



ANNUAL REPORT 1995



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ISS MISSION

The mission of ISS is to develop, market and deliver services of high quality which meet peoples' needs for a clean, healthy, productive and comfortable environment for work and leisure.

ISS VISION

The vision of ISS is to maintain and expand internationally our leading position in the private and public markets for core and value-added cleaning, maintenance and other related services improving environments for people.

ISS VALUES

- To optimise our customers' satisfaction by constantly fulfilling or exceeding their expectations.
- To promote job satisfaction and professional competence for our employees in order to create an attractive, rewarding and safe working environment.
- To obtain long-term growth in the value of the investments made by our shareholders.
- To contribute to the sound economic, environmental and social development of the communities in which we do business and to be perceived as doing so.

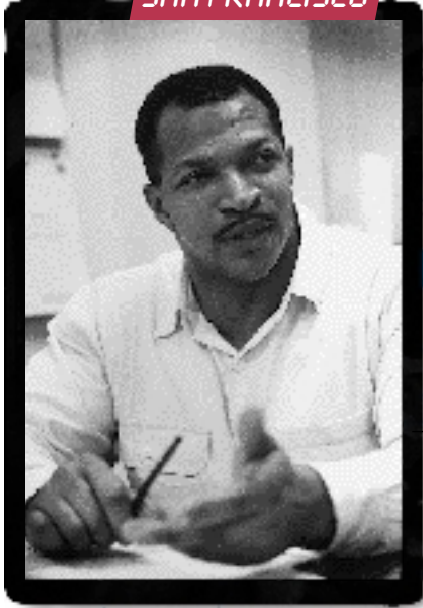
ANNUAL GENERAL MEETING

The annual general meeting will be held on Thursday 25 April 1996 at 5 pm at Radisson SAS Scandinavia Hotel, Amager Boulevard 70, DK-2300 Copenhagen S

37°N / 122°W

DERRICK WEST

SAN FRANCISCO



38°N / 9°W

EDNA CORREIA

LISBON



INTERNATIONAL

ISS is the world's leading supplier of quality cleaning and related services. 138,700 employees provide services around the clock. This annual report is written from the perspective of our employees at home, reflecting the very different social and cultural environments in which they work.

67°N / 20°E

GUN NILSSON

KIRUNA



INTERNATIONAL PRESENCE

1°N / 103°E

SHERLIN CHIA

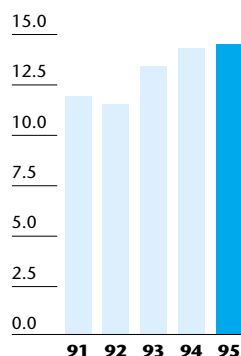
SINGAPORE



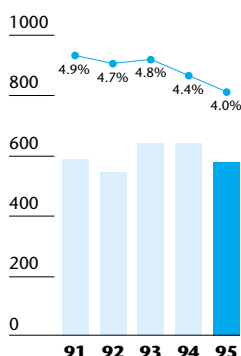
INTERNATIONAL PRESENCE

related services. In more than 30 countries on four continents
report documents a day in the life of four ISS employees, at work and
natural environments in which the ISS Group operates.

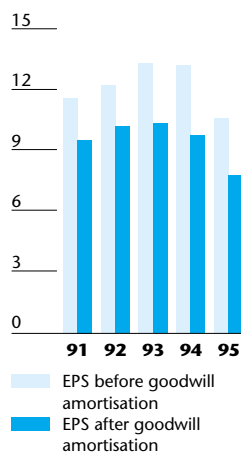
Turnover 1991-95
Amounts in DKK billion



Operating profit and margins, 1991-1995
Amounts in DKKm



Earnings per share 1991-1995, DKK
Before and after goodwill amortisation



KEY FIGURES 1995

Amounts in million	DKK	USD	GBP
Turnover/Revenues	14,391	2,595	1,679
Operating profit	572	103	67
Profit on ordinary operations	381	69	44
Net profit from ordinary operations	233	42	27
ISS net profit	162	29	19
ISS shareholders' equity	1,232	222	144
<i>Amounts per share</i>			
Earnings per share	7.82	1.41	0.91
Cash flow per share	10.62	1.91	1.24
Dividend per share	2.20	0.40	0.26
Number of employees	138,700		

See p. 68 for a five-year record with key figures and exchange rates.

MAIN EVENTS IN 1995

ISS encounters significant management issues and operational problems in the USA and Germany leading to reduced earnings in both markets compared with 1994.

ISS makes 20 acquisitions in 1995.

ISS enters the fast-growing service market in Asia by acquiring The ESGO Group, one of the region's leading cleaning and facilities services companies.

ISS penetrates the Swedish market for "care" services.

ISS reinforces its position in Switzerland through acquisitions and the largest cleaning contract to date in the Swiss market.

ISS sets up a European Works Council in cooperation with FIET (International Federation of Commercial, Clerical, Professional and Technical Employees).

ISS appoints Waldemar Schmidt as Group Chief Executive to succeed Poul Andreassen. Jørn Wendel Andersen is appointed Executive Vice President, CFO.

REPORT TO SHAREHOLDERS

For the ISS Group 1995 was a disappointing year due to significant management issues and operational problems in the USA and Germany. Operating profit fell by 10% to DKK 572m. As a result of this, and of the issue of new shares in 1994, earnings per share (EPS) fell by 20% compared to 1994.

The operating result and the development in EPS correspond to the expectations contained in the stock exchange release from October 1995 which told of problems in the USA and Germany.

Significant restructuring programmes have been implemented in these countries with a view to reducing costs and strengthening sales.

ISS has continued to pursue its strategy of international expansion by establishing itself in Asia, Mexico and the Czech Republic.

The rising trend in outsourcing and international service contracts provides a solid background for ISS' future development.

ISS IN THE USA

Martin O'Halloran, previously Managing Director for ISS in the United Kingdom and Ireland, took over in September 1995 as Managing Director of ISS North America Division. From 1 January 1996, the activities of ISS in Brazil were transferred to this division, which simultaneously changed its name to ISS America Division.

It has been decided to reduce significantly the head office staff at ISS Inc., to relocate the head office from New York to the administration centre in Atlanta, Georgia, and to decentralise a number of head office functions.

ISS' activities will from now on be organised as five separate business units, including one for activities in New York.

In consequence, ISS Inc. will only use part of its New York offices. As a long-term lease has been entered, ISS has chosen to make a provision to cover part of the outstanding lease payments and the write-down of leasehold improvements and costs related to the relocation.

At year end 1995, ISS noted an unfavourable development concerning a number of damage claims under ISS Inc.'s self-insurance programme. Against this background, Group management has decided to make additional provision to cover obligations associated with the self-insurance programme for injuries at work and general liability. Determining self-insurance reserves is subject to a degree of uncertainty. In future, there will be increased focus on the development of self-insurance programmes.

The above-mentioned provisions are entered in the financial statements under extraordinary expenses. Furthermore, these include losses and severance payments, etc., and the winding up of ISS' engagement in PACE, the laboratory company, as described in the stock exchange release of 30 October 1995.

ISS IN GERMANY

In Germany, ISS has not achieved anticipated earnings, in part because of lower earnings on renegotiated major contracts in Berlin. Coupled with a long-running management problem, this has led to unsatisfactory results. ISS has implemented an extensive restructuring programme which is expected to be completed during 1996. Related provisions are included under extraordinary expenses.

Theo Buitendijk, Director of International Operations at ISS Europe Division, took over responsibility for ISS in Germany in February 1996.

FUTURE DEVELOPMENT OF ISS' ACTIVITIES IN THE USA AND GERMANY

In the Group management's view, the implemented restructuring plans have laid the foundations for the sound development of ISS' activities in the USA and Germany. It is not expected that a turnaround will be possible from one day to the next, but the preconditions are now in place for operating profits in these countries to reach a satisfactory level within a few years. Against this background, it is furthermore the view of the Group management that goodwill capitalised in the balance sheet for acquisitions in the USA has been fairly stated.

EXTRAORDINARY EXPENSES

The significant provisions, primarily relating to the USA, have meant that ISS in 1995 stated aggregate extraordinary expenses totalling DKK 220m. Extraordinary income totalling DKK 78m arises from divestments etc.. After tax, net extraordinary expenses amount to DKK 71m.

ISS IN ASIA

The acquisition of the ESGO group on 1 June 1995 extended ISS' market presence to Asia. The ESGO group, which is one of the leading cleaning groups in Asia, has activities in Hong Kong, China, Malaysia, Singapore, Thailand, Indonesia, Brunei and Sri Lanka. The full-year turnover for the ESGO group in 1995 amounted to DKK 325m.

Stuart Graham, previously Managing Director for ISS in Brazil, was in February 1996 appointed Managing Director of ISS Asia Division.

ANDREASSEN STEPS DOWN AS CHIEF EXECUTIVE

Poul Andreassen stepped down as Chief Executive on 30 September 1995. He led the ISS Group for 33 years, taking it from a small business represented in 3 Scandinavian countries, 2,000 employees and DKK 40m turnover in 1962 to one of the world's leading providers of cleaning and related services. The Board of Directors and the Board of Management would like to thank Poul Andreassen for his outstanding contribution and look forward to benefiting greatly from his knowledge and experience on the Board of ISS A/S.

CHANGES IN GROUP MANAGEMENT

In conjunction with Poul Andreassen's retirement, Waldemar Schmidt was appointed Group Chief Executive from 1 October 1995.

Jørn Wendel Andersen took up the position of Executive Vice President and Chief Financial Officer on 1 December 1995, replacing Lise Friis, the Group Financial Director, who left the Group in the third quarter of 1995.



The Board of Directors has decided to expand the Board of Management from 15 March 1996. Its members will from now on be Waldemar Schmidt, Group Chief Executive, Jørn Wendel Andersen, Executive Vice President, Sven Ipsen, Managing Director, ISS Scandinavia Division, Theo Dilissen, Managing Director, ISS Europe Division, and Martin O'Halloran, Managing Director, ISS America Division.

Group management has altered the structure of Group staff with a view to giving better support to ISS' planned development and reduce costs. The changes include an adjustment to the role of ISS University so that ISS' future top management training will come under the ISS Corporate Human Resources function. Courses more closely linked to operations, etc., will be brought together under ISS Scandinavia Division's training function, which will be run as ISS University. The conference center ISS University will continue to be available for ISS companies and external customers.

GROUP FINANCIAL STATEMENTS

The Group financial statements for 1995 shows turnover of DKK 14,391m, which represents a rise of DKK 160m compared to 1994. This increase comprises DKK 1,149m from acquired businesses and DKK 339m in organic growth. Deductions have to be made for the effect of divestments amounting to DKK 426m and DKK 902m for exchange rate movements.

Group operating profit for 1995 amounts to DKK 572m, corresponding to 4.0% of turnover. This compared to an operating profit of DKK 633m (4.4% of turnover) in 1994. The fall in operating profit is largely attributable to the negative developments in the USA and Germany.

The profit from ordinary operations for 1995 amounts to DKK 381m, corresponding to 2.6% of turnover. This compared to DKK 421m (3.0% of turnover) in 1994.

ISS' share of the net profit from ordinary operations is DKK 233m, corresponding to 1.6% of turnover, compared to DKK 266m (1.9% of turnover) in 1994. This fall of 12% in earnings, combined with a 10% increase in the average number of shares as a result of 1994 share issue, means that EPS has fallen by 20% compared to 1994.

The Group's free cash flow in 1995 amounts to DKK 356m, compared to DKK 398m in 1994. ISS has in 1995 paid DKK 597m for acquisitions and received DKK 118m from divestments.

At year end 1995 ISS had available credit facilities of DKK 1,533m and liquid funds of DKK 417m bringing the total financial reserves to DKK 1,950m.

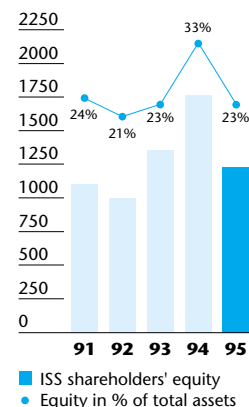
ISS therefore has the requisite financial readiness to carry out the Group's growth strategy, which is in part based on organic growth and in part on acquisitions.

The Group's total assets at year end 1995 comprised DKK 5,293m compared to DKK 5,421m at the end of 1994. The change is attributable to acquisitions, with deductions for exchange rate developments.

ISS shareholders equity at the end of 1995 was DKK 1,232m, corresponding to 23.3% of total assets. This compared to DKK 1,766m (32.6% of total assets) at the end of 1994.

The reduction in shareholders' equity by DKK 534m can be largely attributed to DKK 577m of goodwill which has been written off directly against equity. The year's net profit of DKK 162m, after the deduction of DKK 65m of dividends payable, has been transferred to shareholders' equity. Exchange rate adjustments amount to DKK 54m.

Equity and equity as % of total assets
Amounts in DKKm



The bulk of the exchange rate adjustment can be attributed to the USD, which fell from a rate of DKK 6.083 at the end of 1994 to DKK 5.546 at year end 1995.

The movement in the exchange rate between 1994 and 1995 has meant a fall in Group turnover of DKK 902m, a fall of DKK 40m in operating profit, a fall of DKK 16m in profit from ordinary operations, and a DKK 5m fall in net profit.

GROUP OPERATIONS

Turnover and operating profit by division, and turnover by service area, are shown on page 15. Operational developments in the Divisions are also described on pages 16-43.

ISS SCANDINAVIA DIVISION

ISS Scandinavia Division continued to develop favourably and in 1995 achieved very satisfactory results.

The Division's turnover in 1995 was DKK 4,554m, which represented an improvement of DKK 308m compared to 1994. This was made up of DKK 242m in organic growth and DKK 261m from acquisitions, with DKK 159m deducted for turnover from divestments and DKK 36m for exchange rate movements.

Organic growth was primarily achieved in Denmark and Norway, while the greatest growth through acquisitions occurred in Sweden, amongst other developments, in conjunction with ISS' entry into the Swedish market for care services.

The Division's operating profit has increased from 5.1% of turnover in 1994 to 5.5% in 1995.

ISS EUROPE DIVISION, INCLUDING BRAZIL

The development of ISS Europe Division has not lived up to expectations because of problems in Germany.

The Division's turnover in 1995 was DKK 4,444m, which represented an improvement of DKK 810m, or 22%, compared to 1994. The improvement comprises DKK 345m in organic growth and DKK 608m from acquisitions, while exchange rate movements produced a reduction in turnover of DKK 143m.

Apart from ISS companies in Germany, all companies showed good organic growth. The increase in turnover through acquisitions can be attributed substantially to the United Kingdom, Germany, Switzerland, France and Austria.

The Division's operating profit was DKK 217m, or 4.9% of turnover, against DKK 211m (5.8% of turnover) in 1994. The decline in operating profit margin can primarily be attributed to ISS activities in Germany, where operating profit fell from DKK 38m in 1994 to DKK 8m in 1995. If the German results are excluded from the ISS Europe Division figures, the Division's operating profit as a share of turnover is only reduced from 5.5% in 1994 to 5.3% in 1995. This small decline can be attributed to companies in the UK, Switzerland and Austria, where



earnings in acquired companies in the first year after acquisition, were not on the same level as other ISS companies.

Following Waldemar Schmidt's appointment as Group Chief Executive on 1 October 1995, Theo Dilissen has taken over as Managing Director of ISS Europe Division. The Division has moved its head office from London to Brussels and the management will direct further expansion in Europe from there. Most of the Division's companies have small market shares, so there are good opportunities for growth. ISS in Switzerland has within the space of a few years been able to achieve a market share of 27% of the outsourced market.

ISS activities in Brazil developed particularly satisfactorily in 1995. Turnover increased by 26% to DKK 336m. At the same time an operating loss in 1994 was turned into an operating profit of DKK 7.4m in 1995. The Brazilian economy is in the process of stabilising and inflation is now at a significantly lower level.

ISS NORTH AMERICA DIVISION

ISS North America Division has, as previously mentioned, shown unsatisfactory results.

The Division's turnover was DKK 5,193m in 1995, which represents a decline of DKK 987m compared to 1994. This decline is comprised of negative organic growth of DKK 253m and the fall in the dollar rate. Contract losses have been most marked in the New York area.

The Division's operating profit has also developed unsatisfactorily from DKK 269m, or 4.4% of turnover, in 1994 to DKK 167m, or 3.2% of turnover, in 1995. A fall in operating profit that is significantly greater than the fall in turnover is attributable to the fact that some of the lost contracts contributed more significantly to earnings than new contracts, which typically make lower contributions at the start.

The management of ISS North America Division sees contract losses slowing, such that a net increase in contracts could be expected in the course of 1996.

It is expected to take a few years before earnings in the USA will return to an acceptable level. The year 1996 will be marked by restructuring and the building up of the new organisation, at the same time as efforts will be focused on selected areas to improve earnings.

ISS ASIA DIVISION

ISS Asia Division has shown satisfactory results and has lived up to Group management's expectations. The Division is a relative newcomer to the ISS Group, as it was only set up with the acquisition on 1 June 1995 of the ESGO group. In consequence, seven months of operations are included in the Group financial statements for 1995. Turnover during these seven months was DKK 190m, while the operating profit was DKK 11m, corresponding to 5.8% of turnover. ISS Asia's head office is in Kuala Lumpur, Malaysia.

DIVIDEND

The Board of Directors will at the annual general meeting in 1996 propose that, as for 1994, a dividend be paid of DKK 2.20 per share, corresponding to 11% of share capital. This means that the net profit of DKK 162.1m will be distributed such that DKK 65.5m will be paid out in dividends and the remaining DKK 96.6m will be allocated to reserves.

CHANGES IN ACCOUNTING POLICY

From 1 January 1996, goodwill is capitalised in conjunction with acquisitions and amortised against the profit and loss account over a maximum of 20 years. The change will in this area too bring the ISS financial statement into line with international accounting standards. The change of accounting policy will for certain reasons not lead to the capitalisation of goodwill previously written off directly against equity, which amounted to DKK 1,356m for 1991-1995.

More details are provided in Note 24 to the financial statements concerning the grounds for the change in accounting policy and its presentation in the accounts.

From 1 January 1996, deferred tax will be set aside for all temporary differences between accounting and taxation values.

Hitherto, deferred tax was only set aside where it was expected to become current in the foreseeable future. The change in the accounting policy for deferred tax is not expected to have any significant effect on the 1996 result and has no significance regarding the comparison years included in the annual report.



OUTLOOK

After a very difficult year, with operational problems in the USA and Germany, major restructuring programmes, extraordinary provisions, and management changes in a number of divisions and countries, ISS is looking to the future with optimism.

The Group stands well-equipped for all divisions to take advantage of the market opportunities. ISS will focus on cleaning and special services. More broadly-based service packages will also be offered to customers in the private and public sectors.

The Group management is maintaining its goal of average annual growth of 10-12% in turnover and average annual growth in EPS of 15-20% over the period 1996-2000, with 1995 as the base year.

The restructuring and action programmes already commenced will take a certain amount of time to impact. Earnings in the first half of 1996 are not expected to exceed those of the first half of 1995. For the whole of 1996, it is expected that Group earnings will live up to the set targets.

Holte, 15 March 1996

Waldemar Schmidt

Arne Madsen

THE FINANCIAL POSITION OF THE GROUP

The Group's financial position remained strong during 1995. Despite a 10% decrease in operating profit the operational cash flow before tax and extraordinary items increased by 2% to DKK 789m from DKK 777m. This satisfactory development is primarily related to working capital, which in 1995 required an additional investment of DKK 42m, down from an additional investment of DKK 99m in 1994.

Cash flow from operations before tax and extraordinary items

DKKm	1994	1995
Operating profit	633	572
Depreciations and Provisions	243	259
	876	831
Changes in working capital	(99)	(42)
	777	789

Debtor days increased slightly on a Group level by 1 day to 36 days, primarily as a result of an increase in debtor days in ISS Inc.

Tax payments increased to DKK 150m, up from DKK 99m in 1994.

As discussed in the Report to Shareholders, ISS incurred significant extraordinary income and expenses in 1995. Of the DKK 78m extraordinary income, DKK 13m had cash effect in 1995 and DKK 65m will have cash effect in 1996. Extraordinary expenses were DKK 220m, of which DKK 55m related to restructurings and severance payments was paid in 1995 and the remaining part will be paid in the coming years.

Cash flow from operations including tax and extraordinary items amounts to DKK 597m which compared to DKK 656m in 1994 represents a decrease of 9%.

Investments in fixed assets fell to DKK 242m from DKK 258m in 1994, mainly due to the lower USD, and a decrease in investments in ISS Scandinavia following the disposals in 1994 of companies which had relatively higher investment levels.

The Group's free cash flow defined as cash flow from operations less investments in fixed assets decreased by 11% to DKK 356m from DKK 398m in 1994.

Free cash flow

DKKm	1994	1995
Cash flow from operations	656	597
Investments in fixed assets	(258)	(242)
Free cash flow	398	356

Acquisitions and divestments

The net cash flow from acquisitions and disposals amounted in 1995 to a cash outflow of DKK 479m compared to a cash inflow of 168m in 1994. The payments regarding acquisitions, were DKK 597m, an increase of DKK 293m compared to 1994.

The largest acquisitions were the ESGO Group (Asia), CGS (France), SPC (Switzerland), Hansa (Germany), which combined account for 60% of the amount paid for all acquisitions. The net proceeds from disposals amounted to DKK 118m, primarily consisting of a deferred payment related to the disposal of ISS Securitas A/S in 1993.

Interest payments

The Group's net interest payments decreased to DKK 40m from DKK 83m in 1994. The decrease is primarily a result of a DKK 20m decrease in net interest expense and an interest payment of DKK 15m resulting from the repayment of a loan made to Falck Holding A/S in connection with Falck's purchase of ISS Securitas A/S, Denmark in 1993.

