2018
GROUP ANNUAL REPORT

WORKPLACE FACTS

84%
of top executives believe that an organisation with a shared purpose will be more successful in achieving their desired outcomes

75%
of top executives believe there is a need to simplify work processes

Changing behaviour can improve business performance by up to
35%
without increasing workspace

Only **45%**
of knowledge workers believe their workplace reflects the company's values

50%
of top executives believe that the biggest challenge right now is to create high commitment and job fit for employees through meaningful tasks

Source: SIGNAL & ISS BENCHMARK

CONTENTS

OVERVIEW

OUR PERFORMANCE

OUR BUSINESS

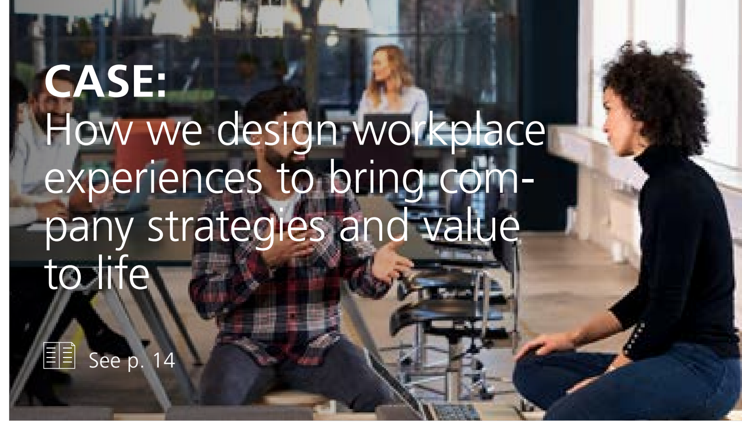
GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

CORPORATE RESPONSIBILITY

Our CR report is available at https://www.issworld.com/about-iss/our-approach-to-cr/reporting-and-policies



CASE:
How we design workplace experiences to bring company strategies and value to life

See p. 14

CASE:
FMS@ISS allows us to track, benchmark and improve service delivery

See p. 28

CASE:
We are one – diversity at ISS

See p. 42

CASE:
Strong fundamentals support ISS Australia's recovery

See p. 58

CASE:
The Accenture and ISS Vested partnership drives positive outcomes

See p. 108

LETTER TO OUR STAKEHOLDERS

In 2018, we made bold strategic choices to accelerate growth from our key accounts. We are sharpening our focus even further and simplifying our organisation by divesting non-core activities. We are reallocating this capital via a two-year accelerated investment programme to further strengthen our service capabilities and truly capitalise on the growth opportunities afforded by a vast, global market.

We are very pleased that we ended the year delivering on our promises for organic growth, operating margin and cash conversion. This was achieved despite the challenges from currency headwinds for the third consecutive year, large contracts being phased in and out and underperformance in certain countries.

Thanks to many large contract wins and extensions, combined with strong demand for non-portfolio work, we delivered organic growth of 3.9% (continuing business), which was at the top end of our guidance. The operating margin of 5.7% (continuing business) ended at the low end of our guidance. Finally, cash conversion remained strong at 101%. Net profit for the year ended lower than in 2017, mainly due to significant impairment losses on the back of our intention to divest activities. We therefore propose to keep the ordinary dividend stable at DKK 7.70 per share.

Both organic growth and operating margins improved towards the end of 2018. Combined with the launch of many new contracts in 2019 as well as the expected turnaround of certain underperforming local operations, we are set to deliver a year of strong organic growth and improving margins in 2019.

CONTINUE TO WIN, GROW AND RETAIN CUSTOMERS

Our commercial momentum was strong throughout the year, and we recorded significant wins and extensions with both local and global key accounts. We had a high retention rate among large key account customers during 2018 and successfully renewed major contracts (annual revenue of more than DKK 200 million) with no losses. Our accomplishments in 2018 demonstrate that our key account focus is already delivering.

We secured and converted one of our largest banking customers, UBS, into a global key account and entered into a new seven-year agreement. We extended our relationship with Nordea for another five years and also expanded the PostNord contract across the Nordics. ISS and Vattenfall entered into one of Sweden's and the Nordic countries' largest agreements for integrated facility services with a seven-year Vested partnership. Swisscom and ISS renewed their partnership for five years from 1 January 2019 until the end of March 2024 under a new contract model that emphasises transparency, efficiency and innovation.

We also won and started up several large hospital contracts in Turkey, Australia and the UK, while the full scope of our contract with Shire (acquired by Takeda earlier this year) is now up and running. Furthermore, we are transitioning the largest contract ever in ISS history – Deutsche Telekom.

Customers have expressed their confidence in us. Our customer Net Promoter Score increased to 50 in 2018. It measures the willingness of customers to recommend a company's products or services to others.

Globally, for the sixth year in a row, we received the highest score possible from the International Association of Outsourcing Professionals (IAOP), who ranked us as 'Super Star' of the Global Outsourcing 100. Recently, ISS was also selected the Best of The Global Outsourcing 100 and the Best of The World's Best Outsourcing Advisors, also by IAOP. In the UK, we were rated the most customer-focused brand in the FM market.

OUR PEOPLE

At the heart of our value proposition are our own highly engaged people. This year we went paperless with our people engagement survey across all levels in 44 countries and 47 languages, reaching 301,957 employees digitally. 86% of the respondents have scored favourably towards Engagement and 90% towards being Enabled. These are strong results and we will continue our efforts to improve on these parameters.

We received recognition from various industry forums during the year for our focus on people development, including awards in Ireland, Austria and Switzerland.

At ISS, diversity is in our DNA; this includes diversity of age, gender, perspectives and cultural backgrounds. We consistently nurture that diversity, because different opinions, views, backgrounds and perspectives lead to better solutions and better business results.

In 2018, one of our key focus areas within diversity was to improve gender diversity. Looking across our entire global business, we see gender parity with 50% women and 50% men. Furthermore, we endeavour to promote a stronger representation of women in various ISS leadership development and graduate programmes across the Group and at the global head office. As a result, we had 25% female representation at our 2018 annual Global Leadership Conference (22% in 2017), 20% female participation in our Leadership Mastery development programme and 46% female recruits to the Global Management Trainee programme. We also increased female diversity at the level below the Executive Group Management team by 5 percentage points from 12% to 17%.

We continued our focus on making ISS a safe and healthy workplace. We are happy to report that our Lost Time Injury Frequency (LTIF) decreased to 2.9 in 2018 from 3.5 in 2017, the lowest incident rate we have ever had. This is a 78% decline from our 2010 baseline of 13. Regrettably, we had one work-related fatality in 2018. We are deeply affected by this incident, and our sympathy goes out to family, friends and colleagues. Any fatality at work is simply unacceptable and we will work ceaselessly to bring this number to zero.

INVESTING FOR GROWTH

The ISS Way strategy has guided our direction and our choices since 2008. In December, we announced that we will intensify our focus on and our investment in key account customers and our resulting intention to divest activities in 13 countries. This was not an easy decision to make, and it means we will be saying goodbye to many good friends and colleagues as new owners of these businesses are found. We would like to thank every one of them for their tremendous support and loyalty to ISS, which in some cases has spanned many years.

The resulting platform will be simple, aligned and nimble. It will be our strongest ever platform for growth.

We are encouraged by our success with key accounts, be it global, regional or local, and are ready to make strategic investments in order to unleash our full potential. Principal areas of investment will include: catering services, technical services, workplace management, technology and data, fully funded by proceeds from the divestment of non-core activities. We will also allocate net proceeds after reinvestment towards either share buy-backs or extraordinary dividends during 2019.

We will further strengthen ISS's delivery capabilities to key accounts, aiming to drive industry-leading medium-term organic growth of 4%-6%.

Our market place is evolving, and we are moving ahead rapidly to capitalise on the opportunities that lie ahead of us. The steps we have taken to come this far and the bold strides we are taking were made possible by the incredible talent within our global organisation and our strong partnerships with our customers. We thank our colleagues, customers and shareholders for their support to date on this journey. We are excited to embark on our ambitious growth plan in 2019.

Yours faithfully,

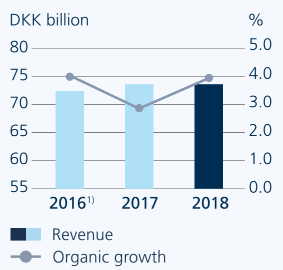
Lord Allen of Kensington Kt CBE
Chairman

Jeff Gravenhorst
Group CEO

PERFORMANCE HIGHLIGHTS 2018

FINANCIAL KPIs	PERFORMANCE

ORGANIC GROWTH AND REVENUE

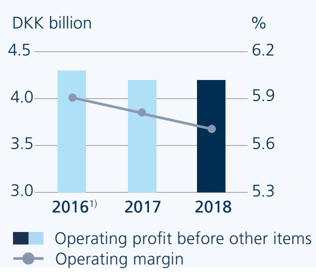


3.9%
Organic growth

73,592 DKKm
Revenue

- Strong organic growth with key account growth of 5.5%, despite reduced revenue from three global key accounts
- Driven by contract launches with key accounts such as Shire, Danish Defence, three hospitals in Turkey and LEGO Group
- Positive growth in all regions, mainly Continental Europe and Asia & Pacific
- Strong growth in Australia and Hong Kong with start-up and expansion of several key account contracts
- Organic growth including discontinued operations of 3.4% (Outlook 2018: 1.5%-3.5%)
- Currency effects reduced revenue in 2016, 2017 and 2018 with 3.2%, 2.5% and 3.4%, respectively

OPERATING MARGIN AND PROFIT

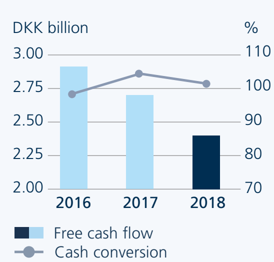


5.7%
Operating margin

4,226 DKKm
Operating profit before other items

- Divestments and currency effects reduced operating margin by 4 bps
- Northern Europe and Asia & Pacific impacted negatively mainly due to contracts phasing in and out
- Continental Europe delivered a margin increase supported by a few significant one-offs, but held back by underperformance in the Netherlands
- Margin in Americas increased due to expansions and synergies on the back of the Guckenheimer acquisition
- Operating profit before other items in line with last year
- Operating margin including discontinued operations of 5.5% (Outlook 2018: around 5.6%)

CASH CONVERSION [2] AND FREE CASH FLOW [2]



101%
Cash conversion

2,359 DKKm
Free cash flow

- Strong cash conversion supported by our efforts to ensure timely payment for work performed, and timing of collections and payments around year-end. This included increasing commercial use of non-recourse factoring with certain large blue-chip customers and participation in certain customers' supply chain finance arrangements
- Cash flow from operating activities slightly down year-on-year due to lower operating profit before other items, less positive changes in working capital and higher interest paid
- Changes in working capital still negatively impacted by mobilisation of the Deutsche Telekom contract and strong commercial momentum
- Investments in intangible assets and property, plant and equipment, net increased to DKK 968 million, representing 1.2% of total revenue including discontinued operations
- Free cash flow down by 13%, impacted by lower cash flow from operating activities and slightly higher investments in support of business development

[1] Restated for discontinued operations.
[2] Not restated for discontinued operations.

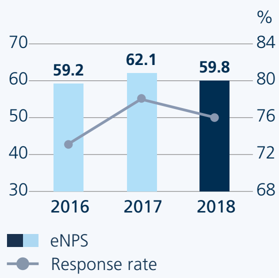
Group performance, see p. 16
Regional performance, see pp. 22–25

Strategy Update – impact on our reported numbers

Following the Strategy Update in December 2018, 15 countries are treated as discontinued operations in accordance with IFRS. This means that in our income statement for 2018 and 2017, the results of discontinued operations are presented separately in one line as a net amount. Consequently, in the commentary throughout the report, when we refer to individual income statement lines (e.g. revenue, operating profit etc.) and financial KPIs based on the income statement lines (e.g. organic growth, operating margin etc.), these include only the continuing operations, except where otherwise stated. The statement of cash flows and related KPIs continue to be reported on the basis of the entire Group, which is also the case for non-financial KPIs. In the statement of financial position, assets and liabilities related to the discontinued operations are reclassified to a single asset and liability line as per 31 December 2018. Comparative figures are not restated in the statement of financial position.

NON–FINANCIAL KPIs | **PERFORMANCE**

EMPLOYEE NET PROMOTER SCORE [1)]



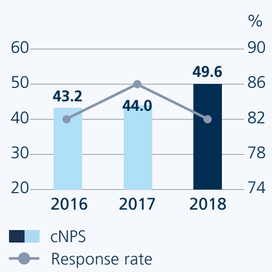
59.8
eNPS

76%
Response rate

- The eNPS remained high, supported by the launch of the Leadership Competency Framework and the continued roll-out of our Key Account Manager Certification and Service with a Human Touch training programmes
- We carried out our seventh global employee engagement survey with 230,824 employees responding across 44 countries. The response rate remained broadly stable inspite of the survey being 100% online for the first year

Our people, see p. 36

CUSTOMER NET PROMOTER SCORE [1)]



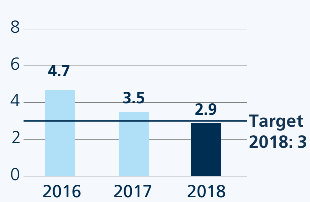
49.6
cNPS

82%
Response rate

- Up by 5.6 points – the eighth consecutive year of improvement, reflecting our continued efforts to drive customer focus, especially on our key accounts
- Supported by our efforts to implement account development plans and improve employee engagement, through the roll-out of our Key Account Manager Certification and Service with a Human Touch training programmes
- We carried out our eighth customer experience survey with 6,270 customers invited, representing decision makers of our target customers

Our strategy, see p. 33

LOST TIME INJURY FREQUENCY [1)]



2.9
LTIF

- Improved 78% from the baseline figure of 13 in 2010 – the eight straight year of improvement
- Driven by our systematic approach to managing risks, including the implementation of the Group HSEQ Management System and our global campaigns to stay focused on Health, Safety and Environment (HSE)

Our people, see p. 37

1) Not restated for discontinued operations.

OUR BUSINESS MODEL AND STRATEGY

ISS HELPS THE WORLD WORK BETTER

ISS delivers services in offices, factories, airports, hospitals and other locations across the globe. We help our customers drive the engagement and well-being of **people** – including employees, passengers or patients – by creating outstanding workplaces and great service moments. We help our customers minimise their impact on the **environment** by reducing their consumption of energy, carbon and water and cutting their production of waste. And we help to protect and maintain **property** – buildings and the key assets inside – to ensure optimal performance. We bring all of this to life through a unique combination of data, insight and service excellence. A total of 485,908 trained and empowered colleagues are at the heart of our self-delivered offering. They help to facilitate our customers' purpose via the power of the human touch.

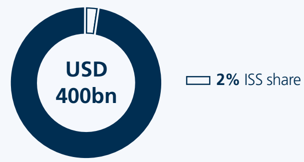
CREATING VALUE THE ISS WAY

Our strategy – The ISS Way – has guided our choices for the past decade. If we are to deliver stakeholder value consistently and sustainably, we need to focus on those customers, geographies and services that play to our strengths and afford the greatest opportunity for growth.

STRENGTHENING OUR FOCUS ON KEY ACCOUNT CUSTOMERS

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

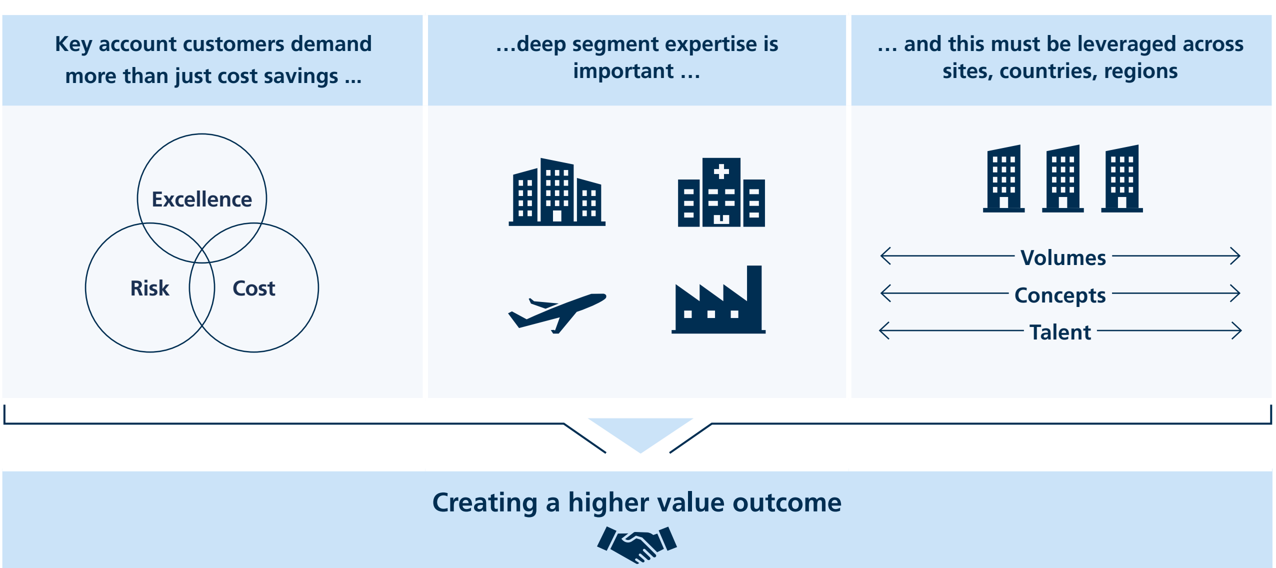
KEY ACCOUNT MARKET, GLOBALLY



Our strategy, see p. 30

Key account customers – what are they looking for ...

… and how does that impact the way we need to serve them



BUILDING OUR SERVICE CAPABILITY

ISS is changing and will continue to change over the coming years. As this happens, our impact on working communities will become greater – consistent with our customers' needs. We have built a full suite of facility services with heavy self-delivery capabilities. Whilst facility services remain our core business, they are now just one part of our offering to customers. Today, our value proposition to key account customers covers not only their property, but also their impact on the environment and the engagement of their people.

We will strengthen our service capabilities even further through a two-year programme of accelerated investment in areas including technical services, catering, workplace management, technology and data.

Creating value for our shareholders is our priority, see p. 10

INCREASING SELECTIVITY OF OUR GEOGRAPHIC FOOTPRINT

With our increasing focus on key account customers, we are becoming more selective on the geographies we choose to serve. We cannot justify a presence in a country unless it supports a strong key account offering, consistent with the strategic choices of the Group. We plan to divest our operations in 13 additional countries where the local key account market is not sufficiently compelling.

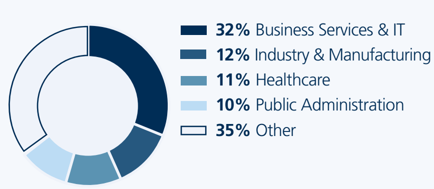
Our global footprint, see p. 8

Outstanding customer solutions

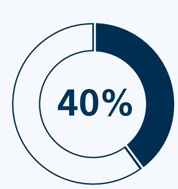
… by combining data, insight and service excellence

PEOPLE	Enhancing the engagement and **well-being of building users**.
ENVIRONMENT	**Minimising** customer **consumption** of energy, carbon, and water and reducing waste.
PROPERTY	Protecting and maintaining **customer assets**. Optimising the design, impact and efficiency of **customer work space**.

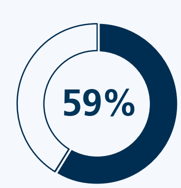
CUSTOMER SEGMENTS [1)]



IFS SHARE [1)]



KEY ACCOUNT SHARE [1)]



1) Of Group revenue.

OUR GLOBAL FOOTPRINT

We are a true global player with a leading market position. We leverage our global presence to meet demand from our key account customers – multinational corporations in need of Integrated Facility Services (IFS), workplace services & advisory and project management services across borders.

Over the past few years, we have sharpened our focus on the customers and services where we can add the most value. As such, we have sold off a number of businesses that did not fit the future ISS journey. However, with our increasing focus on key account customers as announced in December 2018, we are becoming even more selective on which geographies we choose to serve.

Country revenue, see p. 111

AMERICAS (continuing operations)

11% of Group revenue	1% organic growth	54% key account share	27,368 employees

- North America is the world's largest FM market and our single biggest growth opportunity
- With Guckenheimer (catering) we have built a competitive IFS platform positioned to capture growth
- Latin America is less mature in terms of outsourcing
- Strong commercial momentum across large parts of the region despite revenue reduction with a global key account

OTHER COUNTRIES (continuing operations)

- 1% of Group revenue
- Countries where we serve global key accounts but do not have a full country support structure
- Managed out of Global Operations
- Mix of self-delivery and subcontracting

COUNTRIES TO BE DIVESTED

- Revenue of DKK 6 billion and 83,093 employees
- Brazil, Brunei, Chile, the Czech Republic, Estonia, Hungary, Israel, Malaysia, the Philippines, Romania, Slovakia, Slovenia and Thailand as well as Argentina and Uruguay, which were divested in January 2019
- Local markets dominated by smaller, price-centric customers
- We are not able to fully leverage volumes, concepts and talent and generate attractive and sustainable returns at a commensurate risk
- We will continue to serve our global customers, but without the full country support structure we have today

NORTHERN EUROPE (continuing operations)

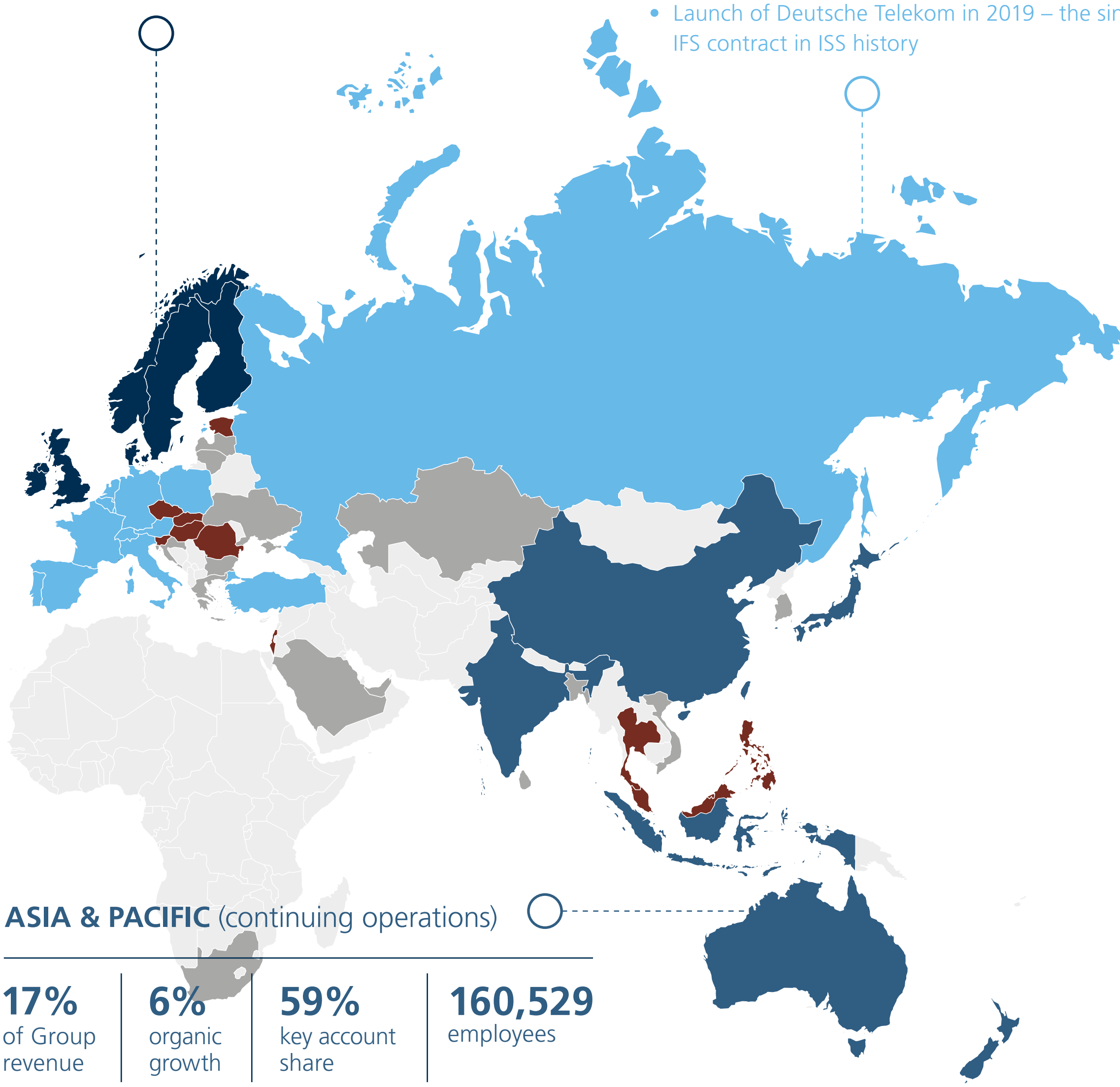
33%	1%	70%	71,580
of Group revenue	organic growth	key account share	employees

- Mature and developed markets with high outsourcing rates
- Leading position in the Nordic countries and the UK
- Strong commercial momentum despite revenue reductions with two global key accounts
- Established platform for technical services and workplace management and design; both to be leveraged further in 2019 through organic build-out in the rest of the region

CONTINENTAL EUROPE (continuing operations)

38%	6%	50%	143,063
of Group revenue	organic growth	key account share	employees

- Developed markets, but with differences in IFS market maturity and macroeconomic environment
- Leading positions in Spain, Switzerland, France and Turkey
- Strong commercial momentum with significant wins and retentions in 2018
- Ongoing organic build-out of self-delivery capabilities within catering and technical services
- Launch of Deutsche Telekom in 2019 – the single largest IFS contract in ISS history



ASIA & PACIFIC (continuing operations)

17%	6%	59%	160,529
of Group revenue	organic growth	key account share	employees

- Australia, Hong Kong and Singapore are large and established markets
- Developing outsourcing markets in China, India and Indonesia
- Strengthened IFS offering in selected customer segments led to important contract wins in 2018

CREATING VALUE FOR OUR SHAREHOLDERS IS OUR PRIORITY

ISS is changing and will continue to do so over the coming years. While we are changing, our overall strategy and our capital allocation policy is unchanged. We are focused on creating value for our shareholders by maximising the cash flow growth from our business in a sustainable fashion over the short and longer term. We wish to maintain a strong and efficient balance sheet and to strike an optimal balance between reinvesting capital back into our business and returning surplus funds to our shareholders.

We have a stated intention of maintaining an investment grade financial profile. Our financial leverage target is below 2.5x pro forma adjusted EBITDA[1], taking seasonality into account. Effective 1 January 2019, the target has been changed to 2.8x to reflect the estimated impact from IFRS 16 "Leases". Our dividend policy targets a pay-out ratio of approximately 50% of Net profit (adjusted). Where we see clear opportunities to create value and drive improved organic growth and/or improved margins, we will commit capital to our business. This may be in the form of regular investment in our people, processes or technology. It may be in the form of initiatives designed to enhance future performance, or highly selective acquisitions that meet strict strategic and financial criteria. Thereafter, we will return additional funds to shareholders, above and beyond our dividend policy target.

During 2019 and 2020, ISS will be executing a two-year programme of accelerated investments in order to strengthen our key account capabilities further and deliver industry-leading organic growth. Investments will include DKK 700-800 million in a range of transformational projects, fully funded by proceeds from the divestment of non-core activities (see Our strategy p. 32). In addition, we will continue to apply a disciplined approach to acquisitions and continue to look for selective competency enhancing bolt-on acquisitions predominantly within technical services, catering and workplace management and design.

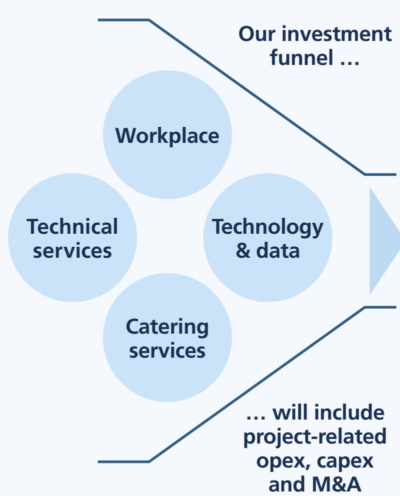
In 2019-2020, ISS remains committed to paying an annual ordinary dividend at least equal to the DKK 7.70 per share paid in 2018. In addition, ISS intends to return at least 25% of net divestment proceeds during this period to shareholders by way of share buybacks or extraordinary dividends. As such, the Board proposes a dividend for 2018, to be paid in 2019, of DKK 7.70 per share, equivalent to a payout ratio of 69%.

MAXIMISE GROWTH AND SUSTAINABILITY OF CASH FLOW

Selective and value-accretive investment
- Service enhancements
- Acquisitions
- Restructuring/efficiency initiatives

Shareholder returns
- Targeted pay-out ratio (approximately 50%)
- Extraordinary dividends and/or share buy-backs

OUR INVESTMENT IN KEY ACCOUNT CUSTOMERS IN 2019-2020



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

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

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

[1] Definitions, see p. 110

OUTLOOK

The global implementation of the GREAT country organisational structure initiated in 2013 is being finalised and we are embarking on a two-year programme of accelerated investment, fully funded by proceeds from divestment of non-core activities. Both initiatives will strengthen our key account capabilities further to deliver industry-leading medium-term organic growth of 4%-6%.

DELIVERY ON 2018 OUTLOOK

	Realised 2018 (incl. discontinued operations)	**2018 outlook**
Organic growth	3.4%	1.5%-3.5%
Operating margin	5.5%	Around 5.6% (+/-10 bps)
Cash conversion	101%	Above 90%

2019 OUTLOOK

	2018 actual	**2019 outlook** [1]	**Medium-term**
Organic growth	3.9%	5%-7%	Industry-leading organic growth of 4%-6%
Operating margin [2] (including restructuring costs)	5.0%	5.0%-5.2%	Stable operating margins around 5.5%
Free cash flow	DKK 2.4 bn	DKK 1.8-2.2 bn	Strong free cash flow around DKK 3.0 bn (by 2021) [3]

1) Excluding any impact from acquisitions and divestments completed subsequent to 15 February 2019 as well as currency translation effects.
2) From 2019, the operating margin will include restructuring costs (previously reported in Other income and expenses, net). The operating margin for 2018 of 5.0% has been restated accordingly.
3) In constant currency relative to 10 December 2018 when the medium-term target was originally set.

OUTLOOK 2019

Organic growth is expected to be 5%-7% (2018: 3.9%). In most of our major countries, current macroeconomic conditions continue to appear broadly supportive, with the exception of the UK where BREXIT-related uncertainty persists. 2018 was a strong year in terms of non-portfolio demand, which does in isolation provide a tougher comparator for 2019. However, strong commercial momentum throughout 2018 combined with a solid retention rate, including the extension of all large key accounts otherwise maturing in 2018, bodes well for organic growth in 2019. In addition, revenue reduction from DXC Technology, HP Inc. and the EMEA operations of an international bank will annualise fully during H1 2019 and from July 2019 growth will be materially supported by the launch of Deutsche Telekom – the single largest contract in ISS history.

Operating margin is expected to be 5.0%-5.2% (2018 restated: 5.0%[2]). The operating margin will be supported by a number of run-rate improvements including the ramp-up of margins on significant contracts launched and extended during 2018, turnaround in underperforming operations in the USA and Sweden as well as gradual normalisation of restructurings on the back of finalising GREAT. These improvements are expected to more than offset the positive one-off impacts in 2018 (0.2 percentage point), as well as short-term transformational investments (approximately 0.3 percentage point) targeting significantly strengthened delivery capabilities to key accounts.

Free cash flow is expected to be DKK 1.8-2.2 billion (2018: DKK 2.4 billion). Free cash flow will be supported by revenue growth and improving EBITDA including a gradual normalisation of restructuring. Free cash flow will also be significantly negatively impacted by non-recurring items, mainly related to peak transition and mobilisation of Deutsche Telekom as well as accelerated short-term transformational projects. The use of factoring and participation in certain customers' supply chain finance arrangements are expected to reduce in 2019.

The outlook should be read in conjunction with "Forward-looking statements" on p. 12 and our exposure to risk, see Our business risks on pp. 39–41.

EXPECTED REVENUE IMPACT FROM DIVESTMENTS, ACQUISITIONS AND FOREIGN EXCHANGE RATES IN 2019

We expect the divestments and acquisitions completed by 15 February 2019 (including in 2018) to have a negative impact on revenue growth in 2019 of approximately 1 percentage point. In the absence of acquisitions, the negative revenue impact is likely to increase during the year as we execute on the intention to divest a number of non-core business units. Countries to be divested are reported as discontinued operations and will not impact revenue growth upon divestment.

Based on the forecasted average exchange rates for the year 2019[1], we expect a negative impact on revenue growth in 2019 of approximately 3 percentage points from developments in foreign exchange rates.

MEDIUM TERM TARGETS

- **Industry-leading organic growth of 4%-6%** driven by further strengthened delivery capabilities, continued strong demand from key accounts and an improving business mix
- **Robust operating margins of around 5.5%** reflecting a normalisation of margins on a resilient operating model with a flexible cost structure
- **Strong free cash flow of around DKK 3 billion**[2] (by 2021) driven by solid organic growth, improving EBITDA margins and the elimination of short-term transformational investments and transitioning and mobilising Deutsche Telekom.

FOLLOW UP ON OUTLOOK 2018 AND COMPARISON TO OUTLOOK 2019

From 2019, our operating margin is changing as restructuring costs will be reported as part of operating profit before other items, net. As such, the table on the previous page compares 2018 results with both the 2018 and 2019 outlook on a like-for-like reporting basis.

For our three key financial objectives, organic growth, operating margin and cash conversion, we ended 2018 in line with the outlook announced in connection with the annual report for 2017.

[1] The forecasted average exchange rates for the financial year 2019 are calculated using the realised average exchange rates for the first month of 2019 and the average forward exchange rates for the last eleven months of 2019.
[2] In constant currency relative to 10 December 2018 when the medium-term target was originally set.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements, including, but not limited to, the guidance and expectations in Outlook on pp. 11-12. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words may, will, should, expect, anticipate, believe, estimate, plan, predict, intend or variations of such words, and other statements on matters that are not historical fact or regarding future events or prospects, are forward-looking statements. ISS has based these statements on its current views with respect to future events and financial performance. These views involve risks and uncertainties that could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of ISS. Although ISS believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the facility service industry in general or ISS in particular including those described in this report and other information made available by ISS. As a result, you should not rely on these forward-looking statements. ISS undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

KEY FIGURES

DKK million (unless otherwise stated)	2018	2017	2016	2015	2014
Revenue	73,592	73,577 [3]	78,658	79,579	74,105
Operating profit before other items	4,226	4,236	4,543	4,533	4,150
Operating margin [1]	5.7%	5.8%	5.8%	5.7%	5.6%
EBITDA before other items [1]	4,844	4,874	5,232	5,269	4,882
EBITDA	4,191	4,389	5,100	5,313	4,722
Operating profit (adjusted) [2]	3,573	3,751	4,411	4,577	3,990
Operating profit	2,386	3,247	3,567	3,828	2,954
Financial income	37	34	56	41	68
Financial expenses	(627)	(532)	(521)	(750)	(1,364)
Net profit (adjusted) [2]	2,084	2,424	2,873	2,785	1,816
Net profit from continuing operations [3]	1,223	2,130	2,228	2,218	1,014
Net profit/(loss) from discontinued operations [3]	(932)	(123)	(8)	-	-
Net profit	291	2,007	2,220	2,218	1,014
Cash flow from operating activities	3,347	3,613	3,690	3,706	2,395
Acquisition of intangible assets and property, plant and equipment, net	(968)	(907)	(805)	(841)	(783)
Free cash flow	2,359	2,699	2,910	2,835	1,631
Cash conversion	101%	104%	98%	99%	98%
Total assets	49,811	50,835	48,782	49,285	46,734
Goodwill	20,911	22,894	22,354	22,868	22,796
Additions to property, plant and equipment	882	742	649	746	692
Equity	12,472	13,814	13,910	14,494	12,910
Equity ratio	25.0%	27.2%	28.5%	29.4%	27.6%
Number of employees end of period	485,908	488,946	494,233	504,816	510,968
Full-time employees	76%	76%	74%	74%	73%
Organic growth	3.9 %	2.9 % [3]	3.4 %	4.4 %	2.5 %
Acquisitions and divestments, net	(0.5)%	(6.9)%	(1.3)%	(1.2)%	(6.1)%
Currency adjustments	(3.4)%	(2.5)%	(3.2)%	4.2 %	(1.9)%
Total revenue growth	0.0 %	(6.5)%	(1.2)%	7.4 %	(5.6)%
Pro forma adjusted EBITDA	5,071	5,248	5,205	5,213	4,792
Net debt	10,757	11,325	10,977	11,115	12,647
Net debt / Pro forma adjusted EBITDA	2.1x	2.2x	2.1x	2.1x	2.6x
Earnings per share					
Basic earnings per share (EPS), DKK	1.5	10.9	12.1	12.0	5.8
Diluted earnings per share, DKK	1.5	10.8	12.0	11.9	5.8
Adjusted earnings per share, DKK	11.2	13.1	15.5	15.0	10.3
Earnings per share from continuing operations					
Basic earnings per share (EPS), DKK	6.6	11.6	12.1	-	-
Diluted earnings per share, DKK	6.5	11.5	12.0	-	-
Adjusted earnings per share, DKK	12.3	13.2	15.6	-	-
Proposed dividend per share, DKK	7.70	7.70	7.70	7.40	4.90
Extraordinary dividend paid out per share, DKK	-	-	4.00	-	-
Number of shares issued (in thousands)	185,668	185,668	185,668	185,668	185,668
Number of treasury shares (in thousands)	1,001	1,509	2,120	1,777	1,000
Average number of shares (basic) (in thousands)	184,558	184,027	183,613	184,050	175,049
Average number of shares (diluted) (in thousands)	185,420	185,299	185,054	185,208	175,847

1) The Group uses Operating profit before other items for the calculations instead of Operating profit. Consequently, the Group excludes Other income and expenses, net, which includes items that do not form part of the Group's normal ordinary operations and Goodwill impairment and Amortisation/impairment of brands and customer contracts.

