



# Release

**FS Funding A/S - Subordinated Notes due 2016**

**ISS Global A/S - Euro Medium Term Notes due 2010 and 2014**

## **FS Funding A/S discloses Information Memorandum on refinancing**

**Copenhagen, 14 May 2007** – On 8 May 2007, FS Funding A/S (“FS Funding”) announced that it had mandated Citigroup Global Markets Limited, Goldman Sachs International and Nordea Bank Danmark A/S to arrange a refinancing of a portion of the Group's existing debt and to raise new funding for future acquisitions.

Today, FS Funding has disclosed a Public Information Memorandum on the refinancing, which is enclosed with this release. Please note that the terms and conditions outlined in section IV of the enclosed Information Memorandum are preliminary and subject to change. ISS does not undertake to update the market with information on changes to the terms and conditions, if any, prior to concluding the syndication process.

The proposed refinancing is expected to include new facilities comprised of approximately EUR 1,140 million of Term Loan Facilities (“Term Loan B”), of which approximately EUR 1,000 million is expected to be borrowed by ISS Global A/S and EUR 140 million is expected to be borrowed by FS Funding A/S, and approximately EUR 600 million of Second Lien Facility (“Second Lien”), which will be borrowed by FS Funding. FS Funding does not contemplate paying any dividends to its shareholders in connection with the refinancing.

### **Further Information:**

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## **FORWARD LOOKING STATEMENTS**

This announcement may contain forward-looking statements. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words “may”, “will”, “should”, “expect”, “anticipate”, “believe”, “estimate”, “plan”, “predict”, “intend” or variations of these words, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements. FS Funding has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of FS Funding. Although FS Funding believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ as a result of uncertainties relating to the following matters, among others:

- the demand for the services offered by FS Funding, which is primarily dependent upon outsourcing trends and macroeconomic conditions, including economic growth, inflation or deflation;
- risks related to FS Funding’s growth strategy, including potential contingent liabilities of acquired businesses and failure to manage growth and integrate acquired businesses successfully;
- risks related to the substantial indebtedness including fluctuations in interest rates and limitations on additional debt to finance FS Funding’s acquisition strategy and access to capital to finance its operations;
- FS Funding’s ability to operate profitably, in particular under fixed-price or long-term contracts;
- FS Funding’s exposure to currency-related risks, particularly the value of the Danish Kroner against other currencies;
- complexities related to compliance with regulatory requirements of many jurisdictions as a result of FS Funding’s international operations and decentralized organizational structure;
- FS Funding’s dependence on its management team and qualified personnel;
- FS Funding’s potential liability for acts of its employees, including negligence, injuries, omissions and wilful misconduct;
- the threat, institution or adverse determination of claims against FS Funding;
- potential environmental liabilities; and
- any adverse effect on FS Funding’s operating results and cash flows from the impact of changes to laws and regulations, including health and safety and environmental laws and regulations.

As a result, you should not rely on these forward-looking statements.

FS Funding undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

Reference is also made to the description of risk factors in FS Funding A/S’s Annual Report 2006, which is available from the Group’s website, [www.issworld.com](http://www.issworld.com).

## **Enclosure:**

Information Memorandum (102 pages)



## **Information Memorandum**

### **PUBLIC INFORMATION**

**EUR 1,000 million Senior Term Loan B9 Facility,**

**EUR 140 million Senior Term Loan B10 Facility**

**and**

**EUR 600 million of Second Lien Facility**

**for**

**the ISS Group**

**Joint Book-Runners  
and  
Mandated Lead Arrangers**



May-2007

## Important Notice

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FS Funding A/S (“FS Funding”) has represented that the information contained in this Memorandum has either been made public and is generally available or does not constitute price sensitive or inside information, or material non-public information, with respect to the ISS Group or any of its securities for the purposes of UK and Luxembourg laws on insider dealing or market abuse. The recipient of this Memorandum has stated that it does not wish to receive non-public price-sensitive or inside information, or material non-public information, with respect to the ISS Group and acknowledges that other investors have received a Confidential Information Memorandum that contains additional information with respect to the ISS Group or the Facility that may be material. Neither the ISS Group nor the Mandated Lead Arrangers takes any responsibility for the recipient's decision to limit the scope of the information it has obtained in connection with its evaluation of the ISS Group or the Facilities. The Mandated Lead Arrangers make no representation, warranty or undertaking or accept any liability in relation to the accuracy of FS Funding's representation in the first sentence of this paragraph.

FS Funding is a holding company, and its primary assets consist of shares in ISS A/S (“ISS”) and cash in its bank accounts. FS Funding has no revenue generating operations of its own, and therefore FS Funding's cash flow and ability to service its indebtedness, will depend primarily on the operating performance and financial condition of ISS and its operating subsidiaries, and the receipt by FS Funding of funds from ISS and its subsidiaries etc. in the form of dividends or otherwise.

Consequently, please note that the comments and analysis set out in this Memorandum is primarily based on the development in ISS and its subsidiaries etc. (together with FS Funding referred to as “ISS Group” or the “Group”).

This Memorandum contains confidential information regarding the ISS Group, and is being submitted on a confidential basis by Citigroup Global Markets Limited, Goldman Sachs International, and Nordea Bank Danmark A/S (the “Mandated Lead Arrangers” or “MLAs”) on behalf of ISS Group.

The Memorandum is being made available to a limited number of selected institutions solely for the purpose of enabling these selected institutions to make an assessment of the credit in order to provide the Mandated Lead Arrangers with a commitment for participation in relation to the proposed Term Loan B9 Facility (“Term Loan B9”), Term Loan B10 Facility (“Term Loan B10”) and Second Lien (“Tranche D” or “Second Lien”) Facility summarised herein (the “Credit Facilities”) and is subject to a confidentiality undertaking which each institution has been required to give prior to receiving this Memorandum.

The factual information contained in this Memorandum concerning the Group has been obtained from the Group and other sources. None of this Memorandum, the information contained in it or any other information supplied in connection with the Credit Facilities shall form the basis of any contract, representation, warranty or undertaking of any kind, express or implied. Any prospective participant in the Credit Facilities (the “Participant”) will be required to acknowledge in the Credit Facilities that it has not relied on, or been induced to enter such agreement by any representation or warranty, save as expressly set out in such agreement. The market data included in this Memorandum represent estimates taken from external sources. Within this document, the term “market” is used interchangeably with “segment”. While ISS Group has compiled, extracted and reproduced market or other industry data from external sources, including third party or industry or general publications, neither ISS Group nor the MLAs have independently verified such data. Where ranges are presented, these ranges represent the general variance among countries in the European facility services market. There can be no assurance as to the accuracy and completeness of, and ISS Group and its subsidiaries take no responsibility for, such data. This document is not research.

The Mandated Lead Arrangers have not independently verified the information set out in this Memorandum. No representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Mandated Lead Arrangers as to or in relation to the accuracy or completeness or otherwise of this Memorandum or as to the reasonableness of any assumption contained therein or any other information made available in connection with the Credit Facilities (whether in writing or orally) to any interested party or its advisers. None of the Mandated Lead Arrangers nor any of their respective directors, officers, employees, agents, partners or professional



advisers shall be liable for any direct, indirect or consequential loss or damage suffered by any person as a result of relying on any statement contained in this Memorandum or any such other information or suffered as a result of any recipient's receipt of this Memorandum.

This Memorandum contains only summary information and does not purport to be comprehensive. It is not intended to be (and should not be used as) the sole basis of any credit analysis or other evaluation and should not be considered as a recommendation by any person that any recipient hereof participates in the Credit Facilities. Each Participant is responsible for making its own credit analysis and its own independent assessment of the terms of the Credit Facilities and such independent investigation as it considers necessary or appropriate for determining whether to participate in the Credit Facilities or not. None of the Mandated Lead Arrangers, any member of the Group nor any of their respective affiliates, makes any representation or warranty that this Memorandum is sufficient for the recipient's credit evaluation process.

This Memorandum and any other information made available in connection with the Credit Facilities may not be copied or used in whole or in part for any purpose or furnished or disclosed to any persons without the prior written consent of the Group, in each case other than as permitted by the terms of the confidentiality undertaking to be given by selected institutions prior to their receipt of this Memorandum and in respect of the information subject to additional confidentiality undertakings, such confidentiality undertakings.

The Mandated Lead Arrangers are not acting on behalf of the recipients of this Memorandum and the receipt of this Memorandum and any other confidential information by any recipient is not to be constituted as the giving of investment advice by any of the Mandated Lead Arrangers to that recipient, nor to constitute such a person as a customer of any of the Mandated Lead Arranger, nor giving rise to any fiduciary, equitable, contractual or other obligation to the recipient. Accordingly, the Mandated Lead Arrangers will not be responsible to the recipient for providing protections afforded to its customers or advising the recipient in relation to the prospective transaction. In this memorandum, "Arranger Group" means the Mandated Lead Arrangers and each of their respective parent undertakings, subsidiary undertakings and undertakings (each as defined in the Companies Act 1985 – U.K.) and any other body or partnership controlling, controlled by or under common control with such entities.

Each recipient should be aware that:

- Members of the Arranger Group may, now and/or in the future, have other investment and commercial banking, trust and other relationships with the Group and with other persons ("Other Persons"),
- As a result of those other relationships, each member of the Arranger Group may get information about Other Persons and/or the proposed transaction or that may be relevant to any of them. Despite this, none of the Arranger Group will have to disclose such information, or the fact that it is in possession of such information, to any recipient of this Memorandum. In addition, no member of each Arranger Group will have to use such information in performing any role in connection with the proposed transaction,
- Members of the Arranger Group may, now and in the future, have fiduciary or other relationships under which it, or they, may exercise voting power over the securities of various persons, and
- Each member of the Arranger Group may exercise such voting powers, and otherwise perform its functions in connection with such fiduciary or other relationships, without regard to its relationship to the Company and the Investors and/or the proposed transaction.

No person shall be treated as a client of Goldman Sachs, Citigroup or Nordea, or be entitled to the protections afforded to clients of Goldman Sachs, Citigroup or Nordea, solely by virtue of having received this document. By accepting the Memorandum, each recipient acknowledges that (a) the Mandated Lead Arrangers are not in the business of or performing legal, tax or accounting advice for the recipient, (b) it understands that there may be legal, tax or accounting risks associated with the proposed transaction, (c) the recipient is a sophisticated financial institution, (d) the recipient should receive legal, tax and accounting advice from advisors with appropriate expertise to assess relevant risks and (d) the recipient should apprise senior management in its organisation as to the legal, tax



and accounting advice (and, if applicable, risks) associated with the proposed transaction and the Mandated Lead Arrangers' disclaimers as to these matters.

No action has been taken to qualify the Memorandum under the laws of any jurisdiction and its possession, distribution or use in any manner contrary to any applicable law is expressly prohibited by the Mandated Lead Arrangers. Recipients of the Memorandum are required to inform themselves of any applicable laws which restrict the possession, distribution or use of the Memorandum and to observe such laws and neither the Mandated Lead Arrangers nor any of their respective affiliates accept any responsibility for any violation of any such laws by any person.

Nothing in this document shall in any way constitute or form part of any legal agreement, or any offer to sell or the solicitation of any offer to buy any securities or to syndicate or the solicitation of any offer to syndicate any loans.

Recipients of this Memorandum must check and observe all applicable legal requirements. This Memorandum does not constitute an offer or an invitation to participate in the proposed transaction. The Memorandum and the information contained therein do not constitute an offer capable of acceptance and do not form a binding agreement.

This Information Memorandum may contain forward-looking statements. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words "may", "will", "should", "expect", "anticipate", "believe", "estimate", "plan", "predict," "intend" or variations of these words, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements. FS Funding has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of FS Funding. Although FS Funding believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ as a result of uncertainties relating to the following matters, among others:

- the demand for the services offered by FS Funding, which is primarily dependent upon outsourcing trends and macroeconomic conditions, including economic growth, inflation or deflation;
- risks related to FS Funding's growth strategy, including potential contingent liabilities of acquired businesses and failure to manage growth and integrate acquired businesses successfully;
- risks related to the substantial indebtedness including fluctuations in interest rates and limitations on additional debt to finance FS Funding's acquisition strategy and access to capital to finance its operations;
- FS Funding's ability to operate profitably, in particular under fixed-price or long-term contracts;
- FS Funding's exposure to currency-related risks, particularly the value of the Danish Kroner against other currencies;
- complexities related to compliance with regulatory requirements of many jurisdictions as a result of FS Funding's international operations and decentralized organizational structure;
- FS Funding's dependence on its management team and qualified personnel;
- FS Funding's potential liability for acts of its employees, including negligence, injuries, omissions and willful misconduct;
- the threat, institution or adverse determination of claims against FS Funding;
- potential environmental liabilities; and



- any adverse effect on FS Funding's operating results and cash flows from the impact of changes to laws and regulations, including health and safety and environmental laws and regulations.

As a result, you should not rely on these forward-looking statements.

FS Funding undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

Reference is also made to the description of risk factors in FS Funding A/S's Annual Report 2006, which is available from the Group's website, [www.issworld.com](http://www.issworld.com).



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# I. Introduction

## A. Authorisation Letter

FS Funding A/S  
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May 14, 2007

Mandated Lead Arrangers

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United Kingdom

Nordea Bank Danmark A/S  
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P.O. Box 850  
DK-0900 Copenhagen C  
Denmark

FS Funding has reviewed the Memorandum dated May 14, 2007 with respect to the EUR 1,000 million Senior Term Loan B9, the EUR 140 million Senior Term Loan B10, and the EUR 600 million Second Lien Facility. By signing and returning a copy of this letter, we acknowledge and confirm that: the Memorandum is in all material respects based, together with other information, upon information furnished by FS Funding and certain advisors to FS Funding for inclusion in the Memorandum; and none of the Mandated Lead Arrangers, nor any of their respective affiliates nor their respective officers, directors, partners, employees, agents, advisers or representatives shall have any liability for the accuracy, completeness or use of the information furnished by us to you for inclusion in the Memorandum taken as a whole.

FS Funding has represented and warranted to the best of its knowledge, information and belief that (a) the factual information contained in the Memorandum other than market or other industry data from external sources, including third party, industry or general publications and reports taken as a whole is true and accurate in all material respects as at the date of the Memorandum and (b) no material information has been omitted from the Memorandum and no information has been given or withheld that results in the information or opinions contained in the Memorandum taken as a whole being untrue or misleading in any material respect as at their stated date and (c) the projections contained in the Memorandum have been prepared on the basis of recent information and are arrived at after due and careful consideration and have been prepared by us on the basis of assumptions that we believe were reasonable as of the date of the projections.

FS Funding represents and warrants that the information contained in the Memorandum either is information which has been made public and is generally available or is not price sensitive or inside information or, as the case may be, material non-public information in relation to the ISS Group or its securities for the purposes of UK and Luxembourg laws on insider dealing or market abuse (although the information may be confidential, sensitive or proprietary).

Finally FS Funding authorises you to deliver copies of the Memorandum to those institutions to whom you propose participation in the Senior and Second Lien Facilities, subject to receipt in advance by you of their signed confidentiality undertakings in the agreed, or substantially the agreed, form.

This letter may be signed in any number of counterparts. This has the same effect as if the signatories on the counterparts were on a single copy of this letter.

This letter is governed by English law.

Very truly yours,

For and on behalf of FS Funding



## B. Commitment Letter

May 14, 2007

Mandated Lead Arrangers

care of:

Citigroup Global Markets Limited  
Citigroup Centre  
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Malmkillnadsgatan 23, S45  
SE-105 71  
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### Re Credit Facilities for the ISS Group

In reference to your invitation dated May 14, 2007 to participate in the above-referenced Credit Facilities, we are pleased to confirm our commitment to participate. Our proposed maximum commitment amount is a total of:

- (a) DKK [...] million of the Senior Facility, which will be applied pro rata across Term Loan B9 and Term Loan B10 subject to the terms outlined in the invitation letter; and/or
- (b) DKK [...] million of the Second Lien Facility subject to the terms outlined in the invitation letter; and/or

Our commitment to participate in the Credit Facilities is subject to documentation. We understand that the Mandated Lead Arrangers reserve the right to close the books and to make final allocations at their sole discretion.

Terms defined in the Memorandum dated May 14, 2007 shall have the same meaning herein. We acknowledge that the Mandated Lead Arrangers shall have no liability or responsibility to us in this regard.

We confirm that we have, independently and without reliance upon any of the Arranger Group, made our own credit analysis and decision to enter into this commitment. We further confirm that we have read the disclaimer contained within the Confidential Information Memorandum and that the Arranger Group shall not have any liability whatsoever in relation to the Confidential Information Memorandum.