Payments on currency swaps

In 1995 the Group received DKK 53m of payments on currency swaps. This amount represents realised gains on foreign exchange swaps, which have been established in order to hedge internal loans, primarily in USD. The significant cash inflow is a result of the 9% fall in the USD rate from 1994 to 1995. The lower USD has reduced the DKK value of loans granted by ISS Finans A/S to ISS Inc., and this loss has been compensated by profits on currency swaps. The currency loss on the internal loans has no cash effect until the loans are repaid, whereas the profit or loss on the

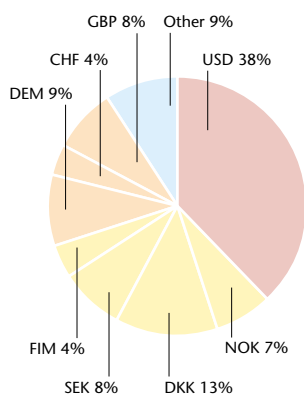
Cash flow from financial items

DKKm	1994	1995
Net increase in long term debt	(776)	89
Interest payments, net	(83)	(40)
Payments on currency swaps	(11)	53
Net proceeds from share issues	496	0
Dividend	(52)	(66)
Minority interest	(7)	(30)
Total cash flow from financial items	(433)	6

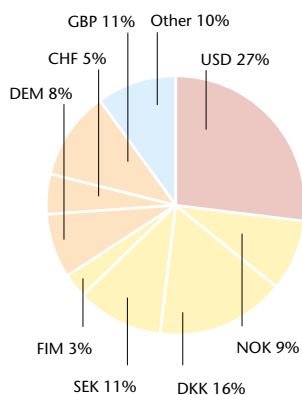
Total cash flow for the Group

DKKm	1994	1995
Free cash flow	398	356
Cash flow from acquisitions/disposals	168	(479)
Cash flow from financial items	(433)	6
Total cash flow	133	(117)

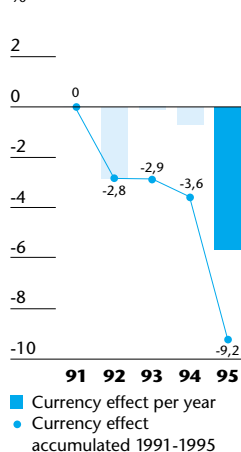
Turnover by currency in 1995



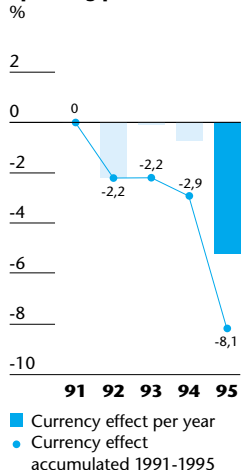
Operating profit per currency in 1995



Currency effect on turnover 1991-1995

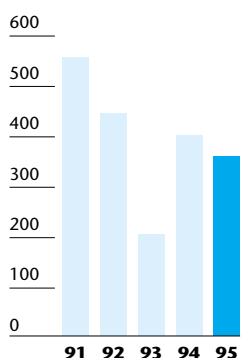


Currency effect on operating profit 1991-1995



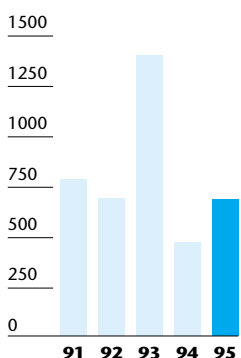
Free cash flow 1991-1995

Amounts in DKKm



Net interest bearing debt, end year

Amounts in DKKm



hedging is paid at each roll-over date. A decrease of the USD, as in 1995, will therefore lead to a cash inflow, while an increasing USD will cause a cash outflow. As the realised cash inflow in 1995 is very large and as this amount does not constitute a part of the Group's financing costs, the

payments are shown separately in the cash flow statement as "payments on currency swaps".

Financial activities

In 1995, ISS prepaid a USD 100m syndicated loan which was taken up in 1993 with an ordinary maturity in 1998. The loan was refinanced by a new syndicated loan of USD 120m maturing in 2000. The new loan has been obtained with a group of 13 banks, of which 10 also participated in the previous loan.

By the end of 1995, ISS had long-term credit facilities of DKK 1,348m of which DKK 869m was utilised. In addition to this, the Group had uncommitted credit facilities of DKK 1,240m of which DKK 186m was utilised. In total ISS had available credit facilities of DKK 1,533m which in addition to the cash position of DKK 417m brings the total financial reserves at year end 1995 to DKK 1,950m. Compared to 1994 this represents an increase of DKK 247m. The Group's net debt, defined as long- and short-term debt less liquid funds, increased by DKK 174m to DKK 638m.

Currency risk management

The profitability of the Group's operations measured in the local currencies of the operating companies is generally not affected by movements in currency rates. However, currency fluctuations affects the earnings and equity of the Group due to a) internal borrowings in foreign currencies, b) future earnings and equity investments in foreign currencies. Currency exposure arising from item a) is managed and hedged by ISS Finans A/S. Exposures related to item b) are not hedged as a long-term hedge strategy is not regarded as cost-effective. As shown in the adjoining graph, currency fluctuations in the period 1991-1995 have caused an accumulated reduction of turnover of 9%, whereas the effect on operating profit is a reduction of 8%. The lower impact on operating profit compared to turnover is due to the lower than average profit margin in ISS Inc.

Interest rate risk management

At year end 1995 ISS has total borrowings of DKK 1,055m, of which DKK 822m is denominated in USD. Consequently, the Group is exposed to changes in the USD interest rates. In order to reduce this exposure ISS has fixed the borrowing rate on debt amounting to USD 95m until December 1996. An additional debt of USD 25m has been fixed until December 1997. Apart from USD, ISS is presently not exposed in any significant way to interest rate movements.

SHAREHOLDER RELATIONS

Developments in share prices 1995

ISS made downward revisions to its 1995 earnings forecast during the year, as shown in the adjoining excerpts of stock exchange releases. This had a considerable effect on the price of the Group's shares, as can be seen on the next page in the graph of developments in the price of the ISS B-share since 1991.

At year end 1995, ISS A-shares were quoted at DKK 132, and B-shares at DKK 126, representing respective falls of 20% and 24% from a year earlier. The highest quotation for the B-share in 1995, DKK 190, was recorded on 8 February, with the lowest quotation, DKK 109, on 3 November.

Total trade in the ISS shares on the stock exchanges in Copenhagen, London and New York in 1995 came to DKK 7.7 billion, of which the Copenhagen Stock Exchange (CSE) accounted for DKK 5.6 billion, London for DKK 2.0 billion, and the New York Stock Exchange (NYSE) for DKK 105m. A total of 36.1 million shares were traded at the CSE, up 24% from the year before.

The total market value of ISS A- and B-shares at year end 1995 came to DKK 3.8 billion, of which the B-shares alone accounted for DKK 3.3 billion.

Share capital

There were no changes in 1995 in ISS share capital, which consists of 29,763,733 shares of which 3,840,000 are A-shares and 25,923,733 are B-shares. The denomination of both types is DKK 20, which gives a total nominal share capital of DKK 595.3m.

As the A- and B-shares give their holders 10 and 1 vote(s) respectively, the total A-share capital represents 60% of all votes.

A general authorisation granted to the Board of Directors to increase the share capital by up to 2 million B-shares expires on 22 April 1996. At the annual general meeting in April 1996, there will be no proposal for extending this authorisation, as the current financial reserves are deemed sufficient for future expansion.

Stock exchange quotations

ISS A- and B-shares are listed on the CSE, where the B-shares are included in the KFX index of the most liquid shares. The B-shares have been listed on the London Stock Exchange since 1989 and, since October 1994, on the NYSE. The listing on NYSE takes the form of an American Depositary Receipts programme, based on the ISS B-share, with 2 American Depositary Shares (ADS) being issued for each ISS B-share.

Stock Exchange releases in 1995

ISS sent out a total of 24 Stock Exchange releases in the year under review. The most important were:

14 March	Accounts for 1994 published showing: profit on ordinary operations DKK 421m and earnings per share of DKK 9.81. EPS for 1995 is forecast to grow by 10-15%.
29 May	ISS enters the Asian market through the acquisition of the cleaning group ESGO B.V.
29 May	Group President Poul Andreassen to retire on 1 October 1995 and to be succeeded by Waldemar Schmidt. Group Finance Director Lise Friis to resign on 1 October.
28 June	ISS lowers its expectations for EPS in 1995 to the 1994 level due to disappointing operating results in New York and Germany.
11 August	Jørn Wendel Andersen appointed Executive Vice President, CFO.
15 August	Half-yearly accounts for 1995 published showing profit on ordinary operations of DKK 171m and EPS of DKK 3.56.
26 September	Dennis Spina resigns as President and CEO of the ISS operations in the USA. His successor is Martin O'Halloran, previously Managing Director of ISS UK. Theo Dilissen is appointed new Managing Director of ISS Europe after Waldemar Schmidt.
30 October	ISS lowers its expectations for 1995 earnings due to unsatisfactory developments in the USA and Germany. EPS is now expected to drop by 20% against 1994. Based on the lower profit for 1995, EPS is expected to grow by 15-20% over the period 1996-2000.

Dividend

It is the overall objective of the Group to ensure steady long-term growth in the dividend paid to shareholders.

The annual dividend is based on both an assessment of the accounts for the year in question and on the management's long-term expectations for future earnings and cash flow.

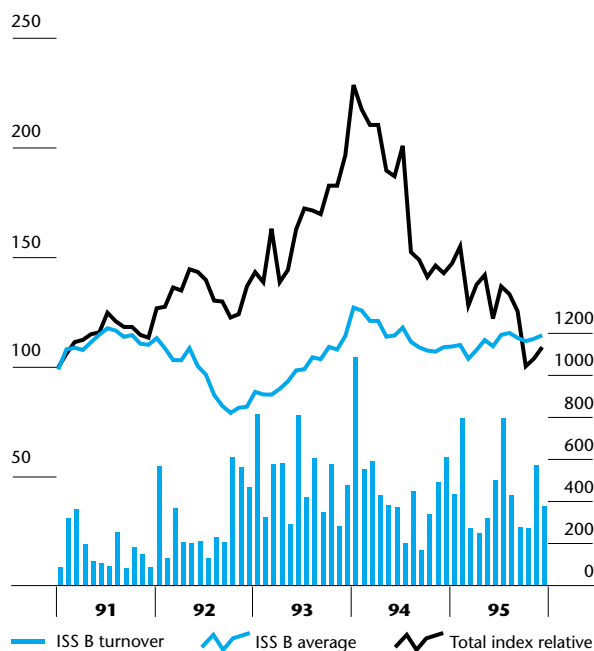
In the period until 1993, ISS met its objective of dividend growth through regular issues of bonus shares, as the proceeds of these meant an increase in the total paid out. However, in 1994 it was decided that future increases in dividend should be achieved by raising dividends on individual shares, rather than by issuing bonus shares.

As a result of this change, dividend per share grew to DKK 2.20 in the financial year 1994, up from DKK 2 in 1993.

Against the background of a decline in Group earnings from 1994 to 1995, but also allowing for expectations of positive developments in the years ahead, the Board of Directors will propose to the annual general meeting an unchanged dividend of DKK 2.20 per share for the financial year 1995.

Price development 1991-95

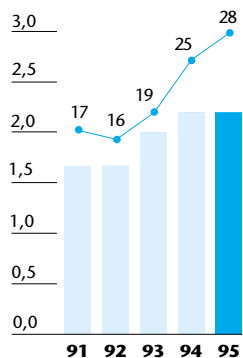
ISS B-shares and the Copenhagen Stock Exchange total index



Dividend per share, DKK

Pay-out ratio 1991-1995

Adjusted for bonus shares



• Pay-out ratio, %

Dividend growth per year, %

17 0 20 10 0

Shareholders as per 29 February 1996

	Holding of share capital %	Holding of votes %
ATP, the Danish Labour Market Supplementary Pension Scheme	10.9	6.7
General Electric Investment Corp.	5.7	2.6
LD, the Danish Employees' Capital Pension Fund	5.5	13.6
KP, the Municipal Insurance Company	4.0	6.2
The Unidanmark Group	2.9	10.7
C.L. David Foundation	1.6	7.6
Other shareholders	69.4	52.6
Total	100.0	100.0

Financial calendar 1996/97

Annual general meeting 1996	25 April 1996
Payment of dividend for A- and B-shares	26 April 1996
Payment of dividend for ADSs	13 May 1996
Half-yearly statement 1996	15 August 1996
Preliminary results 1996	mid-March 1997
Annual general meeting 1997	mid-April 1997

Dividend to ADS holders will be paid out in USD by Citibank N.A., the depository bank in the USA. For ADS holders residing in the USA or Canada a dividend tax of 15% will be withheld. For holders of shares and ADSs residing outside the USA or Canada, a dividend tax of 30% will be withheld. Depending upon the provisions of the double taxation agreements between Denmark and the individual countries, applications may be lodged for subsequent reimbursement of the tax withheld.

Shareholders

The company keeps a register of those shareholders who wish to have their shareholding registered under their name. By effecting this registration, shareholders obtain the advantage of receiving financial statements and other relevant Group communications. The same material is distributed to ADS holders via Citibank N.A.

The following shareholders have notified ISS that they own or manage a holding of either shares or votes in ISS-International Service Systems A/S which exceeds 5%: ATP (the Danish Labour Market Supplementary Pension Scheme), LD (the Danish Employees' Capital Pension Fund), KP (the Municipal Insurance Company, Ltd), the C.L. David Foundation, the Unidanmark banking group and General Electric Investment Corporation. New on the list since year end 1994 is KP.

Investor relations

The ISS Group has established an Investor Relations function to service shareholders, analysts, stockbrokers and other parties with relations to the stock market. Inquiries should be directed to:

Investor Relations Manager: Lyngne Blak

Tel.: +45 38 17 63 17

Fax : +45 42 42 48 16

ISS BUSINESS CONCEPT

OSLO



The ISS Group provides cleaning and related services in more than 30 countries on four continents. Established as a security company in Denmark in 1901, ISS employs some 138,700 people and is uniquely positioned to meet the requirements of quality-conscious customers around the world.

The ISS business concept is rooted in the Group's aim to set the highest possible standards in the cleaning industry and to expand its range of services to specific market segments.

The pace of outsourcing has increased over the years in many sectors. ISS has responded by developing specialised services for customers with demanding requirements. Amongst these are the health, food and airport sectors, where cleaning is often an integral part of the customer's own business.

To service these sectors, ISS has in many countries set up dedicated operating companies which are managed and staffed by specialists capable of understanding the customer's technical needs and translating them into tailor-made services to comply with often stringent hygiene and safety requirements. In other countries, these special services are operated as separate divisions. The guiding principle is always to ensure that the customer has access to the best available expertise at the most competitive price.

CORE BUSINESS AREAS

ISS now encompasses four core business areas:

Cleaning and maintenance

The Group's core competence is the daily cleaning of commercial and industrial premises. To do this competitively, ISS invests in training and new systems, materials and products. The Group is experienced in managing sites large and small.

Special services for the health sector

ISS serves a wide variety of healthcare institutions in both the public and private sectors. In addition to general cleaning, ISS employees disinfect high-risk areas, such as operating theatres, blood banks and research laboratories. They assist nursing staff with light domestic duties, such as distributing meals, bedmaking and flower arranging. Where compulsory competitive tendering has produced major contracting opportunities, ISS offers a full service range to hospitals from cleaning to car parking.

Special services for the food industry

To meet the growing demand from international food companies for professional cleaning and disinfection, ISS has developed a range of services for specific food industry segments. Having pioneered cleaning and disinfection systems in Denmark, the Group has gone on to transfer its know-how to markets in other parts of the world and used it as a platform on which to build expertise in various segments. ISS cleans both wet and dry food-processing environments.

Special services for the airport and airline industries

Outsourcing non-core services has become a key strategy for airports and airlines in their quest to improve profitability in a highly com-

SÃO PAULO



petitive marketplace. ISS not only cleans airport concourses, hangars and commercial facilities, but also offers interior and exterior cleaning for aircraft.

Other special services

ISS has established its name in other sectors where local conditions have offered interesting niche-market opportunities, such as clean-room cleaning for the electronics industry and services for rail, bus and ferry operators.

OTHER BUSINESS AREAS

To its core cleaning services ISS has added a variety of non-cleaning services:

Canteen and catering services

In Scandinavia, where ISS has large market shares in its core businesses, catering services have been added, with activities ranging from purchasing, preparing and serving food to managing stocks and planning menus.

Care services

Scandinavia has again played a pioneering role in researching and developing the “care” market for the elderly in need of personal and domestic services in institutions and in their own homes. ISS is setting up dedicated “care” companies in a number of countries to offer cleaning, meal services, gardening, shopping and other household services.

Landscaping/grounds maintenance

These services range from clearing litter and snow from the streets to highly sophisticated programmes, including landscape planning and management, planting and plant-care, and the maintenance of golf courses and leisure parks.

Energy/mechanical and technical maintenance

This range of services, primarily available in the USA, provides staffing and fixed contracts to maintain elevators, heating, ventilation and air conditioning systems. Installation and structural maintenance are services also supplied.

Sales of cleaning products and machinery

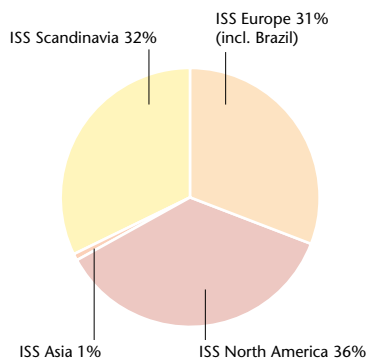
The Group has companies which stock and distribute cleaning machinery and products and have the capability to develop materials and equipment to raise cleaning productivity. In recent years, the emphasis has been on pioneering products with the least detrimental effect on the environment. The ISS range of “green” products is purchased by both Group and outside companies.

Other services

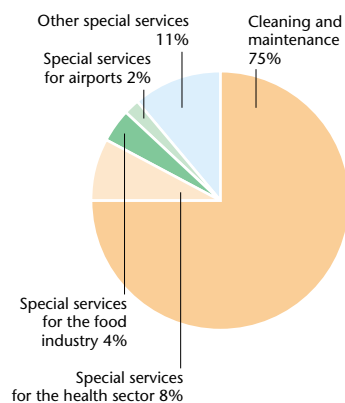
ISS employees perform a wide range of other labour-intensive activities, such as mailroom, switchboard and reception services, waste collection and sorting, hazardous waste handling, internal transportation, pest control, after-damage service, and indoor climate control to combat “sick building” syndrome.



Turnover per division



Turnover by service area



ISS MARKETS

Market sizes and shares

According to ISS estimates, the total market for cleaning services in Scandinavia, the rest of Europe and North America, is approximately USD 100 billion. The outsourced share of the market is estimated at 40%, of which ISS has a 5% portion.

In Scandinavia, the Group holds approximately 28% of the outsourced market, while the figure is only 4% in North America and 3% in Europe excluding Scandinavia.

ISS research indicates that the market for hospital services in Europe, including Scandinavia, is worth some USD 14 billion, of which only a small proportion is outsourced. It is estimated that the total market for services in the food industry probably amounts to USD 3 billion, of which very little is outsourced, while the airport market totals USD 2 billion, half of which is outsourced. These markets are particularly attractive because of high barriers to entry, scarce competition and rising demand.

Market trends

In 1995, the market was characterised by a number of factors, mostly consistent with previous years. The trend towards outsourcing gathered pace in many markets and sectors, both public and private. The market for specialised services in the early stages of outsourcing are probably growing faster than the market for general cleaning services.

There have been early signs that demand for facilities management services has been accelerating in some ISS markets and examples of such services being tendered on a pan-European basis. Indeed, the demand for these services, which has existed for some time in the USA, now seems to be spreading to Europe.

A development during 1995 that warrants particular mention was the heightened interest in the concept of global/pan-European service purchasing. Senior purchasing professionals from a broad range of European, North American and Japanese corporations were interviewed to assess the demand for cross-border service agreements. The survey showed that some multinationals, particularly in the petrochemical and car industries, are exploring ways of grouping service purchases. ISS already works for a number of these companies in several national markets, and, due to its presence in more than 30 countries, is uniquely positioned to serve customers internationally.

GROUP DIVISIONS

GROUP STRUCTURE 1996

ISS has a decentralised, country-based structure grouped under four divisions. The divisions are ISS Scandinavia, ISS Europe, ISS America and ISS Asia, with respective headquarters in Copenhagen, Brussels, Atlanta and Kuala Lumpur.

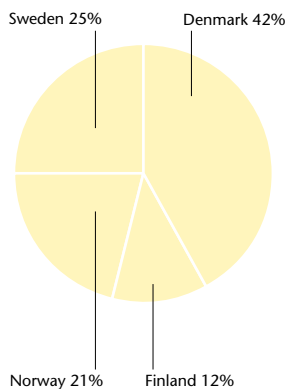
ISS America took over responsibility from 1 January 1996 for ISS in Brazil. ISS Asia was established on 1 June 1995.

ISS-International Service System A/S							
ISS Scandinavia	ISS Europe		ISS America		ISS Asia		
Denmark Sweden Norway Finland	United Kingdom Ireland Germany France Luxembourg The Netherlands Belgium Switzerland	Austria Slovenia Slovakia Hungary Czech Republic Greece Spain Portugal	USA 37 states Mexico Brazil		Hong Kong Singapore Thailand Malaysia	Indonesia Sri Lanka China Brunei	
Results by division	1993 DKKm	1993 %	1994 DKKm	1994 %	1995 DKKm	1995 %	1995 USDm
Turnover/Revenues							
Scandinavia	4,707	35	4,246	30	4,554	32	821
Europe (incl. Brazil)	3,192	24	3,634	26	4,444	31	802
North America	5,048	38	6,180	43	5,193	36	936
Asia	–	–	–	–	190	1	34
Clorius	356	3	167	1	–	–	–
Other	4	–	6	–	10	–	2
Total	13,307	100	14,233	100	14,391	100	2,595
Operating profit		% Margin		% Margin		% Margin	
Scandinavia	228	4.9	218	5.1	250	5.5	45
Europe (incl. Brazil)	226	7.1	211	5.8	217	4.9	39
North America	221	4.4	269	4.4	167	3.2	30
Asia	–	–	–	–	11	5.8	2
Clorius	21	5.9	4	3.0	–	–	–
Other	(63)	–	(69)	–	(73)	–	(13)
Total	633	4.8	633	4.4	572	4.0	103
Turnover/Revenues by service area							
Cleaning and maintenance	9,429	71	10,727	75	10,848	76	1,956
Special services for the health sector	789	6	898	6	1,219	8	220
Special services for the food industry	328	3	453	3	495	3	89
Special services for airports ¹⁾	164	1	214	2	175	1	32
Canteen/catering services	258	2	279	2	316	2	57
Energy service/technical maintenance	449	3	614	4	724	6	131
Landscaping/grounds maintenance	206	2	213	2	213	1	38
Sales of cleaning products and machinery	191	1	225	2	233	2	42
Other ²⁾	1,493	11	610	4	168	1	30
Total	13,307	100	14,233	100	14,391	100	2,595

1) Including energy service/technical maintenance to airports in the USA

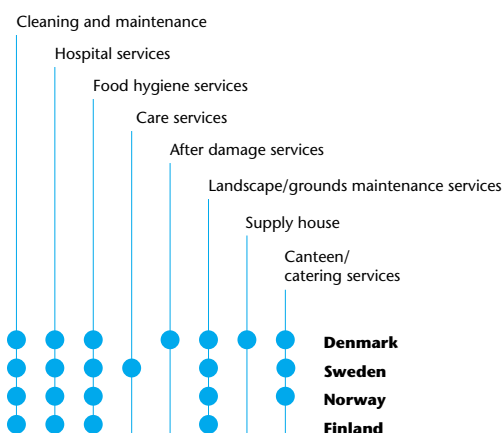
2) Including divested security/ Clorius and linen service companies with DKK 1,160m in 1993 and DKK 323m in 1994

Turnover/geographical



Key figures

DKK m	1994	1995
Turnover	4,246	4,554
Operating profit	218	250
Operating profit margin, %	5.1	5.5
Employees at year end	28,060	27,810



ISS Scandinavia A/S is the parent company responsible for the ISS Group's service companies in Denmark, Sweden, Norway and Finland.

Overall 1995 turnover and operating profit were DKK 4,554m and DKK 250m respectively, representing rises of 7% and 15%. The ISS Scandinavia Division's continued business in 1995, allowing for divestments the previous year, showed an increase of 11% in turnover and 21% in operating profit.

