow from operating activities	**643**	(13)	**630**	**1,155**	(18)	**1,137**	**1,979**	(33)	**1,946**
Acquisition of businesses	(2,469)	13	(2,456)	(347)	18	(329)	(3,886)	33	(3,853)
Divestment of businesses	4	-	4	3	-	3	36	-	36
Investment in intangible assets and property, plant and equipment, net	(124)	-	(124)	(165)	-	(165)	(583)	-	(583)
Investment in financial assets, net	7	243	250	(77)	364	287	(53)	(548)	(601)
Cash flow from investing activities	**(2,582)**	256	**(2,326)**	**(586)**	382	**(204)**	**(4,486)**	(515)	**(5,001)**
Financial payments, net	2,037	-	2,037	81	-	81	3,358	-	3,358
Proceeds from issuance of share capital	-	-	-	793	-	793	793	-	793
Purchase of treasury shares	-	-	-	-	-	-	(30)	-	(30)
Dividend paid to shareholders	-	-	-	-	-	-	(177)	-	(177)
Minority interests	(2)	-	(2)	(2)	-	(2)	(6)	-	(6)
Cash flow from financing activities	**2,035**	-	**2,035**	**872**	-	**872**	**3,938**	-	**3,938**
Total cash flow	**96**	243	**339**	**1,441**	364	**1,805**	**1,431**	(548)	**883**
Cash and cash equivalents at beginning of year	2,175	(1,193)	982	2,271	(950)	1,321	2,281	(38)	2,243
Total cash flow	96	243	339	1,441	364	1,805	1,431	(548)	883
Foreign exchange adjustments	0	-	0	(5)	-	(5)	(5)	-	(5)
Cash and cash equivalents at end of year	**2,271**	(950)	**1,321**	**3,707**	(586)	**3,121**	**3,707**	(586)	**3,121**

Reconciliation of Cash flow from operating activities

According to current GAAP	643			1,155			1,979		
k) Integration costs reclassified from investing to operating activities		(13)			(18)			(33)	
According to IFRS			**630**			**1,137**			**1,946**

Reconciliation of Total cash flow

According to current GAAP	96			1,441			1,431		
l) Securities excluded from cash and cash equivalents and included in financial assets		243			364			(548)	
According to IFRS			**339**			**1,805**			**883**

CONSOLIDATED BALANCE SHEET UNDER IFRS

Amounts in DKKm

	Q1 2004			Q2 2004		
	Current GAAP	IFRS impact	IFRS	Current GAAP	IFRS impact	IFRS
Goodwill	12,880	224	13,104	13,015	377	13,392
Software and other intangible assets	159	-	159	157	-	157
Total property, plant and equipment	1,456	-	1,456	1,564	-	1,564
Total financial assets	733	112	845	704	116	820
Trade receivables and other current assets	6,793	-	6,793	7,246	-	7,246
Securities	1,202	-	1,202	1,193	-	1,193
Cash and cash equivalents	1,084	-	1,084	982	-	982
Total assets	**24,307**	336	**24,643**	**24,861**	493	**25,354**
Total equity attributable to equity holders of the Company	7,482	(49)	7,433	7,485	104	7,589
Minority interests	109	-	109	107	-	107
Total Equity	**7,591**	(49)	**7,542**	**7,592**	104	**7,696**
Total provisions	1,101	385	1,486	1,058	389	1,447
Long-term debt	7,297	-	7,297	7,179	-	7,179
Interest-bearing loans and borrowings	657	-	657	1,246	-	1,246
Other current liabilities	7,661	-	7,661	7,786	-	7,786
Total equity and liabilities	**24,307**	336	**24,643**	**24,861**	493	**25,354**

Reconciliation of Total equity attributable to equity holders of the Company						
According to current GAAP	7,482			7,485		
a) + b) Impact from 1 January 2004 opening balance		(267)				
Impact from previous quarter					(49)	
c) Reversal of goodwill amortisation, net of goodwill impairment and write down		226			158	
d) Integration provisions set up in 2004		(3)			(7)	
f) Reversal of amortisation and recognition of uncognised actuarial gains and losses in 2004		5			5	
i) Tax impact		(4)			3	
g) Actuarial gains and losses occured during 2004 recorded through equity, net of tax		(6)			(6)	
According to IFRS			**7,433**			**7,589**

