Annual Report 2002

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ISS A/S

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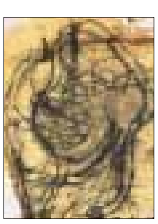

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Arne Madsen and Eric S. Rylberg

Letter to our Stakeholders

In our 2000 Annual Report we said that macroeconomic transition would be a likely scenario. To prepare for headwind we chose to focus on profitability and cash flow. Overhead reductions, contract trimming in certain countries and exits from Aviation, Elderly Care and Kindergartens were consequences of the profitability programme.

In 2001, we rationalised contracts and structure. For 2002, we had two prime goals: Increasing the operating margin and keeping our cash conversion ratio above 100%. We achieved both. We pursued the facility services strategy and complemented our service offerings. ISS University was expanded as a vehicle for teaching new service concepts. Acquisition activities were selective and volume was reduced.

ISS strengthened its position in 2002. For this, we thank our 250,000 dedicated employees and our thousands of loyal customers, many of whom ISS has served for decades.

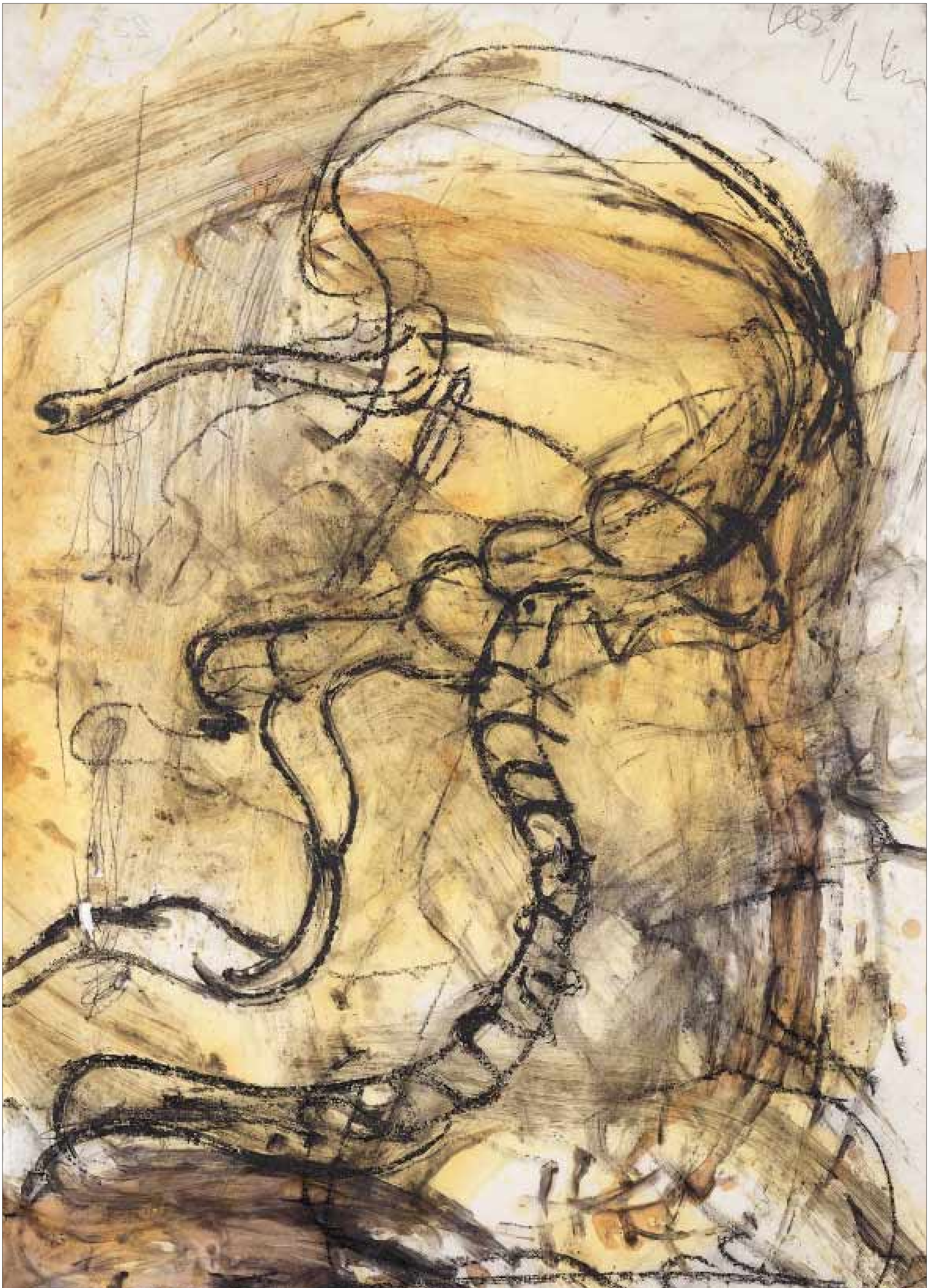
We maintain our facility services strategy. No major change is foreseen in our strategic direction. Sales initiatives and concept rollouts are our key focus areas for 2003.

After 26 years on the Board, Chairman Arne Madsen retires as he turns 70 in 2003.[1] For Arne Madsen it is a pleasure to end his tenure by announcing the strongest results ever. Management stands united behind the facility services strategy and will continue on the path laid out under Arne Madsen's chairmanship.

Arne Madsen
Chairman

Eric S. Rylberg
CEO

[1] Please refer to page 124-125 in this report for a description of Arne Madsen's 26 years on the Board of ISS.



Report from Management

Charcoal, lead, gouache and linseed oil on paper are the components of the paintings created on the Danish island of Laesoe in 1989 by Christian Lemmerz (Karlsruhe, Germany 1959) and Sonny Tronborg (Copenhagen, Denmark 1953). The artists are internationally recognised, having exhibited in major art museums in different parts of the World. The paintings form part of the art collection at the ISS head office in Copenhagen, Denmark.

Key Figures

Amounts in DKKm, except per share data	2002	2001	2000	1999	1998
Turnover	37,984	34,852	28,719	19,802	13,801
Operating profit [1]	2,010	1,633	1,454	1,021	735
Financial income and expenses, net	(361)	(310)	(244)	(128)	(80)
Ordinary profit before goodwill amortisation	1,115	898	830	622	487
Extraordinary items, net of tax and minorities	-	-	-	4	(42)
Discontinued business, net of tax	-	(5)	-	-	(23)
Net profit for the year	246	222	210	237	211
Investments in tangible assets, gross	579	615	439	420	769
Cash flow from operating activities	2,264	1,510	1,265	732	695
Free cash flow [2]	1,739	1,058	874	795	460
Total assets	22,412	22,419	17,164	13,696	7,139
Goodwill	12,669	12,022	9,522	7,576	2,995
Interest-bearing debt, net [2]	5,604	6,317	4,357	3,050	1,898
Total equity	7,331	6,621	5,678	4,415	1,408
Market capitalisation	11,202	17,351	21,730	18,773	12,437
Operating margin, % [2]	5.3	4.7	5.1	5.2	5.3
Interest coverage [2]	7.2	7.0	7.9	10.7	12.4
Earnings per share before goodwill amortisation [2]	25.8	21.6	21.1	18.6	16.4
Cash conversion, % [2), 3)]	167	118	105	128	94
Free cash flow per share [2]	40.2	25.5	22.3	23.7	15.5
Equity ratio, % [2]	32.7	29.5	33.1	32.2	19.7
Debt to book equity ratio, % [2]	76.4	95.4	76.7	69.1	134.9
Debt to total enterprise value ratio, % [2]	33.3	26.7	16.7	14.0	13.2
Share of employees on full-time	53%	53%	53%	53%	55%
Number of employees	248,500	259,800	253,200	216,700	137,800
Growth					
Organic growth [4]	1%	4%	7%	7%	6%
Acquisitions, net	8%	18%	35%	37%	12%
Currency adjustments	0%	(1%)	3%	(1%)	(1%)
Total turnover	9%	21%	45%	43%	17%
Operating profit [1]	23%	12%	42%	39%	15%

1) Before other income and expenses.
2) Please refer to page 113 for a list of definitions.
3) Excluding the after-tax gain on the sale of Sophus Berendsen shares.
4) Gross organic growth in 2001 and 2002 was approximately 6% and 5%, respectively, before extraordinary contract trimming of approximately 2% and 4%, respectively.

Company Report

ISS reached the goals set for 2002. Turnover growth of 9% and an increase in the operating profit before other income and expenses of 23% meant that the operating margin increased to 5.3%, up from 4.7%. The free cash flow increased 64% resulting in a cash conversion of 167%.

FOCUS OF THE YEAR

ISS achieved the planned improvement of its operating margin. Profitability enhancement of the contract portfolio received special attention. Contracts were reviewed and the extraordinary contract trimming process initiated in 2001 continued in five countries. With the exception of ISS Brazil, where trimming was initiated at the end of the year, 2002 marked the completion of the extraordinary contract trimming process.

The Group's overhead cost structure was scrutinised. Costs were reduced concurrently with contract trimming and savings were accomplished through efficiency gains. In the autumn of 2002, a project to downscale the head office was finalised. The aim of the project was to lower head office costs to less than 0.4% of Group turnover.

The efforts to improve effective utilisation of working capital were intensified and the working capital optimisation project was extended to encompass eight of ISS' largest countries. This resulted in cash conversion of 167% at Group level.

Strategically, ISS' main priority in 2002 was to further develop the facility services concept as defined in the strategy plan **create2005**. Management remains confident that integrated service solutions is the right route for ISS. The acquisitions made in 2002, aiming at establishing the right service offering in each country, supported this strategy. The efforts to develop and deliver facility services solutions continued, particularly in Northern Europe. This led to new facility services contracts, which included a range of integrated service solutions. Almost all of the Group's large facility services organisations improved their performance. The countries with the most advanced facility services concepts generated operating margins above the Group average, best illustrated by Facility Services in ISS Norway and ISS Finland, which posted operating margins of 7.0% and 7.8%, respectively.

Highlights

Turnover increased by 9%

Operating profit increased by 23%, equivalent to an operating margin of 5.3%, up from 4.7%

Earnings per share before goodwill amortisation increased by 19%

Free cash flow increased by 64%, resulting in a cash conversion of 167%

Dividends of DKK 2 per share proposed

DIVESTMENTS

In 2002, the restructuring of the Group initiated in 2001 was completed. This mainly involved the two Business Builds, Aviation and CarePartner. The unsatisfactory profitability of these areas was flagged at the end of 2001.

Aviation Believing that the outlook for the aviation industry remains bleak, management resolved to finalise the restructuring of ISS' aviation business as soon as possible. This led to a decision to discontinue airside aviation activities performing below Group standards.

The operations of Nordic Aero in Denmark, Finland, Norway and Sweden, which had an annual turnover of approximately DKK 130 million, were divested in July 2002. In the Netherlands, the airside business with an annual turnover of approximately DKK 170 million was discontinued when ISS terminated the activities by the end of 2002. With effect from 1 December 2002, 51% of the airside activities in the UK with an annual turnover of approximately DKK 210 million were sold to local management.

This completed the restructuring of the aviation business. During the course of 2002, the remaining aviation-related activities were transferred to the respective Facility Services country organisations. As a consequence, the Aviation Business Build was discontinued as from 1 January 2003.

CarePartner The first step to improve the profitability of CarePartner was taken at the end of 2001 with the sale of the kindergarten activities in Denmark. During 2002, efforts were made to divest or close the elderly care activities with low profitability. The discontinuation of the segment was completed when an agreement to sell 51% of the elderly care activities in CarePartner to local management became effective 1 November 2002. The sale comprised all activities within elderly care in Denmark, Finland, Norway and Sweden with an annual turnover of approximately DKK 860 million.

The sale completed the restructuring of ISS CarePartner. ISS' remaining care activities (treatment of abuse and psychiatric care) were merged with ISS' health care activities (clinical physiology, MR-scanning, X-ray, eye surgery etc.) in a new legal business unit, ISS Health Care. The new business unit generates annual turnover of approximately DKK 600 million and an operating margin above the Group average.

Financial impact In addition to the aforementioned two segments, ISS divested some non-core businesses with a total annual turnover of approximately DKK 300 million. A list of divestments is shown on page 117 in this report.

The non-recurring costs associated with the divestments and discontinuation of businesses are included in Other income and expenses, net under Divestments and closures at a total amount of DKK 110 million. In addition, the disposals led to a goodwill write-down of DKK 102 million.

With the exception of ISS Brazil, the planned restructuring of the Group is now implemented. In Brazil, a streamlining process was initiated in the fourth quarter of 2002 with the aim of bringing the operating margin in line with that of the rest of the Group. These efforts are set to continue in 2003.

FINANCIALS

Turnover increased by 9% to DKK 38.0 billion, mainly due to net growth from acquisitions of 8%. Negative currency impact was with DKK 136 million less than 1% while organic growth amounted to 1%. Gross organic growth was approximately 5%, but extraordinary trimming of the contract portfolio in 2001 and 2002 in five countries (Belgium, Denmark, France, Germany and the Netherlands) reduced growth by approximately 4%.

Disregarding the five countries, where contract trimming was a tool in profitability enhancement, the Group's other 33 countries achieved a total organic growth of more than 6%.

Operating profit before other income and expenses increased by 23% to DKK 2,010 million, equivalent to an operating margin of 5.3%, up from 4.7% in 2001. This was in line with the expectations announced in the third quarter report released in November 2002.

Cash flow from operating activities increased by 50% to DKK 2,264 million, and the free cash flow grew 64% to DKK 1,739 million. Thus, cash conversion was 167% and thereby exceeded 100% for the fourth consecutive year. Net debt was reduced from DKK 6,317 million to DKK 5,604 million.

REGIONAL DEVELOPMENT

Turnover in Northern Europe, comprising the UK, Sweden, Denmark, Norway, Finland, Ireland, Iceland and Greenland, increased 13% to DKK 18,243 million. Organic growth in the region was 5%. Excluding Denmark, which was impacted by contract trimming in relation to the public sector customers, organic growth was 7%. The operating margin was 6.1% compared with 6.0% in 2001. The increase was due to improvements in all countries, particularly in Facility Services. An exception was Sweden where the operating margin was diluted due to the acquisition of two low-margin companies at the end of 2001.

Continental Europe includes France, the Netherlands, Germany, Belgium, Switzerland, Austria, Spain, the Czech Republic, Portugal, Greece, Italy, Slovenia, Hungary, Poland, Slovakia, Romania, Luxembourg and Croatia. Turnover in the region increased 7% to DKK 17,794 million and the operating profit was up 42% to DKK 1,024 million. This led to an increase in the operating margin of 1.5 percentage points to 5.8%. All large country organisations achieved increasing operating margins. Organic growth in Continental Europe was negative as the continued focus on profitability impacted on growth in Belgium, France, Germany and the Netherlands.

Overseas, consisting of Asia, South America, Australia and Israel, represents approximately 5% of Group turnover. Negative currency adjustments of 14% together with difficult market conditions caused turnover to decline by 2% compared with 2001. The operating margin fell from 5.5% to 4.4%, primarily due to the performance in South America and charges of approximately DKK 12 million incurred in relation to the restructuring initiated in Brazil in the fourth quarter of 2002.

COMPETENCE ENHANCEMENT

In line with the Group's strategy to advance the facility services concept by entering and developing certain complementary services, ISS announced a holding of 9.59% of the Berendsen shares and proposed a merger with Sophus Berendsen in January 2002. The aim was to enable the Group to gain a foothold in washroom services. As the merger proposition was superseded by a public purchase offer from Davis Service Group Plc., ISS sold its Berendsen shares in April 2002. The sale resulted in a net gain of DKK 106 million, included in Other income and expenses, net.

Following the sale of the Berendsen shares, ISS initiated a project aiming at developing washroom services organically. The project includes the establishment of a complete range of quality hygiene solutions to both new

Operating results by region

	Turnover DKKm			Operating profit [1] DKKm			Operating margin	
	2002	2001	Change	2002	2001	Change	2002	2001
Northern Europe	18,243	16,204	13%	1,109	976	14%	6.1%	6.0%
Continental Europe	17,794	16,656	7%	1,024	719	42%	5.8%	4.3%
Overseas	1,947	1,992	(2%)	85	109	(22%)	4.4%	5.5%
Corporate	–	–	–	(208)	(171)	(22%)	(0.5%)	(0.5%)
Group	**37,984**	**34,852**	**9%**	**2,010**	**1,633**	**23%**	**5.3%**	**4.7%**

[1] Before other income and expenses.

and existing customers, fully leveraging the strength of the ISS organisation. The initiative started up in the UK and will be launched in other pilot locations during 2003.

To provide the Group with a strategic platform in the pest control business, ISS acquired the Eurogestion group in April 2002. Eurogestion is a market leader within pest control with operations in Australia and eight countries in Europe and Asia. The group had annual turnover of approximately DKK 900 million and an operating margin above the Group average. In addition to pest control, Eurogestion's service offering includes hygiene and washroom services, pipe draining services and maintenance of ventilation systems. ISS plans to expand pest control to other parts of the Group using the current country organisations and customer base. Since the takeover, a dedicated team has worked on integrating Eurogestion and is progressing ahead of plan. The financial results are included under Facility Services in the respective countries.

ACQUISITIONS

The acquisition speed was reduced compared with previous years, both in terms of turnover and the number of companies acquired. This reflects that geographical platforms have been established in almost all European countries and that the operations focused on integrations and performance improvement. In 2002, a total of 31 acquisitions contributed annual turnover of approximately DKK 1,930 million, equivalent to approximately 6% of the Group's 2001 turnover. A list of acquisitions is shown on page 116 in this report. Acquisition efforts focused on candidates that strengthen ISS' competences and enhance its service offering. Acquisitions within Facility Services accounted for the majority of the acquired turnover in 2002. Five acquisitions within Damage Control accounted for approximately 3% of total acquired turnover.

Excluding the strategic acquisition of Eurogestion, the remaining 30 companies were acquired at an average price/EBITA (earnings before interest, tax and goodwill amortisation) multiple of 7.5 before anticipated synergies. The 30 acquisitions contributed an initial average return on invested capital of 13.3% before tax and synergies. With the exception of one minor strategically important acquisition, all acquisitions are expected to be EVA® (Economic Value Added) accretive within one year of acquisition.

ISS intends to continue to make bolt-on acquisitions to the extent that they add value to the business. The primary targets will be companies that help building the right service offering in each country and Business Build.

CREDIT RATING

In April 2002, ISS A/S received a long-term credit rating of BBB+ with Stable Outlook from Standard & Poor's.

CHANGES IN MANAGEMENT

During the year, three members of Group Management were promoted to the Executive Management Board. Thorbjørn Graarud was appointed COO, Northern Europe and Business Builds, Flemming Schandorff was appointed COO, Continental Europe and Overseas, and Karsten Poulsen was appointed CFO. Stuart W. Graham (COO) and Carsten N. Knudsen (CFO) resigned during the year.

SUBSEQUENT EVENTS

Apart from the events described in this Annual Report, Group Management is not aware of events subsequent to 31 December 2002, which are expected to have a material impact on the ISS Group's financial position or outlook.

PROPOSALS FOR THE ANNUAL GENERAL MEETING

At the annual general meeting to be held on 9 April 2003, the Board of Directors will propose to the shareholders that ISS resumes dividend payment and appropriate the net profit for 2002 of DKK 246 million to the effect that DKK 88 million is paid out as dividends and DKK 158 million is allocated to reserves. Please refer to "Dividend for 2002" below.

In line with the objective of **create2005** of increased employee ownership, the Board of Directors will seek shareholder authorisation to implement a new warrant programme for managers, comprising 400,000 warrants, equivalent to DKK 8 million nominal value. The authorisation would be valid for five years.

Arne Madsen, Chairman of the Board for 12 years and a member since 1977, has informed the Board of Directors that he will not seek re-election to the Board as he will reach the age of 70 before the expiry of a new election period. The Board of Directors will propose to the shareholders at the annual general meeting that Claus Høeg Madsen be elected as new member of the Board of Directors. Erik Sørensen and Peter Lorange stand for election and both are recommended for re-election.

DIVIDEND FOR 2002

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

ISS still sees value enhancing growth opportunities. Given its current financial situation ISS also sees the opportunity to resume dividend payment. The Board of Directors proposes that a dividend of DKK 2 per share (36% of net profit) be paid in respect of the 2002 financial year.

FUTURE DIVIDEND POLICY

Accounting rules concerning goodwill amortisation affect ISS' ability to consolidate equity through retained earnings. The International Accounting Standards Board (IASB) is currently considering a change of these rules as set out in the exposure draft (ED3: Business Combinations). If it had been in effect for 2002 in its current form, it would have meant increased net profit for ISS.

Provided ED3 is adopted by the IASB in its current form and the financial situation of ISS develops as planned, the Board of Directors will seek to increase the dividend in the years ahead.

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

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

OUTLOOK

The outlook set out below should be read in conjunction with "Forward-looking statements" on this page and the description of risk factors set out on pages 34-39 in this report.

Turnover, continuing business Approximate numbers, DKKbn	
Turnover 2002	38.0
Divested activities	(1.5)
Estimated currency adjustments	(0.8)
Adjusted turnover, continuing business	35.7

Turnover in the continuing business is expected to grow by 2-4% from approximately DKK 35.7 billion (see box to the left). The full-year effect of acquisitions in 2002 and the carry-over effect of contract trimming approximately cancel out.

Operating profit before other income and expenses is expected to grow by 2-6% from DKK 2,010 million in 2002. Ordinary profit before tax and goodwill amortisation is expected to increase by 9-11% from DKK 1,643 million in 2002.

Goodwill amortisation, including the effect of acquisitions and divestments announced up to 13 March 2003, is expected to be approximately DKK 880 million.

Forward-looking statements

This Annual Report contains forward-looking statements within the meaning of the US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations to the future development, in particular future sales, operating efficiencies and business expansion. Such statements are subject to risks and uncertainties as various factors, many of which are beyond ISS' control, may cause the actual development and results to differ materially from the expectations contained in the Annual Report. Factors that might affect such expectations include, among others, overall economic and business conditions, fluctuations in currencies, the demand for ISS' services, competitive factors in the service industry, operational problems in one or more of the Group's business units and uncertainties concerning possible acquisitions and divestments.

Reference is also made to the description of risk factors on pages 34-39 in this report.

Governing text

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

Corporate Governance

ISS' Board of Directors is committed to good corporate governance. Effective corporate governance is recognised as fundamental to all activities as it benefits stakeholders and the business itself. The Board of Directors is responsible for the ongoing development of the corporate governance programme. Consequently, ISS monitors international developments in the area and continuously seeks to improve its governance practices.

For ISS, openness towards stakeholders plays a significant role in good corporate governance and the **create2005** strategy increases transparency of the business. During 2002, ISS received two recognitions confirming this commitment. In May, the Group won an award for the best corporate governance of companies listed on the Copenhagen Stock Exchange. Later in the year, ISS was awarded the Danish Accounting Award.

At the initiative of the Danish government, "The Nørby committee's report on corporate governance in Denmark - recommendations for good corporate governance in Denmark" was presented at the end of 2001. In the sections below, ISS' corporate policies and procedures are described on the basis of the seven headings defined as the main areas of recommendations in the committee's report. With a few exceptions, ISS complies with the report's recommendations.

SHAREHOLDERS

The general meeting has supreme authority in all the company's affairs. Any shareholder is entitled to attend a general meeting provided an admission card has been obtained. The general meeting provides an opportunity for shareholders to address the entire Board of Directors and the Executive Management Board (the EMB) directly. Normally all members of the two bodies are present.

At the annual general meeting resolutions can be passed by a simple majority of votes, unless otherwise provided in the articles of association or by law (such as the passing of resolutions amending the articles of association or resolutions dissolving the company). Voting rights can be exercised using separate proxies for each item on the agenda. Commencing in 2003, general proxies granted to the chairman of the Board will be posted on the corporate website prior to the annual general meeting.

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

The committee recommends that the Board of Directors should not take steps to counter takeover attempts without the prior acceptance of the shareholders. ISS has not had to deal with this issue. In any case, it is ISS' policy to act in the interests of its shareholders.

STAKEHOLDERS

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

The emphasis on entrepreneurship makes it appropriate to provide the people employed by ISS with a framework assisting them in carrying out their duties and responsibilities to high ethical standards. To this end, ISS is currently preparing a corporate code of conduct, which will apply to all ISS' directors, managers and employees.

The stakeholder approach is also put into practice in dialogues and partnerships with organisations such as the United Nations (the Global Compact-initiative), the European Works Council and Amnesty International's Business Club. The relations with the stakeholders are described in further detail in the section containing the Stakeholder Account on page 25 in this report.

OPENNESS AND TRANSPARENCY

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

ISS makes use of information technology to communicate with its stakeholders. In addition to its country-specific websites, the Group has established a corporate website (www.issworld.com). ISS is committed to giving all shareholders comprehensive and equal access to information about the company's affairs and the website is used for this purpose. Accordingly, financial statements and other stock exchange announcements are posted on the Group's website immediately after they have been released through the stock exchanges. The website also contains material used at investor presentations and ISS endeavours to keep the website up to date at all times. Considering ISS' international relations, the website is in English but the articles of association, financial statements and stock exchange announcements are also available in Danish.

Through meetings, presentations and by participating in sector seminars ISS openly informs shareholders, analysts and the press about relevant issues. In addition, shareholders, analysts and other stakeholders are always welcome to contact ISS' investor relations department.

ISS prepares its Annual Reports in accordance with the provisions of Danish accounting regulations and the guidelines of the Copenhagen Stock Exchange including Danish accounting standards. The Annual Report includes non-financial information.

ISS' in-house rules on trading in the company's shares generally stipulate that a defined group of officers may only trade in the company's shares during a specific period of time following the release of ISS' quarterly, bi-annual and annual profit announcements. Recently, this period was reduced from six to four weeks. The relevant officers are defined as members of the Board of Directors of ISS A/S; members of the EMB; all employees of ISS A/S and subsidiaries who share premises with ISS A/S; members of the Board of Directors and the Board of Management of ISS' largest subsidiaries, and officers and employees of ISS companies, as identified by the managing directors of such companies. Furthermore, the rules apply to the Group's external auditors. All transactions of more than DKK 50,000 involving ISS shares and any exercise of options by the aforementioned officers and employees (including connected persons and corporate bodies under their control) are reported to the stock exchanges following the transaction. In addition, the total number of shares held by this group of people is reported to the stock exchanges at the end of each four-week period. All transactions involving the company's shares carried out by employees in ISS A/S, also during the four-week window, must be approved in advance.

As part of the company's share-based incentive schemes, ISS issues warrants/options on an ongoing basis (e.g. to newly appointed senior managers). Upon consultation with the Copenhagen Stock Exchange, ISS believes that 10% of the total outstanding share-based incentive programmes is a threshold of materiality in relation to the disclosure rules of the stock exchanges.

THE BOARD'S TASKS

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

The Board of Directors is generally accountable to shareholders for the performance of ISS. The Board's specific responsibilities include:

- Providing strategic guidance and approving corporate strategy
- Appointing the members of the EMB
- Supervising the EMB and monitoring that the company is properly managed
- Approve large acquisitions

The current strategy approved by the Board is described in detail in the **create2005** strategy. It contains the Group's visions, goals, core values etc. In addition, detailed plans and business procedures are described in manuals and guidelines for a number of important functions.

The monthly reporting is the primary, formal communication vehicle between the EMB and the Board of Directors. In addition to detailed financial information, the report contains controlling, investor relations and risk management data.

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

All Board members receive the external auditors' long-form reports in connection with their limited review of the half-year accounts and the audit of the Annual Reports. In addition, the external auditors prepare a report to the Board on an annual basis focusing on the Group's procedures and internal control systems.

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

The Board meets formally at least five times a year according to a pre-defined schedule. One meeting is devoted to consideration and formulation of the corporate strategy and another meeting is devoted to the adoption of the annual budget. In 2002, seven Board meetings were held on 5 March, 7 March, 23 April, 19 June, 20 August, 10 October and 10 December. The Board is briefed about any important matters in the period between Board meetings. Extraordinary meetings are convened whenever specific matters need attention between the scheduled meetings. Meeting agendas are established jointly by the chairman and the CEO and Board papers are circulated ahead of meetings. Directors are expected to participate in discussions and to bring their independent judgements to bear on the issues and decisions at hand.

The chairman of the Board assesses the work of the Board of Directors annually. The assessment includes a review of the collaboration between the Board and the EMB. The results are discussed at Board meetings.

On the initiative of the CEO, an external consultant was appointed in 2002 to perform a review of 20 top-managers at the ISS Head Office as a corporate governance measure. The result of the review was presented to the Board of Directors by the consultant and a separate session focused on discussion and evaluation of the individual EMB-members.

COMPOSITION OF THE BOARD

The Board's members determine the size of the Board, subject to the limits imposed by the articles of association. ISS' articles of association require a minimum of four and a maximum of seven members be elected by the shareholders. Currently, five shareholder-elected directors sit on the Board, which also comprises three members elected by the employees. The comments below relate solely to directors elected by the shareholders.

Nomination and recruitment of candidates for the Board is given high priority at ISS. Recommendations for the nominations of new directors are made by the chairmanship and considered by the Board as a whole. In addition, external consultants are engaged to identify and review the qualifications of prospective candidates. Before presenting candidates for election by the shareholders, the Board reviews their qualifications against a range of criteria including their professional skills, business experience, personal qualifications, whether their profile matches the company's needs, and their availability to commit themselves to the Board's activities.

Newly elected Board members meet with the CEO for an introduction to the Group and to enhance the members' knowledge of the company, the strategy and the current Board issues. Board members receive supplementary training as required, and they are invited to visit local ISS operations and to participate in the Board seminars of the International Institute of Management Development (IMD).

Having an independent Board elected by the shareholders with no conflicts of interest between Board members and the company is a key to good corporate governance. Accordingly, neither members of the EMB nor Group Management are Board members and the majority of members of the Board of Directors are "independent" as defined in the Nørby committee's report. "Independant" implies that the member has not been employed by ISS in the last five years; has not been a member of the EMB; is not a professional consultant to ISS; or has other strategic interest in the company.

Board members are elected for two-year terms. One half of the Board retires in one year and the other half retires the following year. Shareholders are provided with information about

Shareholdings of the Executive Management Board and the Board of Directors

	Executive Management Board				Board of Directors
	Eric S. Rylberg	Thorbjørn Graarud	Karsten Poulsen	Flemming Schandorff	Total
Number of shares as at 1 January 2002	5,742	4,220	1,645	898	5,081
Additions in 2002	2,109	1,343	1,016	1,097	1,316
Number of shares as at 31 December 2002	7,851	5,563	2,661	1,995	6,397
Market value as at 31 December 2002, DKKm	2.0	1.4	0.7	0.5	1.6

candidates in order to be able to make informed decisions in the election. ISS does not restrict the number of times a director can stand for re-election, as it is deemed irrelevant in the assessment of a candidate's qualifications. Members must retire at the first annual general meeting after having reached the age of 70.

ISS believes that the present Board members' directorships in other companies do not conflict with good corporate governance, but the company has no rules in this respect. With regard to members of the EMB and Group Management, ISS' in-house rules stipulate that no member can hold more than three directorships in companies outside the ISS Group. The current Board composition with details of each member's experience and other current directorships is set out on page 122-123 in this report.

REMUNERATION

The Board deems it appropriate that a remuneration committee establishes the remuneration package for the EMB. The committee, consisting of the chairmanship, reviews the emoluments once a year to ensure that the compensation package reflects market salaries and the results achieved.