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

3) As of December 2018, Brazil, Brunei, Chile, the Czech Republic, Estonia, Hungary, Israel, Malaysia, the Philippines, Romania, Slovenia, Slovakia and Thailand are classified as discontinued operations in addition to Argentina and Uruguay, which were already treated as discontinued operations in 2017. Comparative figures for 2017 have been restated accordingly (for Argentina and Uruguay also 2016).

Definitions, see p. 110

CASE: HOW WE DESIGN WORKPLACE EXPERIENCES TO BRING COMPANY STRATEGIES AND VALUE TO LIFE

Workspaces are not merely physical structures we inhabit when we are at work. Workspaces influence us and we, in turn, interact with them. A positive workplace experience fosters company culture, increases collaboration and well-being and can help reduce stress. But many workplaces fall short of their potential. According to a recent study by Leesman, only 53% of employees agree that their workplace enables them to work productively.

In 2017, ISS acquired the strategic workplace management and design firm, SIGNAL and on the back of that acquisition, we now advise customers on how workplace design and user experience can positively impact their employees' engagement. We provide our customers with the knowledge and services they need to transform their workplaces and bring their purpose, brand and values to life.

We do this through three phases – discover, design and deliver – in which we take a data-driven and collaborative approach to developing next-generation workplaces.

The **discovery** phase connects the dots between architectural vision, company culture and the individual employee's experience. We begin by studying customer performance indicators. We look at space, technology and brand. We conduct surveys of employees and other key stakeholders. Finally, we match this data with a map of each individual's entire end-to-end journey through his or her workday. Only then do we have a comprehensive understanding of individual behaviours and preferences.

This data collection informs our **design** plan. This includes multiple levels of proposed solutions, tiered according to cost. We then test the solutions in workplace settings with customers. That encourages a concrete conversation about the impact of the experience and which level of investment should be prioritised.

During and after **delivery**, we evaluate the workplace experience as benchmarked against key performance indicators. We identify opportunities to adjust and optimise our services. These ongoing assessments – like the design process itself – are based on knowledge and data as well as direct dialogue with users: surveys, sensors and other sources of data are complemented by day-to-day, personal insights from our on-site staff.

Throughout the process, we take a collaborative approach with the customer and the architectural firm responsible for the building design. This ensures we can reach a 360-degree outcome together, bringing the customer's strategy to life – from the look and feel of the workplace to the experiences that make work pleasurable and productive.

GROUP PERFORMANCE

Strong organic growth driven by focus on key accounts.

OPERATING RESULTS
(continuing operations)

Group revenue for 2018 was DKK 73.6 billion, flat compared with 2017. Organic growth was 3.9%, growth from acquisitions and divestments, net reduced revenue by 0.5% and the impact from currency effects reduced revenue by 3.4%.

Organic growth was positive in all regions, driven by growth in our portfolio services from contract launches with key account customers such as Shire, Danish Defence, three hospitals in Turkey and LEGO Group. We also saw strong growth rates in Australia and Hong Kong with the start-up and expansion of several key account contracts as well as expansion of global key account contracts in Asia & Pacific in general. In the Americas, organic growth was driven by expansion of global key account contracts in North America supported by revenue synergies on the back of the acquisition of Guckenheimer in April 2017. Northern Europe reported positive growth despite reduced revenue from global key accounts and the UK Ministry of Defence, driven by strong growth in key accounts such as the expansion of the Danish Defence contract in Denmark and non-portfolio revenue. We also saw positive growth rates in China at the end of 2018 following the contract exits in 2017 and 2018 and supported by the launch of several global and regional key accounts. Overall, the strong organic growth was achieved despite the reduction of revenue from global key account contracts with DXC technology, HP Inc. and an international bank in EMEA.

REVENUE AND ORGANIC GROWTH

DKK million	2018	2017	Organic growth	Acq./ div.	Currency adj.	Growth 2018
Continental Europe	28,006	27,828	6 %	(2)%	(3)%	1 %
Northern Europe	24,413	25,049	1 %	(2)%	(2)%	(3)%
Asia & Pacific	12,725	12,695	6 %	-	(6)%	0 %
Americas	7,847	7,370	1 %	10 %	(5)%	6 %
Other countries	667	723	(5)%	-	(3)%	(8)%
Corporate / eliminations	(66)	(88)	-	-	-	25 %
Continuing operations	**73,592**	**73,577**	**3.9 %**	**(0.5)%**	**(3.4)%**	**0.0 %**
Discontinued operations	6,179	6,735	(2.6)%	(0.6)%	(5.0)%	(8.2)%
Total	79,771	80,312	3.4 %[1]	(0.5)%[1]	(3.4)%[1]	(0.5)%[1]

1) Excluding Argentina and Uruguay, which were not included in the outlook on organic growth for 2018.

Operating profit before other items amounted to DKK 4,226 million in 2018 for an operating margin of 5.7% (2017: 5.8%). The margin was adversely impacted by acquisitions and divestments and negative net currency effects of 4 bps, or DKK 183 million. Furthermore, the margin in Northern Europe and Asia & Pacific decreased mainly due to large contracts being phased in and out and high comparator performance in Singapore in 2017. This was partly offset by margin increases in the Continental Europe and Americas regions. Continental Europe was supported by a few significant one-offs; a positive impact from a reduced pension liability similar to 2017 and a settlement linked to transition of a large contract. These more than compensated for underperformance in the Netherlands and a margin decrease in France due to contracts being phased in and out and changes to the competitiveness and employment tax credit (CICE). The margin in the Americas improved due to expansions and synergies on the back of the acquisition of Guckenheimer in April 2017 and the exit from low performing contracts in the specialised services division. Overall, Group margin was supported by one-offs of approximately 0.2 percentage point. Corporate costs amounted to 0.8% of revenue (2017: 0.9%), which was in line with expectations.

Other income and expenses, net was an expense of DKK 653 million (2017: net expense of DKK 485 million), predominantly restructuring costs of DKK 528 million related to the implementation of GREAT in France and Sweden and efficiency-improving initiatives for the purposes of restructuring in the UK, which is the pilot country for the Group's journey towards having more centralised ownership of financial processes. In addition, the loss on divestments, net was DKK 103 million (2017: loss of DKK 204 million) mainly related to the non-core activities in the Netherlands and the Group's activities in Greece.

Goodwill impairment amounted to DKK 724 million (2017: DKK 68 million) mainly due to the remeasurement of the divested non-core activities in the Netherlands and the Hygiene & Prevention business in France, which was classified as held for sale.

Operating profit was DKK 2,386 million (2017: DKK 3,247 million). The reduction was a result of the increase in other expenses relating to increased restructurings and loss on divestments as well as goodwill impairment.

Financial income and expenses, net was an expense of DKK 590 million (2017: DKK 498 million). The increase was partly the result of higher forward premiums when part of the Euro EMTN bonds was swapped into USD on the back of the acquisition of Guckenheimer as well as slightly higher cost of debt following the refinancing in August 2017. In addition, foreign exchange losses, net were significantly higher than last year.

The effective tax rate for 2018 was 23.5% (2017: 24.9%) calculated as Income taxes (adjusted) of DKK 702 million divided by Profit before tax (adjusted) of DKK 2,983 million. The recognition of additional deferred tax assets in Germany had a positive effect on the 2018 tax rate.

Net profit (adjusted) was DKK 2,084 million (2017: DKK 2,424 million). The DKK 340 million reduction was driven by higher other income and expenses, net and higher financial income and expenses, net as well as a higher net loss from discontinued operations (adjusted).

Net profit was DKK 291 million (2017: DKK 2,007 million). The decrease was mainly due to the above-mentioned items as well as higher goodwill impairment from continuing and discontinued operations.

DISCONTINUED OPERATIONS

As announced in December 2018, we plan to divest our operations in 13 countries – in addition to Argentina and Uruguay, which were divested in January 2019. In 2018, these countries generated revenue of DKK 6,179 million (2017: DKK 6,735 million) and operating profit before other items of DKK 139 million (2017: DKK 278 million) for an operating margin of 2.2% (2017: 4.1%). All 15 countries have been classified as discontinued operations and are presented as a separate line item in the income statement. The reclassification has led to recognition of impairment losses of DKK 924 million, of which DKK 732 million related to goodwill. Net loss from discontinued operations was DKK 932 million in 2018 (2017: a loss of DKK 123 million). Comparative figures have been restated accordingly as described in note 3.4 to the consolidated financial statements.

BUSINESS DEVELOPMENT
(continuing operations)

Delivering service solutions to our **key account** customers, especially Integrated Facility Services (IFS), is a key part of our strategy. Our key account customers comprise all our global key accounts as well as regional and country key accounts. In total, key accounts represented 59% of Group revenue in 2018 (2017: 53%). Revenue generated from key accounts grew organically by 5.5% to DKK 43.6 billion. Significant contract launches and expansions in 2018 include the Danish Defence, MTR Corporation in Hong Kong and Adana, Kayseri and Elazig hospitals in Turkey, several large key account contracts in Australia as well as a number of large key account contracts in the UK as illustrated in the contract overview.

See the contract overview on p. 18

Revenue generated from **global key accounts** decreased organically by 3.8% in 2018 (2017: increase of 10.5%) to DKK 10.3 billion and accounted for 14% of Group revenue (2017: 15%). The decline was solely driven by the revenue reduction related to DXC Technology, HP Inc. and an international bank in EMEA. This was partly offset by 2017 contract launches with Shire, Huawei and a customer in the retail and wholesale segment as well as contract start-ups in 2018 with LEGO Group and an international food and beverage company. Furthermore, we announced the addition of three new global key accounts with the extension and expansion of the collaboration with Vattenfall and UBS as well as a technology services company.

OPERATING PROFIT BEFORE OTHER ITEM AND MARGIN

DKK million	2018		2017		Organic	Acq./div.	Currency adj.	Growth 2018
Continental Europe	2,017	7.2 %	1,901	6.8 %	13 %	(3)%	(4)%	6 %
Northern Europe	1,684	6.9 %	1,789	7.1 %	(4)%	(1)%	(1)%	(6)%
Asia & Pacific	847	6.7 %	974	7.7 %	(8)%	-	(5)%	(13)%
Americas	294	3.7 %	227	3.1 %	17 %	16 %	(3)%	30 %
Other countries	(1)	(0.1)%	15	2.1 %	(104)%	-	(0)%	(104)%
Corporate / eliminations	(615)	(0.8)%	(670)	(0.9)%	-	-	-	8 %
Continuing operations	**4,226**	**5.7 %**	**4,236**	**5.8 %**	**4.3 %**	**(0.9)%**	**(3.6)%**	**(0.2)%**
Discontinued operations	139	2.2 %	278	4.1 %	(46.3)%	(0.1)%	(1.1)%	(47.5)%
Total	4,365	5.5 %[1]	4,514	5.6 %	1.0 %	(0.8)%	(3.4)%	(3.2)%

1) Excluding Argentina and Uruguay, operating margin was also 5.5%, which is the comparable to our outlook for 2018.

The IFS share of Group revenue in 2018 was 40% (2017: 40%).

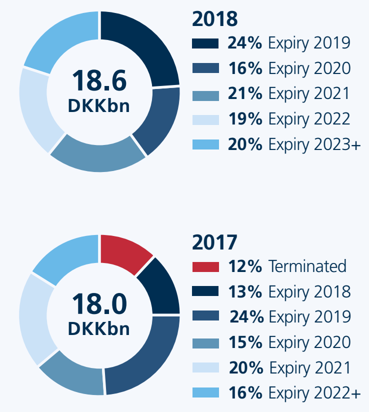
CONTRACT MATURITY
(continuing operations)

Our revenue base consists of a mix of yearly contracts, which are renewed tacitly, and thousands of multi-year contracts, the majority of which have an initial term of 3-5 years. A significant share of our revenue is therefore up for renewal every year. To mitigate this inherent business risk, we have a strong focus on customer satisfaction and as part of our contract management processes we continuously and proactively work with our customers to seek contract renewals or expansions well in advance of expiry. As a result, our retention rate of customer contracts is approximately 90% and even higher for key accounts.

In terms of revenue up for renewal in any given year, the majority relates to a very large number of small contracts. However, an analysis of our large key account customers helps illustrate those contracts which, individually, may have a visible impact on the Group's future revenue development. This analysis is based on all global and regional key account customers and those local key account customers generating annual revenue in 2018 in excess of DKK 200 million.

In 2018, 47 ISS customer contracts fell into these categories (2017: 41 contracts). Between them, they generated revenue of approximately DKK 18.6 billion, or 25% of Group revenue. As illustrated in the chart to the right, going into 2019 none of these large

CONTRACT MATURITY, MAJOR KEY ACCOUNTS



MAJOR KEY ACCOUNT DEVELOPMENTS	COUNTRIES	TERM	EFFECTIVE DATE
WINS			
Arriva Rail Northern Ltd	UK	7 years	Q1 2018
International air carrier	North America	5+2 years	Q1 2018
Royal Philips	Americas, Netherlands, UK and Singapore	5 years	Q2 2018
Kayseri Entegre	Turkey	5 years	Q2 2018
Elazig Hospital	Turkey	5 years	Q3 2018
Pharmaceutical segment company	North America	3 years	Q3 2018
Professional service company	Netherlands	5 years	Q3 2018
Victoria Schools	Australia	5 years	Q3 2018
Retail company	UK	5 years	Q3 2018
TSB Bank	UK	5 years	Q4 2018
Technology services company [1]	Global	5 years	Q1 2019
Oxleas NHS Foundation Trust	UK	5 years	Q2 2019
Telecommunications company	UK	5 years	Q2 2019
EXTENSIONS/EXPANSIONS			
City and County of Denver Aviation	North America	3 years	Q1 2018
International investment bank	UK	3 years	Q1 2018
IT and telephone service provider	UK	5 years	Q1 2018
Aviva	UK	7 years	Q2 2018
BMW AG	Germany	5 years	Q3 2018
Eastern Health	Australia	3+3 years	Q3 2018
Vattenfall [1]	Nordic	7 years	Q1 2019
Nordea [1]	Nordic	5 years	Q1 2019
PostNord	Nordic	2 years	Q1 2019
Property NSW	Australia	5 years	Q1 2019
UBS [1]	UK and Switzerland	7 years	Q1 2019
Swisscom	Switzerland	5 years	Q1 2019
LOSSES			
ArcelorMittal	France	-	Q2 2018
Ipswich Hospital NHS Trust	UK	-	Q2 2018

1) Global key account

contracts have been lost. 12 customer contracts representing annual revenue of DKK 4.5 billion (6.1% of Group revenue) are up for renewal in 2019. The chart illustrates this development together with the value (based on realised revenue in 2018) of these large contracts, which are all up for renewal in subsequent years.

It is important to note, that the analysis only shows the maturity of existing contracts and does not show any impact from new customer contracts which have been signed but are yet to commence, such as Deutsche Telekom and other significant wins as illustrated in the table on the previous page.

CASH FLOWS AND WORKING CAPITAL

Cash conversion for 2018 was 101% (2017: 104%), driven by strong general cash performance across the Group. Ensuring strong cash performance remains a key priority, and the result reflects our efforts to ensure timely payment for work performed, as well as timing of collections and payments around year-end. This included increasing commercial use of non-recourse factoring with certain large blue-chip customers and participation in certain customers' supply chain finance (SCF) arrangements.

Cash flow from operating activities amounted to DKK 3,347 million (2017: DKK 3,613 million). The decrease in cash inflow was mainly due to the net negative currency impact of DKK 183 million on operating profit before other items and lower operating profit before other items from discontinued operations. Furthermore, less positive changes in working capital and higher interest paid, net contributed to the decrease. Changes in working capital continued to be impacted by the mobilisation and transition of the Deutsche Telekom contract and strong commercial momentum with key account customers who generally demand longer payment terms. This was mitigated by the increased use of factoring and participation in customers' SCF arrangements.

Other expenses paid of DKK 446 million (2017: DKK 396 million) mainly included restructuring projects initiated and expensed in 2017 and 2018.

Cash flow from investing activities was a net outflow of DKK 985 million (2017: net outflow of DKK 2,335 million). Cash outflow from investments in intangible assets and property, plant and equipment, net, of DKK 968 million (2017: DKK 907 million) represented 1.2% of total revenue including discontinued operations. Part of the investment related to strengthening our digital platform.

Cash flow from financing activities was a net outflow of DKK 1,723 million (2017: inflow of DKK 938 million). This was primarily due to a cash outflow from ordinary dividends paid to shareholders of DKK 1,422 million and drawings on working capital facilities as part of ordinary operations.

Free cash flow was an inflow of DKK 2,359 million (2017: 2,699 million). The decrease was mainly due to the lower cash flow from operating activities as explained above and slightly higher investments in intangible assets and property, plant and equipment, net, including investments in technology.

STRATEGIC ACQUISITIONS AND DIVESTMENTS

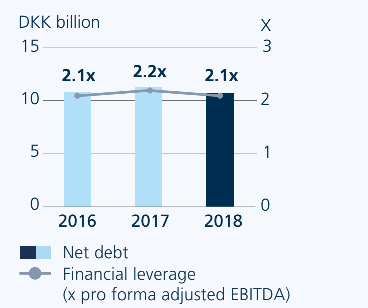
DIVESTMENTS AND ASSETS HELD FOR SALE

In 2018, we completed the divestment of the Group's activities in Greece, the landscaping activities in the UK, the non-core single service cleaning portfolio in the Netherlands as well as minor non-core activities in Austria, Belgium, Brazil, Denmark, Hungary, the USA, Portugal and Spain. All divestments support our strategy of focusing on geographies and services where we see the greatest opportunities for key account growth and profitability.

As announced in December 2018, we are accelerating this journey, as we plan to divest our operations in 13 countries

EQUITY AND EQUITY RATIO

FINANCIAL LEVERAGE



– in addition to Argentina and Uruguay, which were divested in January 2019 – as well as a number of business units across the Group. This is entirely consistent with our strategy of recent years and will mark the completion of our exit from non-core services. Proceeds and resources will be reinvested in a number of Group-wide transformational initiatives to further strengthen the already strong key account performance.

At 31 December 2018, these 15 countries were presented as discontinued operations and classified as held for sale. In addition, the Hygiene & Prevention business in France and one business in Asia & Pacific were classified as held for sale. Assets and liabilities held for sale amounted to DKK 3,300 million (2017: DKK 1,210 million) and DKK 1,779 million (2017: DKK 428 million), respectively.

In 2018, divestments and revaluation of businesses classified as held for sale (including discontinued operations) resulted in a total net loss before tax of DKK 1,755 million (2017: loss of DKK 308 million) of which DKK 924 million was related to countries to be divested and thus included in the line Net loss from discontinued operations. The remaining net loss of DKK 831 million was recognised in Goodwill impairment, DKK 724 million, Amortisation of brands and customer contracts, DKK 4 million, and Other income and expenses, net, DKK 103 million.

ACQUISITIONS

On 31 December 2018, ISS acquired 100% of the shares in Pluralis, an engineering company in Germany with an estimated annual revenue of approximately DKK 27 million and 39 employees. The acquisition will support the delivery on the Deutsche Telekom contract starting 1 July 2019.

As announced in December 2018, we are executing a two-year programme of accelerated investments in 2019-2020 in order to significantly further strengthen our key account capabilities. As part of the programme we will pursue bolt-on acquisition opportunities – applying a disciplined approach – with the aim of filling white spots, predominantly within technical services, catering and workplace management and design.

INTANGIBLE ASSETS, GOODWILL AND GOODWILL IMPAIRMENT

Intangible assets at 31 December 2018 amounted to DKK 24,306 million and mainly comprised goodwill, customer contracts and brands. A significant part of these assets relates to the acquisition of ISS World Services A/S in 2005. Furthermore, a large number of acquisitions made in subsequent years have added intangible assets.

At 31 December 2018, goodwill was DKK 20,911 million compared with DKK 22,894 million at 31 December 2017. The decrease was mainly due to the countries and business units being classified as held for sale at 31 December 2018 of DKK 548 million, and impairment losses of DKK 1,456 million related to divestments and revaluation of businesses classified as held for sale.

CAPITAL STRUCTURE

We wish to maintain a strong and efficient balance sheet and to strike an optimal balance between reinvesting capital back into our business and returning surplus funds to our shareholders. At the annual general meeting to be held on 10 April 2019, the Board will propose a dividend for 2018 of DKK 7.70 per share of DKK 1, equivalent to a payout of DKK 1,430 million. In line with our Financial Policy, our objective is to maintain an investment grade financial profile with a financial leverage below 2.5x pro forma adjusted EBITDA, taking seasonality into account. Effective 1 January 2019, the target has been changed to reflect the estimated impact of IFRS 16 "Leases". Leverage is calculated for the entire Group, i.e. including discontinued operations. At 31 December 2018, the financial leverage was 2.1x (2017: 2.2x) with net debt of DKK 10,757 million (2017: DKK 11,325 million).

The majority of the Group's funding consists of EUR 2.3 billion in EUR bonds issued under the EUR 3 billion European Medium Term Note programme and of a senior unsecured revolving credit facility of EUR 1,000 million with a group of 15 banks. The revolving credit facility matures in November 2023 and is not subject to financial covenants. The drawn margin is determined semi-annually based on a leverage grid. Further, the Group uses non-recourse factoring with certain large blue-chip customers and participates in certain customers' supply chain finance (SCF) arrangements for the purpose of optimising operational cash flows. At 31 December 2018, the total off-balance sheet value of these programmes was DKK 2.5 billion (31 December 2017: DKK 1.0 billion / 30 September 2018: DKK 1.4 billion).

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

EQUITY

At 31 December, equity was DKK 12,472 million, equivalent to an equity ratio of 25.0% (2017: 27.2%). The decrease of DKK 1,342 million was mainly a result of ordinary dividends paid to shareholders of DKK 1,430 million and negative currency adjustments of DKK 152 million relating to investment in foreign subsidiaries, partly offset by net profit of DKK 291 million. The negative currency adjustments were mainly due to TRY, SEK, and AUD depreciating against DKK.

SUBSEQUENT EVENTS

Acquisitions and divestments completed in the period 1 January to 15 February 2019 are described under strategic acquisitions and divestments, pp. 19–20.

Other than as set out above or elsewhere in this Group Annual Report, we are not aware of events subsequent to 31 December 2018, which are expected to have a material impact on the Group's financial position.

WORKPLACE MAINTENANCE THAT ENSURES WELLBEING

Our customers want ISS to protect the health and safety of building users – their employees or their customers – and to create an environment supporting productivity and engagement. The performance and reliability of buildings and the assets within them is key to making this happen. At ISS, we focus on ensuring operational uptime via intelligent planning and procedures to deliver preventative and reactive maintenance, and lifecycle management. Data, experience and know-how are key. The data we capture and analyse give us full visibility on the assets, their performance and their likely future maintenance needs. This allows us to set expectations accurately and ensure our customers' premises run smoothly, safely and efficiently.

Martin Jolly,
Head of Engineering, Global Operations Excellence

CONTINENTAL EUROPE

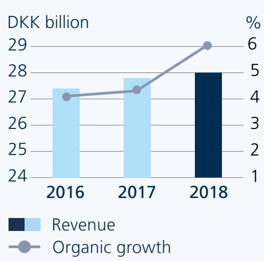
(continuing operations)

28.0
DKKbn
revenue

38%
of group

50%
key accounts

REVENUE AND ORGANIC GROWTH



OPERATING PROFIT AND MARGIN

THE MARKET

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

BUSINESS UPDATE

Commercially, 2018 was a strong year with market-leading organic growth driven by both existing and new key accounts, including a number of wins in the healthcare segment in Turkey, a professional service company in the Netherlands, and successful expansion in the Basque region in Spain. In addition, we successfully retained our contracts with Swisscom and UBS in Switzerland, BMW and Daimler in Germany, which were up for renewal during the year. Finally, we successfully expanded and increased our business with a number of existing key account customers across the region. As such, 2018 stands as a proof point of how strengthening our key account focus can drive strong organic growth, even in mature markets. The strong commercial momentum is set to continue into 2019, driven especially by the launch of services to Deutsche Telekom, the single largest IFS contract in ISS history. With the launch of Deutsche Telekom, ISS will become one of the market leaders in Germany.

The strong commercial momentum was partly supported by the organic build-out of self-delivery catering capabilities in Austria and technical services capabilities in Spain and Turkey. Similar initiatives will continue into 2019. As an example, the launch of Deutsche Telekom in Germany will drive a significant organic build-out of additional technical services capabilities locally which will in turn support further growth with key accounts in years to come.

We continued the GREAT implementation in France, which was initiated in 2017, with a view to strengthening the operating model, improve the IFS platform, increase the commercial focus and generate efficiencies. The Group-wide GREAT implementation was initiated in 2013 and will be completed with France in 2020, with permanently lower restructuring as a consequence.

In line with the rest of the Group, the region will finalise the divestment of non-core activities during 2019-2020. Non-core activities in the Netherlands and Austria were successfully divested by the end of 2018. Other activities to be divested include Israel and six countries in Eastern Europe, which have been classified as discontinued, as well as a few non-core business units, including Hygiene & Prevention in France.

FINANCIALS

Revenue increased to DKK 28,006 million in 2018 (2017: DKK 27,828 million).

Organic growth was 6%, while the impact from divestments and acquisitions, net reduced revenue by 2% and currency effects reduced revenue by 3%, mainly due to the depreciation of TRY and CHF against DKK. The main contributors to the strong organic growth rate were Turkey, Germany, Austria and Belgium & Luxembourg. The main drivers were contract launches in the healthcare segment and price increases in Turkey, projects and contract launches in Germany as well as key account contract launches in Austria and Belgium & Luxembourg.

Operating profit before other items was up by 6% to DKK 2,017 million, resulting in an improved operating margin of 7.2% (2017: 6.8%). The margin was mainly supported by a few significant one-offs; a positive impact from a decreased pension obligation similar to 2017 and a settlement linked to the transition of a large contract. Furthermore, we saw good performance in Spain & Portugal, Switzerland and Austria as well as short-term contractual benefits in Turkey. This was partly off-set by underperformance in the Netherlands and margin decrease in France due to contracts phasing in and out and changes to the competitiveness and employment tax credits (CICE).

NORTHERN EUROPE

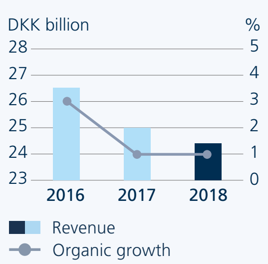
(continuing operations)

24.4
DKKbn
revenue

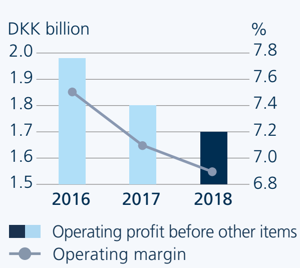
33%
of group

70%
key accounts

REVENUE AND ORGANIC GROWTH



OPERATING PROFIT AND MARGIN



THE MARKET

The markets of this region are mature, developed, very competitive and with high outsourcing rates. ISS holds a market-leading position in the Nordic countries and the UK & Ireland. Key customer segments are Business Services & IT, Public Administration, Industry & Manufacturing and country-specific segments such as Healthcare and Transportation & Infrastructure.

BUSINESS UPDATE

The commercial momentum was strong across most of the region in 2018. While the UK & Ireland was impacted by reduced revenue from two global key accounts, competition from local players began to normalise. Supported by further strategic and commercial progress, the UK & Ireland was the driver behind a number of the Group's largest contract wins and expansions in 2018 – including TSB Bank, Aviva, Arriva Rail Northern Ltd., a retail company, an IT and telephone service provider as well as an international investment bank.

Strong commercial progress in the UK & Ireland was supported in part by selective capability-enhancing bolt-on acquisitions in recent years. The acquisition of GS Hall in the UK & Ireland in 2015 significantly strengthened technical service capabilities locally. During 2018, we also initiated the organic build-out of workplace management and design capabilities gained through the acquisition of SIGNAL in 2017. In 2018, the growing demand for these services led us to open SIGNAL offices in the UK. These developments are some of the key drivers behind ISS being named the 'Top Service Provider' in the UK & Ireland in the annual brand survey by i-FM. The established platform within both technical services and workplace management and design will be leveraged further during 2019 through the organic build-out of self-delivery capabilities across the rest of the region.

Following a significant underperformance in Sweden starting in 2017, a turnaround was executed according to plan in 2018. Cost savings were initially reinvested to significantly strengthen commercial efforts and get momentum back into the business. With positive signs towards the end of 2018, including significant contract wins and expansions with Vattenfall, PostNord and Nordea, performance in Sweden is set to improve.

Towards the end of 2018, we launched further cost savings initiatives enabled by the standardisation and simplification of country organisations through GREAT. Our focus is on reducing overhead costs through consolidation, centralisation and automation. Initiatives have been launched as a pilot project in the UK which will gain further momentum during 2019. We are planning to leverage these initiatives across other countries as one of our transformational projects, driven by the establishment of a Global Shares Services organisation.

FINANCIALS

Revenue amounted to DKK 24,413 million (2017: 25,049 million).

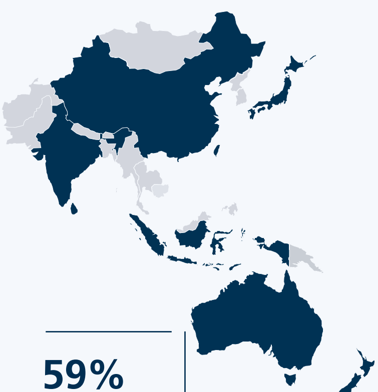
Organic growth was 1%, while revenue was reduced by 2% due to the impact from divestments and acquisitions, net and 2% due to negative currency effects. Organic growth was mainly supported by growth in Denmark due to the expansion of the Danish Defence contract and start-up of the LEGO contract and solid growth in the key account division in Norway as well as high demand for non-portfolio services. The growth was partly offset by revenue reductions from DXC Technology, an international bank in EMEA and the UK Ministry of Defence.

Operating profit before other items decreased by 6% to DKK 1,684 million reflecting an operating margin of 6.9% (2017: 7.1%). The decrease in operating margin was mainly due to large key account contracts phasing in and out in the UK and Denmark and investments in further strengthening our technical services capabilities. This was partly off-set by good performance in Norway due to efficiencies and price increases.

ASIA & PACIFIC
(continuing operations)

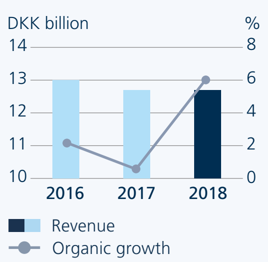
12.7
DKKbn
revenue

17%
of group

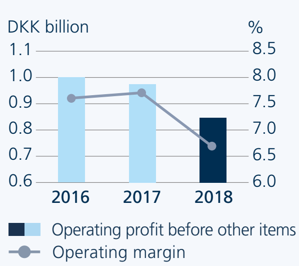


59%
key accounts

REVENUE AND ORGANIC GROWTH



OPERATING PROFIT AND MARGIN



THE MARKET

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

BUSINESS UPDATE

In 2018, we further strengthened our IFS offering in selected customer segments, leading to a number of important contract wins, extensions and expansion. One example was the renewal of the NSW Government Schools contract in Australia; the largest contract by revenue in the region. In 2019, we will continue developing our value proposition to selected customer segments, supported by the further strengthening of local commercial and operational capabilities as well as a number of Group-wide transformational initiatives. Moreover, driving the change towards performance-based commercial models will remain in focus as markets mature and change from input-based to outcome-based contracts, as seen through our strategic shift in China, which has driven significant growth with multinational customers and integrated solutions.

In line with our strategy to position ISS along key account-focused markets, a decision has been made to discontinue and divest Thailand, the Philippines, Malaysia and Brunei. In most of these markets the outsourcing maturity is low and the demand from both local and global key accounts is limited. From a stronger and more focused platform, in 2019 we will gradually shift even more focus towards executing on the key account strategy. Resources and proceeds from divestments will be reinvested to further strengthen commercial capabilities across the region to capitalise on the significant growth opportunity with key accounts.

In 2019, we will continue to focus on harvesting the benefits of skills and scale in terms of volume, concepts and talent. We are aligning organisational structures, leveraging best practice concepts and approaches, and driving procurement excellence. We are also focusing further on cost leadership and on achieving scale benefits through procurement excellence across countries. Sharing skills and best practices is based in part on utilising virtual teams of subject matter experts. Sharing talent across the region and developing leadership and key account management skills through training programmes will remain in focus.

FINANCIALS

Revenue was DKK 12,725 million (2017: 12,695 million).

Organic growth was 6% while the growth was impacted from currency effects by 6%. The organic growth was mainly due to global and regional key account contract launches and expansions mainly in Australia, Hong Kong and India as well as higher demand for non-portfolio services in Singapore. Growth remains impacted by the decision to exit non-strategic contracts in China, even though we saw positive growth rates by the end of 2018, as the strategic exits started to annualise and several key accounts started.

Operating profit before other items decreased by 13% to DKK 847 million reflecting an operating margin of 6.7% (2017: 7.7%). The operating margin decrease was mainly due to high comparator performance in Singapore in 2017. Furthermore, margin decreased in Australia due to contract launches and extensions as well as in China due to exit of non-strategic contracts.

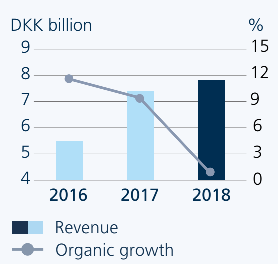
AMERICAS
(continuing operations)

7.8
DKKbn
revenue

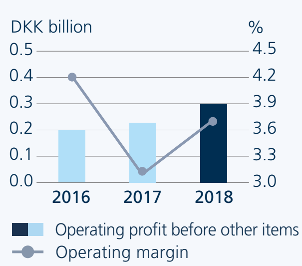
11%
of group

54%
key accounts

REVENUE AND ORGANIC GROWTH



OPERATING PROFIT AND MARGIN



THE MARKET

Americas consists of two different markets – a mature North American market and generally less mature markets in Latin America. North America is the world's largest FM market, accounting for approximately 27% of the global outsourced FM market. Given ISS's very limited market share, but with an improving platform and foothold, North America stands as the single biggest growth opportunity across the Group. Our focus is on delivering performance-based IFS solutions to large key account customers. Key customer segments include Business Services & IT, Transportation & Infrastructure and Industry & Manufacturing.

BUSINESS UPDATE

With the acquisition of Guckenheimer in 2017, we built a competitive IFS platform and positioned ourselves to capture growth in the market through strong self-delivery capabilities. In 2018, Guckenheimer delivered strong double-digit organic growth and improved margin. In 2019, the focus will gradually shift from integration to cross-selling initiatives.

The underlying commercial momentum was strong across large parts of the region in 2018. While the region was impacted by reduced revenue from a global key account, we signed a number of key wins, extensions and expansions, e.g. with an international air carrier, a company in the pharmaceutical segment and the City and County of Denver Aviation.

Latin America accounts for approximately 4% of the world's total outsourced FM market. It is a market with significantly less outsourcing maturity and with limited demand from both local and global key accounts. As such, we decided to exit operations in Argentina and Uruguay in 2017, followed by Brazil and Chile in 2018, with a view to reinvesting divestment proceeds and resources to capitalise on significant growth opportunities with key accounts elsewhere – especially in North America. Going forward, ISS will have a full country presence in Mexico, and we will continue to service global key accounts across most parts of the region.

From a stronger and more focused platform, we will in 2019 gradually shift our focus towards executing on the key account strategy. Together with potential further organic investments and acquisitions in technical services and catering capabilities and supported by a number of Group-wide transformational initiatives, ISS will start to build a significantly larger presence in the world's largest FM market.

FINANCIALS

Revenue increased by 6% to DKK 7,847 million (2017: DKK 7,370 million).

Organic growth was 1%, while the impact from acquisitions and divestments, net increased revenue by 10% and currency effects reduced revenue by 5%. Organic growth was mainly driven by catering and key account contract launches in North America. Furthermore, the organic growth was supported by solid performance in Mexico. This was partly offset by revenue reductions from DXC Technology, HP Inc. and lower demand for non-portfolio services in the USA compared to last year.

Operating profit before other items was DKK 294 million for an operating margin of 3.7% (2017: 3.1%). The operating margin was supported by contract expansions and synergies within the catering division and exit of low performing contracts in the specialised division in North America. This was partly offset by Mexico, which was slightly impacted by contract start-up costs on key accounts.

Q4 2018

Strong organic growth to finish off the year and three new global key account customers.

OPERATING RESULTS
(continuing operations)

Group revenue was DKK 19.3 billion (Q4 2017: DKK 19.1 billion).

Organic growth was 4.1% (Q3 2018: 4.0%), while the impact from currency effects and acquisitions and divestments, net reduced revenue by 1.1% and 2.0%, respectively.

Organic growth was positive in all regions, except the Americas. Growth was mainly driven by contract launches and non-portfolio work in Continental Europe and Asia & Pacific and strong demand for projects and non-portfolio work in Northern Europe. This was partly offset by revenue reductions in the Americas due to the exit from low-performing contracts in the specialised services division and high comparable non-portfolio revenue in Q4 2017. In Continental Europe, most countries contributed to the strong growth, particularly Turkey and Germany. Turkey delivered strong organic growth thanks to start-ups in the healthcare segment and in Germany, growth was mainly due to non-portfolio work. Asia & Pacific was driven by strong growth in Australia following the start-up of multiple large key accounts but Hong Kong also continued to deliver positive organic growth with the launch of the MTR contract. Northern Europe was positively affected by a high level of non-portfolio and project work, particularly in Norway and the UK.

Operating profit before other items was up by 16% to DKK 1,437 million (Q4 2017: DKK 1,242 million) for an **operating margin** of 7.4% (Q4 2017: 6.5%). In line with previous years, seasonality influenced operating profit before other items, which is typically higher in Q3 and Q4 than in Q1 and Q2.