Yours sincerely,

Name

of Institution: \_\_\_\_\_

Name of Signatory: \_\_\_\_\_

Title of Signatory: \_\_\_\_\_

Date: \_\_\_\_\_



## C. Syndication Timetable

May-2007							June-2007						
S	M	T	W	T	F	S	S	M	T	W	T	F	S
		1	2	3	4	5						1	2
6	7	8	9	10	11	12	3	4	5	6	7	8	9
13	14	15	16	17	18	19	10	11	12	13	14	15	16
20	21	22	23	24	25	26	17	18	19	20	21	22	23
27	28	29	30	31			24	25	26	27	28	29	30

Date	Event
08-May-2007	Launch of Syndication
14-May-2007	Management Presentation
29-May-2007	Commitments due subject to review of documentation
29-May-2007	Loan documents circulated to lenders
04-June-2007	Confirmation of commitments
15-June-2007	Signing

## D. Contact List

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## II. Executive Summary

## A. Executive Summary

**Please refer to Section X. Definitions of Financial Terms and Measures for definitions of terms contained in this Memorandum.**

ISS is one of the world's largest commercial providers of facility services, with operations in 49 countries in Europe, Latin America, Asia and Pacific and more than 200,000 public and private sector customers. ISS's core business is to manage and deliver facility services, covering a range of business support services within cleaning, office support, property services, catering and security. Through a network of local operations, ISS offers facility services on an international scale, leveraging knowledge and experience between countries to the benefit of its customers. For the twelve months ended 31-December-2006, ISS had total revenue of DKK 55.8 billion (EUR 7.5 billion) and Pro Forma Adjusted EBITDA of DKK 4.2 billion (EUR 563 million).

In May-2005, FS Funding A/S ("FS Funding"), a Danish company ultimately controlled by funds advised by EQT Partners ("EQT") and Goldman Sachs Capital Partners ("GSCP"), (together, the "Sponsors") acquired the shares of ISS A/S and its subsidiaries ("ISS"), (the "Acquisition"). The Acquisition was financed with drawings under a Senior Term Loan A and a Senior Term Loan B of DKK 5,675 million<sup>1</sup> (EUR 760 million), a Cash Bridge Facility of DKK 2,380 million (EUR 319 million), a Subordinated Bridge Facility of DKK 6,567 million (EUR 880 million) and a PIK Bridge Facility of DKK 925 million (EUR 124 million). Pro forma for the Acquisition, net cash pay leverage was 6.9x<sup>2</sup> and net total leverage was 7.2x. The Sponsors contributed DKK 7,693 million (EUR 1,031 million) in the form of cash equity.

In January-2006, the Joint Bookrunners for the Acquisition (Citigroup Global Markets Limited and Goldman Sachs International) and Danske Bank A/S, DnB NOR Bank ASA, HSBC Bank plc, HVB, Nordea Bank Danmark A/S and Société Générale (together, the "Mandated Lead Arrangers for the Acquisition") syndicated commitments totalling DKK 9,675 million (EUR 1,296 million) of Senior Facilities (the "January 2006 Syndication"). At the time of the January 2006 Syndication, net cash pay leverage was 7.0x<sup>3</sup> and net total leverage was 7.3x.

In May-2006, Joint Lead and Bookrunning Managers Citigroup Global Markets Limited and Goldman Sachs International arranged securities totalling EUR 1,304 million comprised of a EUR 850 million Senior Subordinated Floating Rate Notes due 2016 and EUR 454 million 8 7/8% Senior Subordinated Notes due 2016 to refinance the Subordinated Bridge Facility and the PIK Bridge Facility, to provide additional cash for ISS's general corporate purposes, and to pay fees related to the offering (the "High Yield Offering"). Pro forma for the High Yield Offering, net total cash pay leverage was 7.3x<sup>4</sup>.

In May-2007, the Company decided to undertake a partial refinancing of the Group (the "Refinancing" or the "Transaction") in order to optimise the capital structure and to provide additional acquisition funding and operational flexibility. In connection with the Refinancing, Citigroup Global Markets Limited, Goldman Sachs International, and Nordea Bank Danmark A/S ("the Mandated Lead Arrangers") committed to provide new facilities including a DKK 7,459 million<sup>5</sup> (EUR 1,000 million) Term Loan B9 Facility ("Term Loan B9"), a DKK 1,044 million (EUR 140 million) Term Loan B10 Facility ("Term Loan B10"), and a DKK 4,475 million (EUR 600 million) Second Lien Facility ("Second Lien"), (together the "New Credit Facilities")<sup>6</sup>. Use of proceeds for the New Credit Facilities will be to: (i) fund the refinancing of the Company's drawn Acquisition Facility<sup>7</sup> up to EUR 500 million, (ii) repay the 6.625% Senior Subordinated Floating Rate Notes due 2016, (iii) refinance up to 70% of the EMTNs due 2014<sup>8</sup> and (iv) pay transaction-related fees and expenses. Pro forma for the New Credit Facilities, net total cash pay leverage will be 6.6x Consolidated Pro Forma Adjusted 2006 EBITDA of DKK 4,686 million (EUR 628 million).

<sup>1</sup> Solely for the convenience of the reader the amounts related to the original transaction have been translated at the rate of EUR 1 = DKK 7.4624 which was the prevailing exchange rate as of 30-September-2005.

<sup>2</sup> Multiple expressed based on Pro Forma Adj. 31-December-2004 EBITDA of DKK 2,992 million (EUR 401 million).

<sup>3</sup> Multiple expressed based on Pro Forma Adj. 30-September-2005 EBITDA of DKK 3,285 million (EUR 440 million).

<sup>4</sup> Multiple expressed based on Pro Forma Adj. 31-December-2005 EBITDA of DKK 3,309 million (EUR 444 million).

<sup>5</sup> The New Facilities will be drawn in Euros. The DKK amounts relating to the Refinancing have been translated at the rate of EUR 1 = DKK 7.459 which was the prevailing exchange rate as of 31-December-2006.

<sup>6</sup> Please see section "Overview of Proposed Refinancing" for a detailed description of the new facilities.

<sup>7</sup> Represents Acquisition Facility A, which amounts to DKK 1,425 million, and Acquisition Facility B, which amounts to DKK 3,500 million on a committed basis.

<sup>8</sup> The company is considering launching a tender offer for 70% of the outstanding EUR 500 million 4.5% due 2014 at 93.0.



In connection with the Refinancing, the Company intends to request that the Lenders under the Senior Facilities Agreement to consent to certain waivers and amendments of the Senior Facilities Agreement (and consequential amendments to the other Finance Documents, if necessary) as set out in the Restated Senior Facilities Agreement (the "Amendments"). Since the November-2005 senior bank meeting, the business has outperformed the Bank Book Plan ("Original Bank Plan") in 2006. ISS's organic growth increased from 3% in 2005 to 5.5%, the highest level since the year 2000 and exceeding the Original Bank Plan by 2.5 percentage points. The positive performance in organic growth was driven by improvements in all regions, with Asia and Latin America seeing double-digit organic growth rates. The focus on profitability resulted in an increase in the operating margin before other items from 5.7% in 2005 to 5.8% in 2006. Net cash pay leverage of 6.59x at the end of 2006 was approximately in line with the assumptions in the Original Bank Plan in spite of acquisition activities being significantly higher than anticipated.

Please see below for a comparison of the Original Bank Plan to actual performance for the twelve months ending 2006:

**Table 1: 2006 Operating Performance – Original Bank Plan vs. Actual**

DKK m	2006		
	Original Bank Plan	Actual	Delta
<b>Reported Sales</b>	<b>53,348</b>	<b>55,772</b>	<b>4.5%</b>
Organic Growth (%)	3.0%	5.5%	2.5 pp
Acquisition Growth (%)	10.9%	15.0%	4.1 pp
Reported EBITA	3,047	3,234	6.1%
<b>PF Adjusted EBITDA</b>	<b>4,011</b>	<b>4,203</b>	<b>4.8%</b>
<b>Senior Net Debt</b>	<b>8,594</b>	<b>7,925</b>	
Net Debt	25,917 <sup>1</sup>	27,714	
<b>Pro Forma EBITDA / Net Cash Interest</b>	<b>2.3x</b>	<b>1.9x</b>	
Net Senior Bank Debt / PF Adjusted EBITDA	2.1x	1.9x	
<b>Net Cash Pay Debt / PF Adjusted EBITDA</b>	<b>6.4x<sup>1</sup></b>	<b>6.6x</b>	

<sup>1</sup> Excluding PIK Bridge Facility which amounted to DKK 992 million as of 31-December-2006.

Source: ISS Bank Case Model and 2006 FS Funding Annual Report

In connection with the Refinancing, the Joint Bookrunners (Citigroup Global Markets Limited, Goldman Sachs International and Nordea Bank Danmark A/S) and the Mandated Lead Arrangers have committed to provide DKK 12,979 million (EUR 1,740 million) of New Credit Facilities.

The new Senior and Second Lien Credit Facilities<sup>1</sup> will include:

- DKK 7,459 million (EUR 1,000 million) Senior Term Loan B9
- DKK 1,044 million (EUR 140 million) Senior Term Loan B10
- DKK 4,475 million (EUR 600 million) Second Lien

The existing Senior Credit Facilities<sup>2</sup> include:

- DKK 1,700 million (EUR 228 million ) Senior Term Loan Facility ("Facility A")
- DKK 5,000 million (EUR 670 million) Senior Term Loan Facility ("Facility B")
- DKK 2,400 million (EUR 322 million) Revolving Credit Facility ("Revolving Credit Facility")
- DKK 100 million (EUR 13 million) Revolving Credit Facility ("Uncommitted Revolving Credit Facility")
- DKK 500 million (EUR 67 million) Letter of Credit Facility ("Written off Credit")
- DKK 1,425 million (EUR 191 million) Acquisition Facility A ("Acquisition Facility A")
- DKK 3,500 million (EUR 469 million) Acquisition Facility B ("Acquisition Facility B")

<sup>1</sup> The commitments under the new facilities will be denominated in DKK at a rate set close to the funding date. The new facilities will be drawn in EUR and the exchange rate used in this Memorandum is as of 31-December-2006.

<sup>2</sup> Solely for the convenience of the reader the amounts related to the original transaction have been translated at the rate of EUR 1 = DKK 7.4624 which was the prevailing exchange rate as of 30-September-2005.



## Sources & Uses

### Pre-Refinancing Capital Structure

The table below summarises ISS Group's capitalisation as of 31-December-2006:

**Table 2: Capitalisation as of 31-December-2006**

	DKK m	EUR m	% of Total Capitalisation	X PF Adjusted 31-Dec-2006 EBITDA (DKK 4,203m) <sup>1</sup>
Cash	(2,275)	(305)	(6)%	(0.5)x
Term Loan A	1,697	228	4%	(0.1)x
Term Loan B	5,027	674	12%	1.1x
Drawn ACF A	1,425	191	3%	1.4x
Drawn ACF B	1,109	149	3%	1.7x
Other Senior Indebtedness <sup>2</sup>	942	126	2%	1.9x
<b>Net Senior Debt</b>	<b>7,925</b>	<b>1,062</b>	<b>19%</b>	<b>1.89x</b>
4.75% EMTN due 2010	6,338	850	15%	3.4x
4.50% EMTN due 2014	3,728	500	9%	4.3x
<b>Net Senior + EMTNs</b>	<b>17,991</b>	<b>2,412</b>	<b>44%</b>	<b>4.28x</b>
Sub FRNs due 2016	6,338	850	15%	5.8x
Sub Notes due 2016	3,385	454	8%	6.6x
<b>Total Net Cash Pay Debt</b>	<b>27,714</b>	<b>3,715</b>	<b>67%</b>	<b>6.59x</b>
Cash Equity <sup>3</sup>	7,693	1,031	19%	8.4x
Implied Equity <sup>4</sup>	5,782	775	14%	9.8x
<b>Total Capitalisation</b>	<b>41,189</b>	<b>5,522</b>	<b>100%</b>	<b>9.80x</b>

<sup>1</sup> Please refer to section X Definitions of Financial Terms and Measures for the definition of the Pro Forma Adjusted EBITDA.

<sup>2</sup> Other Senior Indebtedness includes items classified in FS Funding's balance sheet under "other short-term debt" and "other long-term debt", which primarily comprise borrowings by certain subsidiaries under Working Capital Facilities and finance leases. As of 31-December-2006, the Group had a total amount equivalent to DKK 942 million (EUR 126 million) of Local Debt Facilities, of which DKK 598 million (EUR 80 million) was Revolving Credit Facility and the remainder was Local Facility. Pursuant to the Senior Facilities Agreement, ISS and its subsidiaries are permitted up to an amount equivalent to DKK 746 million (EUR 100 million) of Local Facilities in addition to the Senior Facilities.

<sup>3</sup> Represents the cash equity contribution by the Sponsors totalling DKK 7,693 million (EUR 1,031 million) at the time of the Acquisition.

<sup>4</sup> Represents the implied equity on the basis of the 9.8x EV/EBITDA multiple paid by the Sponsors in connection with the Acquisition. The book value of the equity as of 31-December-2006 amounted to DKK 5,917 million (EUR 794 million).

## Pro Forma Capital Structure

The table below summarises ISS Group's pro forma capitalisation as of 31-December-2006. The net debt balance and EBITDA figures have been adjusted to reflect the expected pro forma effect of acquisitions made through 30-June-2007 for the contemplated refinancing.

**Table 3: Pro Forma Capitalisation**

	DKK m	EUR m	% of Total Capitalisation	X Consolidated PF Adjusted 31-Dec-2006 EBITDA (DKK 4,686m) <sup>1</sup>
Cash	(1,675)	(225)	(4)%	(0.4)x
Drawn ACF A	1,194	160	3%	(0.1)x
Term Loan A	1,697	228	4%	0.3x
Term Loan B	5,027	674	11%	1.3x
Term Loan B9	7,459	1,000	16%	2.9x
Term Loan B10	1,044	140	2%	3.1x
Other Senior Indebtedness <sup>2</sup>	942	126	2%	3.3x
<b>Net Senior Debt</b>	<b>15,688</b>	<b>2,103</b>	<b>34 %</b>	<b>3.35x</b>
4.75% EMTN due 2010	6,338	850	14%	4.7x
4.50% EMTN due 2014	1,118	150	2%	4.9x
<b>Net Senior + EMTNs</b>	<b>23,145</b>	<b>3,103</b>	<b>50%</b>	<b>4.94x</b>
Second Lien	4,475	600	10%	5.9x
<b>Net Senior + EMTNs + 2<sup>nd</sup> Lien</b>	<b>27,620</b>	<b>3,703</b>	<b>60%</b>	<b>5.89x</b>
Sub Notes due 2016	3,385	454	7%	6.6x
<b>Total Net Cash Pay Debt</b>	<b>31,005</b>	<b>4,157</b>	<b>68%</b>	<b>6.62x</b>
Cash Equity <sup>3</sup>	7,693	1,031	17%	8.3x
Implied Equity <sup>4</sup>	7,225	969	16%	9.8x
<b>Total Capitalisation</b>	<b>45,923</b>	<b>6,157</b>	<b>100.0%</b>	<b>9.80x</b>
Undrawn Revolver (committed)	1,802			
Undrawn Revolver (uncommitted)	100			
Undrawn LC Facility (committed)	156			
Undrawn Acq. Facility A (committed)	231			
Undrawn Acq. Facility B (committed)	3,500			

<sup>1</sup> Please refer to section X Definitions of Financial Terms and Measures for the definition of FS Funding's Consolidated Pro Forma Adjusted 31-December-2006 EBITDA.

<sup>2</sup> Other Senior Indebtedness includes items classified in FS Funding's balance sheet under "other short-term debt" and "other long-term debt", which primarily comprise borrowings by certain subsidiaries under Working Capital Facilities and finance leases. As of 31-December-2006, the Group had a total amount equivalent to DKK 942 million (EUR 126 million) of Local Debt Facilities, of which DKK 598 million (EUR 80 million) is allocated under the Revolving Credit Facility and the remainder is Local Facility. Pursuant to the Senior Facilities Agreement, ISS and its subsidiaries are permitted up to an amount equivalent to DKK 746 million (EUR 100 million) of Local Facilities in addition to the Senior Facilities.

<sup>3</sup> Represents the cash equity contribution by the Sponsors totalling DKK 7,693 million (EUR 1,031 million) at the time of the Acquisition.

<sup>4</sup> Represents the implied equity on the basis of the 9.8x EV/EBITDA multiple paid by the Sponsors in connection with the Acquisition. The book value of the equity as of 31-December-2006 amounted to DKK 5,917 million (EUR 794 million).

## Sources and Uses

- The sources of funds for the Transaction amount to DKK 12,979 million (EUR 1,740 million) comprising a DKK 7,459 million (EUR 1,000 million) Term Loan B9, a DKK 1,044 million Term Loan B10 (EUR 140 million), and a DKK 4,475 million (EUR 600 million) of Second Lien, underwritten by the Mandated Lead Arrangers.
- The uses of funds for the Transaction will be to:
  - Fund the refinancing of the Company's drawn Acquisition Facilities of DKK 3,731 million (EUR 500 million)
  - Repay full amount of the 6.625% Subordinated Floating Rate Notes due 2016 of DKK 6,338 million (EUR 850 million)
  - Repay up to 70% of the EMTNs due 2014 of DKK 2,427 million (EUR 325 million)
  - Pay transaction-related fees and expenses of DKK 210 million (EUR 28 million)
  - General corporate purposes DKK 273 million (EUR 36 million)

**Table 4: Pro Forma Sources and Uses**

The table below outlines the Sources and Uses of the Refinancing.