Several acquisitions were made during the year which together contributed DKK 201m turnover to the 1995 accounts. These acquisitions further strengthened the Division in its selected business areas, namely traditional cleaning, catering, care service and property maintenance.

Several market developments shaped the Division's strategy, two of which warrant particular mention. First, the rise in the number of elderly people in the Scandinavian countries led ISS to intensify its efforts to provide a range of welfare services to both private individuals in their homes and to institutions caring for the elderly. In addition to cleaning, these services include catering, housekeeping, gardening, and non-medical nursing care. ISS delivers similar service packages to homes for the disabled.

Secondly, the trend in Norway and Sweden towards enhanced cooperation between the public and private sectors opened new opportunities for ISS Scandinavia to prove its ability to provide cost-effective service packages to public sector customers. This trend is not yet apparent in Denmark, where the current political climate does not encourage such cooperation.



"Jag stämplar in varje morgon precis på klockslaget. Nästan alla jag känner jobbar i gruvan eller i någon verksamhet som hänger samman med den. Det ger en samhörighet mellan oss som bor i staden."

"Every morning I clock in exactly on time. Nearly everybody I know works at the mine or at a company related to it. It gives you a special feeling of belonging in the town."

KIRUNA

67°N / 20°E



Gun Nilsson är 22 år gammal. De senaste två åren har hon arbetat för ISS Städservice i Kiruna. Gun arbetar vid LKAB i Kiruna-gruvan, världens största järnmalmgruva. Kiruna ligger som en jättestor masugn mitt i den snötäckta vildmarken och alla vägar i området leder till gruvstaden, men ingen leder därifrån. Guns man arbetar för gruvbolaget, och dom har två hundar. Varje dag åker hon 775 meter ned under jord för att städa på kontor och i matsalar.

Gun Nilsson is 22 years old. For two years, she has been with ISS Städservice in Kiruna, Sweden, working at LKAB in the Kiruna mine, the world's largest iron ore mine. Kiruna lies like a great furnace in the middle of the wintry wilderness. Roads lead into the mining city, but none lead out. Gun's husband works for the mining company, and they have two dogs. Every day, Gun cleans offices and canteens 775 metres below the surface.

06:15



"På gruvområdet finns det en buss som kör till tillverkningsanläggningen, som ligger ovan jord. Den stannar flera gånger under vägen, men jag är den enda kvinna som åker med."

"I take the internal bus to the processing plant at the top of the mine. The bus makes several stops on its way. I'm the only woman on board."



The Division launched several new initiatives, including the introduction, in selected countries, of a new service delivery concept branded "Team Service". Developed specifically for smaller customers and designed to optimize flexibility, cost-effectiveness and quality of service, the concept involves setting up mobile teams of highly trained cleaners and empowering them to make decisions which they would traditionally have had to refer to their supervisor. This effectively speeds up response times, and ensures that problems and complaints are handled in the most efficient manner.

Denmark

DKKm	1994	1995
Turnover	1,852	1,890
Operating profit	92.3	102.0

ISS Danmark which operates within the traditional cleaning market with ISS Rengøringservice and a number of special services, had a turnover of DKK 1.890 billion at year end, an increase of 2% compared to the previous year. Operating profit stood at DKK 102m, having grown by 11% over 1994. The company was awarded a number of significant new contracts, one of which was with the Municipality of Elsinore for cleaning 90 institutions. Although several large contracts were lost as a result of severe price competition, the volume of new business signed amply compensated.



"Jag städar kontoren medan personalen har kaffepaus. Gruvan är nästan 100 år gammal men maskinerna och kontoren är nya, fastän gruvdriften sätter sina spår även härinne."

"I clean the offices while the staff have their coffee break. The mine is nearly 100 years old, but the machinery and the offices are new. Still, mining leaves its tracks in here too."



The acquisition, in May, of the fourth largest cleaning company, *Aabrink Rengøring A/S*, contributed DKK 70m to the 1995 turnover, and reinforced the company's market leadership in Denmark, where it enjoys more than 20% market share and is three times as big as its nearest competitor.

Two projects aimed at enhancing operational productivity were completed during the year. The first involved the development of a new performance-related service concept based on the measurement of cleaning quality, rather than cleaning frequencies and the amount of materials which are the variables typically measured to determine whether the contractor is meeting agreed specification.

A second project assessed the efficiency of various cleaning methods. New techniques were developed which will be launched in 1996.

In addition to its core cleaning services, ISS offers a variety of special services in Denmark. The company's share of the markets for these services ranges from a few per cent to over 50%, but all areas offer considerable potential for future growth. In 1995, these businesses further refined their quality management systems and training programmes. The latter are particularly important in "special service" markets where compliance with stringent health and safety standards is often mandatory. ISS' special service business areas are summarised below.

ISS Industri & Skadeservice offers a full range of cleaning and renovation services following dam-

age caused by fire, water and storms.

Industrial customers for preventative maintenance services include shipyards, refineries and other process industries. During the year, the company developed a new concept for industrial customers which ensures the optimal use of resources for preventative maintenance. The concept will be launched in 1996. A major contract in 1995 was cleaning the tunnels of the fixed link between the Danish islands of Zealand and Funen, one of the world's longest undersea tunnels.

ISS Foodservice provides disinfection and hygiene services to customers in the food sector. As well as being the leading supplier to Danish abattoirs, it has contracts with almost all the poultry processing plants in the country. There was an increase in the trend towards outsourcing in the market in general, the vegetable-processing sector having been identified as particularly interesting. Efforts to penetrate this sector began in 1995 and will continue in 1996. ISS Foodservice holds an ISO 9001 certificate.

ISS Trafikservice specialises in the cleaning of trains, train stations and ferries, and provides other related services to customers in the transport sector. It is the market leader in its field, and has pioneered several concepts in cooperation with its customers, which include Danish Railways. Of particular interest is the "Clean Sailing" concept for ferry boats which provides cleaning and passenger services during crossings. Quality manage-



09:30

"Vi saknar arbetskraft i Kiruna. Många av de unga söker sig till stora städer som Stockholm och Göteborg för att vidareutbilda sig. Själv skulle jag inte kunna bo i en storstad."

"We've a shortage of labour in Kiruna. Many of the young are leaving for cities like Stockholm and Gothenburg to go into further education. I couldn't live in a big city myself."



10:00

"Lunchpaus. Männerna berättar historier och skämtar. Samtalstonen kan vara ganska rå emellanåt, men efterhand har jag lärt att ge lika hårt tillbaka."

"Lunch. The guys tell stories and crack jokes. Sometimes, the tone can get pretty rough. But I've learned to give as good as the men."

ment systems in line with ISO 9000 standards will be implemented in 1996.

ISS Vinduespolering Service further strengthened its market leadership in window cleaning services. In addition to its core business, it offers periodic inspections and assessments of the condition of building exteriors. In the year ahead, emphasis will be placed on growth through new sales, joint sales with *ISS Rengøringservice* and possible acquisitions.

ISS Tele- & Computer Cleaning cleans personal computers, telefax, video and scanning machines and other types of electronic equipment. Employees require particularly rigorous training in order to meet the technical and service standards demanded by customers of these services.

ISS Ejendomsservice performs daily property maintenance, which can involve one or all of a range of services, including cleaning of staircases, snow removal and grounds management. There will be an expansion of this activity in 1996 through acquisitions or strategic alliances.

ISS Catering A/S has over the years acquired considerable expertise in the management of canteens for both public and private sector customers. In 1995, the company began working with *ISS Hospitalsservice* (see below) to develop a concept encompassing catering and the management of hospital kitchens. *ISS Catering A/S* won several new contracts, one of the most notable being with the company managing the on-shore construction of the tunnel-bridge between Sweden and

Denmark. In general, demand for contract catering services is expected to expand in both public and private sectors, promising good prospects for growth in 1996.

ISS Hospitalsservice A/S has contracts with 15 of Denmark's 95 public hospitals and some 50 institutions to provide a variety of cleaning and other support services, including catering. Despite difficult market conditions, the company won contracts with two existing major hospital customers after the business was put out to tender. *ISS* won the contracts on the grounds that it was able to meet the customers' demands for quality and reliability. When refining its strategy in the Danish market, *ISS* will look for inspiration to the success it has had in cooperating with the public health authorities in Norway and Sweden.

ISS Darenas A/S, certified to ISO 9001 standards, supplies a full range of products to customers inside and outside the cleaning industry, and currently enjoys a 13% share of this market. During the year, the management of its subsidiaries in Norway and Sweden was transferred back to respective country management as an in-house supplier. The integration of *DOMO Master*, a former competitor acquired in 1994, was also completed. Current *ISS Darenas* customers include the County of Funen. In the year ahead, the company will continue to explore opportunities for strategic alliances with public and private sector customers.

Scan Care A/S, established in 1994 as a joint venture with the Danish rescue and emergency



"Min arbetsledare och jag anländer till stationen 775 meter under jorden. Det finns riktiga byar härnere. Här bor gruvarbetarna en vecka åt gången."

"My Supervisor and I arrive at the station at 775 metres underground. Down here there are entire villages. For a week at a time this is the home of the miners."



"Här är min man Patrick. Han arbetar som mekaniker på en av LKABs gruvverkstäder. Det är hans födelsedag idag och jag vet fortfarande inte vad jag ska ge honom."

"This is my husband Patrick. He works for LKAB as a mechanic in one of the mine's workshops. Today is his birthday and I am still not sure what to buy him."



property maintenance, as well as in the market for care services for the elderly and disabled.

ISS in Sweden has four main business areas which are summarised below. All of them attached particular importance to training during the year. By end-December, over 1,000 employees had completed training programmes of some description. This commitment will continue in 1996 when TQM principles will be integrated into training programmes, particularly those designed for full-time employees.

ISS Städservice is the industry leader in Sweden with 9% share of the total cleaning market, approximately 40% of which is outsourced. An increase in the rate of outsourcing in the public sector resulted in several new contracts being signed with public authorities including Sweden's national postal services and the operators of the local transport systems in Stockholm.

ISS Sjukhusservice, which now provides a range of services at nine Swedish hospitals, has benefited greatly from the state encouraging hospitals to outsource non-core services. Although only 20% of the market is currently outsourced, the state has made a firm commitment to outsource the remainder by 20% per year over a five-year period.

corps, Falck, to provide residential care services to the elderly, wound down its activities in 1995. Current political and social attitudes have not encouraged demand for these services.

Sweden

Million		1994	1995
Turnover	SEK	1,254	1,461
	DKK	1,032	1,148
Operating profit	SEK	74.6	87.5
	DKK	61.5	69.0

ISS Sverige AB operates in the traditional cleaning market as well as in the specialised service market. After several years of economic recession, the Swedish economy took a positive turn in 1995. Cost-cutting measures in the public sector led to an increase in demand for contract services.

Turnover totalled SEK 1,461m at year end, an increase of 17% compared to the year before. Operating profit stood at SEK 87.5m, having grown by 17% compared to 1994. The negative development of the portfolio experienced in 1994 turned around in 1995, resulting in growth in the contract base.

Seven companies were acquired, reinforcing the company's presence in the field of cleaning and



"Är de inte underbara? De är bara 3 månader gamla. Vi lär dem att apportera. Jag kan nästan inte vänta tills de ska ut på sin första jakt. Men nu ska de bara ut och rastas lite grann."

"Aren't they cute? They're only three months old. We're training them to retrieve. I can't wait to take them on their first hunt, but first I have to take them for a walk."

ISS has identified interesting opportunities in this market for catering and portering services, and plans to offer hospitals a full range of support services.

ISS Sjukhusservice still has only a small share of the cleaning market in the hospital sector which is estimated to be worth SEK 1.7 billion.

ISS Care Service, created from three specialist companies (Vårdbo AB, Privatomsorg AB and Vårdshuset Hemservice) acquired in 1995, has enabled the group to successfully penetrate the Swedish market for care services for the elderly and disabled. All three acquisitions contributed significantly to developing new forms of cooperation with both the public and private sector and provide a solid basis for future expansion. Customers include several nursing and residential homes for the elderly and disabled, and their families.

ISS Catering was launched as a new service in Sweden on 1 January 1996 with the acquisition of Volanders Restauranger, a well-established family firm with a turnover of some SEK 34m and 60 employees.

Norway

Million		1994	1995
Turnover	NOK	973	1,098
	DKK	846	971
Operating profit	NOK	56.1	65.2
	DKK	50.5	57.5

ISS Norge a.s. is divided into two main business areas: cleaning and catering.

The Norwegian economy continued its upward trend during the year and low inflation is expected to continue into 1996. Increased market concentration in the private sector has improved the opportunities for ISS cleaning and catering services.

ISS in Norway had a turnover of NOK 1,098m at year end, an increase of 13% compared to the previous year. Operating profit stood at NOK 65.2m having grown by 16%.

ISS Renhold is Norway's largest cleaning company providing industrial cleaning and ventilation services, as well as special services to the health and airport sectors and the food industry. ISS Norway has 33% of the outsourced market.

Several new contracts were signed in 1995 with customers such as Norsk Hydro and Scandinavian Airlines System, the latter for aircraft cleaning.



"Till sist köpte jag Patrick en joggingoverall. Vi tycker båda två om sport. Han spelar ishockey och jag går på ju-jutsu, som är en gammal japansk självförsvarsteknik."

"I finally decided to buy a sweat-suit for Patrick for his birthday. We like sports. He plays ice hockey and I practise ju-jutsu, an ancient Japanese self-defence technique."



"Jag tränar en timme, 3-4 gånger i veckan. Det kräver stor självdisciplin och fysisk styrka. Jag har precis kvalificerat mig för det blå bältet, så jag är en bra bit över nybörjarnivå."

"I train for one hour 3-4 times a week. It takes a lot of self-discipline and physical strength. I've just graduated to a blue belt, which shows that I'm well above the beginner's level."



ISS Renhold completed preparation for ISO 9000 certification, and both *ISS Næringsmiddelservice* (food service) and *ISS Flyservice* (aircraft service) were given certification.

In 1995, ISS acquired its biggest Norwegian competitor, *A/S Renva*, which contributed some NOK 60m turnover to the annual accounts and consolidated the company's presence in the Oslo region. *Renva* will continue as an independent limited company.

Finally, an important agreement was signed with the state-owned telecommunications company, *Telenor A/S*, to provide all cleaning and catering services from January 1996. This contract is an example of successful partnership between the public and private sectors.

ISS Catering a.s. leads the market in canteen management and is also the biggest supplier of food dispensers, which it sells or rents. The company has 32% of the outsourced market, which still remains small at only 15% of the total market. There are therefore ample opportunities for growth.

Twenty-four new contracts were signed. The company also completed its preparations for ISO 9000 certification.

Finland

Million		1994	1995
Turnover	FIM	423	425
	DKK	516	545
Operating profit	FIM	11.1	16.7
	DKK	13.6	21.5

ISS Suomi Oy offers cleaning and building maintenance services, as well as special services for the hospital and food sectors.

ISS in Finland had a turnover of FIM 425m at year end, compared to FIM 423m the previous year. Operating profit stood at FIM 16.7m having grown by 50%.

With 21% of the outsourced market, ISS is the largest cleaning company in Finland. *Kiinteistöme-starit OY*, a specialist provider of property maintenance services, was acquired as of January 1996, strengthening ISS' capabilities in this growing area.

ISS' markets experienced particularly severe price competition during the year. Significant new opportunities arose in the public sector following the state's decision to invite private companies to tender for its cleaning and property maintenance contracts. As a result, ISS signed several new contracts with public sector institutions, particularly schools and higher education establishments.

There was a noticeable increase in the demand for contract services in several sectors. *Nokia*, the telecommunications group, was among the major companies which signed contracts with ISS.

The market for ISS Food hygiene services shows a considerable growth as demand for these services extends to the dairy sector and breweries.

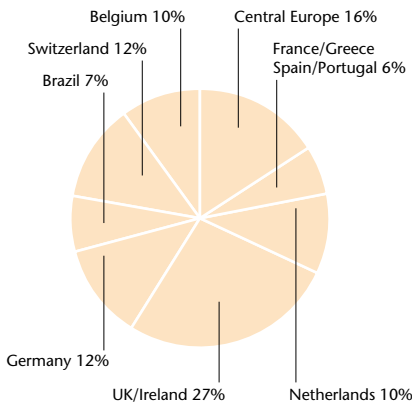
The market was further segmented during the year and the company's service and quality systems were reinforced by the introduction of Total Quality Management principles. TQM is a pivotal element of the company's strategy for 1996 which will include the introduction of an ISS Environmental Policy developed in response to customer demand.

ISS SCANDINAVIA

	Turnover DKKm		Operating profit DKKm		Operating profit margin, %		Employees at year end	
	1994	1995	1994	1995	1994	1995	1994	1995
Denmark	1,852	1,890	92.3	102.0	5.1	5.4	9,535	8,775
Sweden	1,032	1,148	61.5	69.0	6.0	6.0	8,651	9,542
Norway	846	971	50.5	57.5	5.8	5.9	4,899	5,437
Finland	516	545	13.6	21.5	2.6	3.9	4,975	4,056
Total	4,246	4,554	217.9	250.0	5.1	5.5	28,060	27,810

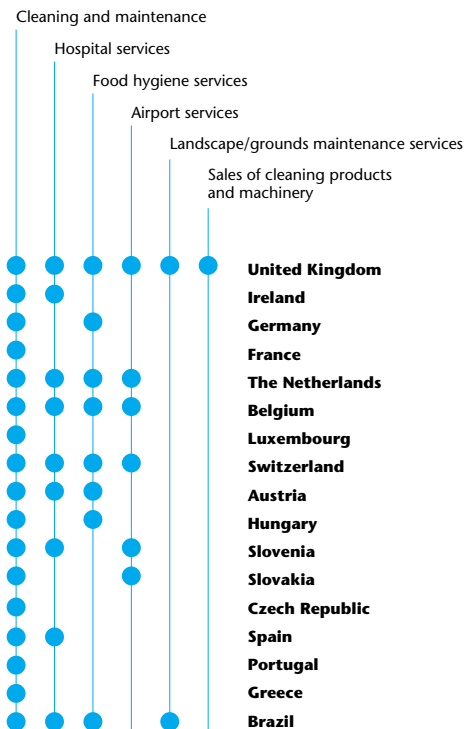
ISS EUROPE INCLUDING BRAZIL

Turnover/geographical



Key figures

DKKm	1994	1995
Turnover	3,634	4,444
Operating profit	211	217
Operating profit margin, %	5.8	4.9
Employees at year end	50,172	59,978



The ISS Europe Division, which in 1995 managed the Group's operations in Europe, except for the Nordic countries, and in Brazil, had a good year, with the notable exception of Germany. Turnover increased to DKK 4,444m or 22% compared to 1994. Operating profit rose by 3% to DKK 217m. At year end, the Division accounted for 31% of the ISS Group's consolidated turnover, and was operating in 17 countries.

Growth was satisfactory with particularly strong organic performance from Belgium (12%), the UK (8%) and the Central European countries (17%). ISS Food Hygiene companies made a notable contribution, capitalising on their strong position in the market to achieve growth of 24%. Profitability was satisfactory. However, serious problems in Germany had a negative impact on the Division results.

The Division entered the Czech Republic and Scotland. In March, ISS Servisystem s.r.o. was established in Prague. In October, ISS acquired Northern Maintenance plc, a leading Scottish cleaning and maintenance company.

The acquisition of the French CGS Group consolidated ISS' presence in the cleaning market in the Paris region. ISS' operations in Austria, one of the Group's flagship countries, were bolstered by the merger, in January 1995, with ARED-A. Slupetzky GesmbH which contributed ATS 250m in turnover, and added 1,200 employees.

In Germany coverage was reinforced by the acquisition of the Hansa Group. Towards year end, ISS bought the Swiss SPC Group of companies, suppliers of high-quality cleaning services. This consolidated ISS' leading position in Switzerland where it has 27% of the outsourced market.

All countries continued to develop specialist capabilities to service specific markets, achieving sustained growth amongst the dedicated operating companies in the food, health and airport sectors.

The Division disposed of its Austrian security business, ISS Securisystem GesmbH, in keeping with the Group strategy of focusing on cleaning.

Three important trends have become evident. First, demand for facilities management services is rising primarily in the UK. Secondly, large organisations' interest in coordinated service purchasing across multiple sites or countries. Thirdly, the high growth emerging market for care services to the elderly is offering increased opportunities for service providers.

Training featured high on management's agenda in all countries, as the ISS 5-Star programme for supervisors was further refined and expanded. Investment in national training centres was sustained.

ISS Europe continued with its strategy to pursue ISO 9000 registration for all operating companies.

LISBON

38°N / 9°W



Edna Correia tem 38 anos de idade. Há quatro anos, está ao serviço da ISS Servisystem Lda, Portugal, onde trabalha sob um contrato com a Nestlé. Seis dias por semana, a Edna sai de casa de um subúrbio de Lisboa, onde mora com seu marido e uma filha, para tomar o autocarro para o trabalho. A Edna trabalha como Assistente de Limpeza e também como Chefe de Equipa do turno nocturno que trabalha sob o contrato com a Nestlé. Há alguns anos, a Edna foi acometida de diabetes e, por isso, tem que fazer dieta permanentemente. Mas isso não impede que seja uma excelente cozinheira.

Edna Correia is 38 years old. For four years, she has been with ISS Servisystem Lda. in Portugal working at Nestlé in Lisbon. Six days a week, Edna takes the bus to work from her home in one of Lisbon's suburbs where she lives with her husband and daughter. Edna works as Cleaning Assistant and also as Team Leader for the night shift at the Nestlé contract. Some years ago, Edna became diabetic so she is on a permanent diet. But that does not stop her from being an excellent chef de cuisine.



“Levanto-me às 05h00, e às 06h10 tomo o autocarro para o trabalho, pelas estradas sinuosas das colinas. Lisboa é uma cidade toda especial de manhãzinha. É como se a cidade fosse um organismo vivo, a despertar”.

“I get up at 05:00 and take the bus to work at 06:10 along the winding road through the hills. Lisboa is special in the morning. It is as if the city is an organism coming to life.”

United Kingdom and Ireland

Million		1994	1995
Turnover	GBP	115	135
	DKK	1,114	1,196
Operating profit	GBP	7.1	7.7
	DKK	68.6	68.2

In 1995, ISS in the UK and Ireland achieved a 17% increase in turnover. Operating profit rose by 9%.

The restructuring of its commercial cleaning activities was rewarded with the key account business, *ISS Servisystem Ltd.*, gaining a number of significant national accounts, including Dun & Bradstreet, SmithKline Beecham and Digital.

In Scotland ISS acquired *Northern Maintenance plc*. Together with three locally managed English companies – *ISS Contract Clean Ltd.*, *Northern, Midlands and Southern* – ISS has a strong platform for the development of national accounts.

Growth at *ISS London Ltd.* remained strong, in spite of large-scale re-tendering. New contracts were won in Whitehall and with LTS Rail. More business was secured with the London Underground.

ISS in the UK and Ireland is having to compete aggressively to retain business. A downward spiral

in wages has developed in some sectors. ISS has taken a strong public stance in favour of a statutory minimum wage.

ISS UK moved into the market for “care” services for people in their own homes by acquiring *AI Community Care* in northern England.

ISS Mediclean Ltd. achieved a 14% increase in turnover and maintained its position as clear market leader by expanding its multi-service range and further developing its catering services.