The operating margin was supported by margin increases in Continental Europe and Northern Europe, while margins in Asia & Pacific declined compared to last year. Furthermore, acquisitions and divestments, net and negative currency translation effects had a net 6 bps negative impact on the operating margin. Continental Europe delivered margin increases in Spain, Turkey, Switzerland, and Austria, backed by strongly performing contracts and operational efficiencies. In addition, the margin in Continental Europe was supported by a significant one-off settlement linked to transition of a large contract. Northern Europe achieved margin increases in most countries, including Sweden. We saw the highest margin increase in Norway due to operational efficiencies and good

REVENUE AND ORGANIC GROWTH

DKK million	Q4 2018	Q4 2017	Organic growth	Acq./ div.	Currency adj.	Growth 2018
Continental Europe	7,306	7,183	7 %	(3)%	(2)%	2 %
Northern Europe	6,433	6,480	2 %	(2)%	(1)%	(1)%
Asia & Pacific	3,310	3,122	8 %	-	(2)%	6 %
Americas	2,077	2,178	(5)%	(1)%	1 %	(5)%
Other countries	185	170	7 %	-	2 %	9 %
Corporate / eliminations	(13)	(27)	-	-	-	52 %
Continuing operations	**19,298**	**19,106**	**4.1 %**	**(2.0)%**	**(1.1)%**	**1.0 %**
Discontinued operations	1,561	1,642	(1.0)%	(0.6)%	(3.3)%	(4.9)%
Total	20,859	20,748	3.6 %	(1.8)%	(1.3)%	0.5 %

ORGANIC GROWTH

	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Continental Europe	7 %	6 %	6 %	5 %	6 %	5 %	2 %	4 %
Northern Europe	2 %	1 %	(0)%	1 %	(0)%	1 %	1 %	2 %
Asia & Pacific	8 %	7 %	6 %	6 %	4 %	0 %	(0)%	(2)%
Americas	(5)%	1 %	6 %	6 %	12 %	7 %	7 %	13 %
Continuing operations	**4.1 %**	**4.0 %**	**3.6 %**	**3.7 %**	**3.9 %**	**2.8 %**	**1.5 %**	**3.2 %**
Discontinued operations	(1.0)%	(3.2)%	(1.5)%	(4.5)%	(1.8)%	(4.2)%	(4.6)%	(3.5)%
Total	3.6 %	3.4 %	3.2 %	3.1 %	3.6 %	2.3 %	1.0 %	2.6 %

contract performances. This was partly offset by margin decreases due to mature contracts being phased out and new contracts being phased in. In Asia & Pacific, the margin was mainly impacted by start-up costs on key account contracts in Hong Kong. The margins in the Americas was flat compared to last year supported by exits from low performing contracts in the US, partly offset by contract start-up costs in Mexico.

Other income and expenses, net was a net expense of DKK 207 million (Q4 2017: net expense of DKK 225 million) mainly related to the implementation of GREAT in France and Sweden and restructuring in North America.

Goodwill impairment amounted to DKK 42 million (Q4 2017: DKK 67 million) and mainly related to the remeasurement of a business classified as held for sale in Asia & Pacific.

Operating profit was DKK 1,073 million (Q4 2017: DKK 843 million) with the improvement mainly driven by the higher operating profit before other items.

Financial income and expenses, net was a net expense of DKK 161 million (Q4 2017: net expense of DKK 153 million). The increase was mainly the result of higher interest expenses on the back of the acquisition of Guckenheimer in April 2017. Q4 2017 was impacted by higher financing fees as non-cash unamortised financing fees were expensed in connection with the refinancing of the Revolving Credit Facility.

Net profit (adjusted) was DKK 697 million (Q4 2017: DKK 604 million). The increase was driven by the higher operating profit and lower income taxes, partly offset by increased financial income and expenses, net.

Net profit was a loss of DKK 146 million mainly due to a net loss from discontinued operations of DKK 863 million stemming primarily from impairment losses recognised in connection with the revaluation of the 13 countries to be exited.

CASH FLOWS

Cash conversion (LTM) in Q4 2018 was 101% due to the strong cash flow performance across the Group. Ensuring a strong cash performance remains a key priority, and the result reflects our efforts to ensure timely payment for work performed and timing of collections and payments around year-end. This included increasing commercial use of non-recourse factoring with certain large blue-chip customers and participation in certain customers' supply chain finance (SCF) arrangements.

Cash flow from operating activities was an inflow of DKK 3,573 million (Q4 2017: DKK 2,919 million). This item is usually higher in Q4, as the cash flow from operating activities tends to become increasingly positive as the year progresses and revenue recognised in Q3 is collected. The increase in the cash inflow was mainly due to changes in working capital and lower tax paid. Changes in working capital continued to be impacted by the mobilisation of the Deutsche Telekom contract and strong commercial momentum, but offset by the increased use of factoring and participation in customers' SCF arrangements.

BUSINESS DEVELOPMENT
(continuing operations)

Revenue generated from **global key accounts** in Q4 decreased organically by 5% (Q3 2018: decreased 10% in local currencies) to DKK 2.9 billion, representing 15% of Group revenue (September YTD 2018: 14%). The decrease was the result of revenue reduction related to DXC Technology, HP Inc. and an international bank in EMEA as well as high non-portfolio revenue from global key accounts in Q4 2017. This was partly offset by contract launches with LEGO Group, an international food and beverage company, Shire and increases on existing global key accounts.

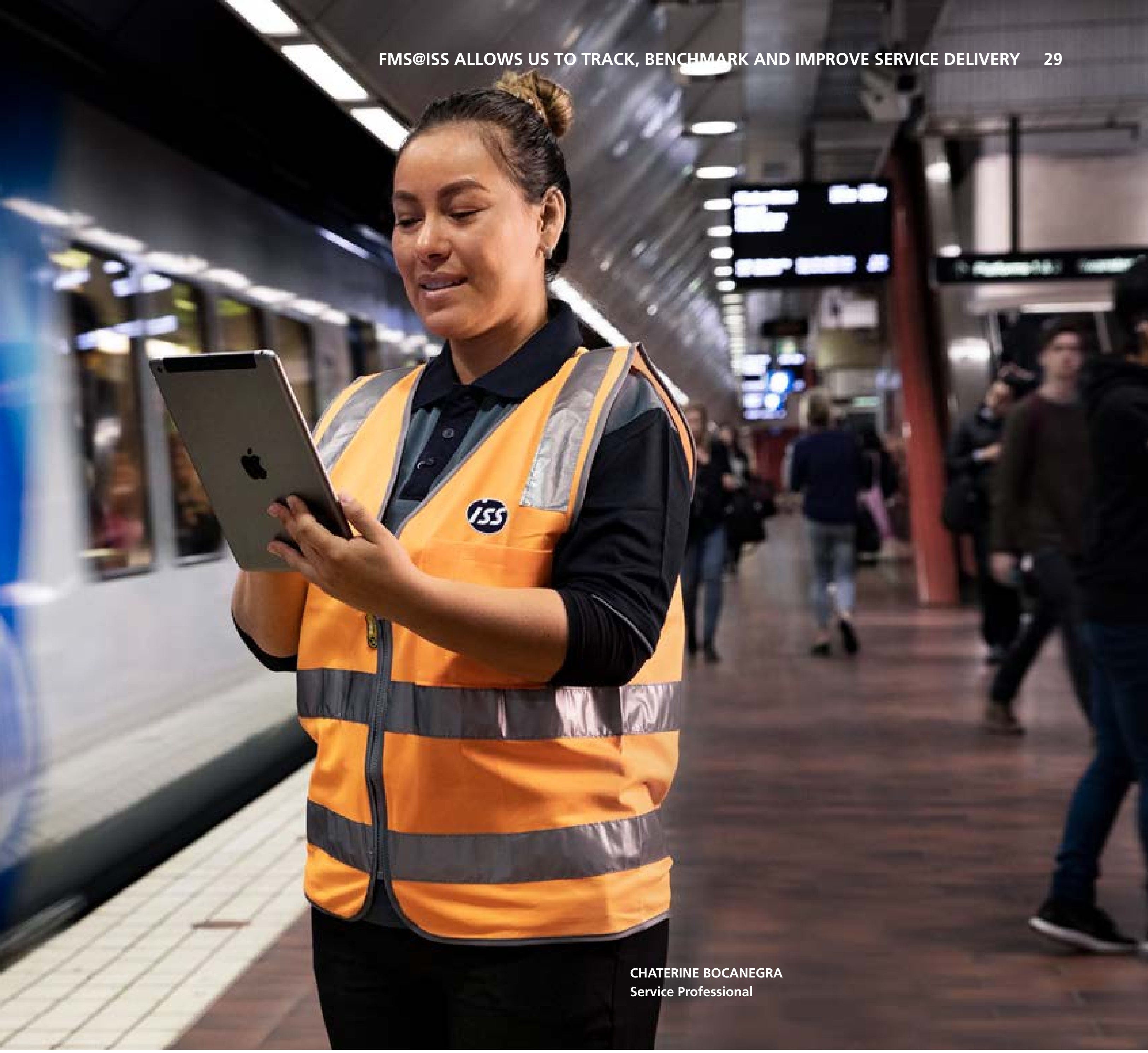
In December 2018, we signed a global key account contract with a new customer in the Business Services & IT segment. We also announced the extension of our contract with Vattenfall and we extended and expanded our partnership with UBS. The latter two were converted from local to global key account customers.

OPERATING PROFIT BEFORE OTHER ITEMS AND MARGIN

DKK million	Q4 2018		Q4 2017		Organic	Acq./div.	Currency adj.	Growth 2018
Continental Europe	799	10.9 %	609	8.5 %	43 %	(6)%	(6)%	31 %
Northern Europe	566	8.8 %	507	7.8 %	10 %	2 %	(0)%	12 %
Asia & Pacific	207	6.3 %	227	7.3 %	(7)%	-	(2)%	(9)%
Americas	99	4.8 %	104	4.8 %	(2)%	(2)%	(1)%	(5)%
Other countries	0	0.0 %	1	0.5 %	(95)%	-	2 %	(93)%
Corporate / eliminations	(234)	(1.2)%	(206)	(1.1)%	-	-	-	(14)%
Continuing operations	**1,437**	**7.4 %**	**1,242**	**6.5 %**	**20.3 %**	**(2.2)%**	**(2.4)%**	**15.7 %**
Discontinued operations	31	2.0 %	64	3.9 %	(51.3)%	(0.6)%	0.4 %	(51.5)%
Total	1,468	7.0 %	1,306	6.3 %	16.1 %	(2.1)%	(1.6)%	12.4 %

CASE: FMS@ISS ALLOWS US TO TRACK, BENCHMARK AND IMPROVE SERVICE DELIVERY

Key account customers want ISS to deliver services in an efficient and transparent way. For those customers with multiple sites, they also want consistency across their real estate portfolio. Information is key to meeting these needs. FMS@ISS is our facility management system and our digital backbone. It provides a powerful, data-driven platform for on-site tracking performance. This includes monitoring how and when our teams perform certain tasks or illustrating when property assets need to be serviced or replaced. This insight is available on a performance dashboard – on a mobile device – and allows us to benchmark service deliveries and drive intelligent change.



CHATERINE BOCANEGRA
Service Professional

Our integrated, self-delivery model increases the value we can extract from FMS@ISS. One system providing visibility and insight across multiple service lines, tasks and assets, supported by an empowered team of on-site professionals able to react to the situation at hand.

Take Metro Trains in Melbourne, Australia, for example. ISS services 260 locations across the city, processing some 600 work orders daily. Each issue must be resolved quickly to ensure uptime of the network is maintained and customer journeys are not disrupted. FMS@ISS ensures things run smoothly whilst affording complete operational transparency. Bluetooth beacons at stations allow our employees to swiftly update FMS@ISS on any issue. The system's real-time monitoring provides both ISS and Metro Trains with a map of the entire network and allows us to take immediate action if we see any dips in performance. As a result, we maintain a 99% success rate across the entire network.

FMS@ISS offers built-in flexibility to serve our customers' wide range of needs, including real estate management, project & programme management, space management, operations & maintenance, and energy & environment. As we roll out a single, global version of FMS@ISS to our key account customers, we continue to deploy more features, with developments on one account passed on to all customers. Everyone benefits.

OUR STRATEGY

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

Today, our services help drive the engagement and well-being of **people** – including employees, passengers or patients – by creating outstanding workplaces and great service moments. We help our customers minimise their impact on the **environment** by reducing their consumption of energy, carbon and water and cutting their production of waste. We also help to protect and maintain **property** – buildings and the key assets inside – to ensure optimal performance. We bring all of this to life through a unique combination of data, insight and service excellence. ISS helps the world work better.

OUR VISION

"We are going to be the world's greatest service organisation"

Our business model and strategy are designed to create value for our employees, our customers and our shareholders. Only by successfully executing a sustainable strategy, meeting the needs of all key stakeholders, will we become the world's greatest service organisation.

OUR MISSION

The spirit of our approach is articulated in our mission statement:

Service performance facilitating our customers' **purpose** through **people empowerment**

At its core, our mission statement tells a story of a differentiated value proposition. We do not simply deliver services but provide outcomes that are fully supportive of our customers' core business needs. Our impact on people, the environment and property creates outstanding places to work whilst minimising risk and improving efficiency and productivity. Our mission is built on the empowerment of our 485,908 people globally, giving them the flexibility to deliver an exceptional customer experience. This approach is rooted in our values and attitude and supported by robust processes and tools. These factors form the foundation of our value proposition at the centre of which is our truly differentiated self-delivery model.

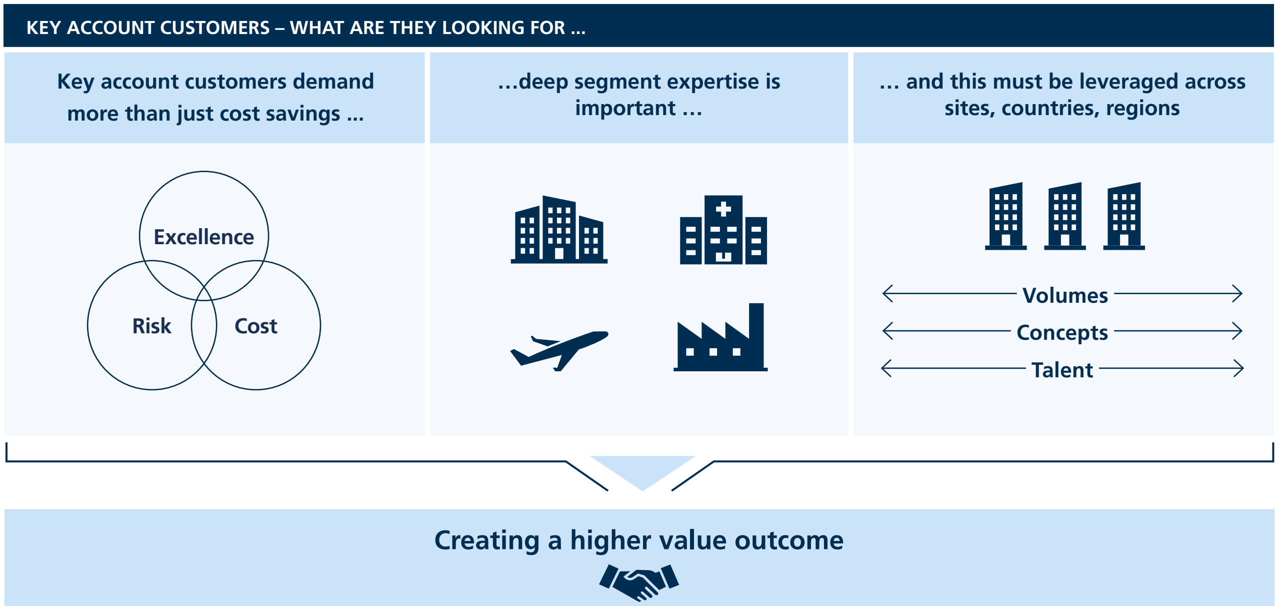
THE ISS WAY STRATEGY

The ISS Way has guided our strategic direction and choices since 2008. Prior to that, we had expanded our service capability and geographic reach through hundreds of acquisitions. From 2008-2013 we started the process of building and leveraging a differentiated platform. We strengthened our capacity to deliver Integrated Facility Services (IFS) and proved our ability to take local customer relationships national, before taking them regional and finally global.

Supported by this success, we intensified our focus from 2014-2018, making stricter choices on which industry segments and customers to target, which services we needed to provide and the places on the globe where we wanted to provide them.

THE ISS WAY – WE HAVE BUILT CAPABILITIES AND SHARPENED OUR FOCUS

2008-13	2014-18	2019-20
BUILD	**FOCUS**	**GROW**
Building a differentiated platform	**Greater selectivity**	**Increase organic growth Accelerate transition to… …and investment in key accounts**
IFS capabilities Global key accounts	Customers Services Geographies	Sharpen geographic footprint Complete exit from non-core activities Reallocate capital to core activities



We have now chosen to accelerate this journey and from 2019-2020 we will intensify our focus on – and investment in – key account customers. These customers afford us with the greatest opportunity to grow and create value based on us building our value proposition.

We estimate the outsourced key account market to comprise around 40% of the total facility services market – in other words, amounting to approximately USD 400 billion, globally. This implies an ISS share of less than 2%. The outsourcing decision for key account customers is strategic rather than purely operational. The customers are focused on outcome, not merely input, and demand a solution that is customised to their specific needs. Proven industry segment expertise is critical, as is the strength of our relationship and daily interaction – via a trained and certified key account manager. We must deliver operational excellence and risk assurance, whilst continually exhibiting cost leadership.

At ISS, serving our key account customers has been an outstanding success. Our revenue with global key account customers has grown by 69% over the past five years. Our revenue from IFS has grown by almost 44% over the past five years. Key account customers offer ISS better win rates, longer duration contracts and higher retention, higher potential share of customer wallet and, in turn, stronger growth.

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

We have become smarter. Today, we are better informed about where the key account opportunities are most prevalent and what it will take to be a winner in this marketplace. More than ever before, we now seek to concentrate capital and resources in those areas that afford compelling, long-term growth and attractive returns, and play to the strengths of ISS.

OUR GROWING IMPACT ON WORKING COMMUNITIES

PEOPLE	Enhancing the engagement and **well-being of building users**.
ENVIRONMENT	**Minimising** customer **consumption** of energy, carbon, and water and reducing waste.
PROPERTY	Protecting and maintaining **customer assets**. Optimising the design, impact and efficiency of **customer work space**.

INVESTING IN KEY ACCOUNT GROWTH

To maximise growth from our key account focus, we are investing further. We are undertaking a two-year DKK 700-800 million programme of accelerated investment in 2019 and 2020 (to be fully funded by divestment proceeds). This investment comprises project-related operating expenditure (opex) (approx. 50%), capital expenditure (capex) (approx. 50%) and selective M&A. After 2020, opex and capex will return to normalised levels, but we will continue to pursue M&A opportunities.

The principal areas of investment will include:

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

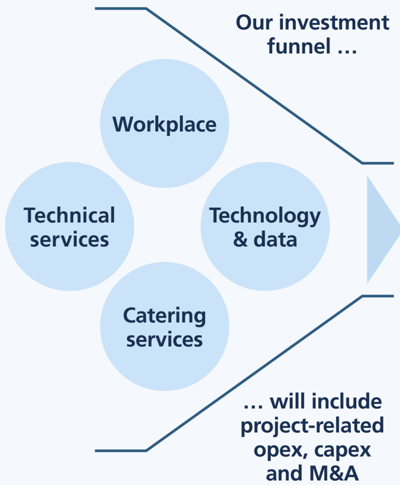
There are three key aims behind our investment plans.

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

Second, we are looking to scale other capabilities which may be a small part of our current service platform but where the value we bring to our customers is considerable. We will accelerate the roll-out and deployment across our major key account customers, for example within workplace management and associated technology.

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

OUR GROWING IMPACT ON WORKING COMMUNITIES



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

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

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

SHARPENING OUR GEOGRAPHIC FOOTPRINT

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

In our Strategy Update in December 2018, we announced our intention to divest activities in 13 countries – Thailand, the Philippines, Malaysia, Brunei, Brazil, Chile, Israel, the Czech Republic, Slovenia, Slovakia, Estonia, Hungary and Romania. This is in addition to Argentina and Uruguay, which were divested in January 2019. The local markets in these countries are less supportive of our key account focus and are often dominated by smaller, price-centric customers. It is not easy for us to leverage volumes, concepts and talent and, in some instances, we cannot generate attractive and sustainable returns at a commensurate risk. We will, however, continue to serve global and regional key account customers in these markets. Finally, we also announced our intention to divest a number of business units across the Group, entirely consistent with our strategy of recent years and thereby completing our exit from non-core services.

These decisions were not taken lightly. However, they reflect our conviction in the scale of the growth opportunity afforded by key accounts and our ability to offer a truly differentiated value proposition to these customers. Only through a combination of sharpened focus and stronger, targeted investment will we fully be able to capitalise on this potential.

DRIVING OUTCOMES

Evaluating the success of our strategy, including our ability to extract benefits of volume, concepts and talent, and ultimately our creation of shareholder value, requires that we measure specific KPIs.

Read about the Group's six key KPIs on pp. 4–5

Outlined below are some of the highlights of the progress on extracting benefits of volume, concepts and talent we made in 2018.

VOLUMES

While our world-wide procurement excellence programme as described in prior years has been completed, our focus is now on reaching beyond traditional sources of procurement value generation by increasingly leveraging our key partners' expertise to lower our delivery costs. Moreover, we are investing in common procure-to-pay platforms to drive incremental scale benefits from increased adherence to preferred vendor lists, a reduced logistics footprint, and less internal complexity. The resulting reduction of the ISS supplier portfolio will enable us to implement assurance initiatives in an increasingly targeted fashion and improve compliance.

Furthermore, in 2018 we took the first step towards establishing a global business services structure, when Group IT and Group Finance Administration were merged into Global Support Solutions (GSS). With GSS, we will accelerate our journey from decentralised local ownership of the financial processes towards a standardised and optimised setup focused on key accounts. By implementing standard procedures and outsourcing relevant activities in e.g. Accounting, People & Culture, Procurement and Operations, we make it possible to ensure consistency, standardisation and comparisons across countries together with cost leadership.

As mentioned in our Strategy Update in December 2018, this is one of our transformational projects in the investment programme for 2019 and 2020. The initiative was kicked off in the UK in 2018 and in 2019, GSS will accelerate the global migration to group standard operating systems to ensure they consist of IT solutions that are vital to our business. Our goal is to ensure that these solutions are developed, maintained and implemented in a standardised and synchronised way with the right integration layers, thereby ensuring the best platform for our future internal and external activities. Furthermore, in 2018, we continued the roll-out of a shared ERP platform. In 2019, we plan to accelerate the roll-out of ERP further as one of the transformational projects announced on 10 December 2018.

CONCEPTS

In our pursuit of excellence and to enhance our value proposition and profitability, we drive the deployment of our existing best practices and continuously explore innovations in customer segments, services, technology and processes.

To address the increasing risk and compliance agenda at our customers and the need for cost efficiency, but also to improve the user experience as a result of the services we deliver, we have in 2018 strengthened our workplace experience agenda by integrating SIGNAL into ISS and through expansion into the UK. Organic build-out of workplace management and design is one of our transformational projects that we will focus on in 2019 and 2020.

We also continue to apply an increasing level of technology in our solutions to drive compliance, transparency, consistency and efficiency as well as underpinning our workplace experience agenda. In 2017, we began to introduce new workplace systems at select customer sites, upgrading our facility management system (FMS@ISS). As announced on 10 December 2018, we will accelerate the roll-out of our FMS@ISS which will become the back-bone of all of our other technology and data-driven initiatives. By the end of 2018, we had migrated key accounts generating close to 10% of our total key account revenue. By the end of 2019, we aim to be above 50% and by the end of 2020 at over 70%. This will come along with an ISS suite of solutions covering end-to-end front and back-office processes.

Read more about FMS@ISS on p. 28

An important part of our innovation agenda is supported by the establishment of the ISS Corporate Garage – an autonomous unit with the ambition to unleash the innovation power of ISS by engaging with the business and our customers. In 2018, the ISS Corporate Garage has piloted the ISS Open Innovation Initiative, which aims to fast track customer-centric innovation in the service industry by connecting our customers' evolving needs with solutions from the global innovation system of start-ups. Through the ISS Open Innovation Initiative, we believe that we can make a significant impact by facilitating the discovery of needs and solutions driven by new technologies, and subsequently scaling the solutions that we find evidence for into our key accounts.

TALENT

The ingredient most essential to successfully implementing our strategy is leadership. Given our self-delivery model, our employees are the core enablers of our strategy. In 2018, we continued to invest in developing and empowering our people at all levels of our organisations to ensure the right capabilities and mindset to deliver on our vision – this mainly through the continued roll-out of leadership programmes.

Read more about our specific people initiatives in Our people on p. 35

We believe that strong leadership drives employee engagement, which in turn drives customer satisfaction and hence leads to improved financial results. In 2018, we conducted our customer experience survey for the eighth time. We invited 6,270 customers across 44 countries to participate and enjoyed a response rate of 82%. The KPI for customer experience is cNPS. With a score in 2018 of 49.6 (2017: 44.0) we saw an improvement for the eighth consecutive year.

WORKPLACE EXPERIENCE TO DRIVE PRODUCTIVITY

Creating great workplace experiences and great workplace design begins with understanding what drives the customer's business. At ISS and SIGNAL, we make data-driven decisions by measuring value creation pre- and post-engagement, ensuring we get to know the customer's needs, whether spoken or unspoken, so we can meet them. By engaging with customers, their employees, and other stakeholders, we identify new opportunities to bring the customer's culture and vision to life. We take that invaluable know-how and combine it with our expertise in the design of services and physical space to craft best-in-class workplaces – places that make people feel better, think better, and work better.

Signe Adamsen, Head of Workplace Experience, & Gitte Andersen, Global Head of Workplace Management & Design

OUR PEOPLE

Great leadership is the ingredient most essential to successfully implementing our strategy. It is the main driver of people engagement and the desired customer experience.

UNLEASHING THE POWER OF THE HUMAN TOUCH

Our people are the true source of our competitive advantage, and the proof point of our ability to deliver on our value proposition lies in every interaction between our people and our customers. It is our fundamental belief that great service moments can be architected by the right combination of people with a common purpose and the right attitude, who are:

- inspired and supported by the right leadership;
- equipped with the right skills and tools to perform; and
- engaged and empowered to create memorable service moments.

The quality and consistency of our leadership is the biggest single driver of our ability to truly unleash the Power of the Human Touch, which is why we continue to invest in developing our leaders through key Group-wide ISS University programmes.

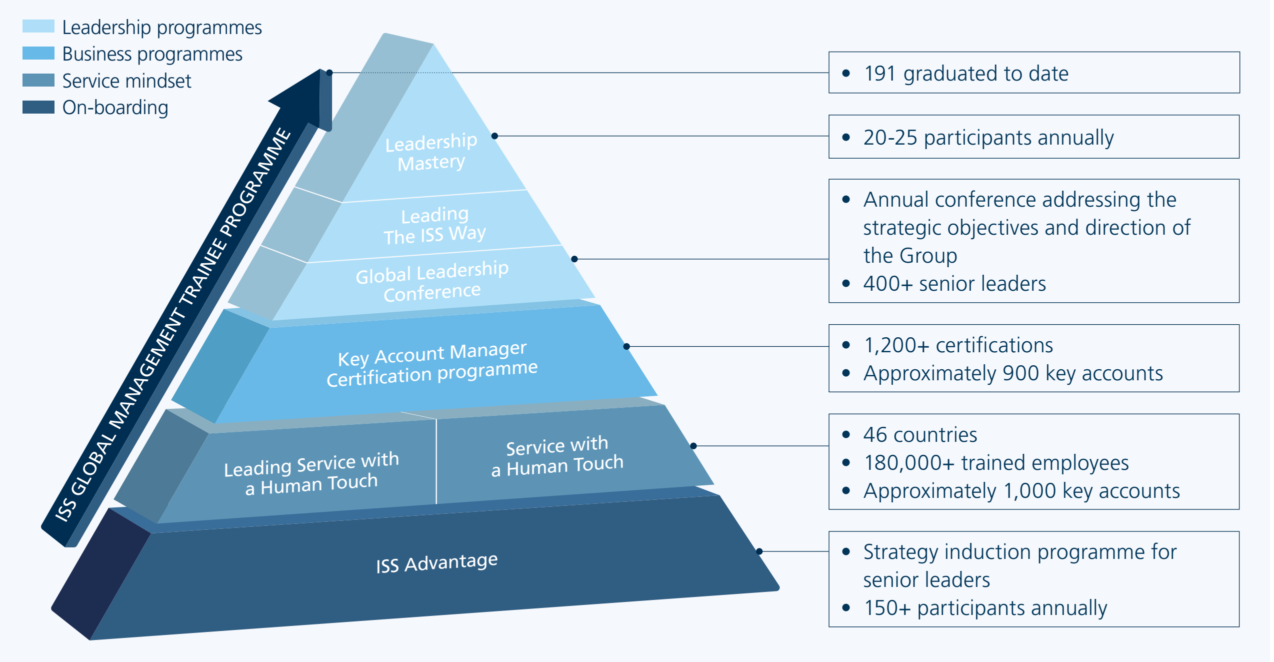
To create a common understanding of what is expected of all our leaders in terms of skills and behaviours (competencies) for successful execution of our strategy, we have developed the **ISS Leadership Competency Framework**. The core competencies form the common thread that binds together people processes, from recruitment, to performance management, leadership development, succession planning and reward and recognition. To further build the leadership needed, we have launched **Leading the ISS Way**. The programme is targeted at all senior leaders and built specifically to communicate and embed the ISS Leadership Competency Framework across our business. In 2018, we established the programme in all countries through a train-the-trainer handover and more than 30 country leadership teams have already graduated. In 2019, we will continue the roll-out, targeting senior leaders and key account managers.

ISS UNIVERSITY

The ISS University is the Group-wide learning academy representing our leadership development programmes which are delivered globally, regionally and locally. The ISS University is structured to enhance our leadership capabilities across three core dimensions:

- **strategic leadership** – building an intimate understanding of our strategy and our key performance drivers

ISS UNIVERSITY – THE GROUP-WIDE LEARNING ACADEMY



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

A critical building block is our **Key Account Manager Certification (KAMC)** – a modular programme directed at key account managers. Vital to the successful execution of our strategy, our key account managers hold complex general management positions, are financially and customer accountable and responsible for leading large and diverse teams, often across multiple customer sites. In 2018, focus was to further sustain and maximise the effect of KAMC going forward by engaging the leadership and support structures around our key accounts. By the end of 2018, more than 1,200 certifications had been issued under KAMC, touching the majority of our key accounts globally. KAMC consistently shows strong improvement in both the loyalty of our employees and customers, measured by eNPS and cNPS, on the accounts covered by the certification. The objective is to certify all key account managers across all our key accounts in all ISS countries by the end of Q3 2019.

LEADERSHIP PIPELINE

Ensuring that our leaders are equipped to communicate our strategy and engage the organisation is a key focus area for leadership development. Our leadership programmes provide our employees with an essential understanding of our strategy and give them tools relevant for their day-to-day work.

With that in mind, we continue to run the **ISS Leadership Mastery programme**, a comprehensive five-module programme for selected senior executives. The focus is on personal leadership development and behaviour, developing a team, securing a deep understanding of our strategy and facilitating greater understanding of customers and employees. So far, more than 100 senior leaders have graduated from the Leadership Mastery programme.

In parallel to the significant focus on developing current leaders, we are looking ahead, and building our pipeline of future leaders through the **ISS Global Management Trainee programme**, which is directed at university graduates and we select the brightest and the best in a rigorous assessment process. The benefits of the programme are twofold; it enables us to build a sustainable talent pipeline for the future, while at the same time building our global employer brand in the external marketplace. Our trainees go through an 18-month programme, including an international assignment, before being assigned their first line appointment. It is structured in modules which first enable candidates to build an understanding of the ISS business model and strategy, before moving on to build knowledge of operational excellence and basic key account management capabilities. On graduating, the trainees typically take up key account manager, contract manager or contract support roles.

Since its launch in Europe in 2013, 191 trainees have completed the programme, and to date, the retention rate is 85%. For 2018, we have recruited 51 new trainees and launched the programme in the Americas region thereby ensuring our programme is implemented in all regions in 2018.

ENGAGED PEOPLE

Employee engagement is critical for our ability to serve our customers – engaged and enabled employees have a direct impact on the customer experience. For this purpose, we survey our employees on how engaged and enabled they are in working for ISS and, more importantly, what we can do better to drive engagement.

In 2018, we carried out our seventh global employee engagement survey covering 44 countries and conducted in 47 languages. Scope has been expanded each year since inception. In 2018, we removed all paper surveys and instead surveyed our people online to match our commitment to the environment and to reduce time and costs relating to processing data. More than 300,000 employees were invited to participate, with 230,824 responding – an impressive response rate of 76% (2017: 78%) considering the removal of paper survey and first year of a 100% online survey.

We further changed the structure of our people survey. In previous years, themes such as capability, motivation and pride were independently reported. In 2018, we took it a step further, combining these factors in the measures of engagement and enablement. Employee engagement is about positive attitudes and behaviours leading to positive business outcomes in a way that they trigger and reinforce one

GLOBAL EMPLOYEE ENGAGEMENT SURVEY RESULTS

86% favourable
Engagement

90% favourable
Enablement

59.8
eNPS

76%
Response rate

another. Employee enablement ensures that employees are able to deliver high performance by having the right skills, tools, information and other resources required. We retained some of the questions from last year and added others which has given us an enablement measure. The survey revealed an overall employee engagement score, which was 86% favourable and an overall enablement score of 90% favourable. As part of the survey, we also measure the loyalty of our employees and their willingness to recommend ISS as an employer (eNPS). In 2018, eNPS was 59.8, which is slightly behind last year's 62.1.

In response to previous learnings from the survey, we continue the **Service with a Human Touch programme (SWAHT)**, focusing on our frontline employees. The programme is a key strategic game changer driving cultural change, communicating our mission and translating customer value propositions into concrete service behaviours for thousands of service professionals.

SWAHT is operational in 46 countries, with 600 accredited trainers and more than 180,000 trained employees across approximately 1,000 key accounts. We will continue the work to continuously improve engagement, which in turn increases the overall sense of purpose of our people in the delivery of our services. We see a clear correlation between employee engagement and customer satisfaction, making them key drivers of financial and operational performance.

HEALTH, SAFETY, ENVIRONMENT AND QUALITY

Our concern for health, safety, environment and quality (HSEQ) and initiatives in that respect are aimed both at our employees and our customers. Our vision is to be incident free and our goal will always be zero injuries and zero environmental incidents. We are committed to ensuring that all our people go home well to their families after a safe working day at ISS. To drive this vision, we need a culture where safety is second nature. This requires commitment throughout our organisation, starting from our Executive Group Management to our colleagues delivering our services to our customers. Our responsibilities also include the health and safety of our customers, as we work alongside them on a daily basis. Instigating a strong safety culture amongst ourselves will have a positive impact on our customers.

We perform services with different personal health and safety risk profiles depending on our customers' activities and on the individual site. To manage HSE risks we have implemented a standardised Site Risk Register that provide an overview of the hazards and risks at a site. To ensure we understand and comply with our customers' requirements we have implemented an HSE Compliance Plan.

In order to stay on course and keep HSE in constant focus, we continue to run global HSE campaigns three times a year with changing focus points reflecting current challenges, e.g. driving safely, working at heights, and slips, trips and falls. In addition, in 2018, we continued the highly successful ISS Toolbox Talk Calendar, building on the feedback received since the launch in 2015. The Toolbox Talk reinforces and embeds safety behaviours as part of our safety culture. Two topics are chosen each month to inspire our operational teams to hold Toolbox talks at their sites. We have also developed and rolled out an e-learning module on driver safety to reinforce the behaviours we would like to embed in our organisation.

Read more about CR and HSE initiatives and performance at https://www.issworld.com/about-iss/our-approach-to-cr/reporting-and-policies

FATALITIES

Our first priority is to prevent fatalities at our workplaces. Regretfully, in 2018, we had one work-related fatality occurring in an accident involving electric current. We took immediate action by sending out a Global Safety Flash to our worldwide operations to ensure we learn from this tragic incident.

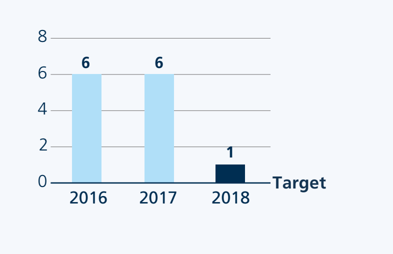
We work to make safety a responsibility for the entire organisation. Our policy is that management at all levels must understand their roles and responsibilities when it comes to safety. As per our Group Escalation Policy, each fatality and serious injury is reported to the Executive Group Management within 24 hours of occurrence.

LOST TIME INJURY FREQUENCY

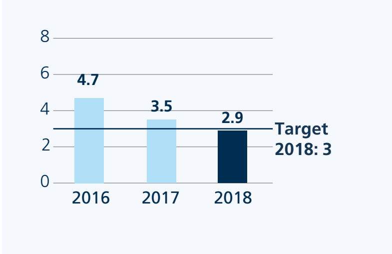
We have reduced LTIF by 78% since our 2010 baseline of 13 to an LTIF of 2.9 in 2018 (target 2018: 3). The continuous improvement of our HSE performance over the last eight years has been driven by our systematic approach in addressing HSE risks across the organisation. During that period, we have implemented our:

- Group HSEQ Management System;
- ISS Safety Rules;
- HSEQ@ISS-IT system for reporting and investigating incidents, auditing and inspections;
- Global campaigns to keep the focus on HSE; and
- Toolbox Talk Calendar.

FATALITIES



LOST TIME INJURY FREQUENCY (LTIF)



CORPORATE RESPONSIBILITY (CR)

OUR APPROACH TO CR

As a global company with more than 485,000 employees, we influence the lives of many people every day through providing employment, training and safe and healthy work environments. We believe that long-term sustainable business success relies on a high level of CR, as economic, social and environmental issues are inevitably interconnected. CR is therefore a fundamental part of our corporate values and strategy, and universally accepted principles on sustainable development are integral to the way we conduct our business.

CR is also becoming increasingly important for our selected customers as they strive to improve their own business performance and make a positive impact on society. Leading global companies require a consistent CR performance from their partners, and this is often a key factor in winning and retaining contracts. CR is therefore an important part of our value proposition to our customers.

We have adopted a principles-based approach to CR that contributes to sustainable development as defined by the international community. We have developed and rolled out across the Group a strategy for Health, Safety, Environment and Quality (HSEQ) and CR, which supports The ISS Way, our GREAT initiatives and the extraction of benefits of skill and scale within volume, concepts and talent.

Volume

By aligning procurement across countries, we ensure better control of the products and services we procure; this results in safer products, more environmentally friendly products and better control of the suppliers we use to deliver our services.