Members of the EMB have individual bonus schemes based on operating margin, cash flow and EVA®. In addition, members of the EMB and members of the Board of Directors are remunerated in the form of share-based incentive schemes. These are offered out of the money and with a lock-up period, which ISS believes provides the holders with an incentive to pursue long-term results. The Nørby committee recommends that Board of Directors are not remunerated in the form of stock-based incentive schemes. ISS does not consider it to conflict with good corporate governance and ISS cannot find a similar recommendation in international corporate governance recommendations. The share-based incentive schemes to the EMB and the Board of Directors are described in detail on page 22 in this report.

Eric S. Rylberg's and Thorbjørn Graarud's contracts are subject to two years' notice of termination, and Karsten Poulsen's and Flemming Schandorff's contracts are subject to one year's notice. If Eric S. Rylberg's employment ceases other than by virtue of his resignation (provided that such resignation is not attributable to a takeover of the company or a material breach of his service contract by the company) he is entitled to a special compensation equivalent to 10% of his salary multiplied by his commenced years of service counted from 1 January 2003. The compensation is payable in monthly instalments commencing in the month following his departure and continuing

Remuneration to the Executive Management Board and the Board of Directors in 2002

	Executive Management Board [1]				Board of Directors		
	Eric S. Rylberg	Thorbjørn Graarud	Flemming Schandorff	Karsten Poulsen	Chairman	Deputy Chairman	Other members
Salaries/ fees [2]	5,000,000	3,375,550	3,033,331	2,423,237	500,000	300,000	200,000
Bonus	881,479	1,069,653	1,266,937	705,183	–	–	–
Pension	500,000	–	–	–	–	–	–
Total	**6,381,479**	**4,445,203**	**4,300,268**	**3,128,420**	**500,000**	**300,000**	**200,000**

[1] In 2001, Eric S. Rylberg's total remuneration was DKK 4,830,000, comprising salary of DKK 4,600,000 and pension of DKK 230,000. In 2001, the EMB received no bonus. The other members joined the Executive Management Board in 2002.

[2] The EMB received stock options as described on page 22 in this report. In addition, each member of the EMB has a car at his disposal.

until he reaches the age of 62 or his death, whichever occurs first. If he retires from the company at the age of 62, the compensation is paid out in full.

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

RISK MANAGEMENT

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

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

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

The Group's currency and interest rate exposure is managed and controlled in accordance with a treasury policy approved by the Board of Directors. According to this policy, Corporate Treasury is responsible for ensuring that financial transactions are made only within pre-defined guidelines and risk limits.

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

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

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

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

The company collaborates with its external auditors in relation to risk management by exchanging controller reports and audit reports, and by generally sharing relevant knowledge. The external auditors evaluate the controlling performed by ISS' controllers and report to the Board of Directors annually.

Incentive Schemes

To promote operational excellence throughout the organisation, ISS defined the people model Encentivise™ as part of **create2005**. An integral part of Encentivise™ is increased employee ownership and incentives for management.

EMPLOYEE SHARES

ISS appreciates that the company's single most important resource is its employees. To recognise and further increase the commitment of the workforce, ISS has on several occasions offered employee shares to employees at all levels of the organisation.

In 1999 and 2001, ISS launched employee share programmes under which 449,868 and 345,705 new shares, respectively, were subscribed for.

In 2002, ISS launched another employee share programme under which a total of 396,492 new shares were subscribed for. The subscription price was DKK 133 per share, equivalent to one third of the average price of the ISS share on 7 and 8 March 2002. In accordance with Danish Legislation, employee shares must be held in blocked custody accounts until the end of the fifth calendar year following subscription. Thus, the shares cannot be sold or otherwise disposed of prior to this date.

Employee share programmes	1999	2001	2002	Total
Number of shares subscribed	449,868	345,705	396,492	1,192,065
% of total share capital	1.0%	0.8%	0.9%	2.7%
Expiry of lock-up period	31 Dec 2004	31 Dec 2006	31 Dec 2007	

At the annual general meeting in April 2002, the shareholders authorised the Board of Directors to issue another 400,000 new employee shares. The Board of Directors has not yet exercised this authorisation, which expires in April 2007.

The Board of Directors has resolved to use part of the remaining authorities granted at the annual general meetings in 2000 and 2001, i.e. 57,803 and 400,000 shares, respectively. ISS will launch a new employee share programme, which will be effected in the spring of 2003. The programme involves the issuance of a maximum of 400,000 new shares corresponding to an increase in ISS' current share capital of up to 0.9%. In the event the employee share issue is over-subscribed, the shares will be allocated equally by one share at a time to all eligible employees who have subscribed for shares. Employees with at least three months' seniority will be invited to subscribe for shares at a price of one third of the market price prevailing at the time of subscription. Each eligible employee will be entitled to subscribe for an amount of up to 5% of his or her annual salary.

BONUS SCHEMES

ISS recognises that an important part of achieving operational excellence is by creating incentives for managers in the form of operational bonus schemes and/or share-based incentive schemes.

Members of the Executive Management Board (EMB) have individual bonus schemes based on operating margin, cash flow and Economic Value Added (EVA®). The EMB members receive a bonus of up to 1.25% of the increase in EVA®, in a given year. In the member's first year on the EMB, one third of the bonus earned is paid to the EMB member and the remaining two thirds deposited in the EMB member's individual "bonus account". In the following years, the bonus result of the year is added or deducted, as the case may be, from the "bonus account" and one third of the resulting balance in the "bonus account" is paid to the EMB member. The accumulated balance of the account is forfeited if the EMB member retires (other than due to age or take-over of the company) or if the EMB member's contract is terminated due to a material breach by the member.

For the purpose of measuring and rewarding the operational managers outside the EMB, ISS has simplified the EVA® measurement. Hence, the Group has defined the $E=MC^2$ measure based on three key value drivers:

Margin x **C**ontinuous organic growth x **C**ash conversion.

WARRANT AND STOCK OPTION PROGRAMMES

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

Senior management Since 1999, ISS has issued warrants to senior managers.

At the end of December 2002, the Board of Directors has used authorisations to launch three warrant programmes as described in the table. As at 31 December 2002, 168 senior managers held a total of 1,255,050 warrants under the three programmes.

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

Warrant programmes	1999	2000	2001	2002
1999 Warrant programme [1]				
Number of warrants granted	458,000	412,000	–	–
Subscription price (DKK) [4]	547	550-861	–	–
Number of warrants forfeited	–	(100,000)	(94,600)	(76,400)
Outstanding at 31 December	**458,000**	**770,000**	**675,400**	**599,000**
2000 Warrant programme [2]				
Number of warrants granted	–	–	279,000	135,000
Subscription price (DKK) [4]	–	–	514-522	514
Number of warrants forfeited	–	–	(14,000)	(56,000)
Outstanding at 31 December	–	–	**265,000**	**344,000**
2001 Warrant programme [3]				
Number of warrants granted	–	–	–	322,050
Subscription price (DKK) [4]	–	–	–	440
Number of warrants forfeited	–	–	–	(10,000)
Outstanding at 31 December	–	–	–	**312,050**

[1] No further warrants can be subscribed for under this programme. The minimum subscription price was 40% above the share price at the time of allocation, however, with a minimum subscription price of DKK 547 per share. The warrants are exercisable within a period of 30 days following the preliminary announcement of the annual results for the years 2002-2005.

[2] No further warrants can be subscribed for under this programme. The minimum subscription price was 10% above the share price at the time of allocation, however, with a minimum subscription price of DKK 514 per share. The warrants are exercisable within a period of 30 days following the preliminary announcement of the annual results for the years 2003-2006.

[3] The shareholders have authorised the Board of Directors to issue up to 800,000 warrants under the 2001 Warrant Programme. The Board of Directors has used the authority to issue up to 740,000 warrants. The minimum subscription price is 10% above the share price at the time of allocation, however, with a minimum subscription price of DKK 418 per share. The warrants are exercisable within a period of 30 days following the preliminary announcement of the annual results for the years 2004-2007.

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

The warrants entitle the holder to subscribe for ISS shares at specific dates within the exercise period. The subscription price is higher than the market price of the shares at the time of the grant and the warrants are not re-priced in case of a decline in the share price.

At the annual general meeting in April 2002, the shareholders authorised the Board of Directors to issue up to 400,000 warrants to senior managers and particularly qualified employees. This authorisation, which expires in April 2007 has not yet been exercised by the Board of Directors.

The Executive Management Board Stock options have been granted to the EMB as shown in the table. The present members of the EMB hold a total of 275,000 stock options.

Former members of the EMB hold 137,500 stock options. Theo Dilissen, former COO, holds 50,000 stock options, 25,000 granted in 1998 and 25,000 granted in 1999. Former CEO, Waldemar Schmidt holds 25,000 stock options granted in 1999. Stuart W. Graham, former COO, holds 62,500 stock options, 25,000 granted in 1998, 25,000 granted in 1999 and 12,500 granted in 2000.

Stock options granted to the Executive Management Board [1]

	Eric S. Rylberg	Thorbjørn Graarud	Karsten Poulsen	Flemming Schandorff	Former members	Exercise price [2]	Exercisable
Granted in 1998	25,000	–	–	–	75,000	385	1.1.02-31.12.05
Granted in 1999	25,000	–	–	–	100,000	650	1.1.02-31.12.05
Granted in 1999	25,000	–	–	–	–	470	1.1.03-31.12.06
Granted in 1999	25,000	–	–	–	–	500	1.1.04-31.12.07
Granted in 2000	–	–	–	–	25,000	650	1.1.03-31.12.06
Granted in 2000	–	–	–	–	25,000	700	1.1.04-31.12.07
Granted in 2000	25,000	–	–	–	25,000	585	1.1.04-31.12.08
Granted in 2002	25,000	–	–	–	25,000	480	1.1.03-31.12.08
Granted in 2002	50,000	25,000	25,000	25,000	–	315	1.1.06-31.12.09
Discont. in 2002	–	–	–	–	(137,500)		
Outstanding at 31 Dec. 2002	**200,000**	**25,000**	**25,000**	**25,000**	**137,500**		

[1] In addition, Thorbjørn Graarud, Karsten Poulsen and Flemming Schandorff have warrents. Please refer to page 126-127 in this report.

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

Board of Directors At 31 December 2002, the current members of the Board of Directors held a total of 40,000 stock options. The stock options entitle the holder to acquire ISS shares from the company at a price of DKK 598 per share within a period of 30 days following the release of the preliminary announcement of the annual results for the years 2002-2006. The stock options are not re-priced in case of a decline in the share price.

Board of Directors' stock options [1]	2000	2001	2002
Number of options granted	55,000	–	–
Number of options forfeited	–	(5,000)	(10,000)
Outstanding at 31 December	**55,000**	**50,000**	**40,000**

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

At the annual general meeting in April 2002, the shareholders permitted the Board of Directors to issue up to 60,000 warrants to the Board members. The Board of Directors has not yet used this permission.

ACCOUNTING

As described above, ISS has issued cash-settled equity based instruments, i.e. stock options, as well as subscription rights, i.e. warrants and employee shares.

Cash-settled equity based instruments ISS has in the past hedged the intrinsic value of stock options. The intrinsic value equals the positive difference between the market price and the exercise price. If this difference is negative, the intrinsic value is nil. ISS may buy a number of ISS shares in the market (hedge position) corresponding to the number of stock options with positive intrinsic value.

Hence, in theory the change in intrinsic value is exactly offset by the change in value of the hedge position. Consequently, the hedging costs incurred by ISS consist of financial expenses relating to the capital tied up in the hedge position. Such costs are expensed under financial expenses in the profit and loss account [1].

ISS believes that if stock options were unhedged, the appropriate measure of cost to be expensed in the profit and loss account would be the change in intrinsic value of the options in the accounting period. This corresponds to the cash outflow that would be included in the cash flow statement in case the options were exercised.

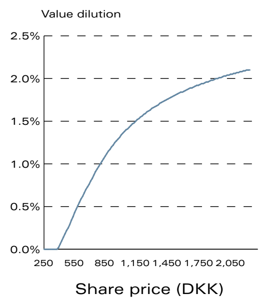
Subscription rights Employee shares and warrants are subscription rights issued to the Group's employees. Under employee share programmes, the employee has a right to subscribe for employee shares at a discount to the market price, while warrants provide the warrant holder with the right to subscribe for shares at a fixed subscription price at specific future dates.

ISS accounts for employee shares and exercise of warrants as a share issue, which is taken to equity. No costs are expensed in the profit and loss account since no cash outflow would be included in the cash flow statement in case the warrants were exercised.

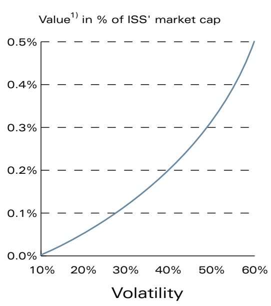
From a shareholder's perspective the exercise of subscription rights implies a value dilution. The value dilution after tax related to employee shares issued in 2002 was approximately 0.4%. Assuming all outstanding warrants were exercised at 31 December 2002, the dilution from warrants amounted to nil, equalling the aggregate intrinsic value of the outstanding warrants. The maximum potential value dilution from warrants amounts to approximately 2.9%. However, a value dilution of this magnitude would require an infinite share price. If for example the share price was to reach DKK 850 and all warrants were exercised, the value dilution would be approximately 1% as illustrated on page 24.

[1] If the share price is below the exercise price, additional costs may arise from losses on the difference between the purchase price and resale price of the hedge position.

Potential value dilution from outstanding warrants at 31 December 2002

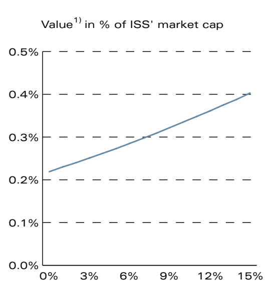


Sensitivity of Black-Scholes valuation to volatility assumption



[1] of outstanding options and warrants at 31 December 2002.

Sensitivity of Black-Scholes valuation to interest rate assumption



[1] of outstanding options and warrants at 31 December 2002.

BLACK-SCHOLES VALUATION

It is market practice to value equity-based incentive schemes using option-pricing models, such as the Black-Scholes' formula. However, these models are subject to a number of assumptions and thus the valuation of the equity-based incentive schemes will to a certain extent be subjective.

At 31 December 2002, the applied Black-Scholes model produced a theoretical total market value of ISS' share-based incentive schemes of DKK 29 million. This is equivalent to less than 0.3% of the Group's total market capitalisation. As at 31 December 2001, the theoretical market value was DKK 50 million.

The annualised **volatility** derived from standard deviation of monthly observations over the last 24 months is approximately 45%. The sensitivity of the Black-Scholes valuation to the volatility assumption is shown in the graph.

The **risk free interest rate** was 3.8% at 31 December 2002, which is equal to an estimated five-year zero coupon interest rate. The sensitivity of the Black-Scholes valuation to the interest rate assumption is shown in the graph.

A key assumption in the Black-Scholes model is that options are transferable assets. Consequently, a rational investor would never exercise a call option on a share that pays no dividends prior to the end of its contracted life. However, warrants issued by ISS are non-transferable. Furthermore, vesting of warrants is conditional upon the warrant holder remaining an employee of ISS. Consequently **the expected life** of warrants and options is used in applying the Black-Scholes model. The expected life is estimated to one year from the start of the vesting period or, if the vesting period has commenced, one year from the reporting date.

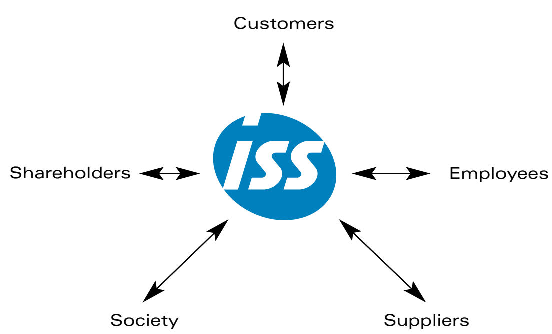
The **share price** at 31 December 2002 was DKK 255 and no **dividend payments** are assumed in the applied model [1].

Valuation of stock options and warrants	2002	2001
Market value at 31 Dec. (DKKm)	29	50
Share price (DKK)	255	411
Volatility	45%	26%
Risk free interest rate	3.8%	4.7%

[1] If the annual general meeting decides to pay out dividends, the theoretical market value of the share-based incentive schemes will decrease. For simplicity, the proposed dividend is omitted from the model, as the effect on the estimated total market value is insignificant. No estimated future dividends are included in the calculation.

Stakeholder Account

In the ISS business model, the ability to build and sustain ties with key stakeholders is a key value driver. This section of the report deals explicitly with ISS' relations with five selected stakeholder groups:



CUSTOMERS

Enhancing service offerings Throughout 2002, ISS sustained its focus on enhancing the service proposal and competences in facility services. To support the move from single services to Facility Services, a targeted development of facility services skills has taken place and facility services training programmes were implemented in a number of countries.

New concepts were also developed in the Business Builds. For example, Food Services established seven competence centres in 2002 to promote new ideas and concepts. One of the first concrete results was a new concept for cleaning of restaurants.

From service provider to partner Consistent with the intentions of **create2005** ISS pursues a partnership strategy vis-à-vis existing and potential customers. The growing volume of integrated facility services is spearheading this strategy, as complex solutions tend to strengthen ties with customers. In 2002, a number of large-scale facility services contracts were won and existing contracts were expanded.

Firm customer relationships are exemplified by Private Finance Initiatives (PFI's), which gained headway in the UK during the year as a number of contracts were won or started up. In Scandinavia, ISS gained experience in partnership-based service agreements such as Procuro Service Partner (PSP), established in 1999 as a joint venture between the Norwegian postal services and ISS. PSP began by providing cleaning services, before adding catering and a range of property services at postal facilities throughout Norway. The shared ownership model was introduced to ease the transition from an in-house service organisation to full outsourcing. The ISS share of the company has gradually increased, and today ISS has full ownership of PSP.

Quality Quality is a core aspect of the Group's service proposal. This is reflected in the service production and delivery systems throughout ISS. More than 90% of ISS operations use a formalised quality approach. Mostly, operations rely on ISO certified quality systems, but broader quality concepts like the Business Excellence model are increasingly being introduced.

As an example of new quality initiatives, ISS Spain introduced a new electronic quality control system in 2002, with a customer interface that allows customers to carry out quality controls on a daily basis and inform ISS about possible improvement areas online.

Costumer retention Customer retention is a value driver and ISS operations focus constantly on reducing the loss of profitable contracts. Accordingly, a number of initiatives have been taken, including regular customer surveys.

Knowledge sharing To support knowledge management, ISS Business Insight (IBI) was developed in 2001. This is an intranet-based tool used to distribute know-how and best practice across borders and to facilitate people networks. In 2002, IBI was redesigned and restructured to improve usability and increase user interaction.

To facilitate knowledge sharing and interaction with customers, ISS developed an extranet solution that enables ISS and customers to exchange documents, contract information, quality documentation, tailored news etc. The ISS Collaboration Extranet is currently being implemented in four countries.

International customers ISS has a portfolio of international customers, which apart from contributing incremental business also enables ISS to enhance its ability to deliver facility services across borders. In 2002, initial steps were taken to define the internal structure for servicing cross border accounts, including the design of a framework for service delivery. The greatest challenge for ISS in this respect is to streamline the account management and delivery systems whilst maintaining the ability to adapt to local conditions.

EMPLOYEES

create2005 sets out the ISS people ambition: To be the premier employer in the industry. The ambition reflects that ISS is a people business, and that attracting and maintaining the most competent employees is essential.

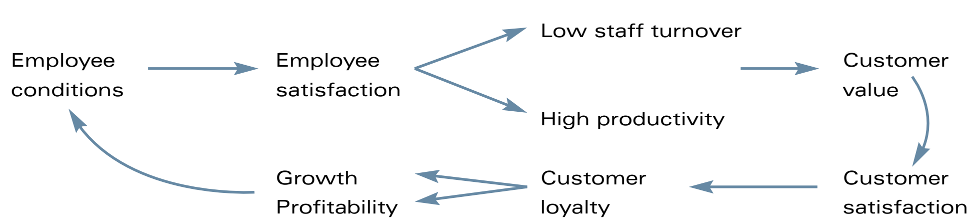
Human capital ISS' employee programme Encentivise™ is all about motivating, educating and rewarding employees and it embodies a wide range of human resource activities.

Training is deemed important and ISS offers activities ranging from basic skills training to a corporate MBA. Most of the training is conducted at ISS academies and training facilities in national and local operations. In Singapore, the government endorsed the ISS training centre as an Approved Training Centre for health care and commercial cleaners.

The ISS University was established in 2001 to strengthen the ISS corporate culture across country organisations and provide managers

Responding to the drivers of customer loyalty

Five years ago, ISS Sweden introduced the service profit chain as its management philosophy. Adapted from a Harvard Business School model, the service profit chain implies that factors like employee conditions and employee satisfaction are key to delivering high quality services and thereby creating customer value, satisfaction and eventually customer loyalty.



In 2002, the model was further developed and it is now connected to the Balanced Scorecard at ISS Sweden. An important aspect of this process was to establish key performance indicators across the entire service profit chain. Drawing on these indicators it was concluded that a satisfied customer is not necessarily a loyal customer. Instead loyalty is closely connected to a set of more specific drivers. Although customer loyalty is a complex issue - both in terms of measurement and development – ISS Sweden has managed to single out a set of key drivers.

"We've worked hard to make improvements in these areas. For instance we have leveraged our local organisations and strengthened the customer dialogue as part of our "Customer day" programme. I'm really looking forward to seeing the loyalty figures in the 2003 customer survey", says Göran Sundbom, marketing director at ISS Sweden.

with competencies to act and create results consistent with **create2005**. In 2002, ISS University ran five programmes with participation of more than 520 senior managers. The programmes covered the areas of leadership, working capital management, strategic selling, negotiation and mergers & acquisitions. Nine new programmes are in the pipeline for 2003, including a three-year part-time ISS MBA, developed and conducted in a partnership with Henley Management College.

Health & safety High standards on occupational health & safety (H&S) are instrumental to ISS, in part because of the people model but also in order to limit costly sick leave. H&S-issues are addressed in ISS' management procedures and several operations have an integrated and externally audited H&S-quality system in place. In the Netherlands, where the employer incurs a large proportion of the costs of sickness and disability, ISS introduced a reintegration programme. The programme relies on supervisors and regional reintegration managers to contact absent employees immediately to uncover the reasons for their absence and to take action in cooperation with professionals such as doctors.

Employee loyalty ISS wants to attract and retain the best people in the industry. The objective is to increase the share of full-time and long-term employment by means of initiatives ranging from training and career development to social policies and events, employee share programmes, leisure activities etc. To support this, a number of countries carry out employee satisfaction surveys.

During 2002, the proportion of full-time staff (working more than 25 hours per week) was 53%. It is difficult to compare the service industry with other industries in terms of staff turnover. The service industry is often considered for short-term or secondary employment and therefore generally has a high staff turnover. In addition, factors like contract trimming and seasonal fluctuations add to turnover rates.

In 2002, ISS consolidated staff turnover rates from its operations for the first time. As expected, the turnover rate varied significantly between countries, regions and business areas. However, the general trend confirmed that countries with the highest proportion of facility services contracts also have the highest employee loyalty, i.e. lowest staff turnover.

Equal opportunities Language courses, adapted training material and an open corporate culture has helped ISS attract and employ a large proportion of immigrants and ethnic minorities. Today, ISS is the largest employer of these population groups in several European countries and in some metropolitan areas they make up 80-90% of ISS staff. This is a reflection that diversity and equal opportunities in terms of employment, training and promotion are part of the corporate bedrock. The ISS people model does not rest on affirmative action. Instead operations are aligned to focus on individual capabilities, regardless of sex, ethnic origin, political views etc.

People indicators	2002	2001	2000
Number of employees	248,500	259,800	253,200
Share of employees on full-time	53%	53%	53%
Staff turnover blue collar workers [1]	51%	–	–
Staff turnover white collar workers [1]	18%	–	–
Total staff turnover [1]	49%	–	–

[1] Staff turnover derived on the basis of 94% of total number of employees.

European Works Council As a people centred business, ISS emphasises its relations with employees and trade unions. The corporate policy of involvement and open dialogue is put into practice locally in the country operations.

The European Works Council (EWC) serves the purpose of stimulating the dialogue between ISS executives and employee representatives from across Europe. The EWC was established in 1995 when ISS became the first service sector company to sign an agreement with national unions to establish an EWC. A total of 33 ISS employees representing 16 countries took part in the EWC dialogue in 2002. Inspired by a study of the EWC conducted by the University of Gothenburg, the EWC focused on ways of improving its communication and impact both internally and externally. In addition, ISS' enactment of the UN Global Compact commitment was discussed and received the support of the EWC.

Training of team leaders is a key leverage point

ISS Norway has come a long way in its drive to reorganise staff in service teams and thus increase flexibility, productivity and employee satisfaction. Part of the success is vested in a comprehensive seven-module training programme tailored to the needs of team leaders (supervisors).

Backed by its ambitious purpose, the programme provides team leaders with competencies to lead a team of three to eight people and to take on a range of managerial responsibilities that were previously held at branch manager level. To this end the programme develops "hard" and "soft" skills in areas such as:

- ISS values and attitudes
- People management (introductory training, appraisal reviews, follow-up on sick leave)
- High quality service delivery (delivery and evaluation)
- Motivation, teamwork and conflict management
- Customer relations (communication, selling etc.)
- Financial contract management

Developing and running a large-scale training programme for more than 200 team leaders a year requires a considerable investment. Fortunately, this one pays off. Elisabeth Slinning, training manager at ISS Norway explains:

"The team leader is a key leverage point for customer relations, people management and quality delivery, and the programme clearly supports these objectives. Our customers report that they are now dealing with better skilled and more confident team leaders. In addition, it seems to be more inspiring for the service staff to work under the supervision of accessible and attentive team leaders".

SUPPLIERS

Supplier relations are an integral part of the ISS service delivery. Working with the right suppliers can have positive effects in areas like productivity, innovation, quality, cost reductions, environment and health & safety. It takes the best products to deliver top of the line services.

Corporate procurement strategy In 2002, Corporate Procurement focused its efforts on closing Group-wide framework agreements on new uniforms, cleaning utensils, chemicals and washroom products. The corporate procurement strategy rests on the following cornerstones:

- Services and product requirements are objectively specified and standardised to ensure transparency and maximise scale efficiencies
- Innovation is important, simplicity is crucial
- All substantial purchases are evaluated against the Q4E criteria of Quality, Economy, Employees, Environment and Ethics. Products and services must score relatively high across all parameters to be eligible
- Reliable and efficient logistics must be part of supply chain solutions

New cleaning methods During the year, ISS completed a series of extensive tests to single out the best cleaning tools on the market. 28 suppliers, 44 different kinds of mops and 86 cloth products were evaluated against the Q4E criteria and the leading products were selected after 5,500 quality tests. An ISS University programme has been developed to support the implementation. Rollout has begun and it is expected to pick up pace in 2003.

SOCIETY

Corporate sustainability Corporate sustainability is a priority for ISS. To promote this throughout the organisation, a dedicated department headed by a member of Group Management is in place. In 2002, ISS took steps to document a framework for corporate sustainability. A code of conduct and corporate policies on environmental protection and social responsibility are to be finalised and adopted during 2003.

ISS has been a signatory and a supporter of the United Nations Global Compact since its inception in 1999. As a member, ISS complies with the nine key principles on human rights, labour rights and the environment. ISS submits concrete examples of its practices to the UN and the enactment of the compact is reflected throughout this stakeholder account. During the year, ISS was involved in a working group that produced recommendations for a Global Compact management model.

NGO-partnerships The size and outreach of the company predisposes ISS towards taking active part in partnerships and stakeholder dialogue at global, national and local levels. ISS joined the Amnesty Business Club in 2002 to discuss human rights protection with Amnesty International Denmark and a group of companies headquartered in Denmark. The exchange of corporate experience and intelligence from Amnesty International assists ISS in maintaining a proactive approach to human rights issues. ISS has also played an active role in the Nordic Partnership, a forum consisting of 17 Nordic corporations and WWF World Wide Fund for Nature. In April 2002, the Nordic partnership published a joint commitment to sustainability along with a best practice report, both of which were later presented at the UN World Summit for Sustainable Development in Johannesburg, South Africa.

Sustainability in the market During the year ISS witnessed an increase in enquiries from ethical investors and index providers. ISS is a constituent of the two leading sustainability indices, Dow Jones Sustainability World Index (DJSI) and FTSE4Good. ISS has been included in the DJSI for four consecutive years and was in 2002 re-selected for the

Sharing the benefits of a partnership

Over the years the supplier relation with JohnsonDiversey (JD) has evolved into a broad-based partnership. Corporate framework agreements with JD now cover products ranging from cleaning chemicals and tools to floor care machines, and the areas of cooperation are growing.

ISS Austria recently switched a large proportion of its procurement to JD. Minor start-up difficulties apart, Martin Krebs, the Austrian procurement manager is very satisfied with the JD partnership:

"The change of supplier has brought distinct improvements. We have trimmed the product range and introduced new high-concentrate detergents and better dosage systems, which have combined to reduce the required volume of chemicals in daily office cleaning by almost two thirds. This is good news in terms of procurement costs, logistics, operations and environmental impacts. In addition, JD has helped us train 50% of our service staff in using new cleaning methods".

FTSE4Good Global Index. In 2002, ISS was chosen to the Ethibel Investment Register and Ethibel Sustainability Indexes, representing socially responsible companies.

A top ten employer in Europe ISS is among the ten largest private sector employers in Europe. ISS recruits many people from the lower-skilled tiers of the labour market. In addition, several ISS operations have helped long-term unemployed, disabled and other disfavoured groups get access to the labour market. In 2002, ISS Denmark ran 20 projects in cooperation with training providers and local authorities involving some 370 people. A similar model is implemented in the Austrian “Jobfabrik” project. Spain, Portugal and Hong Kong give special emphasis to employment of disabled staff. In Spain alone, more than 300 disabled people work side by side with their colleagues.

The environmental footprint ISS’ impact on the environment is limited compared with many other industries. However, corporate values and commitments, together with economic concerns, predispose ISS towards environmental protection. The use of chemicals and petrol (for transportation purposes) are key pollutants at ISS as well as important cost drivers.

The majority of ISS operations have implemented environmental policies and management systems, and environmental protection forms part of staff training. Many of the management systems have been certified to the ISO 14001 standard. ISS is seeking to increase the capability to document its environmental performance, but the decentralised character of the business implies certain limitations.

Environmental pioneering at ISS Sweden

Eight years ago ISS Sweden fast tracked its environmental strategy. ISS identified cleaning chemicals and car emissions as their key sources of pollution, and adopted an action plan to reduce negative environmental impacts.

The plan introduced an environmental management system, environmental training, regional environmental managers and internal auditors, and "green" procurement guidelines. In 1998, ISS was certified according to ISO 14001 environmental standards as one of the first service companies in Sweden. The emphasis on environmental management has delivered noteworthy results.

"In a five-year period we’ve managed to reduce our use of chemicals by 50%, and today almost 70% of our chemicals carry the Nordic eco-label. That is a success in both financial and environmental terms", says Mats Sjögreen, overall responsible for the management system at ISS Sweden.

The process of shifting to low-emission and alternative fuel cars has reduced yearly emissions of carbon monoxide, hydro carbon and nitrogen oxide by 6.3 ton.

"We can be proud of our achievements so far, but the process doesn't stop for that reason. We have to keep innovating and improving our practices to remain an environmental frontrunner. This is important to our customers and employees", explains Thomas Kolbe, country manager at ISS Sweden.