ISS Food Hygiene Ltd. saw falling sales to existing customers. However, it showed an overall increase in turnover of 16% by gaining new customers, including Northern Foods’ Fox Biscuits and Nestlé UK Foods.

ISS Darenas Ltd., the janitorial supply company, showed a significant increase in turnover and operating profit and maintained its position as number two in the market. Greenline environmental products and Machinery Repair Service contributed to the positive result.

ISS in Ireland exceeded profit expectations and achieved a 25% share of the market. It acquired *Contract Cleaners*, the second largest company in the market.

Germany

Million		1994	1995
Turnover	DEM	127	134
	DKK	497	523
Operating profit	DEM	19.7	2.1
	DKK	38.0	8.3

ISS in Germany had a difficult year in 1995, producing poor results. Turnover increased by 5% to the equivalent of DKK 523m, but operating margins were considerably lower.

A number of large contracts in Berlin failed to yield anticipated returns, partly because of renegotiations.

ISS implemented a comprehensive restructuring programme and appointed a new management team.

ISS acquired the *Hansa Group* adding approximately DEM 12m turnover to German operations in 1995. Its portfolio included Volkswagen, Mercedes Benz and seven hospitals.

ISS Servisystem GmbH won several new customers. Contracts were signed with Stena Line Service, for cleaning ferries sailing between Germany and Sweden, and with the supermarket chain EDEKA for office and window cleaning and dishwashing services. ISS in Germany was appointed preferred nationwide supplier to Digital.



“É um edifício muito bonito e moderno. Tudo foi concebido para ser tanto prático como de encher os olhos. Gosto em particular do hall de entrada com o piso de mármore lustroso”.

“It is a very beautiful and modern building. Everything is made to be both practical and pleasing to the eye. I especially like the lobby with its smooth marble floors.”



ISS Food Hygiene Service GmbH started new contracts in September, with Herta GmbH, part of the Nestlé Group, and with ARDY-Menue, a catering chain where ISS provides food hygiene services for the Berlin branch which prepares 30,000 meals a day.

France

Million		1994	1995
Turnover	FRF	19	119
	DKK	22	133
Operating profit	FRF	0.4	5.0
	DKK	0.5	5.6

ISS expanded in France by acquiring CGS, a Paris-based cleaning and facilities group, in August 1995, adding FRF 56m in turnover in 1995 and 1,600 employees. The Managing Director of CGS was appointed country manager of ISS in France.

At year end, ISS' turnover and operating profit in France were equivalent to DKK 133m and DKK 5.6m respectively.

A key development was the integration of Net Inter S.A., acquired late in 1994, into the CGS Group without the loss of important contracts.

The Netherlands

Million		1994	1995
Turnover	NLG	126	134
	DKK	440	469
Operating profit	NLG	10.5	10.7
	DKK	36.5	37.5

The Dutch ISS group of companies (ISS Servisystem B.V., ISS Food B.V. and ISS Hospital Service B.V.) continued to perform well in 1995, with 7% growth in turnover. The operating profit margin of 8.0% was satisfactory.

In its core cleaning business, ISS continued to work towards its goal of achieving preferred supplier status among major customers. Some 200-300 major accounts have been identified for further development in 1996. During 1995 new contracts were signed with DMS, Mobil Oil, the Dutch postal authorities PTT Telecom, Groningen University and St. Franciscus Hospital. The three-year DMS contract's annual value is equivalent to more than DKK 10m, is for cleaning of production and administrative areas in 237 buildings.

The turnover growth of ISS Food B.V. was reduced by a government decision to cut abattoir capacity. New contracts, such as Hazelwood Group, Hillsdown Group and Meatpoint, were won in the confectionery and luxury food-processing sectors.

ISS continued to expand its share of the airport market, adding KLM to its customer list. The ISS partnership with Ogden Aviation was strengthened. ISS now provides aircraft cabin-cleaning



"Hora do almoço. Devido à minha diabetes, recebo um tratamento especial no refeitório. O que realmente me faz falta é uma bica depois do almoço. Com café bem forte e cheio de açúcar".

"Lunch. I get special treatment from the kitchen because of my diabetes. One thing I really miss, is enjoying an after-lunch cup of espresso. Very black and very sweet."

services for a number of Ogden Aviation's airline customers at Schiphol.

ISS was the first company to gain nationwide "VCA" recognition for meeting health and safety standards for suppliers to the petrochemical and construction industries.

Belgium

Million		1994	1995
Turnover	BEF	2,015	2,258
	DKK	383	429
Operating profit	BEF	139	166
	DKK	26.4	31.5

ISS in Belgium sustained strong organic growth. Turnover increased by 12% compared to 1994, and operating profit rose to 7.3% of turnover, with the food and airport services performing particularly well.

Over 1,000 operatives were trained under a "20-hour" programme, producing a fall in employee turnover from over 100% to 8%. Lowering fixed costs was a top priority, and measures were taken to streamline administration and management.

Highly cost-effective and innovative services secured contracts with major new customers, including the Flemish Government.

Food services were at the fore on growth, with an increase in turnover of 45%, and a good increase in profit. *ISS Food Hygiene S.A.-N.V.* specialises in cleaning and disinfection of food-processing facilities.



The first full year for *ISS Healthcare S.A.-N.V.* reflected considerable management activity aimed at building foundations for future development. Much improved performance is anticipated for 1996.

ISS Airport Services S.A.-N.V. continued to supply the Brussels Airport Terminal Company (BATC) with cleaning and trolley services.

Development activities in Luxembourg are expected to resume in 1996.



"Depois do almoço, faço a limpeza do refeitório e lustro o novo painel de luz. Feito isso, tenho um intervalo de uma hora antes de me encontrar com o turno noturno. Hoje, vou às compras".

"After lunch I clean the canteen and the new lightboard. When I'm done, I've a one-hour break before meeting with the night crew. Today I'll go shopping."



"É bom sair um pouco, antes de voltar ao trabalho. Os meus dois trabalhos combinam a satisfação imediata de fazer um bom trabalho e de organizar toda uma tarefa".

"It is nice to get away for a little while, before I go back to work. My two jobs combine the immediate satisfaction of a job well done and of organising an entire operation."

Switzerland

Million		1994	1995
Turnover	CHF	64	110
	DKK	297	520
Operating profit	CHF	4.3	6.8
	DKK	20.1	32.3

Vigorous growth marked 1995 for ISS in Switzerland. The new structure was put in place and the acquisition of *SPC*, Zürich on 1 November 1995 reinforced the company's position as the leading private cleaning group in Switzerland. Operating profit rose 58% on a 71% increase in turnover.

The company's share of the Swiss market is estimated by ISS at 27%. The overall cleaning market in Switzerland is worth CHF 2.28 billion, of which 25% is outsourced.

New contracts included the Swissair cabin cleaning agreement, office contracts with Omega, HCR and HP, and cleaning food preparation premises for Migros and SEG. New services included McClean, a system for handling a new kind of public toilets.

In 1995 the ISS companies trained 1,200 hospital workers and 2,000 daily office cleaning staff. TQM was implemented on the ABB contract and DuPont adopted ISO 9002 for all divisions.

Central Europe

Million		1994	1995
Turnover	ATS	878	1,261
	DKK	489	701
Operating profit	ATS	71.1	81.5
	DKK	39.6	45.3

ISS Servisystem Marischka GesmbH, Austria's largest cleaning company, further reinforced its position on 1 January 1995, by merging with *ARED-A. Slupetzky GesmbH*. *ARED's* owner and Managing Director was appointed Managing Director of the newly formed *ISS Servisystem GesmbH*. The merger gave ISS complete geographical coverage of Austria and entry into the food hygiene market.

Its Austrian security company, *ISS Securisystem GesmbH*, was sold to Raab Karcher Austria GesmbH at year end.

ISS Servisystem GesmbH had a satisfactory year. Demand for facilities support services picked up, with customers seeking a wide range of other services, such as technical maintenance, gardening, waste disposal and staff recruitment in addition to general cleaning. Organic growth of 7% was achieved compared to 1994, with an increase in operating profit of 22%.

A new holding structure, *ISS Central Europe GesmbH*, was established in 1995, to act as parent company for operations in Austria, the Czech Republic, Hungary, Slovakia and Slovenia. Turnover in the last four countries grew by 50% and operating profit by 41%.

ISS Servisystem Kft., ISS' Hungarian company, continued its growth trend, increasing turnover by 32% compared to 1994. Operating profit was slightly lower than in 1994. The company consolidated its share of the markets for office cleaning and food hygiene services.

ISS Servisystem d.o.o. in Slovenia increased turnover by almost 47% compared to 1994. Operating profit margin rose to 9.5%. The company extended its work in the transport sector, cleaning 120 stations and 14,000 carriages a month for Slovenian Railways. It expanded its portfolio of hospital contracts, which includes the second-largest hospital in the country (1,600 beds), and reinforced its position as premier supplier of cleaning and disinfection services to leading spas.

ISS Marischka spol. s.r.o. in Slovakia, having commenced activities in 1994, with a cleaning contract at Bratislava Airport, signed contracts with several new customers, including Siemens.



"É engraçado, mas quando visto o meu uniforme de Chefe de Equipa, sinto-me diferente. Não só porque acho que é mais bonito, mas porque me confere autoridade, de um modo agradável."

"It's funny, but when I put on my Team Leader uniform I feel different. Not just because I think it looks better, but in a nice way it gives me authority."

ISS Servisystem s.r.o., a new company, was established in Prague in 1995 when ISS entered the Czech market. The company has already secured a number of large contracts.

Spain

Million		1994	1995
Turnover	ESP	996	1,014
	DKK	47	46
Operating profit	ESP	15	30
	DKK	0.7	1.3

SAEL is a Catalanian-based cleaning company. The company is a 50/50 joint venture with a local partner.

Turnover was only slightly higher in 1995 after improved results in 1994. Operating profit doubled.

Portugal

Million		1994	1995
Turnover	PTE	1,323	1,781
	DKK	51	66
Operating profit	PTE	9	44
	DKK	0.3	1.6

ISS Servisystem Lda. maintained growth in 1995, with an increase in turnover of 35% compared to 1994.

The company pursued its strategy of segmenting the market, and to consolidate its share in selected segments.

Retail customers secured in 1995 included Modis in Azambuja, and Jumbo Setubal and Makro in Braga. The company continued to build on its portfolio of customers in the automotive sector, providing services from office cleaning to cleaning of paintshops and deep cleaning of machinery.

The company was given ISO 9002 certification, the first Portuguese cleaning company to achieve this distinction. ISS launched a mobile centre, or "Job Bank", to take recruitment to prospective employees.

Greece

Million		1994	1995
Turnover	GRD	1,026	1,007
	DKK	27	24
Operating profit	GRD	21	34
	DKK	0.5	0.8

ISS Servisystem S.A. reduced its turnover by 2% in 1995, and reported an operating profit of 3.4% of turnover.

Economic recession continued, resulting in severe price competition. The annual retendering of public sector contracts has discouraged ISS in Greece from penetrating this market. Instead, the company has sought to develop tailormade services for large, multinational customers in the private sector.

In Athens, new contracts were won, amongst others, with EEDE, A-Kron and Tsandilis.



"A reunião com o pessoal é sempre diferente da da noite anterior. O controlo do trabalho da noite anterior e o actual estado do edifício sempre proporciona novas situações."

"Briefing the crew is always different from the night before. Checking up on last night's work and the present state of the building always presents new situations."



"A minha meiga filha dá-me um beijo de boas-vindas, na porta. Hoje à noite, vou fazer um jantar especial. A nossa equipa nacional de futebol vai jogar e vamos assistir ao certame na televisão"

"My sweet daughter greets me in the doorway with a kiss. Tonight, I'll make a special dinner. Our national soccer team is playing and we're going to watch the game on TV."

The company continued to set standards in service industry training by designing a programme for cleaners which was subsequently approved by the Ministry for Employment and Education. ISS in Greece retained 95% of its cleaning employees in 1995.

Brazil

Million		1994	1995
Turnover	DKK	267	336
Operating profit	DKK	(2.0)	7.4

For *ISS Servisystem Com. e Ind. Ltda.* 1995 was a landmark year. Not only did the company complete its restructuring programme, but government initiatives to stabilise what had been a highly volatile currency finally bore fruit.

The year began with the decision to terminate a major contract. In spite of this, the company's four businesses – commercial cleaning, hospital service, food hygiene and *ISS Masterservice* – together achieved very strong organic growth. Turnover grew by 43% to USD 60m. Operating profit was USD 1.3m compared to a small loss in 1994.

All activities are now concentrated in the states of São Paulo and Rio de Janeiro. Turnover is generated entirely from the private sector with both multinational and national customers.

ISS Brazil has begun to make a name for itself in the food and hospital sectors. Early in the year,

Brahma, the world's fifth largest beer producer, appointed ISS to clean its production facilities in São Paulo, a contract requiring 300 full-time employees. This was followed by a further plant contract in Rio in December.

Kellogg's, Gate Gourmet and Nestlé awarded ISS contracts including cleaning and landscaping.

New customers in the hospital sector included the Intermedicas Group and Unimed, leading healthcare providers. *ISS Hospital Services* is now the leader in this market sector with over 30 contracts.

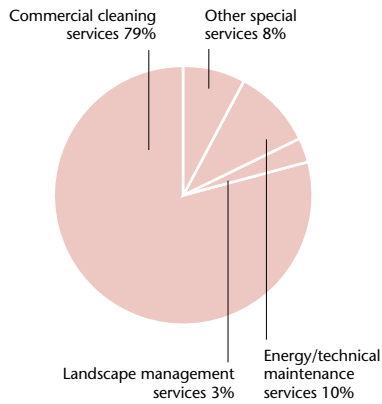
A joint initiative was launched with the São Paulo University to improve the reading and writing of ISS supervisors and staff. The company also entered an agreement with the American School in Rio to fund books and to support teachers involved in an education programme for children in the "favella" district of the city where many ISS employees live.

ISS EUROPE INCLUDING BRAZIL

	Turnover DKKm		Operating profit DKKm		Operating profit margin, %		Employees at year end	
	1994	1995	1994	1995	1994	1995	1994	1995
United Kingdom	1,114	1,138	68.6	65.8	6.2	5.8	17,813	18,982
Ireland	–	58	–	2.4	–	4.2	–	1,821
Germany	497	523	38.0	8.3	7.7	1.6	6,917	7,863
France	22	133	0.5	5.6	2.2	4.2	659	2,148
The Netherlands	440	469	36.5	37.5	8.3	8.0	4,605	4,948
Belgium (incl. Luxembourg)	383	429	26.4	31.5	6.9	7.3	2,659	2,617
Switzerland	297	520	20.1	32.3	6.7	6.2	3,745	5,465
Austria	435	620	35.5	39.5	8.2	6.4	3,297	3,897
Hungary	11	14	0.9	0.8	8.0	5.9	335	423
Slovenia	43	63	3.2	6.0	7.3	9.5	811	1,075
Slovakia & Czech Republic	–	4	–	(1.0)	–	–	–	341
Spain	47	46	0.7	1.3	1.5	3.0	333	318
Portugal	51	66	0.3	1.6	0.7	2.5	1,365	1,673
Greece	27	24	0.5	0.8	2.0	3.4	341	377
Other	–	–	(18.5)	(23.2)	–	–	–	–
Total, Europe	3,367	4,108	212.7	209.2	6.3	5.1	42,880	51,948
Brazil	267	336	(2.0)	7.4	–	2.2	7,292	8,030
Total	3,634	4,444	210.7	216.6	5.8	4.9	50,172	59,978

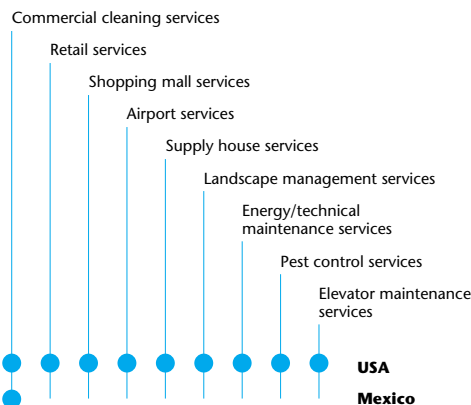
ISS NORTH AMERICA

Distribution of turnover/revenues



Key figures

Million		1994	1995
Turnover/Revenues	DKK	6,180	5,193
	USD	972	927
Operating profit	DKK	269	167
	USD	42.3	29.8
Operating profit margin, %		4.4	3.2
Employees at year end		44,300	42,050



The ISS North America Division experienced a difficult year in 1995. There were several major losses of cleaning contracts in New York City and mechanical contracts in California. This had a negative impact on both the business portfolio and profit margin of *ISS International Service System, Inc.* The company initiated a rationalisation programme which proved unsuccessful and resulted in the loss of several key operations managers, a development that further affected revenue and profits.

In October 1995, ISS Inc. changed management. Martin O'Halloran, an experienced ISS manager who had been Managing Director of ISS UK since 1989, and had previous involvement in the US cleaning industry, was appointed President and Chief Executive Officer of ISS Inc. He replaced Dennis Spina, who resigned in mutual agreement with the Group. Martin O'Halloran was charged with the task of improving operating results and margins over the short term and subsequently introducing a strategy based on organic growth.

During the fourth quarter of 1995, priority was given to stabilising the customer base, resolving the immediate management problems in the organisation and revising the American organisation's strategy. ISS' investment in Pace Laboratories was written down in 1995. Provision has been made for all known future obligations.

Mainco Elevator Services Co., in which ISS has increased its shareholding to 50% from 40%, continued during 1995 to excel in its niche markets. Mainco significantly increased the backlog of renovation contracts and has arranged for strategic alliances to expand service capabilities outside the New York metropolitan area.

At the beginning of 1996, the Division was reorganised in order to provide the framework for improved performance. In addition to a streamlined reporting structure, all remaining corporate activities will be relocated to Atlanta, Georgia, early in the year. A comprehensive review of



"I've been a bodybuilder all my life. I get up at five to eat. Then I work out at Gold's Gym for 1 1/2 hours."



SAN FRANCISCO

37°N / 122°W



Derrick West is 34 years old. He has been with ISS in San Francisco for five years working his way up as Project Supervisor on 44 Montgomery Street. Derrick lives alone in Sacramento. He is divorced and has a 1-year old son in Italy. There are more than 100 customers in the building for Derrick and his assistants to service. All 28 assistants live in the same area in San Francisco and Derrick is a popular guest in his colleague's homes.



"After training I visit my father at the home. At 11:00 I take the train to San Francisco. It's a two hour journey. Still, because of the heavy traffic, it's faster than if I took the car."



many corporate functions was undertaken to measure results against established benchmarks. Additionally, several support functions previously performed in-house will be performed through outsourced providers. In the new decentralised organisation, each operating unit will be empowered to achieve their stated objectives.

ISS New York, Inc. has been established as a dedicated operating company to manage the unique needs of the New York real estate cleaning and support services market. The greater New York metropolitan market has several distinguishing characteristics which set it apart from the rest of the Division. These include the lingering effect of the real estate recession and a high wage and benefit base for trade union employees. A strike which affected all cleaning companies operating in Manhattan at the start of 1996 ended in a compromise settlement in early February.

During 1995, the New York operation suffered an inordinate proportion of contract losses due to increased competitive tendering by several significant customers. In order to reverse this trend, a respected and experienced management team has been recruited to take immediate and definitive action. ISS New York, Inc. has been restructured to improve service quality and enhance customer responsiveness. The geographical area encompassed



"I met my wife in Italy when I was in the navy. She's still there with our son, so I don't get to see him a lot."



by ISS New York, Inc. has also been expanded, in order to reflect the true scope of the metropolitan area, from the Connecticut border to central New Jersey. The focus for 1996 is to increase both market share and the range of services offered in this segment.

ISS Inc.'s strategy is to focus on cleaning and facilities services specific to chosen market segments. In 1996, the Division will pursue greater market share in commercial office buildings, corporate and industrial facilities, retail stores and shopping malls, educational institutions, airports and airlines. ISS Inc. will also concentrate on leveraging the ISS Group's global strengths to work with American multi-national organisations in their outsourcing programmes. The Division will seek to expand its services by identifying best practices elsewhere in the Group and, through a structured education process, seek to capitalise on the expertise that has already been developed within the ISS organisation.

In line with market trends, ISS will bundle services as and when appropriate to meet specific customer needs. Because the corporate and industrial market segment in particular frequently demands a wider range of services than that which ISS Inc. can perform itself, the Division has identified Strategic Alliance Partners whose core business is to provide facility services complementary to ISS' service programmes. These Strategic Alliance Partners provide engineering and construction services, security services, reprographics and imaging services, catering and vending services. This strategy allows ISS Inc. to provide the most professional teams possible in today's market. It also provides the framework for the company to take advantage of cross-marketing opportunities.

The commercial office building market outside New York is experiencing recovery at an impressive pace from a prolonged recession. The recovery occurred first in the suburban markets, which are now experiencing growth at a rate that clearly signifies an end to the recession. On the other hand, the downtown office markets in the major American cities are only just beginning to experience recovery. With notable exceptions, it will be some time before growth is seen in these areas. Accordingly, ISS Inc. is concentrating on growth in this segment in the suburban markets and the second-tier cities. Having already achieved a significant market share, the Division's focus will now be on relationship development.

The retail store and shopping mall segments of the market have not witnessed similar growth during 1995. After disappointing year end financial results in these segments, industry analysts expect that further mergers and consolidations will occur in 1996. Two market segments continue to show significant positive results: the high-end retail establishments and technology retail stores. In addition, large retail store chains are increasingly seeking sole-source providers which can service their needs in many geographical regions. ISS is ideally situated to address their needs because of the wide scope, domestically and internationally. The company will focus on these market segments in 1996 in order to expand its 4% market share.



"The day crew give their report. Tomorrow is Thanksgiving. Carl invited me to have dinner with his family."



"Ten years ago, I worked as a cleaner with ISS in Philadelphia. I know cleaning from hands-on experience."

The educational institutions in the USA estimate that over USD 63 billion is spent on outsourced services nationwide. As both public and private educational institutions at all levels pursue a cost containment strategy, they are seeking quality outsourced service providers with which to form alliances. ISS Inc. has had success in this market segment for many years, but the current 4% market share it holds indicates that there are still significant opportunities for growth. The company has had the greatest success in the private, higher-education market and will capitalise on this expertise with a focused approach to this specific segment during 1996.

Airports and airlines represent a significant market for ISS Inc. Most US airports and many airlines currently outsource a variety of non-core services. Furthermore, the market indicates significant expansion of such outsourcing activities during 1996 and the years beyond. Building on a solid base of expertise in this market segment in both the US and elsewhere in the ISS Group, the company has been successful in expanding its US market share in 1995. There have so far been only very few service providers capable of servicing this market, which will be a major area of focus in the near term and presents outstanding opportunities for expanding the range of services.

The business development function was strengthened during 1995, a move which has resulted in awards of notable major contracts with blue chip US companies.

In 1996, business development will assume additional responsibilities for sales and marketing throughout the Division. The Division will restructure its sales organisation and pursue a key account strategy. This approach is expected to pro-

duce improved sales performance during 1996 and the years ahead.