Concepts

In our pursuit of excellence and to enhance our value proposition to our customers, we have built an HSE value proposition to our customers. Customers require effective and credible risk management, including risks related to safety, labour conditions and influencing human rights in a positive direction. Our processes and systems within these areas allow us to provide support to our customers in managing these risks.

Talent

We have incorporated HSE in our training programmes Service with a Human Touch and Key Account Manager Certification (KAMC) programme, providing a better highway for the deployment of our HSE culture and processes.

OUR HSE VISION '100'

1: We aim to be number 1 in our industry and recognised as an industry leader in the way we deliver Health, Safety, and Environmental performance;
0: We operate with 0 fatalities in our workplaces; and
0: We incur 0 serious incidents and occupational injuries at our workplaces.

STRONG COMMITMENT TO UN GLOBAL COMPACT

As a signatory and supporter of the United Nations Global Compact since its inception in 1999, we have made a strong commitment on human rights, labour rights, environmental protection and anti-corruption. We remain committed to aligning our strategy and operations with the ten Global Compact principles.

Furthermore, we respect, support and promote human rights and support the ambitions set out in the United Nations Universal Declaration of Human Rights, the Core Conventions of the International Labour Organisation and the United Nations Guiding Principles on Business and Human Rights.

TRADE UNION RELATIONS

We remain fully committed to our global agreement with the international network of national labour organisations – Union Network International (UNI) – covering our employees where UNI cooperates with local unions. We continue to work closely with our European Works Council (EWC). We hold quarterly meetings with the steering committee and annual meetings with the entire EWC. At these annual meetings, the EWC visits our head office for three days, and we spend considerable executive management time with EWC to ensure alignment with our priorities and a common understanding of our strategy and the Group's direction.

DOW JONES SUSTAINABILITY INDEX

ISS has been recognised as a sustainability leader within its sector by achieving a Bronze ranking in the 2018 Dow Jones Sustainability Index. The ranking places ISS in the top 10% of the 44 global companies in the commercial services and supplies sector that are assessed across three dimensions – economic, environmental and social dimension – under the DJSI framework.

OUR CORPORATE RESPONSIBILITY REPORT

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

OUR BUSINESS RISKS

At ISS, we see risk management as an integral part of value creation – for our customers and for ourselves.

As a global business, we take an active approach to risk management, ensuring that our key risks are identified and managed in a structured and prioritised manner.

Our business model is based on taking over facility services that are non-core to our customers. As our services are being integrated into our customers' value streams there is a risk of disrupting our customers' operations if effective operational risk management is not applied or if contract requirements are not complied with. Therefore, risk management at ISS is about understanding our customers' risks and supporting their risk management and compliance – just as much as it is about managing our own risks.

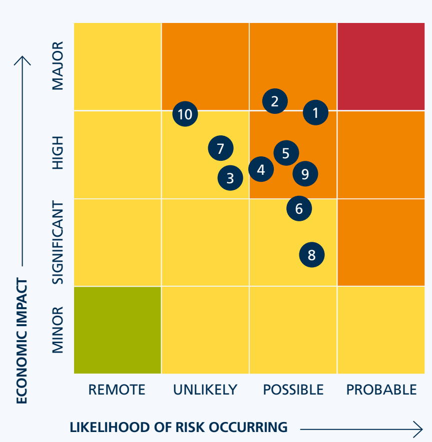
FOCUS IN 2018

In 2018, to improve risk visibility and to deliver industry best practice risk assurance, we aligned our risk framework with ISO 31000. Consequently, we have strengthened our risk governance structure framework and line of defence model by establishing four functional risk committees for each major Group function; Global Operations, Finance, People & Culture and Legal, and reporting to the Executive Group Management (EGM). Each committee is responsible for ensuring that risks are identified and assessed, that risk management improvements are prioritised and approved, and that the outcome of this process is reported all the way up to the Board of Directors.

Our governance structure, see p. 45

Due to our continued focus on key account customers we increasingly experience demand for risk transfer, operational risk management and contract compliance. In response, we are strengthening our efforts to address risk appropriately (reference is made to Group risk no. 1 and 5). As part of our key account business, we hold and manage data related to our customers' business, e.g. basic personal data, asset information, manufacturing plant design and the like. Considering our business strength within highly regulated industries such as pharma, food manufacturing and banking, this increasingly exposes us to information security and cyber risk. Consequently, our customers also focus on information security and how we as their service provider comply with information security requirements. To meet our customers' expectations, we have further strengthened our efforts to continuously improving our information security with a specific focus on HR compliance and General Data Protection Regulations (GDPR) compliance.

GROUP KEY RISKS



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

GROUP KEY RISKS

As announced in our Strategy Update in December 2018, we intend to sharpen our focus even more on key account customers in order to maximise growth going forward. We have launched a two-year programme of accelerated investment in our service capabilities and platform, and at the same time we are reducing our exposure to non-core activities, including geographies that do not contribute significantly to our global key account delivery. These actions will create a significantly less complex organisation and will ultimately reduce our risk exposure.

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

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

GROUP KEY RISKS [1]	RISK DRIVERS	MITIGATION MEASURES
1. Operational execution including IFS As our services are integrated with our customers' value streams, any non-compliance with operational procedures or contract requirements may disrupt or damage our customers' operations and/or brands.	• Complexity in our service delivery • Customer requirements relating to operational control and risk management, e.g. in the banking sector and the pharmaceutical industry	• Risk & Compliance tools (e.g. RiskManagement@ISS, FMS@ISS and OPF@ISS) implemented to support the automation of operating processes and ensure that services are delivered and managed according to our process frameworks • Continuous reviews on selected contracts as a part of the global risk management framework
2. Employee risks Our success depends on our ability to attract, develop and retain talented and engaged people. It requires us to take good care of our people with respect to HSE and work environment which in turn requires good leadership.	• "War for talent" • Customers' HSE and compliance requirements • Decentralised structure • Increased risk of terror	• Global people standards and group HSE policies • Global employee engagement surveys • Leadership development and training programmes • HSE site compliance plans
3. Contract risk and governance The profitability of our contracts depends on our ability to successfully calculate prices by taking economic factors, legal and other risk elements into consideration, and to manage our day-to-day operations under these contracts.	• Complexity in contracts and services, e.g. IFS and energy management • Increasing contract volumes, e.g. the growing share of global key accounts	• IT tool for contract risk management • Approval procedures for large contracts • Contract risk reviews performed by Group Risk Management for specific contracts • High-risk contract dashboard for monitoring limitation of liability • The significantly reduced number of customers as announced in December 2018 will make deployment of Group initiatives easier as well as leveraging volumes, concepts and talent more effectively
4. Regulatory compliance We are subject to a variety of complex and restrictive laws and regulations such as labour, employment, immigration, health and safety, tax (including social security, withholding and transfer pricing), corporate governance, customer protection, business practices, competition and the environment.	• Changes in local regulations and stepped-up enforcement • Customers outsourcing compliance and risk management to ISS • Data privacy regulations	• Group corporate governance policy • Code of Conduct, Anti-Corruption Policy, and Competition Law Policy, including ongoing training for selected managers and employees • GDPR procedures, including training • Binding Corporate Rules for the exchange of personal data between ISS Group companies • Reduced global footprint as announced in December 2018 will lead to fewer local markets with less inherent compliance risk and less complexity
5. Information security incl. cyber risk We increasingly hold and manage data related to customers' businesses, e.g. basic personal data, asset information, manufacturing plant design and the like. Considering our business strength in highly regulated industries such as pharma, food manufacturing and banking, this increasingly exposes us to information security and cyber risk.	• IFS contracts • Risk of cyber attacks	• Information Security Policy and other Group IT policies and procedures • Strengthening of the IT Security organisation by recruiting people with the right skill sets

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

GROUP KEY RISKS [1]	RISK DRIVERS	MITIGATION MEASURES
6. Customer retention and competition Our ability to target select customer segments with attractive and competitive value propositions is key to attracting and retaining customers. Failure to develop and execute on value propositions may lead to increased price competition and contract losses as the facility services market is fragmented with relatively low barriers to entry and significant competition from local and regional players.	• Customer concentration • Key account management • Inconsistent service delivery for key accounts • Strategic market position • Lack of deep segment expertise	• Roll-out of Customer Relationship Management system (CRM@ISS) • Annual customer satisfaction survey (cNPS) • Continued roll-out of the Key Account Manager Certification programme (KAMC) • Investing in and focusing even more on key account customers as announced in December 2018
7. Financial reporting fraud, fraud and corruption Our decentralised structure of financial IT systems and operational control structures increases the risk of fraud and corruption. Our presence in emerging markets increases our exposure to compliance risks in countries where improper practices may be common.	• Exposure in emerging markets • Decentralised financial IT systems and control structures • Step-up in extraterritorial regulations and enforcement	• Well-established and documented control environment, see p. 47 • Monitoring the implementation of key controls through the system of Control Self-Assessment • Mandatory e-learning modules on our Code of Conduct, anti-corruption, anti-bribery and competition law for selected managers and employees • Speak Up policy (whistle-blower system hosted by third party) • Automated interface between local ERP platforms and the Group's standardised financial reporting tool • Exit from certain emerging markets with high inherent compliance risk as announced in December 2018
8. Subcontractors We rely on subcontractors where we do not have self-delivery capabilities. This represents a risk primarily with respect to: • **Performance** – if subcontractors do not perform in accordance with the customer contract ISS has entered into. • **Compliance** – potential risk of non-compliance with labour laws or other regulatory requirements.	• Growth in countries with low IFS capabilities • Growth in global key accounts • Complexity of service delivery • High-profile customers	• Supplier Code of Conduct • Separate framework when using subcontractors in countries with no ISS presence • Global risk-based vendor vetting and approval system being rolled out (ProcurePass@ISS)
9. Macroeconomy The past decade has seen recurrent financial turmoil – including Brexit and the risk of trade wars – that has affected the global economy.	• Customers downsizing their businesses or reducing their need for services • Political instability • Brexit • Risk of trade wars	• Balanced and diversified revenue base • Ongoing formal monitoring of market changes and developments • Reduced global footprint as announced in December 2018
10. Reputational risk Protecting our reputation is the responsibility of every employee, because our reputation is shaped by all actions and statements made by ISS.	• Complexity in service delivery • High-profile customers • Use of social media	• Group Escalation Policy defining process for escalation of incidents to senior-level management • Crisis communication plan integrated in Group Escalation Policy and Group Crisis Response Plan • Media handling (internal and external) and monitoring tools, as well as media communication guidelines


RACHEL OPOKU FREEMAN
VEBI AHMEDI
KALIN HODZHIEV
SWAPNIL TAILOR
STANISLAVA KONDEVA
NINA HJARNER LAURIDSEN
MADS HAASE
GRACE FREDERIKSEN

CASE: WE ARE ONE – DIVERSITY AT ISS

At ISS, diversity is in our DNA. And when we say diversity, we mean in its broader sense, including diversity of age, gender, perspectives and cultural backgrounds. We truly believe that diversity is good for our business, and we consistently nurture that diversity, because different opinions, attitudes, backgrounds and perspectives, lead us to better solutions and a better business results.

As one of the largest employers globally, employing more than 485,000 people in 46 countries, we not only believe in the benefits of a diverse workforce, we also see the benefits – including on the bottom line. As an example, ISS Denmark conducted a study, where we discovered that truly diverse teams performed better and delivered more profit from their activities than those who were less diverse. In fact, they delivered close to 4% higher revenue, largely due to fewer sick days and greater employee satisfaction. In a diverse culture there is also more room for genuine knowledge-sharing, innovation and entrepreneurship – all core values that make our business a success.

Across the world, we are engaged in a range of initiatives to strengthen diversity in our business and play a positive role in society. For example, in Denmark, the Netherlands and other European countries, we play an active part in furthering integration of immigrants and

refugees, while in India, we provide a learning and development programme for frontline employees to help them climb the social ladder.

In 2018, one of our key focus areas was on gender parity in leadership. Looking across our entire global business, we see broad gender parity, with 50% women, 50% men. But at top leadership positions in ISS, gender diversity remains a focus area – with only 10% women at Executive Group Management level and 22% in senior leadership. We recognise that a more balanced gender representation is crucial to reaching our vision of becoming the world's greatest service organisation.

Our active efforts to improve gender diversity in leadership have shown results: In 2018, 25% of participants at the ISS Global Leadership Conference were women, up from 19% in 2016; 20% female participation in our Leadership Mastery development programme; and our Global Management Trainee programme – the talent pipeline for the next generation of ISS leaders – has nearly reached gender parity, with 46% female graduates. These are positive initial steps, and our focus on strengthening gender representation will continue in the years to come to ensure we can benefit from diversity at all levels of our organisation.

ONE, our music video, celebrates the diverse talent in our global community. Watch it on YouTube.

CORPORATE GOVERNANCE

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

FRAMEWORK AND RECOMMENDATIONS

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

The 2018 statutory report on corporate governance, which is available at http://inv.issworld.com/governancereport, provides an overview of our overall corporate governance structure and our position on each of the Danish Corporate Governance Recommendations. At the end of 2018, we complied with all of the Danish Corporate Governance Recommendations.

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

For information on dividend, see p. 53

GOVERNANCE STRUCTURE

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

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

MANAGEMENT

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

BOARD OF DIRECTORS

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

For Board member biographies, see pp. 54–55

In 2018, the Board performed an evaluation of the Board's performance with external assistance, which included the performance of its individual members and an evaluation of the performance of the EGMB and of the cooperation between the Board and the EGMB. For further details, please see response to recommendation 3.5.1 of the 2018 statutory report on corporate governance.

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

Three employee representatives serve on the Board. They are elected on the basis of a voluntary arrangement regarding Group representation for employees of ISS World Services A/S as further described in the Articles of Association. Employee representatives serve for terms of four years. The current employee representatives joined the Board after the annual general meeting held in April 2015. A new election was held early 2019, and the elected candidates will join our Board after the annual general meeting in April 2019.

EXECUTIVE GROUP MANAGEMENT BOARD

The members of the EGMB are the Group CEO and Group CFO. Together, they form the management registered with the Danish Business Authority.

The Group has a wider Executive Group Management (EGM), whose members are eight Corporate Senior Officers of the Group in addition to the EGMB. The primary responsibilities of the EGM are outlined in our governance structure opposite.

For EGMB and EGM biographies, see pp. 56–57

SPECIFIC MATTERS TRANSACTED BY THE BOARD IN 2018

- Strategy Update as announced 10 December 2018
- New General Data Protection Regulation (GDPR)

Key matters transacted annually by the Board, see p. 46

THE BOARD OF DIRECTORS (BOARD)

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

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

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

Meetings

Ten meetings held in 2018. All members attended all meetings, except Claire Chiang, who did not attend three meetings (two due to injury) and Henrik Poulsen, Cynthia Mary Trudell, Ben Stevens and Palle Fransen Queck who did not attend one meeting.

Board biographies

pp. 54–55

BOARD COMMITTEES

AUDIT AND RISK COMMITTEE

- Evaluates the external financial reporting and significant accounting estimates and judgement related to items such as impairment tests, divestments and deferred tax, see section 1 to the consolidated financial statements
- Monitors the Group internal audit function
- Monitors and considers the relationship with the independent auditors, reviews the audit process and recommends auditors to the Board
- Reviews and monitors the Group's risk management and internal controls
- Evaluates the Financial Policy, the Tax Policy and the Dividend Policy

Meetings

Six meetings held in 2018. All members attended all meetings, except Ben Stevens, who did not attend two meetings.

NOMINATION COMMITTEE

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

Meetings

Six meetings held in 2018. All members attended all meetings, except Claire Chiang, who did not attend one meeting.

REMUNERATION COMMITTEE

- Assists the Board in preparing the remuneration policy and the overall guidelines on incentive pay
- Recommends to the Board the remuneration of the members of the Board and the EGMB, approves remuneration of EGM as well as the remuneration policy applicable to ISS in general

Meetings

Nine meetings held in 2018. All members attended all meetings, except Claire Chiang, who did not attend one meeting.

Remuneration report, see p. 49 and note 5.1 to the consolidated financial statements

TRANSACTION COMMITTEE

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

Meetings

One meeting held in 2018. All members attended the meeting, except Ben Stevens.

EXECUTIVE GROUP MANAGEMENT (EGM)

Carries out the day-to-day management of the Group, including:

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

EGM biographies

pp. 56–57

COUNTRY LEADERSHIP

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

Country managers

pp. 112–113

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

COMPETENCIES AND DIVERSITY

As one of the world's largest private employers and with operations globally and more than 485,000 employees, we are committed to fostering and cultivating a culture of diversity and inclusion in the broadest sense. The Board and the EGM recognise the importance of promoting diversity at management levels and have implemented policies regarding competencies and diversity in respect of Board and EGMB nominations according to which we are committed to selecting the best candidate while aspiring to have diversity in gender as well as in broader terms. Emphasis is placed on:

- experience and expertise (such as industry, strategy and value creation, leadership of large international companies, transformational change, people development and succession, sales and marketing, IT and technology, finance, risk management, and corporate responsibility);
- diversity (including age, gender, new talent and international experience) as well as diversity of perspectives brought to the Board or the EGMB; and
- personal characteristics matching ISS's values and leadership principles.

The Board has adopted a gender diversity target of having at least 40% women on the Board by 2020. Currently, 33% of our Board members are women. The target was not reached in 2018. The Board found that, in broad terms, it possessed a high level of diversity and did not nominate new Board candidates in 2018.

In order to promote, facilitate and increase the number of women in management level positions at ISS's global head office, we continue leveraging our Diversity Policy, which defines a number of initiatives. Our initiatives include our recruitment policy, requiring us to short-list at least one female candidate in all internal and external searches for vacant positions. It is furthermore our policy to continuously develop our succession planning aiming at identifying female successors and tabling the matter of women in leadership at ISS for discussion at least once a year at EGM level. In 2017, we launched our 2020 Talent Vision which has specific targets for female representation in succession plans for EGM and their direct reports, and the succession plans, diversity targets and progress were reviewed by the EGM as well as the Board. Furthermore, it is our policy to ensure strong representation of women in various ISS leadership development and graduate programmes across the Group and at the global head office. We had 25% female representation at our 2018 annual Global Leadership Conference, and 20% female participation in our Leadership Mastery development programme and we actively identify female candidates for these programmes to ensure adequate gender diversity. The policy and initiatives create an increased focus on gender diversity across the organisation leading to satisfactory progress.

The representation of women at management level at the global head office increased slightly in 2018 compared to 2017 and gender diversity remains a focus area in 2019.

Read more about diversity on p. 42

SPEAK UP POLICY (WHISTLEBLOWER)

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

KEY MATTERS TRANSACTED ANNUALLY BY THE BOARD

- Overall strategy, business and action plan
- Annual budget
- Capital and share structure as well as financing
- Financial Policy
- Dividend Policy
- External financial reporting, corporate governance report and CR report
- Material risks and risk management reporting
- Internal controls, procedures and risks related to financial reporting
- IT and information security
- Corporate governance
- Competencies, composition and independence of the Board
- Succession planning
- Evaluation of performance of the Board, individual board members, performance of the EGMB and cooperation between the Board and the EGMB
- Diversity
- Remuneration policy and guidelines on incentive pay
- Deep dives on regional operations
- Review of the agenda of Group Commercial, Global Operations and People & Culture
- Recommendation of auditors for election at the annual general meeting

INTERNAL CONTROLS RELATING TO FINANCIAL REPORTING

Quality and efficiency of financial reporting is a fundamental objective, requiring strong governance and internal controls framework.

ASSURANCE

The overall assurance responsibility follows our governance structure, see p. 45.

Group Internal Audit (GIA) is responsible for providing an objective and independent assessment of the effectiveness and quality of the internal controls in accordance with the internal audit plan approved by the Audit and Risk Committee (ARC). To ensure that GIA works independently of the Executive Group Management Board (EGMB), it operates under a charter approved by the Board of Directors (Board) and reports directly to the ARC. Group policies of relevance to financial reporting include the Code of Conduct, the Accounting Manual, the Reporting Manual, the Financial Policy, Control Procedures and the Escalation Policy.

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

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

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

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

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

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

Group Controlling is responsible for controlling the financial reporting from subsidiaries and for preparing the consolidated financial statements.

EXTERNAL AUDIT

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

CONTROL ACTIVITIES

The Group has implemented a formalised financial reporting process, which includes the reporting requirements and related control activities for key areas illustrated in the table overleaf. Further, in 2018 we implemented a new, structured and formalised Internal Control Framework for Financial Reporting (ICOFR). The status of internal controls for financial reporting, as assessed in the internal audits, and the status on the implementation of the key processes and systems, that support the financial reporting, is reported separately for each reporting entity under the framework.

In 2018, we launched a Global Shared Service organisation to drive centralisation, standardisation and automation across the Group.

Furthermore, in 2018 we successfully implemented a new Group standard financial reporting tool. In addition to the benefits the system provides for the consolidation process, a key element of the new tool is the integrated controls for reporting process management and account reconciliations. Once fully implemented, the tool will provide full transparency, consistency and documentation of compliance with the key Group financial reporting requirements for all reporting entities.

An essential element to ensure the correct and timely financial reporting is the availability of relevant information and appropriate training to the employees involved in the process. For this purpose, information and communication systems have been established to provide easy access to the appropriate information, including the Accounting Manual, the Reporting Manual, the Budgeting Manual and other relevant guidelines. An internal training programme was launched in 2018 to further strengthen the awareness and knowledge of, and to ensure compliance with the Group's accounting policies. Following the initial roll-out of training on the new leasing standard (IFRS 16), the programme will be extended to cover all key accounting topics of relevance for the employees involved in financial reporting.

THE WORK OF GIA

GIA performs annual audits across the Group. The planning is based on the group key risks described on pp. 39–41, a risk assessment performed for the individual countries and the outcome of the annual control self-assessment survey.

The internal audit framework consists of three elements:

- a baseline audit programme which assesses the internal controls and compliance across 70 key control activities;
- a contract audit programme which assesses the internal controls and contract compliance for global, regional and country key accounts; and
- audit programmes with a risk-based focus designed to perform detailed assessments of controls and compliance for individual risk areas or control measures.

In 2018, GIA performed 24 baseline audits in individual countries and 16 contract audits. It also performed 11 risk-based audits covering internal control areas related to compliance and the quality and effectiveness of financial reporting. Further, eight audits were performed of the governance and internal controls within Group corporate functions. Audit findings and conclusions, including recommendations on how the control environment may be improved, are reported to the relevant country and regional management, the EGMB and the independent Group auditors. The key findings are presented to the ARC, which evaluates the results and considers the conclusions when reviewing the internal audit plan for the coming year.

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

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

REMUNERATION REPORT

Remuneration is a key lever in motivating and retaining our high-performance leaders, thereby supporting our strategic goals and shareholder value creation.

ACTIVITIES IN 2018

In 2017, the Remuneration Committee (Committee) conducted a review of remuneration and incentives of the Executive Group Management Board (EGMB) supported by Kepler, its external advisor. The Committee concluded that remuneration of the EGMB was broadly competitive and could be further strengthened through the following adjustments, which were all implemented in 2018:

- base salary adjustments for both Group CEO and Group CFO to remain competitive on total remuneration
- for the Group CFO, for retention purposes, a three-year bonus, an increase of the Short-Term Incentive Programme (STIP) target (66.6% vs 60%), an increase of the Long-Term Incentive Programme (LTIP) grant (100% vs 70%), extension of notice period to 18 months and introduction of a severance payment of 6 months
- enhanced focus on shareholder value creation and dividend payment opportunity; thus, the cash measure for the 2018 STIP was changed from cash conversion to free cash flow conversion.

In line with the Strategy Update in December 2018, the Committee recognised the need for appropriate reward measures to support the accelerated strategy execution. With respect to LTIP 2018, the Committee decided to adjust the EPS calculation for discontinued operations related to the Strategy Update. Furthermore, early 2019 will see the introduction of an Accelerated Growth Award to incentivise the accelerated strategy execution for selected key leaders. The Award is granted as Performance Share Units and will vest in March 2020 subject to the achievement of performance criteria. The performance criteria are operating margin, organic growth and free cash flow conversion on continuing operations in 2019.

Furthermore, for 2019, the Committee will focus on the introduction of the Shareholder Rights Directive into Danish law and ensure ISS compliance with the Directive.

REMUNERATION OF EGM

All remuneration elements are described in the table on p. 51 and apply to members of the Executive Group Management (EGM) for 2018 unless otherwise stated. Unless stated specifically, the Group CEO and Group CFO are subject to same performance criteria and terms and conditions.

No members of the EGM receive additional remuneration from other companies within the ISS Group.

The STIP and LTIP are subject to clawback if in exceptional cases, it is subsequently determined that payment was based on manifestly misstated information. Reclaim in full or in part of this variable component is determined at the discretion of the Board.

Remuneration of the members of the EGMB, including the Performance Share Units (PSUs) granted under the Long-Term Incentive Programme (LTIP) are disclosed in the table on p. 51. In 2018, the Group CFO received the first payment of his retention bonus. The retention bonus also pays out tranches in 2019 and 2020 subject to continued employment.

Total remuneration of other members of the EGM is disclosed in note 5.1 to the consolidated financial statements.

REMUNERATION POLICY

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

1. Attract, motivate and retain high-performing leaders
2. Provide strong link between remuneration and achievement of our strategic goals and financial performance
3. Align interest of EGMB with shareholders by providing a significant portion of remuneration as share-based payments.

The current policy was adopted by the annual general meeting in April 2018. Both the Remuneration Policy and Remuneration Report comply with the Danish Recommendations on Corporate Governance of 23 November 2017.

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

The Remuneration Policy and Overall Guidelines on Incentive Pay are available at http://inv.issworld.com/policies-and-guidelines

STIP PAY-OUT 2018

The STIP pay-out for 2018 for the Group CEO and the Group CFO were 109% and 108% of target. Organic growth, employee engagement, customer experience and health and safety were achieved above target, while the operating margin and free cash flow conversion were achieved below target. An overview of minimum, target and maximum remuneration for 2018 to the Group CEO and Group CFO is disclosed on p. 50.

LONG-TERM INCENTIVE PROGRAMME (LTIP)

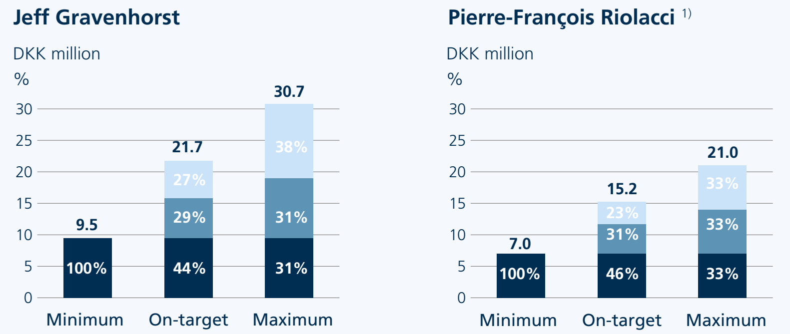
LTIP is granted as Performance Share Units (PSUs) and the annual grant has a value of 125% of the annual base salary for the Group CEO, 100% for the Group CFO and 70% for other members of the EGM. PSUs have performance criteria of total shareholder return (TSR) compared to peers and earnings per share (EPS) annual growth, equally weighted, to emphasise shareholder value creation and dividend payment opportunity. TSR peers are a group of comparable international service companies and the Nasdaq Copenhagen OMX C25. The vesting criteria and peer groups are outlined in the table below. The vesting criteria were determined by benchmarking against international service companies. PSUs vest three years after grant, provided the performance conditions are met. Prior to vesting, holders of PSUs do not have any of the rights that holders of shares would otherwise be entitled to, such as voting rights. LTIP participants are compensated for any dividend distributed between time of grant and time of vesting.

Unvested PSUs will lapse in the event an employee terminates employment.

The PSUs granted as part of the LTIP 2016 will vest on 11 March 2019. Based on the annual EPS and TSR performances for 2016, 2017 and 2018, 6% of the PSUs granted under the LTIP 2016 will vest.

The vesting is achieved through TSR of 0.7% negative annual growth for the period from 2016 and ending on 31 December 2018, which was at the median (50th) of our industry peers (weight 25%) and resulted in 25% vesting. Against the Danish peers (weight 25%), TSR was below median (39th), which resulted in no vesting. On EPS, the annual growth in EPS (weight 50%) over a three-year period was 2.3, which was below the vesting threshold (25%) of 6.0% annual growth.

REMUNERATION 2018

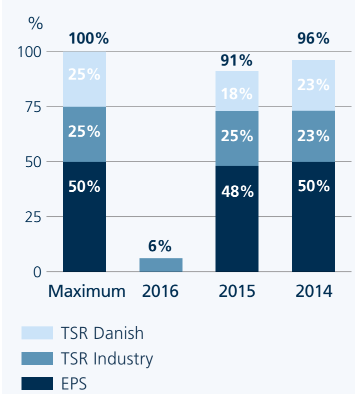


Minimum No STIP pay-out. No vesting under the LTIP
On-target Target STIP pay-out. 50% vesting under the LTIP
Maximum 150% of target STIP pay-out. Full vesting under the LTIP

LTIP / STIP / Salary

[1] The Group CFO also receives a retention bonus in 2018-2020.

ACTUAL VESTING OF LTIP



THRESHOLD	VESTING	TSR	EPS GROWTH [1] (LTIP 2016)	EPS GROWTH [1] (LTIP 2017)	EPS GROWTH [1) 2)] (LTIP 2018)
Below threshold	0%	Below median of peers	< 6% annually	< 3% annually	< 3% annually
Threshold	25%	At median of peers	6% annually	3% annually	3% annually
Maximum	100%	At upper quartile of peers or better	12% annually	9% annually	9% annually

TSR peers
International service companies: ABM Industries, Adecco, Aramark, Bunzl, Compass Group, Capita, Elis (2018 only), G4S, Interserve, Mitie Group, Randstad, Rentokil Initial, Securitas, Serco, Sodexo. Berendsen omitted due to delisting in September 2017.

OMX C25: A.P. Møller – Mærsk A, A.P. Møller – Mærsk B, Bavarian Nordic (2018 only), Carlsberg, Chr. Hansen Holding, Coloplast, Danske Bank, DSV, FLSmidth & Co (2016 and 2018 only), Genmab, GN Store Nord, Jyske Bank, Lundbeck (2017 and 2018 only), NKT (2018 only), Nordea Bank (2016 and 2018 only), Novo Nordisk, Novozymes, Pandora, Tryg (2016 and 2018 only), Vestas Wind Systems, William Demant Holding, Ørsted (2017 and 2018 only). Nets and TDC omitted due to delisting in 2018.

[1] Adjusted earnings per share excluding Other income and expenses, net. EPS growth is measured as compound annual growth rate (CAGR).
[2] Adjusted for discontinued operations.

ELEMENT	OBJECTIVE	AWARD LEVEL	PERFORMANCE MEASURES 2018
Annual base salary	Attract and retain high-performing leaders	Take into account competitive market rate of industry peers, competencies and experience	Reviewed annually based on individual responsibilities, qualifications and performance
Short-Term Incentive Programme (STIP)	Drive delivery of short-term financial results, implementation of The ISS Way strategy and behaviour consistent with the ISS Values and Leadership Competency Framework	Target STIP is up to 66% (Group CEO/CFO) / 60% (EGM) of annual base salary. Maximum STIP opportunity is up to 100% (Group CEO/CFO) / 90% (EGM) and is awarded for performance significantly above target	Financial and non-financial KPIs weighting: Operating margin (25%), organic growth (30%), free cash flow conversion (20%), employee engagement, customer experience and health and safety (15%) and individual objectives (10%). Performance is measured annually. Pay-out is subject to certain profit and free cash flow targets being achieved
Long-Term Incentive Programme (LTIP)	Drive delivery of long-term financial results, retention of leaders and alignment to shareholder value creation	Face value of grant of PSUs is 125% of annual base salary for the Group CEO, 100% for Group CFO and 70% for other members of the EGM	The vesting criteria of the LTIP are TSR measured against peers and growth in EPS (equally weighted). Performance conditions are measured over three years
Non-monetary perquisites and benefits	Perquisites and benefits (such as company car, insurance, communication and IT equipment) to support recruitment and retention	Benefits corresponding to market standards	N/A
Pension	Members of the EGM (except for two) are not covered by an ISS Group pension plan	N/A	N/A

REMUNERATION TO THE EGMB

DKK thousand	2018 Jeff Gravenhorst	2018 Pierre-François Riolacci	2017 Jeff Gravenhorst	2017 Pierre-François Riolacci	2016 Jeff Gravenhorst	2016 Pierre-François Riolacci [2]
Base salary and non-monetary benefits	9,740	7,081	9,236	5,979	8,842	1,215
Annual bonus (STIP)	6,853	5,053	5,479	3,239	6,183	535
Retention bonus [1]	-	9,878	-	-	-	
Share-based payments (LTIP)	2,307	1,175	4,171	466	6,014	252
Total remuneration	**18,900**	**23,187**	**18,886**	**9,684**	**21,039**	**2,002**
LTIP (number of PSUs)						
Outstanding at 1 January	128,387	22,995	134,602	7,524	86,756	-
Granted	56,831	32,591	44,259	15,471	47,546	7,524
Vested	(34,308)	-	(48,470)	-	-	-
Cancelled	(3,281)	-	(2,004)	-	-	-
Outstanding at 31 December	**147,629**	**55,586**	**128,387**	**22,995**	**134,602**	**7,524**

[1] Hereof DKK 5.6 million paid in 2018 and the remaining DKK 4.3 million are subject to continued employment in 2019 and 2020.
[2] Covering the period from 7 November to 31 December 2016.

TERMINATION AND SEVERANCE PAYMENT

The employment contracts of the Group CEO and the Group CFO may be terminated at 24 months' and 18 months' notice, respectively. The employment contracts of the other members of the EGM may be terminated at 12 months' notice. Members of the EGM may terminate their positions at six months' notice, except for one member who has a 12-month termination notice. Members of the EGM are not entitled to severance payments, except for the Group CFO who is entitled to 6 months' severance payment. The employment contracts contain no special termination rights and no change of control clauses. ISS does not provide loans to the members of the EGM.

SHARE OWNERSHIP GUIDELINES

To strengthen the alignment of interests between the EGM and the shareholders, the Committee has established share ownership requirements. The guidelines and holdings for the EGMB at 31 December 2018 are disclosed in the table. Other Members of the EGM are expected to build up a holding of shares equivalent to 35% of their annual base salary, requiring members to retain a minimum of 50% of the shares received from the LTIP (subject to disposals required to meet any tax and other associated obligations) until the required holding is met.

BOARD REMUNERATION

Members of the Board of Directors (Board) receive remuneration for duties performed on behalf of ISS A/S and other companies of the ISS Group approved at the general meeting for the current year. In addition to the base fee, the chairman of the Audit and Risk Committee and other committee chairmen receive 100% and 75% of the base fee, respectively, while members of the Audit and Risk Committee and other committees receive 50% and 37.5% of the base fee, respectively.

Except for employee representatives, members of the Board did not receive any performance- or share-based remuneration in 2018.

Expenses, such as for travel and accommodation incurred in relation to board-related duties, relevant training and reasonable office expenses for the Chairman, are reimbursed by ISS. A fixed daily travel allowance is paid to Board members who are required to travel to attend board and ISS meetings.

SHARE OWNERSHIP GUIDELINES

At 31 December 2018	Jeff Gravenhorst	Pierre-François Riolacci
Share ownership of annual base salary (over time)	125%	70%
Actual holding	88,595	6,000
Actual holding in % of annual base salary	171%	16%
Unvested PSUs	147,629	55,586

BOARD HOLDINGS OF ISS A/S SHARES (NUMBER)

Member	1 January 2018	Additions	Sold	31 December 2018
Lord Allen of Kensington Kt CBE (Chairman)	86,843	-	-	86,843
Thomas Berglund (Deputy chairman)	2,000	-	-	2,000
Claire Chiang	-	-	-	-
Henrik Poulsen	26,052	-	-	26,052
Ben Stevens	2,000	-	-	2,000
Cynthia Mary Trudell	-	-	-	-
Pernille Benborg	-	1,352	1,352	-
Joseph Nazareth	4,669	2,142	-	6,811
Palle Fransen Queck	-	1,602	1,602	-
Total	**121,564**	**5,096**	**2,954**	**123,706**

BOARD AND BOARD COMMITTEES (DKK)

Member	Base fee	Committee fee	Travel allowance	2018	2017	2016
Lord Allen of Kensington Kt CBE (Chairman)	1,278,000	958,500	210,000	2,446,500	2,317,500	2,100,000
Thomas Berglund (Deputy chairman)	639,000	372,750	45,000	1,056,750	1,057,500	900,000
Claire Chiang	426,000	319,500	150,000	895,500	930,000	985,000
Henrik Poulsen	426,000	585,750	45,000	1,056,750	1,057,500	950,000
Ben Stevens	426,000	372,750	97,500	896,250	892,500	525,000
Cynthia Mary Trudell	426,000	319,500	307,500	1,053,000	975,000	985,000
Pernille Benborg	426,000	-	45,000	471,000	420,000	400,000
Joseph Nazareth	426,000	-	45,000	471,000	420,000	400,000
Palle Fransen Queck	426,000	-	45,000	471,000	420,000	400,000
Total	**4,899,000**	**2,928,750**	**990,000**	**8,817,750**	**8,490,000**	**7,645,000**

SHAREHOLDER INFORMATION

We are committed to maintaining a constructive dialogue and a high level of transparency in our communication with the market and strive to be recognised as an honest, open and reliable company.

ISS A/S is listed on Nasdaq Copenhagen and part of the Nasdaq Copenhagen OMX C25 index.

DIVIDEND

The Board of Directors (Board) has adopted a dividend policy with a target pay-out ratio for ordinary dividends of approximately 50% of Net profit (adjusted).

During 2019-2020, ISS will be executing a two-year programme of accelerated investment, fully funded by proceeds from the divestment of non-core activities, with a view to further strengthening delivery capability to key accounts and through this drive industry-leading medium-term organic growth of 4%-6% (further details on p. 32). In 2019-2020, ISS remains committed to paying an annual ordinary dividend at least equal to the DKK 7.70 per share paid in 2018 and will adjust the payout ratio if needed. In addition, ISS intends to return at least 25% of net divestment proceeds during this period to shareholders by way of a share buy-back or extraordinary dividends.

As such, the Board proposes a dividend for 2018, to be paid in 2019, of DKK 7.70 per share, equivalent to a payout ratio of 69%.