	Q3 2004			Q4 2004		
	Current GAAP	IFRS impact	IFRS	Current GAAP	IFRS impact	IFRS
Goodwill	15,269	644	15,913	15,494	809	16,303
Software and other intangible assets	158	-	158	175	-	175
Total property, plant and equipment	1,683	-	1,683	1,793	-	1,793
Total financial assets	826	120	946	873	130	1,003
Trade receivables and other current assets	7,934	-	7,934	7,634	-	7,634
Securities	950	-	950	586	-	586
Cash and cash equivalents	1,321	-	1,321	3,121	-	3,121
Total assets	**28,141**	764	**28,905**	**29,676**	939	**30,615**
Total equity attributable to equity holders of the Company	7,558	366	7,924	8,336	458	8,794
Minority interests	102	-	102	100	-	100
Total Equity	**7,660**	366	**8,026**	**8,436**	458	**8,894**
Total provisions	1,144	398	1,542	1,227	481	1,708
Long-term debt	9,685	-	9,685	10,359	-	10,359
Interest-bearing loans and borrowings	1,207	-	1,207	811	-	811
Other current liabilities	8,445	-	8,445	8,843	-	8,843
Total equity and liabilities	**28,141**	764	**28,905**	**29,676**	939	**30,615**

Reconciliation of Total equity attributable to equity holders of the Company						
According to current GAAP	7,558			8,336		
a) + b) Impact from 1 January 2004 opening balance						
Impact from previous quarter		104			366	
c) Reversal of goodwill amortisation, net of goodwill impairment and write down		307			182	
d) Integration provisions set up in 2004		(47)			(53)	
f) Reversal of amortisation and recognition of uncognised actuarial gains and losses in 2004		5			(17)	
i) Tax impact		3			(13)	
g) Actuarial gains and losses occured during 2004 recorded through equity, net of tax		(6)			(7)	
According to IFRS			**7,924**			**8,794**

CONSOLIDATED STATEMENT OF EQUITY UNDER IFRS

Amounts in DKKm

	Attributable to equity holders of the Company						
Equity	Share capital	Treasury shares	Share premium	Retained earnings	Foreign exch. adj.	Minority interests	Total equity
Equity at 1 January 2004 according to current accounting policies	**886**	**(28)**	**17**	**6,967**	**(209)**	**108**	**7,741**
IFRS impact	-	-	-	(476)	209	-	(267)
Equity at 1 January 2004 according to IFRS	**886**	**(28)**	**17**	**6,491**	**-**	**108**	**7,474**
Foreign exchange adj. of subsidiaries and minorities [1]	-	-	-	-	(36)	(1)	(37)
Deferred gain on hedging derivatives	-	-	-	9	-	-	9
Actuarial losses, net [2]	-	-	-	(40)	-	-	(40)
Share-based payments	-	-	-	4	-	-	4
Tax on entries recognised directly in equity	-	-	-	13	-	-	13
Net income/(expenses) recognised directly in equity	**-**	**-**	**-**	**(14)**	**(36)**	**(1)**	**(51)**
Net profit for the year	-	-	-	876	-	19	895
Total recognised income/(expenses) for the year	**-**	**-**	**-**	**862**	**(36)**	**18**	**844**
Additions from acquired companies, net	-	-	-	-	-	(20)	(20)
Dividends paid	-	-	-	(177)	-	(6)	(183)
Share issue	51	-	695	-	-	-	746
Employee shares	10	-	37	-	-	-	47
Tax regarding employee shares	-	-	-	16	-	-	16
Purchase of treasury shares	-	(30)	-	-	-	-	(30)
Transfer [3]	-	-	(749)	749	-	-	-
Total other equity movements	**61**	**(30)**	**(17)**	**588**	**-**	**(26)**	**576**
Equity at 31 December 2004 [4]	**947**	**(58)**	**-**	**7,941**	**(36)**	**100**	**8,894**

[1] Net of hedges and tax on hedges.

[2] In accordance with IAS 19 December 2004 amendment.

[3] In accordance with changed legislation, the share premium account is transferred to retained earnings at 31 December 2004.