SHAREHOLDERS

The ISS share As at 31 December 2002, ISS' share capital amounted to DKK 878.6 million consisting of 43,928,067 shares of DKK 20 each. ISS has one class of shares and no shares carry special rights. The shares are freely transferable, negotiable instruments.

The ISS share is listed on the Copenhagen Stock Exchange and the London Stock Exchange.

During the year, the share price decreased by 38% which was on a level with the share price performance of the defined peer group. The peer group constitutes the international service companies Aramark, Compass, Group 4 Falck, Rentokil, Securitas, Serco and Sodexho.

Due to the decrease in the share price, ISS lost 36% of its market capitalisation, dropping from DKK 17.4 billion at the end of 2001 to DKK 11.2 billion at the end of 2002. ISS still advanced to 12th position on the Copenhagen Stock Exchange in terms of market capitalisation from a position as number 13 in 2001.

Aggregate turnover of the share amounted to DKK 14.3 billion on the Copenhagen Stock Exchange, which made ISS the seventh largest stock in terms of turnover. On the London Stock Exchange, turnover amounted to DKK 12 billion.

Shareholders ISS has three shareholders holding more than 5% of the shares in the company. Two of these held more than 10%.

At 31 December 2002, 75% of the shares were registered in the company's register of shareholders as compared with 72% at the end of 2001. Data from the register indicated that Danish investors held 26% of the shares at the end of 2002. Investors in the United Kingdom and the USA held 25% and 16%, respectively, while European investors held 6%. ISS does not have detailed investor information on the unregistered shareholders who held the remaining 25% of the capital, but ISS believes that the majority of these shareholders were based outside Denmark.

New shares In 2002, ISS completed a share issue to partly finance the acquisition of Eurogestion. A total of 1,314,500 new shares were issued, equivalent to approximately 3.1% of the share capital prior to the issue of new shares. The new ISS shares were subscribed at a price of DKK 407 per share, resulting in gross proceeds to ISS of DKK 535 million. As described on page 20 in this report, ISS launched an employee share programme in the spring of 2002. This involved the issue of 396,492 new shares with gross proceeds of DKK 53 million.

Own shares As at 31 December 2002, the Group held 155,675 own shares compared with 150,000 shares at 31 December 2001.

Share price development in 2002

The ISS share	
ISIN securities code	DK0010267046
Number of shares outstanding	43,928,067
Price, 31 Dec 2001	DKK 411
Lowest price in 2002	DKK 166
Highest price in 2002	DKK 449
Price, 31 Dec 2002	DKK 255

Shareholders holding more than 5% of ISS' shares	Capital and votes	As at
Fidelity Investments	13.0%	6 Jan 2003
ATP, The Danish Labour Market Supplementary Pension Scheme (including SP, DMP and AES)	10.3%	31 Dec 2002
Merrill Lynch & Co.	5.4%	31 Dec 2002

Share indices In 2002, ISS was again selected to the Dow Jones Sustainability World Index and the FTSE4Good Global Index. In addition, ISS became a member of the Ethibel Sustainability Indexes. Furthermore, ISS is included in the following Danish and international share indices: KFX, Dow Jones STOXX, Standard & Poor's Global 1200, Standard & Poor's Europe 350, Morgan Stanley MSCI and FTSEEuroMid. The weight of the ISS share in the leading Danish stock index, KFX, was 2.6% as at 31 December 2002.

Financial Calendar 2003

9 April	Annual general meeting
22 May	First Quarter Financial Report 2003
20 August	Half-year Financial Report 2003
20 November	Third Quarter Financial Report 2003

Dividends The Board of Directors will propose to the annual general meeting that ISS resumes its dividend payments. Please refer to page 11 in this report.

Investor relations ISS' investor relations department is responsible for upholding and developing the contact to Danish and international investors and analysts. Through an open and active dialogue with market participants, ISS seeks to provide objective, sufficient and timely information on the Group's performance and strategic developments.

To ensure the liquidity of the share, ISS promotes broad analysts' coverage. A total of 24 analysts, 10 based in Denmark and 14 in the UK, follow ISS on a regular basis.

Analysts following ISS

Denmark			
Alfred Berg, ABN Amro	Carsten Dehn	+45 33 96 19 29	carsten.dehn@alfredberg.dk
Amtssparekassen Fyn	Claus Krog Nielsen	+45 65 20 44 85	ckn@amtssparekassen.dk
Carnegie	Carsten Leth	+45 32 88 02 72	cjleth@carnegie.dk
Danske Bank	Lars Heindorff	+45 33 64 92 27	lars.heindorff@danskebank.com
Enskilda Securities	Kenneth Graversen	+45 36 97 75 25	kenneth.graversen@enskilda.dk
Handelsbanken	Torben Sand	+45 33 41 82 95	tosa04@handelsbanken.se
Jyske Bank	Michael Nielsen	+45 89 22 28 65	michael-nielsen@jyskebank.dk
Nordea Securities	Lars Larsen	+45 33 33 57 91	lars.larsen@nordeasecurities.com
Spar Nord Bank	Mikkel Duus-Hansen	+45 96 34 42 02	mdh@sparnord.dk
Sydbank	Stig Nymann	+45 33 69 78 91	stny@sydbank.dk
United Kingdom			
ABG Sundal Collier	Jonas Pålson	+44 207 905 5651	jonas.palsson@abgsc.co.uk
BNP Paribas	Christian Diebitsch	+44 207 595 3467	christian.diebitsch@bnpparibas.com
Bryan Garnier & Co.	Chris Jordan	+44 207 332 2514	cjordan@bryangarnier.com
Cazenove	Mike Yates	+44 207 588 2828	michael.yates@cazenove.com
CAI Cheuvreux	Jeff Saul	+44 207 621 5177	jsaul@caicheuvreux.com
Deutsche Bank	Morten Andersen	+44 207 545 9841	morten.andersen@db.com
Dresdner Kleinwort Wasserstein	Keith Watson	+44 207 475 6278	keith.watson@drkw.com
Goldman Sachs International Ltd.	Boris Bernstein	+44 207 774 5715	boris.bernstein@gs.com
Lazard	Oliver Wynne-James	+44 207 588 6010	oliver.wynne-james@lazard.com
Merrill Lynch	Paul Steegers	+44 207 996 2485	paul_steegers@ml.com
Morgan Stanley Dean Witter	David Allchurch	+44 207 425 6627	david.allchurch@msdw.com
Schroder Salomon Smith Barney	Nick Williamson	+44 207 986 4130	nick.williamson@citigroup.com
UBS Warburg Dillon Read	Lindy Newton	+44 207 568 1977	lindy.newton@ubsw.com
West LB Panmure	Charlie Cottam	+44 207 020 4266	charlie.cottam@westlbpanmure.com

A key element in the Group's investor relations policy is to ensure that all shareholders have uniform access to all published information. The website (www.issworld.com) is the primary source of information for shareholders. In 2002, the investor-related information on the website was expanded.

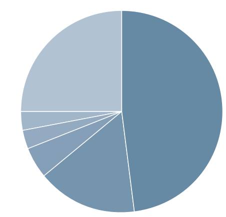
Commencing in November 2002, ISS presents consensus estimates on the Group's website from independent analysts five days prior to the release of each quarterly profit announcement. ISS has no influence on these estimates, which are compiled as a simple average of the analysts' estimates. Another novelty was the publication of scheduled and completed investor relations activities to increase the transparency of the Group's investor relations activities. In order to provide cost-efficient access to conference calls for all stakeholders, ISS introduced audio-streamed replays in 2002. The replay is made available on the website shortly after the conclusion of a conference call.

ISS continuously monitors advances in information technology that may be used to improve communications with shareholders. In 2003, ISS will introduce live webcasting from presentations of annual and half-year results. In March 2003, an SMS service will be launched on the website. Subscribers are alerted via SMS messages after stock exchange releases are sent to the stock exchanges. In addition, investors subscribing to an e-mail notification service can receive a full electronic version of stock exchange after they have been made public.

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

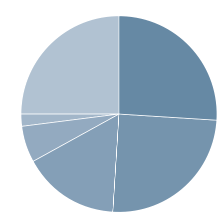
e-mail: ir@group.issworld.com
Website: www.investor.issworld.com
Telephone: +45 38 17 00 00

Shareholders by type



Foreign private investors and institutions	48%
Danish pension funds	16%
Danish private investors, trusts and foundations	5%
Danish Institutions	3%
Restricted employee shares	3%
Unregistered shareholders	25%

Shareholders by geography



Denmark	26%
United Kingdom	25%
USA	16%
Europe	6%
Rest of World	2%
Unregistered shareholders	25%

Selected stock exchange releases in 2002

28 January	ISS invites Sophus Berendsen to merger negotiations
7 March	Financial Report 2002
9 April	ISS A/S receives credit rating
19 April	Disposal of shares in Sophus Berendsen
22 April	Change and expansion of the Executive Management Board
23 April	ISS acquires Eurogestion
21 May	First Quarter Financial Report 2002
20 August	Half Year Report 2002
6 September	New CFO in ISS A/S
14 November	ISS divests Elderly Care Business
19 November	Third Quarter Financial Report 2002
3 December	ISS divests the airside aviation business in the UK

Risk Factors

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

MARKET TRENDS

The potential underlying growth in ISS' markets is estimated to be on a level equalling the growth in the gross domestic products of the relevant countries. The Group generates growth by winning new contracts from both private companies and public institutions outsourcing non-core activities, and by playing an active role in the consolidation of the service sector through acquisitions. Any negative experience which private companies, public institutions or particularly users may have with outsourced services may dampen growth in outsourcing or cause contracts to be discontinued.

ISS endeavours to counter this risk by obtaining a clear understanding of the customer's expectations for the services being outsourced, including definitions of success criteria, when negotiating the contract. Follow-up takes place on an ongoing basis e.g. in the form of surveys of user satisfaction with the services provided and through quality control and monitoring.

The service industry is normally considered to be less sensitive to economic cycles than certain other industries. However, macroeconomic trends – both low and high economic activity – represent a challenge for ISS. Periods of recession involve a risk of an adverse impact on the demand for services and on the prices, which the Group is able to charge for its services. In periods of rapid economic growth, ISS may encounter problems of recruiting qualified employees and generally increasing staff costs. Government intervention aiming at improving pay and working conditions may increase costs of the Group. Political changes to legislation governing taxation, duties and social charges, such as problems in deducting input VAT, also impose a risk, as ISS may incur higher costs or reduced competitiveness relative to in-house service functions. The company expects that it will probably be possible over time to offset part of the adverse effects of changes in pay and working conditions, taxation and social charges when renegotiating contracts with customers, but there can be no assurance that this will be possible, and political intervention may adversely affect the Group's earnings.

COMPETITION

Competition in the markets in which ISS operates is characterised by many service providers, especially within the area of general cleaning. Therefore, there is a risk that increased price competition may have a material, adverse effect on the Group. ISS strives to counter this risk by focusing on providing facility services solutions, including contract management, targeted at and tailored to individual customers in selected customer segments. Such service solutions comprise a number of more or less specialised services ranging from general cleaning to landscaping, light maintenance of buildings and canteen services. One of the factors that make facility services contracts attractive is that they often enable ISS to forge a closer link with the customer. However, competition may intensify if service providers, who have historically focused mainly on providing single services, move into the market for facility services solutions. Moreover, there is a risk that new competitors and a changed competitive environment may drastically affect ISS' competitiveness. Thus, there can be no assurance that the Group's facility services strategy will enable ISS to achieve satisfactory operating profits.

While the Group has issued internal guidelines concerning compliance with competition law, there will always be a risk that a local manager deliberately violates the rules and engages in illegal, punishable activities such as price fixing or allocation of markets or customers with competitors. Likewise, an ISS subsidiary may inadvertently be charged for illegal collaboration with its competitors by virtue of its participation in the activities of an industry association.

MANAGING CONTRACTS

ISS generally wishes to increase the share of turnover generated from facility services contracts. Such contracts place greater demands on the service provider due to the contracts being more complex and more comprehensive than general cleaning contracts. ISS' desire to penetrate new service areas involves a risk of difficulties in the initial phase or of mismanagement because of in-adequate experience in certain new service areas and markets. The profitability of large, longer-term contracts depends on ISS' ability to combine services, calculate prices and manage the contracts once they have been won. Miscalculations in large contracts or subsequent problems in the management of contracts may have a material, adverse effect on the Group. The discontinuance of contracts may have indirect, adverse effects on, for example, ISS' reputation and make it more difficult for the Group to win similar contracts in the service area concerned.

The Group's conclusion of major Private Finance Initiative (PFI) contracts is in some cases subject to ISS participating with an equity stake in the company signing the PFI contract with the public authorities. This may affect the risk for the Group. There is a general risk involved in the Group's ever-larger contracts, including existing PFI contracts, some of which are for a 30-year term. Large contracts often subject the Group to penalties or fines in the event that the quality of the services provided fails to meet agreed standards or if the Group otherwise breaches the contracts. Terms and conditions of major contracts may, accordingly, adversely affect the Group in the event that the agreed benchmarks are not met or if the contract is otherwise breached due to conditions for which ISS is responsible or for which ISS bears the risk. Equally, inflation, deflation, wage inflation etc. might negatively affect ISS if the service contract does not provide for adequate price compensation.

ISS contracts with sub-suppliers for the provision of certain services, inter alia, in connection with facility services contracts. In such cases, the Group is exposed to risk relating to managing sub-suppliers and ensuring that the sub-suppliers provide services that meet the customer's quality benchmarks and generally comply with legislative requirements. Furthermore, the Group is exposed to the risk that sub-suppliers have inadequate insurance cover.

GROWTH AND ACQUISITIONS

The desired organic growth and planned acquisition activity will place pressure on the Group's management and financial resources. ISS uses growth models as an important management tool for a financial assessment of the Group's estimated growth potential, both from organic growth and from acquisitions. ISS' ability to manage growth is dependent on the Group's ability to integrate the operations acquired. A rapid integration of new acquisitions is important in order to maintain an efficient organisation. The risk that the integration takes longer than anticipated or otherwise creates problems may cause actual results to deviate from expectations. Acquisitions are generally priced on the basis of a number of assumptions, which are subject to substantial uncertainty, and there can be no assurance that, following integration into the Group, a new acquisition will be able to maintain its customer base or operate at a margin corresponding to the assumptions made when the company was acquired. Furthermore, the acquisition of companies in which unforeseen or hidden obligations towards employees, customers, suppliers, competitors, public authorities or other stakeholders emerge, may adversely affect the Group.

INTERNATIONAL OPERATIONS

ISS currently operates in 38 countries, and turnover generated outside Denmark in 2002 accounted for approximately 89% of the Group's total turnover. Because of the international scope of the activities, the Group is subject to a number of risks and challenges, including the management of a decentralised international business operation, the fulfilment of legislative requirements, including tax rules, in many different jurisdictions, and other risks relating to an international operation. Especially conflicting and/or complicated tax rules – and changes in such rules – mean that there will always be a risk that the Group in one or more jurisdictions inadvertently make a less optimal choice or commits a mistake when filing tax returns. Equally, the risk of inadvertently making business decisions that lead to unforeseen tax consequences exists, since tax rules can be very complex and are often subject to uncertainty as to their interpretation. In spite of the fact that ISS employs people with special expertise within the tax area and/or uses external specialist assistance, there can be no assurance that circumstances as described above will not lead to significant tax expenses that were neither foreseen nor intended.

The Group delegates considerable responsibility to its subsidiaries. The overall management of the subsidiaries requires control from ISS A/S' controlling function. These controls are described on page 18 in this report. The company strives to reduce the risk of irregularities by, inter alia, making regular visits to the individual subsidiaries accompanied by the Group's external auditors. ISS has furthermore implemented a comprehensive reporting system covering all of its subsidiaries. Despite these efforts, there can be no assurance against the occurrence of irregularities or breach of local legislation, which could have a material adverse effect.

CURRENCY AND INTEREST RATE EXPOSURE

The Group's currency and interest rate exposure is managed and controlled in accordance with a treasury policy approved by the Board of Directors. The financial risk and the hedge of risks are described on pages 75-76 in this report. Most often, currency fluctuations have no immediate impact on the Group's subsidiaries as the subsidiaries' turnover and expenses are normally denominated in the same currency. Currency movements may, however, materially affect the economic environment in which the subsidiaries operate.

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

KEY FIGURES

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

IT

The administrative part of the Group's operations is dependent on using IT. System failures may have a material, adverse effect on the Group. The Group's development plans include increased development and use of IT in all countries. This makes demands on the compatibility of the Group's computer systems and software applications and on the reliability of such systems and applications. Non-compatibility between the Group's computer systems and software applications may have the effect that cross-border knowledge sharing cannot take place at the desired speed or will require additional IT investments. This may also be the case if systems reliability is unsatisfactory. These problems may, to the extent they materialise, adversely affect the Group. In addition, it may be necessary in certain periods to invest both in new IT technology and in upgrades of existing computer systems and software applications. Such investments may have an adverse effect on the Group's financial position.

QUALIFIED EMPLOYEES

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

MANAGEMENT RESOURCES

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

ENVIRONMENTAL ISSUES

The environmental requirements applying to the service industry become ever more rigorous. These requirements are made both by legislators and by the customers. ISS anticipates that an increasing number of countries will introduce environmental taxes on the use of chemicals in the cleaning materials used by the Group. To the extent ISS is unable to pass the stricter requirements and higher taxes on to its customers, such factors may have an adverse effect on the Group. The presence of pollution on the properties owned or rented by ISS may also be a risk in that it may result in claims arising from cleaning of such properties.

WORKING ENVIRONMENT

The large number of employees in many different countries and cultures involves a potential risk for the Group of being subjected to litigation relating to violations of social and working environment legislation. The effect of new products on the working environment or the after-effects of existing products or work processes may also have an adverse effect on the Group. ISS attempts to prevent risks to the working environment and the environment in general by choosing environmentally friendly detergents, materials and equipment for its employees, providing training in protection and continuously monitoring the indoor and outdoor environment.

DAMAGE TO PROPERTY AND BUSINESS INTERRUPTIONS

It is a characteristic of many service providers that employees are placed and work in customers' premises. This involves a risk of claims in connection with damage to property, business interruptions, unauthorised use of the customer's property and other tortuous acts.

DISPOSAL OF OPERATIONS

In the 1990s, ISS began a development, which involved the disposal of activities not directly related to its core services. The most important divestment was ISS Inc. in 1996. In the accounts, ISS makes provisions for claims from purchasers or other parties in connection with divestments. In the opinion of management, the provision at 31 December 2002 is adequate. However, there can be no assurance that one or more major claims arising out of the Group's divestments of companies will not adversely affect the Group. Information on the accounting irregularities in ISS Inc., which emerged in 1996 and led to the divestment of the subsidiary, has been reported to the US authorities on a current basis for further investigation. No future claims are expected to arise in relation to this matter.

RETIREMENT BENEFIT PLANS

In certain countries, the Group has pension plans under which the Group has an obligation to provide agreed benefits to present and former employees. ISS evaluates the Group's risks related to the defined benefit plans continuously. Measures are implemented in order to reduce the extent and the consequences of risks for the Group. Despite these efforts, there can be no assurance that the Group will not be significantly, negatively impacted by changes in the discount rate, the expected return on plan assets, the social security rate, the future salary increase, the future pension increase, changes in demographic variables or other circumstances which might affect the Group's provision for pension obligations.

INSURANCE

ISS' central risk management function evaluates the Group's risks on a current basis and implements initiatives aimed at reducing the scope and consequence of risks to the Group. Insurances taken out include cover in respect of liability, industrial injuries, environmental issues, pension liabilities and personal injuries. Insurance is taken out after advice from the Group's global insurance broker. The insurance programmes contain Group programmes for major and uniform risks. Local insurance is established, where this is legally required and in accordance with practice in the individual country. However, the occurrence of one or more events resulting in substantial claims for damages within one calendar year may have a material, adverse effect on the Group. In addition, a negative development in the Groups claim statistics may, over time, increase the Group's insurance costs.

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

EXTERNAL EVENTS

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


Sagittarius

Operational Review

Charcoal, lead, gouache and linseed oil on paper are the components of the paintings created on the Danish island of Laesoe in 1989 by Christian Lemmerz (Karlsruhe, Germany 1959) and Sonny Tronborg (Copenhagen, Denmark 1953). The artists are internationally recognised, having exhibited in major art museums in different parts of the World. The paintings form part of the art collection at the ISS head office in Copenhagen, Denmark.

create2005

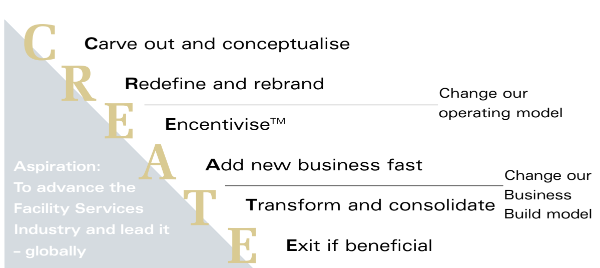
create2005 and its supporting strategies launched in November 2000 map out how ISS intends to advance its business further. The Group's overall aspiration is to:

Advance the Facility Services Industry and lead it – globally

Implicitly, this means that ISS aims at:

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

The name "**create2005**" comes from the first letters of six specific strategic initiatives:



In 2002 – the second year into the strategy – a range of strategic initiatives was launched to promote the implementation of and the commitment to the strategy.

A key focal area was the development of the facility services concept and the addition of competences, such as washroom services and pest control. From the outset of **create2005** these two service categories were perceived a natural part of the delivery of integrated solutions and thus a part of ISS' facility services proposal. This was revealed to the public in 2002 through the proposal to merge with Sophus Berendsen and the acquisition of Eurogestion.

To promote Encentivise™, ISS University was further developed during the year. In addition, ISS launched an employee share programme and granted warrants to senior managers.

Various initiatives were taken to re-brand ISS. A significant step was the signing of a Group-wide agreement for uniforms. At 31 December 2002, eight countries were enrolled in the programme and a global rollout is expected to take place over the next couple of years. ISS intends for the uniform program to enhance the image and the general esteem of facility services employees, for the benefit of the employees and the corporate brand.

The discontinuation of the elderly care business and the airside aviation activities was an affirmation of the Group's intentions to act in the interests of the shareholders by exiting business segments with an unsatisfactory performance or to take other measures deemed to be beneficial to the shareholders.

GOALS

ISS' overall goal is to create value for shareholders, employees, customers and other stakeholders. This is translated into financial, operational and employee related goals.

Financial goals – in the period 2000-2005:

- At least double earnings per share (before goodwill amortisation)
- At least double top line
- At least double operating profit

Operating goals – by 2005 to reach:

- At least 6% annual organic growth on average
- At least 6% margin in business units with critical mass

People goals – by 2005 to reach:

- Continuous growth in full-time employment
- Increased employee ownership

OPERATING MODEL

The operating model with dedicated, local Facility Services organisations and international Business Builds is a core element of **create2005**. The purpose of carving out dedicated, cross-border Business Builds is to strengthen transparency and focus throughout the Group. It is a key element of the model that Business Builds maintain close relations with the Facility Services organisation. Shared service centres are established at country level to achieve economies of scale and avoid duplication of administrative functions. Furthermore, the country managers are members of the board of the local Business Builds in order to forge closer links with the individual countries.

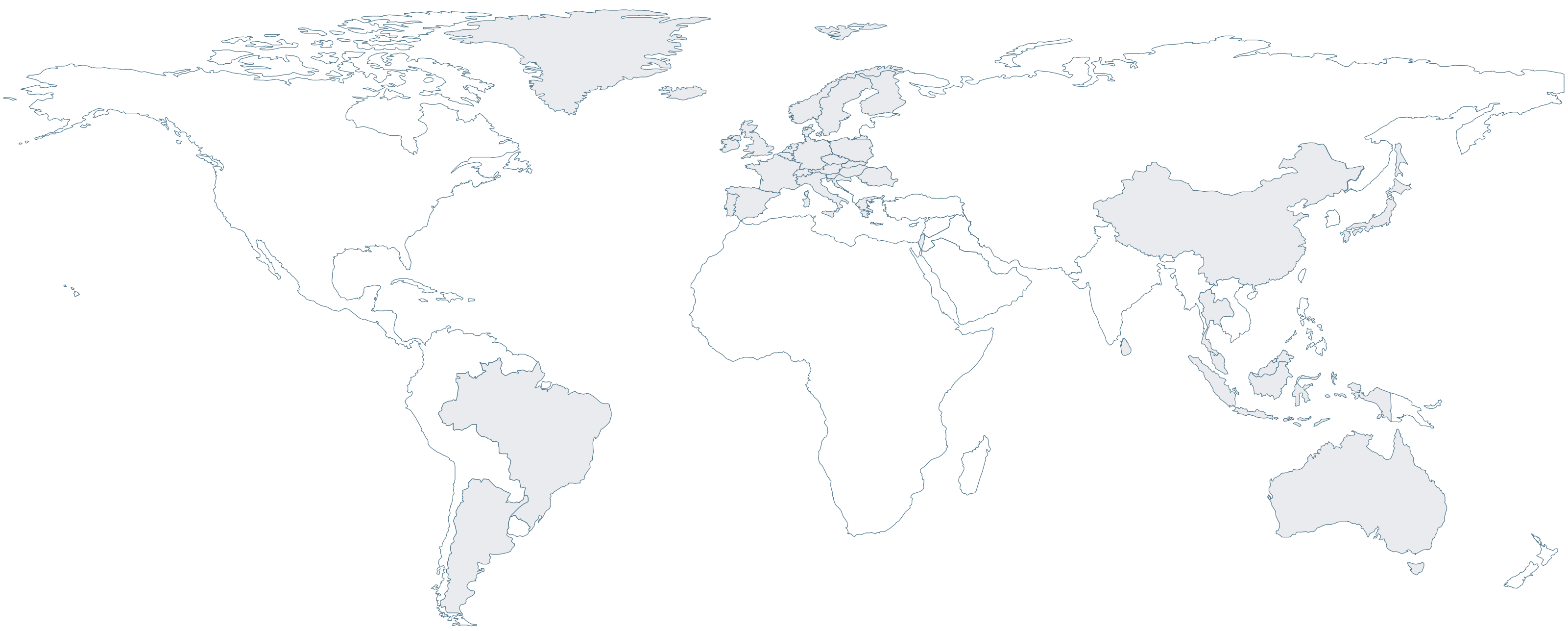
By the end of 2002, a total of 27 business units in nine countries were carved out from the country-based Facility Services organisations and organised in the four Business Builds (Damage Control, Health Care, Food Services and Aviation). In November 2002, Health Care emerged from ISS CarePartner after the divestment of the elderly care segment and a reorganisation of the remaining activities. From 1 January 2003, Aviation was discontinued as a separate Business Build following the discontinuation of airside activities. This reduced the number of business units carved out to 19.

Turnover by business area [1]

DKKm	2002	2001	Growth
Facility Services	32,871	30,097	9%
Damage Control	1,731	1,307	32%
Health Care	1,288	1,156	11%
Food Services	1,058	1,088	(3%)
Aviation	856	1,030	(17%)
Innovation	180	174	3%
Group	**37,984**	**34,852**	**9%**

[1] A reclassification between segments has been made compared with 2001. Comparative figures have been restated. Please refer to page 89 in this report for more details.

Segmental Summary



- Argentina
- Australia
- Austria
- Belgium
- Brazil
- Brunei
- China and Hong Kong
- Croatia
- Czech Republic
- Denmark
- Finland
- France
- Germany
- Greece
- Greenland
- Hungary
- Iceland
- Indonesia
- Ireland
- Israel
- Italy
- Japan
- Luxembourg
- Malaysia
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Singapore
- Slovakia
- Slovenia
- Spain
- Sri Lanka
- Sweden
- Switzerland
- Thailand
- United Kingdom

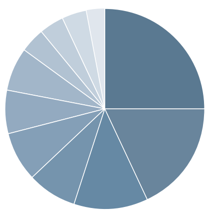
Business area	Turnover DKKm	Operating profit [1] DKKm	Operating margin	Organic growth	Employees
Facility Services	32,871	1,933	5.9%	1%	238,322
Damage Control	1,731	118	6.8%	12%	2,416
Health Care	1,288	100	7.7%	7% [2]	679
Food Services	1,058	73	6.9%	(3%)	5,375
Aviation	856	(15)	(1.7%)	(3%)	1,492
Innovation	180	9	5.0%	(5%)	141
Total operations	**37,984**	**2,218**	**5.8%**	**1%**	**248,425**
Corporate	–	(208)	(0.5%)	–	64
Total	**37,984**	**2,010**	**5.3%**	**1%**	**248,489**

Country	Turnover DKKm	Operating profit [1] DKKm	Operating margin	Organic growth	Employees
France	6,839	472	6.9%	(2%)	36,412
United Kingdom	5,065	268	5.3%	6%	37,272
Sweden	4,272	300	7.0%	4%	12,311
Denmark (incl. Iceland and Greenland)	4,008	239	5.9%	(2%)	14,022
The Netherlands	3,468	146	4.2%	(5%)	26,270
Norway	3,304	221	6.7%	13%	8,032
Germany	1,897	78	4.1%	(8%)	14,185
Belgium and Luxembourg	1,789	86	4.8%	(10%)	11,511
Central Europe	1,556	113	7.3%	11%	18,199
Finland	1,374	97	7.0%	6%	6,538
Switzerland	1,152	60	5.2%	(3%)	7,145
Spain	780	39	5.0%	6%	6,660
China and Hong Kong	455	26	5.7%	(2%)	4,316
Brazil	433	(5)	(1.2%)	(3%)	12,189
Singapore	347	20	5.9%	4%	3,930
Ireland	220	12	5.4%	24%	1,906
Israel	210	14	6.5%	12%	5,302
Portugal	168	11	6.7%	9%	2,448
Italy	145	22	15.4%	29%	617
Australia	138	16	11.7%	–	371
Japan	91	1	1.2%	(13%)	502
Thailand	88	6	7.3%	2%	5,412
Malaysia	86	9	10.1%	7%	2,554
Indonesia	46	4	8.5%	58%	5,500
Argentina	22	(9)	(42.7%)	(1%)	872
Brunei	16	4	23.9%	11%	155
Sri Lanka	15	1	7.6%	24%	3,794
Total countries	**37,984**	**2,251**	**5.9%**	**1%**	**248,425**
Non-allocated Business Builds costs etc.	–	(33)	(0.1%)	–	–
Total operations	**37,984**	**2,218**	**5.8%**	**1%**	**248,425**
Corporate	–	(208)	(0.5%)	–	64
Total	**37,984**	**2,010**	**5.3%**	**1%**	**248,489**

[1] Before other income and expenses.
[2] In the continuing business, organic growth was 12%.

Review of Business Performance

Turnover 2002



FACILITY SERVICES

ISS offers services in connection with the operation of factories, offices, hospitals, means of transport etc. The service offering is divided into four general areas comprising a range of related services: Cleaning services (including general cleaning, specialised cleaning, window cleaning and washroom services), Office support services (including call-centres, reception and mail room services, tropical plants and in-house services), Property services (including maintenance and technical services, landscaping, ventilation services, pest control and sewage services) and Canteen services (including conference and canteen services).

	2002	2001
Turnover, DKKm	32,871	30,097
Organic growth	1%	3%
Operating margin	5.9%	5.2%
Employees, 31. Dec.	238,322	245,156

Facility Services accounted for 87% of the Group's turnover in 2002. Organic growth was 1%, impacted by the extraordinary trimming of the contract portfolio. Excluding trimming, organic growth was 5%.