In 1995, ISS Inc. successfully established an operation in Mexico City. Under the new management team, several key contracts were won in a short space of time. Bancomer, Coca Cola and Arthur Andersen joined ISS' client list in Mexico during the second half of the year.

After the ratification of the historic North American Free Trade Agreement (NAFTA), which encompasses the USA, Canada and Mexico, American corporations have been expanding into Mexico at a rapid pace. The market is demanding professional facility service providers which can deliver quality service through trained and supported local management. This presents real market opportunities for ISS to build on relationships already established in the USA and to extend their reach into the dynamic Mexican market.

ISS New York, Inc.

The company achieved turnover of approximately USD 227m in 1995 compared to USD 256m in 1994. Significant long-standing contracts were lost through re-tender due to continued pricing pressure and management instability. Market conditions, although showing some signs of stabilising, remain in a downward spiral. Major downtown tenants, a large source of revenue, continue to downsize, thereby increasing vacancy rates in key service areas. To consolidate remaining



"Paperwork. At five o'clock I have a meeting with Heitman Properties, the management company of the building."



"The Property Manager and I go over the tasks and events of the day and discuss what is needed."

New York City metropolitan area customers, and the employee base, *ISS New York, Inc.* – a separate group – has been established. The new group is formed with management having both industry and local experience. ISS NY is comprised of operations in New York City, New Jersey, Long Island and Southern Connecticut.

ISS Northeast/Midwest

ISS Northeast/Midwest consists of 27 operating units and 12,700 employees providing services in 16 states. ISS expanded its business alliance with Eastman Kodak in office, research development and manufacturing sites by increasing contracts threefold. Enhanced quality performance through strategic processes has won ISS the first Kodak Q1 rating for a service provider.

Additionally, the award of a contract with LaSalle Partners servicing Ameritech properties in the Midwest has proven rewarding. ISS started by providing cleaning services in Illinois for more than 420 sites. In the third quarter of 1995, the portfolio was expanded to Ohio and Wisconsin with an increase of 289 sites. The alliance demands the leveraging of assets and high quality management skills in all three operations. The acquisition on 1 August 1995 of the *Wilm* company strengthened ISS' presence and management in Milwaukee, Wisconsin, adding annual turnover of around USD 4m. ISS was awarded a contract in September 1995 with the newly-opened Fleet Center in Boston, Massachusetts, the biggest entertainment complex in New England. The complex is home to the Boston Bruins and Boston Celtics, the professional ice hockey and basketball teams. It is also used for various events from ice skating, exhibitions and circus events to trade



shows. ISS provides cleaning services for the complex which include luxury suites, restaurants and executive offices, as well as public entrances and general areas. On certain days, it is necessary to clean the complex several times due to the booking of numerous events.

The emphasis will be on organic growth in 1996. There will be a continued focus on reducing fixed costs, leveraging management skills and producing quality alliance contracts. ISS Northeast/Midwest's headquarters is in Philadelphia, Pennsylvania.

ISS Southeast/Southwest

ISS Southeast/Southwest operates in Georgia, North Carolina, Florida, Tennessee, Kentucky, Texas, Louisiana, Mississippi and Oklahoma. Unfortunately, the economic growth experienced in these states in 1995 was not reflected in ISS' organic growth. Fierce price competition in Atlanta and a low supply of usually abundant labour in Tennessee and Kentucky stalled efforts to win new business.

ISS was unsuccessful in retaining large contracts in Tennessee. The North Carolina industrial service operation once again achieved its stated objective with strong organic growth.



"The night crew has arrived and we brief each other. Then, I do my round through the building's 42 floors."

ISS in Texas was successful in adding several sites to a new account, Flowers Bakery. *ISS Southern Management*, the joint venture partner, enjoyed another year of solid results. ISS Southeast/Southwest headquarters is in Atlanta, Georgia.

ISS Pacific Northwest

ISS Pacific Northwest, headquartered in San Francisco, had a turnover of approximately USD 67m in 1995. An emphasis on productivity enabled it to exceed its 1995 targets.

Management placed a heavy emphasis on customer care programmes, especially in the second half of the year. This not only began to show positive results in the form of improved account retention, but is expected to prepare the ground for organic growth in 1996.

ISS Pacific Southwest

ISS Pacific Southwest in 1995 achieved its best financial results since it was set up in 1986. Turnover and operating profit increased in Southern California. Denver was re-established as a branch in 1994. In 1995, a successful sales programme and a small acquisition combined to position Denver as a branch that will continue to contribute to ISS growth. Significant new accounts secured in 1995 include San Diego Gas and Electric (all locations), Compass Properties, American Express and Motorola/Phoenix. The division secured three new accounts in Las Vegas, Nevada.

ISS Energy Services

ISS Energy Services had a turnover of approximately USD 94m in 1995. It provides technical services in operations and maintenance for staffing and fixed contracts, maintenance for heating, ventilation and air conditioning systems (HVAC) and structural maintenance in both the public and private sectors.

Structural maintenance contracts in the Northeast were subject to large cost overruns. However, the impact for 1996 has been minimised. A number of key staffing accounts were lost in 1995 in California, causing unsatisfactory results. The previous management organisation has been decentralised to lower fixed costs and bring management skills and high level technical skills closer to the customer base and sites. Greater focus has been given to the service line for operations and maintenance where ISS was previously more successful. Public sector contracts performed satisfactorily and will be expanded.

ISS Elevator Services

Mainco Elevator Services Co. showed a solid performance in 1995 with turnover increasing by 36% compared to 1994. The operation continued to grow its maintenance contract business and was awarded several new modernisation contracts involving Saks Fifth Avenue and Chemical Bank. The company headquarters is in Long Island City, New York.

ISS Retail and Mall Services

ISS Retail Services showed a decline in turnover in 1995. However, operational problems experienced the previous year were resolved. The market continued to be negatively influenced by the growth of discount retail chains and overcapacity. Pricing is foremost in negotiating new contracts. ISS Retail Services' focus remains directed at high quality department stores. Results for 1995 were satisfactory.

In *ISS Mall Services*, a decentralised organisation was implemented in 1995 to better provide operational synergy and customer response. The organisational structure has provided improved profit margins and the burden of start-up costs from 1994 have been eliminated. Growth in 1995 was acceptable, but more pricing pressure has been exerted by the market's drive to reduce operational costs. ISS Mall Services provides nationwide services to large shopping centres, including general cleaning, floor care, handyman services, food court cleaning and light maintenance.



"I've finished my round and I'm on my way back home. I'm involved in a youth correction programme. At the weekends I tell the kids to get involved instead of getting in trouble."



ISS Landscape

ISS Landscape Management Services, Inc. experienced a positive transformation in 1995. During the first quarter, the organisation underwent a significant change in management and a new president was appointed. This resulted in ISS Landscape meeting its profitability goals in 1995. Several ISS-maintained projects won national awards as designated by the Associated Landscape Contractors of America. In addition, the organisation secured four golf course maintenance contracts, bringing to 11 the golf portfolio of ISS-maintained properties within the new Celebration Station, a Disney City.

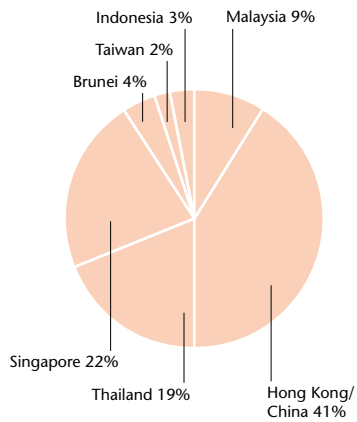
Mexico

ISS Servistema SA de CV opened its first office in July 1995 in Mexico City. The first contract began in August for Bancomer. Mexico operations continue to grow and maintain a good level of return. Additional contracts came on stream in March 1996. The Ruiz Urquiza/Arthur Andersen contract includes housekeeping, safety and other project work.

ISS NORTH AMERICA

	Turnover/Revenue USDm		Turnover/Revenue DKKm		Employees at year end	
	1994	1995	1994	1995	1994	1995
ISS New York	256	227	1,628	1,272	7,400	6,100
ISS Northeast/Midwest	254	240	1,615	1,345	13,400	12,700
ISS Southeast/Southwest	128	135	814	756	10,700	11,200
ISS Pacific Northwest	69	67	438	375	2,900	2,600
ISS Pacific Southwest	78	81	496	454	4,400	4,700
ISS Energy Services	101	94	642	527	1,225	1,000
ISS Elevator Services	25	34	159	190	200	300
ISS Retail and Mall Services	31	28	197	157	2,600	2,000
ISS Landscape Management Services	26	25	165	140	675	650
Mexico (opened in July 1995)	-	7	-	39	-	800
Other/internal sales	4	(11)	26	(62)	800	-
Total	972	927	6,180	5,193	44,300	42,050

Turnover/geographical



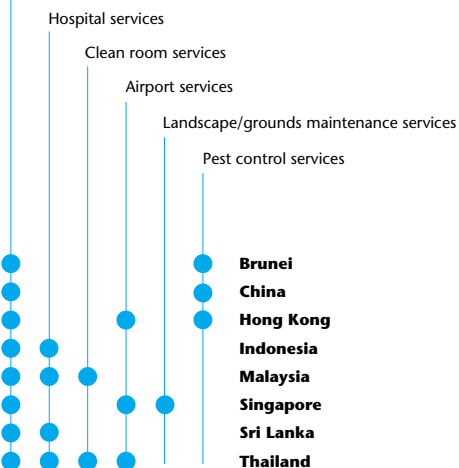
Key figures

DKKm	1995 ¹⁾
Turnover	190
Operating profit	11
Operating profit margin, %	5.8
Employees at year end	8,865

¹⁾ Covering the period 1/6-31/12/95



Cleaning and maintenance



ISS entered the Asian market on 1 June 1995 through the acquisition of 100% of the shares of ESGO B.V., the holding company of one of the largest and most rapidly expanding cleaning and facilities services groups in Asia. ESGO was previously owned by Prudential Asset Management Asia Ltd. and ESGO's management. When it was bought by ISS, ESGO was operating in: Brunei, China, Hong Kong, Indonesia, Malaysia, Singapore, Sri Lanka (associated company), Taiwan and Thailand. However, the Taiwanese company was closed at year end.

The decision to acquire ESGO was driven by several factors, not least the quality of ESGO's management and portfolio. ESGO has a strong reputation as a high-quality provider of cleaning and related services, and constitutes an ideal base for further organic growth and acquisitions in the region. Furthermore, many of the ISS Group's major existing and potential customers are also operating in the region. The acquisition gives ISS significant opportunities to expand with them in Asia.

By year end, turnover stood at DKK 190m, representing 1% of the consolidated turnover of the ISS Group. Operating profit was DKK 11m corresponding to 5.8% of turnover.

The market for ISS services in the Asian region displays several characteristics which are not found in the



“每天早上，我坐公共汽車去工作。我利用這時間閱讀聖經。它使我平靜，並給我勇氣面對這一天可能發生的任何事情。”

“Every morning, I take the bus to work. I spend the time reading the bible. It gives me peace of mind and the strength to meet whatever challenge the day might bring.”

SINGAPORE 1°N / 103°E



Sherlin Chia 二十三歲。五年來，她在新加坡的 ISS ESGO 公司兢兢業業工作，由下層被晉升為今天的銷售部副經理。她是新加坡的新一代女商人，處理較重要的合同、策劃和執行調查研究工作。Sherlin 和她父母一起住在新加坡郊區。她早上九點上班，下午七點下班。她還上夜校讀經濟和推銷。課餘，她和男朋友 Albert 一起去新加坡眾多的吃食店用餐。

Sherlin Chia is 23 years old. For five years, she has been with ISS ESGO in Singapore working her way up to Assistant Sales Manager. Sherlin is one of Singapore's new generation of businesswomen. She is handling major contracts, planning and performing market analyses. Sherlin lives with her parents in the outskirts of Singapore. Her day at work begins at 09:00 and ends at 19:00. In addition to this, she attends night school classes in economics and marketing. After classes, she goes out to eat with her boyfriend Albert at one of Singapore's many food courts.



“今天下午，我和 Courts Singapore Ltd. 公司的總經理有一個很重要的約會。我正在研究四種有希望的生意。稍後，我和 R.S.H. Sports 公司還有一個工作午餐的約會。”

“This afternoon, I have a very important meeting with the MD of Courts Singapore Ltd. Also, I am working on four prospects and later I have a lunch meeting with R.S.H. Sports.”



European or North American markets. In contrast to the high levels of unemployment and the abundance of labour in the latter markets, there is an acute shortage of labour in most industrialised Asian countries, with companies competing aggressively to attract workers.

No official figures are available regarding the size of the total or contracted-out markets. However, ISS estimates rank ISS ESGO as market leader in five of its eight country markets. In Hong Kong and Singapore it ranks second.

Renamed *ISS ESGO ASIA*, the group offers a wide range of contract cleaning services, as well as landscaping, grounds maintenance, drain cleaning, security and pest control. Among its many customers are major corporations (IBM, Seagate, Casio), shopping centres, embassies, hotels and restaurants (Planet Hollywood and TGI Fridays in Indonesia). Property management companies are an important source of business. In Hong Kong these include Wharf Holdings in Times Square, Wayfoong Property in Hong Kong Bank Headquarters, Jones Lang Wootton in the Hong Kong Industrial Technology Centre and CY Leung in Railway Plaza, all well-known landmarks.



“我和女人談生意的機會很多。其中有一位是 R.S.H. Sports 公司的 Audrey Choo 小姐。和她會見總是一件愉快的事。”

“Quite often I get to do business with other women. One of my clients is Audrey Choo of R.S.H. Sports. Meeting her is always a pleasure.”



“我處理事務時通常都步行，邊走邊用電話安排工作。它能使我的頭腦清醒，又是一項很好的運動。”

“Mostly I get around on foot. I make arrangements over the phone while walking. It clears my head and it’s good exercise.”



The company has built a strong reputation in several niche markets. For example, in Thailand and Malaysia, the group has developed a specialist capability for meeting the electronics industry's stringent requirements for cleaning clean-rooms. It currently holds more than 90% of the Thai market for clean-room cleaning, with a portfolio which includes Read-Rite, Seagate Technology, Fujitsu, Sanyo Semiconductor, Seiko Instruments, JVC Manufacturing and TDK. Likewise, in Malaysia, the company ensures that the clean-room environments of Hewlett Packard, Dell Computers and many others are always kept rigorously up to standard, and is rapidly consolidating its position as a major supplier to other "hi-tech" customers in Penang, the city heralded as the world's new Silicon Valley.

ISS ESGO ASIA has developed a strong foothold among the region's airports and is currently providing cleaning and related services to the airport authorities in Hong Kong, Bangkok and Singapore. Singapore is particularly notable as management succeeded in achieving ISO 9002 registration for the contract in a very short space of time. Demand for professional cleaning and related services at airport locations is expected to grow as the region continues to expand its air transport infrastructure to cater for ever increasing volumes of air and passenger traffic.

Likewise, the hospital market offers interesting opportunities for growth in the region. The

market is in the early phase of outsourcing cleaning and support services, but there are clear indications that this trend will gather pace.

Since the acquisition, management attention has been focused on integrating the ESGO companies into the ISS Group. As part of this process, in August, the managing directors of all division countries joined some thirty other ISS managers for the ISS International Management Course (IMC), a week-long management development programme held every year at the ISS University in Denmark.

Looking to the future, the Division's key strategies include the achievement of ISO 9002 registration in all countries and the continued expansion of services into "clean air" businesses, such as clean-rooms and the cleaning of ventilation systems. There are very attractive prospects for further geographical expansion, both in existing and new markets such as India and Vietnam. In China ISS services contracts in Beijing and Shanghai. Opportunities in the year ahead include the Shenzhen Economic Zone in Southern China.

The ESGO name has strong brand recognition in the Asian region and is associated with professional and competitive services. The ISS name and image are, however, virtually unknown. Efforts will be made in 1996 to raise the level of awareness of the ISS brand and identity, and to communicate the benefits which the combination of ISS and ESGO offer the Asian marketplace.



"Courts Singapore Ltd. 公司的 Elphick 先生和我簽訂了一份新的合同。ISS ESGO 繼續承包兩年 Courts Singapore Ltd. 公司擁有的大廈和貨倉的全年清潔工作。我感覺良好。"

"Mr. Elphick of Courts Singapore Ltd. and I signed the new contract. ISS ESGO will clean all the buildings and storage rooms of Courts Singapore Ltd. for another two-year period. I feel good."



"我的許多工作都可以歸功於我的學習。商業學校開闊了我的心胸並給我帶來了靈感。明天我要見一位可能簽約的新客戶。那是一位大客戶。"

"I can relate a lot of my work to my studies. Business school broadens my mind and inspires my thinking. Tomorrow I have a meeting with a potential new customer. It's a big one."

ACCOUNTING POLICIES

GENERAL

The financial statements of ISS-International Service System A/S ("the Company") and its subsidiaries (together with the Company referred to as "the Group") have been prepared in accordance with the provisions of Danish legislation on accounting and in accordance with the rules and regulations of the Copenhagen Stock Exchange including generally accepted accounting principles in Denmark ("Danish GAAP").

The Group's accounting policies differ in certain respects from accounting principles generally accepted in the United States of America ("US GAAP"). These differences and a summary of ISS net profit, shareholders' equity and earnings per share under US GAAP appear in Note 22.

Unless otherwise specified, all amounts are expressed in million Danish kroner ("DKKm"). Amounts as of and for the year ended 31 December 1995 are also expressed in million US dollars (USDm). These amounts in USD are presented solely for the convenience of the reader, translated at USD 1 = DKK 5.546, the official rate quoted by the Danish Central Bank on 31 December 1995.

The financial statements have been prepared on the same principles as in the previous year. With effect from 1995 the group's share of profit on ordinary operations before tax in associated undertakings is shown separately.

Also extraordinary items are now shown net of taxes and minority interests in the consolidated accounts.

THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include the Company and those subsidiaries in which the Group holds more than 50% of the voting rights. Also included are subsidiaries in which the Group holds voting rights and exercises a dominating influence.

Undertakings not deemed subsidiaries, but in which the Group holds voting rights and exercises significant influence, are considered as associated undertakings.

Inter-company profits and other intra-group transactions have been eliminated in consolidation.

Newly-acquired undertakings are included in the consolidated financial statements as from the time of acquisition. Divested undertakings are included until the date of divestment.

Goodwill is calculated as the excess of purchase price over the fair value of the tangible net assets acquired at the time of acquisition stated in accordance with the Group's accounting policies and after possible value adjustments of assets and liabilities. The calculation of goodwill includes provisions for costs to be incurred in connection with the acquisition, including severance pay and close-down of duplicate facilities.

Goodwill is normally written off directly against reserves in the year of acquisition. In case of major, strategic acquisitions implying goodwill for ISS in excess of approximately DKK 200m, the goodwill concerned is capitalised and amortised in the profit and loss accounts over its expected economic life, however over a maximum of 20 years.

Goodwill written off directly against reserves at acquisition, related to undertakings disposed of, is reversed from reserves and included in the calculation of gains and losses on divestments.

Minority interests' proportional share of profit and equity in subsidiaries are entered separately in connection with the calculation of the consolidated net profit and equity.

The proportional share of the results of associated undertakings is included in the profit and loss accounts under the equity method.

Foreign currency

Transactions in foreign currency are translated into Danish kroner at the exchange rate of the day of transaction. Assets and liabilities in foreign currency are translated at year end exchange rates. Realised and unrealised exchange rate differences are included in the profit and loss accounts under interest receivable and payable.

Balance sheet items of foreign subsidiaries are translated at year end exchange rates. Profit and loss accounts are translated at average exchange rates prevailing during the year.

Exchange rate adjustments relating to investments in subsidiaries and associated undertakings are taken directly to reserves. Exchange rate adjustments of loans in foreign currency and of financial instruments hedging for foreign investments are taken directly to reserves.

For subsidiaries in hyper-inflationary countries (Brazil), the accounts have been translated so as to adjust for the inflation effect. Translation gains/losses and interest receivable/payable for the individual undertakings are included with a net amount in interest receivable/payable. The Group remeasures the accounts of its Brazilian operations using USD as the functional currency. The use of USD instead of DKK does not significantly affect the consolidated financial statements.

Financial instruments

Financial instruments are recorded at market value.

Gains/losses are included in interest receivable/payable, except for financial instruments which are instruments for hedging purposes.

Financial instruments used for hedging purposes are recorded in accordance with the accounting items to which they relate.

PROFIT AND LOSS ACCOUNTS

Turnover

The revenue criterion applied is the invoicing principle.

Operating expenses

Staff costs

Staff costs comprise salaries and wages, pension contributions, social security costs, and other costs relating to staff.

Cost of goods sold

Cost of goods sold includes materials consumed in connection with the provision of services and goods sold in trading companies.

Interest receivable/payable

Interest receivable/payable comprises interest, realised and unrealised exchange rate gains/losses and gains/losses on financial instruments and securities.

Interest on insurance and pension provisions is included in interest payable.

Income from associated undertakings

The item includes the Group's share of profit on ordinary operations before tax in associated undertakings.

Extraordinary income and expenses

Extraordinary income and expenses include gains and losses other than those relating to the ordinary course of business, including gains and losses relating to disposal of property and divestment, restructuring or winding-up of undertakings and activities. Gains and losses on sale of operating equipment and related items are entered as ordinary operating items.

Tax

Tax on the profit for the year consists of income tax payable and changes in deferred tax. Provision for deferred tax is made under the liability method on temporary differences between accounting and taxation treatment except where it is considered that such liability will not arise in the foreseeable future.

BALANCE SHEETS

Intangible and tangible fixed assets

Fixed assets are recorded at historical cost, except for certain land and buildings in Denmark, which were revalued to market value in 1986 in accordance with the public valuation.

Depreciation or amortisation is provided on fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, on a straight-line basis over the following periods:

Goodwill	20 years
Buildings	20-40 years
Leasehold improvements	over the lease term
Production plant equipment	3-10 years
Service equipment, vehicles and fixtures	3-10 years

Research and development costs are expensed in the profit and loss accounts in the year they are incurred.

Financial fixed assets

Investments in associated undertakings are accounted for under the equity method.

Other securities are recorded at the lower of cost and net realisable value.

Stocks

Raw materials and supplies are stated at the lower of cost under the FIFO principle and net realisable value. Finished goods and work in progress are recorded at cost plus attributable indirect costs. Provision is made for obsolescence.

Accounts receivable

Accounts receivable are stated at nominal value less individual write-offs and a general reservation for doubtful debtors.

Securities

Securities are highly-liquid investments held principally for the purpose of sale in the near term. They are recorded at market value, with changes in market value being included in the profit and loss account.

Provisions

Pension and insurance provisions (self-insurance programmes) are determined using actuarial methods (SFAS 87) and recorded at net present value. Interest on pension and insurance provisions are entered under interest payable.

STATEMENTS OF CASH FLOWS

The Group's statements of cash flows are prepared in accordance with Danish GAAP and International Accounting Standard No. 7 (IAS 7).

The statement of cash flows is prepared under the indirect method based on the operating profit.

Financial payments are recorded under cash flow from financial items.

The liquidity effect of acquisitions and divestments is shown separately, with cash flows in acquired undertakings being included from the date of acquisition, and cash flows in divested undertakings being included until the date of divestment.