[4] At 31 December 2004, retained earnings included DKK 237m in proposed dividends of which DKK 1m is attributable to the Company's wholly owned subsidiaries.

1. Segment information

The business segments of the Group reflect the operating model in **create2005** and consist of Facility Services and the Business Builds: Damage Control, Food Hygiene and Health Care (Primary segment). The business segments operate in three principal geographical regions: Northern Europe, Continental Europe and Overseas (Secondary segment).

Business - Primary segment	Facility Services	Damage Control	Food Hygiene	Health Care	Corporate functions	Elimina-tions	Group
2004							
External revenue	37,150	1,656	930	619	-	-	40,355
Internal revenue	40	17	-	-	-	(57)	-
Revenue	37,190	1,673	930	619	-	(57)	40,355
Operating profit [1]	2,333	26	58	67	(219)	-	2,265
Operating margin, %	6.3	1.6	6.2	10.8	-	-	5.6
Share of profit from associates	7	-	-	25	-	-	32
Depreciation and amortisation	519	52	12	23	11	-	617
Goodwill impairment and write-down	327	17	-	-	-	-	344
Total non-current assets	17,912	764	198	917	10,500	(11,017)	19,274
Investments in associates	135	-	-	43	-	-	178
Total assets	26,030	1,297	381	1,071	19,594	(17,758)	30,615
Total provisions	1,489	37	3	21	158	-	1,708
Total current liabilities	13,212	799	140	878	1,364	(6,739)	9,654
Cash flow from operating activities	2,204	39	64	74	(435)	-	1,946
Investments in intangible assets and property, plant and equipment, net	(452)	(58)	(19)	(22)	(32)	-	(583)
Employees at year-end	265,874	2,285	4,406	892	77	-	273,534

[1] Before other items.

Continues on page 164

1. Segment information (continued)

Geographical - Secondary Segment	External revenue	Operating profit [1]	Operating margin, %	Total assets	Invest-ments [2]
2004					
The UK	5,537	364	6.6	2,576	(55)
Sweden	3,628	170	4.7	2,663	(67)
Denmark [3]	3,578	229	6.4	1,843	(47)
Norway	3,084	209	6.8	1,313	(57)
Finland	2,441	193	7.9	2,461	(45)
Ireland	300	24	7.9	123	(5)
Other	-	(14)	-	(77)	-
Northern Europe	**18,568**	**1,175**	**6.3**	**10,902**	**(276)**
France	7,799	529	6.8	7,008	(149)
The Netherlands	3,094	192	6.2	2,440	(19)
Belgium	2,072	123	5.9	1,288	(11)
Spain	1,791	102	5.7	1,552	(11)
Germany	1,568	27	1.7	1,474	(16)
Switzerland	1,153	72	6.2	660	(10)
Austria	1,150	91	7.9	398	(5)
Central Eastern Europe [4]	466	30	6.4	524	(10)
Portugal	226	16	6.9	96	(3)
Greece	193	11	5.8	46	0
Italy	192	13	6.6	301	(3)
Poland	67	3	4.3	31	(2)
Other	-	(20)	-	(266)	-
Continental Europe	**19,771**	**1,189**	**6.0**	**15,552**	**(239)**
Israel	373	19	5.0	193	(8)
Hong Kong	354	18	5.1	200	(5)
Brazil	341	20	5.4	132	(1)
Singapore	307	20	6.6	139	(5)
Australia	242	28	11.7	406	(5)
Thailand	93	6	6.9	42	(3)
Japan	78	2	2.2	36	0
Indonesia	69	6	9.4	21	(4)
Malaysia	69	5	7.6	57	(2)
Argentina	39	(1)	(2.8)	34	(2)
Chile	19	1	5.2	30	(1)
Sri Lanka	17	0	0	7	0
Brunei	13	3	24.5	20	0
Uruguay	2	0	10.0	3	0
Other	-	(7)	-	44	-
Overseas	**2,016**	**120**	**6.0**	**1,364**	**(36)**
Corporate functions	-	(219)	0	19,595	(32)
Eliminations	-	-	-	(16,798)	-
Group	**40,355**	**2,265**	**5.6**	**30,615**	**(583)**

[1] Before other items.
[2] Investments in intangible assets and property, plant and equipment, net.
[3] Including Iceland, Greenland and the Faroe Islands.
[4] Including the Czech Republic, Slovenia, Slovakia, Romania, Hungary and Croatia.