The country organisations with the most advanced facility services concept were once more the high performers in 2002. The operating margin in the Facility Services organisations averaged 5.9%, up from 5.2% in 2001 with the major countries ranging from 3.8% (Germany) to 7.8% (Finland). The overall improvement in the operating margin was fuelled by Northern Europe and Continental Europe both reporting 6.0% in operating margin compared with 5.9% and 4.6%, respectively, in 2001. Overseas posted an operating margin of 4.4%.

The gradual transformation of ISS from a cleaning and multi-services supplier to a provider of facility services continued in 2002. The development was spearheaded by countries capable of offering highly advanced service solutions. This resulted in a number of new facility services contracts, particularly in Northern Europe, some of which included a range of integrated services. Examples include PwC, Credit Suisse First Boston and Walsgrave Hospital in the UK, Bundebygg in Norway and the Fair Corporation in Finland.

All countries have to some extent taken part in the transformation process. However, before a country would take significant steps in the direction of facility services, control of the cash flow and an operating margin at a satisfactory level was required. Consequently, the development of integrated services solutions was not a focal area for countries such as Belgium, Germany, the Netherlands and Spain. Other countries took a leap within the provision of Facility Services by adding competences to expand the service offering. Examples include Switzerland adding landscaping, Finland supplementing with canteen services and UK, which included building maintenance to their range of services. However, the most significant enhancement took place with the acquisition of Eurogestion which added pest control to the ISS service offering in a number of countries.

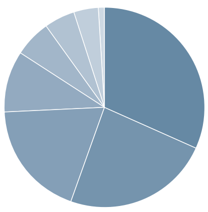
ISS' facility services concept is not a standard service package, but a range of services tailored to customer-specific requirements. Thus, the customer portfolio includes customers to whom ISS provides only one or a few services, while providing large, integrated service solutions to others. The transformation to facility services will be a gradual process. Thus, delivery of a single service (typically cleaning) will remain the Group's most important source of turnover for a number of years. The table below shows the mix of service types as at 31 December 2002.

Turnover by service type, 2002	DKKm	Percentage
Cleaning	25,134	66%
Landscaping	1,839	5%
Building and technical services	1,560	4%
Canteen services	1,543	4%
Office support services	1,021	3%
Facility management	907	2%
Pest control	677	2%
Washrooms and mats	190	1%
Total Facility Services	32,871	87%
Business Builds and Innovation	5,113	13%
Group turnover	**37,984**	**100%**

INNOVATION

ISS Innovation was set up to capture business ideas both inside and outside the organisation and turn them into value. In 2002, ISS Innovation consisted of coffee and vending machine activities in Denmark and Norway, AQUA-WALL, a Danish company producing, marketing and servicing the indoor environment product of the same name, and ISS Data, ISS' internal provider of IT-services, which offers services to external parties on a smaller scale. The latter was previously a part of Facility Services.

Turnover 2002



Denmark	32%
Sweden	24%
Norway	19%
Germany	10%
The Netherlands	5%
Finland	5%
UK	4%
Belgium	1%

DAMAGE CONTROL

By responding quickly to emergencies, ISS Damage Control is able to control, remedy, restore and clean up after damage to buildings, furniture, machinery and IT equipment caused by fire, water, storms or otherwise. ISS Damage Control offers a comprehensive concept primarily targeting insurance companies.

	2002	2001
Turnover, DKKm	1,731	1,307
Organic growth	12%	11%
Operating margin	6.8%	8.0%
Employees, 31. Dec.	2,416	2,143

After the 2001 expansion of the Damage Control activities from the Danish and Norwegian platforms into Finland, Germany, the Netherlands, Sweden and the UK, 2002 was a year of consolidation. The main priority was to build an international business based on the new platforms. Some of the ensuing benefits were highlighted in the second half of the year when Damage Control drew on the expertise and resources in the clean up after the flooding disasters in Central Europe.

Turnover amounted to DKK 1,731 million, an increase of 32% over 2001. Growth from acquisitions amounted to 18% generated by 18 acquisitions carried out in 2001 and five smaller acquisitions in 2002. Damage Control in Belgium was carved out in 2002 from the facility services organisation.

Concurrently with the integration of the acquired companies, ISS Damage Control generated organic growth of 12%, particularly sparked by strong activity in the second half of the year in Germany and Sweden. On the other hand, turnover was to some extent negatively impacted by the macroeconomic environment, which caused some customers to prefer cash compensation from the insurance companies to having their damaged property restored. An unusually low level of significant damages, driven in part by a lack of rainfall in Norway in the first half of the year, also reduced organic growth.

This illustrates that the Damage Control business is more volatile than ISS' Facility Services, since the majority of the business depends on the number of damages.

In 2002, Damage Control commenced the offering of framework agreements to insurance companies at national and international level. In these agreements, Damage Control acts as the insurance companies' preferred supplier and Damage Control may initiate restoration work up to a certain level without prior approval.

The operating margin was 6.8%, 1.2 percentage points less than in 2001. The decrease was primarily attributable to expenses related to an expansion of the presence in Germany and the UK with new offices being established and a restructuring of Damage Control in the Netherlands and Finland. Finally, the lower activity early in the year in Norway also made its mark.

At the end of January 2003, ISS acquired Rainbow International UK, a company providing a range of disaster restorations services through its more than 130 branches throughout the UK.

HEALTH CARE

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

Up until November 2002, ISS also offered care for the elderly.

	2002	2001
Turnover, DKKm	1,288	1,156
Organic growth	7%	41%
Operating margin	7.7%	3.8%
Employees, 31. Dec.	679	4,796

At the end of 2001, ISS initiated a restructuring of the Care segment with the aim of enhancing profitability. The first step was taken by disposing of the kindergarten activities in Denmark in December 2001.

At the same time, ISS decided to close or divest the elderly care business. This part of the business generated disappointing results, in part because of a tight labour situation and a shortage of employees, particularly in the Stockholm area. Effective from 1 November 2002, ISS entered into an agreement with management of the elderly care business to sell 51% of the activities. ISS kept the remaining 49% ownership which is treated as an associate.

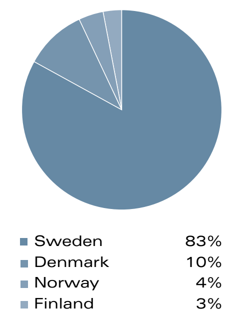
The sale comprised elderly care activities in Denmark, Finland, Norway and Sweden with approximately 3,900 employees at 48 care centres and home care agreements with 34 municipalities. The annual turnover of the disposed activities was approximately DKK 860 million. The discontinuation led to non-recurring expenses of DKK 25 million, included under Other income and expenses, net in the profit and loss account. In addition, goodwill was written down by DKK 21 million.

The sale completed the restructuring of ISS CarePartner. ISS' remaining care activities (treatment of abuse and psychiatric care) were merged with ISS' health care activities (diagnostics and medical treatment) in the new legal business unit, ISS Health Care.

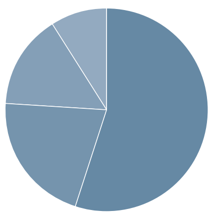
Taking effect on 1 November, the disposal did not have any significant top-line impact in 2002. Turnover was DKK 1,288 million with Sweden accounting for 83% of total turnover. Organic growth amounted to 7%, while net acquisitions were 3% and currency adjustments contributed 1%. The operating margin was 7.7%, a 3.9 percentage points increase over 2001, driven by the full-year effect of the health care activities acquired in the second half of 2001.

ISS' continuing Health Care business progressed during the year. From a continuing business perspective, organic growth was 12% following a number of new important contracts. In October, ISS signed an agreement with the Association of County Councils in Denmark and the Copenhagen Hospital Corporation to make the six ISS-run hospitals in Sweden available to the Danish authorities in their efforts to honour the Government's waiting-list guarantee. At the end of the year, ISS Health Care had the radiology agreement in Stockholm prolonged for a further three years.

Turnover 2002



Turnover 2002



Nordic	55%
UK	21%
The Netherlands	15%
Belgium	9%

FOOD SERVICES

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

	2002	2001
Turnover, DKKm	1,058	1,088
Organic growth	(3%)	6%
Operating margin	6.9%	6.3%
Employees, 31. Dec.	5,375	4,303

In 2002, ISS Food Services focused on further developing and documenting its international concepts for each of its customer segments. Seven designated competence centres worked on new concepts and sharing of best practice across borders in order to strengthen the market position and facilitate uniform service delivery to international customers. One result of these efforts was a new concept for cleaning of industrial kitchens, which led to a number of new contracts.

The international presence of ISS Food Services was expanded to include Belgium and the UK from the beginning of the year after these operations were carved out from the Facility Services organisations. Due to a lack of critical mass, Food Services in Germany was transferred back to the German Facility Services organisation.

Through sustained focus on contract profitability, Food Services secured an operating margin of 6.9%, a 0.6 percentage point increase over the level in 2001. Improvements were realised in the Netherlands following contract trimming and efficiency-improving measures.

A number of contracts with large national and international customers were added to the contract portfolio in 2002. For example Food Services gained a breakthrough in the dairy sector, winning a contract with Arla Foods in Sweden. Another important contract was the renewal and extension of the contract for servicing 103 Marks & Spencer stores in the UK. In Belgium, recent years' quality issues in the food sector have resulted in customers increasingly demanding documentation for quality systems, one of Food Services' key competences. On a consolidated level, Food Services posted negative organic growth of 3%. This was attributable to consolidation in the Danish abattoir industry, which reduced the market, closure of customers' factories in Greenland as well as the spillover effect of contract trimming in the Netherlands in 2001. Consequently, turnover decreased 3% to DKK 1,058 million.

AVIATION

Aviation offered landside and airside services in airports in 2002. Landside related services include cleaning of terminals, offices and retail premises in airport buildings, operation of lounges and landscaping. Airside-related services include cabin cleaning and preparation, exterior cleaning of aircraft, de-icing, line maintenance, washroom services and transport of crew and personnel.

After divesting airside activities in 2002, the landside activities have been transferred to the Facility Services country organisations and the Business Build was discontinued from 1 January 2003.

	2002	2001
Turnover, DKKm	856	1,030
Organic growth	(3%)	14%
Operating margin	(1.7%)	(0.9%)
Employees, 31. Dec.	1,492	3,196

The 2002 financial year was a year of change for ISS Aviation. In 2001, the downturn in the global aviation industry triggered a comprehensive restructuring of ISS' aviation business in order to reduce capacity and cut costs. Believing that the outlook for the aviation industry remains bleak, management resolved to accelerate and finalise the restructuring and discontinuation of the aviation business in 2002.

The divestment of Nordic Aero's operations in Denmark, Finland, Norway and Sweden in July 2002 was the first step in this process. The activities divested from Nordic Aero, which provides aircraft-related services such as exterior cleaning and de-icing of aircraft, generated an annual turnover of approximately DKK 130 million.

The second element of the plan was a restructuring of the aviation activities in the Netherlands. With regard to the airside business, the activities were terminated by the end of the year. These contracts had an annual turnover of approximately DKK 170 million. The remaining landside activities were transferred to the local Facility Services organisation.

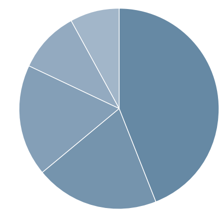
The restructuring of ISS Aviation was completed when ISS sold 51% of the airside related aviation activities in the UK to local management. ISS retained ownership of the remaining 49% of the business. This is treated as an associate. The annual turnover of the disposed activities was approximately DKK 210 million.

Due to the discontinuation of activities, non-recurring expenses of DKK 75 million were incurred, most of which were related to the restructuring and closure in the Netherlands. The amount is included as Other income and expenses, net in the profit and loss account. In addition, the sale and discontinuation of activities led to a DKK 77 million write-down of goodwill.

In 2002, turnover amounted to DKK 856 million, a decrease of 17% over last year primarily due to wound up and divestments. With a negative operating margin of 1.7% the business was still loss making.

After the sale and closures of businesses, the remaining activities in ISS Aviation primarily consisted of airport terminal cleaning. These activities were transferred back to the Facility Services organisations during 2002. As a result, the Aviation Business Build was discontinued from 1 January 2003.

Turnover 2002



UK	44%
Switzerland	20%
The Netherlands	18%
Nordic	10%
Germany	8%

Review of Country Operations

FRANCE

ISS France has played an active role in the consolidation process that has taken place in the French facility services industry in recent years. After making a number of acquisitions, ISS France has now cemented its position as a leading provider of facility services in the French market. After six acquisitions in 2001 with an aggregate annual turnover of approximately DKK 1.5 billion, 2002 was a year of consolidation. ISS France's main priority was integration of the acquired companies, while at the same time maintaining the operating margin of the existing business.

	2002	2001	2000
Turnover, DKKm	6,839	5,820	4,690
Organic growth	(2%)	2%	11%
Operating margin	6.9%	6.5%	6.2%
Employees, 31. Dec.	36,412	37,759	36,184

In France, no Business Builds have been carved out.

The French operation consolidated its position as the largest country operation in the Group. Turnover was DKK 6,839 million, an increase of 18% over last year driven by the acquisitions carried out in 2001. The detailed analysis of the contract portfolio, which commenced in 2001 with the aim of ensuring satisfactory profitability, was finalised in 2002. For some customers it was not possible to find a solution acceptable to both parties, causing contracts to be cancelled. Contract trimming in 2001 and 2002 reduced organic growth by approximately 3% for the year and a spill-over effect is expected in 2003.

There was a difficult competitive situation in France in 2002 as customers, particularly in the public sector, increasingly focused on price. Management was determined to sustain ISS France's operating margin at historic levels and abstained from taking part in the price competition. This caused a higher level of contract losses than in previous years and consequently impacted organic growth. Management will continue to defend operating margins in 2003.

The advantage of this strategy was reflected in the operating profit, which increased to DKK 472 million, resulting in an operating margin of 6.9%, up from 6.5% in 2001. This was achieved through organisational changes to improve efficiency as well as cost reductions with strict follow up on results per contract and branch. Furthermore, the restructuring of ISS France's corporate legal structure initiated in 2001 continued in 2002, and approximately 20 legal entities were liquidated or merged.

Another focal area in 2002 was the improvement of working capital with particular emphasis on debtor days. The working capital optimisation process was implemented involving an action plan covering the full collection process.

UNITED KINGDOM

ISS UK generated turnover of DKK 5,065 million, up 12% on 2001. The increase was attributable to organic growth of 6%, net acquisitions of 7% and negative currency adjustments of 1%.

Organic growth was to a large extent driven by ISS Mediclean, ISS UK's provider of facility services to the hospital segment, which won and started up a number of large contracts. The most significant contract won was a PFI-contract with Walsgrave Hospital with an annual contract value of approximately DKK 150 million. The contract includes services such as: cleaning, catering, portering, security, reception, helpdesk, switchboard, and landscaping. The contract starts in 2006 but interim service deliveries commenced already in 2002. In total, ISS UK has signed PFI contracts with annual turnover of approximately DKK 600 million, of which DKK 424 million was included in 2002. Additional turnover will be phased in as construction work is completed and the hospitals are put into service over the next couple of years.

The ISS UK contract portfolio benefited from a new national account structure in the commercial sector. The concept strengthened sales and enabled ISS to gain a number of new contracts. Thus, customers such as NTL, IBM and PwC were added to the portfolio.

ISS UK focused on moving its commercial sector business from multi-service to facility services. An important step was taken with the acquisition of CSFM, which provided ISS UK with additional competences. In August, ISS UK sold the security business acquired via the acquisition of RCO in 2000, which had an annual turnover of approximately DKK 97 million.

In Facility Services, the operating margin increased from 5.1% in 2001 to 5.6%. This reflected the benefits of the changes made to the operational structure in 2001 and 2002, a strict focus and follow up on contract contributions and a quick integration of CSFM.

	2002	2001	2000
Turnover, DKKm	5,065	4,531	3,817
Organic growth	6%	5%	13%
Operating margin	5.3%	4.8%	5.8%
Employees, 31. Dec.	37,272	36,341	40,623
Of which Facility Services:			
Turnover DKKm	4,398	3,864	
Operating margin	5.6%	5.1%	

Damage Control, established in the UK in 2001, progressed whereas Food Services experienced a slight decline.

The slowdown in the aviation industry continued to impact ISS UK's results in 2002 and reduced its overall operating margin to 5.3%. On 1 December 2002, 51% of the airside-related activities with annual turnover of approximately DKK 210 million was divested.

SWEDEN

Following 14 acquisitions in 2001, which added facility services turnover of more than DKK 1 billion per year, ISS Sweden used 2002 to focus on integrating the acquired companies.

Turnover grew 24% to DKK 4,272 million. The increase was attributable to organic growth of 4%, acquisitions contributing 19% and currency adjustments accounting for 1%. Turnover was impacted by the sale of the lower margin elderly care business in November 2002 which reduced the annual turnover by some DKK 600 million.

ISS Sweden established a new business unit specifically focusing on potential customers for the facility services concept. Together with an increasing interest from customers this led to several new contracts with a number of services under the facility services concept. In 2002, ISS Sweden entered into new contracts with customers such as DSB, the Danish national railways, for cleaning and maintenance of the Oresund trains, and the property company, Norden AB, for property services. In hospital services, the contracts with Kalmar Läns Landsting and Danderyds Sjukhus were successfully renegotiated. This development more than offset the negative impact from the downturn in the Swedish economy, which caused some customers to downsize operations. This was particularly the case for some of ISS Sweden's customers in the telecommunication industry.

	2002	2001	2000
Turnover, DKKm	4,272	3,443	2,504
Organic growth	4%	17%	8%
Operating margin	7.0%	7.6%	6.4%
Employees, 31. Dec.	12,311	16,349	12,343
Of which Facility Services:			
Turnover DKKm	2,702	2,123	
Operating margin	5.3%	7.8%	

The operating margin was 7.0% with Facility Services contributing 5.3%. As expected, the operating margin decreased relative to last year due to the initially lower margin in the two significant acquisitions from 2001, Ecuro and TraffiCare. ISS Sweden worked intensively with these two acquisitions, trimming part of the contract portfolio. Coming from a level of 3.5% as a stand-alone company, TraffiCare was able to post an operating margin on a level with the rest of ISS Sweden on a run-rate basis by the end of 2002. However, Ecuro, which had even lower profitability, remained dilutive for the operating margin overall.

In the Business Builds, Health Care enhanced its performance driven by the full-year effect of the higher margin acquisitions from 2001. Damage Control developed as planned with increasing turnover and operating profit.

DENMARK (INCLUDING ICELAND AND GREENLAND)

ISS Denmark revised the strategic approach towards customers in the public sector in 2001, introducing a concept based on four cornerstones: Quality, employees, profitability and partnership. With the new strategy, ISS Denmark increasingly aims at partnering with public sector customers – an initiative receiving growing attention. An example of such a partnership is the contract with Hørsholm Sygehus that commenced in January 2002, in which ISS Denmark acts as an integrated partner and contributes to running and developing the hospital. The partnership includes cleaning, kitchen and canteen services, property management, portering, telephone and reception services. Another important contract win in 2002 was the contract with Skejby Hospital.

	2002	2001	2000
Turnover, DKKm	4,008	4,175	3,317
Organic growth	(2%)	4%	7%
Operating margin	5.9%	5.7%	5.7%
Employees, 31. Dec.	14,022	14,816	17,045
Of which Facility Services:			
Turnover DKKm	2,655	2,859	
Operating margin	5.1%	4.8%	

Generally, ISS Denmark attracted growing interest from customers in integrated facility services. This has led to new facility services contracts and ISS Denmark is currently developing service packages to several customers. A programme was initiated with the aim of improving the quality delivered throughout the organisation. In 2002, 60 internal quality assessors were trained to prepare for rolling out the concept to the entire organisation in 2003.

Turnover was DKK 4,008 million, marking an expected fall relative to last year. The decrease was primarily a result of the revised approach towards public sector customers. This initiative reduced ISS Denmark's number of public sector contracts with low profitability. Organic growth was therefore negative. The operating margin increased from 5.7% to 5.9%.

In 2002, two of the Business Builds in Denmark, Aviation and CarePartner, were divested. Damage Control and Food Services developed as planned, posting operating margins above the ISS Denmark average.

THE NETHERLANDS

After last year's integration efforts, 2002 was characterised by a focus on measures to improve profitability and cash conversion. These initiatives led to an increase in the operating margin from 1.8% to 4.2%, and lowered the number of debtor days.

In Facility Services, the extraordinary contract trimming process initiated in 2001 continued. In addition, contract contribution as well as overheads received attention and follow-up. As part of the efforts to improve profitability the use of temporary staff was reduced and a re-organisation of the Dutch operation took place. These initiatives led to an enhancement of the operating margin in Facility Services from 2.5% to 5.1%.

ISS Netherland's turnover of DKK 3,468 million represented a 4% decrease relative to 2001. This was due to negative organic growth caused by the contract trimming process. In addition, growth was impacted by the wind up of the airside aviation business, which commenced during the year. The discontinuation will reduce turnover by approximately DKK 170 million on an annual basis.

	2002	2001	2000
Turnover, DKKm	3,468	3,631	2,545
Organic growth	(5%)	5%	9%
Operating margin	4.2%	1.8%	5.7%
Employees, 31. Dec.	26,270	29,883	28,233
Of which Facility Services:			
Turnover DKKm	3,053	3,188	
Operating margin	5.1%	2.5%	

Food Services in the Netherlands improved its business during 2002 after a review of the contract portfolio and efficiency-improving initiatives. In Damage Control, a restructuring of the entire business caused the operating margin to decline.

NORWAY

After organic growth of 13%, ISS Norway's turnover increased to DKK 3,304 million, up from DKK 2,629 million in 2001. Growth from acquisitions was 8% and currency adjustment accounted for 5%.

Organic growth was favourably impacted by increased activity in the partnership with the Norwegian postal services and the development within facility services. ISS Norway's position as a recognised facility services provider resulted in increased turnover from integrated facility services contracts. This included a new contract for cleaning, catering and property services to the

	2002	2001	2000
Turnover, DKKm	3,304	2,629	2,393
Organic growth	13%	3%	2%
Operating margin	6.7%	6.4%	6.7%
Employees, 31. Dec.	8,032	7,462	7,469
Of which Facility Services:			
Turnover DKKm	2,846	2,205	
Operating margin	7.0%	6.6%	

construction company Bundebygg as well as facility services solutions to ABB, Statkraft Grøner and Elkem. ISS Norway is in contact with several large prospects for facility services solutions, in both the public and the private sectors.

With the acquisition of Krane & Partners AS, the company expanded the service offering to include certain management services. In addition, the Facility Services business was strengthened by the acquisition of five minor facility services companies with total annual turnover of approximately DKK 93 million.

The operating profit increased to DKK 221 million resulting in an operating margin of 6.7%, up from 6.4% in 2001. This was attributable to improvements in Facility Services, which more than offset the negative impact of lower activity in Damage Control.

GERMANY

Germany is undergoing a general economic downturn. Keen competition, increasingly cost conscious customers and high labour costs following new wage agreements and increased social contributions, make it a difficult market.

	2002	2001	2000
Turnover, DKKm	1,897	1,980	1,936
Organic growth	(8%)	(5%)	(1%)
Operating margin	4.1%	3.7%	1.9%
Employees, 31. Dec.	14,185	17,988	18,932
Of which Facility Services:			
Turnover DKKm	1,652	1,909	
Operating margin	3.8%	3.7%	

Turnover amounted to DKK 1,897 million, a decrease relative to 2001. This was attributable to a continuation of the detailed review of the contract portfolio, in which a number of contracts with unsatisfactory profitability were trimmed. Furthermore, the economic downturn also played a role. Despite the difficult environment, a sustained focus on profitability and efficiency measures resulted in an operating margin of 4.1% compared with 3.7% in 2001.

The lower level of activity required an adjustment of overheads, which included a reduction of staff. Accordingly, redundancy charges impacted on the operating margin.

Damage Control, which started out in Germany in 2001, worked on expanding the business in 2002 and both turnover and operating profit more than trebled.

BELGIUM AND LUXEMBOURG

ISS Belgium's main priority was to improve the operating margin in 2002. Accordingly, the contract trimming process initiated in 2001 continued and low profitability contracts were cancelled. The remaining contract portfolio was monitored closely with the aim of increasing the contract contribution. The profitability enhancing measures resulted in an enhancement of the operating margin from 2.1% to 4.8%.

The improvement was derived from progress in Facility Services. All segments enhanced the performance relative to last year with the exception of the industrial segment. Customers in that segment, primarily the car manufacturers, were hit by the economic downturn and thus reduced the volume of services required. Turnover was DKK 1,789 million, a decrease of 3% over 2001 due to contract trimming.

ISS Belgium's Food Services was carved out as a separate Business Build from the beginning of 2002 and the business progressed as planned, delivering an operating margin above ISS Belgium's average.

	2002	2001	2000
Turnover, DKKm	1,789	1,852	1,501
Organic growth	(10%)	(1%)	2%
Operating margin	4.8%	2.1%	4.9%
Employees, 31. Dec.	11,511	13,092	8,539
Of which Facility Services:			
Turnover DKKm	1,656	1,759	
Operating margin	4.8%	1.9%	

CENTRAL EUROPE

ISS Central Europe comprises Austria, the Czech Republic, Greece, Slovenia, Hungary, Poland, Slovakia, Romania and Croatia. Turnover in ISS Central Europe increased by 18% to DKK 1,556 million. Of this, 11% was attributable to organic growth, acquisitions contributed 6% and currency adjustments accounted for 1%. Operating profit increased by 37%, resulting in a consolidated operating margin of 7.3% as compared with 6.2% in 2001.

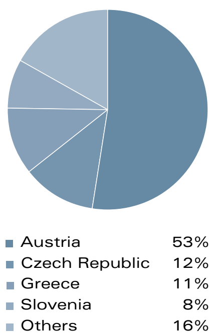
	2002	2001	2000
Turnover, DKKm	1,556	1,318	1,114
Organic growth	11%	10%	14%
Operating margin	7.3%	6.2%	6.0%
Employees, 31. Dec.	18,199	16,663	17,187

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

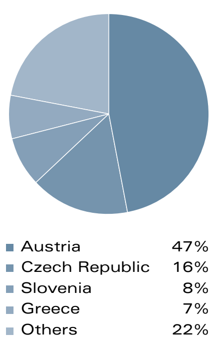
Austria In Austria, turnover was DKK 819 million, representing an 11% improvement attributable almost exclusively to organic growth. During the year, the company increased its activities with Austrian Railways and Austrian Telekom, both of which were contracts won in late 2001. A key account structure was implemented in the sales organisation and the work with strengthening the ability to provide facility services solutions continued. Through close monitoring of contract contribution and focus on wage increases, the operating margin increased from 6.1% to 6.5%. Profitability enhancing initiatives included increased focus on employee satisfaction and managing of staff in order to reduce absenteeism.

The Czech Republic Turnover in the Czech Republic increased by 22% to DKK 186 million. Organic growth contributed 8% due to a number of contract wins, particularly within the hospital segment. The facility services concept was expanded during the year. The first catering contract commenced, landscaping was offered to existing customers and technical maintenance was added through the acquisition of OK Servis. The operating margin was down on last year, but remained above Group average.

Turnover
Central Europe 2002



Operating profit
Central Europe 2002



Greece ISS Greece generated turnover of DKK 167 million. Organic growth was 17% after a number of large contracts were won, e.g. new contracts with Sparti Hospital and with Unilever in the industrial segment. Despite the start-up of several new contracts, the operating margin increased year-on-year, primarily as a result of a decrease in overheads relative to turnover. The service range was expanded when ISS Greece included washroom services in the offering to existing customers and took part in a pilot project involving delivery of office support services.

Slovenia In Slovenia, ISS commenced the first PFI hospital project in Central Europe when a contract with Hospital Golnik was signed. This contract includes catering services, which is a new service for ISS Slovenia. Turnover increased by 6% to DKK 121 million. The operating margin was slightly down on last year.

Hungary In 2002, ISS' activities in Hungary increased due to the acquisition of Eurogestion, which more than doubled turnover to DKK 82 million. ISS Hungary is working to implement the facility services concept and has included its top-customers in the strategy with the aim of increasing the number of services delivered. A 25% increase in the minimum wage required intense negotiations with customers, but was successfully dealt with.

Poland Turnover in Poland was DKK 71 million and on a level with last year. In 2001, a number of hospital contracts with negative contract contribution and poor payment history were cancelled. Together with efforts to improve operational efficiency, this lifted the operating margin in ISS Poland.

Slovakia The range of services was expanded in 2002 to include hotel services, canteen services and food hygiene services and a number of large contracts were added within these segments. However, terminations and reductions in contracts due to customers' liquidity problems caused a 5% decline in turnover to DKK 62 million. This also impacted the operating margin, which was down on last year.

Romania The business in Romania, which contributed turnover of DKK 38 million in 2002, was acquired through the acquisition of Eurogestion. The activities are linked to a contract with the City of Bucharest, under which ISS employees provide pest control services for the council.

Croatia At DKK 10 million, Croatia had the lowest turnover of the ISS organisations in Central Europe. The business developed favourably and ISS Croatia posted an increase in the operating margin relative to last year.

FINLAND

In Finland, ISS has worked intensively to develop the facility services concept further. In this process, the sales organisation was reorganised and a new planning and communication model was implemented with the aim of intensifying the partnership between ISS and its customers.

Today, ISS Finland offers a wide range of facility services that include services needed during the life cycle of a property, covering the project and planning management phase to the phase of utilising the property. The six acquisitions carried out during the year supported these activities by adding services such as canteen services and building project management.

The development in the facility services contract portfolio reflected the strategic initiatives. More services were added to existing contracts and a number of new important contracts were signed, including for a range of facility services. Contracts with the Finnish Fair Corporation/Helsinki Fair Centre, the energy company Fortum, and Stockmann, a department store, contributed to an increase in turnover of 10% to DKK 1,374 million. Acquisition-driven growth accounted for 4% and organic growth was 6%.

ISS Finland increased the operating margin in its Facility Services business to 7.8% due to the systematic implementation of the full facility services concept. As a positive side effect, this also increased employee satisfaction due to the ability to create more interesting jobs.

In 2001, ISS Finland entered the damage control market. In 2002, the business suffered from low activity in the scaffolding and the sheltering business resulting in a negative impact on the operating margin. Thus, Damage Control had a dilutive effect on ISS Finland's consolidated margin in 2002. Consequently, the scaffolding and the sheltering businesses were sold in December 2002.

	2002	2001	2000
Turnover, DKKm	1,374	1,251	1,104
Organic growth	6%	7%	4%
Operating margin	7.0%	7.4%	7.3%
Employees, 31. Dec.	6,538	6,469	6,306
Of which Facility Services:			
Turnover DKKm	1,242	1,137	
Operating margin	7.8%	7.5%	

SWITZERLAND

In 2002, ISS Switzerland focused on operational initiatives in order to increase the operating margin. Accordingly, ISS Switzerland secured an operating margin of 5.2%, an increase from 3.3% in 2001.

Turnover amounted to DKK 1,152 million, a 4% decrease relative to 2001, to a large extent caused by the aviation business.

	2002	2001	2000
Turnover, DKKm	1,152	1,196	1,103
Organic growth	(3%)	(1%)	7%
Operating margin	5.2%	3.3%	4.7%
Employees, 31. Dec.	7,145	7,546	8,140
Of which Facility Services:			
Turnover DKKm	961	887	
Operating margin	5.0%	4.6%	

The Facility Services organisation initiated operational improvements, which included a review of the overhead structure. Together with the effect from the termination of contracts with unsatisfactory profitability, this caused the operating margin to increase to 5.0% from 4.6%. In the aviation business, a comprehensive restructuring to match the reduced level of activity at Zürich Airport took effect from the beginning of the year. Combined with efficiency measures at contract level, this helped to restore the operating margin following the losses incurred in the aviation business in 2001.