CHANGE IN ACCOUNTING POLICIES WITH EFFECT FROM 1996

With effect from 1 January 1996, acquired goodwill will be capitalised at acquisition and amortised in the profit and loss accounts over its expected economic life, however over a maximum of 20 years. The goodwill written off directly against reserves in prior years will, in consideration of several reasons, not be capitalised at the change in accounting policies. In 1991-1995 DKK 1,356m were written off against reserves. A description of the effect of the change and a summary of key figures according to the revised accounting policies appear in Note 24. Also, with effect from 1 January 1996 deferred tax will be provided for on all temporary differences. The change in accounting principles will not have any effect on the results for 1995 and prior years as reflected. Nor is it expected to have any material effect on the 1996 result.

SIGNATURES TO THE ACCOUNTS

Copenhagen, 15 March 1996

Board of Management

Waldemar Schmidt Jørn Wendel Andersen Sven Ipsen
Group Chief Executive

Board of Directors

Arne Madsen Ole Damgaard-Nielsen Poul Andreassen Erik Bierre Ingrid Jakobsen
Chairman Vice-Chairman

Georg Poulsen Sven Riskær Lis Tornbjerg Kaare Vagner

Auditors' report

We have audited the consolidated financial statements of the ISS Group and the financial statements of ISS-International Service System A/S for 1995. The audit was carried out in accordance with generally accepted auditing principles as applied in Denmark and included such auditing procedures as we have considered necessary.

The financial statements of the Group and the parent company are presented in accordance with the accounting provisions of Danish legislation and the Articles of Association. In our opinion the financial statements give a true and fair view of the Group's and the parent company's assets and liabilities, financial position and result.

Copenhagen, 15 March 1996

KPMG C. Jespersen

Ib Eriksen
State-authorized
Public Accountant

Finn L. Meyer
State-authorized
Public Accountant

Arthur Andersen

Torgny Pahle
State-authorized
Public Accountant

Per Erik Johannessen
State-authorized
Public Accountant

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

1 January - 31 December. Amounts in millions

	1993 DKK	1994 DKK	1995 DKK	1995 USD	Note
Turnover	13,307.0	14,232.5	14,391.1	2,594.9	1
Staff costs	(9,994.5)	(10,805.9)	(10,950.4)	(1,974.5)	2
Cost of goods sold	(875.2)	(873.3)	(978.2)	(176.4)	
Other operating costs	(1,460.7)	(1,621.3)	(1,624.5)	(292.9)	
Depreciation	(343.7)	(298.8)	(265.9)	(47.9)	6,7
Operating costs	(12,674.1)	(13,599.3)	(13,819.0)	(2,491.7)	
Operating profit	632.9	633.2	572.1	103.2	1
Amortisation of goodwill	(84.2)	(101.8)	(91.7)	(16.6)	6
Interest receivable/payable	(126.5)	(107.0)	(87.2)	(15.7)	3
Income from associated undertakings	1.5	(3.9)	(12.3)	(2.2)	
Profit on ordinary operations	423.7	420.5	380.9	68.7	
Tax on profit from ordinary operations	(153.2)	(151.3)	(131.9)	(23.8)	5
Minorities part of ordinary profit	(0.7)	(3.2)	(16.0)	(2.9)	
Net profit from ordinary operations	269.8	266.0	233.0	42.0	
Extraordinary items net of tax and minorities	191.9	22.4	(70.9)	(12.8)	4
ISS net profit	461.7	288.4	162.1	29.2	

CONSOLIDATED BALANCE SHEETS

At 31 December. Amounts in millions

Assets	1993 DKK	1994 DKK	1995 DKK	1995 USD	Note
Intangible assets					
Goodwill	1,885.1	1,646.7	1,454.9	262.3	6, 24
Leasehold improvements, etc.	72.3	62.2	48.3	8.7	6
	1,957.4	1,708.9	1,503.2	271.0	
Tangible assets					
Land and buildings	406.5	495.0	514.8	92.8	7
Production plants	68.5	–	–	–	7
Service equipment, vehicles, fixtures and edp, etc.	692.2	588.0	608.8	109.8	7
Assets under construction	144.2	3.7	3.0	0.5	7
	1,311.4	1,086.7	1,126.6	203.1	
Financial assets					
Investments in associated undertakings	7.2	34.1	2.9	0.5	8
Other securities	62.0	43.0	19.4	3.5	8
Other receivables	228.3	216.0	68.9	12.5	8
	297.5	293.1	91.2	16.5	
Total fixed assets	3,566.3	3,088.7	2,721.0	490.6	
Stocks	194.3	109.1	109.4	19.7	9
Accounts receivable					
Trade accounts receivable	1,517.0	1,529.8	1,695.3	305.7	
Other accounts receivable	238.3	228.0	350.0	63.1	
	1,755.3	1,757.8	2,045.3	368.8	
Securities	40.3	62.2	25.0	4.5	
Cash at bank and in hand	321.4	402.8	392.3	70.8	
Total current assets	2,311.3	2,331.9	2,572.0	463.8	
Total assets	5,877.6	5,420.6	5,293.0	954.4	

Liabilities and equity	1993 DKK	1994 DKK	1995 DKK	1995 USD	Note
Class A capital	76.8	76.8	76.8	13.9	
Class B capital	442.6	518.5	518.5	93.4	
Reserves	837.2	1,170.6	637.1	114.9	
ISS shareholders' equity	1,356.6	1,765.9	1,232.4	222.2	10, 24
Minority interests	100.8	40.1	38.7	7.0	11
Total consolidated equity	1,457.4	1,806.0	1,271.1	229.2	
Provisions					
Deferred tax	162.2	158.2	86.0	15.5	5
Other provisions	457.4	468.2	548.0	98.8	12
	619.6	626.4	634.0	114.3	
Long-term debt	1,078.7	699.3	804.8	145.1	13
Total provisions and long-term liabilities	1,698.3	1,325.7	1,438.8	259.4	
Current portion of long-term debt	539.5	121.1	64.3	11.6	13
Bank loans and other debt	136.1	108.9	185.7	33.5	
Trade creditors and accrued expenses	1,378.0	1,348.1	1,564.0	282.0	14
Prepayments from customers	51.8	14.5	39.0	7.0	
Accrued income taxes	77.5	126.8	113.9	20.5	
Tax withholdings, VAT, etc.	487.1	504.0	550.7	99.4	
Dividend payable	51.9	65.5	65.5	11.8	
Total current liabilities	2,721.9	2,288.9	2,583.1	465.8	
Total provisions and liabilities	4,420.2	3,614.6	4,021.9	725.2	
Total liabilities and equity	5,877.6	5,420.6	5,293.0	954.4	
Contingent liabilities					15
Financial instruments					19
Transactions with related parties					20

CONSOLIDATED STATEMENTS OF CASH FLOWS

1 January - 31 December. Amounts in millions

	1993 DKK	1994 DKK	1995 DKK	1995 USD	Note
Operating profit	632.9	633.2	572.1	103.2	
Depreciation	343.7	298.8	265.9	47.9	
Changes in debtors ¹⁾	(10.5)	(153.5)	(112.4)	(20.3)	
Changes in stocks ¹⁾	7.0	20.6	(1.0)	(0.1)	
Changes in creditors ¹⁾	(99.5)	33.7	71.3	12.9	
Changes in other provisions ¹⁾	(102.0)	(56.3)	(6.6)	(1.2)	
Tax paid ¹⁾	(53.0)	(98.6)	(149.9)	(27.0)	
Payments related to extraordinary income/expenses ¹⁾	(7.9)	(21.5)	(42.0)	(7.6)	
Cash flow from operations	710.7	656.4	597.4	107.8	
Investments in fixed assets, net ¹⁾	(509.4)	(258.3)	(241.8)	(43.6)	17
Free cash flow	201.3	398.1	355.6	64.2	
Acquisition of businesses					
Purchase price paid	(898.3)	(329.1)	(664.6)	(119.8)	
Net liquidity in acquired businesses	(188.4)	24.9	67.5	12.2	
	(1,086.7)	(304.2)	(597.1)	(107.6)	16
Divestment of businesses					
Sales proceeds	325.2	414.5	130.0	23.4	
Net liquidity in divested businesses	8.0	57.2	(12.1)	(2.2)	
	333.2	471.7	117.9	21.2	16
Cash flow from acquisition/ divestment of businesses	(753.2)	167.5	(479.2)	(86.4)	
Proceeds of long-term debt	677.3	120.8	731.4	131.9	
Payments on long-term debt	(282.0)	(896.8)	(642.6)	(115.9)	
Interest payments	(91.8)	(82.9)	(40.4)	(7.3)	
Payments on currency swaps	(9.1)	(11.5)	53.4	9.6	
Net proceeds from share issues	-	496.2	-	-	
Dividend paid to ISS shareholders	(43.3)	(51.9)	(65.5)	(11.8)	
Minority interest	13.2	(7.0)	(29.8)	(5.4)	
Cash flow from financial items	264.3	(433.1)	6.5	1.1	
Total cash flow	(287.9)	132.5	(117.1)	(21.1)	
Net liquidity at beginning of year	511.4	225.6	356.1	64.2	
Total cash flow	(287.9)	132.5	(117.1)	(21.1)	
Exchange rate adjustments, etc.	2.1	(2.0)	(7.4)	(1.3)	
Net liquidity at year end	225.6	356.1	231.6	41.8	18

¹⁾ Net of effects of acquisitions and divestments

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Amounts in DKKm.

1. Geographic segment information

The Group's activities are concentrated on a single business segment - to provide commercial and industrial cleaning services and related facilities services.

Geographic information with respect to the Group's turnover and operating profit net of inter-company items, and identifiable assets follows:

	Denmark	Sweden, Norway and Finland	Other Euro- pean countries	Latin America	North America	Asia	Total
As at and for the year ended 31 December 1993							
Turnover	2,485	2,423	3,077	274	5,048	-	13,307
Operating profit	69	107	208	28	221	-	633
Identifiable assets	1,286	815	981	102	2,694	-	5,878
As at and for the year ended 31 December 1994							
Turnover	1,910	2,428	3,448	267	6,180	-	14,233
Operating profit	28	126	212	(2)	269	-	633
Identifiable assets	671	1,348	906	143	2,353	-	5,421
As at and for the year ended 31 December 1995							
Turnover	1,899	2,664	4,109	336	5,193	190	14,391
Operating profit	29	148	209	8	167	11	572
Identifiable assets	864	977	1,203	110	2,034	105	5,293

2. Staff costs

	1994	1995
Wages and salaries	8,321.2	8,554.4
Pensions and social charges, etc.	297.7	543.2
Other costs	2,187.0	1,852.8
	10,805.9	10,950.4
No. of employees at year end	122,600	138,700

Emoluments to the Board of Directors of the Company amounts to DKK 1.5m (DKK 1.5m in 1994).

Management salaries total DKK 15.9m (DKK 18.0m in 1994).

3. Interest receivable/payable

	1994	1995
Interest receivable, etc.	46.5	32.8
Foreign currency exchange gain	1.7	1.6
Interest receivable	48.2	34.4
Interest payable, etc.	117.2	88.6
Interest on self insurance and pension provisions	38.0	33.0
Interest payable	155.2	121.6
Interest payable, net	107.0	87.2

Translation loss in Brazil, included under interest payable, accounted to DKK 0.8m in 1995 (DKK 18.1m in 1994).

In 1995 interest receivable, net of translation loss for the Brazilian companies amounted to DKK 2.1m.

In 1994 interest payable, net of translation loss for the Brazilian companies accounted to DKK 1.9m.

4. Extraordinary items net of tax and minorities	1994	1995
Gains on divestment of subsidiaries and activities	114.3	64.4
Gains on divestment of property	10.6	-
Gains on divestment of activities in associated undertakings	3.8	-
Receipt of social taxes in Brazil fully provided for	-	13.2
Extraordinary income	128.7	77.6
Losses on divestment of subsidiaries and activities	17.1	-
Adjustment of gains on divestment of subsidiaries and activities in prior years	20.0	2.5
Activity winding-up, costs and write-offs from structural changes, etc.	19.2	102.6
Severance pay	30.0	58.9
Share of other expenses in associated undertaking	12.0	-
Additional provision re. self-insurance schemes	-	56.0
Extraordinary expenses	98.3	220.0
Extraordinary income/(expenses),net	30.4	(142.4)
Tax on extraordinary items	(0.3)	71.5
Minorities interest part of extraordinary items	(7.7)	-
Extraordinary items net of tax and minorities	22.4	(70.9)

In 1995 gains on divested subsidiaries consist primarily of gain on sale of ISS Securisystem GesmbH in Austria. In 1994 gains on divested subsidiaries and property consist primarily of gain on sale of the linen service companies in Denmark and Norway.

Additional provision re. self-insurance scheme relates to uncertainties re. workers compensation and third party liability self-insurance scheme in the US, which is also explained in the Report to Shareholders. Activities winding-up, costs and write-offs from structural changes as well as severance pay related to restructuring of ISS' activities in the USA (1995 and 1994) and Germany (1995).

5. Tax	1994	1995
Tax payable on profit for the year	149.8	132.6
Changes in deferred tax	1.8	(72.2)
	151.6	60.4
Tax composition:		
Tax on ordinary operations (incl. associated undertakings)	151.3	131.9
Tax on extraordinary items	0.3	(71.5)
	151.6	60.4

Tax paid in 1995 amounts to DKK 149.9m (DKK 98.6m in 1994). The effective rate for tax on ordinary operations was 34.6% in 1995 (36.0% in 1994)

	1994	1995
Deferred tax assets		
Goodwill charged to equity which can be amortised for tax purposes	98.9	111.2
Tax loss carried forward	40.2	123.2
Bad debt reserves	1.8	15.9
Other	59.4	101.3
Total gross deferred tax assets	200.3	351.6
Valuation allowance	(192.6)	(323.8)
Total deferred tax assets, net	7.7	27.8
Deferred tax liabilities		
Intangible assets	131.1	81.7
Stocks	1.4	-
Untaxed profit reserve	27.1	30.5
Other	6.3	1.6
Total deferred tax liabilities	165.9	113.8
Deferred tax liabilities, net	158.2	86.0

Apart from the deferred tax recorded in the Group's balance sheets at 31 December 1995 and 1994, no deferred tax liability will arise at a realisation of the Group's assets and liabilities at book values.

Deferred tax liabilities are not recognised on unremitted earnings of subsidiaries as the Company will not be liable for Danish capital gain tax on shares in subsidiaries held for more than three years according to Danish tax law. Dividends received by the Company from subsidiaries are tax-free under Danish tax law.

6. Intangible fixed assets

	Goodwill		Leasehold improvements, etc.	
	1994	1995	1994	1995
	Cost at 1 January	2,117.1	1,966.1	101.4
Exchange rate adjustments	(153.7)	(108.7)	(6.7)	(6.1)
Additions (incl. adjustments re. prior years)	8.3	-	19.1	15.8
Disposals	(5.6)	(5.6)	(14.3)	(18.6)
Cost at 31 December	1,966.1	1,851.8	99.5	90.6
Amortisation at 1 January	232.0	319.4	29.1	37.3
Exchange rate adjustments	(10.9)	(15.2)	(1.8)	(1.9)
Amortisation	101.8	92.7	12.2	11.9
Disposals	(3.5)	-	(2.2)	(5.0)
Amortisation at 31 December	319.4	396.9	37.3	42.3
Book value at 31 December	1,646.7	1,454.9	62.2	48.3

7. Tangible fixed assets

	Land and buildings		Production plant		Service equip., etc.	
	1994	1995	1994	1995	1994	1995
	Cost at 1 January	434.3	512.5	228.6	-	1,503.9
Exchange rate adjustments	(2.1)	(3.0)	-	-	(34.3)	(16.7)
Additions	168.5	31.2	23.3	-	301.2	338.5
Disposals	(88.2)	(2.5)	(251.9)	-	(537.8)	(178.5)
Cost at 31 December	512.5	538.2	-	-	1,233.0	1,376.3
Revaluation at 1 January	26.6	13.7				
Disposals	(12.9)	-				
Revaluation at 31 December	13.7	13.7				
Depreciation at 1 January	54.4	31.2	160.1	-	811.7	645.0
Exchange rate adjustments	-	(0.4)	(0.1)	-	(14.4)	4.8
Depreciation	10.4	6.3	21.8	-	254.4	246.9
Disposals	(33.6)	-	(181.8)	-	(406.7)	(128.8)
Depreciation at 31 December	31.2	37.1	-	-	645.0	767.9
Book value at 31 December	495.0	514.8	-	-	588.0	608.8

The Group owns property in Denmark, Norway, Sweden, Finland, the UK, Switzerland, Austria, The Netherlands, Belgium, Spain, the USA and Brazil. Land and buildings with a book value of DKK 249m (DKK 252m in 1994) have been provided as collateral for a mortgage debt of DKK 55m (DKK 54m in 1994).

Assets under construction comprises various minor projects.

8. Financial assets

	Investments in associated undertakings		Other securities		Other receivables	
	1994	1995	1994	1995	1994	1995
Book value at 1 January	7.2	34.1	62.0	43.3	228.3	216.0
Exchange rate adjustments	(0.1)	(3.0)	(0.9)	(1.0)	(3.0)	(2.2)
Additions	49.7	2.6	27.8	4.9	36.2	40.9
Disposals	(22.7)	(30.8)	(45.9)	(27.5)	(45.5)	(185.8)
Book value at 31 December	34.1	2.9	43.0	19.4	216.0	68.9

Investments in associated undertakings are listed on page 60. Receivables from associated undertakings amount to DKK 8.0m (DKK 3.6m in 1994) and are included in other receivable and other accounts receivable. Debt to associated undertakings amounts to DKK 1.5m (DKK 1.2m in 1994) and is included in Trade creditors and accrued expenses.

9. Stocks

	1994	1995
Raw materials and supplies	50.3	48.4
Work in progress	–	–
Finished goods	58.8	61.0
	109.1	109.4

10. ISS shareholders' equity

	1994	1995
Equity at 1 January	1,356.6	1,765.9
Exchange rate adjustment of net investments abroad and of loans in foreign currency	(79.6)	(54.1)
Share issues	496.2	–
ISS consolidated net profit	288.4	162.1
Dividend payable to the Company's shareholders	(65.5)	(65.5)
Goodwill write-off	(379.0)	(576.6)
Restatement of goodwill related to divested businesses	148.1	–
Other	0.7	0.6
	1,765.9	1,232.4

11. Minority interests

	1994	1995
Share of equity at 1 January	100.8	40.1
Exchange rate adjustment	(4.0)	(3.1)
Increase/(decrease) in minority interests	(67.6)	(14.3)
Share of Group result for the year	10.9	16.0
	40.1	38.7

12. Other provisions

	1994	1995
Pension provisions	132.1	147.4
Insurance provisions	215.7	226.4
Other provisions	120.4	174.2
	468.2	548.0

Pension provisions consist of pension obligations in the USA, UK, Sweden and Norway. Insurance provisions relate to self-insurance programmes in the USA and UK.

13. Long-term debt

	1994	1995
USD 100m syndicated bank loan, which ISS chose to redeem before due, in June 1995	608.3	–
USD 120m syndicated bank loan expiring in June 2000. At 31 December 1995, USD 102m had been drawn on this loan. The floating interest based on LIBOR was 5.9% at 31 December 1995	–	565.7
USD 80m syndicated bank loan expiring in September 2000. At 31 December 1995, DKK 65m had been drawn on this loan. The floating interest based on LIBOR was 5.2% at 31 December 1995	–	65.0
USD 18.6m bank loan due 1999 with a floating interest rate based on LIBOR. Interest rate 6.1% at 31 December 1995.	112.8	102.9
Mortgage loans, repayments due in varying amounts through 2013	53.6	55.2
Other loans	45.7	80.3
Total loans	820.4	869.1
Current portion of long-term debt	(121.1)	(64.3)
Long-term debt	699.3	804.8

The long-term debt of DKK 804.8m at 31 December 1995 falls due as follows: DKK 11.3m in 1997, DKK 6.5m in 1998, DKK 104.8m in 1999, DKK 639.5m in 2000 and DKK 42.7m after 2000.

The loan agreements contains certain covenants with respect to certain financial ratios and restrictions on subsidiary borrowing and pledging. At 31 December 1995 the Group was in compliance with these covenants.

14. Trade creditors and accrued expenses

Trade creditors and accrued expenses include accrued wages and holiday allowances of DKK 886m at 31 December 1995 (DKK 777m in 1994).

15. Contingent liabilities

The total rentals under operating leases expensed in the profit and loss accounts amount to DKK 197m (DKK 154m in 1994). The future minimum lease payments under operating leases with an initial term or remaining terms in excess of one year at 31 December 1995 are as follows:

1996	165
1997	131
1998	94
1999	64
2000	38
After 2000	111
Total lease payments	603

The operating leases are leases of production buildings, vehicles and administrative equipment.

Indemnity and guarantee commitments at 31 December 1995 amount to DKK 11m (DKK 10m in 1994).

The Group is party to certain legal proceedings. It is the management's view that these proceedings (which to a large extent are labour cases incidental to its business) will not have any material impact on the Group's financial position.

16. Acquisition and divestment of businesses

The following is a supplementary disclosure of acquisition and divestment of businesses:

Acquisition of businesses	1994	1995
Assets acquired:		
Fixed assets	(21.6)	(90.4)
Current assets	(133.7)	(304.6)
Liabilities assumed:		
Long-term liabilities	109.9	57.2
Current liabilities	95.3	249.8
Goodwill written off against equity	(379.0)	(576.6)
Purchase price	(329.1)	(664.6)
Net liquidity in acquired businesses	24.9	67.5
Cash flow from acquisition of businesses	(304.2)	(579.1)

Divestment of businesses

	1994	1995
Assets divested:		
Fixed assets	201.2	156.1
Current assets	208.6	(40.5)
Liabilities divested:		
Long-term liabilities	(50.0)	(1.8)
Current liabilities	(170.6)	(34.1)
Goodwill written off against equity reversed	148.1	-
Gains/losses on divestment of businesses	77.2	50.3
Sales proceeds	414.5	130.0
Net liquidity in divested businesses	57.2	(12.1)
Cash flow from divestment of businesses	471.7	117.9

Noncash proceeds received from the divestment of businesses amount to DKK 68.8m (DKK 5.1m in 1994).

17. Investments in fixed assets, net

	1994	1995
Purchase of fixed assets	(350.9)	(294.7)
Proceeds from sale of fixed assets	92.6	52.9
	(258.3)	(241.8)

18. Net liquidity

	1994	1995
Securities (short-term)	62.2	25.0
Cash and bank balances	402.8	392.3
Bank loans and other debt (short-term)	(108.9)	(185.7)
	356.1	231.6

19. Financial instruments

The Group is party to financial instruments with off-balance sheet risks in the normal course of business as a means of hedging its currency and interest rate exposure. The following is a summary of contract or notional principal amounts outstanding at 31 December 1994 and 1995.

	Nominal value		Fair value		Book value	
	1994	1995	1994	1995	1994	1995
Off-balance sheet financial instruments:			gain	loss	gain	loss
Interest rate contracts:						
Forward Rate Agreements ¹⁾	-	1,418.6	-	-	-	(1.9)
Currency contracts:						
Forward contracts	1,348.8	524.4	12.7	(0.2)	1.1	(0.6)

¹⁾ The nominal value of Forward Rate Agreements includes the combined aggregate nominal amount of certain Forward Rate Agreements that mature in three-month intervals and are "rolled-over" over a nine-month period.