2. Staff costs	2004
Wages and salaries	(20,250)
Share-based payments	(4)
Pension costs, defined benefit plans	(84)
Pension costs, defined contribution plans	(868)
Social charges and other costs	(5,385)
Staff costs	**(26,591)**
Average number of employees	267,279

Remuneration to the Board of Directors of the Company amounted to DKK 2.7m (DKK 2.5m in 2003). Remuneration to the Company's Executive Management Board (EMB) amounted to DKK 24.8m (DKK 21.8m in 2003). Remuneration to the Board of Directors and the EMB is specified on pages 20-21 of this report. Warrant and stock option programmes are described and specified on pages 26-31 of this report.

3. Other income and expenses, net	2004
Loss on discontinuation of aviation businesses	(4)
Loss on sale and closure of other businesses, net	(6)
Divestments and closures, net [1]	**(10)**
Disposal of vacated office space	(5)
Redundancy payments relating to organisational adjustments	(15)
Management and structural changes [2]	**(20)**
Gain on sale of properties	5
Other, net	(12)
Other income and expenses, net	**(37)**

[1] Excluding goodwill write-down.
[2] Announced in November 2003.

4. Net finance costs	2004
Interest income, etc.	101
Foreign exchange gain	1
Financial income	**102**
Interest expenses, etc.	(428)
Foreign exchange loss	(9)
Financial expenses	**(437)**
Net finance costs	**(335)**

5. Taxes

	2004		
	Tax in the income statement	Income tax payable/ (receivable)	Deferred tax liabilities/ (asset)
Balance at 1 January	-	163	(125)
Foreign exchange adjustments	-	0	1
Additions from acquired companies, net	-	16	(70)
Adjustments relating to prior years, net	(6)	3	3
Tax regarding employeee shares	-	(16)	-
Tax regarding other equity movements	-	-	(13)
Tax on profit before goodwill impairment	(548)	583	(35)
Tax effect of goodwill impairment	10	(10)	-
	(544)	**739**	**(239)**
Paid during the year	-	602	-
Taxes at 31 December	**(544)**	**137**	**(239)**
Income tax receivable/deferred tax assets		(103)	(604)
Income tax payable/deferred tax liabilities		240	365
Income tax, net/deferred tax, net		**137**	**(239)**

Computation of effective tax rate	2004
Statutory income tax rate in Denmark	30.0 %
Non-tax deductible expenses less non-taxable income	0.7 %
Adjustments relating to prior years, net	0.3 %
Foreign tax rate differential, net	0.7 %
Effect of changes in foreign tax rates	0.3 %
Share of profit after tax in associates	(0.6)%
Other, net	(0.3)%
Effective tax rate	**31.1%**

6. Goodwill impairment and write-down	2004
Impairment	(306)
Write-down	(38)
Goodwill impairment and write-down	**(344)**

Goodwill impairment of DKK 306m mainly relates to the German Facility Services business. For further description see note 30 on pages 171-172 of this report. Goodwill write-down relates to the winding up and divestment of businesses.

8. Acquisition and divestment of businesses

As described on pages 132-134 of this report, the Group made 95 acquisitions during 2004. The total purchase price amounted to DKK 4,204m. The total annual revenue of the acquisitions amounts to approximately DKK 6,095m. The balance sheet items etc. relating to acquisitions and divestments (including adjustments to acquisitions and divestments in prior years) are specified below:

	Acquisition of Engel [1]		Acquisition of Unica [1]		Total acquisitions		
Acquisitions and divestments in 2004	Net book value before takeover	Fair value at takeover	Net book value before takeover	Fair value at takeover	Net book value before takeover	Fair value at takeover	Total divest-ments
Non-current assets	191	113	159	53	1,058	396	(45)
Trade receivables	77	77	333	333	995	978	(8)
Other current assets	114	119	14	14	482	463	(4)
Other provisions	-	(5)	(34)	(34)	(39)	(81)	-
Pensions, deferred tax and minority interests	(5)	(11)	(7)	(7)	(23)	(28)	3
Long-term debt	-	-	(72)	(72)	(143)	(147)	-
Interest-bearing loans and borrowings	-	-	(137)	(137)	(328)	(360)	2
Other current liabilities	(233)	(239)	(193)	(192)	(1,076)	(1,144)	2
Net identifiable assets	**144**	**54**	**63**	**(42)**	**926**	**77**	**(50)**
Goodwill [2]		1,489		417		4,228	(9)
Loss on divestment of business		-		-		-	(1)
Acquisition costs, net of tax [3]		(41)		(11)		(101)	-
Purchase/(sales) price		**1,502**		**364**		**4,204**	**(60)**
Liquid funds in acquired companies		(95)		(2)		(327)	-
Net purchase/(sales) price [4]		**1,407**		**362**		**3,877**	**(60)**
Changes in deferred payments		-		-		(63)	24
Changes in prepayments regarding acquisitions in the coming year		-		-		(113)	-
Acquisition costs paid, net of tax [5]		41		11		152	-
Net payments regarding acquisition/ (divestment) of businesses		**1,448**		**373**		**3,853**	**(36)**

	Engel	Unica	Other	Total
Revenue in 2004				
Revenue for the Group assuming all acquisitions in 2004 were included as per 1 January 2004 [6]	1,443	1,230	40,464	**43,137**
Operating profit before other items in 2004				
Operating profit before other items for the Group assuming all acquisitions in 2004 were included as per 1 January 2004 [6]	126	53	2,258	**2,437**

[1] In 2004 the acquisitions of Engel and Grupo Unica exceeded the ISS 2% threshold for notification to the Copenhagen Stock Exchange. For a description of the acquired entities see pages 64, 66 and 132-134 of this report.
[2] For description of the factors that contributed to a recognition of goodwill, see page 152 of this report.
[3] Acquisition costs, gross, amounting to DKK 120m mainly related to the acquisitions of Engel in Finland, Grupo Unica in Spain, Nobis Beteiligungen in Germany, and SEDE Holding in France.
[4] The purchase price on a no cash no debt basis was DKK 1,428m and DKK 542m for Engel and Grupo Unica, respectively.
[5] Including DKK 38m regarding integration costs from acquisitions before 1 January 2004.
[6] Based on expectations at the date of acquisition.

Continues on page 168

8. Acquisition and divestment of businesses (continued)

	Total acquisitions	
Acquisitions and divestments in 2005 [1]	Net book value before takeover	Fair value at takeover
Non-current assets	36	36
Trade receivables	48	48
Other current assets	39	38
Long-term debt	(6)	(6)
Interest-bearing loans and borrowings	(12)	(12)
Other current liabilities	(39)	(39)
Net identifiable assets	**66**	**65**
Goodwill		191
Purchase price		**256**
Liquid funds in acquired companies		(11)
Net purchase price		**245**

[1] Up until 31 January 2005.

11. Intangible assets

	2004		
	Goodwill	Software and other intangible assets	Total
Cost at 1 January	12,465	420	12,885
Foreign exchange adjustments	(12)	1	(11)
Additions [1]	4,204	88	4,292
Additions from acquired companies, net	-	31	31
Disposals	(10)	(74)	(84)
Transfer to Property, plant and equipment	-	(37)	(37)
Cost at 31 December	**16,647**	**429**	**17,076**
Amortisation and goodwill impairment at 1 January	-	(256)	(256)
Foreign exchange adjustments	-	(1)	(1)
Amortisation	-	(82)	(82)
Amortisation from acquired companies, net	-	(21)	(21)
Impairment	(306)	-	(306)
Write-down	(38)	-	(38)
Disposals	-	74	74
Transfer to Property, plant and equipment	-	32	32
Amortisation and goodwill impairment at 31 December	**(344)**	**(254)**	**(598)**
Carrying amount at 31 December	**16,303**	**175**	**16,478**

[1] Additions of goodwill is off-set by a reversal of DKK 33m relating to acquisitions in prior years.