<b>Sources</b>	<b>DKK m</b>	<b>EUR m</b>	<b>Uses</b>	<b>DKK m</b>	<b>EUR m</b>
Term Loan B9	7,459	1,000	Repayment of Acq. Facility A	231	31
Term Loan B10	1,044	140	Repayment of Acq. Facility B	3,500	469
Second Lien	4,475	600	Repayment of Subordinated Floating Rate Notes due 2016	6,338	850
			Repayment of 70% of EMTNs due 2014	2,427	325
			Transaction Fees and Expenses	210	28
			Cash Over-funding	273	36
<b>Total Sources</b>	<b>12,979</b>	<b>1,740</b>	<b>Total Uses</b>	<b>12,979</b>	<b>1,740</b>

- In connection with the refinancing, ISS intends to launch a tender offer to repurchase up to 70% of the 4.50% EMTNs due 2014
- From 01-January-2007 to 30-April-2007, the ISS Group made 34 acquisitions and six divestments. ISS expects to sign and complete additional acquisitions from 01-May-2007 to 30-June-2007. Set forth is a reconciliation of EBITDA to Consolidated Pro Forma Adjusted EBITDA to give effect to (i) acquisitions completed during the period 1-January-2007 to 30-April-2007; and (ii) potential acquisitions that are expected to close by 30-June-2007, which includes a potential market entry in the US. The amount of incremental EBITDA is based on ISS's estimate, at the time of acquisition, as to the EBITDA to be generated by such acquired entities prior to the acquisition by ISS.

**Table 5: Bridge from Reported 2006 EBITDA to Consolidated Pro Forma Adjusted 31-December-2006 EBITDA**

<b>DKK m</b>	<b>EBITDA</b>
<b>Reported 2006</b>	<b>3,979</b>
Pro Forma Adjusted Acquisitions in 2006	224
<b>Pro Forma Adjusted</b>	<b>4,203</b>
Acquisitions net until 30-Apr-2007	111
<b>Pro Forma 31-December-2006, adjusted for Acquisitions and Divestments until 30-April-2007</b>	<b>4,314</b>
Acquisitions 30-April-2007 to 30-June-2007 <sup>1</sup>	372
<b>Consolidated Pro Forma Adjusted 31-December-2006<sup>2</sup></b>	<b>4,686</b>

<sup>1</sup> Signed or expected to be signed and completed by 30-June-2007.

<sup>2</sup> The Consolidated Pro Forma Adjusted EBITDA does not include any effect of organic EBITDA growth achieved in 2007.

Source: ISS

In connection with the Refinancing, the Company intends to request that the Lenders under the Senior Facilities Agreement consent to certain waivers and amendments of the Senior Facilities Agreement (and consequential amendments to the other Finance Documents, if necessary) as set out in the Restated Senior Facilities Agreement.

## Waiver Request

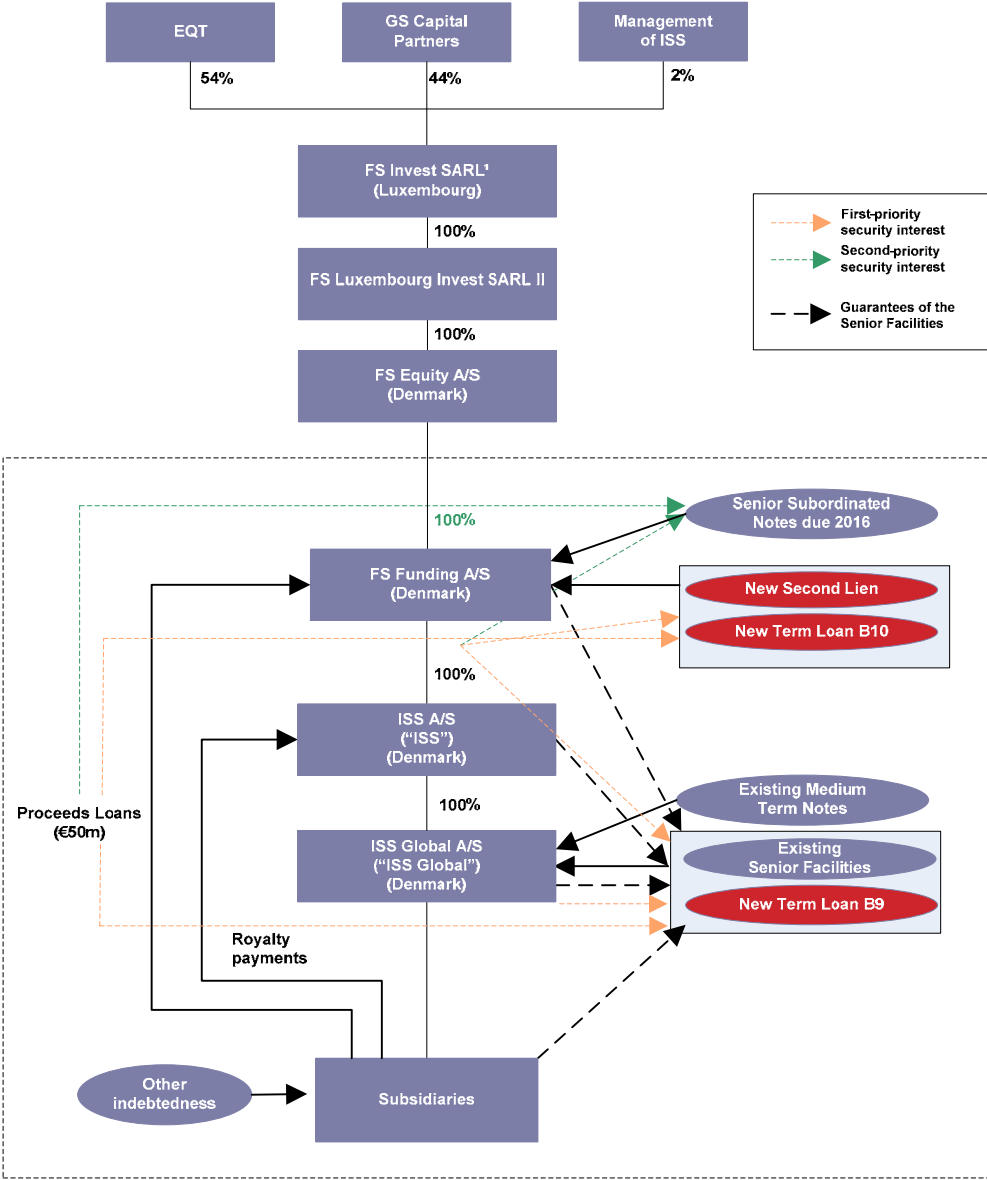
**Table 6: Overview of Amendments to the Senior Facilities Agreement**

Acquisition Facilities	Allow amounts in respect of the Acquisition Facilities which are repaid to be redrawn
Acquisition Facility A	Reset Availability Period of Acquisition Facility A such that it expires on 11-May-2009, in line with the Availability Period in respect of Acquisition Facility B
Excess Cash Flow	Mandatory prepayments of Excess Cash Flow to be applied first against the Acquisition Facility and then against the Term Facilities
Permitted Securitisation	Mandatory prepayments of Permitted Securitisation Proceeds to be applied first against the Acquisition Facility No mandatory prepayment required to the extent Permitted Securitisation Proceeds are used to purchase and cancel, or redeem, outstanding 2010 EMTNs (and, pending such application, the proceeds are held on a charged account)
Permitted Guarantee	Increase basket from EUR 10 million to EUR 25 million
Senior Debt Cover	Increased from 2.85x to 4.00x. From 31-December-2009, Senior Debt Cover will be permitted to increase to 5.00x provided the use of the incremental senior debt is to refinance the outstanding 2010 EMTNs
Clean down	To be deleted
Re-pricing of Senior Facility	Facility A margin to be reduced to 2.00 per cent per annum and Facility B margin to be reduced to 2.375 per cent per annum
Replacement of Lender	Extension of replacement of lender provisions to any Lender which does not consent to an amendment or waiver requiring the consent of all Lenders in respect of a given Facility to which at least 85% of Lenders in respect of that Facility have consented
Exclusion	Exclusion from the calculation of Total Commitments for the purpose of any amendment or waiver request of any Lender which does not respond to the request within 10 Business Days

## B. Overview of Transaction Structure

The figure below represents the proposed capital structure post Refinancing.

Figure 1: Overview of Group Structure



Source: FS Funding

1 Please note that certain members of the Board of Directors, the Executive Group Management and a number of senior officers of the Group have invested, directly or indirectly, in shares in FS Invest S.à r.l. The total number of shares held by these officers is equal to approximately 2% of the total share capital.

### Notes:

- The Board of Directors of ISS and ISS Global A/S (“ISS Global”) have declared and approved a dividend of DKK 1,000 million (EUR 134 million) at their annual general meeting of shareholders in April-2007. The dividend will be financed with drawings under Term Loan B9 by ISS Global and will be used to refinance DKK 969 million (EUR 130 million) of Floating Rate Notes.
- It is expected that Term Loan B10 will be refinanced with Term Loan B9 borrowed by ISS Global. This will be achieved through the payment of dividends from ISS and in turn ISS Global to FS

Funding. Should any amount of Term Loan B10 still be outstanding at the FS Funding level post the 18-month period following the date of funding, the margin will increase.

## Summary of Senior and Second Lien Credit Facilities

Tables 7 and 8 provide a summary of the existing Senior Credit Facilities (please refer to Table 6: "Overview of Amendments to the Senior Facilities Agreement" for details of amendments):

**Table 7: Overview of Senior Term, Letter of Credit and Revolving Credit Facilities**

	Facility A	Facility B	Letter of Credit Facility	Revolving Credit Facility	Revolving Credit Facility
Facility Size	DKK 1,700,000,000	DKK 5,000,000,000	DKK 500,000,000	DKK 2,400,000,000	DKK 100,000,000
Borrower	ISS Global	ISS Global	ISS Global	ISS Global	ISS Global
Drawn Amount <sup>1</sup>	DKK 1,700,000,000	DKK 5,000,000,000	L/C of DKK 344,000,000	DKK 598,000,000	N/A
Commitment	Committed	Committed	Committed	Committed	Uncommitted
Drawdown	SEK, NOK, CHF	EUR and GBP	Multi Currency	Multi Currency	Multi Currency
Maturity	2012	2013	2012	2012	2012
Repayment	Amortising	Two Bullets, equal instalments	Revolving	Revolving	Revolving
Prepayment Penalties	None	None	None	None	None
Margin	2.00%	2.375%	2.25%	2.25%	2.25%
Benchmark	Interbank Offered Rate	Interbank Offered Rate	Interbank Offered Rate	Interbank Offered Rate	Interbank Offered Rate
Margin Ratchet	Applicable	Applicable	Applicable	Applicable	Applicable
Commitment Fees	NA	NA	75 bps	75 bps	75 bps

<sup>1</sup> Drawn amount reflects balance as of 31-December-2006.

**Table 8: Overview of Acquisition Facility**

	Acquisition Facility A	Acquisition Facility B
Facility Size	DKK 1,425,000,000	DKK 3,500,000,000
Drawn Amount <sup>1</sup>	DKK 1,425,000,000	DKK 1,109,000,000
Borrower	ISS Global	ISS Global <sup>2</sup>
Commitment	Committed	Committed
Drawdown	Multi Currency	EUR
Maturity	2012	2013
Repayment	Amortising/ Revolving until 11-May-2009	Two Bullets, equal instalments/ Revolving until 11-May-2009
Prepayment Penalties	None	None
Initial Margin	2.25%	2.25%
Benchmark	Interbank Offered Rate	Interbank Offered Rate
Margin Ratchet	Applicable	Applicable
Commitment Fees	75 bps	75 bps

<sup>1</sup> Drawn amount reflects balance as of 31-December-2006.

<sup>2</sup> Including its subsidiary ISS Tesis Yönetim Hizmetleri A.Ş.

The table below provides a summary of the New Credit Facilities:

**Table 9: Overview of New Senior Term Loan B9, Senior Term Loan B10 and Second Lien**

	Term Loan B9	Term Loan B10	Second Lien
Facility Size	EUR 1,000,000,000	EUR 140,000,000	EUR 600,000,000
Borrower	ISS Global	FS Funding	FS Funding
Commitment	Committed	Committed	Committed
Drawdown	EUR	EUR	EUR
Maturity	2013	2013	2015
Repayment	Two Bullets, equal instalments	Two Bullets, equal instalments	Bullet
Prepayment Penalties	None	None	1% in Year 1
Initial Margin	2.375%	2.375%	4.50%
		Margin step-up of 50bps for any debt at FS Funding A/S after 18-mths subsequent to the date of funding and further 50bps at 24-mths, and 30-mths, capped at the rate of the Second Lien margin	
Benchmark	Interbank Offered Rate	Interbank Offered Rate	Interbank Offered Rate
Margin Ratchet	Applicable	Applicable once debt is pushed down to ISS Global A/S	Applicable
Commitment Fees	75 bps during the Availability Period	75 bps during the Availability Period	75 bps during the Availability Period

**Table 10: Companies Providing Guarantees and Security**

<b>Denmark</b>	<ul style="list-style-type: none"> <li>■ FS Funding A/S<sup>1</sup></li> <li>■ ISS A/S<sup>1</sup></li> <li>■ ISS Global A/S<sup>1</sup></li> <li>■ ISS Facility Services A/S</li> <li>■ ISS Holding France A/S</li> </ul>
<b>France</b>	<ul style="list-style-type: none"> <li>■ ISS Holding Paris SA<sup>1</sup></li> <li>■ ISS Abilis France SAS</li> </ul>
<b>Spain</b>	<ul style="list-style-type: none"> <li>■ Integrated Service Solutions S.L.<sup>1</sup></li> </ul>
<b>Finland</b>	<ul style="list-style-type: none"> <li>■ ISS Palvelut Oy<sup>1</sup></li> </ul>
<b>Norway</b>	<ul style="list-style-type: none"> <li>■ ISS Facility Services AS<sup>1</sup></li> </ul>
<b>Belgium</b>	<ul style="list-style-type: none"> <li>■ ISS NV<sup>1</sup></li> </ul>
<b>The Netherlands</b>	<ul style="list-style-type: none"> <li>■ ISS Holding Nederland BV<sup>1</sup></li> <li>■ ISS Nederland BV</li> </ul>
<b>Sweden</b>	<ul style="list-style-type: none"> <li>■ ISS Facility Services Holding AB<sup>1</sup></li> <li>■ ISS Facility Services AB</li> </ul>
<b>UK</b>	<ul style="list-style-type: none"> <li>■ ISS UK Holding Limited<sup>1</sup></li> <li>■ ISS UK Limited</li> <li>■ ISS Mediclean Limited</li> <li>■ ISS Facility Services Limited</li> </ul>
<b>Australia</b>	<ul style="list-style-type: none"> <li>■ Pacific Invest December 2004 Pty Limited</li> <li>■ Pacific Service Solutions Pty Limited</li> <li>■ ISS Facility Service Australia Limited</li> </ul>
<b>Turkey</b>	<ul style="list-style-type: none"> <li>■ ISS Tesis Yönetim Hizmetleri A.Ş.</li> </ul>

<sup>1</sup> Holding company.

Source: FS Funding

The Senior Facilities (including the new Term Loan B9, but excluding Term Loan B10 (save to the extent pushed down to ISS Global) and the Second Lien Facility) will be secured by a first-priority security interest in all of the share capital of ISS and each other Material Company ("Material Companies" are determined by reference to a test of 5% of aggregate gross assets, EBITDA or revenues). Each Material Company has granted a guarantee, together with security over its material bank accounts, trade receivables, intercompany receivables and intellectual property. In addition in specifically agreed cases shares that the Material Company holds in its subsidiaries have been pledged. The total share pledges represent approximately 90% of revenues and assets of the Group. There is no share pledge over the shares of ISS Global. To the extent that the senior debt is borrowed

and secured by ISS Global, the senior lenders rank ahead of the EMTN holders, who have an unsecured claim against ISS Global.

The Second Lien and Term Loan B10 will be borrowed by FS Funding. Term Loan B10 may subsequently be pushed down to ISS Global. These Facilities will share in a first ranking share pledge over the shares in ISS A/S and a first ranking pledge over EUR 50 million receivables under certain intra-group loans. The Second Lien will be second ranking to Term Loan B10 and the other Senior Facilities in respect of the proceeds of enforcement of these pledges.

No security or guarantees were granted by ISS or its subsidiaries for the borrowings of FS Funding.

Subject to agreed limits, the providers of foreign exchange treasury transactions and local Working Capital Facilities to the ISS Group will share in the senior guarantee and security package but without any rights of enforcement.

The relationship between the senior secured lenders and the holders of the senior subordinated floating rate notes is governed by an intercreditor agreement. The equity contribution is also contractually subordinated.

### **Covenants**

The financial covenants for the Credit Facilities are standard for a leveraged transaction of this type including:

- Net Senior Bank Debt/Pro Forma EBITDA
- Total Net Debt/Pro Forma EBITDA
- EBITDA/Total Net Cash Interest
- Free Cash Flow/Total Debt Service
- Limitations on Capital Expenditure

In connection with the Refinancing the Net Senior Bank Debt/Pro Forma EBITDA will be permitted to increase to ensure headroom for the refinancing of the 4.75% EMTNs due 2010 with additional Senior Debt. For detailed schedule of the new Senior Debt covenants please refer to Section IV, "Summary Principal Terms and Conditions".