20. Transactions with related parties

Apart from normal trade there have been no material transactions during the year with related parties, i.a. major shareholders, Board of Management and Board of Directors.

21. Generally Accepted Accounting Principles in the USA (US GAAP)

The Group's accounting policies are described on pages 44-45. The accounting principles generally accepted in the USA (US GAAP) differ in certain respects from the Group's accounting principles. A summary of the most important differences follows:

- a) Under US GAAP, goodwill is capitalised and amortised over its expected useful life i.e. between 3-20 years. In accordance with generally accepted accounting principles in Denmark (Danish GAAP) as applied by ISS, only the goodwill related to major strategic acquisitions is capitalised and amortised by ISS over a period of maximum 20 years.
- b) Under US GAAP, deferred tax is provided for on all temporary differences between accounting and taxation treatment. Under Danish GAAP as applied by ISS, deferred tax is provided for by ISS deferred on temporary differences when such liability is considered to arise in the foreseeable future.

c) Due to differences in US GAAP and Danish GAAP treatment of the book values of divested businesses and activities, a different gain or loss on divestments arises.

In 1994 the divestment of the linen service companies and the ISS Clorius Group resulted in a gain of DKK 267m under US GAAP (DKK 80m under Danish GAAP).

d) Under US GAAP, the difference between the market value of employee shares at date of subscription and the net proceeds on the share issue is considered as a compensation cost and amortised in the profit and loss accounts over the restriction period.

e) Under US GAAP, dividends are recorded in the financial statements for the year when declared. Under Danish GAAP, dividends are recorded in the financial statements for the year concerned.

The following is a summary of the profit and equity of the Group if US GAAP had been applied instead of Danish GAAP:

	Danish GAAP		US GAAP	
	1994	1995	1994	1995
ISS net profit/(loss), DKKm	288	162	394	(23)
ISS shareholders' equity, DKKm	1,766	1,232	2,856	2,711
Capitalised goodwill, DKKm	1,647	1,455	2,980	3,285
Earnings per share, DKK	9.81	7.82	14.54	(0.78)
Earnings per ADS, DKK ¹⁾	4.90	3.91	7.27	(0.39)

¹⁾ The calculation of earnings per ADS is based on 1 ADS which equals one half of a class B-share.

22. Employee retirement plans

The Group operates various defined benefit pension plans that cover certain employees in its various subsidiaries. The defined benefit pension plans are primarily based upon years of service, and benefits are generally determined on the basis of salary and ranking.

Except as described below, the Group funds its pension plans through the payments of annual premiums to unrelated insurance companies that are responsible for the pension obligation. The Group does not have a pension obligation once an employee leaves the Group. Pension costs from such plans are recorded as expenses when incurred.

Certain UK based subsidiaries of the Group fund their actuarially determined pension obligations through contributions to a trust fund.

Actuarially determined pension obligations are recorded in the consolidated balance sheet of the Group for Swedish Norwegian, UK and US defined benefit plans that are financed directly by the Group.

Pension expense related to the Group's defined benefit pension plans amounted to DKK 16.3m (DKK 14.1m in 1994). Expense relating to a defined contribution plan for employees in Denmark amounted to DKK 18.8m (DKK 17.1m in 1994).

23. Acquisitions and divestments

During 1994 and 1995, the Group has made a number of minor and midsize acquisition and divestments. The most important acquisitions and divestments made in 1995 are described in the report of the divisional results p. 16-43.

The overall effect on the development of turnover in 1995 of the acquired and divested business is described in the report to shareholders p. 2-7.

The cash flow effect of acquisitions and divestments is described in Note 16 on p. 56.

The Group's Danish and Norwegian linen service companies and its 50% interests in Clorius Division were sold for an aggregate of DKK 388.5m in cash which was received in June and July 1994.

In September 1993, the Group acquired a 9.9% interest in SHT, a Swiss company for DKK 43m, including an option to purchase a majority of SHT's shares before October 1994 for a price of approximately DKK 137m. The Group acquired an additional 85.0% of the shares of SHT for a total consideration of DKK 141.4m of which DKK 33.0m was paid on 29

April 1994 and of which DKK 100.0m was paid on 7 July 1994. DKK 8.4m was paid on 30 September 1994. In the period December 1994 through February 1995 the Group acquired further 4% of the shares from the minorities. The acquisition was recognized as a purchase and goodwill of DKK 203m has been written off directly against reserves with effect on 31 December 1994.

On 1 June 1993, the Group completed the acquisition of the National Cleaning Group and subsidiaries ("NCG"). The purchase price includes cash paid of DKK 643m and the assumption of the short-term debt of NCG of DKK 188m. The acquisition has been accounted for in the accompanying consolidated financial statements as a purchase, and accordingly the results of operations of NCG have been included in the consolidated operation results of the Group since acquisition. NCG is engaged in cleaning and related services in the USA.

The funds used to acquire NCG were provided by drawings on short-term credit facilities and a syndicated bank loan. The fair value of goodwill and assets was DKK 1,431m and liabilities assumed totalled DKK 788m. The goodwill of DKK 1,005m is being amortized over a 20-year period in the accompanying financial statements.

24. Key figures according to the revised accounting treatment of goodwill

To describe the effect of the change in accounting policies regarding treatment of acquired goodwill in comparison to prior years we show below a summary of key figures for 1991-1995 according to the revised accounting policies.

The revised amounts have been presented utilising amounts that have been prepared for US GAAP purposes (adjusted for the effects of deferred taxes that arise only under US GAAP). The net income figures are also adjusted for the impact of additional capitalised goodwill in the calculation of gains and losses at divestment of businesses.

The goodwill written off directly against reserves in 1991-1995 is shown as a supplement hereto.

	1991	1992	1993	1994	1995
ISS net profit	91	166	368	425	19
Capitalised goodwill	1,810	1,796	2,636	2,710	2,922
ISS shareholders' equity	1,803	1,804	2,108	2,829	2,699
Total assets	5,331	5,475	6,629	6,484	6,760
Goodwill written off against reserves	48	242	110	379	577

As stated in report to shareholders, all goodwill in connection with acquisitions as of 1 January 1996 will be capitalised and amortised in the profit and loss accounts over its expected economic life, however over a maximum of 20 years.

In prior years, goodwill was normally written off directly against reserves in the year of acquisition. In the case of major, strategic acquisitions implying goodwill for ISS in excess of approximately DKK 200m, the goodwill concerned was capitalised and amortised in the profit and loss accounts over its expected economic life, however over a maximum of 20 years.

With the change in goodwill treatment, ISS' accounts will be further in line with the development in international accounting standards.

It is not considered possible to assess in a meaningful way how goodwill arising from earlier smaller acquisitions would have been amortised and recorded according to Danish accounting standards.

ISS has published accounts under US GAAP (Form 20-F). In accordance with US GAAP, goodwill is capitalised and amortised. There is, however, not total compliance between US and Danish GAAP with respect to methods of capitalisation and determination of amortisation periods, as US GAAP, amongst other things, would allocate a portion of excess purchase price arising from acquisitions to certain intangible assets (i.e., contracts) and would increase reported goodwill by the deferred tax effect on such contracts.

Since the change in accounting policy has a material effect on selected items in the accounts for prior years, it is considered appropriate to disclose the effects in overview form in this note.

Considering the above, the Group has chosen to maintain the historical comparison figures in the profit and loss accounts, balance sheets, and key figures.

ISS SUBSIDIARIES

at 31 December 1995

ISS Scandinavia

ISS share

ISS Scandinavia A/S	Denmark	100%
ISS Hospitalservice A/S	Denmark	100%
ISS Catering A/S	Denmark	100%
ISS Darenas International A/S	Denmark	100%
ISS Data A/S	Denmark	100%
ISS Holding AB	Sweden	100%
ISS Sverige AB	Sweden	100%
ISS Norge a.s.	Norway	100%
ISS Catering a.s.	Norway	100%
ISS Finland Oy	Finland	100%
ISS Servisystem Oy	Finland	100%

ISS Europe & Brazil

ISS share

ISS share

ISS Europe N.V.	Belgium	100%	ISS Servisystem B.V.	Netherlands	100%
ISS UK Ltd.	UK	100%	ISS Food B.V.	Netherlands	100%
ISS Cleaning Services Ltd.	UK	100%	ISS Hospital Service B.V.	Netherlands	100%
ISS Contract Clean Northern Ltd.	UK	100%	ISS Servisystem S.A.- N.V.	Belgium	100%
ISS Contract Clean Southern Ltd.	UK	100%	ISS Food Hygiene S.A.- N.V.	Belgium	100%
ISS Contract Clean Midlands Ltd.	UK	100%	ISS Airport Services S.A.- N.V.	Belgium	100%
ISS Servisystem Ltd.	UK	100%	ISS Healthcare Services S.A.- N.V.	Belgium	100%
ISS London Ltd.	UK	100%	ISS Luxembourg S.A.	Luxembourg	100%
ISS Food Hygiene Ltd.	UK	100%	ISS Holding S.A.	Switzerland	100%
ISS Airport Services Ltd.	UK	100%	ISS Servisystem S.A.	Switzerland	100%
ISS Mediclean Ltd.	UK	100%	ISS Hospital Service S.A.	Switzerland	100%
ISS Darenas Ltd.	UK	100%	ISS Hasco Group	Switzerland	100%
Northern Maintenance plc.	UK	100%	ISS Airport Services S.A.	Switzerland	90%
ISS Contract Cleaners Ltd.	Ireland	100%	The SPC Group	Switzerland	100%
ISS Servisystem Lda.	Portugal	100%	ISS Central Europe GesmbH	Austria	100%
ISS Holding GmbH	Germany	100%	ISS Servisystem GesmbH	Austria	77%
ISS Hölzl GmbH Servisystem	Germany	100%	ISS Servisystem Kft.	Hungary	75%
ISS Servisystem GmbH (Frankfurt)	Germany	100%	ISS Servisystem d.o.o.	Slovenia	100%
ISS Servisystem GmbH (Hamburg)	Germany	100%	ISS Servisystem Marischka spol. s.r.o.	Slovakia	90%
ISS Servisystem GmbH (Essen)	Germany	100%	ISS Servisystem s.r.o.	Czech Rep.	100%
ISS Food Hygiene Service GmbH	Germany	100%	SAEL	Spain	50%
BFR GmbH (Berlin)	Germany	100%	ISS Servisystem S.A.	Greece	100%
ISS Gebäude-Service GmbH (Berlin)	Germany	100%	ISS Sulamericana Comercial Ltda.	Brazil	100%
Hansa GmbH	Germany	100%	ISS Servisystem Com. e Ind. Ltda.	Brazil	100%
ISS France S.A.	France	100%			
ISS Net Inter S.A.	France	100%			
ISS CGS Group	France	100%			

ISS North America**ISS share****ISS International****Service System, Inc.**

ISS Cleaning Services Group, Inc.	USA	100%
ISS Southern Management Co.	USA	50%
ISS Diversified Services Co.	USA	50%
Total Building Maintenance, Inc.	USA	100%
ISS New York, Inc.	USA	100%
Esco Exterminating Services Co., Inc.	USA	100%
ISS Building Maintenance, Inc.	USA	100%
Mainco Elevator Services Co.	USA	50%
ISS Energy Services, Inc.	USA	100%
ISS Servisystem SA de CV	Mexico	100%

ISS Asia**ISS share****ISS Asia A/S**

ISS ESGO Asia Sdn. Bhd.	Denmark	100%
ESGO Environm. Serv.s. Group Sdn. Bhd.	Malaysia	100%
ISS ESGO Services Ltd.	Malaysia	100%
Zhejiang ESGO Serv.s. Co. Ltd.	Hong Kong	100%
ESGO Environmental Serv.s. Co. Ltd.	China	100%
ISS Thomas Cowan Sdn. Bhd.	Thailand	100%
ISS ESGO Ptc. Ltd.	Brunei	100%
P. T. Egana Prima Mandiri	Singapore	100%
	Indonesia	100%

Other companies**ISS share**

ISS Finans A/S	Denmark	100%
ISS University A/S	Denmark	100%

Associated companies**ISS share**

Beijing ESGO Xin Sha Building Services Co. Ltd.	China	50%
Abans Environmental Services (PT) Ltd.	Sri Lanka	50%

Undertakings of immaterial interest are left out.

PROFIT AND LOSS ACCOUNTS OF THE PARENT COMPANY*1 January - 31 December. Amounts in DKKm*

	1993	1994	1995	Note
	DKK	DKK	DKK	
Income				
Royalty and goodwill revenue, net	86.3	75.6	85.3	1
Property revenue	3.1	1.4	1.7	2
	89.4	77.0	87.0	
Costs				
Staff costs	(25.0)	(26.2)	(23.2)	3
Depreciation	(2.3)	(4.9)	(5.9)	8
Other operating costs	(32.3)	(25.0)	(30.8)	
	(59.6)	(56.1)	(59.9)	
Profit before interest, etc.	29.8	20.9	27.1	
Interest receivable and similar income	2.6	5.3	4.5	4
Interest payable and similar charges	(10.2)	(7.6)	(9.2)	5
Interest receivable/(payable), net	(7.6)	(2.3)	(4.7)	
Profit on ordinary operations	22.2	18.6	22.4	
Tax on profit from ordinary operations	(6.6)	(21.1)	(6.4)	7
Net profit from ordinary operations	15.6	(2.5)	16.0	
Extraordinary item, net of tax	4.6	(13.8)	(6.3)	6
Profit of parent company, net of tax	20.2	(16.3)	9.7	
Profit of subsidiaries, net of tax	454.8	304.7	152.4	
Profit in associated undertakings, net of tax	(13.3)	-	-	
ISS net profit	461.7	288.4	162.1	

BALANCE SHEETS OF THE PARENT COMPANY*31 December. Amounts in DKKm*

Assets	1993 DKK	1994 DKK	1995 DKK	Note
Tangible assets				
Land and buildings	173.8	176.8	174.8	8
Machinery, fixtures, etc.	5.1	12.6	9.6	8
	178.9	189.4	184.4	
Financial assets				
Investments in subsidiaries	1,419.4	1,432.8	1,604.8	9
Investments in associated undertakings	4.4	–	–	
Other receivables	44.6	1.6	0.1	9
	1,468.4	1,434.4	1,604.9	
Total fixed assets	1,647.3	1,623.8	1,789.3	
Receivables from subsidiaries	34.8	260.6	43.1	
Other receivables	20.1	10.7	5.3	
Cash at bank and in hand	0.9	0.4	0.1	
	55.8	271.7	48.5	
Total current assets	55.8	271.7	48.5	
Total assets	1,703.1	1,895.5	1,837.8	

Liabilities and equity	1993 DKK	1994 DKK	1995 DKK	Note
Share capital	519.4	595.3	595.3	10
Revaluation reserves	10.6	10.6	10.6	10
Other reserves	826.6	1,160.0	626.5	10
Total equity	1,356.6	1,765.9	1,232.4	
Provisions for deferred tax	–	–	–	7
Mortgage debt	4.1	3.5	2.5	11
Total provisions and long-term liabilities	4.1	3.5	2.5	
Mortgage debt	0.5	0.5	0.3	
Other creditors	30.1	23.2	12.7	
Accrued income taxes	0.8	27.2	12.0	
Amounts owed to subsidiaries	259.1	9.7	512.4	
Dividend payable	51.9	65.5	65.5	
Total current liabilities	342.4	126.1	602.9	
Total liabilities and equity	1,703.1	1,895.5	1,837.8	
Contingent liabilities				12

NOTES TO THE FINANCIAL STATEMENTS OF THE PARENT COMPANY

Amounts in DKKm

1. Royalty and goodwill revenue, net	1994	1995
Royalty and goodwill payments from subsidiaries	120.9	137.2
Repaid to subsidiaries	(45.3)	(51.9)
	75.6	85.3

2. Property revenue	1994	1995
Rental income	2.8	2.9
Operating costs	(1.4)	(1.2)
	1.4	1.7

3. Staff costs	1994	1995
Wages and salaries	23.6	21.1
Pensions, etc.	2.6	2.1
	26.2	23.2

Management salaries total DKK 10.5m (DKK 6.2m in 1994). Emolument to directors amounts to DKK 1.1m (DKK 1.1m in 1994). Employees year end: 29 (37 in 1994).

4. Interest receivable
Interest receivable from subsidiaries total DKK 4.0m (DKK 2.3m in 1994).

5. Interest payable
Interest payable on loans from subsidiaries total DKK 8.9m (DKK 7.2m in 1994).

6. Extraordinary expenses, net	1994	1995
Severance pay	-	9.6
Loss on sale of the Clorius group	17.1	-
Special provisions and write-offs	0.5	-
Gain on sale of shares in Stofa Invest ApS	(3.8)	-
	13.8	9.6
Tax on extraordinary expenses	-	(3.3)
	13.8	6.3

7. Tax	1994	1995
Tax on ordinary profit	21.1	6.4
Tax on extraordinary items	-	(3.3)
	21.1	3.1

Tax paid by the Company and other Danish, jointly-taxed companies amounts to DKK 51.1m (Tax received in 1994 DKK 2.3m). The Company is jointly-taxed with a number of Danish and foreign subsidiaries. Deferred tax for the Danish companies is provided for in the Company's balance sheet.

The Company and the other Danish, jointly-taxed companies are jointly liable for the taxes on the income subject to joint taxation. The income tax payable is divided proportionally between the Company and the Danish, jointly-taxed companies according to their positive income.

This includes deferred tax for the Company and Danish jointly-taxed companies. The deferred tax provided for relates to stocks, debtors, provisions and short-term creditors. Apart from the deferred tax provided for in the balance sheets, a realisation of the Company's assets and liabilities at book value would result in an additional deferred tax of DKK 9.8m. (DKK 14.1m in 1994)

8. Tangible assets	Land and buildings	Mach., fixtures, etc.
Cost at 1.1.95	168.8	23.7
Additions	0.4	1.6
Disposals	(0.8)	(3.3)
	168.4	22.0
Cost at 31.12.95	168.4	22.0
Revaluation 1.1.95	10.6	-
Revaluation 31.12.95	10.6	-
	(2.6)	(11.1)
Depreciation at 1.1.95	(1.6)	(4.3)
Depreciation	-	2.8
Disposals	(4.2)	(12.4)
Depreciation at 31.12.95	174.8	9.6
Book value at 31.12.95		

Public valuation on land and buildings at 1.1.95 total DKK 66.6m (DKK 64.4m at 1.1.94). ISS' new head office in Holte, near Copenhagen, which was opened in January 1994, is not included in the public valuation at 1.1.95.

9. Financial assets	Invest. in subsidiaries	Other securities
Cost at 1.1.95	2,153.8	2.3
Additions	747.6	–
Disposals	–	(2.2)
Cost at 31.12.95	2,901.4	0.1
Revaluation 1.1.95	(721.1)	(0.7)
Exchange rate adjustments of equity at 1.1.95 and investments made during the year	(54.2)	–
Profit for the year before tax	208.3	–
Tax on the profit for the year	(55.9)	–
Goodwill write-offs	(575.8)	–
Dividends received	(98.1)	–
Other adjustments	0.2	0.7
Revaluation 31.12.95	(1,296.6)	–
Book value at 31.12.95	1,604.8	0.1

Goodwill in subsidiaries amounts to DKK 1,454.9m at 31.12.95 (DKK 1,646.7m at 31.12.94).

11. Mortgage debt

DKK 1.5m falls due after 5 years or more (DKK 1.6m in 1994).

12. Contingent liabilities

The Company has undertaken contingent liabilities and commitments, etc., totalling DKK 3,869m in relation to subsidiaries (DKK 3,630m in 1994). Commitments as at 31 December 1995 do not exceed DKK 1,856m (DKK 2,064m in 1994). Moreover, performance bonds have been provided for subsidiaries corresponding to an annual turnover of DKK 390m (DKK 400m in 1994).

If members of the Board of Directors retire on grounds of age, the Company has contingent obligations relating to annual post-retirement allowances – c.f. the Articles of Association – corresponding to 50% of the emolument received by the retiring director at the time of retirement.

13. Fees to Group auditors elected by the AGM

Audit fees:	1994	1995
KPMG C. Jespersen	DKK 0.5m	DKK 0.5m
Arthur Andersen	DKK 0.5m	DKK 0.5m

Fees, other than audit fees, primarily related to the stock exchange introduction in the USA in 1994 (included in cost of issue):

KPMG C. Jespersen	DKK 6.4m	DKK 0.9m
Arthur Andersen	DKK 0.1m	DKK 0.1m

10. Equity

	Class A	Share capital Class B	Revaluation reserves Total	Share premium fund	Free reserves	Total	
Balance at 1.1.95	76.8	518.5	595.3	10.6	420.4	739.6	1,765.9
Transfer of share premium fund to free reserves					(420.4)	420.4	–
Exchange rate adjustment						(54.2)	(54.2)
Goodwill write-offs						(576.6)	(576.6)
Other adjustments						0.7	0.7
ISS consolidated profit						162.1	162.1
Dividend						(65.5)	(65.5)
Balance 31.12.95	76.8	518.5	595.3	10.6	0	626.5	1,232.4

The share capital includes 3,840,000 class-A shares in DKK 20 denominations and 25,923,733 class-B shares in DKK 20 denominations. At 31.12.95, class-A and class-B shares were officially quoted at DKK 132 and DKK 126 respectively. At the end of February 1996, the C.L. David Foundation, the Employees' Capital Pension Fund (LD), the Danish Labour Market Supplementary Pension Scheme (ATP), the Municipal Insurance Company (KP), the Unidanmark Group, and various pension insurance trusts and funds managed by General Electric, USA, each held more than 5% of the Company's share capital or the voting rights attached thereto.

At 1 March 1996, the Board of Management and the Board of Directors held 19,648 class-A shares and 43,034 class-B shares.

GROUP MANAGEMENT

BOARD OF DIRECTORS



Front, from left to right:

*Arne Madsen
Ole Damgaard-Nielsen
Lis Tornbjerg
Ingrid Jakobsen*

Back, from left to right:

*Georg Poulsen
Erik Bierre
Sven Riskær
Kaare Vagner
Poul Andreassen*

Arne Madsen (62), Chairman; chairman of the board of Labotek A/S, Springbanen A/S, Scan-Horse A/S, Ellehammers Laboratorium A/S, Basico A/S, and A/S Hjalmer Joensens Litografiske Etablissement; vice-chairman of the board of A/S Kalkværksgrundene; member of the board of Aktieselskabet Ny Kalkbrænderi, Faxe Kalk A/S, Pankas A/S, Ejendomsselskabet Vennelyst A/S, and Ejendomsselskabet Store Kongensgade 88 A/S; member of the board of ISS A/S since 1977.

Ole Damgaard-Nielsen (70), Vice-Chairman; member of the board of ISS A/S since 1987. Ole Damgaard-Nielsen retires from the board at the annual general meeting in April, 1996.

Poul Andreassen (68), former ISS Group President; chairman of the board of A/S Storebæltsforbindelsen and Superfos A/S; member of the board of Sund og Bælt Holding A/S; member of the board of ISS A/S since 1978.