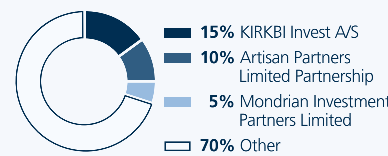
Details on how we intend to create value for our shareholders, see p. 10

INVESTOR RELATIONS

We aim to ensure that investors have adequate and equal access to relevant information by providing quality communications to the financial markets.

We strive to be recognised by the investor community as an honest, open and reliable company and to be well known among institutional and private investors. We seek to achieve this by maintaining an active dialogue with current and potential new investors, analysts and other stakeholders through roadshows and conferences globally. In December 2018, we further hosted an investor call to provide a Strategy Update, outlining the next steps of our journey to deliver on our strategy.

MAJOR SHAREHOLDERS [1]



[1] Latest major shareholder holdings reported by investors to ISS.

For more on our Investor Relations Policy, visit http://inv.issworld.com/policies-and-guidelines

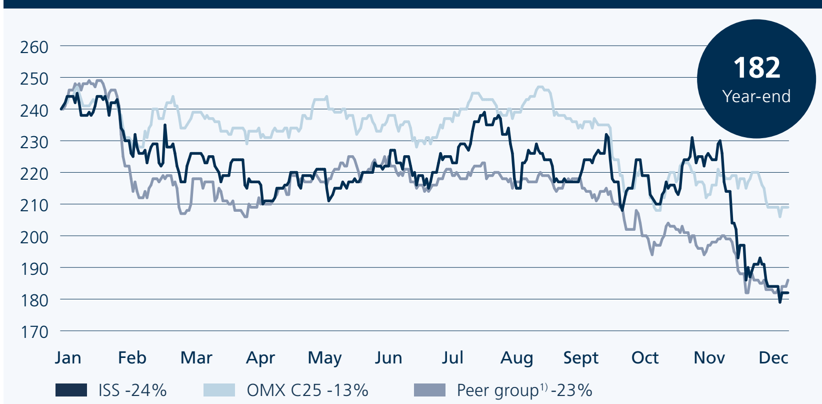
We communicate via company announcements, press releases, conference calls and investor presentations.

For announcements published in 2018, visit http://inv.issworld.com/announcements

We aim to have broad analyst coverage of ISS. At year-end 2018, we were covered by 16 sell-side equity analysts (2017: 19), who regularly publish their recommendations on our stock.

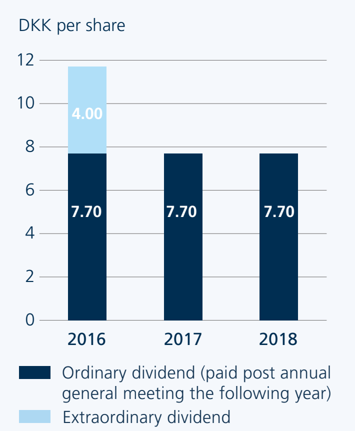
For a full list of analysts, visit http://inv.issworld.com/stock-information/analyst-coverage

SHARE PRICE PERFORMANCE 2018



[1] Peer group includes international service peers listed on p. 50. All share prices are shown in DKK.

DIVIDEND PAY-OUT



BOARD OF DIRECTORS

LORD ALLEN OF KENSINGTON KT CBE
CHAIRMAN

Born: 1957
Nationality: British
First elected: March 2013
Independence: Independent

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

Chairman of Global Media & Entertainment Group (and a member of the board of directors of seven of its subsidiaries), Boparan Holdings Ltd and 2 Sisters Food Group Ltd and a member of the board of directors of Malch Limited, Grandmet Management Ltd and Grandmet Development Ltd. In addition, advisory chairman of Moelis & Company and advisor to Boparan Holdings Ltd and Powerscourt.

Previously CEO of Compass as well as chief executive of Granada Group Plc. and ITV plc and executive chairman of Granada Media Plc. Lord Allen has also been chairman of EMI Music, a member of the board of directors of Virgin Media Ltd and Tesco Plc. In addition, previously chairman of the British Red Cross and a member of the London Organising Committee of Olympic and Paralympic Games as well as vice chairman of the London 2012 Bid Committee for the Olympic and Paralympic Games.

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

THOMAS BERGLUND
DEPUTY CHAIRMAN

Born: 1952
Nationality: Swedish
First elected: March 2013
Independence: Independent

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

Deputy chairman of the board of directors of AcadeMedia AB, chairman of the remuneration committee and member of the quality committee of AcadeMedia AB.

Previously served as president and CEO of Capio AB (Publ), president and CEO of Securitas and CEO of Eltel.

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

CLAIRE CHIANG

Born: 1951
Nationality: Singaporean
First elected: April 2015
Independence: Independent

Member of the Remuneration Committee and the Nomination Committee.

Co-founder of Banyan Tree Hotels & Resorts, senior vice president of Banyan Tree Holdings Limited (and holds directorships in two of its subsidiaries) and a member of the board of directors as well as the remuneration committee of Dufry AG. She is chairperson for China Business Development, Wildlife Reserves Singapore Conservation Fund as well as Banyan Tree Global Foundation Limited and honorary council member of the Singapore Chinese Chamber of Commerce and Industry. Furthermore, member of board of directors of Tian Rong (Tianjin) Enterprise Management Consulting Service Co. Ltd. and Mandai Safari Park Holdings Pte. Ltd. She holds directorships in six family holding companies.

In addition, chair or member of several non-profit organisations.

Previously served as a Singapore Nominated Member of Parliament for two terms (1997-2001).

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

HENRIK POULSEN

Born: 1967
Nationality: Danish
First elected: August 2013
Independence: Independent

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

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

Previously CEO and president of TDC A/S, operating executive at Capstone/KKR in London and has held various positions with LEGO, including executive vice president of Markets and Products.

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

BEN STEVENS

Born: 1959
Nationality: British
First elected: April 2016
Independence: Independent

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

Group Finance Director and a member of the board of directors of British American Tobacco p.l.c. (and holds directorships in 17 of its subsidiaries).

Previously held a number of roles on British American Tobacco's Executive Management Board as Regional Director Europe and Development Director, with responsibility for corporate strategy, M&A and IT.

Prior to this, held a number of senior executive roles within the British American Tobacco group, including Head of Merger Integration (following the merger with Rothmans International), Head of Corporate Affairs, Chairman and Managing Director Russia, Chairman and Managing Director of listed subsidiary in Pakistan, Regional Finance Controller Europe, East Africa and South Asia, and various marketing roles in Switzerland. Earlier career includes finance roles at both BET and at Thorn EMI. Held non-executive director roles with Ciberian and Trifast in the UK, and with ITC in India.

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

CYNTHIA MARY TRUDELL

Born: 1953
Nationality: American
First elected: April 2015
Independence: Independent

Member of the Remuneration Committee and the Nomination Committee.

Serves as a member of the Defense Business Board (advisory to the US Department of Defense).

Served as the Executive Vice President, Chief Human Resources Officer for PepsiCo until September 2017. Previously held a number of executive operating and general management positions with General Motors Corporation and Brunswick Corporation, including president of IBC Vehicles (UK), chair and president of Saturn Corporation (US) and president of Sea Ray Group (US). In addition, served as a director of PepsiCo, Canadian Imperial Bank of Commerce and Pepsi Bottling Group prior to its acquisition by PepsiCo.

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

PERNILLE BENBORG (E)

Born: 1970
Nationality: Danish
First elected: March 2011
Independence: Not independent

Group Vice President and Head of Group Compliance and Financial Controlling since 2018.

Previously held various positions with the ISS Group including Head of Group Compliance and Group Financial Controller of Group Finance. Joined the ISS Group in 2000.

Special competencies: International service industry; finance, accounting and tax.

JOSEPH NAZARETH (E)

Born: 1960
Nationality: Canadian
First elected: March 2011
Independence: Not independent

Group Vice President and Head of Group Health, Safety, Environment and Quality and Corporate Responsibility since 2010. Joined the ISS Group in 2010 from A.P. Møller-Mærsk, where he was Head of Group HSSE.

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

PALLE FRANSEN QUECK (E)

Born: 1975
Nationality: Danish
First elected: March 2011
Independence: Not independent

Group Vice President and Regional Excellence Director, Central Europe since February 2017.

Previously held various positions with the ISS Group including as Head of Group Transition, Business Development Director, Central Europe and Vice President of Process Improvement and Business Solutions. Joined the ISS Group in 2000.

Special competencies: International service industry; transformational change.

E = employee representative

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

EXECUTIVE GROUP MANAGEMENT

JEFF GRAVENHORST

GROUP CEO
(since April 2010)

Joined ISS: 2002
Born: 1962
Nationality: Danish

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

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

Previously held management positions within ISS as Group COO, Group CFO and CFO of ISS UK. Prior to joining ISS held management positions in Europe and US.

PIERRE-FRANÇOIS RIOLACCI

GROUP CFO
(since November 2016)

Joined ISS: 2016
Born: 1966
Nationality: French

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

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

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

TROELS BJERG

GROUP COO
(since March 2018)

Joined ISS: 2009
Born: 1963
Nationality: Danish

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

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

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

JACOB GÖTZSCHE

CEO EUROPE
(effective 1 March 2019)

Joined ISS: 1999
Born: 1967
Nationality: Danish

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

DANE HUDSON

CEO ASIA PACIFIC
(since January 2016)

Joined ISS: 2011
Born: 1961
Nationality: Australian

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

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

ANDREW PRICE

GROUP CCO
(since September 2015)

Joined ISS: 1995
Born: 1964
Nationality: British

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

BJØRN RAASTEEN
GROUP GENERAL COUNSEL
(since January 2005)

Joined ISS: 1999
Born: 1964
Nationality: Danish

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

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

Joined ISS: 2017
Born: 1967
Nationality: German

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

Prior to joining ISS held senior management positions as Chief Human Resources Officer of Kontron AG and Head of HR, SVP Continental Europe, Middle East, Africa and India of Fujitsu Technology Solutions GmbH.

DANIEL RYAN
CEO AMERICAS
(since February 2016)

Joined ISS: 2016
Born: 1962
Nationality: American

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

RICHARD SYKES
CEO STRATEGIC TRANSFORMATION
(effective 1 March 2019)

Joined ISS: 2012
Born: 1970
Nationality: British

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

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

MANAGEMENT CHANGES

Effective 1 March 2019, Europe will be consolidated from two operating units to one. Jacob Götzsche (previously Regional CEO Continental Europe region) becomes CEO for the new Europe region.

Richard Sykes (previously Regional CEO Northern Europe) becomes CEO Strategic Transformation.

Richard becomes responsible for the divestment of the discontinued operations and the operation of these until divested. In addition, he becomes responsible for establishing the future delivery model for global key account customers in countries without a fully-fledged ISS country organisation.

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

SCOTT DAVIES
Country Manager, ISS Australia

CASE: STRONG FUNDAMENTALS SUPPORT ISS AUSTRALIA'S RECOVERY

ISS Australia's performance in recent years tells a compelling story of how strong fundamentals can support a recovery from serious business challenges.

In 2016, ISS Australia was hit by the loss of three significant contracts within the Healthcare and Energy & Resources segments. Given the typically robust nature of revenue, the losses came as a major shock. Organic growth in the year fell to -12%. Whilst the local management team identified certain areas for improvement, the overarching conclusion was that the contract losses reflected short-term and quite specific market developments. The business had been performing well in the preceding years and the strategic footing was sound. This was not the time to hit the panic button.

ISS Australia continued to pursue a long-term strategic vision, the foundations for which were already in place with around 80% of revenue coming from key account

customers. A strong and focused commercial approach was sharpened further to concentrate on winning, growing and keeping key account customers within five priority segments: Aviation & Transport, Business Services & IT, Industry & Manufacturing, Healthcare, and Energy & Resources. Customer retention initiatives were implemented. This included full deployment of the ISS Key Account Manager Certification programme (KAMC) – our training and development initiative designed to strengthen customer relationships and support growth.

In addition, ISS Group provided support through best practices and tools to enable excellence in both customer transition and ongoing operations. This was supplemented by investment in technology – such as FMS@ISS, geolocation beacons, and a new time-and-attendance system – to provide teams with real-time data to drive decision-making.

The strategic focus and investments in learning and technology have paid off. Organic growth has hit double digits, climbing to 10% in 2018; cNPS has increased from 39 in 2017 to 70 in 2018, and customer retention is now at 95%. The organisation stands as an example of how a strong underlying business can overcome adversity through discipline, focus, knowledge-sharing and long-term investment – delivering even greater value to customers.

WORKPLACE DATA TO BOOST INTELLIGENCE

Data is the lifeblood of workplace management. With insights through data, we can check our performance against benchmarks, document compliance, and assess areas for improvement. Our digital facility management system, FMS@ISS, is our data engine. It provides a powerful platform for tracking performance at facilities – from how teams manage tasks to when property assets need to be serviced or replaced – and all from a dashboard on a device. It's never been easier to have conversations with our customers about how we're doing and what more we can do for them.

Mark Brown,
Head of Business Intelligence, Global Operations

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 JANUARY – 31 DECEMBER

		2018			2017		
DKK million	Note	Adjusted results	Acquisition-related	Reported results	Adjusted results	Acquisition-related	Reported results
Revenue	1.1, 1.2	**73,592**	**-**	**73,592**	**73,577**	**-**	**73,577**
Staff costs	5.3, 6.6	(46,161)	-	(46,161)	(45,873)	-	(45,873)
Consumables		(7,007)	-	(7,007)	(6,599)	-	(6,599)
Other operating expenses		(15,580)	-	(15,580)	(16,231)	-	(16,231)
Depreciation and amortisation [1]	3.6, 6.1	(618)	-	(618)	(638)	-	(638)
Operating profit before other items		**4,226**	**-**	**4,226**	**4,236**	**-**	**4,236**
Other income and expenses, net	1.4	(653)	-	(653)	(485)	-	(485)
Goodwill impairment	3.8	-	(724)	(724)	-	(68)	(68)
Amortisation/impairment of brands and customer contracts	3.6	-	(463)	(463)	-	(436)	(436)
Operating profit	1.1, 6.8	**3,573**	**(1,187)**	**2,386**	**3,751**	**(504)**	**3,247**
Financial income	4.3	37	-	37	34	-	34
Financial expenses	4.3	(627)	-	(627)	(532)	-	(532)
Profit before tax		**2,983**	**(1,187)**	**1,796**	**3,253**	**(504)**	**2,749**
Income taxes	1.5, 1.6	(702)	129	(573)	(809)	190	(619)
Net profit from continuing operations		**2,281**	**(1,058)**	**1,223**	**2,444**	**(314)**	**2,130**
Net loss from discontinued operations	3.4	**(197)**	**(735)**	**(932)**	**(20)**	**(103)**	**(123)**
Net profit		**2,084**	**(1,793)**	**291**	**2,424**	**(417)**	**2,007**
Attributable to:							
Owners of ISS A/S				281			2,002
Non-controlling interests				10			5
Net profit				**291**			**2,007**
Earnings per share, DKK							
Basic earnings per share (EPS)	4.1			1.5			10.9
Diluted earnings per share	4.1			1.5			10.8
Adjusted earnings per share [2]	4.1			11.2			13.1
Earnings per share for continuing operations, DKK							
Basic earnings per share (EPS)				6.6			11.6
Diluted earnings per share				6.5			11.5
Adjusted earnings per share [3]				12.3			13.2

1) Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.
2) Calculated as Net profit (adjusted) divided by the average number of shares (diluted).
3) Calculated as Net profit from continuing operations (adjusted) divided by the average number of shares (diluted).

Background for the income statement presentation is described in 7.3, General accounting policies, p. 101.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER

DKK million	Note	2018	2017
Net profit		**291**	**2,007**
Items not to be reclassified to the income statement in subsequent periods			
Actuarial gains/(losses)	5.3	(79)	192
Impact from asset ceiling regarding pensions	5.3	(8)	(45)
Tax	1.6	18	(53)
Items to be reclassified to the income statement in subsequent periods			
Foreign exchange adjustments of subsidiaries and non-controlling interests		(152)	(811)
Other comprehensive income		**(221)**	**(717)**
Comprehensive income		**70**	**1,290**
Attributable to:			
Owners of ISS A/S		60	1,285
Non-controlling interests		10	5
Comprehensive income		**70**	**1,290**

CONSOLIDATED STATEMENT OF CASH FLOWS

1 JANUARY – 31 DECEMBER

DKK million	Note	2018	2017
Operating profit before other items		4,226	4,236
Operating profit before other items from discontinued operations	3.4	139	278
Depreciation and amortisation	3.6, 6.1	681	712
Share-based payments		19	12
Changes in working capital	2.4	40	169
Changes in provisions, pensions and similar obligations		(195)	(246)
Other expenses paid	1.4	(446)	(396)
Interest received		25	41
Interest paid		(479)	(381)
Income taxes paid	1.5	(663)	(812)
Cash flow from operating activities		**3,347**	**3,613**
Acquisition of businesses	3.1	(35)	(1,650)
Divestment of businesses	3.2	38	229
Acquisition of intangible assets and property, plant and equipment		(1,052)	(992)
Disposal of intangible assets and property, plant and equipment		84	85
(Acquisition)/disposal of financial assets		(20)	(7)
Cash flow from investing activities		**(985)**	**(2,335)**
Proceeds from bonds	4.2	-	4,439
Repayment of senior facilities	4.2	-	(2,230)
Other financial payments, net	4.2	(298)	152
Dividends paid to shareholders		(1,422)	(1,418)
Dividends paid to non-controlling interests		(3)	(5)
Cash flow from financing activities		**(1,723)**	**938**
Total cash flow		**639**	**2,216**
Cash and cash equivalents at 1 January		6,275	4,300
Total cash flow		639	2,216
Foreign exchange adjustments		(80)	(241)
Cash and cash equivalents at 31 December	4.2	**6,834**	**6,275**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

DKK million	Note	2018	2017
ASSETS			
Intangible assets	3.6, 3.7	24,306	26,665
Property, plant and equipment	6.1	1,558	1,593
Deferred tax assets	1.6	706	700
Other financial assets		304	331
Non-current assets		**26,874**	**29,289**
Inventories		257	286
Trade receivables	2.1	9,676	11,583
Tax receivables		73	204
Other receivables	2.2	2,797	1,988
Cash and cash equivalents		6,834	6,275
Assets held for sale	3.5	3,300	1,210
Current assets		**22,937**	**21,546**
Total assets		**49,811**	**50,835**
EQUITY AND LIABILITIES			
Equity attributable to owners of ISS A/S		12,458	13,804
Non-controlling interests		14	10
Total equity	4.1	**12,472**	**13,814**
Loans and borrowings	4.2	17,382	17,290
Pensions and similar obligations	5.3	1,161	1,291
Deferred tax liabilities	1.6	1,130	1,267
Provisions	6.2	158	218
Non-current liabilities		**19,831**	**20,066**
Loans and borrowings	4.2	278	381
Trade payables		4,219	4,428
Tax payables		339	279
Other liabilities	2.3	10,694	11,206
Provisions	6.2	199	233
Liabilities held for sale	3.5	1,779	428
Current liabilities		**17,508**	**16,955**
Total liabilities		**37,339**	**37,021**
Total equity and liabilities		**49,811**	**50,835**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 31 DECEMBER

		Attributable to owners of ISS A/S							
DKK million	Note	Share capital	Retained earnings	Translation reserve [1]	Treasury shares	Proposed dividends	Total	Non-controlling interests	Total equity
2018									
Equity at 1 January		**185**	**13,301**	**(815)**	**(297)**	**1,430**	**13,804**	**10**	**13,814**
Net profit		-	(1,149)	-	-	1,430	281	10	291
Other comprehensive income		-	(69)	(152)	-	-	(221)	0	(221)
Comprehensive income		**-**	**(1,218)**	**(152)**	**-**	**1,430**	**60**	**10**	**70**
Share-based payments	5.2	-	32	-	-	-	32	-	32
Settlement of vested PSUs		-	(123)	-	100	-	(23)	-	(23)
Tax related to PSUs		-	4	-	-	-	4	-	4
Dividends paid to shareholders	4.1	-	-	-	-	(1,430)	(1,430)	-	(1,430)
Dividends, treasury shares		-	8	-	-	-	8	-	8
Acquisition of non-controlling interests		-	3	-	-	-	3	(3)	-
Dividends paid to non-controlling interests		-	-	-	-	-	-	(3)	(3)
Transactions with owners		**-**	**(76)**	**-**	**100**	**(1,430)**	**(1,406)**	**(6)**	**(1,412)**
Changes in equity		**-**	**(1,294)**	**(152)**	**100**	**-**	**(1,346)**	**4**	**(1,342)**
Equity at 31 December		**185**	**12,007**	**(967)**	**(197)**	**1,430**	**12,458**	**14**	**12,472**
2017									
Equity at 1 January		**185**	**12,717**	**(4)**	**(418)**	**1,430**	**13,910**	**10**	**13,920**
Net profit		-	572	-	-	1,430	2,002	5	2,007
Other comprehensive income		-	94	(811)	-	-	(717)	0	(717)
Comprehensive income		**-**	**666**	**(811)**	**-**	**1,430**	**1,285**	**5**	**1,290**
Share-based payments	5.2	-	68	-	-	-	68	-	68
Settlement of vested PSUs	5.2	-	(175)	-	116	-	(59)	-	(59)
Tax related to PSUs		-	13	-	-	-	13	-	13
Settlement of vested RSUs		-	-	-	5	-	5	-	5
Dividends paid to shareholders	4.1	-	-	-	-	(1,430)	(1,430)	-	(1,430)
Dividends, treasury shares		-	12	-	-	-	12	-	12
Dividends paid to non-controlling interests		-	-	-	-	-	-	(5)	(5)
Transactions with owners		**-**	**(82)**	**-**	**121**	**(1,430)**	**(1,391)**	**(5)**	**(1,396)**
Changes in equity		**-**	**584**	**(811)**	**121**	**-**	**(106)**	**0**	**(106)**
Equity at 31 December		**185**	**13,301**	**(815)**	**(297)**	**1,430**	**13,804**	**10**	**13,814**

[1] At 31 December 2018, DKK 161 million of accumulated foreign exchange gains related to discontinued operations.

OPERATING PROFIT AND TAX

SECTION 1

This section provides information related to the Group's operating profit and tax (continuing operations) to help the reader get a deeper understanding of the Group's performance in 2018.

Group and regional performance for 2018 are described on p. 16 and pp. 22–25, respectively.

Revenue amounted to DKK 73,592 million and organic growth was 3.9%, despite revenue reductions with three global key account. The impact from currency effects reduced revenue by 3.4%. Organic growth was positive in all regions and driven by contract launches with key accounts such as Shire, Danish Defence, three hospitals in Turkey and LEGO Group. As a result, organic growth with key accounts was 5.5% in 2018.

Operating profit before other items was DKK 4,226 million for an operating margin of 5.7%, down by 0.1 percentage point compared to 2017. The impact from divestments and currency effects reduced the operating margin by 4 bps. In addition, margin in Northern Europe and Asia & Pacific decreased mainly due to large contracts being phased in and out, partly offset by margin increases in the Continental Europe and Americas region.

Additional details on revenue and operating profit by region as well as revenue by country and by service are provided in 1.1, Segment information and 1.2, Revenue.

ISS is exposed to a low level of currency risk on transaction level, since services are produced, delivered and invoiced in the same local currency as the functional currency of the entity delivering the services. With operations in 66 countries, we are however exposed to risk from translation of local currency financial statements into DKK. This is explained in 1.3, Translation and operational currency risk.

Other income and expenses, net was an expense of DKK 653 million, mainly restructuring projects, and consisted of both recurring and non-recurring items, that the Group does not consider to be part of its ordinary operations. A breakdown including commentary is included in 1.4, Other income and expenses, net.

The **effective tax rate** was 23.5%, positively impacted by recognition of additional deferred tax assets in Germany. Details on the composition of the Group's effective tax rate and deferred tax are provided in 1.5, Income taxes and 1.6, Deferred tax, respectively.

In this section:

REVENUE AND GROWTH

73,592 DKKm
(2017: 73,577 DKKm)

3.9% (2017: 2.9%)
Organic growth [1)]

1) Unaudited

OPERATING PROFIT [1)] AND MARGIN

4,226 DKKm
(2017: 4,236 DKKm)

5.7% (2017: 5.8%)
Operating margin

1) Before other items

SEGMENTS

	Organic growth [1) 2)]	Operating margin [2)]
Continental Europe	6%	7.2%
Northern Europe	1%	6.9%
Asia & Pacific	6%	6.7%
Americas	1%	3.7%

1) Unaudited
2) Continuing operations

OTHER INCOME AND EXPENSES, NET

(653) DKKm
(2017: (485) DKKm)
mainly related to restructurings

INCOME TAXES

23.5% (2017: 24.9%)
Effective tax rate

1.1 SEGMENT INFORMATION

ISS is a global facility services company, that operates in 66 countries. Operations are generally managed based on a geographical structure in which countries are grouped into regions. The regions have been identified based on a key principle of grouping countries that share market conditions and cultures. However, countries without a fully-fledged country structure which are managed by Global Operations are excluded from the geographical segments and combined in a separate segment "Other countries". An overview of the grouping of countries into regions is presented in 7.5, Group companies.

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

Disclosures relating to segment assets and liabilities are disclosed in 6.8, Other segment information together with reconciliation of segment information to the consolidated amounts.

§ ACCOUNTING POLICY

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

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

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

DKK million	Continental Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total segments
2018						
Revenue [1]	**28,006**	**24,413**	**12,725**	**7,847**	**667**	**73,658**
Depreciation and amortisation [2]	(255)	(176)	(108)	(43)	(5)	(587)
Operating profit before other items	**2,017**	**1,684**	**847**	**294**	**(1)**	**4,841**
Operating margin [3]	7.2%	6.9%	6.7%	3.7%	(0.1)%	6.6%
Other income and expenses, net	(407)	(143)	4	(84)	-	(630)
Goodwill impairment	(654)	(24)	(19)	(27)	-	(724)
Amortisation/impairment of brands and customer contracts	(108)	(270)	(60)	(25)	-	(463)
Operating profit	**848**	**1,247**	**772**	**158**	**(1)**	**3,024**
2017						
Revenue [1]	**27,828**	**25,049**	**12,695**	**7,370**	**723**	**73,665**
Depreciation and amortisation [2]	(253)	(176)	(108)	(34)	(7)	(578)
Operating profit before other items	**1,901**	**1,789**	**974**	**227**	**15**	**4,906**
Operating margin [3]	6.8%	7.1%	7.7%	3.1%	2.1%	6.7%
Other income and expenses, net	(126)	(285)	(8)	(64)	-	(483)
Goodwill impairment	-	(68)	-	-	-	(68)
Amortisation/impairment of brands and customer contracts	(103)	(255)	(53)	(23)	(2)	(436)
Operating profit	**1,672**	**1,181**	**913**	**140**	**13**	**3,919**

1) Including internal revenue which due to the nature of the business is insignificant and is therefore not disclosed.
2) Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.
3) Excluding Other income and expenses, net, Goodwill impairment and Amortisation/impairment of brands and customer contracts.

REVENUE BY COUNTRY – MORE THAN 5% OF GROUP

DKK million	2018	2017
UK & Ireland	10,543	11,232
USA & Canada	7,072	6,551
Switzerland	5,242	5,282
Spain & Portugal	4,787	4,655
France	4,755	4,742
Norway	4,047	3,947
Denmark (ISS A/S's country of domicile)	3,807	3,426
Australia & New Zealand	3,734	3,670
Other countries [1]	29,605	30,072
Total	**73,592**	**73,577**

[1] Including unallocated items and eliminations.

1.2 REVENUE

PERFORMANCE OBLIGATIONS

Revenue is generated from rendering of facility services (cleaning, property, catering, support, security and facility management). Our services are provided to the customer on a daily basis continuously over the term of the contract and the customer simultaneously receives and consumes the benefits provided by the Group. Thus, the performance obligation is satisfied over time and generally invoiced on a monthly basis.

To meet our customers' different needs, we have grouped them into key accounts (including IFS contracts), large & medium (single-service solutions) and small and route-based customers.

DISAGGREGATION OF REVENUE

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

DKK million	2018
Key account customers	43,623
Large and medium customers	24,391
Small and route-based customers	5,578
Total	**73,592**

§ ACCOUNTING POLICY

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Revenue excludes amounts collected on behalf of third parties, e.g. VAT and duties.

The Group recognises revenue from rendering of services over time, because the customer simultaneously receives and consumes the benefits provided by the Group, i.e. control is transferred over time. Services are invoiced on a monthly basis.

The Group determined that the input method is the best method to measure progress towards complete satisfaction of the service because there is a direct relationship between the Group's effort, i.e., labour hours and costs incurred, and the transfer of service to the customer. The Group recognises revenue on the basis of the labour hours and costs expended relative to the total expected labour hours and costs to complete the service.

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS

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

Management considers whether the nature of its promise is a performance obligation to provide the specified services, i.e. ISS is acting as a principal, or to arrange for those services to be provided by another party, i.e. ISS is acting as an agent. This is based on an evaluation of whether ISS controls the specified services before it is transferred to the customer. Judgement is required when evaluating all relevant facts and circumstances.

TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATION (REVENUE BACKLOG)

Our revenue base consists of a mix of yearly contracts, which are renewed tacitly, and thousands of multi-year contracts, the majority of which have an initial term of three to five years. Depending on the size and complexity of the contract, the transition and mobilisation period is normally between six and twelve months for our key accounts. Contracts regularly include options for the customer to terminate for convenience within three to nine months, however, our customer retention rate, which is around 90%, and even higher for our key accounts, supports that these options are rarely exercised.

The majority of our revenue (approx. 86%) is portfolio revenue, i.e. revenue related to services that we are obligated to deliver on a recurring basis over the term of the contract, whereas the remaining part of our revenue is non-recurring. Since non-portfolio revenue is not committed as part of the main customer contract it is excluded from the transaction price to be allocated to the remaining performance obligation (backlog). At 31 December 2018, the backlog was as follows[1]:

DKK million	Key account customers	Large and medium customers	Total
< 1 year	13,134	4,527	17,661
1-2 years	10,746	2,445	13,191
2-3 years	8,555	1,346	9,901
3-4 years	5,851	665	6,516
4-5 years	4,923	421	5,344
> 5 years	16,213	1,997	18,210
Total	**59,422**	**11,401**	**70,823**

[1] Including contracts won but not yet started at 31 December 2018.

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

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

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

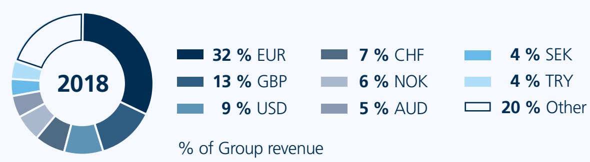
In terms of our **small and route-based** customers, the vast majority is descoped based on either of the two exemptions. The remaining customers in scope comprise less than 1% of Group revenue and revenue backlog is due to immateriality not disclosed.

In conclusion, the amounts disclosed in the maturity profile above are significantly lower than reported revenue and will likely not reflect the degree of certainty in future revenue (and cash inflows) to the Group – both due to the exemptions and due to non-portfolio revenue not being considered part of the backlog. Please refer to Contract maturity, p. 18 for further information.

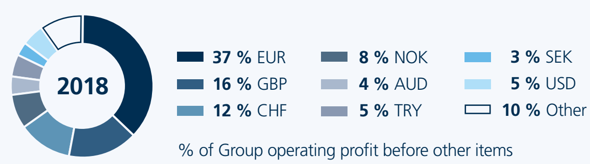
1.3 TRANSLATION AND OPERATIONAL CURRENCY RISK

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

REVENUE BY MAIN CURRENCIES



OPERATING PROFIT BY MAIN CURRENCIES



SENSITIVITY ANALYSIS

It is estimated that a change in foreign exchange rates of the Group's main currencies would have impacted revenue, operating profit before other items and other comprehensive income for the year by the amounts shown below. The analysis is based on foreign exchange rate variances that the Group considered to be reasonably possible at the reporting date. It is assumed that all other variables, in particular interest rates, remain constant and any impact of forecasted sales and purchases is ignored.

DKK million	Change in foreign exchange rates	Revenue	Operating profit before other items	Net assets in foreign subsidiaries
GBP	10%	990	70	322
CHF	10%	524	51	133
USD	10%	695	22	69
NOK	10%	405	34	40
AUD	10%	355	17	106
SEK	10%	299	11	135
TRY	10%	271	20	41
EUR	1%	235	16	97
Other	10%	1,093	70	509
Total	-	**4,867**	**311**	**1,452**

IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS

In 2018, the currencies in which the Group's revenue was denominated decreased with a weighted average of 3.4% (2017: decreased with 2.4%) relative to DKK, decreasing the Group's revenue by DKK 2,368 million (2017: a decrease of DKK 1,690 million). Currency movements decreased the Group's operating profit before other items by DKK 147 million (2017: a decrease of DKK 125 million). The effect of translation of net assets in foreign subsidiaries decreased other comprehensive income by DKK 152 million (2017: a decrease of DKK 811 million).

Development in exchange rates between DKK and the functional currencies of Group companies had a negative impact on operating profit in all regions. Asia & Pacific experienced the sharpest decline of 5.3% due to depreciation of AUD, IDR, INR and HKD. At Group level the impact was 3.1% as Americas and Continental Europe declined only 4.5% and 3.6%, respectively.

EXCHANGE RATE DEVELOPMENT

Functional currency	Change in average FX rate 2017 to 2018	Change in average FX rate 2016 to 2017
GBP	(0.8)%	(6.8)%
CHF	(3.6)%	(2.0)%
AUD	(6.7)%	1.0 %
USD	(4.3)%	(2.0)%
NOK	(2.7)%	(0.5)%
EUR	0.2 %	(0.1)%
TRY	(26.2)%	(18.8)%
SEK	(5.9)%	(2.0)%

1.4 OTHER INCOME AND EXPENSES, NET

DKK million	2018	2017
Gain on divestments	18	155
Adjustments to prior years' acquisitions	-	17
Other [1]	-	2
Other income	**18**	**174**
Restructuring projects [1]	(528)	(241)
Loss on divestments	(121)	(359)
Acquisition and integration costs [1]	(22)	(42)
Adjustments to prior years' acquisitions	-	(17)
Other expenses	**(671)**	**(659)**
Other income and expenses, net	**(653)**	**(485)**

[1] Presented as Other expenses paid in the statement of cash flows when paid.

Gain on divestments mainly related to the divestment of the Direct Cleaning business in Denmark. In 2017, the gain mainly related to the divestment of the Group's activities in Iceland, the Danish sewage and industrial services business, the real estate administration activities in Sweden and the archiving activities in Finland.

Restructuring projects mainly related to the continued implementation of GREAT across the Group, especially in France, Sweden and Belgium as well as efficiency initiatives leading to restructurings in the USA, the UK, Finland, Spain & Portugal, Italy and at Group level. The costs primarily comprised project management, redundancy payments and termination of leaseholds. In 2017, costs mainly related to Belgium, Denmark, France, India, the Netherlands, Norway, Sweden and the USA.

Loss on divestments mainly related to the divestment of the single-service cleaning business in the Netherlands and the Group's activities in Greece (country exit). In 2017, the loss mainly related to the remeasurement of the landscaping business in the UK, which was classified as held for sale.

Acquisition and integration costs mainly related to Guckenheimer in the USA and primarily comprised fees to advisors and costs incurred as a consequence of the continued integration of the business. In 2017, costs mainly related to Guckenheimer in the USA and Evantec in Germany.

CASH FLOW EFFECT FROM OTHER EXPENSES

DKK million	2018	2017
Restructuring projects	(423)	(213)
Acquisition and integration costs	(17)	(61)
Restructuring projects (presented as discontinued operations)	(6)	(90)
Other	-	(32)
Other expenses paid	**(446)**	**(396)**

Restructuring projects mainly comprised payments related to projects initiated and expensed in 2017 and 2018 in France, Sweden, the USA, Spain & Portugal, Belgium, Finland, the Netherlands, the UK and Denmark. In 2018, payments were lower than the amount expensed mainly due to France, where the main part of the costs have not yet been paid.

Restructuring projects (presented as discontinued operations) related to payments in Argentina regarding contract exits.

SIGNIFICANT ACCOUNTING JUDGEMENTS

Other income and expenses, net consists of significant recurring and non-recurring income and expenses that management does not consider to be part of the Group's ordinary operations, primarily major restructuring projects and gains and losses on divestments. Classification as other expenses is subject to management's review and approval.

Restructuring projects include cost reductions to make ISS more efficient going forward. The types of costs qualifying for treatment as restructuring are costs that are considered of no value to the continuing business and that do not form part of the ordinary operations. Whether a restructuring project qualifies for classification as other expenses is evaluated by management case by case based on a formalised restructuring request. The request includes a detailed project description and cost type specification.

1.5 INCOME TAXES

DKK million	2018	2017
Current tax	794	638
Deferred tax	(83)	201
Adjustments relating to prior years, net	(9)	(30)
Income taxes (adjusted)	**702**	**809**
Income taxes (acquistion-related)	**(129)**	**(190)**
Income taxes (reported)	**573**	**619**

EFFECTIVE TAX RATE

In %	2018	2017
Statutory income tax rate in Denmark	22.0 %	22.0 %
Foreign tax rate differential, net	0.2 %	0.8 %
Total	**22.2 %**	**22.8 %**
Non-tax deductible expenses less non-taxable income	(0.9)%	(0.5)%
Non-taxable gains/losses on divestments	0.6 %	(1.0)%
Adjustments relating to prior years, net	(0.3)%	(1.0)%
Change in valuation of net tax assets	(2.0)%	(1.7)%
Effect of changes in tax rates	1.1 %	3.1 %
Other taxes	2.8 %	3.2 %
Effective tax rate (profit before tax (adjusted))	**23.5 %**	**24.9 %**

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

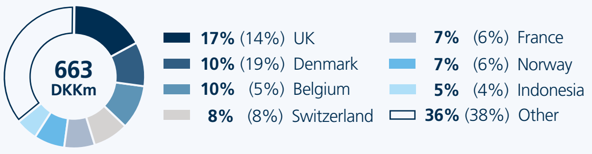
Non-taxable gain/losses on divestments mainly related to UK Landscaping. In 2017, non-taxable income on divestments related to gains on divestments in Denmark, Sweden and Finland.

Change in valuation of net tax assets in 2018 and 2017 is mainly related to release of valuation allowances on tax losses in Germany following a reassessment of expected future taxable income.