The Second Lien does not benefit from financial covenants, but is subject to the following incurrence covenants:

- Limitation on debt
- Limitation on restricted payments
- Limitation on issuances and sales of stock of restricted subsidiaries
- Limitation on transactions with affiliates
- Impairment of security interest
- Limitation on liens
- Limitation on sale of certain assets
- Limitation on sale and leaseback transactions
- Limitation on guarantees of debt by restricted subsidiaries
- Limitation on dividend and other payment restrictions affecting restricted subsidiaries
- Limitation on consolidation, merger and sale of assets

# C. Company Overview

## 1. Company Description

ISS is one of the world's largest providers of facility services, with operations in 49 countries in Europe, Latin America, Asia, and Australia. ISS is one of the top three cleaning companies, based on revenue, in Austria, Belgium, Hong Kong, the Netherlands, the Nordic region (Sweden, Denmark, Norway and Finland), Singapore, Spain, Switzerland, and the United Kingdom. ISS has a diversified customer base of more than 200,000 public and private sector customers. The Company employs more than 400,000 employees worldwide and is among Europe's largest private employers. In 2006, ISS had revenue of DKK 55.8 billion (EUR 7.5 billion) and pro forma adjusted EBITDA of DKK 4.2 billion (EUR 506 million).

Figure 2: ISS Service Overview (“IFS House”)



	Cleaning	Office Support	Property Services	Catering	Integrated Facility Services
<b>Revenues (2006 DKK m)</b>	31,408	4,687 <sup>1</sup>	12,097	3,489	4,091
<b>% of Total Revenues</b>	57%	8% <sup>1</sup>	22%	6%	7%

<sup>1</sup> Including Security.  
Source: ISS

ISS has been operating for more than 100 years. The Company began as a security company and began offering cleaning services in 1934. ISS continues the process of transforming itself into a facility services company. In response to customer demand, ISS has established operations in security services through acquisitions in several geographies. To further strengthen its strategic focus on developing these services, Security, including access control and guarding services, has been added as a fifth pillar in ISS’s “IFS house” as illustrated above. This means that ISS wants to offer a wide range of services supported by the five pillars of the IFS House:

- **Cleaning services**, which represented approximately 57% of 2006 revenue includes daily office and facility cleaning, dust control, washroom and specialised cleaning services;
- **Property services**, which represented approximately 22% of 2006 revenue includes landscaping, damage control, building maintenance and technical services and pest control services;
- **Office support services**, which represented approximately 8% of 2006 revenue includes call centres, reception services, office logistics and access control services;

- **Catering services**, which represented approximately 6% of 2006 revenue includes company restaurants, event catering, executive dining and corporate catering and office catering solutions such as coffee points;
- **Security services**, which did not exist as a separate strategic service area prior to 2007: consists primarily of the provision of access control and guarding services, to both public and private sector customers.

Service solutions are offered to the customer as single services, multi services or Integrated Facility Services (“IFS”).

In a single service outsourcing the customer buys one service solution from ISS, e.g. outsourcing of cleaning or property services. The customer thereby enjoys the benefits of outsourcing to ISS and can capitalise on service know-how and best practices, labour management and handling of all HR issues, procurement benefits, reduced financial administration of the outsourced service area, increased operational flexibility, etc.

In a multi service outsourcing the customer achieves the same benefits as single service outsourcing only for each outsourced service area as well as benefits of service integration where possible.

In an Integrated Facility Services solution ISS takes over all or most of the service functions at the customer's premises, provided the services are within the pillars of the IFS house. The customer thereby receives the full potential of single service outsourcing and benefits from an ISS on-site management solution that exploits the synergy potential, and as a result provides the customer with an integrated and cost effective solution.

## 2. Operations

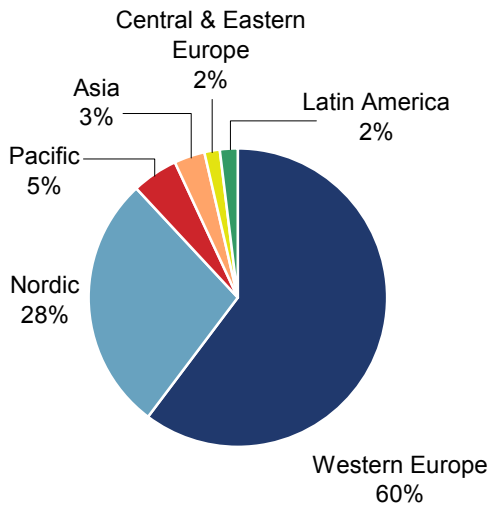
ISS maintains a decentralised organisational structure in which the country manager of each country's operations typically reports directly to the ISS head office in Copenhagen. Each of the country organisations acts independently in its local market. ISS's head office performs certain centralised functions, including procurement, risk management, finance, legal, treasury, information technology, human resources, international sales and key account management and supervision of mergers and acquisitions. ISS operates in the following regions:

- **Nordic**: comprising Denmark, Faroe Islands, Finland, Greenland, Iceland, Norway and Sweden.
- **Western Europe**: comprising Austria, Belgium, France, Germany, Greece, Ireland, Israel, Italy, Luxembourg, The Netherlands, Portugal, Spain, Switzerland, Turkey and the UK.
- **Central and Eastern Europe**: comprising Bosnia and Herzegovina, Croatia, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia and Slovenia.
- **Asia**: comprising Brunei, China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, Sri Lanka, Taiwan and Thailand
- **Latin America**: comprising Argentina, Brazil, Chile, Mexico and Uruguay
- **Pacific**: comprising Australia and New Zealand

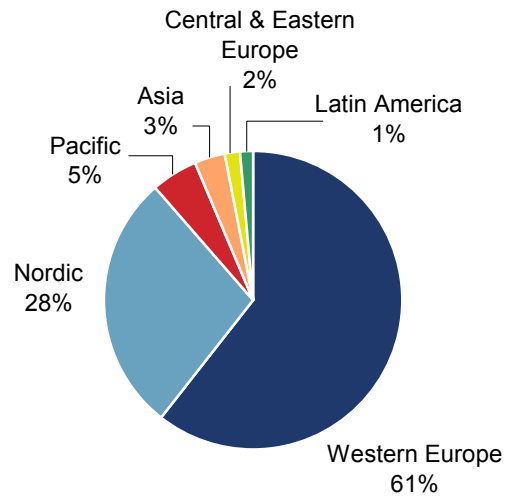
In 2006, revenues were split: Nordic (28%), Western Europe (60%), Central and Eastern Europe (2%), Asia (3%), Latin America (2%) and Pacific (5%). ISS employed more than 391,000 employees as of 31-December-2006, of which only 93 employees had head office functions.

The following charts contain sales and operating profit information for each of the regions in which ISS operates.

**Figure 3: Geographical Breakdown of Revenues in 2006: DKK 55.8 billion**



**Figure 4: Geographical Breakdown of EBITA in 2006: DKK 3.2 billion**



### 3. Acquisitions

Consolidation of the industry continues to be an integral part of ISS's strategy and consequently ISS makes a large number of acquisitions every year in its key business areas. ISS has also made a few "platform" acquisitions to enter new geographies and / or areas of activities.

ISS's acquisition strategy builds on three priorities. Firstly, acquisitions have to be aligned with the Group strategy: by underpinning the building of the IFS competencies, by possessing growth potential, and by adhering to the corporate values of ISS. Secondly, acquisitions must be value-accretive for ISS. Thirdly, the associated risks and the related integration process must be manageable.

During the last five years ISS has expanded primarily by acquiring a large number of smaller companies. Since the beginning of 2005, ISS has acquired and integrated more than 225 companies in more than 40 countries for a total consideration of more than DKK 7.0 billion (EUR 0.9 billion) adding more than DKK 13 billion (EUR 1.7 billion) of revenues and more than DKK 1 billion (EUR 0.1 billion) of EBITDA. Most of these acquisitions have been of relatively small companies, typically with annual revenues of less than DKK 100 million (EUR 13 million).

### 4. Customers and Contracts

As of 30-December-2006, ISS had more than 200,000 public and private sector customers, and in 2006, revenue derived from its ten largest customers was less than 5% of total revenue. In 2006, no more than 17% of ISS's revenue was generated in any one country, with France being the largest contributor to revenue. ISS's customers operate in a number of industries, and ISS does not believe that its business is dependent on any particular industry segment in the private sector or particular authority in the public sector.

ISS's commercial customers range in size from small firms requiring a single service employee to large, multi-national organisations seeking Integrated Facility Services. ISS is focused on developing larger accounts with the goal of becoming their sole provider of Integrated Facility Services. ISS believes that these customers are more likely to appreciate the full benefits of Integrated Facility Services.

The terms of ISS's customer contracts vary widely by country and customer segment due to differing customer requirements and applicable legislation. However, ISS typically provides services under multi-year contracts with a stated term of between two and five years and reciprocal termination rights upon three to twelve months' prior written notice. ISS's commercial customer contracts typically provide for automatic renewal in the absence of a party's notice to terminate the contract.

ISS is highly focused on customer retention and has introduced a wide range of initiatives to increase retention rates, including dedicated management of key accounts and additional training of sales staff. ISS benefits from quality customer relationships and estimates the average length of its customer relationships at approximately eight to ten years, equating to approximately 85%-90% customer retention.

ISS also provides its services to governmental entities, primarily in Europe. The contractual arrangements with these entities differ from ISS's contracts with the commercial sector in that they are generally subject to public procurement rules. Under these rules, facility services contracts are generally retendered on a regular basis. As a result, ISS must tender to maintain existing government contracts.

## 5. Human Resources

The facility services industry is characterised by relatively high levels of employee turnover, as part of the industry is considered a short-term or secondary source of employment. As a result, ISS pursues a number of strategies to reduce the turnover among blue collar employees, including arranging for more full-time and daytime work. ISS also seeks to enhance employee satisfaction and reduce turnover by providing multi-tasking jobs, encouraging career development opportunities and providing programmes designed to promote teamwork and skill development. In 2006, the proportion of full-time employees (working 25 hours or more per week) rose to 66% from 61% in 2005. The distribution of employee tenure (in years) provides another perspective on employee loyalty at ISS. In 2006, 67% of the Group's employees had been with ISS for more than one year.

## 6. Outlook

The outlook set out below should be read in conjunction with "Forward-looking statements" and the description of risk factors set out on pages 22-30 of the FS Funding Annual Report 2006.

In 2007, ISS will continue its strategic directions towards offering Integrated Facility Services and strengthening single service excellence and maintain its focus on its key operational objectives (i) cash flow; (ii) operating margin; and (iii) profitable organic growth. Furthermore, the Group intends to continue its strategy of making acquisitions to increase local scale and broadening its service competencies.

At the prevailing currency rates and including acquisitions and divestments completed up to 10-April-2007, FS Funding expects that revenue will increase by more than 10% and that the operating margin will be maintained at the current level in 2007.

FS Funding is expected to continue to generate net accounting losses in the foreseeable future, as a consequence of the significant indebtedness as well as non-cash expenses deriving from amortisation of intangible assets relating to the purchase price allocation conducted in connection with the change of ownership.

## A. Industry Overview

### 1. European Facility Services Market

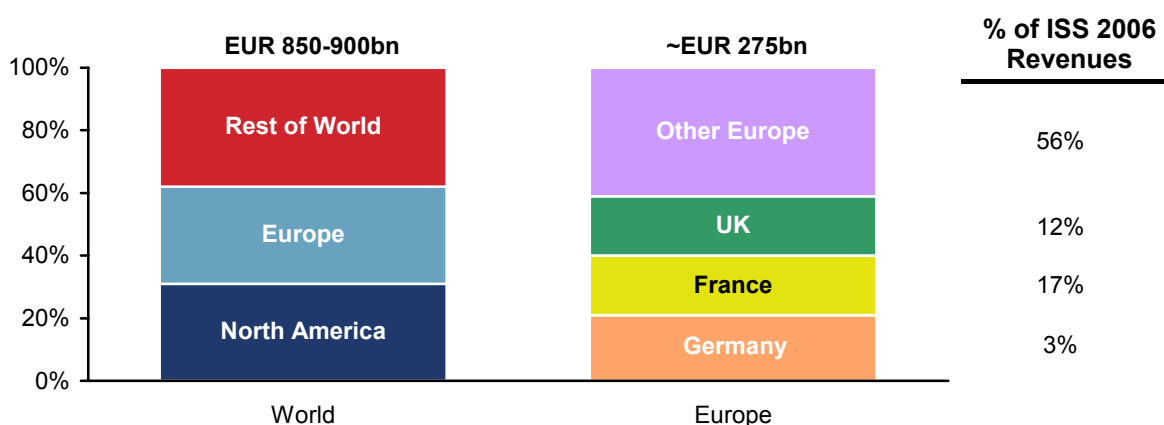
According to an independent market survey, the outsourced European facility services market is estimated to be worth ca. EUR 275 billion. The largest segments of this market are property support, waste and cleaning services, representing ca. 70% of the overall market. In Europe, Germany, France and the UK are the largest geographic regions for outsourced facility services, representing ca. 60% of the total market. The cleaning services market, which currently is ISS's largest market, was estimated to be worth ca. EUR 53 billion in 2006<sup>1</sup>. The primary segments of the European facility services market as defined in the market report are the following:

- **Property support services:** includes property maintenance, landscaping, ventilation, car-park services, sewage and damage control services. Damage control services relate to the remediation of damage caused to property by extraordinary events, such as fires, floods, storms and vandalism
- **Catering services:** operation of canteens within customer facilities

<sup>1</sup> Source: Independent market survey

- **Security services:** manned guarding and electronic surveillance systems
- **Waste management:** specialist provision of services for the removal of waste
- **Cleaning services:** cleaning of offices and facilities, window cleaning, and specialised cleaning (including for food producers and processors)
- **Other workplace support:** pest control, call centres, reception services, secretarial, internal postal, tropical plants, document storage, washroom, textile and other in-house services

**Figure 5: Total Outsourced Facility Service Market, 2006E (EUR bn)**



Source: Independent market survey

Facility services can be provided either on a stand-alone single service basis, as a “bundled package” (multi-services), with the customer retaining the role of managing those service providers, or with the customer appointing an external facility manager who co-ordinates and either provides directly or subcontracts the underlying services (otherwise defined in the independent market survey as Integrated Facility Services or Integrated Facility Management (“IFM”)).

IFS offers a range of benefits to both the customers and providers:

**Table 11: Overview of Benefits to Both Customers and Providers from IFS**

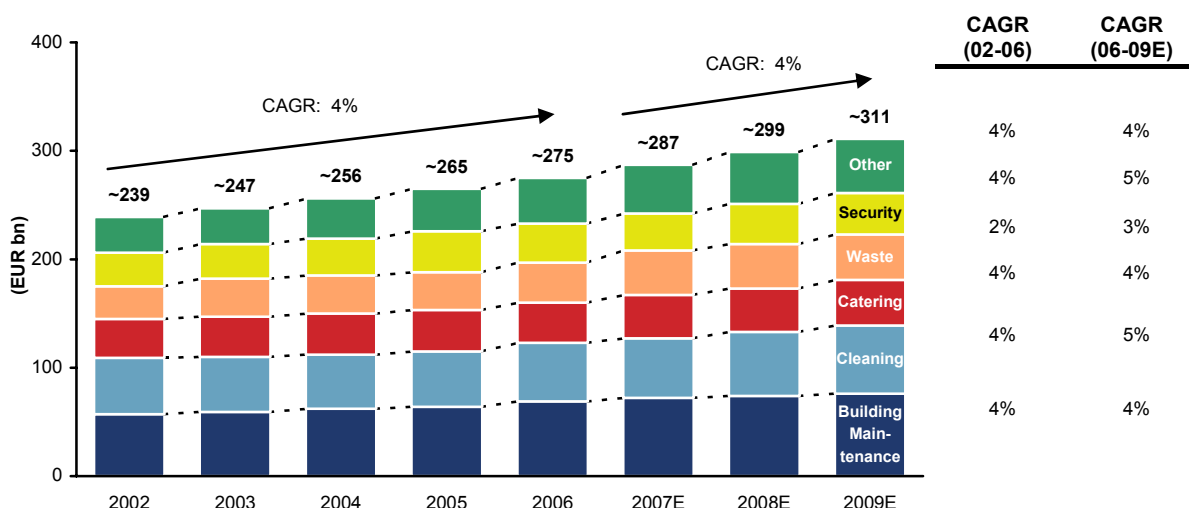
Customers	Providers
<ul style="list-style-type: none"> <li>■ Better pricing terms – Absolute savings are achieved through economies of scale. Multi-service contracts optimise man hours with a smaller number of people delivering the combined tasks</li> <li>■ Improved levels of service – Greater accountability for delivery of services, arising from a single point of contact</li> <li>■ Reduced administrative burden – Number of suppliers used by the customer is reduced</li> </ul>	<ul style="list-style-type: none"> <li>■ Revenue growth – Further leverage from existing contracts, as the range of services is expanded</li> <li>■ Efficient use of employees – Opportunity to cross train on-site employees, reducing the man hours required</li> <li>■ Differentiated service offering – Despite ancillary services offered by competitors, IFS creates switching costs and competitors have to match a more complex service offering</li> </ul>

## 2. Market Growth Projections

The European facility services market (excluding the EUR 40 billion waste services market) has historically grown at ca. 4% per annum and is projected to grow at 4% to 5% over the short term, driven in part by increased public sector outsourcing<sup>1</sup>.

<sup>1</sup> Source: Independent market survey

**Figure 6: European Facility Services Market, 2002-2009E (EUR bn)**



Note: Catering does not include concessions and vending.