Erik Bierre* (33), Controller; member of the board of ISS A/S since 1995.

Ingrid Jakobsen* (55), Secretary; member of the board of ISS A/S since 1991.

Georg Poulsen (66), former Union President; chairman of the board of A/S Dansk Erhvervs-

investering af 3/9 1983, Aarhus Flydedok A/S and A/S Bankinvest; vice-chairman of the board of A/S Storebæltsforbindelsen and Lalandia Invest A/S; member of the board of Sund og Bælt Holding A/S, Kelsen The International Bakery A/S, A/S Helsingør Fællesbageri, Asea Brown Boveri A/S, D-Energi A/S, and Aalborg Industries A/S; member of the board and the committee of representatives of Finansieringsinstituttet for Industri og Håndværk A/S; member of the board of ISS A/S since 1991.

Sven Riskær (57), Managing Director of Industrialiseringsfonden for Udviklingslandene (IFU) and Investeringsfonden for Østlandene (IØ); member of the board of Danskolie og Naturgas A/S, C. L. Davids Legat and Ejendomsselskabet Vennelyst A/S; member of the board of ISS A/S since 1987.

Lis Tornbjerg* (54), Secretary; member of the board of ISS A/S since 1994.

Kaare Vagner (50), President and Chief Executive Officer of ABB Daimler Benz Transportation Ltd.; chairman of the board of Asea Brown Boveri A/S and Riegens A/S; member of the board of A/S Det Østasiatiske Kompagni; member of the board of ISS A/S since 1992.

**) employee representatives*

BOARD OF MANAGEMENT



Waldemar Schmidt (54),
Group Chief
Executive



Jørn Wendel Andersen (44),
Executive Vice
President, CFO



Sven Ipsen (54),
Managing Director,
ISS Scandinavia
Division



Theo Dilissen (42),
Managing Director,
ISS Europe Division



Martin O'Halloran (42),
Managing Director,
ISS America Division

CORPORATE FUNCTIONS

Corporate Legal Office: **Carsten Rich**
Corporate Control: **Jørgen Halberg**
Corporate Treasury: **Jørgen Hauglund**
Corporate Risk Management: **Einar Langkjær**
Corporate Communication: **Colin Narbrough**
Corporate Human Resources: **Jan Rasmussen**

AUDITORS

Arthur Andersen

KPMG C. Jespersen

GROUP FINANCIAL HIGHLIGHTS AND KEY FIGURES

Financial highlights	Amounts in DKKm	1991	1992	1993	1994	1995
Cash flow	Free cash flow ¹⁾	552	441	201	398	356
	Cash flow from acquisitions/divestments	(698)	157	(753)	168	(479)
	Cash flow from financial items	733	(365)	264	(433)	7
Earnings	Turnover	11,806	11,356	13,307	14,233	14,391
	Operating profit	582	537	633	633	572
	Profit from ordinary operations	332	374	424	421	381
	ISS' share of profit on ordinary operations after tax	249	266	270	266	233
	ISS' share of profit on ordinary operations before goodwill amortisation after tax	303	320	347	361	318
	ISS net profit	244	266	462	288	162
Balance sheet	Total assets	4,636	4,669	5,878	5,421	5,293
	Capitalised goodwill	1,115	990	1,885	1,647	1,455
	ISS shareholders' equity	1,108	998	1,357	1,766	1,232
	Interest bearing debt, net ¹⁾	778	682	1,393	464	638
Dividend	Declared dividend	43.3	43.3	51.9	65.5	65.5
Key figures ¹⁾	Average number of shares	21,635,450	21,642,740	25,971,288	27,105,433	29,763,733
	Adjustment factor	0.8333	0.8333	1.0000	1.0000	1.0000
	Earnings per share (EPS), DKK	9.59	10.24	10.40	9.81	7.82
	Earnings per share before goodwill, DKK	11.67	12.32	13.37	13.31	10.67
	Cash flow per share (CFPS), DKK ¹⁾	20.54	17.60	4.20	11.62	10.62
	Dividend per share, DKK	1.67	1.67	2.00	2.20	2.20
	ISS shareholders' equity in % of total assets	23.9	21.4	23.1	32.6	23.3
	Return on equity, %	25.9	24.0	27.1	18.1	13.2
	Pay-out ratio, %	17.8	16.3	19.2	24.7	28.1
Quoted share price, 31 Dec.	A-shares, DKK	184	201	231	165	132
	B-shares, DKK	157	190	227	165	126
	ADS, USD	–	–	–	13,375	11,375
	Market capitalisation, DKKm	3,505	4,149	5,911	4,911	3,773
Exchange rates	USD average	639.61	604.75	648.33	636.06	560.26
	USD, 31 Dec.	591.35	625.54	677.25	608.30	554.60
	ISS currency basket based on distribution of turnover per currency	100	97	97	96	91
	ISS currency basket based on distribution of operating profit per currency	100	98	98	97	92
Number of employees, 31 December		114,500	115,000	125,900	122,600	138,700

¹⁾ c.f. p. 71 for definitions. Compared to last year the definition of CFPS has been altered.

ADDRESSES

1 April 1996

ADDRESSES

ISS International Head Office

ISS-International Service System A/S
Kongevejen 195
DK-2840 Holte
Tel.: +45 45 41 08 11
Fax.: +45 45 41 08 88
Management: Waldemar Schmidt

ISS Finans A/S
Kongevejen 195
DK-2840 Holte
Tel.: +45 45 41 08 11
Fax.: +45 45 41 15 30
Management: Jørgen Hauglund

ISS University Hotel A/S
Kongevejen 195
DK-2840 Holte
Tel.: +45 45 47 74 00
Fax.: +45 45 47 74 54
Management: Marina Hother Sørensen

ISS Scandinavia Division

DENMARK
ISS Scandinavia A/S
Rentemestervej 62
DK-2400 København NV
Tel.: +45 38 17 17 17
Fax.: +45 38 33 23 11
Management: Sven Ipsen

FINLAND
ISS Suomi Oy
Laulukuja 6
PB 74
FIN-00421 Helsinki
Tel.: +358 0 6818 1
Fax.: +358 0 6818 527
Management: Matti Kyösti

NORWAY
ISS Norge a.s.
Ulvenveien 83
Postboks 132 Økern
N-0509 Oslo
Tel.: +47 22 88 50 00
Fax.: +47 22 88 51 20
Management: Thorbjørn Graarud

SWEDEN
ISS Sverige AB
Årstängsvägen 25
Box 42071
S-126 13 Stockholm
Tel.: +46 8 681 60 00
Fax.: +46 8 681 90 89
Management: Arne Pedersen

ISS Europe Division

ISS Europe N.V.
I. Meyskensstraat 224
B-1780 Wemmel, Belgium
Tel.: +32 2 456 0560
Fax.: +32 2 456 0589
Management: Theo Dilissen

AUSTRIA
ISS Central Europe GesmbH
Brünner Strasse 85
A-1210 Wien
Tel.: +43 1 29 111 11
Fax.: +43 1 29 111 19
Management: Gerhard Marischka

ISS Servisystem GesmbH
Brünner Strasse 85
A-1210 Wien
Tel.: +43 1 29 111 11
Fax.: +43 1 29 111 19
Management: A. Slupetzky

GERMANY
ISS Holding GmbH
Quagliostrasse 9
D-81543 München
Tel.: +49 89 65 10700
Fax.: +49 89 65 6327
Management: Theo Buitendijk

ISS Hölzl GmbH Servisystem
Quagliostrasse 9
D-81543 München
Tel.: +49 89 65 10700
Fax.: +49 89 65 6327
Management: Heinrich Höhling

ISS Servisystem GmbH
Glas- und Gebäudereinigung
Gutleutstrasse 320
D-60327 Frankfurt
Tel.: +49 69 274 0220
Fax.: +49 69 274 02210
Management: Rolf Picks

ISS Servisystem GmbH
Gebäudereinigung
Osterbekstrasse 90A
D-22083 Hamburg
Tel.: +49 40 270 7030
Fax.: +49 40 270 70311
Management: Siegfried Dorau

ISS Airport Services S.A.-N.V.
Rue des Mégissiers 30-36
Zeemoutwerstraat
B-1070 Bruxelles
Tel.: +32 2 556 4060
Fax.: +32 2 521 7165
Management: Theo Dilissen

ISS Healthcare S.A.-N.V.
Rue des Mégissiers 30-36
Zeemoutwerstraat
B-1070 Bruxelles
Tel.: +32 2 556 4060
Fax.: +32 2 521 7165
Management: Theo Dilissen

THE CZECH REPUBLIC
ISS Servisystem s.r.o.
Jankovcova 2
CZ-17088 Praha
Tel.: +422 66 78 37 70
Fax.: +422 66 78 30 44
Management: Jindřiska Gasparkova

FRANCE
ISS France S.A.
ISS Servisystem S.A.
CGS S.A.
CGI S.A.R.L.
CGM S.A.R.L.
50 avenue Gabriel Péri
F-94 117 Arcueil
Tel.: +33 1 41 24 13 13
Fax.: +33 1 41 24 13 03
Management: Michel Abecassis

ISS Hölzl GmbH Servisystem
Quagliostrasse 9
D-81543 München
Tel.: +49 89 65 10700
Fax.: +49 89 65 6327
Management: Heinrich Höhling

ISS Servisystem GmbH
Glas- und Gebäudereinigung
Gutleutstrasse 320
D-60327 Frankfurt
Tel.: +49 69 274 0220
Fax.: +49 69 274 02210
Management: Rolf Picks

ISS Servisystem GmbH
Gebäudereinigung
Osterbekstrasse 90A
D-22083 Hamburg
Tel.: +49 40 270 7030
Fax.: +49 40 270 70311
Management: Siegfried Dorau

ISS Servisystem GmbH
Gebäudereinigung
Osterbekstrasse 90A
D-22083 Hamburg
Tel.: +49 40 270 7030
Fax.: +49 40 270 70311
Management: Siegfried Dorau

BFR GmbH
Cordesstrasse 9
D-14055 Berlin
Tel.: +49 30 896 9090
Fax.: +49 30 896 90910
Management: Dieter Numrich

ISS Food Hygiene Service GmbH
Friesische Strasse 18
D-24937 Flensburg
Tel.: +49 461 144 300
Fax.: +49 461 144 3030
Management: Heinrich Höhling

ISS Hansa Gebäudereinigungs GmbH
Holländische Strasse 96-98
D-34127 Kassel
Tel.: +49 561 983 6701
Fax.: +49 561 983 6767
Management: Monika Senger

GREECE
ISS Servisystem SA
Amaroussiou-Chalandriou 4
GR-151 25 Amaroussion
Tel.: +30 1 6896461
Fax.: +30 1 6896460
Management: Xenophon A. Digenis

HUNGARY
ISS Servisystem Kft.
Kevehaza u.1
H-1119 Budapest
Tel.: +36 1 204 1980
Fax.: +36 1 204 1980
Management: Gabrielle Biró-Belané

IRELAND
ISS Contract Cleaners Ltd.
14/17 Hanbury Lane
Dublin 8
Tel.: +353 1 453 7711
Fax.: +353 1 453 7870
Management: David Healy

LUXEMBOURG
ISS Luxembourg S.A.
Avenue de la Faïencerie 121
L-1511 Luxembourg
Tel.: +32 2 556 4060
Fax.: +32 2 521 7165
Management: Theo Dilissen

THE NETHERLANDS
ISS Servisystem B.V.
Drentsestraat 4
Postbus 1000,
3800 BA Amersfoort
Tel.: +31 33 468 0680
Fax.: +31 33 465 5562
Management: Theo Buitendijk

ISS Food B.V.
Olmenlaan 2
3833 AV Leusden
Tel.: +31 33 495 2323
Fax.: +31 33 494 5817
Management: Jan Zweers

ISS Hospital Service B.V.
Atoomweg 350
3542 AB Utrecht
Tel.: +31 30 241 6171
Fax.: +31 30 241 6854
Management: Gerrit De Haan

PORTUGAL
ISS Servisystem Lda.
Rua Moinho da Barrunchada, 4
1.º Dt.º Carnaxide
P-2795 Linda-A-Velha
Tel.: +351 1 417 3542
Fax.: +351 1 417 3552
Management: Luis Andrade

ISS Center in Holte,
Denmark



SWITZERLAND

ISS Holding S.A.
Talackerstrasse 5
Postfach 1733
CH-8065 Zürich
Tel.: +41 1 874 18 18
Fax.: +41 1 874 18 19
Management: Romano Spadaro

ISS Servisystem/SPC AG
Kernstrasse 57
CH-8004 Zürich
Tel.: +41 1 242 32 60
Fax.: +41 1 241 05 48
Management: Heinz Ghilardi

ISS Hospital Service AG
Ausserfeldstrasse 9
CH-5036 Oberentfelden
Tel.: +41 62 72 39 888
Fax.: +41 62 72 37 865
Management: Mathias Köhn

ISS Airport Services S.A.
Talackerstrasse 5
Postfach 1733
CH-8065 Zürich
Tel.: +41 1 874 18 18
Fax.: +41 1 874 18 19
Management: Peter Altherr

ISS Food Hygiene AG
Talackerstrasse 5
Postfach 1733
CH-8065 Zürich
Tel.: +41 1 874 18 18
Fax.: +41 1 874 18 19
Management: Ulrich Sempach

SLOVAKIA

ISS Marischka spol. s.r.o.
Trnavská Cesta 3
SK-83104 Bratislava
Tel.: +427 566 2670
Fax.: +427 526 4747
Management: Friedrich Neubauer

SLOVENIA

ISS Servisystem d.o.o.
Kopitarjeva 5
SI-62000 Maribor
Tel.: +386 62 20558
Fax.: +386 62 20039
Management: Bojan Raitmajer

SPAIN

SAEL S.A. de Entretenimiento y Limpieza
Ramon Turró 153
E-08005 Barcelona
Tel.: +34 3 309 8100
Fax.: +34 3 485 1516
Management: Mario Rovira

UNITED KINGDOM

ISS UK Limited
44-50 Bath Road
Hounslow
Middlesex TW3 3EB
Tel.: +44 181 569 6080
Fax.: +44 181 569 6607
Management: David Thomas

ISS Servisystem Ltd.
ISS London Ltd.
10 The Circle
Queen Elizabeth Street
London SE1 2JE
Tel.: +44 171 403 9319
Fax.: +44 171 403 9386
Management: David Openshaw

ISS Airport Services Ltd.
Room 0140A, Ground Floor
Queens Building
Heathrow Airport, Hounslow
Middlesex TW6 1JH
Tel.: +44 181 745 4971
Fax.: +44 181 745 4972
Management: David Openshaw

ISS Mediclean Ltd.
Norfolk House, Christmas Lane
Farnham Common, Slough
Berkshire SL2 3JQ
Tel.: +44 1753 647381
Fax.: +44 1753 647338
Management: Simon Cox

ISS Care UK Ltd.
The Firs
Whitchurch, Aylesbury
Bucks HP 22 4LL
Tel.: +44 1296 641771
Fax.: +44 1296 641732
Management: Ken Pepper

ISS Food Hygiene Ltd.
Albert Street
Birmingham B5 5LN
Tel.: +44 1216 330055
Fax.: +44 1216 330115
Management: Ken Pepper

ISS Cleaning Services Ltd.
The Firs
Whitchurch, Aylesbury
Bucks HP 22 4LL
Tel.: +44 1296 641771
Fax.: +44 1296 641732
Management: Ken Pepper

ISS Cleaning Services (North)
Arndale Chambers
Arndale Centre
Middleton
Manchester M24 3AQ
Tel.: +44 161 655 3020
Fax.: +44 161 654 6019
Management: Tony Sieben

ISS Cleaning Services (South)
Oakmede Place
Terrace Road South
Binfield, Bracknell
Berks RG12 5AL
Tel.: +44 1344 305344
Fax.: +44 1344 305188
Management: Mike Poulter

ISS Darenas Ltd.
Daren House, Kingsbury Road
Curdworth, Sutton Coldfield
West Midlands B76 9EE
Tel.: +44 1675 470670
Fax.: +44 1675 470717
Management: Bob Yearsley

Northern Maintenance Plc.
Northern House
6 Broughton Place
Edinburgh E1 3RX
Tel.: +44 131 556 4231
Fax.: +44 131 557 2167
Management: Bruce Cochran

ISS America Division

ISS International Service System, Inc.

Two Concourse Parkway,
Suite 270
Atlanta, GA 30328, USA
Tel.: +1 770 512 7333
Fax.: +1 800 621 4860
Management: Martin O'Halloran

USA

ISS New York, Inc.
375 Hudson Street, 5th floor
New York, New York 10014
Tel.: +1 212 229 4000
Fax.: +1 212 229 4041
Management: Richard Matero

ISS Northeast/Midwest
4110 Butler Pike, Suite A-107
Plymouth Meeting, PA 19462
Tel.: +1 610 828 3838
Fax.: +1 610 828 9799
Management: Jan P. Kaupas

ISS Pacific Northwest
220 South Spruce Avenue,
Suite 200
South San Francisco, CA 94080
Tel.: +1 415 871 6740
Fax.: +1 415 871 7694
Management: Charlie Allio

ISS Pacific Southwest
1627 West 20th Street
Los Angeles, CA 90007
Tel.: +1 213 730 5500
Fax.: +1 213 734 6477
Management: Ron Goins

ISS Southeast/Southwest
Two Concourse Parkway,
Suite 270
Atlanta, GA 30328
Tel.: +1 770 512 7333
Fax.: +1 800 621 4860
Management: Martin O'Halloran

ISS Landscape Management Services
1704 North "A" Street
Tampa, Florida 33606
Tel.: +1 813 254 7557
Fax.: +1 813 254 5651
Management: Ron Schmoeyer

ISS Pest Control Services
375 Hudson Street
New York, New York 10014
Tel.: +1 212 229 4310
Fax.: +1 212 229 4321
Management: Ed Wasilewski

MAINCO Elevator Services Co.
31-10 41st Avenue
Long Island City, New York 11101
Tel.: +1 718 786 3301
Fax.: +1 718 729 7670
Management: Michael Nicklous

ISS Southern Management Company
5700 Brainerd Road
5700 Building, Suite 1000
Chattanooga, Tennessee
Tel.: +1 423 510 0010
Fax.: +1 423 510 0115
Management: Randall Steele

ISS Diversified Services Company
2321 Montgomery Highway,
Unit #17
Dothan, Alabama 36303
Tel.: +1 205 793 1312
Fax.: +1 205 793 3952
Management: Edward Jones

BRAZIL

ISS Sulamericana Comercial Ltda.
ISS Servisystem Com. e Ind. Ltda.
Estrada da Ressaca, no. 960
Caixa Postal 29
CEP 06844 - 900 - Embu - SP
São Paulo
Tel.: +55 11 494 2377
Fax.: +55 11 494 5836
Management: Eugênio Marianno

MEXICO

ISS Servistema SA de CV
Orizaba 101, Suite 106
Colonia roma
Mexico D.F. 06700
Tel.: +525 511 7981
Fax.: +525 511 3375
Management: Fernando Dueñas

ISS Asia Division

ISS ESGO ASIA Sdn. Bhd.
19A-27-2, level 27, UOA Centre
19 Jalan Pinang
50450 Kuala Lumpur
Malaysia
Tel.: +60 3 264 8389
Fax.: +60 3 264 8386
Management: Stuart Graham

BRUNEI

ISS Thomas Cowan Sdn. Bhd.
1A Bangunan Menglait 1
Mile 2, Jalan Gadong
Bandar Seri Begawan 3180
Negara Brunei Darussalam
Tel.: +673 2 446 497
Fax.: +673 2 446 498
Management: Jose Robles III

CHINA

Zhejiang ESGO Services
Room 314, Wu Gong Hotel
431 Fu Zhou Road
Shanghai 200001
Tel.: +852 2621 4333
Fax.: +852 2621 5260
Management: Eric Wong

HONG KONG

ISS ESGO Services (HK) Ltd.
Unit 1607, 16th Floor
One Harbourfront
18-22 Tak Fung Street
Hung Hom, Kowloon
Tel.: +852 2621 4333
Fax.: +852 2621 5260
Management: Eric Wong

INDONESIA

P.T. Egana Prima Mandiri
Aspine Bldg., Jl. Fatmawati 29
Cilandak, Barat
Jakarta 12430
Tel.: +6221 750 9164
Fax.: +6221 750 9160
Management: Roland Larsson

MALAYSIA

ISS Servisystem Sdn. Bhd.
22, Jalan M/J/1
Medan Maju Jaya
7 Mile Jalan Klang Lama
46000 Petaling Jaya
Tel.: +60 3 794 2188
Fax.: +60 3 794 2177
Management: Doreen Tan

SINGAPORE

ISS ESGO Pte. Ltd.
3 Ubi Avenue 3 #03-01
Crocodile House
Singapore 408857
Tel.: +65 746 3622
Fax.: +65 741 0669
Management: S.H. Yusof

SRI LANKA

ISS Abans Environmental Services (Pvt) Ltd.
141 Kirula Road
Colombo 05
Tel.: +94 11 574 160
Fax.: +94 11 590 555
Management: Rusi Pestonjee

THAILAND

ESGO Environmental Services Co. Ltd.
32/12-13 Phaholyothin Road
Bangkhien, Bangkok 10220
Tel.: +662 552 5015
Fax.: +662 552 0572
Management:
Theinsiri Theingviboonwong

KEY FIGURES: DEFINITIONS

Free Cash flow	=	Cash flow from operations – Investments in fixed assets
Interest bearing debt, net	=	Long-term debt + Bank loans and other debt – Securities – Cash at bank and in hand
Earnings per share (EPS), DKK	=	$\frac{\text{ISS' share of profit on ordinary operations after tax} \cdot f}{\text{Average no. of shares}}$
Earnings per share before goodwill, DKK	=	$\frac{\text{ISS' share of profit on ordinary operations before goodwill amortisation after tax} \cdot f}{\text{Average no. of shares}}$
Cash flow per share (CFPS), DKK	=	$\frac{(\text{Free cash flow} + \text{Financial payments, net}) \cdot f}{\text{Average no. of shares}}$
Dividend per share, DKK	=	Declared dividend per share • f
ISS shareholders' equity in % of total assets	=	$\frac{\text{ISS shareholders' equity} \cdot 100}{\text{Total assets}}$
Return on equity, %	=	$\frac{\text{ISS' share of profit on ordinary operations after tax} \cdot 100}{\text{ISS shareholders' equity, Jan 1.} + \text{Net proceeds of share issues (weighted)}}$
Pay-out ratio, %	=	$\frac{\text{Declared dividend} \cdot 100}{\text{ISS' share of profit on ordinary operations after tax}}$
ISS currency basket	=	Index for development in currency rates, weighted on basis of ISS turnover and operational profit in each currency
Adjustment factor (f)	=	The adjustment factor (f) is used in connection with share offerings made to existing shareholders when the subscription price is below the market price at the time of the offering. The adjustment factor must be used for calculating comparable figures for EPS, CFPS and dividend per share for the years before the offering.



ISS-International Service System A/S

Kongevejen 195

2840 Holte

Denmark

Tel.: +45 45 41 08 11

Fax: +45 45 41 08 88

Internet: <http://www.iss.dk>

A/S Reg. No. 37.702