The facility services concept in Switzerland was further developed, resulting in new contracts, including the provision of facility services solutions to Nestlé. The efforts included an expansion of the service range and the acquisition of E. Fritz AG, a leading provider of landscaping services in Switzerland.

SPAIN

As in the year before, the main objective for ISS Spain was to improve profitability. The company made a thorough review of the profitability of all contracts in 2002, an exercise that led to the renegotiation of a number of contracts. In some cases the price level was increased or the service level was adjusted, while in other cases contracts were cancelled. These measures contributed to an increase in the operating margin from 3.7% in 2001 to 5.0%.

	2002	2001	2000
Turnover, DKKm	780	659	534
Organic growth	6%	14%	30%
Operating margin	5.0%	3.7%	2.3%
Employees, 31. Dec.	6,660	6,897	5,275

In Spain, no Business Builds have been carved out.

Despite the negative impact of the contract review on growth, turnover grew by 18% to DKK 780 million. Acquisitions accounted for 12% and organic growth was 6%.

The geographical platform was expanded by the acquisition of three companies in northern Spain in July 2002. During the autumn, the companies were fully integrated into ISS.

CHINA AND HONG KONG

In China, ISS has most of its activities in Hong Kong.

The economic environment in Hong Kong was difficult in 2002 and the number of high margin one-off jobs declined. This put the operating margin under pressure. However, through tight cost controls, ISS Hong Kong secured an operating margin of 5.7%, up from 5.6% in 2001. Turnover amounted to DKK 455 million, a 6% decline relative to 2001, mainly due to negative currency effects. The loss of the Mass Transit Rail (MTR) contract at the end of 2001 as well as the difficult economic environment affected organic growth.

The acquisition of RoboClean expanded the facility services offering by adding services relating to the improvement of indoor air quality. A new contract with local government added street cleaning to the services provided by ISS Hong Kong.

Due to the downturn in the construction industry, ISS Hong Kong disposed of Man Yuen (its construction site business) in August.

	2002	2001	2000
Turnover, DKKm	455	486	469
Organic growth	(2%)	(5%)	0%
Operating margin	5.7%	5.6%	5.7%
Employees, 31. Dec.	4,316	4,064	5,456

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

BRAZIL

In light of the continuing difficult economic environment with energy crises, a weaker currency and higher interest rates, a comprehensive restructuring of the Brazilian operation was required.

This was initiated in the final quarter of 2002, with a close review of the contract portfolio. Consequently, a number of contracts are in the process of being – or will be – renegotiated in order to adjust the price level or the services delivered or potentially cancel some contracts altogether. In addition, increased profitability thresholds for acceptance of new contracts have been implemented.

Turnover decreased to DKK 433 million from DKK 577 million in 2001 with negative currency adjustments accounting for 31% and negative organic growth for 3%. The lower level of activity also meant an adjustment of overheads. Restructuring charges of approximately DKK 12 million, mainly relating to redundancy payments, caused ISS Brazil to record a negative operating margin. The restructuring process will continue in 2003.

	2002	2001	2000
Turnover, DKKm	433	577	613
Organic growth	(3%)	7%	6%
Operating margin	(1.2%)	4.0%	4.1%
Employees, 31. Dec.	12,189	14,686	14,066

In Brazil, no Business Builds have been carved out.

SINGAPORE

	2002	2001	2000
Turnover, DKKm	347	341	306
Organic growth	4%	1%	3%
Operating margin	5.9%	5.6%	5.7%
Employees, 31. Dec.	3,930	3,722	3,484

In Singapore, no Business Builds have been carved out.

ISS Singapore's turnover increased 2% to DKK 347 million. Organic growth was 4% despite a competitive environment with keen price competition.

ISS Singapore successfully renewed two large contracts with an increase in the number of services delivered. In addition, a number of new contracts were secured. This included contracts with Seagate and Gleneagles Hospital, which expanded the company's service delivery into clean rooms and building maintenance work. In addition, washroom services were extended to the facility services customer base.

The operating margin increased to 5.9%, driven by trimming of loss making contracts together with a strong focus on cost containment throughout the organisation.

IRELAND

	2002	2001	2000
Turnover, DKKm	220	175	154
Organic growth	24%	14%	8%
Operating margin	5.4%	4.7%	4.5%
Employees, 31. Dec.	1,906	1,857	2,019

In Ireland, no Business Builds have been carved out.

Organic growth of 24% lifted ISS Ireland's turnover to DKK 220 million. This was the result of a dedicated focus on key accounts that led to a number of large contracts being signed. The most significant included contracts for clean room services and services to the food sector.

The operating margin developed favourably, increasing from 4.7% in 2001 to 5.4% on the back of improved efficiency in the existing portfolio as well as a different mix of customers.

ISRAEL

	2002	2001	2000
Turnover, DKKm	210	225	191
Organic growth	12%	10%	–
Operating margin	6.5%	7.0%	5.8%
Employees, 31. Dec.	5,302	4,902	4,216

In Israel, no Business Builds have been carved out.

In Israel, ISS' activities are handled by ISS Ashmoret, a joint venture owned equally by ISS and the Hashmira Group.

ISS' share of the turnover in the Israeli company declined by 7% to DKK 210 million after negative currency adjustments of 19% and organic growth of 12%. The organic growth was primarily the result of a focused marketing effort targeting large tenders, which resulted in two new contracts with TEVA, a leading pharmaceutical company, and Rad-Binat, a leading high-tech company, both secured at the end of 2001.

The operating margin decreased to 6.5%, partly due to low activity in the damage control business. An increase in employer's social security costs was compensated for by tight cost control.

PORTUGAL

Over the last three years, ISS Portugal has consistently reported organic growth outperforming the Group average as a result of the key account organisation.

In 2002, ISS Portugal generated turnover of DKK 168 million, equivalent to an increase of 9% attributable exclusively to organic growth. The growth was primarily derived from customers in the hotel and the transport business, the latter driven by new contracts with Oporto Airport, Sintra Trains and SMTUC Buses. In 2001, ISS Portugal included landscaping in the facility services offering for the first time and in 2002 this initiative added five new contracts. The operating margin was 6.7%, an increase from 6.6% in 2001.

	2002	2001	2000
Turnover, DKKm	168	154	133
Organic growth	9%	15%	9%
Operating margin	6.7%	6.6%	6.5%
Employees, 31. Dec.	2,448	2,398	2,082

In Portugal, no Business Builds have been carved out.

ITALY

In Italy, ISS is represented through Robustelli and Garavaglia, both located in the northern part of Italy. In April 2002, Libco, a provider of pest control, was acquired as part of Eurogestion, which more than trebled turnover to DKK 145 million. Turnover in the existing business rose, following increases in one-off sales and a number of new contract wins. The operating margin increased to 15.4%, lifted by inclusion of the pest control business and improvements in the existing business.

	2002	2001	2000
Turnover, DKKm	145	46	48
Organic growth	29%	(5%)	8%
Operating margin	15.4%	3.9%	9.2%
Employees, 31. Dec.	617	368	334

In Italy, no Business Builds have been carved out.

AUSTRALIA

ISS commenced operations in Australia through the acquisition of Flick, a subsidiary of Eurogestion, with effect from 1 April 2002. Flick is a leading supplier of pest control, washroom services, and fumigation and mat rental services in Australia. The business developed as planned with turnover amounting to DKK 138 million and an operating margin of 11.7%.

	2002	2001	2000
Turnover, DKKm	138	–	–
Organic growth	–	–	–
Operating margin	11.7%	–	–
Employees, 31. Dec.	371	–	–

In Australia, no Business Builds have been carved out.

JAPAN

ISS' business in Japan is based on a joint venture equally owned by ISS and Mitsui & Co Ltd., one of Japan's largest companies.

	2002	2001	2000
Turnover, DKKm	91	81	–
Organic growth	(13%)	–	–
Operating margin	1.2%	4.9%	–
Employees, 31. Dec.	502	467	–

In Japan, no Business Builds have been carved out.

Due to excess supply of new building space in the area of Tokyo, price competition amongst facility services providers intensified in 2002. This affected turnover as well as the operating margin. Turnover amounted to DKK 91 million compared with DKK 81 million for a nine-month period in 2001. The operating margin declined to 1.2%.

THAILAND

The facility services concept was expanded in 2002. For example, the contract with IBM was renewed and extended to include landscaping and groundkeeping, pest control, sanitary disposal and housekeeping in addition to the services related to cleaning.

	2002	2001	2000
Turnover, DKKm	88	90	95
Organic growth	2%	0%	8%
Operating margin	7.3%	7.5%	7.1%
Employees, 31. Dec.	5,412	5,700	5,679

In Thailand, no Business Builds have been carved out.

The tight economic environment in Thailand impacted organic growth. Consequently, turnover declined by 2% to DKK 88 million. Despite the economic environment, the operating margin was 7.3%.

MALAYSIA

Changes in legislation relating to recruitment of foreign employees have created a situation in which labour shortage has become a limiting factor for growth for ISS Malaysia. Still, ISS Malaysia secured organic growth of 7% through the development of new service offerings in office support and an expansion of the cleaning business to new geographical areas.

	2002	2001	2000
Turnover, DKKm	86	71	67
Organic growth	7%	2%	7%
Operating margin	10.1%	10.0%	9.2%
Employees, 31. Dec.	2,554	2,198	2,114

In Malaysia, no Business Builds have been carved out.

Turnover increased by 21% to DKK 86 million, after negative currency adjustments of 6% and acquisitive growth of 20% from the addition of the pest control business acquired as part of Eurogestion. The operating margin increased marginally to 10.1%.

INDONESIA

The uncertain economic and political situation in Indonesia continued in 2002. However, ISS Indonesia grew the business to a turnover of DKK 46 million after organic growth of 58%. This was the result of a dedicated sales effort as well as the positive impact from three new branches. The operating margin increased from 7.8% in 2001 to 8.5% after benefiting from the increased level of activity combined with tight cost control.

	2002	2001	2000
Turnover, DKKm	46	28	23
Organic growth	58%	44%	31%
Operating margin	8.5%	7.8%	7.1%
Employees, 31. Dec.	5,500	3,727	3,311

In Indonesia, no Business Builds have been carved out.

ARGENTINA

The depressed economic climate in Argentina continued in 2002 and social unrest combined with a significant devaluation of the currency made it difficult for ISS Argentina to conduct business. A comprehensive restructuring of the business was carried out and efforts were made to increase contract prices to reflect the increased cost level. However, this could not offset the effects of the unfavourable market conditions and ISS Argentina incurred a loss in 2002. The volatile situation is expected to continue in 2003.

	2002	2001	2000
Turnover, DKKm	22	64	33
Organic growth	(1%)	29%	–
Operating margin	(42.7%)	(4.3%)	7.8%
Employees, 31. Dec.	872	858	831

In Argentina, no Business Builds have been carved out.

BRUNEI

The economy in Brunei, which is dependent on the development in the price of oil and gas, developed favourably in 2002. This initiated more government spending and greater demand for property services. ISS Brunei improved the turnover to DKK 16 million in 2002. This represented an increase of 5% over 2001 as organic growth of 11% was partly offset by negative currency adjustments of 6%. Posting an operating margin of 23.9%, ISS Brunei returned to its historic levels after being lifted by a one-off income in 2001.

	2002	2001	2000
Turnover, DKKm	16	15	16
Organic growth	11%	(5%)	(9%)
Operating margin	23.9%	30.1%	22.2%
Employees, 31. Dec.	155	145	139

In Brunei, no Business Builds have been carved out.

SRI LANKA

In Sri Lanka, ISS experienced a year of growth in turnover and operating profit. Turnover increased by 10% to DKK 30 million, half of which, DKK 15 million, is consolidated in ISS' annual accounts. The growth enabled the company to maintain its leading position in Sri Lanka in cleaning and waste management. The operating margin increased to 7.6% from 6.9% in 2001.

	2002	2001	2000
Turnover, DKKm	15	14	13
Organic growth	24%	21%	20%
Operating margin	7.6%	6.9%	6.1%
Employees, 31. Dec.	3,794	3,382	3,130

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

Accounts

Charcoal, lead, gouache and linseed oil on paper are the components of the paintings created on the Danish island of Laesoe in 1989 by Christian Lemmerz (Karlsruhe, Germany 1959) and Sonny Tronborg (Copenhagen, Denmark 1953). The artists are internationally recognised, having exhibited in major art museums in different parts of the World. The paintings form part of the art collection at the ISS head office in Copenhagen, Denmark.

Signatures to the Accounts

COPENHAGEN, 13 MARCH 2003

The Board of Directors and the Executive Management Board have today discussed and approved the Annual Report 2002. The Annual Report has been prepared according to the Danish Financial Statements Act and the rules and regulations of the Copenhagen Stock Exchange, including Danish Accounting Standards.

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2002 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows of the Group for the financial year 1 January - 31 December 2002.

The Annual Report is presented for approval at the annual general meeting.

EXECUTIVE MANAGEMENT BOARD

Eric Søe Rylberg Group Chief Executive Officer	Thorbjørn Graarud Group Chief Operating Officer	Karsten Poulsen Group Chief Financial Officer	Flemming Schandorff Group Chief Operating Officer

BOARD OF DIRECTORS

Arne Madsen Chairman	Erik Sørensen Vice-Chairman	Sven Riskær	Peter Lorange
Tom Knutzen	Karina Deacon	Flemming Quist	Kirsten Belter

Auditors' Report

COPENHAGEN, 13 MARCH 2003

TO THE SHAREHOLDERS OF ISS A/S

We have audited the Annual Report 2002 of ISS A/S.

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

BASIS OF OPINION

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

Our audit has not resulted in any qualification.

OPINION

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2002 and of the results of the Group's and the Parent Company's operations and the consolidated cash flows of the Group for the financial year 1 January - 31 December 2002 in accordance with the Danish Financial Statements Act and Danish Accounting Standards.

KPMG C. Jespersen

Finn L. Meyer
State Authorized
Public Accountant

Søren Thorup Sørensen
State Authorized
Public Accountant

Deloitte & Touche
Statsautoriseret Revisionsaktieselskab

Bent Hansen
State Authorized
Public Accountant

Jesper Jørgensen
State Authorized
Public Accountant

Financial Review

The financial information provided in this report has been prepared in accordance with the same accounting principles as were applied in 2001 except for recognition of derivatives and measurement of Other securities and investments made pursuant to implementation of the Danish Financial Statements Act 2001 which took effect on 1 January 2002. Comparative figures are restated accordingly. The ISS accounting policies are set out on page 77-83 in this report.

PROFIT AND LOSS ACCOUNT

Turnover increased by 9% to DKK 37,984 million. The increase comprised organic growth of 1%, net growth from acquisitions of 8% and slightly negative currency adjustments. The currency adjustments were primarily attributable to developments of the Brazilian Real and currencies in Asia related to the US dollar. As a result of the contract portfolio review, a number of contracts that did not meet profitability requirements were terminated, primarily in Belgium, Denmark, France, Germany and the Netherlands. The contract trimming carried out in 2001 and in 2002 reduced organic growth by approximately 4% to 1% in 2002. Disregarding the five countries where extraordinary contract trimming has been a tool in profitability enhancement, aggregate organic growth for the rest of the Group was more than 6%.

Turnover growth

%	Organic	Acq. (net)	Currency	Total
Group	1	8	0	9
Business area				
Facility Services	1	9	(1)	9
Damage Control	12	18	2	32
Health Care	7	3	1	11
Food Services	(3)	0	0	(3)
Aviation	(3)	(14)	0	(17)
Region				
Northern Europe	5	7	1	13
Continental Europe	(3)	10	0	7
Overseas	2	10	(14)	(2)

Facility Services contributed 87% of turnover, while the Business Builds, including Innovation, contributed 13%. Organic growth in Facility Services was 1% as contract trimming had a significant impact on this part of the business. Damage Control saw double-digit organic growth and did acquisitions while divestments and the wind up of aviation and elderly care activities reduced overall Business Builds growth.

Geographically, turnover increased by 13% in Northern Europe and 7% in Continental Europe, while Overseas posted a 2% decline relative to last year due to currency adjustments. Ireland, Norway and Sweden reported the steepest growth rates, ranging from 24% to 26%.

Operating profit before other income and expenses was up by 23% to DKK 2,010 million, equivalent to an operating margin of 5.3%. This was an enhancement relative to 2001 when the operating margin was 4.7%.

Facility Services The operating margin in Facility Services increased from 5.2% to 5.9%, comprising 6.0% in Northern Europe and Continental Europe and 4.4% in Overseas.

Facility Services in Northern Europe enhanced its performance relative to last year due to progress by all country organisations in the region, bar Sweden. The operating margin in Sweden was, as expected, affected by lower margins in two companies, Ecuro and TraffiCare, which were both acquired in 2001. Facility Services in Finland maintained momentum, posting the highest operating margin of the Group's larger Facility Services organisations at 7.8%.

In Continental Europe, all large Facility Services organisations reported improved operating margins relative to 2001. Thus, the consolidated operating margin was lifted from 4.6%

to 6.0%. Throughout the region profitability was the focus area of the year. The best progress performance was seen in Belgium and the Netherlands where profitability enhancing measures caused operating margins to more than double.

The Overseas region was marked by difficult market conditions in some countries. Together with the impact of a restructuring process initiated in the fourth quarter in Brazil, which included non-recurring charges of approximately DKK 12 million, the operating margin decreased from 5.5% in 2001 to 4.4%.

Business Builds Damage Control and Food Services performed as expected, posting operating margins of 6.8% and 6.9%, respectively. Health Care enhanced its operating margin to 7.7%, but failed to meet expectations because of low profitability in the elderly care activities, which were divested in November 2002. Aviation reported a negative operating margin of 1.7%. Following the restructuring that took place during the course of the year, this Business Build has been discontinued.

ISS' service delivery, since services such as pest control and landscaping are less staff-intensive relative to turnover than other facility services. Similarly, more subcontractors are used in the Damage Control business relative to the facility services part of ISS.

Other income and expenses, net amounted to a net income of DKK 5 million. The gross amount of other income was DKK 138 million, of which DKK 106 million related to the gain on the sale of the shares in Sophus Berendsen, net of expenses. As the transaction was of a strategic nature and not a financial investment, ISS has included the gain in Other income and expenses, net. ISS believes that recognising this amount under Financial income and expenses, net, would not provide a true and fair view, as doing so would impact relevant ratios and key figures, such as interest coverage. Income of DKK 15 million relating to the restructuring of a PFI-project and a gain on sale of properties of DKK 17 million were also included.

Staff costs of DKK 25,705 million was an increase of 5% on last year. Relative to turnover, staff costs decreased from 69.9% to 67.7%. The opposite development was reflected in **Costs of goods sold** of DKK 2,825 million which was equal to 7.4% of turnover, an increase from 6.9% in 2001. Relative to turnover **Other operating expenses** of DKK 6,841 million increased from 16.9% to 18.0%. This reflected a change in

Operating results by business area [1]

	Turnover DKKm			Operating profit [2] DKKm			Operating margin	
	2002	2001	Change	2002	2001	Change	2002	2001
Facility Services	32,871	30,097	9%	1,933	1,576	23%	5.9%	5.2%
Damage Control	1,731	1,307	32%	118	104	13%	6.8%	8.0%
Health Care	1,288	1,156	11%	100	45	122%	7.7%	3.8%
Food Services	1,058	1,088	(3%)	73	68	7%	6.9%	6.3%
Aviation	856	1,030	(17%)	(15)	(8)	(88%)	(1.7%)	(0.9%)
Innovation	180	174	3%	9	19	(53%)	5.0%	10.9%
Corporate	–	–	–	(208)	(171)	(22%)	(0.5%)	(0.5%)
Group	**37,984**	**34,852**	**9%**	**2,010**	**1,633**	**23%**	**5.3%**	**4.7%**

[1] A reclassification between segments has been made compared with 2001. Comparative figures have been restated. Please refer to page 89 in this report for more details.
[2] Before other income and expenses.

Other expenses related primarily to losses on divestments and closures of activities and segments. The most significant item was the loss on the discontinuation of aviation businesses amounting to a total of DKK 75 million. This comprised losses relating to the sale of Nordic Aero and the airside activities in the UK as well as the closure of airside activities in the Netherlands. The loss on sale of the elderly care segment amounted to DKK 25 million. The majority of the remaining other expenses incurred in 2002 related to a downscaling project at head office amounting to DKK 13 million.

Income from associates reflected ISS' share of the results, primarily in the partly disposed elderly care and aviation businesses.

Net financial expenses increased to DKK 361 million from DKK 310 million in 2001, primarily because of higher interest-bearing debt in the beginning of the year due to acquisitions as well as the holding of the Sophus Berendsen shares. The gross amount of debt was mostly at floating interest rates, enabling the Group to take advantage of the falling interest rates in 2002. Interest income, which amounted to DKK 142 million against DKK 152 million in 2001, primarily reflected the return on listed, Danish mortgage bonds. The Group realised net exchange losses of DKK 1 million compared with a gain of DKK 15 million the year before. The interest coverage was 7.2 compared with 7.0 in 2001.

Tax on ordinary profit before goodwill amortisation was DKK 528 million, an increase of DKK 126 million over 2001. The effective tax rate was 32.1% against 30.9% in 2001. The increase was primarily attributable to two tax issues in France and Greece which arose in the fourth quarter of 2002.

Ordinary profit before goodwill amortisation was up by 24% to DKK 1,115 million.

Goodwill amortisation was DKK 890 million against DKK 695 million in 2001. Goodwill amortisation was impacted by a write-down of goodwill related to discontinued businesses of DKK 102 million.

Net profit was DKK 246 million against DKK 222 million in 2001.

Earnings per share (before goodwill amortisation) increased by 19% to DKK 25.8.

CASH FLOW STATEMENT

The **free cash flow** increased 64% to DKK 1,739 million from DKK 1,058 million in 2001. The **cash flow from operating activities** of DKK 2,264 million against DKK 1,510 million last year was negatively impacted by approximately DKK 60 million due to a change in the payment terms relating to withheld taxes (P.A.Y.E.) in Denmark. However, this was more than offset by a positive working capital development, including a decrease of two debtor days compared with 2001.

Cash conversion is an important element of the bonus schemes contained in the people model of **create2005**. In essence, cash conversion is a measure of each individual business areas' ability to convert profit into cash by focusing on working capital. In 2002, the Group ran a number of country-based projects in order to optimise the working capital with particular emphasis on outstanding debtors. The purpose was to create a faster and more effective process from the time the initial contact with the customer is established until the customer's payment is registered in the Group's bank account. This has improved internal paper-flows, the use of information technology and the procedure for following up on outstanding debtors. The projects will continue.

To provide the basis for the constant monitoring of the cash flow, ISS has also developed a cash flow forecast system. Each month, the operating companies report a forecast of their liquidity position for the coming month to Corporate Treasury. Forecasts are continuously held against actual cash flows. The aim is to reduce the reaction time, if the actual cash flow deviates from the forecast, and to stay abreast of the liquidity netting between companies.

In 2002, cash conversion was 167%. Thus, it became the fourth consecutive year with cash conversion above 100%.

Acquisition of businesses, net primarily included the acquisitions made in 2002 and secondarily deferred payments from acquisitions carried out in previous years. The most significant acquisition of the year was that of Eurogestion.

Investments in intangible and tangible assets, net (excluding goodwill) relative to turnover amounted to 1.4%, while depreciation amounted to 1.6%.

Proceeds from the issuance of share capital of DKK 569 million primarily related to the share issue in connection with the acquisition of Eurogestion. In addition, gross proceeds of DKK 53 million from the issuance of employee shares in the spring of 2002 are included.

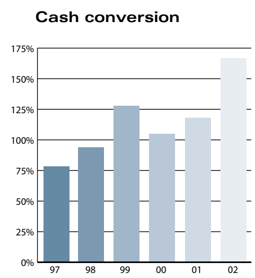
BALANCE SHEET

Total assets amounted to DKK 22,412 million as at 31 December 2002 compared with DKK 22,419 million at the end of 2001. **Goodwill** increased to DKK 12,669 million due to acquisitions. ISS carries out impairment tests of capitalised goodwill on a quarterly basis. The value is written down if the carrying value of goodwill exceeds the higher of estimated net selling price and estimated value in use. The impairment tests as at 31 December 2002 did not result in write-downs apart from what was related to discontinued activities as described above.

Investments in associates stood at DKK 35 million as at 31 December 2002, of which more than half related to the 49% stakes in CarePartner AB and Fernley Airport Services Ltd. They represent the minority positions ISS kept after the sale of the elderly care business and the airside aviation activities in the UK.

Other receivables include a contractual claim on the Group's former auditors, Arthur Andersen LLP, based on the settlement agreement described in the Annual Report 1997. The claim is the last instalment of the settlement. The instalment, which falls due for payment on 30 April 2003, was taken to income in 1998 at a discounted value of DKK 12 million (included in Other income and expenses, net). Neither Arthur Andersen LLP nor Arthur Andersen in Denmark, who may be co-liable for the claim, has initiated insolvency proceedings. Accordingly, no provision has been made.

Shareholders' equity increased by DKK 710 million to DKK 7,331 million at 31 December 2002, equivalent to 33% of total assets against 30% at the end of 2001. The increase was attributable to the retained profit for the year and the proceeds received from the two share



issues in the spring of 2002. Currency adjustments, relating to investments in foreign subsidiaries net of hedges, reduced equity by DKK 106 million as at 31 December 2002.

Total provisions amounted to DKK 1,097 million. Of this amount, DKK 216 million related to **Pensions and similar obligations.**

The majority of the Group's pension plans are defined contribution plans. Contributions to such plans are accrued and expensed.

In some countries, mainly in the Netherlands, Norway, Sweden and the UK, ISS has defined benefit plans. ISS uses the accounting principle known as the corridor approach in the recognition of actuarial gains and losses to ensure that random, positive as well as negative changes in the obligations are levelled out over a number of years. This implies that any actuarial gain or loss of each individual plan exceeding 10% of the higher of plan assets and plan liabilities at the beginning of the year is amortised on a straight line over the expected average remaining working lives of the employees in the schemes. ISS' time horizon in this respect is 10-15 years.

The net liability for the defined benefit plans amounted to DKK 189 million, an increase from DKK 82 million in 2001. DKK 96 million of the increase was attributable to a reclassification of provisions related to pension plans in France, Hong Kong, Italy, Japan, the UK and one scheme in Norway, previously included in Other pensions and obligations.

Pension costs related to defined benefit plans amounted to DKK 85 million in 2002, an increase over 2001 of DKK 1 million. Based on the current discount rates ranging between 2.5% and 6%, pension costs are expected to amount to approximately DKK 97 million in 2003. A change in the discount rate of half a percentage point is estimated to increase or decrease, as the case may be, the cost in 2003 to approximately DKK 112 million or approximately DKK 96 million, all other things being equal.

For a more detailed account of pension obligations, please refer to note 23 to the consolidated financial statements.

Other provisions were DKK 573 million as at 31 December 2002. Provisions associated with the integration of acquired companies amounted to DKK 77 million, a decrease of DKK 75 million over 2001. The remaining provisions comprise various costs incurred in the ordinary course of business, e.g. labour related costs, provisions for operational issues, contract closures etc.

Net interest-bearing debt was DKK 5,604 million against DKK 6,317 million in 2001.

Return on equity before tax amounted to 23.6%, an improvement over 2001 of 2.5 percentage points due to an increase in operating profit. Return on equity before tax is measured as ordinary profit before tax and goodwill amortisation relative to average total equity.

Return on operating capital employed before tax was 319%, up from 233% in 2001. As at 31 December 2002, the Group posted operating capital employed of DKK 420 million compared with DKK 870 million in 2001. Return on operating capital employed before tax is measured on the basis of operating profit as a percentage of average operating capital employed. Operating capital employed is derived from non-interest bearing assets less non-interest bearing provisions and non-interest-bearing current liabilities (excluding goodwill, associates and assets and liabilities related to deferred tax and corporation tax).

FUNDING

The primary aim of the Group's funding strategy is to ensure sufficient financial flexibility to support the strategy plan, **create2005**. Thus, ISS strives to secure access to various sources of financing and to have a sufficiently long commitment period on long-term borrowing facilities.

The Group's funding is primarily made through its core bank group, which comprises 12 international banks. The borrowing facilities are based on bilateral agreements with individual core banks using uniform standard documentation. The Group aims to renegotiate and extend the loan agreements on an annual basis in order to ensure sufficient borrowing power. At 31 December 2002, ISS had total long-term credit facilities of DKK 11.1 billion and had drawn DKK 5.5 billion. The comparative figures for 2001 were DKK 11.4 billion and DKK 5.7 billion, respectively. The commitment curve shows the committed borrowing facilities in place for the coming years. The average commitment period for the long-term facilities was 3.2 years.

Financing structure In January 2002, three 100%-owned regional holding companies (ISS Europe A/S, ISS Nordic A/S and ISS Overseas A/S) were merged into one company, ISS Global A/S, which owns – directly or indirectly – the Group's operating companies. The majority of the Group's external borrowing is centralised in ISS Global A/S, which functions as an intra-group bank for the operating companies.

To ensure that surplus liquidity and debt is netted on a country basis, country-based cash-pools with overdraft facilities are established in countries where the Group has more than one operating company. Countries place their liquidity surpluses on deposits with ISS Global A/S, which uses it to repay debt. Thus, excess liquidity is netted against loans and the external funding requirements are kept at a minimum.

Capital planning Capital planning aims at minimising the cost of capital subject to maintaining financial flexibility. To ensure the right mix of equity and debt in the intermediate term, ISS applies a number of financial planning tools based on five-year plans for the use and generation of capital under different growth scenarios.

The Group evaluates its credit-worthiness on an ongoing basis. In this assessment, the financial position is measured against the following key figures:

- Debt to book equity
- Net debt/EBITDA
- Interest coverage

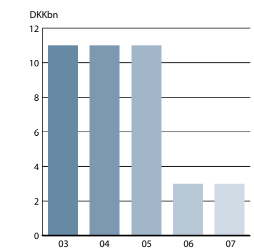
As at 31 December 2002, net debt to equity was 76% compared with 95% at the end of 2001. Interest coverage was 7.2%, up from 7.0% in 2001. Net debt relative to EBITDA was 214%.

Credit rating In April 2002, ISS A/S received a long-term credit rating of BBB+ with Stable Outlook from Standard & Poor's.

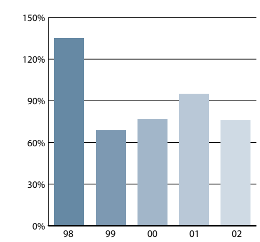
Financial risk management The Group's financial risk management is based on policies approved by the Board of Directors, specifying guidelines and risk limits for the Group's financial transactions. ISS uses derivatives to hedge financial risks and can invest free liquidity in securities. Hedging of financial risks are managed at corporate level.