Source: Independent market survey

The cleaning services market is expected to show growth of ca. 4% to 6% per annum in all the major European countries through to 2009, with the exception of Germany, which is forecast to grow by ca. 3% per annum.

### 3. Competitive Environment

The market among small and medium sized customers for basic facility services is highly fragmented and there are believed to be more than 75,000 operators in this market. Furthermore, about two-thirds of these operators employ fewer than ten people and mainly provide cleaning services to small and medium sized companies. Basic facility services, including general cleaning services, can be provided with very limited resources and, as a result, it is likely that the market for basic facility services will continue to include a large number of smaller operators. However, within each market there are generally only a few providers that have sufficient resources to provide customers with a full-range of facility services and to service larger, multi-location customers.

## D. Strategy

ISS's strategic vision is to transform ISS into the leading global facility services company. To that end, ISS's strategy is to: (i) continue to focus on operational efficiency; (ii) reduce financial leverage on a multiple basis; (iii) continue to focus on delivering single service excellence; (iv) continue to grow the business profitably through selective acquisitions; (v) increase its ability to deliver Integrated Facility Services throughout its operations; (vi) continue to transform the organisation to allow it to focus on accelerating the service development and (vii) invest further in strengthening the ISS brand across the world.

- **Operational efficiency.** ISS will seek to maintain and enhance operational efficiency by continuing its focus on three well established and prioritised operational objectives for its local managers: (i) cash flow; (ii) operating margin; and (iii) profitable organic growth
  - **Cash flow.** ISS's first objective is to continue to maintain a relatively high rate of cash conversion primarily by operating in a manner that optimizes working capital. Through this approach, ISS expects to continue to generate a positive free cash flow
  - **Operating margin.** ISS's second operational objective is to maintain or increase its operating margin through continuous focus on costs. To reduce costs, ISS will seek to generate operational efficiencies by increasing its local market shares and operational densities and by implementing Company-wide best practices. This approach has already increased ISS's operating margin, which ISS defines as operating profit before other income and expenses and income from associates divided by revenue, from 5.1% in 2000 to 5.8% in 2006

- **Profitable organic growth.** ISS's third operational objective is to continue to leverage its international market position and service offering in order to increase its local market positions and drive organic growth. To do this, ISS continues to employ a wide range of initiatives to: (i) attract new customers; (ii) increase customer retention rates, including through the establishment of dedicated key account teams; and (iii) cross-sell related services, such as pest control and washroom services, to existing customers
- **Reduce financial leverage on a multiple basis.** Following the Acquisition, the Group has and will continue to prioritise reduction in the financial leverage (on a multiple basis) whilst continuing to issue additional debt to fund continued Acquisitions. The Company expects to achieve this primarily through growth in ISS's operating profit through a continued focus on cash flow, operating margin, organic growth and acquisitions. However, as a result of this growth strategy, ISS expects to incur additional debt in the future. The extent and timing of the Group's deleveraging on a multiple basis will ultimately depend upon, among other things, the Group's cash flow generation and the scale and timing of payments related to its future acquisition activities, which may temporarily increase its leverage on a multiple basis.
- **Single service excellence.** The foundation for being the leading facility services company is a continuous focus on delivering service excellence in every area. ISS will continue to focus on developing single service excellence and spreading it throughout the organisation
- **Continuous growth.** A wide range of initiatives will underpin organic growth. Since the beginning of 2000, ISS has acquired and integrated more than 500 businesses, more than 450 of which were acquisitions of relatively small businesses with annual revenues of less than DKK 100 million (EUR 13.4 million). ISS expects to continue focusing primarily on smaller acquisitions, which it believes will reduce the risks relating to individual acquisitions and enable it to leverage the experience of local management teams throughout its countries of operation
- **Increase Integrated Facility Services capabilities.** ISS intends to continue to grow the Company into a fully Integrated Facility Services company by offering a wide range of services within the five service segments: cleaning, office support services, property services, catering and security. In a single service outsourcing, the customer buys one service solution from ISS, e.g. outsourcing of cleaning or property services. Integrated facility services offer the opportunity to reduce customers' overhead costs and for ISS to leverage operational synergies
- **Continue to strengthen the organisation.** As a foundation for the strategy plan, ISS is transforming its organisation to allow it to focus on accelerating the service development
- **Further develop the ISS brand.** As a part of the transformation to a global facility services company, ISS will invest further in strengthening the ISS brand across the world

## E. Financials

See below for historical and projected financials. These are discussed in more detail in the sections entitled "Historical Financials" and "Summary Projected Financials".

**Table 12: Historical Cash Flow Statement, 2004-2006**

DKK m	ISS A/S		FS Funding
	2004	2005	2006
EBITA	2,260	2,650	3,234
Depreciation and Amortisation	617	659	745
<b>EBITDA</b>	<b>2,877</b>	<b>3,309</b>	<b>3,979</b>
Share-based Payment	8	3	0
Changes in Working Capital	186	(234)	50
Changes in Provisions	(88)	(177)	(166)
Other inc. and Exp. Net Payment	(64)	(277)	(239)
Payments Related to Integration Cost	(45)	(128)	(105)
<b>Operating Cash Flow before Interest and Tax</b>	<b>2,874</b>	<b>2,496</b>	<b>3,519</b>
Corporate Tax Paid	(602)	(898)	(324)
<b>Operating Cash Flow</b>	<b>2,272</b>	<b>1,598</b>	<b>3,195</b>
Capex Net	(583)	(549)	(843)
<b>Free Operating Cash Flow</b>	<b>1,689</b>	<b>1,049</b>	<b>2,352</b>
Acquisitions of Businesses	(3,853)	(2,570)	(3,552)
Divestment of Businesses	36	845	68
Investments in Financial Assets, Net	(601)	422	47
<b>Cash Flow after Investments</b>	<b>(2,729)</b>	<b>(254)</b>	<b>(1,085)</b>
Financial Payments, Net	3,358	5,859	3,850
Net Interest Paid	(326)	25	(2,330)
Proceeds – Issuance of Share Capital	793	130	0
Purchase/Disposal of Own Shares	(30)	(171)	0
Dividend Paid to Shareholders	(177)	(7,229)	0
Options and Warrants Settled	0	(178)	0
Minority Interests	(6)	(11)	(8)
<b>Cash Flow from Financing Activities</b>	<b>3,612</b>	<b>(1,575)</b>	<b>1,512</b>
<b>Net Change in Cash</b>	<b>883</b>	<b>(1,829)</b>	<b>427</b>
Cash Conversion % <sup>1</sup>	108	91	102

<sup>1</sup> Please refer to section X Definitions of Financial Terms and Measures for the definition of Cash Conversion.

Source: ISS

**Table 13: Historical Balance Sheets, 2005-2006**

DKK m	FS Funding	
	2005	2006
Goodwill	22,995	26,178
Brands	1,664	1,664
Customer Contracts	7,878	8,002
Software and Other Intangibles	135	188
Tangible Assets	1,956	2,163
Financial Assets	965	830
<b>Fixed Assets</b>	<b>35,593</b>	<b>39,025</b>
Acc. Receivable and Other Current Assets	9,000	10,953
Current Liabilities	(10,623)	(13,244)
<b>Net Working Capital</b>	<b>(1,623)</b>	<b>(2,291)</b>
<b>Capital Employed</b>	<b>33,970</b>	<b>36,734</b>
Provisions	(4,374)	(4,389)
Net Borrowings/Interest Bearing Debt	(22,822)	(26,366)
Minority Interests	(60)	(63)
<b>Net Assets</b>	<b>(27,256)</b>	<b>(30,818)</b>
Net Working Capital as % of Revenue <sup>1</sup>	(3.5)%	(4.1)%

<sup>1</sup> 2005: Relates to ISS Revenue.

Source: ISS



### III. Key Lending Considerations

## A. Large and Diversified Business

ISS is one of the world's largest providers of facility services, with 2006 revenue of DKK 55.8 billion (EUR 7.5 billion) and pro forma adjusted EBITDA of DKK 4.2 billion (EUR 563 million) and operations in 49 countries in Europe, Latin America, Asia and Australia. No more than 17% of ISS's 2006 revenue was generated in any one country, with France being the largest contributor to revenue. The services ISS offers are diverse and, in addition to cleaning, include property, office support, catering, security and IFS. The services are delivered by ISS's more than 400,000 employees, making it one of the largest private employers in Europe. Through its size and diversification ISS has reduced its exposure to any single country, industry sector, customer or service.

As of 31-December-2006, ISS had more than 200,000 public and private sector customers, and revenue derived from its ten largest customers was less than 5% of its total revenue.

## B. Leading Market Positions

ISS is Europe's largest provider of cleaning services and one of the largest providers of facility services globally. ISS is also one of the top three cleaning companies in the majority of the countries in which it operates, including the United Kingdom, the Nordic region (Sweden, Denmark, Norway and Finland), the Netherlands, Belgium, Switzerland, Austria, Spain, Hong Kong and Singapore. In 2006, 78% of ISS's revenue was derived from its top 10 countries. The markets in which ISS operate are relatively fragmented as illustrated by the estimated 30% market share of the top-5 operators in the Nordic cleaning market, considered one of the most consolidated in Europe<sup>1</sup>. ISS leading positions combined with the fragmented competition creates significant opportunities for further organic and acquisitive expansion. ISS believes that these market positions increase the Company's ability to leverage its resources through increased cross-utilisation and sharing of best practices. In addition, ISS believes that its market positions increase its credibility as a contract provider, assisting it in obtaining and effectively servicing new contracts from larger, high-volume customers, including contracts involving multiple services or locations. ISS's market positions and size also enable the Company to leverage overheads and so achieve more efficient management and administrative functions. ISS believes the same factors also assist it in attracting and retaining qualified local managers.

<sup>1</sup> Source: Independent market survey

**Figure 7: Overview of ISS's Market Positions, 2006**

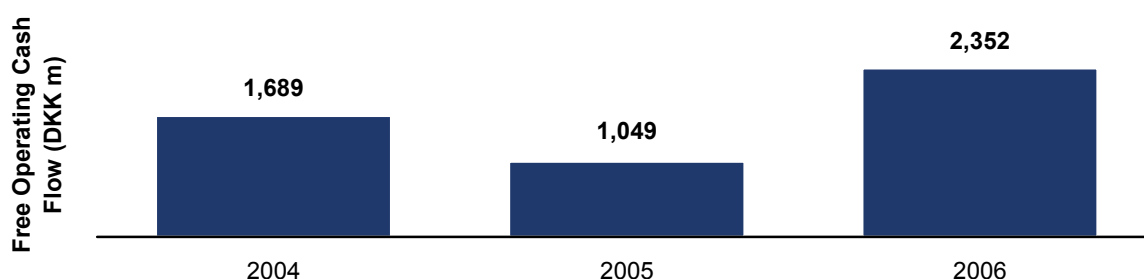


Source: Independent market survey

### C. Cash Generative Business

During the last six years, ISS's cash conversion ratio has on average been above 100%. ISS achieved this result primarily through a Company-wide focus on reducing working capital and capital investment requirements, with particular emphasis on reducing debtor days and increasing the use of operating leases and rental arrangements rather than purchasing assets. In addition ISS's business has relatively low capital expenditure requirements. For example, net investments in intangible assets and property, plant and equipment have averaged approximately 1.4% of revenue over the last three years. ISS expects to continue to generate positive Free Operating Cash Flow and aims to achieve a target cash conversion ratio of between 90% and 95%.

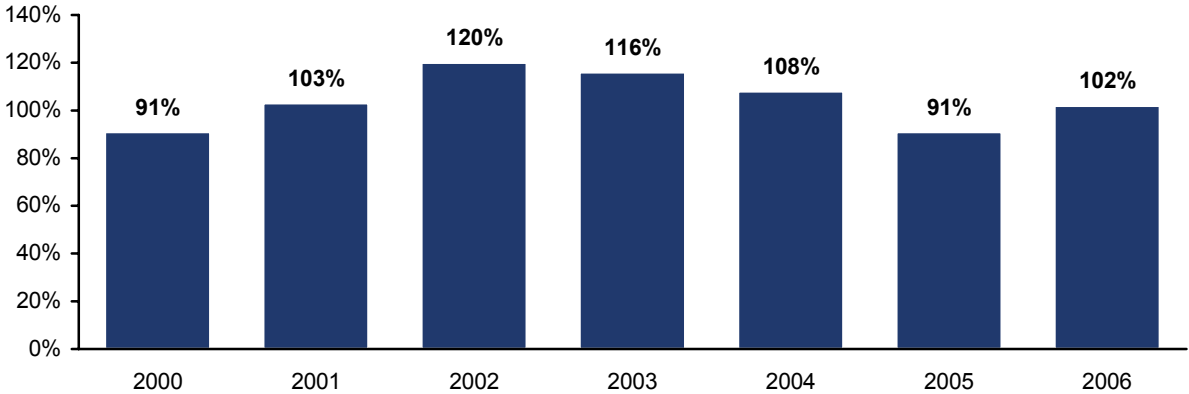
**Figure 8: Historical Free Operating Cash Flow, 2004-2006**



Note: 2004 and 2005 represent ISS A/S and 2006 represents FS Funding.

Source: ISS

**Figure 9: Historical Cash Conversion<sup>1</sup>, 2000-2006**

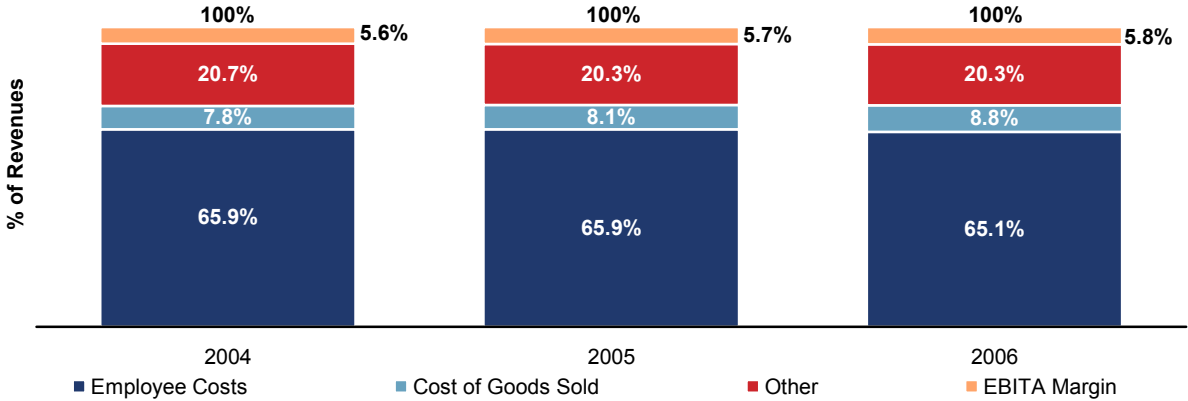


<sup>1</sup> Please refer to section X Definitions of Financial Terms and Measures for the definition of Cash Conversion.  
Source: ISS

**D. Flexible Cost Base**

ISS has a flexible cost base, particularly with respect to staff costs, which, as a percentage of revenue, has been approximately 65%. Despite topline growth of 12%, 15% and 20% in 2004, 2005 and 2006 respectively, costs have historically been stable due to the size and diversification of ISS as well as the decentralised responsibility for managing cash conversion, margins and increasingly return on capital. Due to ISS employee turnover of approximately 50%, a level believed to be in line with or slightly lower than the facility services industry generally, ISS is able to reduce its staffing levels when necessary by limiting its hiring of new employees. In addition, as a result of its local scale and density, ISS may also be able to shift employees among existing customer contracts and locations. Moreover, according to EU law, when facility services contracts are lost to a competitor, the former provider may under certain circumstances be able to pass on-site staff to the new provider, an option which provides additional operational flexibility.

**Figure 10: Cost Categories and EBITA, 2004-2006**



Source: ISS

## E. Stable and Predictable Business with Organic and Acquisitive Growth Potential

Demand for cleaning services, which comprised 57% of ISS's revenue in 2006, has historically been relatively resilient to economic downturns as compared to other industries. ISS believes that its target customers consider a basic level of cleaning and other facility services to be necessary for the operation of their core businesses and operations. ISS believes that it benefits from quality customer relationships and estimates that the average length of its customer relationships is approximately eight to ten years, equating to approximately 90% customer retention. ISS believes that the steady demand for facility services, the characteristics of its customer contracts and its relatively flexible cost base have contributed to the stability and predictability of ISS's operations in the last five years.

The revenue growth from 2000 to 2006 was to a large extent driven by acquisitions. However, organic growth was also a reliable source of growth, apart from in 2003 when revenues declined by 4.8%. The decline in 2003 is explained by a deliberate slow-down in growth and a refocusing on operational efficiency following several years of rapid expansion which had to some extent affected margins. The operational re-focusing included the divestment of the elderly care business and aviation business in 2002, engagement in an active contract trimming programme to terminate unprofitable contracts, currency fluctuations and overall challenging market conditions.