15. Deferred tax	2004
Tax losses carried forward, net	176
Goodwill	85
Provisions	369
Other	76
Set-off within legal tax units and jurisdictions	(102)
Deferred tax assets	**604**
Goodwill	121
Total non-current assets	90
Losses in foreign subsidiaries under Danish joint taxation	104
Other	152
Set-off within legal tax units and jurisdictions	(102)
Deferred tax liabilities	**365**

The Group has unrecognised tax assets in Argentina, Brazil and Israel amounting to approximately DKK 60m. The deferred tax assets related to the Group's activities in Germany amounted to DKK 300m of which DKK 142m were recognised as at 31 December 2004. The recognition of the tax asset is supported by expected improved future profitability.

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

20. Pensions and similar obligations

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

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

The Group participates in the Finnish TEL pension insurance scheme, which covers employees in the private sector in Finland. Due to continued uncertainty in Finland regarding the appropriate classification of this scheme, the Group has continued to account for its liability under the scheme as a defined contribution plan. In December 2004, the Finnish Ministry of Social Affairs and Health approved certain changes to the principles for calculating disability pension liabilities under the TEL pension insurance scheme effective beginning of 2006. Hereafter the TEL pension insurance scheme definitively meets the criteria for classification as a defined contribution plan.

Continues on page 170

20. Pensions and similar obligations (continued)

In Sweden, the Group participates in a multi-employer pension scheme. The fund is currently not able to provide the necessary information in order for ISS to account for the scheme as a defined benefit plan.

For a further discussion of Pensions and similar obligations, please refer to pages 84-85 of this report.

Principal actuarial assumptions for defined benefit plans at the balance sheet date are as follows:

	2004
Discount rates at 31 December [1]	2.5-5.5%
Expected return on plan assets	2.5-7.2%
Social security rates	2.0-3.0%
Future salary increases	2.0-4.0%
Future pension increases	0.5-3.0%

The amounts recognised in the consolidated income statement for defined benefit plans are as follows:

	2004
Current service costs	93
Interest on obligation	103
Expected return on plan assets	(95)
Recognised past service cost, net	(13)
Settlement	(4)
Recognised in the income statement	**84**

The amounts recognised in the consolidated balance sheet for defined benefit plans are as follows:

	2004
Present value of funded obligations	1,991
Fair value of plan assets	(1,652)
Funded obligations, net	339
Present value of unfunded obligations	324
Unrecognised past service income	2
Net liability for defined benefit plans at 31 December	**665**

Movements in the net liability recognised in the consolidated balance sheet are as follows:

	2004
Net liability at 1 January before reclassifications	616
Reclassifications	5
Net liabilities at 1 January	621
Foreign exchange adjustments	2
Additions from acquired companies, net	22
Net expenses recognised in the income statement	84
Contributions	(104)
Actuarial losses recognised through equity, net	40
Net liability for defined benefit plans at 31 December	**665**
Other pensions and obligations	34
Pensions and similar obligations at 31 December	**699**

[1] Based on high quality corporate bonds.

30. Impairment tests for cash-generating units containing goodwill

The Group's goodwill relates to several hundred acquisitions carried out under varying circumstances and at different stages of macroeconomic cycles. The goodwill is distributed between most of the countries in which the Group operates. The acquired companies, to which the goodwill relates, comprise a diverse portfolio of service types, customer segments, geographical regions, contract sizes and management skills.

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

Acquired companies are typically merged with (or activities transferred to) existing ISS companies shortly after the completion of the acquisition. Furthermore, synergies and other effects resulting from cooperation with existing ISS 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 goodwill of the individual acquired companies (or activities) with any reasonable certainty.

As a company based in Europe, ISS assumes the long term Group equity risk premium to be 3%. When doing impairment test for individual CGU's, the risk premium applied may be higher than the Group's as shown below. When doing acquisitions ISS typically applies a hurdle rate, which is significantly higher than the calculated cost of capital.

The carrying amount of goodwill and the key assumptions used in the impairment testing for each CGU representing more than 5% of the carrying amount of goodwill is presented below.