Interest rate risk Duration reflects the effect of a simultaneous increase or decrease in the

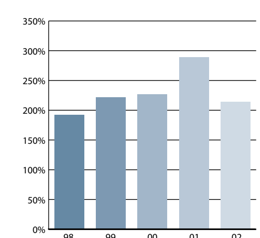
Commitment curve



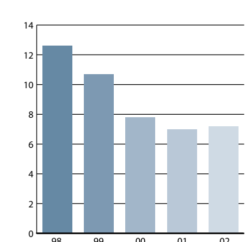
Debt to book equity



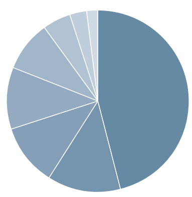
Net debt/EBITDA



Interest cover

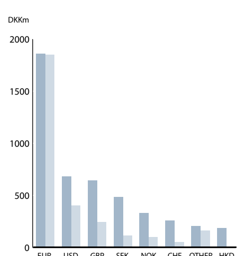


Turnover



EUR	46%
GBP	13%
DKK	11%
SEK	11%
NOK	9%
USD related	5%
CHF	3%
Central Europe	2%

Equity in foreign subsidiaries



Investment in foreign subsidiaries
Investment after hedge

general level of interest rates for the currencies included in the debt portfolio. As at 31 December 2002, the duration of net debt was approximately 0.1 year. Thus, all other things being equal, an increase (decrease) of one percentage point in the relevant interest rates would reduce (increase) the market value of net debt by approximately DKK 6 million.

The Group's loan portfolio primarily consists of loans with floating interest rates. To manage the duration on the net debt, ISS uses interest rate swaps, futures and options. ISS has hedged the interest rate on a part of the loan portfolio for 2003 by using interest rate options. The deferred gain or loss on the interest rate instruments will in accordance with the matching principle be charged as a financial item at the time the hedged interest expense is recognised in the profit and loss account. In addition to the deferred loss on interest rate futures as at 31 December 2002 of DKK 5 million, a gain of DKK 3 million realised in 2002 relating to fixing of interest rates for 2003 will be recognised in the profit and loss account for 2003. Please refer to note 25 to the consolidated financial statements for further information.

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

In practical terms the economic currency risk is somewhat limited for ISS, as all of ISS' competitors face a similar currency cost structure to that of ISS.

The service industry is characterised by a relatively low level of transaction risk, since the core product is produced and delivered in the same local currency without exposure from imported components. ISS' transaction risk primarily relates to payment of royalties to ISS A/S, which are made in local currency. Thus, a currency risk exists in relation to the exchange of these payments into DKK.

The main currency exposure relates to the risk involved in translating the profit and loss accounts of foreign subsidiaries into Danish kroner based on average exchange rates for the year and translating the investment in foreign subsidiaries into DKK based on year-end exchange rates.

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

In 2002, the currencies in which the Group's turnover was denominated depreciated by an average of 0.4% relative to Danish kroner, reducing the Group's turnover by DKK 136 million. Currency movements affected the operating profit by less than DKK 1 million. In 2002, the effect of the translation of investments in foreign subsidiaries, including the effect of hedge transactions, reduced equity by DKK 106 million.

Credit risk represents the accounting loss that would be recognised if counterparties failed to perform as contracted. Losses on bad debt relating to an individual customer or counterparty have historically been relatively low. To reduce exposure to credit risk, ongoing credit evaluations of the financial condition of the Group's counterparties are performed.

Accounting Policies

BASIS OF PREPARATION

The Annual Report has been prepared in accordance with the provisions of the Danish Financial Statements Act, Reporting Class D, and the guidelines of the Copenhagen Stock Exchange, including Danish Accounting Standards.

The accounting policies are consistent with last year, except for recognition of derivatives and measurement of Other securities and investments as described below.

Compared to previous years, the presentation of certain items in the balance sheet and note disclosures have been adjusted to reflect development in Danish and International accounting guidelines. Comparative figures have been restated accordingly.

Change in accounting policies As a consequence of the implementation of the Danish Financial Statements Act 2001, which entered into force on 1 January 2002, the accounting policies have been changed as follows:

Derivatives are measured at fair value and recognised in Prepayments and accrued income or Other payables and accrued expenses. Gains and losses stemming from derivatives hedging future transactions are recognised in equity until realisation of the hedged item. Before 1 January 2002, derivatives hedging future transactions were not recognised until realisation of the hedged item. The change in accounting policy has resulted in a decrease in equity of DKK 15m as of 31 December 2002 (31 December 2001: DKK 21m). The deferred tax liability has decreased by DKK 6m as of 31 December 2002 (31 December 2001: DKK 9m). The change in accounting policy has no effect on the profit and loss account or total assets. Comparative figures have been restated accordingly.

The measurement of Other securities and investments recognised as Financial assets has been changed from cost to fair value. The change in accounting policy has no effect on the consolidated financial statements or the financial statements of ISS A/S.

CONSOLIDATED FINANCIAL STATEMENTS

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

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

Minority interests’ proportionate share of profit and equity in subsidiaries is adjusted annually and recognised separately in the profit and loss account and balance sheet.

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

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

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

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

Any excess cost of acquisition over the fair value of net assets acquired is capitalised as goodwill and amortised in the profit and loss account over the expected useful economic life with a maximum of 20 years.

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

Where the fair value of acquired net assets subsequently proves to differ from the value computed at the date of acquisition, the initial recognised goodwill amount is adjusted to the end of the financial year following the year of acquisition. Changes in the purchase price after the acquisition as well as any reversal of restructuring provisions made at the date of acquisition are also accounted for as an adjustment to goodwill.

Any gains or losses on divestment or winding up of subsidiaries or associates are measured as the difference between the sales or winding up sum adjusted for directly related sales or winding up costs and the carrying amount of the net assets at the time of the disposal or winding up (including any unamortised goodwill). Any accumulated foreign exchange rate adjustments previously recognised in equity are included in the profit and loss account, under Financial income and expenses, net.

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

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

The profit and loss accounts of foreign subsidiaries are translated into Danish kroner using the average exchange rates prevailing during the year, whereas the balance sheet items are translated by applying the exchange rates ruling at the balance sheet date.

Goodwill arising on the acquisition of foreign subsidiaries/joint ventures is treated as an asset belonging to the foreign subsidiaries/joint ventures and translated into Danish kroner at the exchange rates ruling at the balance sheet date.

Realised and unrealised exchange gains and losses are included in the profit and loss account under Financial income and expenses, net except gains/losses arising from the translation of:

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

Realised and unrealised exchange gains and losses related to the translation of the above four groups of transactions are taken directly to equity. Any related tax impact is taken into account.

PROFIT AND LOSS ACCOUNT

Turnover Turnover comprises the value of services provided during the year less VAT and duties as well as price and quantity discounts.

Contract work in progress is recognised using the percentage-of-completion method based on the value of work completed at the balance sheet date.

Operating expenses **Staff costs** comprises salaries and wages, pension contributions, social security expenses and other employee-related expenses. **Cost of goods sold** comprises material consumption related to the annual turnover. **Other operating expenses** includes expenses related to the operation of service equipment and other fixed assets, external assistance as well as other selling, distribution and administrative expenses, including expenses related to marketing, transportation, rental, operating leases, subcontractors, audit, legal assistance, losses and loss provisions on accounts receivable etc.

Other income and expenses, net Other income and expenses, net comprises items which do not form part of the Group’s normal ordinary operations, including gains/losses and costs related to divestment or winding up of subsidiaries and associates.

Income from associates Income from associates comprises the share of profit on ordinary operations before tax in associates after proportionate elimination of intra-group profit and loss. The Group’s share of tax in associates is recognised under Tax on ordinary profit before goodwill amortisation in the profit and loss account.

Financial income and expenses, net Financial income and expenses, net comprises interest, realised and unrealised gains and losses regarding foreign currency, securities and certain derivatives. Furthermore, interest on certain insurance and pension provisions as well as commitment fees are included under financial expenses. Financial income and expenses for the year are included in the profit and loss account irrespective of payment dates.

Tax on ordinary profit Tax on profit for the year consists of income tax and changes in deferred tax. Deferred tax is recognised based on the balance sheet liability method and comprises all temporary differences between accounting and tax values of assets and liabilities. Where the tax base can be calculated using different tax regulations, deferred tax is measured based on the planned use of the asset or the unwinding of the liability, respectively.

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

The recognised income tax is allocated to Tax on ordinary profit before goodwill amortisation, Tax effect of goodwill amortisation and Equity, as applicable.

The Company is jointly taxed with a number of wholly owned Danish and foreign subsidiaries. The Danish income tax payable is allocated between the jointly taxed Danish companies based on their proportion of taxable income (full absorption including reimbursement of tax deficits). The jointly taxed companies are included in the Danish tax on account scheme. Additions, deductions and allowances are recognised under Financial income and expenses, net.

CASH FLOW STATEMENT

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

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

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

Cash flow from operating activities comprises cash flow from the year's operations adjusted for non-cash items and changes in working capital. Working capital consists of current assets less current liabilities excluding liquid funds, securities (highly liquid), bank loans and tax receivable/payable.

Cash flow from investing activities comprises cash flow from acquisition and divestment of businesses as well as purchase and sale of fixed assets.

Cash flow from financing activities comprises the proceeds from and the repayment of loans, dividends, proceeds from share issues, purchase and sale of own shares and dividends to minorities.

Cash and cash equivalents comprises cash and highly liquid securities, including listed

Danish mortgage bonds, which are included in the Group's current cash management.

BALANCE SHEET

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

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

Amortisation and depreciation is provided at rates to write off the cost less estimated residual value on a straight-line basis over the following periods:

Goodwill	maximum of 20 years
Software	maximum of 5 years
Buildings	20-40 years
Leasehold improvements	over the lease term
Vehicles, fixtures, service and IT equipment	3-10 years

Short-life assets and less valuable assets are charged to the profit and loss account in the year of acquisition. Gains and losses arising on the disposal or retirement of fixed assets are measured as the difference between the sales price less direct sales costs and the net carrying amount, and are recognised in the profit and loss account in the year of sale.

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

Financial assets Investments in subsidiaries and associates are measured in accordance with the equity method.

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

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

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

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

Contract work in progress Contract work in progress for the account of third parties is measured at the sales value of the proportion of work completed at the balance sheet date. The sales value is calculated based on the stage of completion and the total amount expected to be received for each individual contract. On account invoices related to the completed proportion of work to be performed are deducted from the recognised value, while on account invoices exceeding the completed proportion of work to be performed are recognised as Prepayments from customers under Current liabilities.

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

Own shares Proceeds related to the acquisition or disposal of own shares are taken directly to equity under Reserves. When calculating the Group's key figures, the number of shares is reduced by the number of own shares, which is a change compared to previous years. Comparative figures have been restated accordingly.

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

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

Employee retirement plans and similar obligations as well as contributions to defined contribution plans are recognised in the profit and loss account as incurred. Any difference between the charge to the profit and loss account and the contribution payable is included in the balance sheet under Other payables and accrued expenses.

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

Financial liabilities Debt to financial institutions etc. is initially measured at the value of the proceeds received less related transaction costs. Subsequently, financial liabilities are measured at amortised cost, equal to the capitalised value when applying a constant effective rate of interest, and the difference between the proceeds initially received and the nominal value is recognised in the profit and loss account over the loan period.

Lease commitments on finance leases are capitalised and recognised under financial liabilities.

Derivatives Derivatives are measured at fair value and recognised in Prepayments and accrued income or Other payables and accrued expenses.

Gains/losses are recognised as Financial income and expenses, net except for derivatives designated as hedges.

Changes in the fair value of derivatives hedging recognised assets and liabilities are recognised in the profit and loss account together with changes in the value of the hedged asset or hedged liability.

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

For derivatives which do not comply with the hedge accounting conditions changes in fair value are recognised in the profit and loss account on a regular basis.

Operating leases and rental agreements Operating lease costs and rental costs are recognised in the profit and loss account on a straight-line basis over the term of the lease. The obligation for the remaining rental or lease period is disclosed in the notes to the financial statements under Contingent liabilities.

Incentive schemes Proceeds from the disposal of own shares or issuing of shares in the Company in connection with the exercise of stock options or warrants are recognised in equity.

A more detailed description of the accounting treatment of incentive schemes is set out on page 23 in this report.

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

Consolidated Accounts

CONSOLIDATED PROFIT AND LOSS ACCOUNT

1 January – 31 December. Amounts in DKKm

Note		2002	2001	2000
1	**Turnover**	**37,984**	**34,852**	**28,719**
2	Staff costs	(25,705)	(24,365)	(20,457)
	Cost of goods sold	(2,825)	(2,422)	(1,670)
	Other operating expenses	(6,841)	(5,881)	(4,670)
11, 12	Depreciation and amortisation	(603)	(551)	(468)
1	**Operating profit before other income and expenses**	**2,010**	**1,633**	**1,454**
3	Other income and expenses, net	5	(24)	(3)
	Operating profit	**2,015**	**1,609**	**1,451**
13	Income from associates	(11)	1	0
4	Financial income and expenses, net	(361)	(310)	(244)
	Ordinary profit before tax and goodwill amortisation	**1,643**	**1,300**	**1,207**
5	Tax on ordinary profit before goodwill amortisation	(528)	(402)	(377)
	Ordinary profit before goodwill amortisation	**1,115**	**898**	**830**
6, 11	Goodwill amortisation	(890)	(695)	(614)
5	Tax effect of goodwill amortisation	39	39	18
19	Minority interests	(18)	(15)	(24)
	Net profit from ordinary activities	**246**	**227**	**210**
	Discontinued business, net of tax	–	(5)	-
	Net profit for the year	**246**	**222**	**210**
29	Earnings per share before goodwill amortisation (DKK)	25.8	21.6	21.1

CONSOLIDATED STATEMENT OF CASH FLOWS

1 January – 31 December. Amounts in DKKm

	2002	2001	2000	Note
Operating profit before other income and expenses	2,010	1,633	1,454	
Depreciation and amortisation	603	551	468	11, 12
Changes in working capital [1]	412	52	(125)	7
Changes in other provisions [1]	(98)	4	(10)	
Interest paid [1]	(333)	(328)	(225)	
Corporation tax paid [1]	(263)	(377)	(294)	5
Payments related to other income and expenses	(67)	(25)	(3)	
Cash flow from operating activities	**2,264**	**1,510**	**1,265**	
Acquisition of businesses, net	(1,898)	(3,098)	(3,003)	8
Divestment of businesses, net	16	13	(1)	8
Investments in intangible and tangible assets, net [1]	(525)	(452)	(391)	9
Investments in financial assets, net [1]	269	(180)	(21)	9
Cash flow from investing activities	**(2,138)**	**(3,717)**	**(3,416)**	
Financial payments, net [2]	(782)	2,131	916	
Proceeds from issuance of share capital [3]	569	789	1,042	
Purchase/disposal of own shares, net	(5)	–	12	
Minority interests	(5)	(15)	(16)	19
Cash flow from financing activities	**(223)**	**2,905**	**1,954**	
Total cash flow	**(97)**	**698**	**(197)**	
Cash and cash equivalents at beginning of year	1,023	324	515	
Total cash flow	(97)	698	(197)	
Foreign exchange adjustments	(35)	1	6	
Cash and cash equivalents at end of year	**891**	**1,023**	**324**	10

[1] Net of effects of acquisitions and divestments.
[2] Proceeds from bank debt less repayment of bank debt.
[3] Including shares issued as payment for the acquisitions of Klinos SA and Jydsk Rengøring a/s in 2000.

CONSOLIDATED BALANCE SHEET

At 31 December. Amounts in DKKm

Note	Assets	2002	2001	2000
	Goodwill	12,669	12,022	9,522
	Software and other intangible assets	194	108	57
11	**Total intangible assets**	**12,863**	**12,130**	**9,579**
	Land and buildings	168	162	200
	Vehicles, fixtures, service and IT equipment	1,341	1,501	1,162
12	**Total tangible assets**	**1,509**	**1,663**	**1,362**
13	Investments in associates	35	9	15
13, 22	Receivables from associates	25	–	–
13	Other securities and investments	45	233	34
13, 22	Other receivables	160	163	118
5, 14	Deferred tax assets	360	299	216
	Total financial assets	**625**	**704**	**383**
	Total fixed assets	**14,997**	**14,497**	**11,324**
15	Inventories	170	147	127
22	Accounts receivable	5,517	5,970	4,741
16	Contract work in progress	113	91	66
22	Other receivables	229	360	260
17	Prepayments and accrued income	389	330	322
5	Corporation tax	106	1	–
10, 22	Securities	618	643	–
10, 22	Liquid funds	273	380	324
	Total current assets	**7,415**	**7,922**	**5,840**
	Total assets	**22,412**	**22,419**	**17,164**

Equity and liabilities	2002	2001	2000	Note
Share capital	878	844	803	18
Share premium account	583	48	1,003	
Reserves	5,870	5,729	3,872	
Total equity	**7,331**	**6,621**	**5,678**	
Minority interests	**88**	**57**	**47**	19
Pensions and similar obligations	216	213	210	23
Deferred tax liabilities	308	206	122	5, 14
Other provisions	573	547	404	20
Total provisions	**1,097**	**966**	**736**	
Long-term debt	**5,642**	**5,853**	**3,809**	21, 22
Current portion of long-term debt	1	6	3	21, 22
Interest-bearing loans and borrowings	852	1,481	869	22
Prepayments from customers	104	60	53	
Trade creditors	1,290	1,328	883	22
Corporation tax	259	–	59	5
Tax withholdings, VAT etc.	1,977	2,110	1,851	
Accrued wages and holiday allowances	2,520	2,604	2,251	
Other payables and accrued expenses	1,251	1,333	925	
Total current liabilities	**8,254**	**8,922**	**6,894**	
Total long-term debt and current liabilities	**13,896**	**14,775**	**10,703**	
Total equity and liabilities	**22,412**	**22,419**	**17,164**	
Contingent liabilities				24
Derivatives				25
Related party transactions				26
Interests in joint ventures				27
Fees to Group auditors				28

CONSOLIDATED STATEMENT OF EQUITY

At 31 December. Amounts in DKKm

Note	Equity	Share capital	Share premium	Retained earnings	Own shares	Foreign exch. adj.	Total equity
	2000						
	Equity at 1 January 2000 before restatement	764	2,568	1,161	(78)	–	4,415
	Effect of changes in accounting policy	–	–	0	–	–	0
	Foreign exch. adj. of foreign subsidiaries etc. in the years 1997-1999	–	–	(44)	–	44	–
	Equity at 1 January 2000	764	2,568	1,117	(78)	44	4,415
	Transfer	–	(2,568)	2,568	–	–	–
	Foreign exch. adj. of foreign subsidiaries etc.	–	–	–	–	4	4
	Deferred gains/losses on hedging derivatives	–	–	(5)	–	–	(5)
18	Share issue	39	1,003	–	–	–	1,042
	Purchase/disposal of own shares, net	–	–	–	12	–	12
	Net profit for the year	–	–	210	–	–	210
	Equity at 31 December 2000	**803**	**1,003**	**3,890**	**(66)**	**48**	**5,678**
	2001						
	Equity at 1 January 2001 before restatement	803	1,003	3,895	(66)	48	5,683
	Effect of changes in accounting policy	–	–	(5)	–	–	(5)
	Equity at 1 January 2001	803	1,003	3,890	(66)	48	5,678
	Transfer	–	(1,703)	1,699	4	–	–
	Foreign exch. adj. of foreign subsidiaries etc.	–	–	–	–	(52)	(52)
	Deferred gains/losses on hedging derivatives	–	–	(16)	–	–	(16)
18	Share issue	34	700	–	–	–	734
18	Employee shares	7	48	–	–	–	55
	Net profit for the year	–	–	222	–	–	222
	Equity at 31 December 2001	**844**	**48**	**5,795**	**(62)**	**(4)**	**6,621**
	2002						
	Equity at 1 January 2002 before restatement	844	48	5,816	(62)	(4)	6,642
	Effect of changes in accounting policy	–	–	(21)	–	–	(21)
	Equity at 1 January 2002	844	48	5,795	(62)	(4)	6,621
	Foreign exch. adj. of foreign subsidiaries etc.	–	–	–	–	(106)	(106)
	Deferred gains/losses on hedging derivatives	–	–	6	–	–	6
18	Share issue	26	492	–	–	–	518
18	Employee shares	8	43	–	–	–	51
18	Purchase/disposal of own shares, net [1]	–	–	(39)	34	–	(5)
	Net profit for the year [2]	–	–	246	–	–	246
	Equity at 31 December 2002	**878**	**583**	**6,008**	**(28)**	**(110)**	**7,331**

[1] Including options settled.

[2] At 31 December 2002, retained earnings included DKK 88m in proposed dividends (2001: nil).

Amounts in DKKm

1. Segment information

The business segments of the Group reflect the operating model in **create2005** and consist of Facility Services and the Business Builds: Damage Control, Health Care, Food Services, Aviation and Innovation (Primary segment).

Compared with 2001, certain reclassifications between Facility Services and Business Builds have been made. ISS Data has been transferred from Facility Services to Innovation. Food Services in Belgium and the UK have been carved out from Facility Services to Food Services and conversely, the food hygiene operation in Germany has been transferred from Food Services to Facility Services. Furthermore, Damage Control in Belgium has been carved out from Facility Services to Damage Control. Comparative figures have been restated accordingly.

Effective 1 November 2002, 51% of the elderly care activities were divested, and the continuing Business Build was renamed Health Care. Elderly care was included in Health Care until the date of divestment.

From 1 January 2003, Aviation was discontinued as a separate Business Build following the discontinuation of airside activities.

For a further description of the winding up and divestment of airside and elderly care activities, please refer to pages 7-8 in this report.

The business segments are managed on an international basis, but operate in three principal geographical areas: Northern Europe, Continental Europe and Overseas (Secondary segment).

Business - Primary segment	Facility Services	Damage Control	Health Care	Food Services	Aviation	Inno-vation	Corporate functions	Group
2002								
Turnover	32,871	1,731	1,288	1,058	856	180	–	37,984
Operating profit [1]	1,933	118	100	73	(15)	9	(208)	2,010
Operating margin	5.9%	6.8%	7.7%	6.9%	(1.7%)	5.0%	–	5.3%
Total fixed assets [2]	13,010	701	787	246	126	57	70	14,997
Total assets	18,789	1,138	882	397	220	105	881	22,412
Total current liabilities [3]	7,338	272	101	162	78	63	240	8,254
Investments in intangible and tangible assets, net [4]	(381)	(57)	(29)	(25)	0	(3)	(30)	(525)
Depreciation and amortisation	472	54	20	15	19	8	15	603
Employees at year-end	238,322	2,416	679	5,375	1,492	141	64	248,489
2001								
Turnover	30,097	1,307	1,156	1,088	1,030	174	–	34,852
Operating profit [1]	1,576	104	45	68	(8)	19	(171)	1,633
Operating margin	5.2%	8.0%	3.8%	6.3%	(0.9%)	10.9%	–	4.7%
Total fixed assets [2]	11,948	718	906	307	340	56	222	14,497
Total assets	18,093	1,083	1,150	458	552	132	951	22,419
Total current liabilities [3]	7,789	230	263	168	183	72	217	8,922
Investments in intangible and tangible assets, net [4]	(164)	(71)	(37)	(91)	(43)	(10)	(36)	(452)
Depreciation and amortisation	435	42	21	15	20	7	11	551
Employees at year-end	245,156	2,143	4,796	4,303	3,196	145	74	259,813

[1] Before other income and expenses.
[2] Including deferred tax assets.
[3] Including short-term interest-bearing loans and borrowings.
[4] Net of effects of acquisitions and divestments.

Continues on page 90

1. Segment information (continued)

Geographical - Secondary segment	Northern Europe	Continental Europe	Overseas	Corporate functions	Group
2002					
Turnover	18,243	17,794	1,947	–	37,984
Operating profit [1]	1,109	1,024	85	(208)	2,010
Operating margin	6.1%	5.8%	4.4%	–	5.3%
Total fixed assets [2]	5,229	9,012	686	70	14,997
Total assets	7,535	12,928	1,068	881	22,412
Total current liabilities [3]	3,462	4,282	270	240	8,254
Investments in intangible and tangible assets, net [4]	(251)	(211)	(33)	(30)	(525)
Depreciation and amortisation	313	244	31	15	603
Employees at year-end	80,081	123,447	44,897	64	248,489
2001					
Turnover	16,204	16,656	1,992	–	34,852
Operating profit [1]	976	719	109	(171)	1,633
Operating margin	6.0%	4.3%	5.5%	–	4.7%
Total fixed assets [2]	5,248	8,497	530	222	14,497
Total assets	7,562	12,954	952	951	22,419
Total current liabilities [3]	4,261	4,159	285	217	8,922
Investments in intangible and tangible assets, net [4]	(201)	(179)	(36)	(36)	(452)
Depreciation and amortisation	282	224	34	11	551
Employees at year-end	83,295	132,594	43,850	74	259,813

[1] Before other income and expenses.
[2] Including deferred tax assets.
[3] Including short-term interest-bearing loans and borrowings.
[4] Net of effects of acquisitions and divestments.

2. Staff costs	2002	2001
Wages and salaries	(19,938)	(19,164)
Pensions and social charges etc.	(582)	(561)
Other costs	(5,185)	(4,640)
Staff costs	**(25,705)**	**(24,365)**

Remuneration to the Company's Board of Directors amounted to DKK 2.0m (DKK 2.2m in 2001). Salaries to the Company's Executive Management Board (EMB) amounted to DKK 27.0m (DKK 14.9m in 2001). Remuneration to the EMB and the Board of Directors is specified on page 17 in this report. Warrants and stock option schemes are described and specified on pages 21-24 in this report.

3. Other income and expenses, net	2002	2001
Gain on sale of Sophus Berendsen shares, net	106	–
Loss on discontinuation of aviation businesses	(75)	–
Loss on sale of the elderly care segment	(25)	(15)
Loss/gain on sale and closure of other businesses [1]	(10)	10
Divestments and closures, net [2]	**(4)**	**(5)**
Costs related to downscaling of head office	(13)	–
Concept development (washroom and pest control)	(6)	–
Gain on sale of properties	17	10
Gain on restructuring of PFI project	15	–
Integration costs	–	(16)
Non-recurring branding costs	–	(16)
Other, net	(4)	3
Miscellaneous, net	**9**	**(19)**
Other income and expenses, net	**5**	**(24)**

For a further description of the items included in Other income and expenses, net, please refer to the Financial Review on pages 71-72 in this report.

[1] In 2002, the loss is primarily related to the divestment of hotel and tourism business in France and Marintec in Belgium.
[2] Excluding goodwill write-down.

4. Financial income and expenses, net	2002	2001
Interest income etc.	142	152
Foreign currency exchange gain	11	22
Financial income	**153**	**174**
Interest expenses etc.	(495)	(473)
Interest on pension provisions	(7)	(4)
Foreign currency exchange loss	(12)	(7)
Financial expenses	**(514)**	**(484)**
Financial income and expenses, net	**(361)**	**(310)**

5. Tax

	2002			2001		
	Tax in the profit and loss account	Corporation tax payable/ (receivable)	Deferred tax/(asset)	Tax in the profit and loss account	Corporation tax payable/ (receivable)	Deferred tax/(asset)
Balance at 1 January before restatement	–	(1)	(84)	–	59	(91)
Effect of changes in accounting policy	–	–	(9)	–	–	(2)
Balance at 1 January	–	(1)	(93)	–	59	(93)
Foreign exchange adjustments	–	2	1	–	4	(2)
Additions from acquired companies, net	–	32	(42)	–	5	(76)
Adjustments relating to prior years	–	(53)	29	–	31	(65)
Tax on ordinary profit before goodwill amortisation	(528)	475	53	(402)	259	143
Tax effect of goodwill amortisation	39	(39)	–	39	(39)	–
	(489)	**416**	**(52)**	**(363)**	**319**	**(93)**
Paid relating to prior years	–	(1)	–	–	58	–
Paid on account for the year	–	264	–	–	262	–
Tax effect of acquisitions, net	–	0	–	–	57	–
	–	**263**	**–**	**–**	**377**	**–**
Tax effect of acquisitions, net	–	0	–	–	(57)	–
Paid in the year	**–**	**263**	**–**	**–**	**320**	**–**
Tax at 31 December	**(489)**	**153**	**(52)**	**(363)**	**(1)**	**(93)**
Corporation tax receivable/ deferred tax assets		(106)	(360)		(1)	(299)
Corporation tax payable/ deferred tax liabilities		259	308		–	206
Corporation tax, net/deferred tax, net		**153**	**(52)**		**(1)**	**(93)**

Computation of effective tax rate	2002	2001
Statutory corporation tax rate in Denmark	30.0%	30.0%
Non-tax deductible expenses less non-taxable income	1.9%	2.0%
Foreign tax rate differential	0.7%	(0.4%)
Effect of change in foreign tax rates	0.5%	0.0%
Other	(1.0%)	(0.7%)
Effective tax rate (excl. effect from goodwill amortisation)	**32.1%**	**30.9%**

6. Goodwill amortisation	2002	2001
Amortisation	(788)	(695)
Write-down	(102)	–
Goodwill amortisation	**(890)**	**(695)**

The goodwill write-down relates to the winding up and divestment of businesses.

7. Changes in working capital	2002	2001
Changes in inventories	4	11
Changes in debtors	670	130
Changes in creditors	(262)	(89)
Changes in working capital	**412**	**52**

8. Acquisition and divestment of businesses

As described on page 116 in this report, the Group made 31 acquisitions during 2002 (68 during 2001). The total purchase price amounted to DKK 1,724m (DKK 3,257m in 2001). The accumulated effect of the acquisitions amounts to approximately DKK 1,930m in annual turnover (DKK 4,384m in 2001).

	2002		2001	
	Acquisition	Divestment	Acquisition	Divestment
Fixed assets	(206)	71	(585)	7
Accounts receivable	(324)	161	(1,331)	21
Other current assets	(227)	100	(540)	11
Other provisions taken over from acquired companies' balance sheets	101	(1)	145	(7)
Pensions, deferred tax etc.	54	(5)	43	–
Long-term debt	24	(1)	129	–
Current liabilities [1]	416	(271)	1,933	(19)
Net identifiable assets	(162)	54	(206)	13
Goodwill on acquisitions	(1,626)	–	(3,228)	–
Loss on divestment of businesses	–	(17)	–	–
Acquisition and integration costs [2]	87	–	257	7
Deferred tax on acquisition and integration costs	(23)	–	(80)	–
(Purchase)/sales price [3]	**(1,724)**	**37**	**(3,257)**	**20**
Acquisition and integration costs paid in the year, net of tax	(160)	–	(311)	–
Payments deferred to next year	60	–	233	–
Payments relating to prior years	(176)	(6)	(94)	–
(Purchase)/sales price and acquisition costs paid	**(2,000)**	**31**	**(3,429)**	**20**
Liquidity in acquired/(divested) businesses	102	(15)	331	(7)
Cash flow from (acquisition)/divestment of businesses, net	**(1,898)**	**16**	**(3,098)**	**13**

[1] Including short-term interest-bearing loans and borrowings.
[2] The amount in 2002 of DKK 87m consisted of acquisition costs of approximately DKK 57m and integration costs of approximately DKK 30m. The costs mainly related to the acquisitions of Eurogestion (cross border), CSFM in the UK and E. Fritz in Switzerland.
[3] In order to respect the interests of the sellers/buyers, the purchase/sales price is not disclosed for each individual transaction.

9. Investments in fixed assets	2002	2001
Purchase of intangible and tangible assets	(667)	(656)
Proceeds on sale of intangible and tangible assets	142	204
Investments in intangible and tangible assets, net	**(525)**	**(452)**
Purchase of financial assets	(94)	(264)
Proceeds on sale of financial assets	363	84
Investments in financial assets, net	**269**	**(180)**

10. Cash and cash equivalents	2002	2001
Securities	618	643
Liquid funds	273	380
Cash and cash equivalents	**891**	**1,023**

Securities consist of listed Danish mortgage bonds. Liquid funds comprise bank and cash balances.