Effect of changes in tax rates in 2018 related to reduction of the corporate tax rate in France from 33% to 25% over the period 2018-2022. In 2017, the effect of changes in tax rates mainly comprised revaluation of the deferred tax asset in the USA following the US tax reform reducing the corporate tax rate from 35% to 21% from 2018.

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

TAX PAYMENTS 2018



OUR APPROACH TO TAX AND TAX RISKS

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

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

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

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

1.6 DEFERRED TAX

DEVELOPMENT IN DEFERRED TAX

DKK million	2018	2017
Deferred tax liabilities, net at 1 January	567	522
Adjustments relating to prior years, net	124	(62)
Foreign exchange adjustments	8	27
Acquisitions and divestments, net	26	50
Tax on other comprehensive income	(18)	53
Reclassification to Assets/(Liabilities) held for sale	(71)	(28)
Tax on profit before tax (adjusted) [1]	(83)	212
Tax effect of amortisation/impairment of brands and customer contracts [1]	(129)	(207)
Deferred tax liabilities, net at 31 December	**424**	**567**

[1] 2017 not restated for discontinued operations.

Adjustments relating to prior years, net in 2018 and 2017 were mainly related to adjustment of tax deductions (temporary differences) in the final tax returns for 2017 and 2016, respectively.

Acquisitions and divestments, net in 2018 mainly related to the divestment of the Group's activities in Greece (country exit) and in 2017 related to the acquisition of Guckenheimer.

Tax on other comprehensive income in 2018 and 2017 primarily comprised deferred tax on actuarial gains on pensions in Switzerland.

DEFERRED TAX ASSETS

DKK million	2018	2017
Tax losses carried forward	524	393
Goodwill	7	6
Customer contracts	18	17
Property, plant and equipment	54	83
Provisions and other liabilities	363	359
Pensions	178	212
Set-off within legal tax units and jurisdictions	(438)	(370)
Deferred tax assets	**706**	**700**

DEFERRED TAX LIABILITIES

DKK million	2018	2017
Goodwill	366	366
Brands	358	361
Customer contracts	153	260
Property, plant and equipment	124	88
Provisions and other liabilities	544	539
Tax losses in foreign subsidiaries under Danish joint taxation	23	23
Set-off within legal tax units and jurisdictions	(438)	(370)
Deferred tax liabilities	**1,130**	**1,267**

UNCERTAIN TAX POSITION

As part of operating a global business, disputes with tax authorities around the world may occur. Uncertain tax positions include ongoing disputes with tax authorities in certain jurisdictions and have been provided for in accordance with the accounting policies. Management believes that the provisions made are adequate. However, the actual obligations may deviate as they depend on the result of litigations and settlements with the relevant tax authorities. The final outcome of some of the ongoing disputes is expected to be determined during 2019.

UNRECOGNISED DEFERRED TAX ASSETS

At 31 December 2018, the Group had unrecognised deferred tax assets which comprised tax losses carried forward and other deductible temporary differences of DKK 480 million (2017: DKK 727 million) for continuing operations primarily relating to France, Germany and the Netherlands. The decrease compared to 2017, was mainly due to recognition of part of the unrecognised tax asset in Germany following a reassessment of expected future taxable income.

At 31 December 2018, DKK 268 million (2017: DKK 227 million) of the total unrecognised deferred tax assets related to discontinued operations.

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

SIGNIFICANT ACCOUNTING ESTIMATES

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

The possible outcome of **uncertain tax positions** are measured based on management's best estimate (more likely than not) of the amount required to settle the obligation and recognised in deferred tax.

§ ACCOUNTING POLICY

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

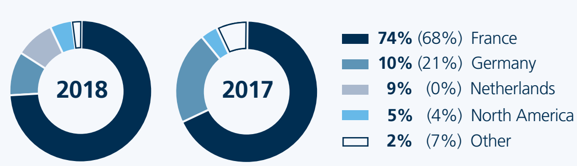
Tax receivables and payables are recognised in the statement of financial position as tax computed on the taxable income for the year, adjusted for tax on the taxable income prior years and tax paid on account.

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

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

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

UNRECOGNISED DEFERRED TAX ASSETS



WORKING CAPITAL AND CASH FLOW

SECTION 2

Ensuring strong cash performance in terms of free cash flow and managing working capital, remains a key priority at ISS. As such, free cash flow conversion is included in the Group's incentive structure.

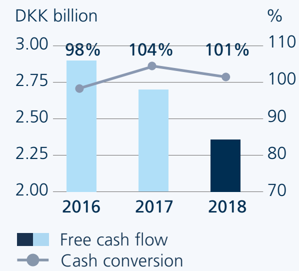
Driven by a strong general cash performance across the Group, cash conversion was 101% in 2018. The result reflects our efforts to ensure timely payment for work performed, and timing of collections and payments around year-end. This included increasing commercial use of non-recourse factoring with certain large blue-chip customers and participation in certain customers' supply chain finance (SCF) arrangements.

Factoring and participation in customers' SCF arrangements are mainly used to finance working capital impacts related to growth with key account customers, including the impacts from general demand for longer payment terms and necessary investments in transition and mobilisation of such contracts.

To improve capital efficiency, we continue to focus on the development in trade receivables, especially overdue receivables and unbilled receivables, and other receivables. Standardised reporting of working capital and daily liquidity cash flow forecasts are used for ongoing follow-up and monitoring of the cash performance on a regular basis.

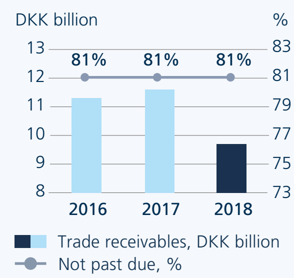
In this section:

CASH CONVERSION AND FREE CASH FLOW



TRADE RECEIVABLES

9,676[1)] DKKm
(2017: 11,583 DKKm)



1) Continuing operations.

2.1 TRADE RECEIVABLES AND CREDIT RISK

EXPOSURE TO CREDIT RISK

We assess the Group's exposure to credit risk as low. The Group's customer portfolio is diversified in terms of geography, industry sector and customer size. The Group is not exposed to credit risk related to significant individual customers. In some geographies, mainly southern Europe and Latin America, in recent years the general credit risk has increased for certain groups of customers. However, amounts written off as uncollectible have remained at a relatively low level, which was also the case in 2018, where amounts written off were 0.3% of gross trade receivables (2017: 0.3%).

Exposure to credit risk on trade receivables is managed locally in the operating entities and credit limits are set as deemed appropriate taking into account the customer's financial position and the current market conditions. Generally, the Group does not hold collateral as security for trade receivables.

The maximum credit risk exposure at the reporting date by reportable segments is shown below. The significant decrease in the carrying amount of trade receivables compared to 2017 is mainly due to the 13 countries being presented as discontinued operations and assets held for sale at 31 December 2018 following the Strategy Update in December 2018. Commercial use of factoring with certain large blue-chip customers and participation in certain customers' SCF arrangements increased to DKK 2.5 billion at 31 December 2018 (31 December 2017: DKK 1.0 billion), which also contributed to the decrease in the carrying amount.

DKK million	Gross	Loss allowance	Carrying amount
2018			
Continental Europe	4,099	(77)	4,022
Northern Europe	2,893	(22)	2,871
Asia & Pacific	1,976	(50)	1,926
Americas	863	(12)	851
Other countries	7	(1)	6
Total	**9,838**	**(162)**	**9,676**
2017			
Continental Europe	4,999	(132)	4,867
Northern Europe	3,220	(23)	3,197
Asia & Pacific	2,245	(54)	2,191
Americas	1,358	(38)	1,320
Other countries	9	(1)	8
Total	**11,831**	**(248)**	**11,583**

ALLOWANCE FOR EXPECTED CREDIT LOSSES

DKK million	Gross	Loss allowance	Carrying amount
2018			
Not past due	7,860	-	7,860
Past due 1 to 60 days	1,279	(2)	1,277
Past due 61 to 180 days	347	(5)	342
Past due 181 to 360 days	150	(22)	128
More than 360 days	202	(133)	69
Total	**9,838**	**(162)**	**9,676**
2017			
Not past due	9,387	-	9,387
Past due 1 to 60 days	1,627	(6)	1,621
Past due 61 to 180 days	363	(6)	357
Past due 181 to 360 days	151	(21)	130
More than 360 days	303	(215)	88
Total	**11,831**	**(248)**	**11,583**

DKK million	2018	2017
Loss allowance at 1 January	(248)	(241)
Acquisitions	-	(7)
Divestments	40	1
Provision for expected credit losses	(21)	(41)
Expected credit losses reversed	4	19
Write-off	33	30
Reclassification to/(from) Assets held for sale	30	(9)
Loss allowance at 31 December	**(162)**	**(248)**

§ ACCOUNTING POLICY

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for expected credit losses.

The Group applies the simplifed approach to measuring expected credit losses which uses lifetime expected credit losses for all trade receivables at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar credit risk characteristics, i.e. geographical region and customer type. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

2.2 OTHER RECEIVABLES

DKK million	2018	2017
Supplier rebates and bonuses	552	407
Transition and mobilisation costs	492	223
Prepayments to suppliers	526	522
Sign-on fees	219	130
Receivable sales price from divestments	49	132
Currency swaps	14	32
Other	945	542
Other receivables	**2,797**	**1,988**

Other comprise refunds from customers, outlay for customers, VAT and other recoverable amounts.

§ ACCOUNTING POLICY

Other receivables are recognised initially at cost and subsequently at amortised cost. Prepayments are measured at cost. Costs relating to sales work and securing contracts are recognised in the income statement as incurred.

Transition and mobilisation costs (costs to fulfil a contract) related to launching certain large contracts as well as **sign-on fees** are capitalised and amortised over the initial secured contract term consistent with ISS's transfer of the related goods or services to the customer. Bid related costs are expensed as incurred.

2.3 OTHER LIABILITIES

DKK million	2018	2017
Accrued wages, pensions and holiday allowances	4,145	4,426
Tax withholdings, VAT etc.	2,672	2,813
Accrued supplier expenses	2,212	2,354
Prepayments from customers	483	515
Other	1,182	1,098
Other liabilities	**10,694**	**11,206**

Other comprises utilities such as rent, telephone, electricity etc., contingent consideration and deferred payments, accrued interests, fees to advisors and auditors and insurance, etc.

2.4 CHANGES IN WORKING CAPITAL

DKK million	2018	2017
Changes in inventories	(15)	1
Changes in receivables	(469)	(555)
Changes in payables	524	723
Changes in working capital	**40**	**169**

Changes in receivables The reduced negative impact compared to 2017 mainly reflects an increase in the commercial use of factoring and participation in certain customers' supply chain finance arrangements with the largest increases stemming from Switzerland, Denmark and Germany.

Changes in payables The reduced positive impact compared to 2017 is mainly related to acceleration in payment processes in the UK and lower balance in the USA in 2018 due to high comparable level in 2017 following high demand for non-portfolio work in Q4.

STRATEGIC ACQUISITIONS AND DIVESTMENTS

SECTION 3

In December 2018, we announced that we are sharpening our focus on key accounts further and as a result, we will divest our operations in 13 additional countries, where the local key account market is not sufficiently compelling. For 2018, these are presented as discontinued operations – in addition to Argentina and Uruguay which were already presented as such – and comparative information is restated accordingly.

We also announced our intention to divest a number of business units across the Group over the coming two years, entirely consistent with our strategy of recent years and thereby completing our exit from non-core services. During 2018, we therefore divested 12 businesses and at 31 December 2018 we had 17 businesses classified as held for sale (including the 15 countries presented as discontinued operations).

As a result, in 2018 a total net loss before tax of DKK 1,755 million was recognised in the income statement in the following lines:

- Other income and expenses, net, DKK 103 million (see 3.2, Divestments and 1.4, Other income and expenses, net)
- Goodwill impairment, DKK 724 million (see 3.8, Goodwill impairment)
- Amortisation/impairment of brands and customer contracts, DKK 4 million
- Net loss from discontinued operations, DKK 924 million (see 3.4, Discontinued operations and 3.5, Assets and liabilities held for sale)

The majority of the recognised losses relates to goodwill, which is the result of the substantial number of acquisition-related intangibles added in previous years, when our geographical and service platform was build through several acquisitions, including ISS World Services A/S in 2005. Consequently, the Group continues to be exposed to possible impairment losses, both following future divestments and annual impairment tests. At 31 December 2018, the impairment test did not result in impairment losses on goodwill.

In terms of acquisitions, we only acquired one minor business in 2018 – Pluralis in Germany, an engineering company, which will support our delivery on the Deutsche Telekom contract starting on 1 July 2019. We will continue to pursue bolt-on acquisition opportunities – applying a disciplined approach – with the aim of filling white spots as part of our accelerated investment programme for 2019-2020 as also announced in December 2018.

In this section:

INTANGIBLE ASSETS

24,306 DKKm
(2017: 26,665 DKKm)

49% (2017: 52%)
of total assets

724 DKKm
(2017: 68 DKKm)
Goodwill impairment on divestments

DIVESTMENTS

12 divestments
of non-core activities

1,507 DKKm
Annual revenue divested

103 DKKm
Net loss recognised in Other expenses

ASSETS HELD FOR SALE

3,300 DKKm
(2017: 1,210 DKKm)
Assets held for sale

1,779 DKKm
(2017: 428 DKKm)
Liabilities held for sale

DISCONTINUED OPERATIONS

15 businesses

6,179 DKKm
Annual revenue

(932) DKKm
(2017: (123) DKKm)
Net loss from discontinued operations

3.1 ACQUISITIONS

ACQUISITION IMPACT

DKK million	2018	2017
Brands	-	54
Customer contracts	-	251
Other non-current assets	1	85
Trade receivables	6	310
Other current assets	3	135
Pensions, deferred tax liabilities and other provisions	-	(206)
Loans and borrowings	-	(19)
Other non-current liabilities	(1)	(8)
Other current liabilities	-	(295)
Fair value of net assets acquired	**9**	**307**
Goodwill	11	1,473
Consideration transferred	**20**	**1,780**
Cash and cash equivalents in acquired businesses	-	(20)
Cash consideration transferred	**20**	**1,760**
Contingent and deferred consideration	15	(42)
Changes in prepaid purchase price	-	(68)
Acquisition of businesses (cash flow)	**35**	**1,650**

On 31 December 2018, ISS acquired 100% of the shares in PL2 Pluralis Planungsgesellschaft GmbH (Pluralis), an engineering company with an estimated annual revenue of approximately DKK 27 million and 39 employees. The purchase price amounted to DKK 20 million as specified above. Based on provisionally determined fair values of net assets, goodwill amounted to DKK 11 million. The acquisition of Pluralis will support the delivery on the Deutsche Telekom contract starting on 1 July 2019.

ACQUISITIONS SUBSEQUENT TO 31 DECEMBER 2018

The Group completed no acquisitions from 1 January to 15 February 2019.

SIGNIFICANT ACCOUNTING ESTIMATES

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

The fair value of customer contracts acquired is based on an evaluation of the conditions relating to the customer contract portfolio and related customer relationships. Measurement is based on a discounted cash flow model based on key assumptions about the estimated split of the acquired revenue in business segments and the related churn rates and profitability of the revenue at the time of the acquisition. Further, management estimates the Weighted Average Cost of Capital (WACC) and a risk premium for the assumed risk inherent in customer contracts.

§ ACCOUNTING POLICY

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

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

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

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all assets acquired and all liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognised in the income statement.

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

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

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

3.2 DIVESTMENTS

The Group completed 12 divestments in 2018 (2017: eight):

Company/activity	Country	Service type	Excluded from the income statement	Interest	Annual revenue [1] (DKK million)	Number of employees [1]
ISS Greece	Greece	Country exit	January	100%	251	1,705
Kitchen maintenance	Belgium	Cleaning	January	Activities	27	54
Profi Komfort	Hungary	Cleaning	February	100%	43	700
BioSystems	Brazil	Property	March	Activities	2	9
Frugt.dk	Denmark	Fruit business (route-based)	April	Activities	66	25
Uniguard	USA	Security	April	Activities	81	342
Landscaping	UK	Property	June	Activities	412	1,458
ISS Security	Spain	Security	July	Activities	120	562
ISS Specialised Services	Netherlands	Cleaning	November	100%	341	2,166
ISS Merchandising	Portugal	Promotional service	December	Activities	4	109
ISS Compact	Austria	Cleaning	January 2019	100%	95	700
Direct Cleaning	Denmark	Cleaning	January 2019	Activities	65	262
Total					**1,507**	**8,092**

[1] Unaudited.

DIVESTMENT IMPACT

DKK million	2018	2017
Goodwill	9	73
Customer contracts	-	17
Other non-current assets	48	111
Current assets	299	110
Non-current liabilities	(9)	(16)
Current liabilities	(176)	(71)
Net assets disposed	**171**	**224**
Gain/(loss) on divestment of businesses, net	(103)	146
Divestment costs	216	118
Consideration received	**284**	**488**
Cash and cash equivalents in divested businesses	(126)	(21)
Cash consideration received	**158**	**467**
Contingent and deferred consideration	82	(111)
Divestment costs paid	(202)	(127)
Divestment of businesses (cash flow)	**38**	**229**

DIVESTMENTS SUBSEQUENT TO 31 DECEMBER 2018

On 30 January 2019, we announced the divestment of our activities in Argentina and Uruguay (country exits). The countries have combined annual revenue of DKK 262 million and around 2,647 employees.

No further divestments were completed from 1 January to 15 February 2019.

§ ACCOUNTING POLICY

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

3.3 PRO FORMA REVENUE AND OPERATING PROFIT BEFORE OTHER ITEMS

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

DKK million	2018	2017
Revenue	73,592	73,577
Acquisitions	27	751
Divestments	(734)	(353)
Pro forma revenue	**72,885**	**73,975**
Operating profit before other items	4,226	4,236
Acquisitions	5	37
Divestments	26	(36)
Pro forma operating profit before other items	**4,257**	**4,237**

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

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

3.4 DISCONTINUED OPERATIONS

With our increasing focus on key account customers, we are becoming more selective on those geographies we choose to serve. We cannot justify a presence in a country unless it supports a strong key account offering, consistent with the strategic choices of the Group. In December 2018, we therefore announced the intention to divest our operations in 13 additional countries where the local key account market is not sufficiently compelling. Sales processes have been initiated and management assessed that they will be finalised within a year. As a result, the Group's activities in these countries have been classified as held for sale and discontinued operations.

In addition, discontinued operations comprise Argentina and Uruguay, where sales processes were initiated in 2017. In December 2018, we reached agreement to divest the businesses and the transaction was completed on 30 January 2019.

NET LOSS FROM DISCONTINUED OPERATIONS

DKK million	2018	2017
Revenue	6,179	6,735
Expenses [1]	(6,040)	(6,457)
Operating profit before other items	**139**	**278**
Other income and expenses, net	(196)	(112)
Goodwill impairment	(732)	(33)
Amortisation/impairment of brands and customer contracts	(6)	(87)
Operating profit	**(795)**	**46**
Financial expenses, net	(57)	(70)
Loss before tax	**(852)**	**(24)**
Income taxes	(80)	(99)
Net loss from discontinued operations	**(932)**	**(123)**
Earnings per share from discontinued operations, DKK		
Basic earnings per share (EPS)	(5.1)	(0.7)
Diluted earnings per share	(5.0)	(0.7)
Adjusted earnings per share	(1.1)	(0.1)

[1] Including depreciation and amortisation of DKK 63 million (2017: DKK 74 million).

CASH FLOW FROM DISCONTINUED OPERATIONS

DKK million	2018	2017
Cash flow from operating activities	140	175
Cash flow from investing activities	(86)	(82)
Cash flow from financing activities	32	(14)

COUNTRIES PRESENTED AS DISCONTINUED OPERATIONS

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

For a description of Significant accounting estimates and judgements and Accounting policies, see 3.5, Assets and liabilities held for sale.

3.5 ASSETS AND LIABILITIES HELD FOR SALE

BUSINESSES CLASSIFIED AS HELD FOR SALE

At 31 December 2017, four business were classified as held for sale; Argentina, Uruguay, the landscaping business in the UK and the Hygiene & Prevention business in France. During 2018, the landscaping business in the UK was sold, and agreements were reached to sell the remaining three businesses.

Additionally, in December 2018 13 countries were classified as held for sale and discontinued operations, see 3.4, Discontinued operations. Furthermore, one business unit in Asia & Pacific was classified as held for sale in December 2018. As a result, at 31 December 2018 17 businesses were classified as held for sale.

INCOME STATEMENT EFFECT

In 2018, the divestment of the landscaping business in the UK resulted in recognition of a loss of DKK 0.2 million recognised in Other income and expenses, net.

Remeasurement of the fair value of the Hygiene & Prevention business in France and the business unit in Asia & Pacific resulted in an impairment loss of DKK 70 million recognised in Goodwill impairment.

Furthermore, remeasurement of the fair value of discontinued operations resulted in impairment losses of DKK 924 million recognised in Net loss from discontinued operations.

STATEMENT OF FINANCIAL POSITION

DKK million	2018	2017
Goodwill	1,200	708
Customer contracts	25	-
Other non-current assets	481	126
Current assets	1,594	376
Assets held for sale	**3,300**	**1,210**
Non-current liabilities	346	81
Current liabilities	1,433	347
Liabilities held for sale	**1,779**	**428**

⚖ SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group classifies non-current assets and disposal groups as held for sale when management assesses that their carrying amounts will be recovered through a sale rather than through continuing use. Management's assessment is based on an evaluation of whether the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within 12 months from the date of classification.

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

Management considers intangible assets relating to the disposal groups, taking into consideration how to separate the net assets (including intangible assets) relating to the disposal group from the Group's assets in the continuing business. Impairment of these intangibles, both on initial classification as held for sale and subsequently, is considered. The estimation uncertainty relating to impairment of intangibles in general is described in 3.7, Impairment tests.

§ ACCOUNTING POLICY

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

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

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

A disposal group qualifies as discontinued operations if it is a component of an entity, i.e. a CGU, that either has been disposed of, or is classified as held for sale, and is:

- a separate major line of business or geographical area of operations;
- part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and
- a subsidiary acquired exclusively with a view to resale.

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

In the **statement of cash flows**, cash flows from discontinued operations are included in cash flow from operating, investing and financing activities together with cash flows from continuing operations, but specified in note 3.4, Discontinued operations.

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

3.6 INTANGIBLE ASSETS

⚖ SIGNIFICANT ACCOUNTING ESTIMATES

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

§ ACCOUNTING POLICY

Goodwill is initially recognised at cost and subsequently at cost less accumulated impairment losses. Goodwill is not amortised. Goodwill is attributable mainly to assembled workforce, technical expertise and technological knowhow.

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

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

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

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

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

Impairment testing of intangible assets, see 3.7, Impairment tests.

DKK million	Goodwill	Brands	Customer contracts	Software and other intangible assets [1]	Total
2018					
Cost at 1 January	26,116	1,666	9,648	2,028	39,458
Foreign exchange adjustments	(44)	2	(2)	(11)	(55)
Acquisitions	11	-	-	-	11
Additions	-	-	-	299	299
Divestments	(1,224)	-	(153)	(6)	(1,383)
Disposals	-	-	-	(116)	(116)
Reclassification from Property, plant and equipment	-	-	-	39	39
Reclassification to Assets held for sale	(1,346)	-	(608)	(91)	(2,045)
Cost at 31 December	**23,513**	**1,668**	**8,885**	**2,142**	**36,208**
Amortisation and impairment losses at 1 January	(3,222)	(33)	(8,432)	(1,106)	(12,793)
Foreign exchange adjustments	(3)	(1)	7	10	13
Amortisation	-	(10)	(454)	(161)	(625)
Impairment losses	(1,456)	-	(5)	(20)	(1,481)
Divestments	1,215	-	153	4	1,372
Disposals	-	-	-	95	95
Reclassification from Property, plant and equipment	-	-	-	(1)	(1)
Reclassification to Assets held for sale	864	-	582	72	1,518
Amortisation and impairment losses at 31 December	**(2,602)**	**(44)**	**(8,149)**	**(1,107)**	**(11,902)**
Carrying amount at 31 December	**20,911**	**1,624**	**736**	**1,035**	**24,306**
2017					
Cost at 1 January	25,604	1,615	9,814	1,857	38,890
Foreign exchange adjustments	(815)	(3)	(327)	(38)	(1,183)
Acquisitions	1,473	54	251	26	1,804
Additions	-	-	-	315	315
Divestments	(180)	-	(104)	(83)	(367)
Disposals	-	-	-	(49)	(49)
Reclassification from Assets held for sale	34	-	14	-	48
Cost at 31 December	**26,116**	**1,666**	**9,648**	**2,028**	**39,458**
Amortisation and impairment losses at 1 January	(3,250)	(26)	(8,261)	(992)	(12,529)
Foreign exchange adjustments	6	-	272	23	301
Amortisation	-	(7)	(513)	(178)	(698)
Impairment losses	(101)	-	(3)	-	(104)
Acquisitions	-	-	-	(22)	(22)
Divestments	107	-	87	19	213
Disposals	-	-	-	44	44
Reclassification to/(from) Assets held for sale	16	-	(14)	-	2
Amortisation and impairment losses at 31 December	**(3,222)**	**(33)**	**(8,432)**	**(1,106)**	**(12,793)**
Carrying amount at 31 December	**22,894**	**1,633**	**1,216**	**922**	**26,665**

[1] Of which DKK 221 million (2017: DKK 142 million) is related to assets under development.

Software and other intangible assets At 31 December 2018, the carrying amount included assets under finance leases of DKK 233 million (2017: DKK 210 million) related to licenses under the IBM agreement to use technology for workforce optimisation and managing services in customer buildings.

Impairment losses on goodwill related to divestments, see 3.8, Goodwill impairment as well as business being classified as held for sale, see 3.5, Assets and liabilities held for sale.

3.7 IMPAIRMENT TESTS

DETERMINATION OF CASH-GENERATING UNITS (CGUs)

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

ESTIMATES USED TO MEASURE RECOVERABLE AMOUNT

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

Value-in-use cash flow projections are based on financial budgets approved by management covering the following financial year. Revenue growth and operating margin assumptions applied in the short to medium term (forecasting period of five years) are based on management's expectations regarding the growth and operational development considering all relevant factors including past experience and external sources of information where possible and relevant.

When estimating the CGUs' **margin development** in the forecasting period, past experience and the impact from expected efficiency improvements are taken into consideration. Since 2013, we have accelerated our strategy implementation through GREAT, which among other things include customer segmentation, organisational structure, IFS readiness, key account focus and excellence projects, e.g. our procurement programme and business process outsourcing (BPO). The expected impact of these initiatives are taken into consideration for the relevant CGUs.

Revenue growth projections in the forecasting period for the individual CGUs are estimated on the basis of expected market development including IFS readiness and key account potential, impact from global key account contracts and the macroeconomic environment in general. Past experience is taken into consideration as well as the expected impact from local and Group initiatives, such as GREAT, where especially initiatives on customer segmentation (including key account focus), organisational structure and IFS readiness are assumed to affect growth opportunities.

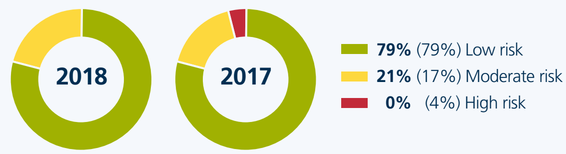
Terminal growth rates do not exceed the expected long-term average growth rate including inflation for the country in which the CGU operates.

The country specific **discount rates**, which are calculated net of tax, are generally based on 10-year government bonds of the individual countries. An interest premium is added to adjust for the inconsistency of applying government bonds with a short-term maturity when discounting the estimated future cash flows with infinite maturity.

A **target ratio** of 25/75 (2017: 25/75) between the market value of debt and equity value has been applied in the calculation. As a company based in Europe, the Group assumes the long-term market equity risk premium to be 6.5% (2017: 6.5%).

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

INTANGIBLES [1] BY RISK CATEGORY [2]



1) Goodwill and customer contracts

2) Internal assessment of the likelihood of incurring a material impairment loss taking into account various factors, including the excess value of value-in-use over the net assets of the CGU.

SIGNIFICANT ACCOUNTING ESTIMATES

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

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

§ ACCOUNTING POLICY

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

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

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

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

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

CARRYING AMOUNTS AND KEY ASSUMPTIONS

The carrying amount of intangibles, i.e. goodwill and customer contracts, and the key assumptions[1)] used in the impairment testing as per 31 December are presented below for each CGU representing more than 5% of the carrying amount of the Group's intangibles or CGUs considered to be at high risk of impairment or having incurred recent impairment losses.

The significant decrease in the carrying amount of intangibles compared to 2017 is due to the 13 countries being presented as discontinued operations and assets held for sale at 31 December 2018 as well as fair value adjustments related hereto.

	Carrying amount			Forecasting period		Terminal period		Applied discount rate	
DKK million	Goodwill	Customer contracts	Total intangibles	Growth (avg.)	Margin (avg.) [2)]	Growth	Margin [2)]	Net of tax	Pre-tax
2018									
UK & Ireland	2,582	229	2,811	3.3%	7.0%	2.5%	7.0%	8.0%	9.4%
USA & Canada [3)]	2,230	207	2,437	4.1%	5.4%	3.0%	5.5%	10.3%	13.1%
Finland	2,087	49	2,136	2.4%	7.8%	2.0%	7.8%	7.9%	9.6%
France	1,792	-	1,792	2.8%	6.2%	2.5%	6.5%	8.5%	13.2%
Denmark	1,652	24	1,676	2.2%	7.0%	2.0%	7.0%	7.6%	9.5%
Australia & New Zealand	1,291	46	1,337	3.1%	4.6%	3.0%	4.6%	9.4%	12.8%
Norway	1,300	54	1,354	2.8%	8.0%	2.5%	8.0%	9.0%	11.1%
Switzerland	1,352	32	1,384	1.0%	7.2%	2.0%	7.2%	6.4%	7.8%
Belgium & Luxembourg	1,325	-	1,325	2.1%	6.6%	2.0%	6.6%	8.6%	11.2%
Spain & Portugal	1,156	34	1,190	2.1%	6.2%	2.5%	6.2%	8.7%	11.1%
Netherlands	401	-	401	4.2%	4.2%	2.0%	5.0%	8.2%	10.6%
Other	3,743	61	3,804	-	-	-	-	-	-
Total	**20,911**	**736**	**21,647**						
2017									
UK & Ireland	2,617	318	2,935	0.4%	7.0%	2.5%	7.0%	7.9%	9.1%
USA & Canada [3)]	2,154	212	2,366	5.0%	5.0%	3.0%	5.5%	10.1%	12.8%
Finland	2,080	117	2,197	2.7%	7.7%	2.0%	7.7%	7.8%	9.6%
France	1,787	-	1,787	2.7%	5.8%	2.5%	6.5%	8.5%	12.9%
Denmark	1,676	52	1,728	4.5%	7.4%	2.0%	7.4%	7.7%	9.6%
Australia & New Zealand	1,358	68	1,426	3.2%	5.4%	3.0%	5.4%	9.6%	12.8%
Norway	1,313	107	1,420	2.8%	8.1%	2.5%	8.1%	8.7%	11.0%
Switzerland	1,293	64	1,357	1.9%	7.7%	2.0%	7.7%	6.4%	7.8%
Belgium & Luxembourg	1,328	-	1,328	2.1%	6.8%	2.0%	6.8%	8.3%	10.9%
Spain & Portugal	1,160	63	1,223	2.3%	6.2%	2.5%	6.2%	8.7%	11.2%
Netherlands	995	-	995	2.8%	4.9%	2.0%	5.0%	8.2%	10.8%
Other	5,133	215	5,348	-	-	-	-	-	-
Total	**22,894**	**1,216**	**24,110**						

1) The key assumptions applied in the impairment tests are used for accounting purposes and should not be considered a forward-looking statement within the meaning of the US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations to the future development.
2) Excluding allocated corporate costs.
3) Excluding brands of DKK 35 million.

Netherlands Following the divestment of the single-service cleaning business in November 2018, the assumptions applied have been updated to include only the continuing key account business. The assumptions have been prepared based on the general principles described on p. 82 as well as on management's updated business plan.

In terms of growth, the improvement compared to previous years reflects the 100% focus on the key account business going forward, as this market generally offers higher growth opportunities as well as an improved commercial culture in the business. This is in line with the development we have seen in recent years, where we have experienced significant key account wins in 2017 and 2018.

Operating margin is assumed in the range 3.2%-5.0% reflecting a gradual improvement following the restructurings carried out on the back of the divestment as well as implementation of operational excellence on contract level in a significantly less complex key account business.

SENSITIVITY ANALYSIS

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

	Forecasting period				Terminal period					
	Growth		Margin [1]		Growth		Margin [1]		Discount rate, net of tax	
	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied rate	Allowed increase
2018										
UK & Ireland	3.3%	>3.3%	7.0%	>3.0%	2.5%	>2.5%	7.0%	>3.0%	8.0%	>3.0%
USA & Canada	4.1%	>4.1%	5.4%	>3.0%	3.0%	>3.0%	5.5%	>3.0%	10.3%	>3.0%
Finland	2.4%	>2.4%	7.8%	>3.0%	2.0%	>2.0%	7.8%	>3.0%	7.9%	>3.0%
France	2.8%	>2.8%	6.2%	>3.0%	2.5%	>2.5%	6.5%	>3.0%	8.5%	>3.0%
Denmark	2.2%	>2.2%	7.0%	>3.0%	2.0%	>2.0%	7.0%	>3.0%	7.6%	>3.0%
Australia & New Zealand	3.1%	>3.1%	4.6%	>3.0%	3.0%	>3.0%	4.6%	1.8%	9.4%	>3.0%
Norway	2.8%	>2.8%	8.0%	>3.0%	2.5%	>2.5%	8.0%	>3.0%	9.0%	>3.0%
Switzerland	1.0%	>1.0%	7.2%	>3.0%	2.0%	>2.0%	7.2%	>3.0%	6.4%	>3.0%
Belgium & Luxembourg	2.1%	>2.1%	6.6%	>3.0%	2.0%	>2.0%	6.6%	>3.0%	8.6%	>3.0%
Spain & Portugal	2.1%	>2.1%	6.2%	>3.0%	2.5%	>2.5%	6.2%	>3.0%	8.7%	>3.0%
Netherlands	4.2%	>4.2%	4.2%	>3.0%	2.0%	>2.0%	5.0%	>3.0%	8.2%	>3.0%
2017										
UK & Ireland	0.4%	>0.4%	7.0%	>3.0%	2.5%	>2.5%	7.0%	>3.0%	7.9%	>3.0%
USA & Canada	5.0%	>5.0%	5.0%	>3.0%	3.0%	>3.0%	5.5%	2.7%	10.1%	>3.0%
Finland	2.7%	>2.7%	7.7%	>3.0%	2.0%	>2.0%	7.7%	>3.0%	7.8%	>3.0%
France	2.7%	>2.7%	5.8%	>3.0%	2.5%	>2.5%	6.5%	2.2%	8.5%	2.3%
Denmark	4.5%	>4.5%	7.4%	>3.0%	2.0%	>2.0%	7.4%	>3.0%	7.7%	>3.0%
Australia & New Zealand	3.2%	>3.2%	5.4%	>3.0%	3.0%	>3.0%	5.4%	2.7%	9.6%	>3.0%
Norway	2.8%	>2.8%	8.1%	>3.0%	2.5%	>2.5%	8.1%	>3.0%	8.7%	>3.0%
Switzerland	1.9%	>1.9%	7.7%	>3.0%	2.0%	>2.0%	7.7%	>3.0%	6.4%	>3.0%
Belgium & Luxembourg	2.1%	>2.1%	6.8%	>3.0%	2.0%	>2.0%	6.8%	>3.0%	8.3%	>3.0%
Spain & Portugal	2.3%	>2.3%	6.2%	>3.0%	2.5%	>2.5%	6.2%	>3.0%	8.7%	>3.0%
Netherlands	2.8%	0.7%	4.9%	0.6%	2.0%	0.3%	5.0%	0.2%	8.2%	0.2%

[1] Excluding allocated corporate costs.

IMPAIRMENT TEST OF THE ISS BRAND

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

3.8 GOODWILL IMPAIRMENT

DKK million	2018	2017
Impairment losses derived from divestment of businesses	724	68
Goodwill impairment	**724**	**68**

Impairment losses derived from divestment of businesses predominantly related to the divested specialised cleaning business in the Netherlands of DKK 596 million as well as the divesment of the Fruit business in Denmark and the Uniguard security business in the USA. Furthermore, the remeasurement of businesses held for sale resulted in a total loss of DKK 70 million excluding losses on discontinued operations. In 2017, the losses related to the engineering consulting activities in Finland and the public hospital cleaning activities in Hungary.

CAPITAL STRUCTURE

SECTION 4

We wish to maintain a strong and efficient balance sheet and to strike an optimal balance between reinvesting capital back into our business and returning surplus funds to our shareholders. Our objective is to maintain an investment grade financial profile with a financial leverage below 2.5x pro forma adjusted EBITDA taking seasonality into account. Effective 1 January 2019, the target has been changed to 2.8x to reflect the impact from IFRS 16 "Leases". At 31 December 2018, the financial leverage was 2.1x (2017: 2.2x) with net debt of DKK 10,757 million (2017: 11,325 million).

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

Financial income and expenses, net increased to DKK 590 million. The increase was partly the result of higher forward premiums when part of the Euro EMTN bonds was swapped into USD on the back of the acquisition of Guckenheimer as well as slightly higher cost of debt following the refinancing in August 2017.

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

In this section:

EQUITY RATIO

25.0%
(2017: 27.2%)

EQUITY

12,472 DKKm
(2017: 13,814 DKKm)

NET DEBT

10,757 DKKm
(2017: 11,325 DKKm)

FINANCIAL INCOME AND EXPENSES, NET

590 DKKm
(2017: 498 DKKm)

LOW FINANCIAL RISK

99%
of loans and borrowings carried fixed interest rates

99.7%
of loans and borrowings were in EUR

4.1 EQUITY

SHARE CAPITAL

At 31 December 2018, ISS's share capital comprised a total of DKK 185,668,226 shares (2017: 185,668,226) with a nominal value of DKK 1 each. All shares were fully paid and freely transferable.