		Terminal growth	**Discount rates**				
	Carrying amount of goodwill	Expected terminal growth rates	Risk free interest rate	Risk premium	Beta	Borrowing rate incl. credit margin	Tax rate
France, FS	3,130	3.00 %	3.69 %	3.50 %	1.06	4.03 %	34.4 %
Finland, FS	1,965	3.00 %	3.69 %	3.50 %	1.06	4.03 %	26.0 %
Netherlands, FS	1,660	3.00 %	3.69 %	3.50 %	1.06	4.03 %	31.5 %
UK, FS	1,203	3.00 %	4.54 %	3.50 %	1.06	4.88 %	30.0 %
Germany, FS [1]	922	2.75 %	3.69 %	3.50 %	1.06	4.03 %	38.3 %
France, Hygiene Services, FS	879	3.00 %	3.69 %	3.50 %	1.06	4.03 %	34.4 %
Other	6,544						
Total carrying amount of goodwill	**16,303**						

[1] For impairment test purposes the growth in Germany, FS is expected to be (3.8)% on average over the next 5 years.

Estimates used to measure recoverable amount

The recoverable amount of each CGU is determined on the basis of the value-in-use. The value-in-use is established using certain key assumptions such as revenue growth, operating margin and discount rates.

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

The cash flow projections are adjusted for uncertainties reflecting historical performance and take into account expectations about possible variations in the amount or timing of the future cash flow. Accordingly, the expected future cash flows represent the weighted average of all possible outcomes.

In determining the country specific discount rates, which are calculated net of tax, a target ratio of 30/70 between the market value of debt and enterprise value is used.

Continues on page 172

30. Impairment tests for cash-generating units containing goodwill (continued)

The Group's activities in Germany

After the decision to discontinue the hospital business and the acquisition of the Nobis group, as described on pages 66-67 of this report, an updated business plan has been prepared for the Group's Facility Services activities in Germany. Based on the expectations set out in the business plan an impairment test has been made. Using the German management's performance estimates taking into account uncertainties based on historical performance and a gradually increasing growth rate until the terminal growth rate of 2.75% is reached in year 2020, an additional goodwill impairment of DKK 176m was incurred at 31 December 2004 (in total goodwill impairment of DKK 288m has been recognised in 2004 relating to Germany).

Sensitivity analysis

For the vast majority of the Group's goodwill the recoverable amount is at least 25% higher than the carrying amount. Accordingly, no sensitivity analysis has been prepared.

About the artist Claus Carstensen

Claus Carstensen was born 1957 in Sønderborg, Denmark. He received his education at the Royal Danish Academy of Fine Arts (1977-1983), and at the University of Copenhagen in the Department of Comparative Literature (1979-1983). Carstensen participated in the Copenhagen Circle of Semiotics from 1981 to 1983 and from 1986 he lived and worked for 7 years in Cologne, Germany until he returned to Copenhagen, Denmark in 1993 to become professor at the Royal Danish Academy of Fine Arts. Today Claus Carstensen still lives and works in Copenhagen, Denmark.

Claus Carstensen is a poet as well as a visual artist. In what is now becoming his trademark manner, Carstensen indiscriminately mixes media, processes, tools, and techniques to produce an imagery that is at the same time abstract and concrete, surreal and literal. Just as Carstensen forces traditional ideas of art-making to the edge and beyond, he compels viewers to extend their ways of seeing and thinking well past conventional boundaries of meaning and experience.

Carstensen's artwork has been displayed throughout Europe, as well as in Australia, the United States, South Africa, Canada and Brazil and is included in major museum collections in several European Countries.

Scholarships and recognitions

The Danish Arts Foundation 1986, Köpcke 1987, Hafnia 1988, The Danish Arts Foundation 1988, Oluf Hartmann 1992, Kjeld og Vera Schmidts 1992, The Academy Council's Travel Foundation 1992, The Artist Foundation 1992, The Danish Arts Foundation 2003, Artist in residence at Otis College of Art and Design, Los Angeles 2004, Danish Arts Foundation (three year scholarship) 2004 and Eckersberg Medallion 2004.

ISS A/S
Bredgade 30
DK-1260 Copenhagen K
Denmark

Phone: +45 38 17 00 00
Fax: +45 38 17 00 11
E-mail: info@group.issworld.com
Website: www.issworld.com

CVR 10 16 16 14

Edited by: Investor Relations, ISS A/S
Photography: Anne Prytz Schaldemose and Kasper Thye
Design: Corporate Affairs, ISS A/S and Bording A/S
Production and printing: Bording A/S, Environmentally certified after DS/EN ISO 14001:1996
Copenhagen, March 2005.