11. Intangible assets	Goodwill	Software and other intangible assets	Total
Cost at 1 January 2002	14,695	171	14,866
Foreign exchange adjustments	(104)	4	(100)
Additions	1,630	88	1,718
Additions from acquired companies, net	(23)	7	(16)
Disposals	(80)	(14)	(94)
Transfer from Tangible assets	–	100	100
Cost at 31 December 2002	**16,118**	**356**	**16,474**
Amortisation at 1 January 2002	(2,673)	(63)	(2,736)
Foreign exchange adjustments	27	(1)	26
Amortisation	(890)	(50)	(940)
Amortisation from acquired companies, net	7	1	8
Disposals	80	14	94
Transfer from Tangible assets	–	(63)	(63)
Amortisation at 31 December 2002	**(3,449)**	**(162)**	**(3,611)**
Carrying amount at 31 December 2002	**12,669**	**194**	**12,863**
Carrying amount at 31 December 2001	**12,022**	**108**	**12,130**

12. Tangible assets	Land and buildings	Vehicles, fixtures, service and IT equipment	Total
Cost at 1 January 2002	225	4,312	4,537
Foreign exchange adjustments	(3)	(36)	(39)
Additions	23	556	579
Additions from acquired companies, net	25	103	128
Disposals	(26)	(765)	(791)
Transfer to Intangible assets and Prepayments and accrued income [1]	(15)	(139)	(154)
Cost at 31 December 2002	**229**	**4,031**	**4,260**
Depreciation at 1 January 2002	(63)	(2,811)	(2,874)
Foreign exchange adjustments	2	31	33
Depreciation	(7)	(546)	(553)
Depreciation from acquired companies, net	(11)	(55)	(66)
Disposals	8	638	646
Transfer to Intangible assets	10	53	63
Depreciation at 31 December 2002	**(61)**	**(2,690)**	**(2,751)**
Carrying amount at 31 December 2002	**168**	**1,341**	**1,509**
Carrying amount at 31 December 2001	**162**	**1,501**	**1,663**

Land and buildings with a carrying amount of DKK 50m (DKK 39m in 2001) have been provided as collateral for mortgage debt of DKK 9m (DKK 11m in 2001). Service equipment with a carrying amount of DKK 13m (DKK 22m in 2001) has been provided as collateral for interest-bearing loans and borrowings of DKK 20m (DKK 71m in 2001). The Group has some service equipment under finance lease agreements. The carrying amount of service equipment under finance leases was DKK 32m (DKK 30m in 2001). The carrying amount and the official rateable value for land and buildings in Denmark amounted to DKK 7m (DKK 7m in 2001).

[1] DKK 100m has been transferred to Intangible assets and DKK 54m to Prepayments and accrued income.

13. Financial assets	Investments in associates	Receivables from associates	Other securities and investments	Other receivables
Cost at 1 January 2002	19	–	234	163
Foreign exchange adjustments	0	–	(1)	(3)
Additions	37 [1]	25 [2]	7	59
Additions from acquired companies, net	–	–	–	5
Disposals	(10)	–	(194)	(64)
Cost at 31 December 2002	**46**	**25**	**46**	**160**
Revaluation at 1 January 2002	(10)	–	(1)	–
Foreign exchange adjustments	0	–	–	–
Net profit for the year	(9)	–	–	–
Disposals	8	–	–	–
Revaluation at 31 December 2002	**(11)**	**–**	**(1)**	**–**
Carrying amount at 31 December 2002	**35**	**25**	**45**	**160**
Carrying amount at 31 December 2001	**9**	**–**	**233**	**163**

Investments in associates are listed on pages 120-121 in this report.

[1] Of which DKK 34m related to investments in enterprises no longer regarded as subsidiaries due to the fact that in 2002 the Group reduced its ownership to a level where it exercises a significant, but not a controlling influence (primarily ISS CarePartner AB and Fernley Airport Services Ltd.).
[2] Loan to Fernley Airport Services Ltd.

14. Deferred tax	2002	2001
Tax loss carried forward, net	407	205
Provisions	206	164
Set-off within legal tax units and jurisdictions	(253)	(70)
Deferred tax assets	**360**	**299**
Goodwill	308	103
Fixed assets	99	105
Other	154	68
Set-off within legal tax units and jurisdictions	(253)	(70)
Deferred tax liabilities	**308**	**206**

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

15. Inventories	2002	2001
Raw materials and supplies	84	74
Work in progress	2	–
Finished goods	84	73
Inventories	**170**	**147**

16. Contract work in progress	2002	2001
Contract expenses	165	127
Recognised profits	33	14
Contract work in progress, gross	**198**	**141**
Advances and prepayments from third parties	(85)	(50)
Contract work in progress, net	**113**	**91**

17. Prepayments and accrued income

Prepayments and accrued income primarily consists of prepaid costs and accrued interests.

18. Share capital	2002	2001	2000	1999	1998
Share capital (in DKKm)					
Share capital at 1 January	844	803	764	595	595
Share issues	26	34	39	160	–
Employee shares	8	7	–	9	–
Share capital at 31 December	**878**	**844**	**803**	**764**	**595**
Share capital (in thousands of shares)					
Number of shares at 1 January	42,217	40,167	38,214	29,764	29,764
Issued during the year	1,711	2,050	1,953	8,450	–
Number of shares at 31 December - fully paid	**43,928**	**42,217**	**40,167**	**38,214**	**29,764**

In April 2002, the Company issued 1,314,500 new shares in a directed share issue and in June 2002, 396,492 new shares were issued in an employee share programme. The total costs of the share issues amounted to DKK 19m and comprise fees to banks, lawyers and auditors. The costs have been charged to the Share premium account.

Own shares	Number of shares (thousands)	Nominel value DKKm	Purchase price DKKm	% of share capital
Own shares at 1 January 2002	150	3	62	0.4%
Additions	156	3	28	0.4%
Disposals [1]	(150)	(3)	(62)	(0.4%)
Own shares at 31 December 2002	**156**	**3**	**28**	**0.4%**

The carrying amount of own shares was DKK 0m (DKK 0m in 2001) in accordance with the Group's accounting policy for own shares. The market value of own shares at 31 December 2002 amounted to DKK 40m (DKK 61m in 2001). At 31 December 2002, all own shares were held by wholly owned subsidiaries. As part of managing the capital structure, the Group purchased and sold a minor number of own shares during the year.

[1] Including options settled.

19. Minority interests	2002	2001
Minority interests at 1 January	57	47
Foreign exchange adjustments of foreign subsidiaries etc.	1	1
Additions from acquired companies, net	17	9
Dividends paid	(5)	(15)
Net profit for the year	18	15
Minority interests at 31 December	**88**	**57**

20. Other provisions	Labour-related costs	Self-insurance	Integration costs	Other	Total
Carrying amount at 1 January 2002	35	16	152	344	547
Foreign exchange adjustments	(5)	(1)	(1)	–	(7)
Transfer	39	–	–	(39)	–
Additions from acquired companies, net	1	–	–	98	99
Provisions included in goodwill during the year	–	–	112	–	112
Provisions made during the year	11	18	–	64	93
Provisions used during the year	(20)	(5)	(160)	(114)	(299)
Provisions not used and reversed against profit and loss	–	–	–	(34)	(34)
Provisions not used and reversed against goodwill	–	–	(26)	(1)	(27)
Transfer from Other payables and accrued expenses and Pensions and similar obligations [1]	6	–	–	83	89
Carrying amount at 31 December 2002	**67**	**28**	**77**	**401**	**573**
Current	43	6	70	174	293
Non-current	24	22	7	227	280
	67	**28**	**77**	**401**	**573**

Provisions are not discounted, because the effect of time value of money is not material.

Labour-related costs: The provision mainly relates to labour-related costs in Belgium, Brazil, France, the Netherlands and Spain.

Self-insurance: In the UK, ISS carries an insurance provision excess on employers. ISS UK is self-insured up to GBP 2.5m for employers liability.

Integration costs: The provision primarily includes costs arising as a direct consequence of acquisitions, mainly relating to transaction costs, severance payments and termination of property leases.

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

[1] DKK 58m has been transferred from Other payables and accrued expenses and DKK 31m from Pensions and similar obligations.

21. Long-term debt	Maturity	Next interest fixing date	Carrying amount 2002	Carrying amount 2001
Facilities [1]				
DKK 6,682m	2005	17.01.03	4,423	2,866
DKK 1,114m	2005	20.02.03	520	446
DKK 557m	2005	18.03.03	445	297
DKK 2,784m	2008	17.01.03	155	1,238
DKK 1,064m [2]	–	–	–	863
Revolving loan facilities [3]			**5,543**	**5,710**
Mortgage loans			9	11
Other bank loans			54	107
Obligations under finance leases			37	31
Current portion of long-term debt			(1)	(6)
Total long-term debt			**5,642**	**5,853**

Continues on page 99

21. Long-term debt (continued)

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

	2002	2001
EUR	90%	80%
USD related	4%	2%
SEK	3%	6%
DKK	2%	5%
NOK	0%	6%
Others	1%	1%
	100%	**100%**

The Group has no subordinated debt and no debt convertible into equity. It is the Group's treasury policy that the individual subsidiaries obtain their own funding. This is primarily undertaken in local currencies.

[1] Loan facilities are denominated in several currencies and translated using year-end exchange rates to Danish kroner.
[2] Facility cancelled in 2002.
[3] All revolving loan facilities carry floating interest rates.

22. Financial assets and liabilities

Repayment periods and effective interest rates applying to the Group's financial assets and liabilities are stated below:

	Repayment period				Effective interest rate [1]
	0-1 year	1-5 years	More than 5 years	Total	
Receivables from associates	–	25	–	25	–
Other receivables [2]	–	142	18	160	–
Accounts receivable	5,517	–	–	5,517	–
Other receivables (current)	229	–	–	229	–
Securities	20	208	390	618	4.80%
Liquid funds	273	–	–	273	3.26%
Long-term debt [3]	(1)	(5,484)	(158)	(5,643)	3.53%
Interest-bearing loans and borrowings	(852)	–	–	(852)	4.18%
Trade creditors	(1,290)	–	–	(1,290)	–

[1] Weighted average.
[2] Consists of various receivables, e.g. deposits and financial leasing (lessor).
[3] Including current portion of long-term debt.

23. Pensions and similar obligations

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

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

The 2001 information relating to defined benefit plans include the Netherlands, Norway and Sweden. In the 2002 figures, provisions related to defined benefit plans in France, Hong Kong, Italy, Japan, the UK and one scheme in Norway have been reclassified from Other pensions and obligations to Net liability for defined benefit plans.

Continues on page 100

23. Pensions and similar obligations (continued)

For a further discussion of pensions and similar obligations, please refer to page 74 in this report.

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

	2002	2001
Discount rate at 31 December [1]	2.5-6.0%	5.8-6.0%
Expected return on plan assets	5.5-7.0%	5.7-7.0%
Social security rate	2.0-2.8%	2.0%
Future salary increase	2.5-3.5%	2.5-3.5%
Future pension increase	1.6-2.5%	1.6-2.0%

The amounts recognised in the consolidated profit and loss account for defined benefit plans are as follows:

	2002	2001
Current service costs	80	40
Interest on obligation	79	49
Expected return on plan assets	(77)	(50)
Recognised transition, past service and actuarial losses/(gains), net	3	(1)
Recognised in the profit and loss account	**85** [2]	**38**

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

	2002	2001
Present value of funded obligations	1,294	711
Fair value of plan assets	(1,147)	(730)
Funded obligations, net	147	(19)
Present value of unfunded obligations	245	126
Unrecognised actuarial losses	(198) [3]	(11)
Unrecognised transition losses	(6)	(15)
Unrecognised past service income	1	1
Net liability for defined benefit plans at 31 December	**189**	**82**

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

	2002	2001
Net liability at 1 January before reclassification	82	85
Reclassification from Other pensions and obligations	96	–
Net liability at 1 January	178	85
Foreign exchange adjustments	(2)	–
Additions from acquired companies, net	31	–
Net expenses recognised	85 [2]	38
Contributions	(103) [4]	(46)
Changes in similar pensions and obligations	–	5
Net liability for defined benefit plans at 31 December	**189**	**82**
Other pensions and obligations	27 [5]	131
Pensions and similar obligations at 31 December	**216**	**213**

[1] Based on high quality corporate bonds.
[2] Of which DKK 46m relates to the above-mentioned defined benefit plans, which have been reclassified in 2002.
[3] Of which DKK 21m relates to the above-mentioned defined benefit plans, which have been reclassified in 2002.
[4] Of which DKK 49m relates to the above-mentioned defined benefit plans, which have been reclassified in 2002.
[5] DKK 96m has been reclassified to Net liability for defined benefit plans in 2002.

24. Contingent liabilities

Operating leases and rental agreements

Operating leases consist of leases of properties, vehicles (primarily cars) and other equipment. The total expense under operating leases in the profit and loss account amounted to DKK 1,121m (DKK 768m in 2001). The future minimum lease payments (assuming the current car fleet etc. is maintained) under operating leases and rent obligations at 31 December 2002 are as follows:

2003	2004	2005	2006	2007	After 2007	Total lease payment
791	544	351	236	173	301	2,396

DKK 51m of the total future lease payment relates to sub-leasing of properties and cars to associates (CarePartner and Fernley Airport Services).

Guarantee commitments

Indemnity and guarantee commitments at 31 December 2002 amounted to DKK 62m (DKK 37m in 2001), of which DKK 33m related to associates (CarePartner).

Stock options

As described on pages 21-24 in this report, the Company has implemented stock option based incentive schemes for members of the Group's Board of Directors and Executive Management Board. As at 31 December 2002, the total outstanding obligation related to these schemes amounted to DKK 0m (DKK 2.6m in 2001) based on the share price at year-end.

Performance guarantees

The Group has issued performance guarantee bonds for service contracts with an annual turnover of DKK 524m (DKK 262m in 2001) of which DKK 394m (DKK 180m in 2001) are bank-guaranteed performance bonds. Such performance bonds are issued in the ordinary course of business in the service industry. These performance bonds included DKK 5m related to associates (CarePartner). The Group has not paid any compensation under such performance bonds in recent years.

Divestments

In the accounts, ISS makes provisions for claims from purchasers or other parties in connection with divestments. Management believes that provisions made at 31 December 2002 are adequate. However, there can be no assurance that one or more major claims arising out of the Group's divestment of companies will not adversely affect the Group's activities, results of operations and financial position.

Legal proceedings

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

The Dutch Competition Authority alleges that it was illegal and constituted a punishable offence that the Dutch Association for Cleaning and Business Services during 1998-2001 furnished its members with a calculation model for cost effects of, in particular, collective wage increases negotiated by the association. Charges have now been raised against the association and some of its largest members, including two ISS subsidiaries, which at their discretion used the information provided by the association. ISS believes that the case against the individual members is not likely to result in penal sanctions.

Other contingent liabilities

Information on the accounting irregularities in ISS Inc., which emerged in 1996 and led to the divestment of the subsidiary, has been reported to the US authorities. No claims have been made and no future claims are expected to arise in relation to this matter.

In the Annual Report 2001 it was mentioned that ISS Brazil in the first half of 2000 received an enquiry from the local authorities on corporate tax issues for the fiscal year 1989-90. ISS has a number of counterclaims and the matter has been investigated by the ISS Brazil management, by KPMG Brazil and by local lawyers. The conclusions from the risk evaluation are that ISS has strong arguments of defence. External Brazilian lawyers are still investigating the legal issues.

25. Derivatives

Financial instruments used to hedge the foreign exchange risk and the interest rate risk including their contractual values and the unrealised gains and losses are specified below:

Financial instruments	Contractual values	Unrealised gains/(losses) on revaluation to fair value	Included in the profit and loss account for 2002	Taken directly to equity on 31 December 2002	Maturity
Forward foreign currency, purchases:					
USD related	35	–	–	–	2003
HKD	73	(1)	(1)	–	2003
GBP	57	–	–	–	2003
SGD	45	–	–	–	2003
EUR	223	–	–	–	2003
NOK	101	–	–	–	2003
Others	21	–	–	–	2003
	555	**(1)**	**(1)**	**–**	
Forward foreign currency, sales:					
USD related	71	1	–	1	2003
HKD	180	9	–	9	2003
GBP	944	6	2	4	2003
CHF	358	–	–	–	2003
EUR	3,083	1	1	–	2003
NOK	268	–	–	–	2003
SEK	1,159	8	5	3	2003
Others	48	1	–	1	2003
	6,111	**26**	**8**	**18**	
Interest rate instruments:					
Interest rate swaps (EUR) [1]	297	(20)	–	(20)	2005
Interest rate options (EUR) [1]	5,011	3	2	1	2003
Interest rate futures (EUR) [1]	(904)	(5)	–	(5)	2003
		(22)	**2**	**(24)**	
Total financial instruments		**3**	**9**	**(6)**	

Hedging of net investments in foreign subsidiaries	Net investments in foreign subsidiaries in DKKm	Hedging in DKKm	Net investments with translation risk in DKKm	Net investments with translation risk in local currency
USD related	679	(277)	402	57
HKD	186	(179)	7	8
GBP	642	(399)	243	21
CHF	256	(207)	49	10
EUR	1,857	(9)	1,848	249
NOK	328	(231)	97	95
SEK	479	(368)	111	137
Others	206	(48)	158	–
	4,633	**(1,718)**	**2,915**	

For a description of foreign exchange risk, credit risk and interest rate risk, please refer to pages 75-76 in this report.

[1] Value measured with one year duration.

26. Related party transactions

Apart from normal trade, there have been no significant transactions with related parties during the year, including major shareholders, members of the Executive Management Board or the Board of Directors.

27. Interests in joint ventures

The Group has interests in six joint ventures (five in 2001), which are specified on pages 120-121 in this report. The Group's interests in the six joint ventures' net profit for the year and the balance sheet items are included in the Group's consolidated profit and loss account and balance sheet with the following amounts:

	2002	2001
Turnover	428	388
Operating profit before other income and expenses	23	21
Ordinary profit before goodwill amortisation	16	12
Net profit for the year	15	11
Intangible assets	13	17
Tangible assets	21	19
Financial assets	1	2
Deferred tax assets	4	–
Current assets	143	142
Total assets	**182**	**180**
Equity	93	90
Non-current liabilities	26	32
Current liabilities	63	58
Total equity and liabilities	**182**	**180**

28. Fees to Group auditors	2002	2001
Audit fees:		
KPMG	28	26
Deloitte & Touche	1	1
	29	**27**
Fees, other than audit fees:		
KPMG	15	26
Deloitte & Touche	0	0
	15	**26**

Audit fees comprise audit of the Consolidated Financial Statements and local statutory audit.

Fees, other than audit fees primarily include assistance in relation to acquisitions and divestments, tax advisory services and other advisory services.

29. Earnings per share	2002	2001
Ordinary profit before goodwill amortisation	**1,115**	**898**
Weighted average number of shares:		
Number of shares at 1 January	42,217,075	40,166,825
Own shares, average	(151,419)	(150,000)
Share issue, average	985,875	1,278,409
Share issue to employees, average	231,287	201,661
Weighted average number of shares	**43,282,818**	**41,496,895**
Basic earnings per share, DKK	**25.8**	**21.6**

Diluted earnings per share

Based on the present share price the diluted earnings per share is identical to basic earnings per share. At the existing hedging by own shares the maximum potential dilution from warrants/options as at 31 December 2002 amounted to 3.5% (2.8% in 2001). The theoretical value dilution from warrants/options as at 31 December 2002 amounted to approximately 0.3% (0.3% in 2001) of the market capitalisation (please refer to page 24 in this report for further details).

Parent Company Accounts

PROFIT AND LOSS ACCOUNT OF THE PARENT COMPANY

1 January – 31 December. Amounts in DKKm

	2002	2001	2000	Note
Revenue, net	**529**	**472**	**356**	1
Staff costs	(108)	(92)	(75)	2
Other operating expenses	(56)	(66)	(71)	
Depreciation and amortisation	(14)	(11)	(7)	6, 7
Operating profit before other income and expenses	**351**	**303**	**203**	
Other income and expenses, net	80	4	(12)	3
Operating profit	**431**	**307**	**191**	
Income from subsidiaries	233	201	330	
Financial income and expenses, net	71	77	48	4
Ordinary profit before tax	**735**	**585**	**569**	
Tax on ordinary profit	(489)	(363)	(359)	5
Net profit for the year	**246**	**222**	**210**	
Proposed appropriation of net profit:				
Dividends	88	–	–	
Retained earnings	158	222	210	
	246	**222**	**210**	

BALANCE SHEET OF THE PARENT COMPANY

At 31 December. Amounts in DKKm

Note	**Assets**	2002	2001	2000
6	Software	50	34	10
	Total intangible assets	**50**	**34**	**10**
7	Fixtures, IT equipment etc.	17	15	14
	Total tangible assets	**17**	**15**	**14**
8	Investments in subsidiaries	5,997	5,729	4,696
8	Other securities and receivables	3	172	1
	Deferred tax assets	–	–	2
	Total financial assets	**6,000**	**5,901**	**4,699**
	Total fixed assets	**6,067**	**5,950**	**4,723**
	Receivables from subsidiaries	970	171	1,030
	Other receivables	30	40	32
	Corporation tax	–	–	19
	Securities	596	643	–
	Liquid funds	2	35	0
	Total current assets	**1,598**	**889**	**1,081**
	Total assets	**7,665**	**6,839**	**5,804**

Equity and liabilities	2002	2001	2000	Note
Share capital	878	844	803	9
Share premium account	583	48	1,003	
Reserves	5,870	5,729	3,872	
Total equity	**7,331**	**6,621**	**5,678**	
Deferred tax liabilities	128	36	–	5
Provisions	2	3	10	10
Total provisions	**130**	**39**	**10**	
Trade creditors and accrued expenses	90	86	104	
Amounts owed to subsidiaries	1	2	12	
Corporation tax	113	91	–	5
Total current liabilities	**204**	**179**	**116**	
Total equity and liabilities	**7,665**	**6,839**	**5,804**	
Contingent liabilities				11
Derivatives				12
Fees to Company auditors				13

STATEMENT OF EQUITY OF THE PARENT COMPANY

At 31 December. Amounts in DKKm

Note	Equity	Share capital	Share premium	Retained earnings	Own shares	Foreign exch. adj.	Total equity
	2000						
	Equity at 1 January 2000 before restatement	764	2,568	1,161	(78)	–	4,415
	Effect of changes in accounting policy	–	–	0	–	–	0
	Foreign exch. adj. of foreign subsidiaries etc. in the years 1997-1999	–	–	(44)	–	44	–
	Equity at 1 January 2000	764	2,568	1,117	(78)	44	4,415
	Transfer	–	(2,568)	2,568	–	–	–
	Foreign exch. adj. of foreign subsidiaries etc.	–	–	–	–	4	4
	Deferred gains/losses on hedging derivatives	–	–	(5)	–	–	(5)
	Share issue	39	1,003	–	–	–	1,042
	Purchase/disposal of own shares, net	–	–	–	12	–	12
	Net profit for the year	–	–	210	–	–	210
	Equity at 31 December 2000	**803**	**1,003**	**3,890**	**(66)**	**48**	**5,678**
	2001						
	Equity at 1 January 2001 before restatement	803	1,003	3,895	(66)	48	5,683
	Effect of changes in accounting policy	–	–	(5)	–	–	(5)
	Equity at 1 January 2001	803	1,003	3,890	(66)	48	5,678
	Transfer	–	(1,703)	1,699	4	–	–
	Foreign exch. adj. of foreign subsidiaries etc.	–	–	–	–	(52)	(52)
	Deferred gains/losses on hedging derivatives	–	–	(16)	–	–	(16)
	Share issue	34	700	–	–	–	734
	Employee shares	7	48	–	–	–	55
	Net profit for the year	–	–	222	–	–	222
	Equity at 31 December 2001	**844**	**48**	**5,795**	**(62)**	**(4)**	**6,621**
	2002						
	Equity at 1 January 2002 before restatement	844	48	5,816	(62)	(4)	6,642
	Effect of changes in accounting policy	–	–	(21)	–	–	(21)
	Equity at 1 January 2002	844	48	5,795	(62)	(4)	6,621
	Foreign exch. adj. of foreign subsidiaries etc.	–	–	–	–	(106)	(106)
	Deferred gains/losses on hedging derivatives	–	–	6	–	–	6
9	Share issue	26	492	–	–	–	518
9	Employee shares	8	43	–	–	–	51
	Purchase/disposal of own shares, net [1]	–	–	(67)	62	–	(5)
	Net profit for the year	–	–	158	–	–	158
	Proposed dividends	–	–	88	–	–	88
	Equity at 31 December 2002	**878**	**583**	**5,980**	**–**	**(110)**	**7,331**

[1] Including options settled.

Amounts in DKKm

1. Revenue, net	2002	2001
Revenue from subsidiaries	530	479
Paid to subsidiaries	(1)	(7)
Revenue, net	**529**	**472**

2. Staff costs	2002	2001
Wages and salaries	(106)	(85)
Pensions	(2)	(7)
Other costs	(0)	(0)
Staff costs	**(108)**	**(92)**
Average number of employees	71	70

Remuneration to the Company's Board of Directors amounted to DKK 2.0m (DKK 2.2m in 2001). Salaries to the Company's Executive Management Board (EMB) amounted to DKK 27.0m (DKK 14.9m in 2001).

3. Other income and expenses, net	2002	2001
Gain on sale of Sophus Berendsen shares, net	106	–
Costs related to downscaling of head office	(13)	–
Concept development (washroom and pest control)	(6)	–
Other, net	(7)	4
Other income and expenses, net	**80**	**4**

4. Financial income and expenses, net	2002	2001
Interest income on loans to subsidiaries	1	1
Other interest income	73	79
Financial income	**74**	**80**
Financial expenses	(3)	(3)
Financial expenses	**(3)**	**(3)**
Financial income and expenses, net	**71**	**77**

5. Tax	2002			2001		
	Tax in the profit and loss account	Tax payable/ (receivable)	Deferred tax/(asset)	Tax in the profit and loss account	Tax payable/ (receivable)	Deferred tax/(asset)
Balance at 1 January	–	91	36	–	(19)	(2)
Adjustments relating to prior years	(1)	1	(4)	1	(1)	–
Tax on ordinary profit	(151)	147	4	(113)	100	13
Tax on income from subsidiaries	(337)	–	–	(251)	–	–
	(489)	**239**	**36**	**(363)**	**80**	**11**
Adjustment regarding joint taxation	–	–	(92)	–	–	(25)
Paid relating to prior years	–	94	–	–	(20)	–
Paid on account for the year	–	32	–	–	9	–
Paid in the year	**–**	**126**	**(92)**	**–**	**(11)**	**(25)**
Tax at 31 December	**(489)**	**113**	**128**	**(363)**	**91**	**36**
Corporation tax payable/ deferred tax liabilities		113	128		91	36
Corporation tax, net/deferred tax, net		**113**	**128**		**91**	**36**

6. Intangible assets	Software
Cost at 1 January 2002	44
Additions	25
Disposals	0
Cost at 31 December 2002	**69**
Amortisation at 1 January 2002	(10)
Amortisation	(9)
Disposals	0
Amortisation at 31 December 2002	**(19)**
Carrying amount at 31 December 2002	**50**
Carrying amount at 31 December 2001	**34**

7. Tangible assets	Fixtures, IT equipment etc.
Cost at 1 January 2002	28
Additions	7
Disposals	0
Cost at 31 December 2002	**35**
Depreciation at 1 January 2002	(13)
Depreciation	(5)
Disposals	0
Depreciation at 31 December 2002	**(18)**
Carrying amount at 31 December 2002	**17**
Carrying amount at 31 December 2001	**15**

8. Financial assets	Investments in subsidiaries	Other securities and receivables
Cost at 1 January 2002	7,897	173
Additions	500	287
Disposals	–	(457)
Cost at 31 December 2002	**8,397**	**3**
Revaluation at 1 January 2002 before restatement	(2,147)	(1)
Effect of changes in accounting policy	(21)	-
Revaluation at 1 January 2002	(2,168)	(1)
Foreign exchange adjustments, net	(100)	–
Net profit for the year	(104)	–
Purchase of shares in the Company	(28)	–
Reversal of revaluation	–	1
Revaluation at 31 December 2002	**(2,400)**	**–**
Carrying amount at 31 December 2002	**5,997**	**3**
Carrying amount at 31 December 2001	**5,729**	**172**

9. Share capital

In April 2002, the Company issued 1,314,500 new shares in a directed share issue and in June 2002, 396,492 new shares were issued in an employee share programme. The total costs of the share issues amounted to DKK 19m and comprise fees to banks, lawyers and auditors. The costs have been charged to the Share premium account.

The share capital consists of 43,928,067 shares of DKK 20 nominal value each. As at 31 December 2002, the shares were officially quoted at DKK 255. As at 31 December 2002, the Danish Labour Market Supplementary Pension Scheme (ATP), Merrill Lynch & Co. and Fidelity Investments each held more than 5% of the Company's share capital.

As at 31 December 2002, members of the Executive Management Board and the Board of Directors held a total of 24,467 shares (2001: 22,160 shares).

For a specification of the development in the share capital, please refer to note 18 of the Consolidated Financial Statements.

10. Provisions	
Carrying amount at 1 January 2002	3
Provisions used during the year	(1)
Carrying amount at 31 December 2002	**2**

11. Contingent liabilities

Operating leases
Future minimum lease payments under operating leases amounted to DKK 24m (DKK 13m in 2001).

Stock options
As described on pages 21-24 in this report, the Company has implemented stock option based incentive schemes for members of the Group's Board of Directors and Executive Management Board. As at 31 December 2002, the total outstanding obligation related to these schemes amounted to DKK 0m (DKK 2.6m in 2001) based on the share price at year-end.

Performance guarantees
As at 31 December 2002, the Company had issued no performance guarantee bonds for subsidiaries for service contracts (DKK 41m in 2001).

Tax
The Company and the other Danish jointly-taxed companies are jointly liable for the taxes on the income subject to joint taxation.

Declarations to banks
The Company has issued Parent Company declarations to the core banks related to bilateral committed loan agreements between the banks and ISS Global A/S. The Parent Company declarations constitute an undertaking by ISS A/S not to take certain actions.

12. Derivatives

The Company has bought forward contracts on Danish mortgage bonds in 2002. As at 31 December 2002, the Company had no open contracts (DKK 110m in 2001).

13. Fees to Company auditors

13. Fees to Company auditors	2002	2001
Audit fees:		
KPMG	1	1
Deloitte & Touche	1	1
	2	**2**
Fees, other than audit fees:		
KPMG	1	1
Deloitte & Touche	0	0
	1	**1**

Audit fees comprise statutory audit of the Consolidated Financial Statements and of the Company's Financial Statements.

Fees, other than audit fees primarily include assistance in relation to acquisitions and divestments, tax advisory services and other advisory services.