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

DIVIDEND

Our dividend policy targets a pay-out ratio of approximately 50% of Net profit (adjusted). As announced as part of the Strategy Update in December 2018, ISS will be executing a two-year programme of accelerated investment to strengthen our key account capabilities further. In 2019-2020, we remain committed to paying an annual ordinary dividend at least equal to the DKK 7.70 per share paid in 2018. At the annual general meeting to be held on 10 April 2019, the Board of Directors therefore proposes a dividend for 2018 of 7.70 per share of DKK 1, equivalent to DKK 1,430 million (2017: DKK 1,430 million) and a pay-out ratio of 69%.

TREASURY SHARES

At 31 December 2018, ISS held a total of 1,001,376 treasury shares (2017: 1,508,571) equal to 0.5% of the share capital with the purpose of covering obligations under existing share-based incentive programmes. The fair value of treasury shares was DKK 182 million at 31 December 2018 (2017: DKK 362 million).

	2018		2017
	Purchase price (DKK million)	**Number of shares** (in thousands)	**Number of shares** (in thousands)
Treasury shares at 1 January	297	1,509	2,120
Settlement of vested PSUs	(100)	(508)	(585)
Settlement of vested RSUs	-	-	(26)
Treasury shares at 31 December	**197**	**1,001**	**1,509**

AVERAGE NUMBER OF SHARES

In thousands	2018	2017
Average number of shares	185,668	185,668
Average number of treasury shares	(1,110)	(1,641)
Average number of shares (basic)	**184,558**	**184,027**
Average number of PSUs expected to vest	862	1,272
Average number of shares (diluted)	**185,420**	**185,299**

Average number of shares are calculated for the purpose of the calculation of EPSs. The calculation of diluted EPS excludes 1,367,938 (2017: 966,192) PSUs which are not expected to vest.

Definitions, see p. 110.

§ ACCOUNTING POLICY

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

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

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

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

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

4.2 LOANS AND BORROWINGS

DKK million	2018	2017
Issued bonds	17,121	17,052
Bank loans	179	286
Finance lease liabilities	360	327
Derivatives	0	6
Total	**17,660**	**17,671**
Non-current liabilities	17,382	17,290
Current liabilities	278	381
Loans and borrowings	**17,660**	**17,671**
Cash and cash equivalents and other financial items [1]	(6,903)	(6,346)
Net debt	**10,757**	**11,325**

[1] Includes securities of DKK 55 million (2017: DKK 39 million) and positive value of currency swaps of DKK 14 million (2017: DKK 32 million).

CASH FLOW FROM FINANCING ACTIVITIES

DKK million	2018	2017
Loans and borrowings at 1 January	17,671	15,338
Foreign exchange adjustments	85	(22)
Proceeds from bonds	-	4,439
Repayment of senior facilities	-	(2,230)
Other financial payments, net	(298)	152
Additions to finance lease liabilities (non-cash)	136	92
Other non-cash movements	66	(98)
Loans and borrowings at 31 December	**17,660**	**17,671**

FAIR VALUE

The fair value of loans and borrowings was DKK 17,900 million (2017: DKK 18,201 million). The fair value of bonds is based on the quoted market price on the Luxembourg Stock Exchange and measurement is categorised as Level 1 in the fair value hierarchy. For the remaining loans and borrowings fair value is equal to the nominal value as illustrated in 4.5, Interest rate risk.

FINANCING FEES

In 2018, financing fees amounting to DKK 4 million (2017: DKK 51 million) have been recognised in loans and borrowings while financing fees of DKK 22 million (2017: DKK 59 million) have been amortised and recognised in financial expenses. Accumulated financing fees recognised in loans and borrowings on 31 December 2018 amounted to DKK 79 million (2017: DKK 97 million).

§ ACCOUNTING POLICY

Financial liabilities are recognised at the date of borrowing at fair value less related transaction costs paid. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. Any difference between the proceeds initially received and the nominal value is recognised in Financial expenses over the term of the loan. Financial liabilities also include the capitalised residual obligations on finance leases, which are measured at amortised cost.

4.3 FINANCIAL INCOME AND EXPENSES

DKK million	2018	2017
Interest income on cash and cash equivalents	37	34
Financial income	**37**	**34**
Interest expenses on loans and borrowings	(353)	(322)
Forward premiums on currency swaps	(99)	(56)
Other bank fees	(63)	(48)
Foreign exchange losses	(34)	(8)
Amortisation of financing fees	(22)	(59)
Net interest on defined benefit obligations	(21)	(21)
Interest on factoring and supply chain finance [1]	(20)	(7)
Interest on financial leasing	(15)	(11)
Financial expenses	**(627)**	**(532)**

[1] The Group uses non-recourse factoring with certain large blue-chip customers and participates in certain customers' supply chain finance arrangements for the purpose of optimising operational cash flows.

Interest expenses on loans and borrowings The increase in interest expenses in 2018 was mainly a result of the issuance of bonds under the EMTN programme in August 2017 carrying sligthly higher interest rates.

Forward premiums on currency swaps increased as a result of the acquistion of Guckenheimer in April 2017, when part of the Euro EMTN bonds was swapped into USD carrying a higher interest rate.

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

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

4.4 FINANCIAL RISK MANAGEMENT

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

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

The areas exposed to financial risks are mainly loans and borrowings and financial income and expenses. The Group's objectives, policies and processes for measuring and managing the risk exposure related to these items are explained in:

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

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

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

At 31 December 2018, the exposure to credit risk related to cash and cash equivalents was DKK 6,903 million (2017: DKK 6,346 million). It is the Group's policy to transact only with financial institutions with at least A-1/P-1 credit ratings. Group Treasury monitors credit ratings on an ongoing basis and approves exceptions to credit rating requirements.

The Group has not identified additional financial risk exposures in 2018 compared to 2017.

4.5 INTEREST RATE RISK

EXPOSURE	RISK MANAGEMENT POLICY	MITIGATION
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments, currently bank loans and issued bonds. **Low risk** • 99% of the Group's bank loans and bonds carried fixed interest rates at 31 December 2018 (2017: 98%) • Duration of gross debt (fixed-rate period) of 4.1 years at 31 December 2018 (2017: 5.1 years) • Exposure primarily related to EUR denominated bank loans with floating rates	• At least 50% of the Group's bank loans and issued bonds must carry fixed interest rates directly or through derivatives • Duration of gross debt (fixed-rate period) shall be 2-6 years • Currently the Group does not use interest rate swaps	• The balance between fixed and variable interest rates and gross debt duration (fixed-rate period) is measured on a monthly basis to ensure compliance

EXPOSURE TOWARDS INTEREST RATES

DKK million	Nominal interest rate	Currency	Maturity	Nominal value	2018 Carrying amount	2017 Carrying amount
Issued bonds (fixed interest rate)						
EMTNs (EUR 700 million)	1.125%	EUR	2020	5,227	5,220	5,197
EMTNs (EUR 500 million)	1.125%	EUR	2021	3,734	3,724	3,708
EMTNs (EUR 500 million)	2.125%	EUR	2024	3,734	3,717	3,703
EMTNs (EUR 600 million)	1.500%	EUR	2027	4,480	4,460	4,444
				17,175	**17,121**	**17,052**
Bank loans (floating interest rate)						
Revolving Credit Facility (EUR 1,000 million) [1]	Libor + 0.60%	Multi	2023	78	53	42
Bank loans and overdrafts	-	Multi	-	126	126	244
				204	**179**	**286**

[1] The Revolving Credit Facility was extended in November 2018 to mature in November 2023. The current margin of 0.60% will decrease to 0.45% in February 2019 if leverage is below 2.5x. At 31 December 2018, leverage was 2.1x. In addition, a utilisation fee applies. For utilisation up to 33% the fee is 0.10%, for utilisation between 33% and 66%, the fee is 0.20%, and for utilisations above 66% the fee is 0.30%.

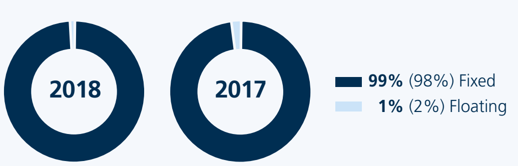
SENSITIVITY ANALYSIS

It is estimated that a general increase in relevant interest rates of 1%-point would have decreased profit for the year and other comprehensive income by DKK 4 million (2017: decreased both items by DKK 3 million).

The estimate is based on loans and borrowings with floating interest rates, i.e. disregarding cash and cash equivalents, as the level at 31 December is typically the highest in the year and not a representative level for the purpose of this analysis. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In addition, the net forward position of intercompany loan hedges at 31 December 2018 was DKK 4.3 billion (excluding EUR/DKK hedges) of which USD represent DKK 2.4 billion. It is estimated that a general increase of 1 percentage point in relevant interest rates versus EUR/DKK interest rates would have increased the annual cost (forward premium) by DKK 43 million and consequently decreased profit for the year and other comprehensive income with the same amount.

FIXED VS. FLOATING INTEREST RATES



4.6 LIQUIDITY RISK

EXPOSURE	RISK MANAGEMENT POLICY	MITIGATION
Liquidity risk results from the Group's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity. **Low risk** • Diversified funding through bank loans and bonds • No short-term maturities	• Maintain an appropriate level of short- and long-term liquidity reserves (liquid funds and committed credit facilities) • Maintain a smooth maturity profile in terms of different maturities • Maintain access to diversified funding sources	• Raising capital is managed centrally in Group Treasury to ensure efficient liquidity management • Liquidity is transferred to/from ISS Global A/S, which operates as the internal bank of the Group • For day-to-day liquidity management cash pools have been established in the majority of the local entities

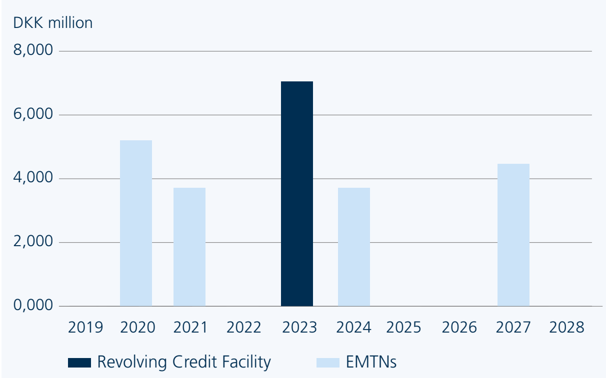
LIQUIDITY RESERVES

The Group's liquidity reserves mainly consist of liquid funds (cash and cash equivalents less not readily available or restricted cash) and unused credit facilities. The level of cash and cash equivalents is typically highest at 31 December and not a representative level for the rest of the year. As at 31 December 2018, the Group's liquid reserves consisted of readily available liquid funds of DKK 6,770 million (2017: DKK 6,254 million) and unused revolving credit facilities of DKK 7,056 million (2017: DKK 7,210 million) where the majority is available for drawing until 3 November 2023.

In addition, as of 31 December 2018, ISS had DKK 1.4 billion of other credit facilities of which DKK 1.0 billion was unused. Such facilities comprise mainly other local credit facilities and finance leases, which are not part of the senior unsecured facilities.

DKK 64 million (2017: DKK 21 million) of the total cash position at 31 December 2018 was placed on blocked or restricted bank accounts due to legal circumstances.

MATURITY OF CREDIT FACILITIES



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

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

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

DKK million	Carrying amount	Contractual cash flows	< 1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years
2018								
Loans and borrowings	17,660	18,980	572	5,522	3,960	197	178	8,551
Trade payables and other financial liabilities	6,140	6,185	6,027	73	32	53	-	-
Total financial liabilities	**23,800**	**25,165**	**6,599**	**5,595**	**3,992**	**250**	**178**	**8,551**
2017								
Loans and borrowings	17,671	19,245	672	323	5,470	3,914	176	8,690
Trade payables and other financial liabilities	4,918	5,005	4,796	71	43	36	59	-
Total financial liabilities	**22,589**	**24,250**	**5,468**	**394**	**5,513**	**3,950**	**235**	**8,690**

4.7 CURRENCY RISK

EXPOSURE	RISK MANAGEMENT POLICY	MITIGATION
Currency risk is the risk that arises from changes in exchange rates, and affects the Group's result or value of financial instruments. The Group uses currency swaps to hedge the exposure to currency risk. **Low risk** • 99.7% of the Group's loans and borrowings (external) were denominated in EUR at 31 December 2018 (2017: 97.0%) • Exposure relates to intercompany loans from the parent company to foreign subsidiaries and intercompany balances as these are typically denominated in the functional currency of the subsidiary	• All hedging is conducted at Group level • Main policy is to hedge foreign exchange exposures towards EUR or DKK exceeding DKK 5 million. However, some currencies cannot be hedged within a reasonable price range, e.g. ARS in which case correlation to a proxy currency is considered and, if deemed appropriate, proxy hedging is applied • Exposure to EUR is monitored but not hedged due to the fixed exchange rate policy between DKK/EUR • Exposure resulting from functional currencies not matching liabilities may as a result of recent currency volatility be hedged for functional currencies representing 5% or more of Group EBITDA in an amount equaling 3-5 years of annual EBITDA in the functional currency adjusted as appropriate to market entry and market exit risk • Our hedging of foreign exchange exposures (intercompany loans) exposes us to interest spread risk, see sensitivity analysis in note 4.5, Interest rate risk	• Use of currency swaps to hedge the exposure to currency risk on loans and borrowings (external) and intercompany balances. As fair value adjustments of both the hedged item and the derivative financial instrument are recognised in the income statement in financial income and expenses, hedge accounting in accordance with IFRS 9 is not applied • Exposure on loans and borrowings, intercompany balances and cash and cash equivalents are measured at least on a weekly basis to evaluate the need for hedging currency positions

SENSITIVITY ANALYSIS

It is estimated that a change in relevant foreign exchange rates would have increased/(decreased) net profit and other comprehensive income by the amounts shown below. The analysis is based on the Group's internal monitoring of currency exposure on loans and borrowings, intercompany loans, cash and cash equivalents as well as accrued royalties (Group internal). Further, the analysis is based on foreign exchange rate variances that the Group considered to be reasonably possible at the reporting date and assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

LOANS AND BORROWINGS BY CURRENCY

				Sensitivity		
DKK million	Currency exposure (nominal value)	Currency swaps (contractual value)	Total exposure	Increase in foreign exchange rates	Net profit	Other comprehensive income
2018						
EUR/DKK	(15,435)	8,304	(7,131)	1%	(71)	(71)
USD/DKK	2,267	(2,429)	(162)	10%	(16)	(16)
Other/DKK	2,058	(1,901)	157	10%	16	16
Total	**(11,110)**	**3,974**	**(7,136)**			
2017						
EUR/DKK	(14,473)	7,578	(6,895)	1%	(69)	(69)
USD/DKK	2,068	(2,212)	(144)	10%	(14)	(14)
Other/DKK	1,715	(1,506)	209	10%	21	21
Total	**(10,690)**	**3,860**	**(6,830)**			

IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Fluctuations in foreign exchange rates will affect the value of loans and borrowings (external) as well as the income statement as funding is obtained in various currencies. In 2018, changes in foreign exchange rates related to loans and borrowings resulted in a loss of DKK 85 million (2017: gain of DKK 22 million). The impact is derived from loans and borrowings in EUR, which appreciated 0.2% against DKK in 2018.

REMUNERATION

SECTION 5

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

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

Under the LTIP, performance-based share units (PSUs) were granted to plan participants in 2018. Upon vesting, each PSU entitles the holder to receive one share at no cost. The PSUs will west on the date of the third year of grant.

In March 2018, the PSUs granted under LTIP 2015 vested. Based on the annual EPS and TSR performances for 2015, 2016 and 2017, vesting was 91%. In March 2019, the PSUs granted under LTIP 2016 will vest 6% based on the annual EPS and TSR performances for 2016, 2017 and 2018.

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

In this section:

LTIP 2015

91%
vested in March 2018

LTIP 2016

6%
will vest in March 2019

PENSIONS

1,021 DKKm
(2017: 1,140 DKKm)
Defined benefit obligations, net

1,531 DKKm
(2017: 1,514 DKKm)
Total pension costs

92%
of costs related to defined contribution plans

79 DKKm
Actuarial losses
(2017: 192 DKKm actuarial gains)

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

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

	2018			2017		
		EGM			EGM	
DKK thousand	Board	EGMB	Corporate Senior Officers	Board	EGMB	Corporate Senior Officers
Base salary and non-monetary benefits	8,818	16,821	33,614	8,490	15,215	40,033
Annual bonus (STIP)	-	11,906	20,660	-	8,718	19,798
Retention bonus [1]	-	9,878	-	-	-	-
Share-based payments (LTIP)	-	3,482	4,141	-	4,637	11,061
Total remuneration	**8,818**	**42,087**	**58,415**	**8,490**	**28,570**	**70,892**

[1] Hereof DKK 5.6 million paid in 2018 and the remaining DKK 4.3 million are subject to continued employment in 2019 and 2020.

Remuneration policy is described in the Remuneration report on p. 49

5.2 SHARE-BASED PAYMENTS

The Group has an equity-settled long-term incentive programme (LTIP). Members of the EGM (EGMB and Corporate Senior Officers of the Group), and other senior officers of the Group, were granted a number of PSUs. Upon vesting, each PSU entitles the holder to receive one share at no cost. The PSUs will vest on the date of the third year of the grant. PSUs have vesting criteria of total shareholder return (TSR) and earnings per share (EPS), equally weighted. TSR peers are the Nasdaq Copenhagen OMX C25 and a peer group of comparable international service companies, see p. 50 for a complete list.

For the LTIP 2016, 2017 and 2018 (but not previous programmes) participants are compensated for any dividend distributed during time of grant and time of vesting.

THRESHOLD	VESTING	TSR	EPS GROWTH [1] (LTIP 2016)	EPS GROWTH [1] (LTIP 2017)	EPS GROWTH [1] (LTIP 2018)
Below threshold	0%	Below median of peers	< 6% annually	< 3% annually	< 3% annually
Threshold	25%	At median of peers	6% annually	3% annually	3% annually
Maximum	100%	At upper quartile of peers or better	12% annually	9% annually	9% annually

[1] Adjusted EPS excluding Other income and expenses, net. EPS growth is measured as compound annual growth rate (CAGR).

VALUE OF LTIP PROGRAMMES AND IMPACT IN THE INCOME STATEMENT

	LTIP 2015	LTIP 2016	LTIP 2017	LTIP 2018
Total PSUs granted	785,976	822,876	732,824	844,854
Number of participants	142	141	155	152
Fair value of PSUs expected to vest at grant date, DKK million	89	103	102	100
Fair value of PSUs expected to vest at 31 December 2018, DKK million	103	54	52	86
Recognised in the income statement in 2018, DKK million	7	(4)	5	24
Not yet recognised in respect of PSUs expected to vest, DKK million	-	3	13	63

APPLIED ASSUMPTIONS AT THE TIME OF GRANT

	LTIP 2016	LTIP 2017	LTIP 2018
Share price (DKK)	241	270	228
Expected volatility	24.5% [1]	27.9% [1]	29.0% [1]
Expected life of grant	3 years	3 years	3 years
Risk-free interest rate	0.6%–1.6% [1]	(0.2)%–2.4% [1]	0.5%-2.4% [1]

[1] Based on observable market data for peer groups.

LTIP 2015 – VESTED

In March 2018, the LTIP 2015 programme vested and the participants received shares in ISS A/S at no cost. Based on the annual EPS and TSR performances for 2015, 2016 and 2017, 91% of the granted PSUs, equal to 609,334 PSUs, vested. After this vesting, no further PSUs are outstanding under the LTIP 2015 and the programme has lapsed.

	EGM			
LTIP 2015 (number of PSUs)	**EGMB**	**Corporate Senior Officers**	**Other senior officers**	**Total**
Outstanding at 1 January 2017	37,589	116,476	542,671	696,736
Cancelled	-	-	(26,227)	(26,227)
Outstanding at 31 December 2017	**37,589**	**116,476**	**516,444**	**670,509**
Vested	(34,308)	(84,935)	(490,091)	(609,334)
Transferred	-	(23,415)	23,415	-
Forfeited	(3,281)	(8,126)	(46,925)	(58,332)
Cancelled	-	-	(2,843)	(2,843)
Outstanding at 31 December 2018	-	-	-	-

LTIP – OUTSTANDING PSUs

	EGM			
LTIP 2016 (number of PSUs)	**EGMB**	**Corporate Senior Officers**	**Other senior officers**	**Total**
Outstanding at 1 January 2017	54,063	130,284	492,234	676,581
Granted	1,548	3,728	13,784	19,060
Cancelled	-	(14,026)	(39,250)	(53,276)
Outstanding at 31 December 2017	**55,611**	**119,986**	**466,768**	**642,365**
Granted	1,946	3,842	15,985	21,773
Transferred	-	(10,117)	10,117	-
Cancelled	-	(11,246)	(35,525)	(46,771)
Outstanding at 31 December 2018 [1]	**57,557**	**102,465**	**457,345**	**617,367**
LTIP 2017 (number of PSUs)				
Granted	58,182	101,596	551,939	711,717
Cancelled	-	(13,355)	(88,320)	(101,675)
Outstanding at 31 December 2017	**58,182**	**88,241**	**463,619**	**610,042**
Granted	2,066	2,882	16,159	21,107
Transferred	-	(7,006)	7,006	-
Cancelled	-	(9,034)	(42,210)	(51,244)
Outstanding at 31 December 2018	**60,248**	**75,083**	**444,574**	**579,905**
LTIP 2018 (number of PSUs)				
Granted	85,410	94,892	664,552	844,854
Cancelled	-	(10,534)	(151,656)	(162,190)
Outstanding at 31 December 2018	**85,410**	**84,358**	**512,896**	**682,664**

[1] In March 2019, the PSUs granted under LTIP 2016 will vest with 6% based on the annual EPS and TSR performances for 2016, 2017 and 2018.

§ ACCOUNTING POLICY

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

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

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

5.3 PENSIONS AND SIMILAR OBLIGATIONS

DEFINED CONTRIBUTION PLANS

The majority of the Group's pension schemes are defined contribution plans where contributions are paid to publicly or privately administered pension plans. The Group has no further payment obligations once the contributions have been paid. In 2018, contributions amounted to DKK 1,408 million (2017: 1,358 million), corresponding to 91% of the Group's pension costs (2017: 91%).

DEFINED BENEFIT PLANS

The Group has a number of defined benefit plans where the responsibility for the pension obligation towards the employees rests with the Group. The largest plans are in Switzerland and the UK accounting for 87% (2017: 86%) of the Group's obligation (gross) and 96% (2017: 96%) of its plan assets.

The defined benefit plans are primarily based on years of service, and benefits are generally determined on the basis of salary and rank. For defined benefit plans the Group assumes the risk associated with future developments in salary, interest rates, inflation, mortality and disability etc.

The majority of the obligations are funded with assets placed in independent pension funds. In some countries, primarily Sweden, France and Hong Kong the obligation is unfunded. For these unfunded plans the retirement benefit obligations amounted to DKK 696 million or 9% of the present value of the gross obligation (2017: DKK 683 million or 9%).

Switzerland Participants are insured against the financial consequences of retirement, disability and death. The pension plans guarantee a minimum interest credit and fixed conversion rates at retirement. Contributions are paid by both the employee and the employer. The plans must be fully funded. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, reduction of benefits or a combination of both. The pension plans include a risk-sharing element between ISS and the plan participants.

The UK Participants are insured against the financial consequences of retirement and death. The schemes do not provide any insured disability benefits. The pension plans are plans guaranteeing defined benefit pension at retirement on a final salary basis. The majority of the pension plans does not include a risk-sharing element between ISS and the plan participants.

§ ACCOUNTING POLICY

Contributions to **defined contribution plans** are recognised in Staff costs when the related service is provided. Any contributions outstanding are recognised in Other liabilities.

Defined benefit plans The Group's net obligation is calculated annually by a qualified actuary using the projected unit credit method. This calculation is done separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The present value less the fair value of any plan assets is recognised in Pensions and similar obligations.

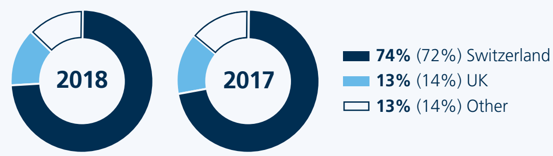
When the calculation results in a potential asset, recognition is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Pension costs are calculated based on actuarial estimates and financial expectations at the beginning of the year. Service costs are recognised in Staff costs and net interest is recognised in Financial expenses. Differences between the expected development in pension assets and liabilities and the realised amounts at the reporting date are designated actuarial gains or losses and recognised in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised in Staff costs. The Group recognises gains and losses on the settlement when the settlement occurs.

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

GROSS OBLIGATION BY COUNTRY



ACTUARIAL ASSUMPTIONS

Actuarial calculations and valuations are performed annually for all major defined benefit plans. The actuarial assumptions vary from country to country due to local conditions. Discount rates are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating to the terms of the defined benefit obligations.

	CHF	GBP	EUR	Other currencies
2018				
Discount rates at 31 Dec	0.9%	3.0%	1.4-1.9%	1.0-16.8%
Future salary increases	1.0%	1.0-2.2%	0.0-3.0%	0.0-8.6%
Future pension increases	0.0%	3.1%	0.0-2.0%	0.0-2.0%
2017				
Discount rates at 31 Dec	0.6%	2.7%	1.3-3.2%	1.0-10.8%
Future salary increases	1.0%	1.8%	0.0-3.5%	0.0-8.6%
Future pension increases	0.0%	3.0%	0.0-2.0%	0.0-1.9%

SENSITIVITY ANALYSIS

The table below illustrates the sensitivity related to significant actuarial assumptions used in the calculation of the defined benefit obligation recognised at the reporting date. The analysis is based on changes in assumptions that the Group considered to be reasonably possible at the reporting date. It is estimated that the relevant changes in assumptions would have increased/(decreased) the defined benefit obligation by the amounts shown below:

	2018		2017	
DKK million	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	(476)	535	(478)	554
Future price inflation	138	(116)	171	(70)
Future salary increases	78	(71)	130	(33)
Future pension increases	357	(84)	359	(46)
	+1 year	-1 year	+1 year	-1 year
Life expectancy	165	(158)	213	(114)

The estimated weighted average duration of the defined benefit obligation was 13 years (2017: 14 years) and is split into:

Years	2018	2017
Active employees	13	13
Retired employees	13	13
Deferred vested [1]	22	22
Total employees [1]	13	14

[1] The impact from deferred vested on total estimated weighted average duration is minor due to the fact that deferred vested make up less than 2% of the participants, and do not exist in many of the shorter duration plans.

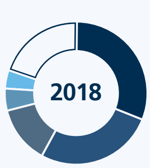
	2018			2017		
DKK million	**Present value of obligation**	**Fair value of plan assets**	**Obligation, net**	**Present value of obligation**	**Fair value of plan assets**	**Obligation, net**
Carrying amount at 1 January	**7,567**	**6,506**	**1,061**	**7,744**	**6,234**	**1,510**
Current service costs	173	-	173	169	-	169
Interest on obligation/plan assets	94	73	21	78	56	22
Past service costs	(71)	-	(71)	(57)	-	(57)
Recognised in the income statement [1]	**196**	**73**	**123**	**190**	**56**	**134**
Actuarial (gains)/losses from demographic assumptions	(93)	-	(93)	38	-	38
Actuarial (gains)/losses from financial assumptions	(250)	-	(250)	10	-	10
Actuarial (gains)/losses due to experience adjustments	100	-	100	70	-	70
Return on plan assets excluding interest income	-	(322)	322	-	326	(326)
Impact from asset ceiling	-	(8)	8	-	(45)	45
Reclassifications	(3)	(3)	-	165	149	16
Recognised in other comprehensive income [2]	**(246)**	**(333)**	**87**	**283**	**430**	**(147)**
Foreign exchange adjustments	211	220	(9)	(530)	(450)	(80)
Reclassifications	21	-	21	-	-	-
Acquisitions and divestments, net	(9)	(2)	(7)	-	-	-
Additions from new contracts, net	-	-	-	9	-	9
Employee contributions	134	134	-	125	125	-
Employer contributions	-	198	(198)	-	196	(196)
Benefits paid	(257)	(173)	(84)	(211)	(130)	(81)
Impact from asset ceiling	-	8	(8)	-	45	(45)
Reclassification to Liabilities held for sale	(89)	(37)	(52)	(43)	-	(43)
Other changes	**11**	**348**	**(337)**	**(650)**	**(214)**	**(436)**
Carrying amount at 31 December	**7,528**	**6,594**	**934**	**7,567**	**6,506**	**1,061**
Other long-term employee benefits			140			151
Accumulated impact from asset ceiling			87			79
Pensions and similar obligations at 31 December			**1,161**			**1,291**

[1] Of which DKK 12 million was recognised in Net loss from discontinued operations (2017: DKK 10 million).
[2] Of which DKK 4 million related to discontinued operations (2017: DKK 22 million).

Past service costs In 2018 and 2017, the negative past service costs mainly related to decrease of benefits in Switzerland due to a plan amendment.

Contribution to defined benefit plans The Group expects to contribute DKK 225 million in 2019 (2018: DKK 253 million).

MAJOR CATEGORIES OF PLAN ASSETS



- **31%** (34%) Listed shares
- **27%** (30%) Corporate bonds
- **13%** (12%) Property
- **5%** (6%) Cash and cash equivalents
- **4%** (1%) Government bonds
- **20%** (17%) Other

% of total plan assets

SIGNIFICANT ACCOUNTING ESTIMATES

The present value of defined benefit obligations is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. All assumptions are assessed at the reporting date. Changes in these assumptions may significantly affect the liabilities and pension costs under defined benefit plans. The range and weighted average of these assumptions as well as sensitivities on key assumptions are disclosed in this note.

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

ISS participates in multi-employer pension schemes that by nature are defined benefit plans. Some funds are not able to provide the necessary information in order for the Group to account for the schemes as defined benefit plans and the schemes are therefore accounted for as defined contribution plans. There is a risk that the plans are not sufficiently funded. However, information on surplus or deficit in the schemes is not available.

OTHER REQUIRED DISCLOSURES

SECTION 6

This section includes other disclosures required by IFRS, but which are not material or relevant for the understanding of the business and the activities in ISS as outlined in section 1 to 5.

In this section:

6.1 PROPERTY, PLANT AND EQUIPMENT

DKK million	2018	2017
Cost at 1 January	5,064	5,267
Foreign exchange adjustments	(78)	(226)
Acquisitions	1	162
Additions	882	742
Divestments	(34)	(151)
Disposals	(583)	(680)
Reclassification to Intangible assets	(39)	-
Reclassification to Assets held for sale	(696)	(50)
Cost at 31 December	**4,517**	**5,064**
Depreciation at 1 January	(3,471)	(3,695)
Foreign exchange adjustments	41	174
Acquisitions	-	(124)
Impairment	(13)	-
Depreciation	(520)	(534)
Divestments	33	107
Disposals	520	602
Reclassification to Intangible assets	1	-
Reclassification to Assets held for sale	450	(1)
Depreciation at 31 December	**(2,959)**	**(3,471)**
Carrying amount at 31 December	**1,558**	**1,593**
Hereof carrying amount of:		
Land and buildings	45	54
Assets held under finance leases	454	173

PROPERTY AND EQUIPMENT UNDER OPERATING LEASES

The Group leases a number of properties, vehicles (primarily cars) and other equipment under operating leases. The leases, except for properties, typically run for a period of 2-5 years, with an option to renew the lease after that date.

Leasing of cars is primarily entered under an international car fleet lease framework agreement which is valid until end 2019. The majority of the underlying agreements have a lifetime duration of 3-5 years.

The disclosed non-cancellable operating lease payments below assume no early termination of any agreement.

DKK million	2018	2017
Year 1	1,129	1,123
Year 2	771	819
Year 3	512	552
Year 4	323	350
Year 5	186	226
After 5 years	500	362
Total	**3,421**	**3,432**

In 2018, DKK 1,503 million (2017: DKK 1,633 million) was recognised as an expense in the income statement in respect of operating leases of which DKK 130 million (2017: DKK 75 million) was recognised in Net loss from discontinuing operations.

§ ACCOUNTING POLICY

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

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

A finance lease is a lease that transfers substantially all risks and rewards of ownership to the lessee. Other leases are classified as operating leases. The cost of assets held under finance leases is stated at the lower of fair value of the asset and the net present value of future minimum lease payments. When calculating the net present value the interest rate implicit in the lease or an approximated rate is applied as the discount rate.

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

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

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

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

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

Land is not depreciated.

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

Assets held under operating leases are not recognised in the statement of financial position. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

6.2 PROVISIONS

DKK million	Legal and labour-related cases	Self-insurance	Other	Total
Provisions at 1 January 2018	134	206	111	451
Foreign exchange adjustments	(19)	4	1	(14)
Additions	30	149	29	208
Disposals	(1)	0	0	(1)
Used during the year	(41)	(171)	(32)	(244)
Unused amounts reversed	(14)	0	(6)	(20)
Unwind of discount and other financial expenses	2	1	0	3
Reclassification to Liabilities held for sale	(35)	-	(2)	(37)
Reclassification from Other liabilities	4	2	5	11
Provisions at 31 December 2018	**60**	**191**	**106**	**357**
Current	36	78	44	158
Non-current	24	113	62	199

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

- **Hong Kong** – DKK 24.9 million (2017: DKK 24.0 million) yearly
- **UK** – DKK 22.8 million (2017: DKK 20 million) yearly aggregated limit and DKK 4 million (2017: DKK 4 million) per claim
- **Ireland** – DKK 7.5 million (2017: DKK 6.7 million) yearly aggregated limit and DKK 1.1 million (2017: DKK 1 million) per claim
- **Australia** – DKK 3.5 million (2017: DKK 2.4 million) per claim
- **USA** – DKK 3.2 million (2017: DKK 3.0 million) per claim

Furthermore, the provision includes liability not insured under the global general liability insurance with a self-insured level of DKK 7.5 million worldwide, except for the USA where the self-insurance level is DKK 6.5 million (2017: worldwide, including the USA, DKK 0.2 million) per claim. Obligations and legal costs in relation to various insurance cases if not covered by the insurance are also included in the provision.

Other comprises various obligations incurred, e.g. restructuring costs, guarantee reserves, dismantling costs, operational issues, closure of contracts and costs of meeting obligations under onerous contracts. At 31 December 2018, provisions for onerous contracts were included with DKK 13 million (2017: DKK 37 million).

§ ACCOUNTING POLICY

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

(CONTINUING)

§ **ACCOUNTING POLICY** (CONTINUED)

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

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

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

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

6.3 CONTINGENT LIABILITIES

GUARANTEE COMMITMENTS

Indemnity and guarantee commitments (mainly towards public authorities and insurance companies) at 31 December 2018 amounted to DKK 413 million (2017: DKK 427 million).

PERFORMANCE GUARANTEES

The Group has issued performance guarantee bonds for service contracts amounting to DKK 3,207 million (2017: DKK 3,190 million) of which DKK 1,331 million (2017: DKK 1,294 million) were bank-guaranteed performance bonds. Such performance bonds are issued in the ordinary course of business in the service industry to guarantee towards specific customers satisfactory completion of work in accordance with service contracts.

DIVESTMENTS

The Group makes provisions for claims from purchasers or other parties in connection with divestments and representations and warranties given in relation to such divestments. Management believes that provisions made at 31 December 2018 are adequate. However, there can be no assurance that one or more major claims arising out of the Group's divestment of companies will not adversely affect the Group's activities, results of operations and financial position.

LEGAL PROCEEDINGS

The Group is party to certain legal proceedings. Management believes that these proceedings (many of which are labour-related cases incidental to the business) will not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the statement of financial position at 31 December 2018.

RESTRUCTURING PROJECTS

Restructuring projects, e.g. related to implementation of GREAT, have been undertaken across different geographies and service areas. Labour laws especially in Europe include restrictions on dismissals and procedural rules to be followed. The procedures applied by ISS could be challenged in certain jurisdictions resulting in liabilities. Management believes that this would not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the statement of financial position at 31 December 2018.

6.4 AVERAGE NUMBER OF EMPLOYEES

In 2018, the average number of employees was 485,902 (2017: 491,126). The decrease was mainly due to contract losses and exits as well as divestments.

6.5 RELATED PARTIES

PARENT AND ULTIMATE CONTROLLING PARTY

The Group's parent ISS A/S is the ultimate controlling party. At 31 December 2018, ISS had no related parties with either control of the Group or significant influence in the Group.

KEY MANAGEMENT PERSONNEL

The Board and the EGM are considered the Group's key management personnel as defined in 5.1, Remuneration to the Board of Directors and the Executive Group Management.

Apart from remuneration, including Long-Term Incentive Programmes, there were no significant transactions with members of the Board and the EGM in 2018.

6.6 GOVERNMENT GRANTS

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

6.7 FEES TO AUDITORS

DKK million	2018	2017
Statutory audit	27	25
Other assurance services	2	4
Tax and VAT advisory services	5	5
Other services	4	1
Total	**38**	**35**

Other assurance services comprised work related to the interim financial statements and other assurance services.

Tax and VAT advisory services mainly related to tax compliance services.

Other services comprised among other things work related to acquisitions and divestments, such as financial and tax due diligence, and advise in relation to new accounting standards (IFRS 15 and IFRS 16).

6.8 OTHER SEGMENT INFORMATION

DKK million	Continental Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total segments	Unallocated [1]	Elimination [2]	Total Group
2018									
Operating profit	848	1,247	772	158	(1)	**3,024**	(638)	-	**2,386**
Total assets	17,553	17,709	7,460	4,503	3,210	**50,435**	21,491	(22,115)	**49,811**
Hereof assets held for sale	1,083	-	50	-	2,167	**3,300**	-	-	**3,300**
Additions to non-current assets [3]	469	283	140	60	83	**1,035**	158	-	**1,193**
Total liabilities	8,807	8,496	3,205	3,597	2,661	**26,766**	32,330	(21,757)	**37,339**
Hereof liabilities held for sale	275	-	12	-	1,492	**1,779**	-	-	**1,779**
2017									
Operating profit	1,672	1,181	913	140	13	**3,919**	(672)	-	**3,247**
Total assets	20,152	18,410	8,066	5,170	14	**51,812**	27,120	(28,097)	**50,835**
Hereof assets held for sale	1,066	51	-	93	-	**1,210**	-	-	**1,210**
Additions to non-current assets [3]	724	273	128	1,761	-	**2,886**	137	-	**3,023**
Total liabilities	10,532	8,947	3,646	3,993	11	**27,129**	37,607	(27,715)	**37,021**
Hereof liabilities held for sale	272	80	-	76	-	**428**	-	-	**428**

1) Unallocated assets and liabilities relate to the Group's holding companies and comprise internal and external loans and borrowings, cash and cash equivalents and intra-group balances.
2) Eliminations relate to intra-group balances.
3) Comprise additions to Intangible assets and Property, plant and equipment, including from Acquisitions.