**Table 14: Breakdown of Revenue Growth (%), 2000-2006**

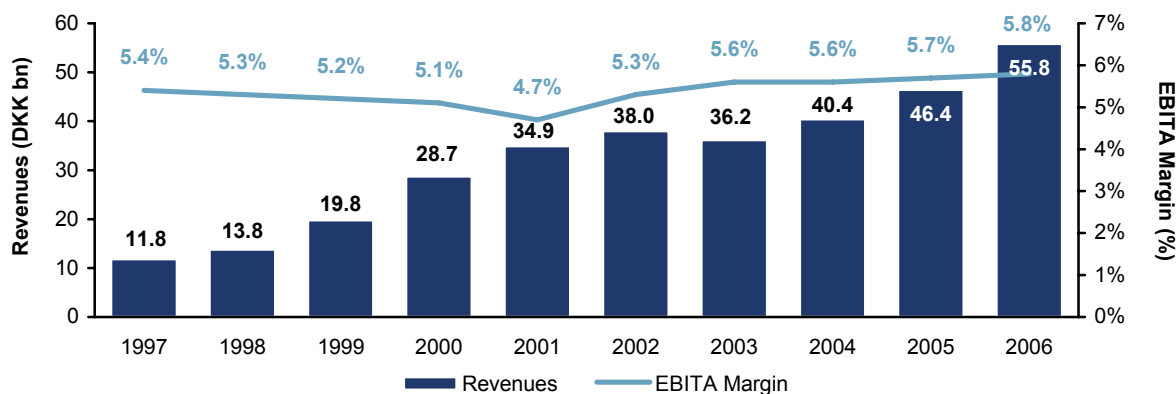
	2000	2001	2002	2003	2004	2005	2006
Total Revenue Growth	45%	21%	9%	(5)%	12%	15%	20%
Foreign Exchange	3%	(1)%	0%	(3)%	(0)%	1%	0%
Acquisitions, Net	35%	18%	8%	0%	11%	11%	15%
Organic Growth	7%	4%	1%	(2)%	1.5%	3%	5.5%

Source: ISS

The table above provides the breakdown of revenues growth attributed to acquisitions, foreign exchange movements and organic growth. Revenue increased 20% to DKK 55.8 billion in 2006 from DKK 46.4 billion in 2005 driven by the increase in organic growth and 15% growth from acquisitions.

Following the positive cash flow and operating (EBITA) margin performances in recent years, ISS decided at the beginning of 2004 to strengthen the focus on organic revenue growth. This was sustained in 2006 and resulted in a further improvement of the organic growth rate to 5.5% from 3% in 2005. The organic growth was in particular driven by 15% growth in the overseas region headed by double-digit organic growth rates in the growth economies of Asia and Latin America. Organic growth also increased from 2% in 2005 to 6% in Northern Europe, while an organic growth rate of 4% was maintained in Continental Europe.

**Figure 11: Historical Revenues and EBITA Margins, 1997-2006 (DKK bn)**



Note: 1997-2005 represents ISS A/S and 2006 represents FS Funding.

Source: ISS

## F. Disciplined and Well-established Approach to Acquisitions

ISS has a well-developed approach to acquisitions that capitalises on the market knowledge and acquisition experience of its local managers and the expertise of a centralised M&A department.

Since the beginning of 2000, ISS has acquired and integrated more than 500 companies in more than 40 countries. The total consideration for these acquisitions was more than DKK 19.5 billion (EUR 2.6 billion). More than 470 of these acquisitions were of relatively small companies, with annual revenues of less than DKK 100 million (EUR 13 million).

**Table 15: ISS Acquisition History 2000- 2006**

	For the Year Ended 31-Dec						
	2000	2001	2002	2003	2004	2005	2006
<b>Acquisitions</b>							
Number of Acquisitions	56	68	31	51	95	102	104
Average Annual Revenue of Acquired Companies (DKK million) <sup>(1)</sup>	114	64	62	25	64	42	81
Revenue of Largest Acquisition (DKK million)	1,199	870	902	217	1443	242	2,923
Sum of Acquired Revenue (DKK million)	6,363	4,384	1930	1280	6095	4,247	8,408
Acquired Employees	50,587	12,637	9,871	5,255	37,057	37,592	64,004
<b>Divestments</b>							
Number of Divestments	NA	NA	15	7	8	18	5
Revenue Attributable to Divestments (DKK million) <sup>2</sup>	NA	NA	1,652	221	192	1,210	290
<b>Transaction Multiples</b>							
All acquisitions price / EBITA	9.7x	8.0x	9.5x	7.2x	9.9x	8.3x	7.8x
Bolt-on acquisitions price / EBITA	6.5x	6.2x	7.5x	7.2x	8.6x	8.3x	7.3x
Large Acquisitions	Klinos, RCO, Jydsk Rengøring, Lavol	Nesco, M&M Medical, Ecuro, Compagnie Espaces Verts, Groupe Miege	Eurogestion	-	Coflex, Eaton, Engel, Unica, Nobis	-	Pegasus, Tempo, Edelweiss, Debeos

<sup>1</sup> Based on estimated revenue of the acquired companies made at the time of acquisition.

<sup>2</sup> On an annualised basis according to revenue for the prior year.

Source: ISS

Clearly defined valuation models, reporting requirements and approval limits ensure delegation as well as central control as illustrated by the positive effect to individual countries financial performance and the company's decision to slow down acquisitive growth during the years 2002 and 2003. Equally Management has been able to take advantage of the more favourable economic conditions in 2004, 2005 and 2006 by increasing the pace of acquisitions.

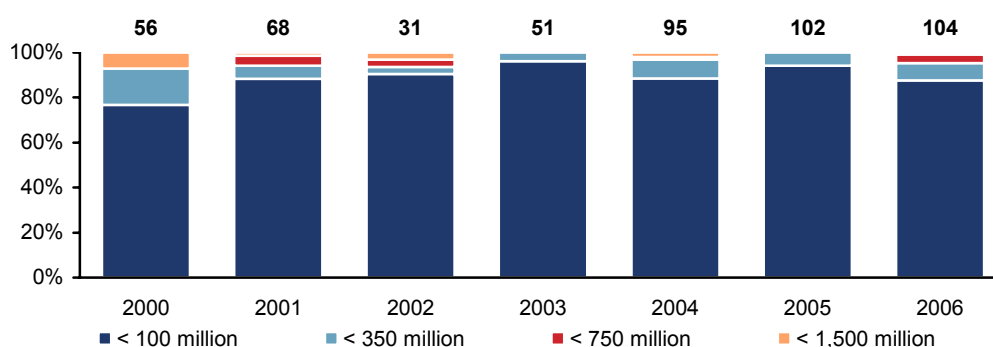
ISS's local management teams are responsible for the acquisition process from target identification to integration of the acquired businesses. ISS's centralised M&A department works closely with local ISS managers on the acquisition process, including the negotiation of material acquisition agreements and the performing of valuation analyses. In addition, every acquisition is approved by ISS's Executive Group Management and larger acquisitions are approved by an acquisition committee with representatives of ISS and the Sponsors. ISS believes that its experienced local management teams, dedicated M&A resources and disciplined acquisition process allow it to understand local market conditions, identify opportunities and capitalise on the opportunities to consolidate in the fragmented facility services market. Moreover, ISS believes that its practice of acquiring mostly smaller companies helps to limit integration risks relating to individual acquisitions.

In recent years, ISS has followed a strategy of selectively acquiring smaller companies, typically with annual revenues of less than DKK 100 million (EUR 13 million), in order to strengthen ISS's competencies, enhance its service offering or establish critical mass. The advantages of this strategy have been a reduction in execution risk due to diversification and a focus on driving local operational density, the key driver of margins. The volume of acquisitions has varied in recent years depending

upon market conditions. In the years ended 31-December-2004, 2005 and 2006, ISS made 95, 102 and 104 acquisitions, respectively. ISS reduced its acquisition activity in 2002 to concentrate on increasing its operating margin.

The figure below shows the consistency of this strategy through the years 2000 to 2006, with the vast majority of the number of acquisitions being smaller than DKK 100 m in annualised revenues. The larger acquisitions have historically accounted for the variability in the total acquisition expenditure and these transactions are subject to more comprehensive oversight and approval by central management. Note, figure below provides unaudited information concerning ISS's acquisitions and divestments for the periods presented. Revenue presented in the table represents the prior year revenue of the acquired companies.

**Figure 12: Overview of Historical Acquisitions, Revenues, 2000-2006 (DKK m)**



Annualised Revenue of Acquisition	# of Acquisitions						
	2000	2001	2002	2003	2004	2005	2006
<1,500 million	4	1	1	0	2	0	1
<750 million	0	3	1	0	1	0	4
< 350 million	9	4	1	2	8	6	8
< 100 million	43	60	28	49	84	96	91
<b>Total</b>	<b>56</b>	<b>68</b>	<b>31</b>	<b>51</b>	<b>95</b>	<b>102</b>	<b>104</b>

Source: ISS

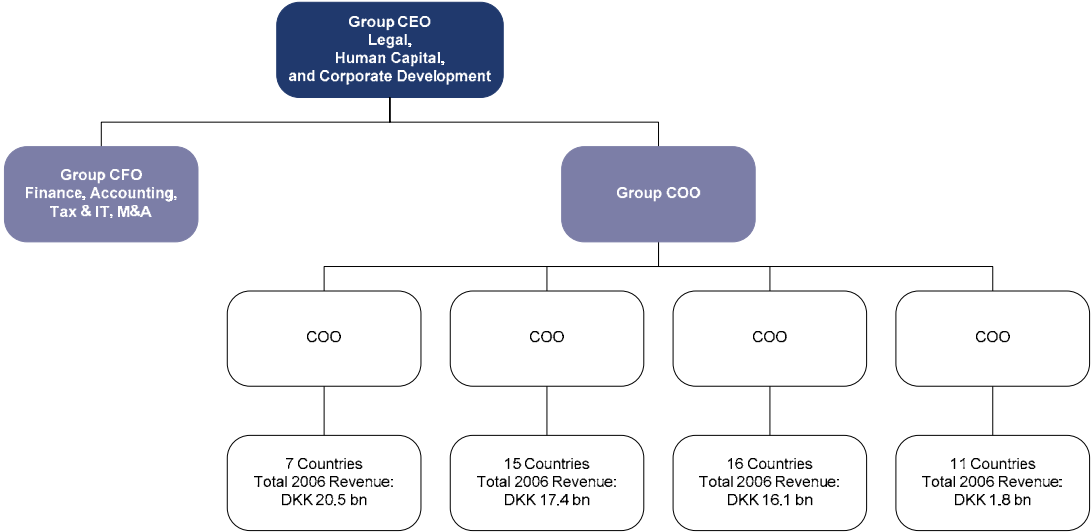
In January-2007, ISS established operations in Taiwan through two acquisitions, which provided the Group with a country platform, which to a large extent is specialised in cleaning. Of the 34 acquisitions completed from 01-January-2007 — 30-April-2007 only three had estimated annual revenues exceeding DKK 100 million.

Divestments in the last three years have been limited and have focused on underperforming and non-core businesses. Most of these divestments have been relatively small. However, in 2002 ISS divested most of its aviation service operations in the United Kingdom, the Netherlands and the Nordic countries, with combined revenue of approximately DKK 0.7 billion (EUR 0.1 billion) in 2001. In H1-2005 prior to the acquisition, the Company divested its health care operations in two separate transactions to funds advised by EQT.

## G. Decentralised, Experienced & Incentivised Management

ISS maintains a decentralised organisational structure under which its country operations act independently, with ISS’s head office providing strategic direction, managerial support and financial control. At the local level, managers have a large degree of autonomy in managing the operation of their local businesses, which allows ISS to respond more quickly to changes in local market conditions. ISS also believes that, in addition to making its organisation more responsive to market conditions, this organisational structure fosters an entrepreneurial culture within ISS. ISS believes to have further strengthened its entrepreneurial culture since the acquisition by the Sponsors and believes that implementation of the Management Participation Program (“MPP”) will further strengthen the local focus on value creation. In addition, ISS believes that it benefits from the experience of its local managers in relation to their local facility services markets. ISS’s country managers have an average length of service with ISS of approximately 10 years.

Figure 13: Organisation Structure



Since the Acquisition in May-2005, a new management team has been put in place, adding further operational and international experience (please see section “Corporate Governance and Management” for more details on the management team).

- The new Executive Group Management is headed by Group Chief Executive Officer Jørgen Lindegaard, who was appointed on 31-August-2006. Mr Lindegaard has significant experience in running large companies in the service sector. Mr Lindegaard has a strong track record including prior experience as the President and CEO of SAS Group from May-2001
- Jeff Gravenhorst has been the Group Chief Financial Officer since October-2005. Previously he was the Chief Financial Officer of ISS UK from 2002 and 2005. Mr Gravenhorst has vast financial and operational experience and a thorough understanding of the industry
- Flemming Schandorff has been Group Chief Operating Officer since 2003. Previously, he was a Managing Director, International, of ISS from 2000 to 2002. Mr Schandorff was the Chief Executive Officer of Kompan A/S from 1996 to 2000. He rejoined ISS in 2000, having held various positions with ISS from 1973 to 1994. He has substantial financial, operational, and industrial experience

In July-2006 the Company put in place the MPP to 138 participants in 38 countries. The managers have made a total investment of DKK 176 million (EUR 24 million) in the Scheme. Similar to prior incentive schemes applied by the Company, the scheme rewards managers for improvement in their local operating metrics. The scheme also introduced the concept of capital allocation to the entities managed by the MPP members. Significant capital returns are possible provided the measured entity delivers better-than-budget operating performance as well as return on investment. Management believes the new system transfer significant capital gain potential to the most value creating managers.

## H. Comprehensive Financial Management and Control

ISS has implemented comprehensive financial management and control procedures, which it considers to be an essential element of its business. These procedures enable ISS to focus particularly on cash management. Each country operation must submit monthly cash flow forecasts to the head office, and ISS's Group Treasury monitors any deviations from these forecasts on a daily basis. In addition, these country operations are supervised by regional directors, and controllers employed by the head office visit the local operations regularly to ensure compliance with ISS's control procedures.

Please see below for a detailed summary of some of the key controls and systems which are in place:

**Table 16: Overview of Key Controls and Systems in Place**

<b>Cash Forecasting Controls</b>	
■	Country CFOs required to make a daily forecast for the following month
■	Group Treasury monitors actual development vs. forecast and follows up on deviations
—	Country CFO must be able to explain the actual development and deviations at very short notice
<b>Business Controls</b>	
■	Strategy reviews – annual meetings with country managers at which the strategy is discussed and priorities and plans for the coming year are agreed
■	Business reviews – monthly meetings between regional management and country managers with focus on the current performance and state of the business; for larger countries, local CEOs are also involved
■	Budgets and financial plans – all countries must prepare budgets and plans for the next financial year in a predefined format. Regional management reviews the budgets and plans with the countries
■	Acquisitions – all acquisition proposals must be presented in a predefined acquisition report and valuation model for approval. Board approval is required for large or strategic acquisitions
■	Reporting of financial results – all countries must report a full income statement, full balance sheet, full cash flow statement portfolio analysis etc. on a monthly basis. Any significant variance from budgets must be explained
■	Full year forecasts – all countries must update and report their year-end estimates twice per year

Source: ISS

## I. Significant Sponsor Commitment & Experience

EQT and GS Capital Partners, together with Management, beneficially own all the outstanding shares of the ISS Group. EQT is a leading private equity group with operations in Northern Europe and Greater China. EQT currently manages approximately EUR 10.5 billion in 10 funds. In total, EQT funds have invested approximately EUR 5 billion in about 50 companies. EQT Partners, acting as exclusive investment advisor to EQT, is headquartered in Stockholm and maintains offices in Copenhagen, Munich, Frankfurt, Helsinki and Hong Kong. GS Capital Partners is the private equity vehicle through which the Goldman Sachs Group, Inc. conducts its privately negotiated corporate equity investment activities. Since 1986, GS Capital Partners has raised corporate investment vehicles with over USD 26 billion of assets under management. GS Capital Partners is a global private equity group focused on large, sophisticated business opportunities in which value can be created by way of leveraging the resources of Goldman Sachs.

At the time of the Acquisition, the Sponsors contributed DKK 7,693 million (EUR 1,031 million) in cash equity to acquire 100% of the outstanding ordinary shares of ISS A/S, which represented approximately 24% of the total pro forma transaction financing. At the time of the Acquisition, the Sponsors' equity investment represented the single largest investment in any LBO for both EQT and Goldman Sachs Capital Partners.

Under the leadership of the Executive Group Management, led by Jørgen Lindegaard, and with the guidance of the Sponsors, the business has outperformed the Bank Book Plan ("2005 Bank Plan") in 2006. Please see below for a comparison of the 2005 Bank Plan to actual performance for the twelve months ending 2005 and 2006

**Table 17: 2006 Operating Performance – Original Bank Plan vs. Actual**

DKK m	2006		
	Original Bank Plan	Actual	Delta
<b>Reported Sales</b>	<b>53,348</b>	<b>55,772</b>	<b>4.5%</b>
<i>Organic Growth (%)</i>	<i>3.0%</i>	<i>5.5%</i>	<i>2.5 pp</i>
<i>Acquisition Growth (%)</i>	<i>10.9%</i>	<i>15.0%</i>	<i>4.1 pp</i>
Reported EBITA	3,047	3,234	6.1%
<b>PF Adjusted EBITDA</b>	<b>4,011</b>	<b>4,203</b>	<b>4.8%</b>
<b>Senior Net Debt</b>	<b>8,594</b>	<b>7,925</b>	
Net Debt	25,917 <sup>1</sup>	27,714	
<b>Pro Forma EBITDA / Net Cash Interest</b>	<b>2.3x</b>	<b>1.9x</b>	
Net Senior Bank Debt / PF Adjusted EBITDA	2.1x	1.9x	
<b>Net Cash Pay Debt / PF Adjusted EBITDA</b>	<b>6.4x<sup>1</sup></b>	<b>6.6x</b>	

<sup>1</sup> Excluding PIK Bridge Facility which amounted to DKK 992 million as of 31-December-2006.