Definitions

Cash conversion, %	=	$\frac{\text{Free cash flow x 100}}{\text{Ordinary profit before goodwill amortisation}}$
Debt to total enterprise value ratio, %	=	$\frac{\text{Interest-bearing debt, net x 100}}{\text{Enterprise value}}$
Debt to book equity ratio, %	=	$\frac{\text{Interest-bearing debt, net x 100}}{\text{Total equity}}$
Dividends per share	=	$\frac{\text{Dividends declared}}{\text{Average number of shares}}$
Earnings per share before goodwill amortisation	=	$\frac{\text{Ordinary profit before goodwill amortisation}}{\text{Average number of shares}}$
Earnings per share	=	$\frac{\text{Net profit from ordinary activities}}{\text{Average number of shares}}$
Enterprise value	=	Interest-bearing debt, net + Market capitalisation
Equity ratio, %	=	$\frac{\text{Total equity x 100}}{\text{Total assets}}$
Free cash flow	=	Cash flow from operating activities - Investments in intangible and tangible assets, net
Free cash flow per share	=	$\frac{\text{Free cash flow}}{\text{Average number of shares}}$
Interest-bearing debt, net	=	Long-term debt + Current portion of long-term debt + Interest-bearing loans and borrowings - Liquid funds - Securities
Interest coverage	=	$\frac{\text{Operating profit before other income and expenses + Depreciation and amortisation}}{\text{Financial income and expenses, net}}$
Operating margin, %	=	$\frac{\text{Operating profit before other income and expenses x 100}}{\text{Turnover}}$
Operating capital employed	=	Non-interest-bearing assets (excluding Goodwill, Investments in associates, Receivables from associates, Deferred tax assets and Corporation tax) - non-interest-bearing provisions (excluding Deferred tax liabilities) - non-interest-bearing current liabilities (excluding Corporation tax)
Return on equity before tax, %	=	$\frac{\text{Ordinary profit before tax and goodwill amortisation x 100}}{\text{Average Total equity}}$
Return on operating capital employed before tax, %	=	$\frac{\text{Operating profit x 100}}{\text{Average Operating capital employed}}$

Company Information

Charcoal, lead, gouache and linseed oil on paper are the components of the paintings created on the Danish island of Laesoe in 1989 by Christian Lemmerz (Karlsruhe, Germany 1959) and Sonny Tronborg (Copenhagen, Denmark 1953). The artists are internationally recognised, having exhibited in major art museums in different parts of the World. The paintings form part of the art collection at the ISS head office in Copenhagen, Denmark.

Acquistions and Divestments

During 2002, the Group has made 31 acquisitions [1]

Company	Service segment	Country	Take-over month	Percentage interest	Turnover DKKm [2]	Number of employees [2]
Uudenmaan Mittarakentajat Oy	Facility Services	Finland	February	100%	13	28
Lounas-Suomi Oy (Wintiimi Group)	Facility Services	Finland	February	51%	21	60
PM ENERGI A/S	Damage Control	Denmark	February	Activities	2	–
Midvac Sanering AB	Damage Control	Sweden	March	100%	19	19
NSB Renhold	Facility Services	Norway	April	Activities	66	207
CSFM (Holdings) plc.	Facility Services	UK	April	100%	426	5,118
Glarmester Henrik Bertelsen A/S	Damage Control	Denmark	April	Activities	5	7
FPI S.A. (Eurogestion)	Facility Services	France [3]	April	100%	902	2,200
Jyväskylän Talokeskus Oy	Facility Services	Finland	May	80%	21	116
Östergötlands Högtrycks-spolning och Fastighetsjour AB	Damage Control	Sweden	May	100%	13	20
RoboClean (Hong Kong) Co. Ltd.	Facility Services	Hong Kong	May	80%	13	33
OK Servis spol.s r.o.	Facility Services	Czech Rep.	May	100%	10	197
Krane & Partners AS	Facility Services	Norway	June	100%	12	17
Ikaalisten Kylpylähuolto Oy	Facility Services	Finland	June	100%	1	2
Lemonia AB	Facility Services	Sweden	June	100%	19	12
ATB SAS	Facility Services	France	June	100%	26	58
Strålskyddspoolen AB	Damage Control	Sweden	July	Activities	15	13
Staunton Cleaning Limited	Facility Services	Ireland	July	100%	8	101
E. Fritz AG	Facility Services	Switzerland	July	96%	114	159
Limpiezas Tabar S.L.	Facility Services	Spain	July	100%	9	124
Limpiezas Costa Verde S.A.	Facility Services	Spain	July	100%	25	336
Compania Aragonesa de Limpieza y Servicios (Calsa) S.A.	Facility Services	Spain	July	100%	60	768
EHS	Facility Services	Australia	July	Activities	4	4
Glomfjord Vaskeri AS	Facility Services	Norway	October	Activities	5	21
Mandal Miljørenhold	Facility Services	Norway	October	Activities	4	20
N.C. Vinduespolering og Rengøring	Facility Services	Denmark	October	Activities	2	5
Projektikonsultit	Facility Services	Finland	November	100%	50	77
Pasilan Huolto Oy	Facility Services	Finland	November	100%	38	58
Grøn Service	Facility Services	Denmark	November	Activities	13	25
Svea AS	Facility Services	Norway	November	Activities	6	1
Lux Tecnoclean	Facility Services	Luxembourg	December	Activities	8	65
Total					**1,930**	**9,871**

From 1 January 2003 to 6 March 2003, the Group has made five acquisitions [1]

Company	Service segment	Country	Take-over month	Percentage interest	Turnover DKKm [2]	Number of employees [2]
Spectrum Holdings Ltd. (Rainbow)	Damage Control	UK	January	100%	52	51
Fioso Oy	Facility Services	Finland	February	Activities	9	20
Partasen Talohuolto Oy	Facility Services	Finland	February	Activities	3	16
Steinbauer	Facility Services	Austria	February	100%	31	47
Ocab i Östergötland AB	Damage Control	Sweden	February	Activities	6	10
Total					**101**	**144**

[1] As a general rule, acquisitions are notified to the Stock Exchanges when accumulated turnover exceeds 2% of Group turnover.

[2] Approximate figures based on information available at the time of acquisition.

[3] In addition to France, Eurogestion has activities in Australia, Belgium, Hungary, Italy, Malaysia, Romania, Singapore and Switzerland.

During 2002, the Group has divested the following activities [1)]

Company/activity	Service segment	Country	Month of disposal	Turnover DKKm [2)]
Snow and ice activities	Facility Services	Germany	January	10
TBK, Sistemas de Gesión	Facility Services	Spain	January	2
Kindergartens	Health Care	Denmark	January-June	32
Bio Control	Damage Control	Denmark	March	3
Hotel and tourism activities	Facility Services	France	June/Oct	100
Marintec	Facility Services	Belgium	June	9
Nordic Aero	Aviation	Nordic	July	130
Man Yuen	Facility Services	Hong Kong	August	20
Hosting service	Facility Services	Finland	August	2
Security Services	Facility Services	UK	August	97
Sheltering activities	Damage Control	Finland	September	4
Elderly Care (ISS CarePartner AB)	Health Care	Nordic	November	860
Airside aviation activities	Aviation	The Netherlands	December	170
Airside aviation activities (Fernley Airport Services Ltd.)	Aviation	UK	December	210
Scaffolding activities	Damage Control	Finland	December	3
Total				**1,652**

1) As a general rule, divestments are notified to the Stock Exchanges when accumulated turnover exceeds 2% of Group turnover.

2) Approximate figures based on information available at the time of divestment.

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92/9 Moo 7, Phaholyothin Road
Anusowaree, Bangkhen
Bangkok 10220
Tel.: +66 2 552 5015
Fax: +66 2 552 1260
Country manager:
Theinsiri Theingviboonwong
www.th.issworld.com

United Kingdom
ISS UK Ltd.
Wells House
65 Boundary Road
Woking
Surrey GU21 5BS
Tel.: +44 1483 754 900
Fax: +44 1483 754 999
Country manager:
David Openshaw
www.uk.issworld.com

ISS Food Services
Vesterløkken 4
DK-8230 Åbyhøj
Denmark
Tel.: +45 86 25 20 11
Fax: +45 86 25 29 11
Management:
Allan Aebischer
www.iss-foodservices.com

ISS Damage Control
Naverland 6
DK-2600 Glostrup
Denmark
Tel.: +45 38 17 17 17
Fax: +45 38 33 12 11
Management:
Sonny H. Nielsen
www.iss-damagecontrol.com

ISS Health Care
Årstaängsvägen 25
Box 42071
S-126 13 Stockholm
Sweden
Tel.: +46 6 681 60 00
Fax: +46 8 681 90 59
Management:
Henrik Fabricius
www.iss-healthcare.com

Subsidiaries, Joint Ventures and Associates [1)]

ISS A/S

ISS GLOBAL A/S 100%

ISS FINANS A/S 100%

ISS GLOBAL A/S

Argentina

ISS Marubia de Argentina S.A.	100%

Australia

WA Flick & Co. S.A.	100%

Austria

ISS Airest Bodenabfertigungsdienste GmbH	51%
ISS Central Europe Holding Ges.m.b.H.	100%
ISS Hygiene Dienstleistungs GmbH	100%
ISS Runway Cleaning Ges.m.b.H.	51%*
ISS Servisystem Gesellschaft m.b.H.	100%

Belgium

ISS Food S.A.-N.V.	100%
ISS Servisystem S.A.-N.V.	100%
Prohygiena S.A.	51%

Brazil

ISS Servisystem Com.e Ind. Ltda.	100%
ISS Sulamericana Commercial Ltda.	100%

Brunei

ISS Thomas Cowan Sdn. Bhd.	50%

China

Beijing ESGO Xin Sha Building Services Co. Ltd.	50%**

Croatia

ISS Multiservice d.o.o.	70%

Czech Republic

ISS Automotive spol s.r.o.	100%
ISS Ceska republika spol.s.r.o.	100%
OK Servis spol s.r.o.	100%

Denmark

Albertslund Kloakservice ApS	100%
Aqua Wall Danmark A/S	100%
Fjordkøkkenet A/S	51%
House of Coffee A/S	51%
Interfurn A/S	50%
ISS Danmark A/S	100%
ISS Data A/S	100%
ISS Food Services A/S	100%
ISS Funding A/S	100%
ISS Grønland A/S	100%
ISS Industri- og Skadeservice A/S	100%
ISS Island HF	100%
ISS Venture A/S	100%
ISS Økodan A/S	100%
Slotsholmen Teknik A/S	50%

Finland

Fuktor Oy	100%
ISS Siivouspalvelut Oy	100%
ISS Suomi Oy	100%
Lounas-Suomi Oy	52%
Pasilan Huolto Oy	100%
Projektikonsultit Oy	100%
Rauman Siivouskeskus Oy	80%
Suomen Laatutakuu Palvelut Oy	100%
Uudenmaan Mittarakentajat Oy	100%

France

ATB S.A.	100%
Boissur S.A.	100%
CGEV SA	100%
Eurogestion S.A.	100%
FCF Rhônes Alpes Sarl	100%
ISS Abilis France SAS	100%
ISS Energie SAS	100%
ISS France SAS	100%
ISS Hygiene Services S.A.	100%
Klinos SAS	100%
NCI Abilis SAS	100%
PAMI S.A.	100%
Paraxilocentre S.A.	100%
QUALITEC SAS	100%
Sema Hygiene S.A.	100%
SEN Hygiene S.A.	100%
SOLNET SAS	100%
TMG SAS	100%
VIAPARK SAS	100%

Germany

ISS Catering Beteiligungs GmbH	100%
ISS Catering GmbH & Co. KG	100%
ISS Damage Control Deutschland GmbH	100%
ISS Deutschland GmbH	100%
ISS Food Hygiene Service GmbH	100%
ISS Gebäudeservice GmbH & Co., OHG	99.5%
ISS Holding GmbH	100%
ISS HWD GmbH	100%
ISS HWS GmbH & Co. KG	100%
ISS Klinikdienste GmbH	100%
ISS Wäscheservice GmbH & Co. KG	100%
Klaus Harren GmbH	100%
Kleesattel Aircraft Service GmbH & Co. KG	100%
Kleesattel Aircraft Service Verwaltungs-gesellschaft mbH	100%
Kleesattel GmbH	100%
Vatro Trocknungs- und Sanierungstechnik GmbH & Co.KG	80%
VATRO Verwaltungs GmbH	80%

Greece

ISS Servisystem S.A.	100%

Hong Kong

ISS Environmental Services (HK) Ltd.	100%
ISS Hong Kong Services Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
Reliance Airport Cleaning Services Ltd.	100%
Roboclean (HK) Co. Ltd.	80%

Hungary

Balbolna Bio s.A.R.L.	66.7%
ISS Servisystem Kft.	100%

Indonesia

PT ISS Servisystem	100%

Ireland

Contract Cleaners Ltd.	100%
ISS Ireland Ltd.	100%

Israel

ISS-Ashmoret Ltd.	50%*

Italy	
ISS Garavaglia Wash Srl	100%
ISS Robustelli Srl	100%
Libco S.A.R.L.	100%
Japan	
ISS Nesco Ltd.	50%*
Luxembourg	
ISS Servisystem Luxembourg S.A.	100%
Malaysia	
Flick Pest & Weed S.A.	100%
ISS Servisystem Sdn Bhd	30%
Kontrekleen Sdn Bhd	30%
Reliance Suci Environmental Sdn Bhd	30%
Netherlands	
ISS Aviation B.V.	100%
ISS Damage Services B.V.	100%
ISS Food Services B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Hospital Services B.V.	100%
ISS Nederland BV	100%
ISS Receptionelle B.V.	100%
ISS Transport Services B.V.	100%
Norway	
ForvaltningsCompagniet AS	51%
Hero Mottak og Kompetanse AS	50%*
House of Coffee Norge AS	51%
ISS Industriservice Norge AS	100%
ISS Norge A/S	100%
ISS Raufoss AS	100%
ISS Serveringspartner AS	75%
ISS Skaaret AS	100%
ISS Skadeservice AS	100%
Opptreningssenteret i Finnmark AS	50%
Procuro Servicepartner AS	100%
Raufoss Beredskap AS	51%
Raufoss Helse og Miljø AS	100%
Serveringspartner Norge AS	50%*
Telenor Renhold og Kantine AS	50%
Vaktmester Kompaniet AS	100%
Poland	
ISS Multiservice Sp. z o.o.	100%
Portugal	
ISS Servisystem Serviços de Limpeza, Lda.	100%
Romania	
3D Buchuresti S.A.	50%
Singapore	
Essential Services Pte. Ltd.	100%
Flick Habitat Care S.A.	100%
ISS Greenfingers Pte. Ltd.	100%
ISS Sanitation Services Pte. Ltd.	100%
ISS Servisystem Pte. Ltd.	100%
Prontokleen Services Pte. Ltd.	100%
Serve1st Services Pte.Ltd.	100%
Slovakia	
ISS Automotive spol s.r.o.	100%
ISS Security s.r.o.	100%
ISS Servisystem s.r.o.	100%
Slovenia	
Aico d.o.o.	70%
Ceplak d.o.o.	100%
ISS Servisystem d.o.o.	100%

Spain	
Gelim S.A.	100%
Integrated Service Solutions Holding Spain S.L.	100%
ISS European Cleaning System S.A.	100%
Limpiezas Tabar S.L.	100%
Sri Lanka	
Abans Environmental Services (PT) Ltd.	50%*
Sweden	
CarePartner AB	49%**
Ecuro Sverige AB	100%
FysiologLab i Stockholm AB	100%
ISS Health Care AB	100%
ISS Industri- och Skadeservice AB	100%
ISS Rehab AB	100%
ISS Sverige AB	100%
ISS TraffiCare AB	100%
Lemonia AB	100%
M & M Medical Holding AB	100%
Ocab Skadeservice AB	100%
Teleoffice Scandinavia AB	100%
Switzerland	
Anderhub AG	96%
Deratex S.A.	100%
E. Fritz AG	96%
Ewald Benz AG	96%
ISS Aviation AG	72%
ISS Aviation SA	72%
ISS Bernasconi SA	100%
ISS COMMultiservice AG	80%
ISS Facility Services AG	100%
ISS Facility Services AG (Liechtenstein) AG	100%
ISS Holding AG	100%
ISS Hospital Service AG	100%
Thailand	
International Servex Cleaning Co. Ltd.	100%
ISS ESGO Ltd.	100%
Reliance Environmental Services Co. Ltd.	100%
UK	
Fernley Airport Services Ltd.	49%**
ISS Aviation UK Ltd.	100%
ISS Damage Control Limited	100%
ISS Facility Services Ltd.	100%
ISS Finance and Investment (Bishop Auckland) Ltd.	100%
ISS Food Hygiene Ltd.	100%
ISS Mediclean Ltd.	100%
ISS Scotland Ltd.	100%
ISS Servicelink Ltd.	100%
ISS Servisystem Midlands Ltd.	100%
ISS Servisystem North Ltd.	100%
ISS Servisystem South Ltd.	100%
ISS Servisystem Southwest & Wales Ltd.	100%
ISS Support Services Ltd.	100%
ISS UK Ltd.	100%
ISS Workwear and Washroom Services Ltd.	100%

ISS FINANS A/S

Denmark	
ISS Reinsurance A/S	100%

[1] Undertakings of immaterial interest are left out.

* Joint Venture
** Associates

Board of Directors

Erik Sørensen (58) Vice-Chairman.
Member of the Board of
ISS A/S since 1996.
Latest re-election in 2001.
Election period expires in 2003.
Managing Director of
Chr. Hansen Holding A/S;
Member of the Board of
Maersk Medical A/S.
Number of shares: 1,000 (2001: 1,000).
Stock options: 7,500 (2001: 7,500).

Arne Madsen (69) Chairman.
Member of the Board of ISS A/S since 1977.
Latest re-election in 2001.
Election period expires in 2003.
Senior Partner, the Law Firm Jonas Bruun;
Chairman of the Board of Scan-Horse A/S,
Ellehammers Laboratorium A/S;
Member of the Board of Aktieselskabet
Ny Kalkbrænderi, Litodomus A/S,
Ejendomsaktieselskabet
"Ved Lufthavnen A3", Pankas A/S,
Ejendomsselskabet Vennelyst A/S,
Fussing Invest A/S and Ejendomsselskabet
Store Kongensgade 88 A/S.
Number of shares: 1,800 (2001: 1,700).
Stock options: 12,500 (2001: 12,500).

Kirsten Belter*) (49)
Member of the Board of ISS A/S
since 2002.
Election period expires
in 2003.
Financial Manager.
Joined ISS in 1977.
Number of shares: 730 (2001: 523).
Stock options: 0 (2001: 0).

Tom Knutzen (40)
Member of the Board of
ISS A/S since 2002.
Election period expires in 2004.
Managing Director of NKT
Holding A/S.
Member of the Board of FLS
Industries A/S and C.W. Obel A/S.
Number of shares: 552 (2001: 0).
Stock options: 0 (2001: 0).

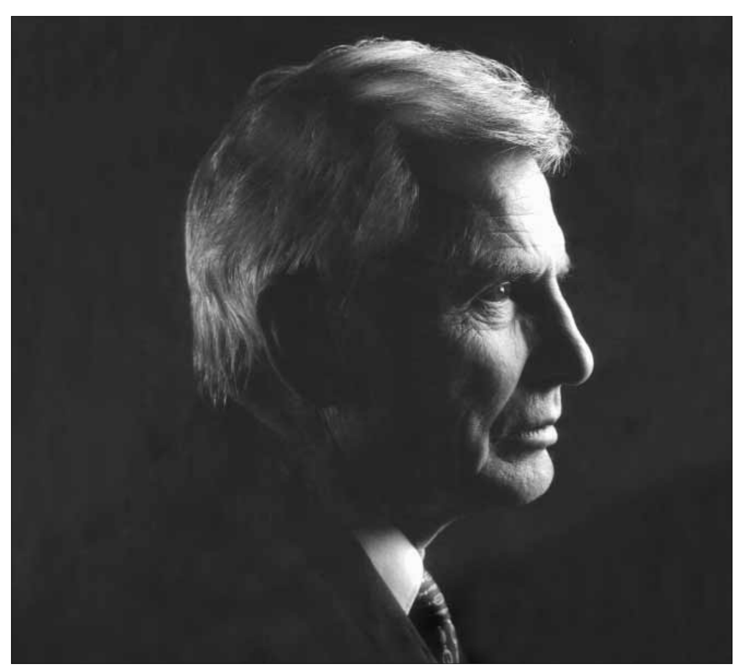
Peter Lorange (60)
Member of the Board of ISS A/S since 1998.
Latest re-election in 2001.
Election period expires in 2003.
President of IMD International Institute of Management Development, Switzerland;
Member of the Board of Stream Serve AB, Christiania Eiendomsselskap A/S, Intentia AB and S. Ugelstad Skipsrederi A/S.
Number of shares: 0 (2001: 0).
Stock options: 5,000 (2001: 5,000).

Flemming Quist*) (38)
Member of the Board of ISS A/S since 1999.
Election period expires in 2003.
Finance Manager.
Joined ISS in 1996.
Number of shares: 700 (2001: 500).
Stock options: 5,000 (2001: 5,000).

Sven Riskær (64)
Member of the Board of ISS A/S since 1987.
Latest re-election in 2002.
Election period expires in 2004.
Managing Director of the Industrialization Fund for Developing Countries (IFU), The Investment Fund for Central and Eastern Europe (IØ) and the Investment Fund for the Emerging Markets (IFV);
Chairman of the Board of Dansk Olie og Naturgas A/S and Kapacitet A/S;
Member of the Board of Air Liquide/Hede Nielsen A/S, C.L. Davids Legat and Ejendomsselskabet Vennelyst A/S.
Number of shares: 700 (2001: 700).
Stock options: 5,000 (2001: 5,000).

Karina Deacon*) (33)
Member of the Board of ISS A/S since 1999.
Election period expires in 2003.
Vice President, Head of Investor Relations.
Joined ISS in 1997.
Number of shares: 915 (2001: 658).
Stock options: 5,000 (2001: 5,000).

*) Elected by the employees.



Arne Madsen's 26 years on the ISS Board

At the AGM in April 2003, Arne Madsen will step down as chairman. Having served on the Board for 26 years, the last 12 as chairman, Arne Madsen deserves a lot of credit for his contribution to making ISS what it is.

Arne Madsen joined the Board in 1977, the year ISS was listed in Copenhagen. At that time, ISS employed some 41,000 people and generated a turnover of DKK 1.7 billion. The service range span from cleaning, linen services, production and sale of detergents & equipment to security and energy control.

Since then, the Group has transformed into a facility services provider with a turnover of DKK 38 billion, and 250,000 employees operating in 38 countries. Developing the company during this period has been a major challenge. Divestments to focus the Group and acquisitions to build a geographical platform have played major roles in the process.

The chairman's biggest test came in 1996, when accounting irregularities in ISS' subsidiary in the US posed a threat to the Group. However, with persistence, calmness and courage, Arne Madsen – with the help of the rest of the Board, management and the employees – successfully steered the Group out of trouble.

Those events lead to a decision to refocus and reshape the Group. Two strategy plans, *aim2002* and **create2005** have since guided the Group's transformation from a provider of, first, single services, then multi-services to facility services.

ISS is built on honesty, entrepreneurship, responsibility and quality, principles Arne Madsen supports and exercises in every way. The chairman leaves behind an open and transparent organisation, which is a frontrunner within corporate governance. Arne Madsen hands over responsibility for a Group that reports its strongest results ever. Cash conversion was high and the operating margin increased. The implementation of **create2005** and the facility services concept is progressing. Thus, the retiring chairman hands over a dynamic organisation ready to take on new challenges.

Arne Madsen's way of chairing Board meetings and his ability to inform each Board member of relevant issues has always been appreciated by the Board.

Executive Management has had the pleasure of working with a chairman who was always readily accessible, always took an interest and was always prepared to support the right business decisions, whether popular or not. He let management run the business, but was always ready to discuss things or lend support if needed. Management has especially appreciated Arne Madsen's courage to make decisions – and to do it fast. Delays never occur on Arne Madsen's desk.

Management feels that Arne Madsen has been the best motivator possible. His kindness, human qualities and dedication have been highly valued. Management would like to sum it up by saying one of the finest things you can say of a man: *Arne Madsen is a man you can trust – always!*

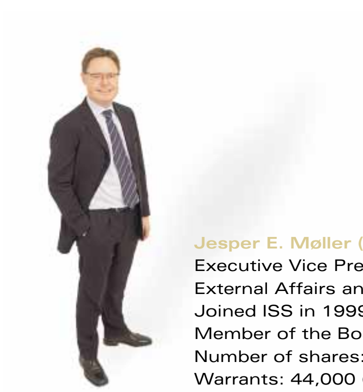
Everyone at ISS will miss Arne Madsen.

The remaining Board of Directors	The Executive Management Board

Group Management

Eric S. Rylberg (46)
Group Chief Executive Officer,
Chairman of the Group Executive
Management Board.
Member of the Executive
Management Board since 1997.
Joined ISS in 1997.
Number of shares: 7,851 (2001: 5,742).
Stock options: 200,000 (2001: 150,000).

Thorbjørn Graarud (49)
Group Chief Operating Officer,
Northern Europe and Business Builds.
Member of the Executive
Management Board since 2002.
Joined ISS in 1985.
Member of the Board of SM-LYS A/S, Norway.
Number of shares: 5,563 (2001: 4,220).
Warrants: 44,000 (2001: 34,000).
Stock options: 25,000 (2001: 0).



Jesper E. Møller (47)
Executive Vice President,
External Affairs and Human Capital.
Joined ISS in 1999.
Member of the Board of Pebas Scandinavia as.
Number of shares: 2,130 (2001: 1,085).
Warrants: 44,000 (2001: 34,000).

Jens E. Olesen (40)
Executive Vice President,
Mergers and Acquisitions.
Joined ISS in 1998.
Number of shares: 1,662 (2001: 1,096).
Warrants: 11,700 (2001: 10,200).

Søren Kongsbak (45)
Executive Vice President,
Continental Europe and Overseas.
Joined ISS in 1997.
Number of shares: 1,140 (2001: 572).
Warrants: 15,900 (2001: 9,400).

Lars Folkmann (39)
Senior Vice President,
International Sales and Marketing.
Joined ISS in 2001.
Number of shares: 1,263 (2001: 514).
Warrants: 5,500 (2001: 4,000).

Stig Pastwa (35)
Executive Vice President,
Continental Europe and Overseas.
Joined ISS in 1998.
Number of shares: 760 (2001: 660).
Warrants: 16,400 (2001: 10,400).

Karsten Poulsen (39)
Group Chief Financial Officer,
Member of the Executive
Management Board since 2002.
Joined ISS in 1998.
Number of shares: 2,661 (2001: 1,645).
Warrants: 34,000 (2001: 28,000).
Stock options: 25,000 (2001: 0).

Flemming Schandorff (54)
Group Chief Operating Officer,
Continental Europe and Overseas.
Member of the Executive
Management Board since 2002.
Employed with ISS from 1973-1994
and since 2000.
Member of the Board of Modulex A/S
and Rationel Vinduer A/S.
Number of shares: 1,995 (2001: 898).
Warrants: 44,000 (2001: 34,000).
Stock options: 25,000 (2001: 0).

Kristian Tuft (41)
Executive Vice President,
Northern Europe.
Joined ISS in 1999.
Number of shares: 945 (2001: 421).
Warrants: 16,500 (2001: 10,000).

Henrik Andersen (35)
Senior Vice President,
Corporate Treasury.
Joined ISS in 2000.
Number of shares: 1,018 (2001: 558).
Warrants: 12,200 (2001: 5,200).

Carsten Rich (58)
Senior Vice President,
General Councel.
Joined ISS in 1990.
Number of shares: 1,992 (2001: 1,396).
Warrants: 9,200 (2001: 5,200).

Jan Jakobsen (39)
Financial Director,
International Operations.
Joined ISS in 2002.
Number of shares: 0 (2001: 0).
Warrants: 0 (2001: 0).

Financial Review 1993 – 2002

Amounts in DKKm (unless otherwise stated)

Financial highlights	**EURm 2002**	**2002**	**2001**	**2000**	**1999**	**1998**	**1997**	**1996**	**1995**	**1994**	**1993**
Turnover	5,116	37,984	34,852	28,719	19,802	13,801	11,782	10,738	9,198	8,053	8,259
Operating profit [1]	271	2,010	1,633	1,454	1,021	735	639	553	405	364	413
Financial income and (expenses), net	(49)	(361)	(310)	(244)	(128)	(80)	(54)	(76)	6	(3)	(61)
Net profit/(loss) for the year	33	246	222	210	237	211	451	(1,856)	20	323	406
Free cash flow [2]	234	1,739	1,058	874	795	460	309	302	294	248	120
Depreciation and amortisation	81	603	551	468	351	255	228	234	212	233	288
Total assets	3,019	22,412	22,419	17,164	13,696	7,139	4,668	4,639	6,118	5,764	5,819
Goodwill	1,706	12,669	12,022	9,522	7,576	2,995	1,615	1,697	1,787	1,409	1,249
Total equity	987	7,331	6,621	5,678	4,415	1,408	1,295	871	2,717	2,863	2,151
Interest-bearing debt, net [2]	755	5,604	6,317	4,357	3,050	1,898	338	678	670	545	1,429
Dividends declared	–	–	–	–	–	–	60	–	66	66	52
Key figures [2]											
Operating margin, %	5.3	5.3	4.7	5.1	5.2	5.3	5.4	5.1	4.4	4.5	5.0
Interest coverage [3]	7.2	7.2	7.0	7.9	10.7	12.4	16.1	10.4	–	–	–
Earnings per share, DKK	0.8	5.7	5.5	5.4	7.0	9.3	8.3	3.4	6.6	5.0	6.8
Earnings per share before goodwill amortisation, DKK	3.5	25.8	21.6	21.1	18.6	16.4	13.3	8.1	10.7	8.3	10.1
Free cash flow per share, DKK	5.4	40.2	25.5	22.3	23.7	15.5	10.4	10.2	9.9	9.2	4.6
Dividends per share, DKK	–	–	–	–	–	–	2.0	–	2.2	2.2	2.0
Equity ratio, %	32.7	32.7	29.5	33.1	32.2	19.7	27.7	18.8	44.4	49.7	37.0
Debt to book equity ratio, %	76.4	76.4	95.4	76.7	69.1	134.9	26.1	77.8	24.7	19.1	66.4
Debt to total enterprise value ratio, %	33.3	33.3	26.7	16.7	14.0	13.2	4.4	12.9	15.1	10.0	19.5
Quoted share price, 31 December											
ISS-shares, DKK	34	255	411	541	–	–	–	–	–	–	–
A-shares, DKK	–	–	–	–	440	390	237	149	132	165	231
B-shares, DKK	–	–	–	–	497	422	251	154	126	165	227
Average number of shares, m	43.28	43.28	41.50	39.23	33.50	29.76	29.76	29.76	29.76	27.10	25.97
Number of shares end of period, m	43.93	43.93	42.22	40.17	38.21	29.76	29.76	29.76	29.76	29.76	25.97
Market capitalisation	1,509	11,202	17,351	21,730	18,773	12,437	7,417	4,564	3,773	4,911	5,911
Enterprise value [2]	2,264	16,806	23,668	26,087	21,823	14,335	7,755	5,242	4,443	5,456	7,340
Number of employees at year-end	248,500	248,500	259,800	253,200	216,700	137,800	106,600	103,400	96,650	78,300	79,000

Note: The Annual Report 2002 is audited and has been prepared in accordance with the same accounting principles as were applied in the Annual Report 2001 except for recognition of derivatives and measurement of Other securities and investments as described in Accounting Policies. Comparative figures for 1993-1996 are exclusive of ISS Inc. The presentation of certain items in the balance sheet and the calculation of average number of shares has been changed. Comparative figures have been restated accordingly.

[1] Before other income and expenses.
[2] See page 113 for a list of definitions.
[3] Interest coverage prior to 1996 omitted due to lack of comparability.

The exchange rate used is of 31 December 2002 (EUR/DKK = 7.4243).

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