NON-CURRENT ASSETS [1] BY COUNTRY – MORE THAN 5% OF GROUP REVENUE

DKK million	2018	2017
UK & Ireland	3,030	2,992
USA & Canada	2,605	2,530
France	2,048	2,032
Denmark (ISS A/S's country of domicile)	1,777	1,799
Switzerland	1,629	1,531
Norway	1,501	1,567
Australia & New Zealand	1,466	1,552
Spain & Portugal	1,355	1,370
Other countries [2]	10,757	13,216
Total	**26,168**	**28,589**

1) Excluding deferred tax assets.
2) Including unallocated items and eliminations.

§ ACCOUNTING POLICY

The accounting policies of the reportable segments are described in 1.1, Segment information.

6.9 SUBSEQUENT EVENTS

Acquisitions and divestments completed from 1 January to 15 February 2019 are listed in 3.1, Acquisitions and 3.2, Divestments.

Other than as set out above or elsewhere in these consolidated financial statements, we are not aware of events subsequent to 31 December 2018, which are expected to have a material impact on the Group's financial position.

BASIS OF PREPARATION

SECTION 7

Our focus is to provide decision-useful and transparent financial information based on materiality.

Our aim is to ensure, that the financial statements, including note disclosures, appropriately reflect and portray ISS specific business activities and circumstances.

With that in mind, our consolidated income statement is presented in a three-column format, where Goodwill impairment and Amortisation of brands and customer contracts are presented separately in the column "Acquisition-related" together with income tax related hereto.

In this section:

CHANGES IN ACCOUNTING POLICIES

New standards implemented with no material impact on recognition and measurement:

- IFRS 15 "Revenue from contracts with customers"
- IFRS 9 "Financial instruments"

NEW STANDARDS NOT YET IMPLEMENTED

IFRS 16 "Leasing" will be implemented 1 January 2019 and will have a significant impact on recognition and measurement with:

- Property, plant and equipment and Net debt estimated to increase approximately DKK 3.5 billion of which DKK 0.2 billion relates to disposal groups (assets held for sale)
- Financial leverage estimated to increase approximately 0.3x from the current level of 2.1x

7.1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management made various judgements, estimates and assumptions concerning future events that affected the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Estimates and assumptions are reviewed on an ongoing basis and have been prepared taking macroeconomic developments into consideration, but still ensuring that one-off effects which are not expected to exist in the long term do not affect estimation and determination of these key factors, including discount rates and expectations for the future.

The following items involve significant accounting estimates and judgements:

Item	Estimates	Judgements	Note
Deferred tax assets	x		1.6
Acquisitions	x		3.1
Discontinued operations and Assets and liabilities held for sale	x	x	3.4, 3.5
Intangible assets – the ISS brand		x	3.6
Impairment tests	x		3.8
Pensions and similar obligations	x		5.3
Revenue – gross or net presentation		x	1.2
Other income and expenses, net		x	1.4

7.2 CHANGE IN ACCOUNTING POLICIES

Except for the changes below, the accounting policies have been applied consistently in respect of the financial year and comparative figures.

From 1 January 2018, the Group has adopted the below standards and interpretations with no significant effect on recognition and measurement:

- IFRS 15 "Revenue from Contracts with Customers";
- IFRS 9 "Financial Instruments";
- Amendments to IFRS 2 "Share-based Payments": Classification and Measurement of Share-based Payment Transactions;
- IFRIC 22 "Foreign Currency Transactions and Advance Consideration"; and
- Parts of Annual Improvements to IFRSs 2014-2016 Cycle.

IFRS 15 supersedes IAS 18 "Revenue" and IAS 11 "Construction Contracts" and applies to revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has adopted IFRS 15 using the cumulative effect method. The impact on recognition and measurement is considered immaterial to the consolidated financial statements and no adjustment has been recognised in equity at 1 January 2018. The comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and bring together the aspects of the accounting for financial instruments; classification and measurement; impairment; and hedge accounting. Currently, the Group does not use hedge accounting. IFRS 9 has changed the Group's accounting for impairment losses on financial assets by replacing IAS 39's incurred loss model with a forward-looking expected credit loss approach, whereby the Group recognises an allowance for expected credit losses for trade receivables. The impact on recognition and measurement of the adoption of IFRS 9 is considered immaterial to the consolidated financial statements and no adjustment has been recognised in equity at 1 January 2018.

7.3 GENERAL ACCOUNTING POLICIES

The consolidated financial statements of ISS A/S for the year ended 31 December 2018 comprise ISS A/S and its subsidiaries (collectively, the Group). Significant subsidiaries are listed in 7.5, Group companies.

The Annual Report for ISS A/S for 2018 was discussed and approved by the Executive Group Management Board (EGMB) and the Board of Directors (Board) on 22 February 2019 and issued for approval at the subsequent annual general meeting on 10 April 2019.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and additional requirements of the Danish Financial Statements Act. In addition, the consolidated financial statements have been prepared in compliance with the IFRSs issued by the IASB.

The Group's significant accounting policies and accounting policies related to IAS 1 minimum presentation items are described in the relevant notes to the consolidated financial statements or otherwise stated below. A list of the notes is shown on p. 61.

The consolidated financial statements are presented in Danish kroner (DKK), which is ISS A/S's functional currency. All amounts have been rounded to nearest DKK million, unless otherwise indicated.

PRESENTATION OF THE CONSOLIDATED INCOME STATEMENT

When designing our income statement our aim has been to ensure that line items, headings and subtotals presented are relevant to understand ISS's financial performance.

In the past, ISS has built its business platform, and grown its business, through a large number of acquisitions, including the acquisition of ISS World Services A/S in 2005, which has added a substantial amount of intangibles to the consolidated statement of financial position. Consequently, large amounts of non-cash amortisation/impairment of intangibles are recognised in our consolidated income statement every year.

It is important for us to clearly separate these items to understand the impact of our growth strategy and to enable comparison with our peers. For those reasons, our consolidated income statement is presented in a three-column format, where the line items Goodwill impairment and Amortisation/impairment of brands and customer contracts are presented separately in the column "Acquisition-related" together with the income tax related hereto.

DEFINING MATERIALITY

The consolidated financial statements separately present items that are considered individually significant, or are required under the minimum presentation requirements of IAS 1.

In determining whether an item is individually significant ISS considers both quantitative and qualitative factors. If the presentation or disclosure of an item is not decision-useful, the information is considered insignificant. Explanatory disclosure notes related to the consolidated financial statements are presented for individually significant items. Where separate presentation of a line item is made solely due to the minimum presentation requirements in IAS 1, no further disclosures are provided in respect of that line item.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise ISS A/S and entities controlled by ISS A/S. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

On consolidation intra-group transactions, balances, income and expenses are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investment. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The non-controlling interest's share of net profit and equity of subsidiaries, which are not wholly-owned, are included in the Group's net profit and equity, respectively, but disclosed separately. By virtue of agreement certain non-controlling shareholders are only eligible of receiving benefits from their non-controlling interest when ISS as controlling shareholder has received their initial investment and compound interest on such. In such instances the subsidiaries' result and equity are fully allocated to ISS until the point in time where ISS has recognised amounts exceeding their investment including compound interest on such.

A change in ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in Other income and expenses, net. Any investment retained is recognised at fair value on initial recognition.

FOREIGN CURRENCY

Transactions in currencies other than the functional currency of the respective Group companies are considered transactions denominated in foreign currencies.

On initial recognition, these are translated to the respective functional currencies of the Group companies at the exchange rates at the transaction date. Foreign exchange adjustments arising between the exchange rates at the transaction date and at the date of payment are recognised in Financial income or Financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the date of transaction or the exchange rate in the latest financial statements is recognised in Financial income or Financial expenses.

On recognition in the consolidated financial statements of Group companies with a functional currency other than DKK, the income statements and statements of cash flows are translated at the exchange rates at the transaction date and the statements of financial position are translated at the exchange rates at the reporting date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange adjustments arising on translation of the opening balance of equity of foreign entities at the exchange rates at the reporting date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the reporting date are recognised in other comprehensive income and presented in equity under a separate translation reserve. However, if the foreign entity is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the non-controlling interest.

Foreign exchange adjustment of balances with foreign entities which are considered part of the investment in the entity is recognised in other comprehensive income and presented in equity under a separate translation reserve.

7.4 NEW STANDARDS AND INTERPRETATIONS NOT YET IMPLEMENTED

IASB has published the following new standards, amendments to existing standards and interpretations that are not yet mandatory for the preparation of the consolidated financial statements of the Group at 31 December 2018:

- Amendments to IFRS 9 "Financial Instruments"– Prepayment Features with Negative Compensation;
- IFRS 16 "Leases"; and
- IFRIC 23 "Undertainty over Income Tax Treatments".

In addition, IASB has published the following new standards, amendments to existing standards and interpretations, which are not yet adopted by the EU at 31 December 2018:

- Amendments to IAS 1 and IAS 8 "Definition of Material";
- Amendments to IAS 28 "Investments in Associates and Joint Ventures": Long-term interests in Associates and Joint ventures;
- Amendments to IFRS 3 "Business combinations";
- Conceptual Framework – Amendments to References to the Conceptual Framework in IFRS Standards; and
- Annual Improvements to IFRSs 2015–2017 Cycle.

The Group expects to adopt the new standards and interpretations when they become mandatory. The standards and interpretations that are approved with different effective dates in the EU than the corresponding effective dates under IASB will be early adopted so that the implementation follows the effective dates under IASB.

IFRS 16 "Leases" (superseding IAS 17) will be effective for the financial year beginning on 1 January 2019. The new standard significantly changes the accounting treatment of leases currently treated as operating leases, in that lessees, with a few exceptions, should recognise all types of leases as right-of-use assets in the statement of financial position and the related lease obligations as liabilities. The annual cost of the lease, which will comprise two elements – depreciation and interest expense – will be charged to the lessee's income statement. Currently, operating lease cost is recognised in a single amount within Other operating expenses. Similarly, operating lease payments will be presented in the cash flow statement in two lines – Interest paid and Lease payments – within Cash flow from operating activities and Cash flow from financing activities, respectively. Currently, operating lease payments are presented as part of Cash flow from operating activities as they are included in Operating profit before other items.

Our business model is based on leasing, rather than owning, property, vehicles (cars) and equipment, primarily under operating leases. At 31 December 2018, the Group was party to more than 23,000 lease agreements. The majority of the lease agreements relates to cars, while the majority of the total lease obligation relates to property.

We will adopt IFRS 16 as per 1 January 2019 applying the modified retrospective approach, whereby the cumulative effect is recognised at the date of initial application and the right-of-use assets are recognised at the same value as the lease obligations. Comparative figures will not be restated.

During 2017 and 2018 we have been preparing for the implementation of the standard by performing a complete review of the Group's assets under operating leases. Based on the analysis, it is our assessment that the implementation of IFRS 16 will have a significant impact on the Group's consolidated financial statements. Assuming that the portfolio of leases remains broadly unchanged, at 31 December 2018, we estimate that:

- Property, plant and equipment and Net debt will increase approximately DKK 3.5 billion of which DKK 0.2 billion relates to disposal groups (assets held for sale);
- Operating profit before other items (continuing operations) will be insignificantly impacted;
- Net profit from discontinued operations will be insignificantly impacted;
- Net profit will be slightly reduced from the impact of financial cost of leases;
- Financial leverage will increase approximately 0.3x from the current level of 2.1x; and
- Cash flow from operating activities will be improved and Cash flow from financing activities will be negatively impacted, both in the level of DKK 1 billion.

Effective 1 January 2019, we will change the definition of free cash flow to include payments related to lease obligations, effectively leaving our free cash flow unchanged following the implementation of IFRS 16.

Except as mentioned above for IFRS 16 "Leases", based on the current business setup and level of activities, none of the standards and interpretations are expected to have a material impact on the recognition and measurement in the consolidated financial statements of the Group.

7.5 GROUP COMPANIES

Below the Group's significant subsidiaries, associates and joint ventures are presented per region. Together these are referred to as "Companies within the ISS Group".

CONTINENTAL EUROPE

Austria

ISS Austria Holding GmbH	100%
ISS Facility Services GmbH	100%
ISS Ground Services GmbH	51%
ISS Ground Services Germany GmbH	51%

Belgium & Luxembourg

ISS Catering N.V.	100%
ISS Facility Services N.V.	100%
ISS Facility Services S.A.	100%

France

GIE ISS Services	100%
ISS Facility Management SAS	100%
ISS Holding Paris SAS	100%
ISS Hygiene & Prevention SAS	100%
ISS Logistique et Production SAS	100%
ISS Proprete SAS	100%

Germany

ISS Automotive Services GmbH	100%
ISS Evantec GmbH	100%
ISS Facility Services Holding GmbH	100%
ISS Facility Services Nord GmbH	100%
ISS Facility Services Süd GmbH	100%
ISS IT & Business Services GmbH	100%
ISS Pharma Services GmbH	100%
ISS VSG GmbH	100%

Italy

ISS Facility Services S.r.l.	100%

Netherlands

ISS Catering Services B.V.	100%
ISS Cure & Care B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Integrated Facility Services B.V.	100%
ISS Nederland B.V.	100%
ISS Security & Services B.V.	100%

Poland

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

Russia

Facility Services RUS LLC	100%

Spain & Portugal

Integrated Service Solutions, S.L.	100%
ISS Facility Services, S.A.	100%
ISS Facility Services G. e M. de E., Lda.	100%

Switzerland

ISS Facility Services AG	100%
ISS Kanal Services AG	100%
ISS Schweiz AG	100%

Turkey

ISS Hazir Yemek Üretim ve Hizmet A.Ş.	90% [3]
ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.	90% [3]
ISS Tesis Yönetim Hizmetleri A.Ş.	90% [3]

NORTHERN EUROPE

Denmark (ISS A/S's country of domicile)

ISS Facility Services A/S	100%
ISS World Services A/S	100%
ISS Global A/S	100%
ISS Global Management A/S	100%
ISS Holding France A/S	100%
ISS Lending A/S	100%

Finland

ISS Palvelut Holding Oy	100%
ISS Palvelut Oy	100%
Opset Oy	76% [1]

Norway

ISS Holding AS	100%
ISS Management AS	100%
ISS Facility Services AS	100%
ISS Serveringspartner AS	100%
ISS Service Management AS	100%
NSB Trafikkservice AS	45% [1]

Sweden

ISS Facility Services Holding AB	100%
ISS Facility Services AB	100%
ISS Palvelut Holding AB	100%

UK & Ireland

ISS UK Holding Limited.	100%
ISS UK Limited	100%
ISS Facility Services Ltd.	100%
ISS Mediclean Limited	100%
ISS Damage Control (Scotland) Limited	100%
Spectrum Franchising Ltd.	100%
ISS Ireland Ltd.	100%

AMERICAS

Mexico

ISS Centro América, S de RL de CV	100%
ISS Facility Services, SA de CV	100%
ISS Servicios Integrales, S. de R.L. de C.V.	100%

USA & Canada

ISS Facility Services Holding, Inc.	100%
ISS Management and Finance Co, Inc	100%
ISS Facility Services, Inc	100%
Guckenheimer Enterprises Inc.	100%
ISS C&S Building Maintenance Corporation	100%
ISS Facility Services California, Inc.	100%
ISS Holding Inc.	100%
ISS TMC Services, Inc.	100%

ASIA & PACIFIC

Australia & New Zealand

ISS Catering Services Pty Ltd.	100%
ISS Facility Management Pty Limited	100%
ISS Facility Services Australia Ltd.	100%
ISS Facility Services Pty Ltd.	100%
ISS Health Services Pty Ltd.	100%
ISS Holdings Pty Ltd.	100%
ISS Hospitality Pty Limited	100%
ISS Integrated Services Pty Ltd.	100%
ISS Property Services Pty Ltd.	100%
ISS Security Pty Ltd.	100%
Pacific Invest December 2004 Pty Ltd.	100%
Pacific Service Solutions Pty Ltd.	100%
ISS Facilities Services Ltd.	100%
ISS Holdings NZ Ltd.	100%

China

ISS Facility Services (Shanghai) Ltd.	100%
ISS Hongrun (Shanghai) Cleaning Services Limited	100%
Shanghai B&A Security Co., Ltd.	100%
Shanghai ISS Catering Management Ltd.	100%

Hong Kong

Hung Fat Cleaning Transportation Co., Ltd.	100%
ISS Adams Secuforce Ltd.	100%
ISS China Holdings Ltd.	100%
ISS China Holdings I Ltd.	100%
ISS EastPoint Properties Ltd.	100%
ISS EastPoint Property Management Ltd.	100%
ISS Environmental Services (HK) Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Facility Services China Ltd.	100%
ISS Greater China Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
ISS Pan Asia Security Services Ltd.	100%
JSL Ltd.	100%
Silvertech E&M Engineering Co., Ltd.	100%

India

Innovative and Payroll Advisory Services Pvt. Ltd.	46% [2]
ISS Facility Services India Pvt. Ltd.	100%
ISS SDB Security Services Pvt. Ltd.	46% [2]
Modern Protection & Investigations Ltd.	46% [2]
ISS Support Services Pvt. Ltd.	100%

Indonesia

PT ISS Facility Services	49% [2]
PT ISS Indonesia	100%
PT ISS Jasa Fasilitas	0% [2]
PT ISS Parking Management	100%

Japan

Nihon ISS KK	100%

Singapore

ISS Catering Services Pte. Ltd.	100%
ISS Facility Services Pte. Ltd.	100%
ISS Hydroculture Pte. Ltd.	100%
ISS M&E Pte. Ltd.	100%

Taiwan

ISS Facility Services Ltd.	100%
ISS Security Ltd.	100%

DISCONTINUED OPERATIONS

Argentina	
ISS Argentina S.A.	100%
ISS Facility Services S.R.L.	100%
ISS Litoral S.R.L.	100%
ISS Personal Temporario S.R.L.	100%
Brazil	
ISS Servisystem do Brasil Ltda.	100%
ISS Manutenção e Serviços Integrados LTDA.	100%
ISS Serviços de Logística Integrada LTDA.	100%
Brunei	
ISS Facility Services Sdn. Bhd.	50% [2]
Czech Republic	
ISS Facility Services s.r.o	100%
Chile	
Apunto Servicios de Alimentacion S.A.	100%
ISS Chile S.A.	100%
ISS Facility Services S.A.	100%
ISS Servicios Generales Ltda.	100%
ISS Servicios Integrales Ltda.	100%
Estonia	
ISS Haldus OÜ	100%
Hungary	
ISS Facility Services Kft.	100%
Israel	
Catering Services Ltd.	100%
ISS Catering Services Ltd. (ex Norcat Ltd.)	100%
ISS Cleaning Services Ltd. (ex ISS Ashmoret Ltd.)	100%
ISS Integrated Facility Service Management Ltd.	100%
ISS Israel Comprehensive Business Services Ltd.	100%
ISS In-Flifht Catering Services Ltd.	100%
Malaysia	
ISS Facility Services Sdn. Bhd.	100%
Philippines	
ISS Facility Services Phils., Inc.	100%
Romania	
ISS Facility Services S.R.L.	100%
ISS Romania Group S.R.L.	100%
Slovakia	
ISS Facility Services spol. s.r.o.	100%
Slovenia	
ISS Facility Services d.o.o.	100%
Thailand	
ISS Facility Services Co., Ltd.	100%
Notre-Bel Company Limited	100%
ISS Security Guarding Co., Ltd.	100%
ISS Support Services Company Limited	100%
Uruguay	
ISS Uruguay S.A.	100%
Samilar S.A.	100%

[1] Associate.
[2] By virtue of the governance structure, the Group has the power to govern the financial and operating policies of the company. Consequently, the company is consolidated as a subsidiary.
[3] The non-controlling shareholder holds a put option which is accounted for as if the put option has already been exercised. Accordingly, the subsidiary is consolidated with no non-controlling interest.

MANAGEMENT STATEMENT

COPENHAGEN,
22 FEBRUARY 2019

The Board of Directors and the Executive Group Management Board have today discussed and approved the annual report of ISS A/S for the financial year 2018.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the Parent company financial statements give a true and fair view of the Group's and the Parent company's financial position at 31 December 2018 and of the results of the Group's and the Parent company's operations and cash flows for the financial year 1 January – 31 December 2018.

In our opinion, the Management review includes a fair review of the development in the Group's and the Parent company's operations and financial conditions, the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Group and the Parent company face.

We recommend that the annual report be approved at the annual general meeting.

EXECUTIVE GROUP MANAGEMENT BOARD

Jeff Gravenhorst
Group CEO

Pierre-François Riolacci
Group CFO

BOARD OF DIRECTORS

Lord Allen of Kensington Kt CBE
Chairman

Thomas Berglund
Deputy Chairman

Claire Chiang

Henrik Poulsen

Ben Stevens

Cynthia M. Trudell
Cynthia Mary Trudell

Pernille Benborg (E)

Joseph Nazareth (E)

Palle Fransen Queck (E)

E = Employee representative

GROUP ANNUAL REPORT

This Group Annual Report is an extract of the ISS Annual Report pursuant to section 149 of the Danish Financial Statements Act. For the sake of clarity and user friendliness, ISS has chosen to issue a Group Annual Report that excludes the financial statements of the Parent company, ISS A/S.

The financial statements of the Parent company are an integral part of the full Annual Report, which is available from ISS on request, and the full Annual Report is also available at and can be downloaded from www.issworld.com. After approval at the annual general meeting, the full Annual Report is also available on request from the Danish Business Authority. The Management statement by the Executive Group Management Board and Board of Directors as well as the Independent auditor's report cover the full Annual Report.

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ISS A/S

OPINION

We have audited the consolidated financial statements and the parent company financial statements of ISS A/S for the financial year 1 January – 31 December 2018, pp. 62–104 and pp. 117–122, which comprise income statement, statement of comprehensive income, statement of cash flows, statement of financial position, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

APPOINTMENT OF AUDITOR

Subsequent to ISS A/S being listed on Nasdaq Copenhagen, we were initially appointed as auditor of ISS A/S on 15 April 2015 for the financial year 2015. We have been reappointed annually by resolution of the general meeting for a total consecutive period of four years up until the financial year 2018.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditors' responsibilities for the audit of the consolidated financial statements and the Parent company financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of Intangible assets

The carrying amounts of goodwill and customer contracts related to prior years' acquisitions comprise a significant part of the consolidated statement of financial position. The cash-generating units in which goodwill and customer contracts are included are impairment tested by Management on an annual basis. The impairment tests are based on Management's estimates of among others future profitability, long-term growth and discount rate. Due to the inherent uncertainty involved in determining the net present value of future cash flows, we considered these impairment tests to be a key audit matter.

For details on the impairment tests performed by Management reference is made to notes 3.6, 3.7 and 3.8 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others, testing the mathematical accuracy of the discounted cash flow model and comparing forecasted profitability to board approved budgets. We evaluated the assumptions and methodologies used in the discounted cash flow model, in particular those relating to the forecasted revenue growth and operating margin, including comparing with historical growth rates. We compared the assumptions applied to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth and discount rates. Further, we evaluated the sensitivity analysis on the assumptions applied. Our audit procedures primarily focused on cash generating units where changes in key assumptions could result in impairment. We further evaluated the disclosures provided by Management in the financial statements compared to applicable accounting standards.

Assets and liabilities held for sale and discontinued operations

When classifying businesses as held for sale and as discontinued operations in the consolidated financial statements, Management makes judgments and estimates, including assessment of impairment of the net assets. Due to the materiality of Management's disposal plans and inherent uncertainty involved in classifying and assessing assets and liabilities held for sale and discontinued operations, we considered these judgments and estimates as a key audit matter.

For details on the assets and liabilities held for sale and discontinued operations reference is made to note 3.5 and note 3.4 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others, agreeing the carrying amounts of the assets and liabilities held for sale to underlying accounting records, discussing with Management the criteria for classification of businesses as held for sale and discontinued operations and reading draft agreements where relevant, including reviewing minutes and other relevant documentation of the sales processes and board decisions. We considered the impairment assessment made by Management, including assessment of key assumptions applied and evaluation of the explanations provided by comparing key assumptions to market data, where available. We further evaluated the disclosures provided by Management in the financial statements compared to applicable accounting standards.

Income tax and deferred tax balances

The Group's operations are subject to income taxes in various jurisdictions having different tax legislation. Management makes judgments and estimates in determining the recognition of income taxes and deferred taxes. Given the inherent uncertainty involved in assessing and estimating the income tax and deferred tax balances, including tax exposures and write-down of deferred tax assets, we considered these balances as a key audit matter.

For details on the income tax and deferred tax balances reference is made to notes 1.5 and 1.6 in the consolidated financial statements and notes 5 and 7 in the Parent company financial statements.

In response to the identified risks, our audit procedures included review of completeness and accuracy of the amounts recognised as income taxes and deferred taxes, including assessment of correspondence with tax authorities and evaluation of tax exposures as well as write-down of deferred tax assets. In respect of the deferred tax assets recognised in the statement of financial position, we assessed Management's assumptions as to the probability of recovering the assets through taxable income in future years and available tax planning strategies. We further evaluated the disclosures provided by Management compared to applicable accounting standards.

STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the Management's review, pp. 1-60.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

COPENHAGEN, 22 FEBRUARY 2019

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Michael Groth Hansen	**Claus Kronbak**
State Authorised	State Authorised
Public Accountant	Public Accountant
MNE-no.: mne33228	MNE-no.: mne28675

CASE: THE ACCENTURE AND ISS VESTED PARTNERSHIP DRIVES POSITIVE OUTCOMES

At ISS, we believe in bringing ever more value to our customers through truly collaborative partnerships. Our Vested partnership with Accenture exemplifies this approach.

ISS Netherlands' relationship with Accenture began in 2005. What started as an input-based, single service solution evolved into an output-based, Integrated Facility Services (IFS) contract. In 2017, ISS Netherlands and Accenture took their relationship a step further, forming a Vested partnership.

Vested is a methodology for two parties to create a highly collaborative business relationship with both equally committed to the other's success. Vested partners create a flexible, outcome-based contractual framework designed to deliver on their mutually developed vision and desired outcomes.

In Accenture's case, focus is on employee engagement, absenteeism and employee health. As a partner, ISS works hand-in-hand with Accenture to design services and create workplace experiences that support the customer's primary concern – employee well-being.

MOHAMMED AZAAN
Catering Services

"Working in a highly-demanding environment, our young consultants are under huge pressure", says Ricco Groeneveld, Workplace Lead BENELUX at Accenture. "From experience and research, we know that being connected to work 24/7 has negative impacts on productivity, employee work-life balance and health. Together with our Vested Outsourcing partners at ISS, we asked ourselves: How can we prevent this from happening to any of our employees? How can we make sure our employees work smarter, but not harder? And how can we create an organisational culture that helps our employees manage their energy levels and health – not only during a workday but throughout their whole career? These questions established a baseline for what we today call 'Accenture: Be at your best'."

The initiative included experimentation with how catering could promote a healthier lifestyle by making fresh, low-fat foods more accessible to Accenture's employees. Accenture and ISS also created special programmes for new parents to help them create a healthy work-life balance and offered employees frequent health checks, health advice from dedicated consultants, and workshops on nutrition, sleep and relaxation.

Since initiating the close, collaborative partnership with ISS, Accenture has attained concrete results. Costs have decreased due to lower staff turnover rates and associated recruitment expenditure. Absenteeism has been reduced by 9,000 hours, employee productivity is up by 3%, employee engagement has improved by 8% and total vitality has increased by more than 9.5%. Due to the long-term nature of the Vested partnership, this mutual success is only the beginning.

DEFINITIONS

FINANCIAL, STOCK MARKET AND NON-FIANCIAL RATIOS

ISS uses various key figures, financial ratios (including alternative performance measures (APMs)) and non-financial ratios, all of which provide our stakeholders with useful and necessary information about the Group's financial position, performance and development in a consistent way. In relation to managing the business, achieving our strategic goals and ultimately creating value for our shareholders, these measures are considered essential.

FINANCIAL RATIOS

Acquisitions, %

$$= \frac{\text{Revenue from acquisitions}^{1)} \times 100}{\text{Revenue prior year}}$$

1) Based on management's expectations at the acquisition date.

Cash conversion, %

$$= \frac{\text{(Operating profit before other items last twelve months (LTM) + Changes in working capital LTM)} \times 100}{\text{Operating profit before other items (LTM)}}$$

Currency adjustments

= Total revenue growth – Organic growth – Acquisition/divestment growth, net [2]

2) Includes the effect stemming from exclusion of currency effects from the calculation of organic growth and acquisition/divestment growth, net.

Divestments, %

$$= \frac{\text{Revenue from divestments}^{3)} \times 100}{\text{Revenue prior year}}$$

3) Based on estimated or actual revenue where available at the divestment date.

EBITDA

= Operating profit + Depreciation and amortisation + Goodwill impairment + Amortisation/impairment of brands and customer contracts

EBITDA before other items

= Operating profit before other items + Depreciation and amortisation

Equity ratio, %

$$= \frac{\text{Equity attributable to owners of ISS A/S} \times 100}{\text{Total assets}}$$

Free cash flow

= Cash flow from operations + Cash flow from investments – Cash flow from acquisitions/divestments, net

Free cash flow conversion

$$= \frac{\text{Free cash flow last twelve months (LTM)} \times 100}{\text{Operating profit before other items (LTM)}}$$

Net debt

= Non-current and current loans and borrowings – Securities – Cash and cash equivalents – Positive fair value of derivatives

Operating margin, %

$$= \frac{\text{Operating profit before other items} \times 100}{\text{Revenue}}$$

Organic growth, %

$$= \frac{\text{(Revenue current year – Comparable revenue}^{1)}\text{ prior year)} \times 100}{\text{Comparable revenue}^{1)}\text{ prior year}}$$

1) Implies the exclusion of changes in revenue attributable to acquisitions/divestments, net and the effect of changes in foreign exchange rates. In order to present comparable revenue and thereby organic growth excluding any effect from changes in foreign currency exchange rates, comparable revenue in the prior year is calculated at the current year's foreign currency exchange rates. Acquisitions are treated as having been integrated into ISS upon acquisition, and ISS's calculation of organic growth includes changes in revenue of these acquisitions compared with revenue expectations at the date of acquisition.

Pro forma adjusted EBITDA

Calculated as EBITDA before other items, including EBITDA before other items in discontinued operations, as if all acquisitions and divestments had occurred on 1 January of the respective year

Total revenue growth, %

$$= \frac{\text{(Revenue current year – Revenue prior year)} \times 100}{\text{Revenue prior year}}$$

STOCK MARKET RATIOS

Basic earnings per share (EPS)

$$= \frac{\text{Net profit attributable to owners of ISS A/S}}{\text{Average number of shares}}$$

Diluted earnings per share

$$= \frac{\text{Net profit attributable to owners of ISS A/S}}{\text{Average number of shares (diluted)}}$$

Adjusted earnings per share

$$= \frac{\text{Net profit (adjusted)}}{\text{Average number of shares (diluted)}}$$

Average number of shares (basic)

= Average number of issued shares, excluding treasury shares, for the year

Average number of shares (diluted)

= Average number of shares (basic) + Average number of outstanding Performance Share Units (PSUs) and Restricted Share Units (RSUs) expected to vest in the year

NON-FINANCIAL RATIOS

Customer Net Promoter Score (cNPS)

Measures the loyalty of our customers through a direct question of how likely the customer is to recommend ISS to others as a business partner

Employee Net Promoter Score (eNPS)

Measures the loyalty of our employees through a direct question of how likely the employee is to recommend ISS to others as a place to work

Lost Time Injury Frequency (LTIF)

Measures the number of incidents classified as lost time injuries per millions of hours worked

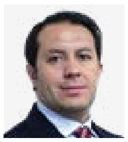
COUNTRY REVENUE

DKK million	2018	% of Group	2017	% of Group
Switzerland	5,242	7%	5,282	7%
Spain & Portugal	4,787	7%	4,655	6%
France	4,755	6%	4,742	7%
Germany	3,161	4%	2,931	4%
Belgium & Luxembourg	2,879	4%	2,726	4%
Turkey	2,707	4%	2,700	4%
Austria	2,107	3%	1,882	3%
Netherlands	1,500	2%	1,757	2%
Italy	479	1%	479	1%
Poland	258	0%	255	0%
Russia	131	0%	161	0%
Greece (divested in 2018)	-	0%	259	0%
Continental Europe	**28,006**	**38%**	**27,828**	**38%**
UK & Ireland	10,543	14%	11,232	15%
Norway	4,047	6%	3,947	6%
Denmark	3,807	5%	3,426	5%
Finland	3,021	4%	3,121	4%
Sweden	2,995	4%	3,227	4%
Iceland	-	0%	96	0%
Northern Europe	**24,413**	**33%**	**25,049**	**34%**
Australia & New Zealand	3,734	5%	3,670	5%
Hong Kong	2,440	3%	2,353	3%
Singapore	2,122	3%	2,056	3%
Indonesia	1,720	2%	1,830	2%
India	1,446	2%	1,468	2%
China	776	1%	818	1%
Taiwan	387	1%	387	1%
Japan	86	0%	100	0%
Other countries – Asia	14	0%	13	0%
Asia & Pacific	**12,725**	**17%**	**12,695**	**17%**
USA & Canada	7,072	10%	6,551	9%
Mexico	719	1%	751	1%
Other countries – Latin America	56	0%	68	0%
Americas	**7,847**	**11%**	**7,370**	**10%**
Other countries	667	1%	723	1%
Corporate / eliminations	(66)	0%	(88)	0%
Revenue from continuing operations	**73,592**	**100%**	**73,577**	**100%**
Israel	1,687	25%	1,903	26%
Thailand	1,442	21%	1,407	19%
Chile	1,231	18%	1,210	16%
SE Europe Cluster [1)]	1,002	15%	1,034	14%
Brazil	508	7%	733	10%
Philippines	302	4%	342	5%
Estonia	197	3%	178	2%
Argentina	146	2%	276	4%
Uruguay	117	2%	125	2%
Malaysia	105	2%	116	2%
Brunei	36	1%	36	0%
Revenue from discontinued operations [2)]	**6,773**	**100%**	**7,360**	**100%**

1) South Eastern (SE) Europe Cluster includes the Czech Republic, Hungary, Romania, Slovakia and Slovenia.
2) Including revenue from global key accounts that are expected to be retained in the continuing operations.

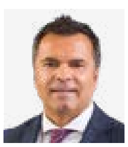
Please refer to pp. 112-113 for a list of countries where ISS operates

COUNTRY MANAGERS



Argentina, Uruguay & Chile
Rodrigo González
www.ar.issworld.com
www.uy.issworld.com
www.cl.issworld.com

Australia & New Zealand
Scott Davies
www.au.issworld.com
www.nz.issworld.com



Austria
Erich Steinreiber
www.at.issworld.com

Belgium & Luxembourg
Kris Cloots
www.be.issworld.com
www.lu.issworld.com

Brazil
Jair Ferreira
www.br.issworld.com

Brunei
Elisa Lumbantoruan
www.id.issworld.com

China
Cindy Wang
www.cn.issworld.com

Denmark
Flemming Bendt
www.dk.issworld.com

Estonia
Dawid Dolata
www.ee.issworld.com

Finland
Jukka Jäämaa
www.fi.issworld.com

France
Antoine Namand
www.fr.issworld.com

Germany
Alexander Granderath
www.de.issworld.com

Hong Kong
Calvin Chin
www.hk.issworld.com

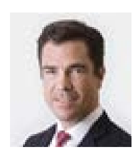
India
Purvin Patel
www.in.issworld.com

Indonesia
Elisa Lumbantoruan
www.id.issworld.com

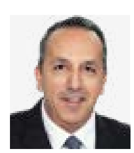
Israel
Hezi Ovadia
www.il.issworld.com

Italy
Antonio Winteler
www.it.issworld.com

Japan
Sera Kim (acting)
www.issworld.com



Malaysia
Andreas Thorling
www.my.issworld.com



Mexico
Juan Paulo Mendoza
www.mx.issworld.com

Netherlands
Kees Stroomer
www.nl.issworld.com

Norway
Carl Fredrik Bjor
www.no.issworld.com

Philippines
Leonora Tejada
www.ph.issworld.com

Poland & Russia
Dawid Dolata
www.pl.issworld.com
www.ru.issworld.com

SE Europe Cluster [1)]
Priit Paiste
www.cz.issworld.com
www.hu.issworld.com
www.ro.issworld.com
www.si.issworld.com
www.sk.issworld.com

Singapore
Andreas Thorling
www.sg.issworld.com

Spain & Portugal
Javier Urbiola
www.es.issworld.com
www.pt.issworld.com

Sweden
Gary Kidd
www.se.issworld.com

Switzerland
André Nauer
www.ch.issworld.com

Turkey
Cavit Habib
www.tr.issworld.com

Taiwan
Longjing Hwa (acting)
www.tw.issworld.com

Thailand
Worapong Padungkirtsakul
www.th.issworld.com

UK & Ireland
Matt Brabin
www.uk.issworld.com
www.ie.issworld.com

USA & Canada
Daniel Ryan (acting)
www.us.issworld.com

1) South Eastern (SE) Europe Cluster includes the Czech Republic, Hungary, Romania, Slovakia and Slovenia.

In addition to the 46 countries shown above, where ISS operates and has a country manager, ISS provides services in 20 countries: Bangladesh, Bulgaria, Colombia, Costa Rica, Croatia, Ecuador, Greece, Kazakhstan, Latvia, Lithuania, Panama, Peru, Puerto Rico, Saudi Arabia, South Africa, South Korea, Sri Lanka, Ukraine, United Arab Emirates and Vietnam.

CONTACT INFORMATION

ISS A/S
Buddingevej 197
DK-2860 Søborg
Denmark
Tel.: +45 38 17 00 00
Fax: +45 38 17 00 11
www.issworld.com
CVR 28 50 47 99

GROUP COMMUNICATIONS
Rajiv Arvind
Senior Communications Manager
Tel.: +45 38 17 00 00

INVESTOR RELATIONS
Martin Kjær Hansen
Head of Group Investor Relations
Tel. +45 38 17 00 00

EDITED BY
Group Controlling
ISS A/S

DESIGN, PRODUCTION & PRINT
KIRK & HOLM
Rosendahls

ISS A/S
www.issworld.com