Source: ISS Bank Case Model and 2006 FS Funding Annual Report

## IV. Summary of Principal Terms and Conditions

*The terms and conditions included in this section are preliminary and are subject to change. ISS does not undertake to update the market with information on changes to the terms and conditions, if any, prior to concluding the syndication process.*

## FACILITY B9

<b>Facility:</b>	■ Term loan facility
<b>Amount:</b>	■ Approx. DKK 7,459,000,000 (EUR 1,000,000,000)
<b>Drawdown:</b>	■ EUR
<b>Borrower:</b>	■ ISS Global A/S ("ISS Global")
<b>Termination Date:</b>	■ 31-December-2013
<b>Purpose:</b>	a. Repayment of Acquisition Facility up to a maximum amount of EUR 500,000,000 b. Payment of a dividend to allow FS Funding to repay existing senior subordinated floating rate notes up to a maximum amount of EUR 130,000,000 c. Repayment of 2014 EMTNs, up to a maximum amount of EUR 350,000,000 (or to the extent such requirement is overfunded, general corporate purposes) d. Payment of fees, costs and expenses (or to the extent such requirement is overfunded, general corporate purposes)
<b>Availability Period:</b>	■ 60 days from Effective Date
<b>Minimum Amount of Each Advance:</b>	■ A minimum base currency amount of DKK 10,000,000 or, if less, the Available Facility
<b>Repayment:</b>	■ In two equal instalments on the dates falling six months prior to the Facility B Termination Date and on the Facility B Termination Date

## FACILITY B10

<b>Facility:</b>	■ Term loan facility
<b>Amount:</b>	■ Approx. DKK 1,044,000,000 (EUR 140,000,000)
<b>Drawdown:</b>	■ EUR
<b>Borrower:</b>	■ FS Funding A/S ("FS Funding") until pushed down to ISS Global, then ISS Global
<b>Termination Date:</b>	■ 31-December-2013
<b>Purpose:</b>	a. Repayment of existing senior subordinated floating rate notes b. Payment of fees, costs and expenses (or to the extent such requirement is overfunded, general corporate purposes)
<b>Availability Period:</b>	■ 60 days from Effective Date
<b>Minimum Amount of Each Advance:</b>	■ A minimum base currency amount of DKK 10,000,000 or, if less, the Available Facility
<b>Repayment:</b>	■ In two equal installments on the dates falling six months prior to the Facility B Termination Date and on the Facility B Termination Date

## SECOND LIEN FACILITY

<b>Facility:</b>	■ Term loan facility
<b>Amount:</b>	■ Approx. DKK 4,475,000,000 (EUR 600,000,000)
<b>Drawdown:</b>	■ EUR
<b>Borrower:</b>	■ FS Funding
<b>Ranking:</b>	■ Subordinated (by lien and structural subordination only) to Facility A, Facility B (excluding facility B10, assuming it has not been pushed down to ISS Global) the Acquisition Facility, the Revolving Facility, the L/C Facility, the Secured Local Facilities and the Secured FX Facilities
<b>Termination Date:</b>	■ 30-June-2015
<b>Purpose:</b>	■ Repayment of existing senior subordinated floating rate notes
<b>Availability Period:</b>	■ 60 days from Effective Date
<b>Minimum Amount of Each Advance:</b>	■ A minimum base currency amount of DKK 10,000,000 or, if less, the Available Facility
<b>Repayment:</b>	■ In one instalment on the Second Lien Termination Date

## PRICING

<b>Margin:</b>	■ Facility B9:	2.375% per annum																				
	■ Facility B10:	2.375% per annum																				
	■ Second Lien:	4.50% per annum																				
	■ but if:																					
	a. no Event of Default has occurred and is continuing																					
	b. a period of at least 12 months has expired since the Closing Date; and																					
	c. the ratio of Consolidated Total Net Debt to Consolidated EBITDA is within a range set out below																					
	then the Margin for Facility B9 and Facility B10 will be the percentage per annum set out opposite that range below:																					
	<table border="1"> <thead> <tr> <th><b>Ratio of Consolidated Total Net Debt to Consolidated EBITDA</b></th> <th><b>Facility B Margin % p.a.</b></th> </tr> </thead> <tbody> <tr> <td>■ Greater than or equal to 5.00:1</td> <td>2.375</td> </tr> <tr> <td>■ Less than 5.00:1 but greater than or equal to 4.25:1</td> <td>2.375</td> </tr> <tr> <td>■ Less than 4.25:1 but greater than or equal to 3.50:1</td> <td>2.375</td> </tr> <tr> <td>■ Less than 3.50:1 but greater than or equal to 3.00:1</td> <td>2.25</td> </tr> <tr> <td>■ Less than 3.00:1</td> <td>2.25</td> </tr> <tr> <td>■ While an Event of Default is continuing, the Margin for Facility B9 and Facility B10 shall be the highest percentage per annum set out above</td> <td></td> </tr> <tr> <td>■ Any increase or decrease in the Margin shall take effect on the date falling two business days after the date of delivery of the most recent compliance certificate</td> <td></td> </tr> <tr> <td>■ If any annual audited financial statements of the Group and related compliance certificate show that a higher or lower rate of Margin should have applied, then the reduction or non-reduction shall be reversed with retrospective effect and subsequent payments of interest shall be adjusted accordingly</td> <td></td> </tr> <tr> <td>■ The Margin in respect of Facility B10 shall increase by 0.50% every six months commencing on the date falling 18 months after first utilisation until it reaches a cap of the margin equal to that of the Second Lien unless it has been novated to ISS Global</td> <td></td> </tr> </tbody> </table>		<b>Ratio of Consolidated Total Net Debt to Consolidated EBITDA</b>	<b>Facility B Margin % p.a.</b>	■ Greater than or equal to 5.00:1	2.375	■ Less than 5.00:1 but greater than or equal to 4.25:1	2.375	■ Less than 4.25:1 but greater than or equal to 3.50:1	2.375	■ Less than 3.50:1 but greater than or equal to 3.00:1	2.25	■ Less than 3.00:1	2.25	■ While an Event of Default is continuing, the Margin for Facility B9 and Facility B10 shall be the highest percentage per annum set out above		■ Any increase or decrease in the Margin shall take effect on the date falling two business days after the date of delivery of the most recent compliance certificate		■ If any annual audited financial statements of the Group and related compliance certificate show that a higher or lower rate of Margin should have applied, then the reduction or non-reduction shall be reversed with retrospective effect and subsequent payments of interest shall be adjusted accordingly		■ The Margin in respect of Facility B10 shall increase by 0.50% every six months commencing on the date falling 18 months after first utilisation until it reaches a cap of the margin equal to that of the Second Lien unless it has been novated to ISS Global	
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<b>Interest Periods for Loans:</b>	■ One, two, three or six months or any other period agreed between FS Funding and the Agent (acting on the instructions all of the Lenders participating in the relevant Loan)																					
<b>Interest on Loans:</b>	■ The aggregate of the applicable: <ul style="list-style-type: none"> <li>a. Margin</li> <li>b. LIBOR/EURIBOR, set by reference to Reuters, or if not available, on the basis of rates provided by agreed reference banks; and</li> <li>c. Mandatory Cost, if any</li> </ul>																					
<b>Payment of Interest:</b>	■ Accrued interest is payable on the last day of each Interest Period (and, if the Interest Period is longer than six months, on the dates falling at six monthly intervals after the first day of the Interest Period)																					

## OTHER TERMS

<b>Material Company:</b>	<ul style="list-style-type: none"> <li>■ FS Funding and ISS, any other Obligor, any wholly owned member of the Group that holds shares in an Obligor, ISS Holding Paris SA, ISS UK Limited, ISS Nederland B.V., ISS Facility Services AB, ISS Palvelut Oy, ISS Facility Services AS (a Norwegian company), Integrated Services Solutions SL, ISS Abillis France SAS, ISS Facility Services A/S (a Danish company), ISS Facility Services Limited, ISS Holding Nederland B.V., ISS Mediclean Limited, ISS N.V., ISS UK Holding Limited, ISS Facility Services Holding AB and any other subsidiary of FS Funding which has earnings before interest, tax, depreciation and amortisation calculated on the same basis as consolidated EBITDA, representing 5% or more of consolidated EBITDA, or has gross assets or revenues (excluding intra-group items) representing 5% or more of the gross assets or revenues of the Group, calculated on a consolidated basis</li> </ul>
<b>Obligors:</b>	<ul style="list-style-type: none"> <li>■ The Borrowers and the Guarantors</li> </ul>
<b>Additional Obligors:</b>	<ul style="list-style-type: none"> <li>■ Any wholly-owned subsidiary of FS Funding which, in the case of a proposed Borrower:               <ol style="list-style-type: none"> <li>a. has been approved by all the Lenders under the relevant Facility (such approval not to be unreasonably withheld); or</li> <li>b. is incorporated in or constituted under the laws of an OECD country (other than Mexico and Korea)</li> </ol> </li> </ul> <p>may accede as Borrower and/or Guarantor. Borrowers and Guarantors other than FS Funding may also resign</p>
<b>Guarantors:</b>	<ul style="list-style-type: none"> <li>■ In respect of Facility B9 and (once pushed down to ISS Global) Facility B10, FS Funding and each Material Company (other than by reason only of being a Borrower)</li> </ul>
<b>Security:</b>	<ul style="list-style-type: none"> <li>■ In respect of Facility B10 (unless and until such debt is pushed down to ISS Global) and the Second Lien, a pledge from FS Funding over the entire issued share capital of ISS and a pledge over certain intra-group receivables of FS Funding</li> <li>■ In addition, in respect of Facility B9 and (if and when pushed down to ISS Global) Facility B10, (subject to the security principles), security from Material Companies over shares, intercompany and trade receivables, intellectual property and bank accounts, together with a floating charge (or its equivalent) from Material Companies incorporated in the UK and from any member of the Group which becomes a Material Company</li> <li>■ To the extent that the senior debt is refinanced by ISS Global, and such debt is secured by ISS Global, then the senior lenders will rank ahead of the EMTN holders, who have an unsecured claim against ISS Global, to the extent of their security interests. Security documents entered into by ISS Global and its subsidiaries contain provisions to ensure that if any of the indebtedness that would otherwise be secured by them constitutes "Relevant Indebtedness", as defined in the Medium Term Notes, then that indebtedness is not secured by the relevant security document</li> <li>■ Notably, no security or guarantees were granted by ISS or its subsidiaries for the borrowings of FS Funding</li> </ul>
<b>Illegality and Cancellation:</b>	<ol style="list-style-type: none"> <li>a. <b>Illegality</b> A Lender's commitment shall be transferred to another person or cancelled and its share of the utilisations shall be prepaid</li> <li>b. <b>Voluntary Cancellation</b> FS Funding may, on not less than three business days' prior notice (or such shorter period as the Majority Lenders may agree) cancel the whole or any part (being a minimum base currency amount of DKK 7,500,000) of an Available Facility. Any cancellation shall reduce the Commitments of the Lenders rateably under that Facility</li> </ol>
<b>Voluntary Prepayment:</b>	<ul style="list-style-type: none"> <li>■ A Borrower may on not less than 3 business days' (or such shorter period as the Majority Lenders may agree) prior notice, prepay the whole or any part of that loan (but, if in part, being an amount that reduces the base currency amount of that loan by a minimum amount of DKK 37,500,000)</li> <li>■ FS Funding may elect that any such voluntary prepayment be applied against repayment instalments under the relevant Facility in such manner as FS Funding may determine</li> </ul>
<b>Increased Costs, Tax Gross Up and Tax Indemnity:</b>	<ul style="list-style-type: none"> <li>■ FS Funding may cancel the commitment of and prepay any Lender that makes a claim under these provisions or require that commitment to be transferred at par to another person</li> </ul>
<b>Mandatory Prepayment:</b>	<ol style="list-style-type: none"> <li>a. <b>Exit</b> Upon a Change of Control of FS Funding or the sale of all or substantially all of the assets of the Group, all Facilities will be cancelled and repaid Upon a flotation of FS Funding or a company specially established to be the holding company of the Group for that purpose which does not result in a Change of Control, FS Funding shall procure that net flotation proceeds shall be applied on the basis of the following ratchet (based on a ratio of Consolidated Total Net Debt to Consolidated EBITDA):               <ol style="list-style-type: none"> <li>i. more than 3.50:1 – 100% of the proceeds received will be applied in prepayment of the Facilities; and</li> <li>ii. more than 2.50:1 but less than 3.50:1 – 50% of the proceeds received will be applied in prepayment of the Facilities</li> </ol> </li> </ol>

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Any balance may be retained

**b. Disposal Proceeds**

Other than:

- i. the proceeds of certain permitted disposals; and
  - ii. the proceeds of disposal of an Entity which are committed to be applied in or towards the purchase of another Entity or Entities within 12 months of such disposal and are so applied within 18 months of such disposal (and during such reinvestment period are held on an account charged in favour of the Security Trustee on terms satisfactory to it)
- the net proceeds of disposals, to the extent they exceed EUR 20,000,000 in aggregate in any financial year, shall be applied in prepayment of the Facilities as set out below

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**c. Insurance Proceeds**

To the extent not applied within 12 months of receipt in the replacement, reinstatement and/or repair of the assets in respect of which the relevant insurance claim was made or committed to be so applied within 12 months of receipt and so applied within 18 months of receipt, the net proceeds of any insurance claim (other than third party liability, business interruption or similar claims) in excess of EUR 500,000 individually and EUR 10,000,000 in any financial year shall be applied in prepayment of the Facilities as set out below

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**d. Excess Cashflow**

For any financial year of FS Funding after 2006 an amount equal to 50% of the Excess Cash Flow for such financial year will be applied in prepayment of the Facilities as set out below

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**e. Permitted Securitisation Proceeds**

The proceeds of any permitted securitisation (to the extent such proceeds exceed in aggregate EUR 10,000,000 and are not applied in the purchase and cancellation of 2010 EMTNs) and the proceeds of any factoring on non-recourse terms (where such proceeds are to be applied in prepayment) will be applied as set out below

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**f. Report Proceeds**

The net proceeds of any claim made against the provider of any report shall be applied in prepayment of the Facilities as set out below

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**Application of Mandatory Prepayment Proceeds:**

- Mandatory Prepayment proceeds other than prepayments of Excess Cash Flow or Permitted Securitisation Proceeds will be applied in the following order:
  - a. first in prepayment of Facility A and Facility B and (after the end of the Availability Period for the Acquisition Facility or earlier if FS Funding so elects) in prepayment of the Acquisition Facility
  - b. secondly, after Facility A and Facility B and the Acquisition Facility have been repaid in full, in permanent reduction of the Revolving Facility and the L/C Facility
  - c. thirdly, in repayment and cancellation of the Ancillary Outstandings and Ancillary Commitments; and
  - d. then, in repayment and cancellation of the Second Lien
- Mandatory Prepayment proceeds of Excess Cash Flow or Permitted Securitisation Proceeds will be applied in the following order:
  - a. first, in prepayment of the Acquisition Facility
  - b. secondly, after the Acquisition Facility has been prepaid in full, in prepayment of Facility A and Facility B
  - c. thirdly, after the Acquisition Facility, Facility A and Facility B have been repaid in full, in permanent reduction of the Revolving Facility and the L/C Facility
  - d. fourthly, in repayment and cancellation of the Ancillary Outstandings and Ancillary Commitments; and
  - e. then, in repayment and cancellation of the Second Lien
- Unless FS Funding elects otherwise, the Borrowers shall prepay Facility A, Facility B and the Acquisition Facility:
  - a. in the case of any prepayment relating to the amounts of Disposal Proceeds, Insurance Proceeds or Report Proceeds, promptly upon receipt of those proceeds or as soon as practicable thereafter; and
  - b. in the case of any prepayment relating to an amount of Excess Cash Flow, within 15 business days of the date on which the annual consolidated accounts of FS Funding for the relevant financial year are required to be delivered
- Such prepayments shall be applied as follows:
  - a. against Facility A, Facility B and, after the end of the Availability Period relating to the Acquisition Facility or earlier if FS Funding elects, the Acquisition Facility pro rata; and
  - b. in respect of any prepayment of a Facility A loan or an Acquisition Facility loan, against repayment instalments pro rata or, at FS Funding's election, against any of the next four succeeding repayment instalments in chronological order or as selected by FS Funding (provided that no such repayment instalment is reduced by more than 50% of its original amount) and thereafter against all remaining repayment instalments pro rata

<b>General Prepayment Provisions:</b>	<ul style="list-style-type: none"> <li>■ If: <ul style="list-style-type: none"> <li>a. any amount is required to be applied in partial prepayment of the Facilities or paid into a blocked account but, in order to be so applied or paid, monies need to be upstreamed or otherwise transferred from one member of the Group to another member of the Group to effect that prepayment or repayment; and</li> <li>b. those monies cannot be so upstreamed or transferred without: <ul style="list-style-type: none"> <li>i. breaching a financial assistance prohibition, a corporate benefit restriction or other legal restriction applicable to a member of the Group (or any of its directors); or</li> <li>ii. any member of the Group incurring a liability (including, without limitation, a tax cost) in excess of 5% of the amount to be prepaid); or</li> <li>iii. breaching a fiduciary or statutory duty applicable to the directors of a member of the Group</li> </ul> </li> </ul> </li> <li>■ then: <ul style="list-style-type: none"> <li>a. subject to (b) below, there will be no obligation to make that prepayment in such manner until that impediment no longer applies (in which case the prepayment shall be made at the end of the next Interest Period); and</li> <li>b. FS Funding and the relevant members of the Group will use their reasonable endeavours to overcome such impediment and FS Funding shall use its reasonable endeavours to ensure that such prepayment is made using the cash resources available to other members of the Group</li> </ul> </li> <li>■ Amounts not applied in prepayment or not applied in the purchase of or reinvestment in assets (or for any other permitted purpose) as a consequence of the above limitations will be available for general corporate or acquisition purposes of the Group and will not be deposited in a blocked account</li> <li>■ Subject to there being no Event of Default outstanding, prepayments in respect of the Facilities which are due for prepayment may be paid to a charged account pending their application at the end of the next applicable Interest Period</li> <li>■ In the case of Facility A, Facility B and Second Lien, any amount prepaid may not be redrawn</li> <li>■ Any prepayment shall be made with accrued interest on the amount prepaid and, subject to breakage costs, without premium or penalty</li> </ul>
<b>Prepayment Fee</b>	<p>A prepayment fee of 1% if the amount prepaid is payable in respect of any prepayment of the Second Lien within one year of the start of the Availability Period in respect of the Second Lien. Such fee is not payable in the event of a refinancing by the lender being prepaid, in respect of any prepayment due to illegality, tax gross-up or increased costs or in respect of certain mandatory prepayments</p>
<b>Repeating Representations:</b>	<ul style="list-style-type: none"> <li>a. Status</li> <li>b. binding obligations</li> <li>c. non-conflict with other obligations</li> <li>d. power and authority</li> <li>e. validity and admissibility in evidence</li> <li>f. good title to assets</li> <li>g. legal and beneficial ownership</li> <li>h. shares</li> <li>i. PMP (in respect of Dutch Borrowers only)</li> <li>■ Deemed to be made by each Obligor on the date of each Utilisation Request, on each Utilisation Date and on the first day of each Interest Period, and by each Additional Obligor on the date it becomes an Additional Obligor</li> </ul>
<b>Information Undertakings:</b>	<ul style="list-style-type: none"> <li>■ FS Funding shall supply to the Agent as soon as they are available: <ul style="list-style-type: none"> <li>a. (and in any event within 120 days after the end of the relevant financial year) its audited consolidated financial statements for each financial year</li> <li>b. (and in any event within any statutory time period allowed for the preparation thereof) if requested by the Agent, the annual financial statements of each other Borrower, which shall be audited if required to be audited by law</li> <li>c. (and in any event within 45 days after the end of each financial quarter of each of its financial years) its consolidated financial statements for that financial quarter</li> <li>d. (and in any event within 30 days (or for January, March, June, September and December, 45 days) after the end of each month) its financial statements on a consolidated basis for that month, to include cumulative management accounts for the financial year to date</li> </ul> </li> </ul>

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e. promptly from time to time after the occurrence of an event required to be reported therein, such other reports containing substantially the same information required to be contained in Form 6-K (or any successor form) under the U.S. Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated by the U.S. Securities and Exchange Commission thereunder

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■ FS Funding shall also make available:

a. On ISS A/S's website

b. to the newswire service of Bloomberg, or, if Bloomberg does not then operate, any similar agency; and

c. if and so long as any senior subordinated floating rate notes are listed on the Euro MTF and the rules of the Euro MTF so require, at the specified office of the paying agent for the senior subordinated floating rate notes in Luxembourg

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■ Copies of all reports that it has been agreed would be required to be furnished to the noteholder trustee appointed in respect of the senior subordinated floating rate notes, **provided that** no information shall be required to be delivered pursuant to Rule 144A (d)(4) under the Securities Act of 1933

■ FS Funding shall supply a compliance certificate with each set of its audited consolidated annual financial statements and each set of its consolidated quarterly financial statements. Each compliance certificate shall be signed by two directors of FS Funding and, if required to be delivered with the consolidated annual financial statements, shall be reported on by FS Funding's auditors

■ FS Funding shall supply to the Agent an annual budget as soon as it becomes available, but in any event within 30 days after the start of each financial year

■ FS Funding A/S shall supply to the Agent:

a. copies of all material documents despatched by FS Funding to its shareholders generally or despatched by FS Funding or any Obligor to its creditors generally

b. promptly upon becoming aware of them, details of any litigation, arbitration or administrative proceedings which are reasonably likely to have a Material Adverse Effect, and the details of any disposal, insurance claim or report claim which will require a mandatory prepayment

c. promptly upon becoming aware of its occurrence, notification of any actual or potential Event of Default; and

d. promptly on request, such further information as any Finance Party may, through the Agent, reasonably request regarding the financial condition, assets and operations of the Group which is readily available without giving rise to a material cost to the Group

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■ Provision is made for reconciliation/adjustment to Financial Covenants on a change of accounting basis or change of reference date

■ Customary undertakings relating to the provision by the Obligors of information for any "know your customer" checks required to be carried out by the Agent and the Lenders

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**Term Loan B9 & B10  
Financial Covenants:**

■ Net Senior Bank Debt/Pro Forma EBITDA ("Senior Debt Cover") has been agreed at 4.00x from 31-December-2007. From the 31-December-2009, Senior Debt Cover may increase to 5.00x to ensure headroom for the refinancing of the 4.75% EMTNs due 2010 with additional Senior Debt

■ Total Net Debt/Pro Forma EBITDA

■ EBITDA/Total Net Cash Interest

■ Free Cash Flow/Total Debt Service

■ Limitations on Capital Expenditure

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**General  
Undertakings:**

a. authorisations

b. compliance with laws

c. environmental compliance

d. environmental claims

e. taxation

f. merger

g. change of business

h. acquisitions

i. joint ventures

j. holding companies

k. *pari passu* ranking

l. negative pledge

m. disposals

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- n. arm's length basis
- o. loans or credit
- p. no guarantees or indemnities
- q. dividends and share redemption
- r. subordinated debt
- s. financial indebtedness
- t. share capital
- u. insurance
- v. pensions
- w. access
- x. intellectual property
- y. amendments
- z. financial assistance
- aa. treasury transactions
- bb. cash management
- cc. further assurance
- dd. Offer related undertakings
- ee. conditions subsequent
- ff. no listed debt
- gg. future assets
- hh. cancellation of EMTNs
- Second Lien does not have the benefit of the general undertakings.

**Second Lien  
Incurrence  
Covenants:**

- a. limitation on debt (subject to a covenant of 2.00x Consolidated Fixed Charge Coverage Ratio)
- b. limitation on restricted payments
- c. limitation on issuances and sales of stock of restricted subsidiaries
- d. limitation on transactions with affiliates
- e. impairment of security interest
- f. limitation on liens
- g. limitation on sale of certain assets
- h. limitation on sale and leaseback transactions
- i. limitation on guarantees of debt by restricted subsidiaries
- j. limitation on dividend and other payment restrictions affecting restricted subsidiaries
- k. consolidation, merger and sale of assets
- The Senior Facilities do not have the benefit of the Second Lien incurrence covenants

**Events of Default:**

- a. non-payment
- b. breach of financial covenants
- c. breach of undertakings
- d. misrepresentation
- e. cross default
- f. insolvency or insolvency proceedings
- g. creditors' process
- h. unlawfulness or invalidity of any finance document
- i. breach of the Intercreditor Agreement
- j. cessation of business
- k. material audit qualification
- l. repudiation or rescission of agreements
- m. material adverse effect

<b>Hedging:</b>	<ul style="list-style-type: none"> <li>■ Interest rate hedging to be implemented in respect of not less than 50% of Facility A, Facility B and utilisations under the Acquisition Facility for a minimum period of three years from the Closing Date, 11-May-2005, in respect of the original transaction</li> <li>■ All hedging agreements will be documented by way of ISDA documentation. Interest rate hedging to share in the transaction security and rank <i>pari passu</i> with the Senior Facilities</li> </ul>
<b>Majority Lenders:</b>	<ul style="list-style-type: none"> <li>■ Lenders whose commitments aggregate more than 66⅔% of the total commitments</li> </ul>
<b>Majority Second Lien Lenders:</b>	<ul style="list-style-type: none"> <li>■ Lenders whose commitments aggregate more than 66⅔% of the total commitments in respect of Second Lien or, in respect of any vote in respect of the Second Lien Incurrence Covenants only, Lenders whose commitments in aggregate more than 50% of the total commitments in respect of Second Lien</li> </ul>
<b>Majority Priority Lenders:</b>	<ul style="list-style-type: none"> <li>■ Lenders whose commitments aggregate more than 66⅔% of the total commitments other than the commitments in respect of Second Lien</li> </ul>
<b>Voting Rights:</b>	<ul style="list-style-type: none"> <li>■ If 85% (by commitments) of the Lenders have consented to a decision, FS Funding shall have the right but not the obligation to require the sale to another institution nominated by FS Funding, at par, of the participation of any non-consenting Lender and the transfer of any undrawn commitment, subject, in each case, to payment of any fees, costs or expenses due to the relevant Lender. Similar provisions will also apply in the case of non-funding Lenders</li> <li>■ If 85% (by commitments) of the Lenders in respect of any Facility have consented to a decision in respect of that Facility, FS Funding shall have the right but not the obligation to require the sale to another institution nominated by FS Funding, at par, of the participation of any non-consenting Lender in that Facility and the transfer of any undrawn commitment, subject, in each case, to payment of any fees, costs or expenses due to the relevant Lender</li> <li>■ The Majority Priority Lenders only shall have voting rights in respect of any decision to waive or to accelerate or enforce on the occurrence of an event of default under the Financial Covenants or the General Undertakings or in respect of any proposed amendment to the Financial Covenants or the General Undertakings</li> <li>■ The Majority Second Lien Lenders only shall have voting rights in respect of any decision to waive or to accelerate or enforce on the occurrence of an event of default under the Second Lien Incurrence Covenants</li> <li>■ If a Lender does not accept or reject a request for an amendment or waiver within 10 Business Days of receipt of such request (or such longer period as FS Funding A/S and the Agent may agree), or abstains from accepting or rejecting a request for an amendment or waiver, its Commitments shall not be included for the purpose of calculating the Total Commitments under the relevant Facility when ascertaining whether the consent of a Lender or Lenders whose Commitments aggregate more than the required percentage of the Total Commitments under the relevant Facility has been obtained in respect of such request</li> <li>■ The Security Trustee shall be authorised to release any guarantees or security in the event that such release is required to permit a disposal permitted under the Senior Credit Facilities Agreement or to which the Majority Lenders (under the relevant Facility) have consented in accordance with the Senior Credit Facilities Agreement. Release of any of the guarantees or security under the security documents, other than in relation to a Permitted Disposal, requires the consent of Lenders holding 90% of the total commitments</li> <li>■ The terms on which the Second Lien Lenders are subordinated may not be amended without the consent of the Majority Second Lien Lenders</li> </ul>
<b>Acceleration by Second Lien Lenders:</b>	<ul style="list-style-type: none"> <li>■ Permitted only if: <ul style="list-style-type: none"> <li>a. there is a payment default in respect of Second Lien (subject to a 120 day standstill period)</li> <li>b. there is a breach of the Second Lien incurrence covenants (subject to a 120 day standstill period)</li> <li>c. Bidco becomes subject to any liquidation or winding up order; or</li> <li>d. The Majority Lenders or Majority Priority Lenders take enforcement action</li> </ul> </li> </ul>
<b>Assignments and Transfers by Lenders:</b>	<ul style="list-style-type: none"> <li>■ Provisions are included in the Senior Credit Facilities Agreement permitting the assignment/transfer of Lenders' commitments and outstandings to any bank, financial institution or trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets, subject to: <ul style="list-style-type: none"> <li>a. a minimum Facility B or Second Lien hold of DKK 7,500,000 (unless an Event of Default has occurred and is continuing)</li> <li>b. FS Funding's prior consent (not to be unreasonably withheld or delayed). Such consent shall be deemed to be provided if not given to the Agent within five business days of its written request to FS Funding. No consent is required if an Event of Default has occurred and is continuing, if a transfer/assignment is to an existing Lender or an affiliate of an existing Lender or if the transfer/assignment is to a fund within the same investor group as the fund which is the existing Lender</li> </ul> </li> <li>■ The Borrowers shall not bear any increased cost or tax gross-up/indemnity obligations that arise because of an assignment or transfer and as a result of laws in force at the time of the assignment or transfer</li> </ul>

- Any transferring Lender will enter into an agreed form confidentiality undertaking with any potential transferee Lender prior to providing it with any information about the Finance Documents or the Group

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<b>Miscellaneous Provisions:</b>	■ The Senior Credit Facilities Agreement contains market standard provisions relating to, among others, default interest at 1% on overdue amounts, market disruption with ability to substitute Lender at par, breakage costs, tax gross-up and indemnity, agency and administrative parties, increased costs with ability to substitute Lender at par and set-off
<b>Costs and Expenses:</b>	■ The Senior Credit Facilities Agreement provides for FS Funding to pay amendment costs and enforcement and preservation costs
<b>Governing Law:</b>	■ English save where inappropriate for security documents
<b>Jurisdiction:</b>	■ Courts of England save where inappropriate for security documents

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## V. Industry Overview

The market data included in this section represent estimates taken from external sources. While FS Funding has compiled, extracted and reproduced market or other industry data from external sources, including third party or industry or general publications, ISS has not independently verified such data. Where percentage ranges are presented, these ranges represent the estimated range of average growth rates of the relevant service in the major countries within the European facility services market. There can be no assurance as to the accuracy and completeness of, and FS Funding and its subsidiaries take no responsibility for, such data.

The Company commissioned an internationally recognized consulting firm to prepare an independent survey of the European facility services market, ISS's primary market. ISS believes that its non-European markets generally exhibit characteristics that are similar to the European facility services industry, although the European market may be more mature in certain respects. For purposes of the survey, the European facility services market was defined as cleaning, property, office and catering services within the broader market in Europe for support services that facilitate the primary operations of private and public sector entities. The facility services market and its various segments may be defined in a number of ways, and competitors within the facility services market may define the market differently.

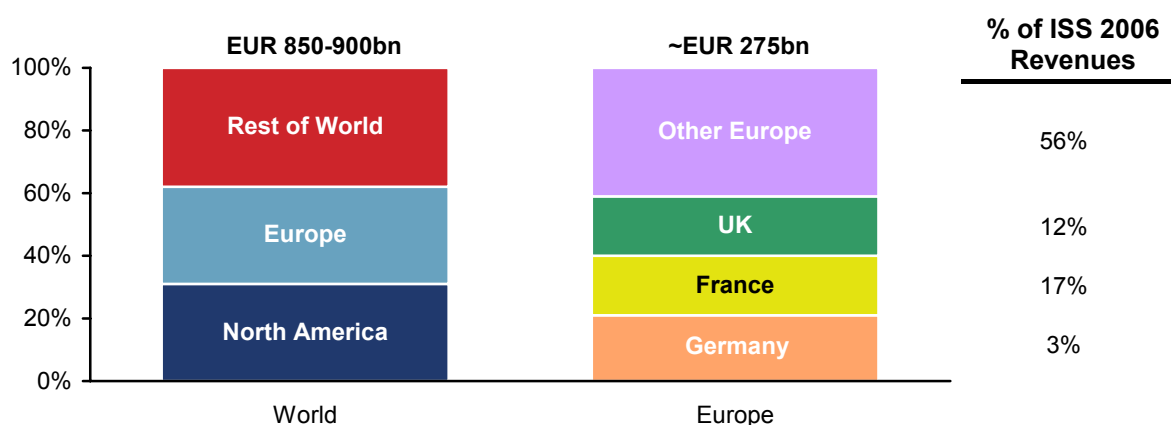
## A. Facility Services Market Overview

### 1. European Facility Services Market

According to an independent market survey, the outsourced European facility services market is estimated to be worth ca. EUR 275 billion. The largest segments of this market are property support, waste and cleaning services, representing ca. 70% of the overall market. In Europe, Germany, France and the UK are the largest geographic regions for outsourced facility services, representing ca. 60% of the total market. The cleaning services market, which currently is ISS's largest market, was estimated to be worth ca. EUR 53 billion in 2006<sup>1</sup>. The primary segments of the European facility services market as defined in the market report are the following:

- **Property support services:** includes property maintenance, landscaping, ventilation, car-park services, sewage and damage control services. Damage control services relate to the remediation of damage caused to property by extraordinary events, such as fires, floods, storms and vandalism.
- **Catering services:** operation of canteens within customer facilities.
- **Security services:** manned guarding and electronic surveillance systems.
- **Waste management:** specialist provision of services for the removal of waste.
- **Cleaning services:** cleaning of offices and facilities, window cleaning, and specialised cleaning (including for food producers and processors).
- **Other workplace support:** pest control, call centres, reception services, secretarial, internal postal, tropical plants, document storage, washroom, textile and other in-house services.

Figure 14: Total Outsourced Facility Service Market, 2006E (EUR bn)



Source: Independent market survey

### 2. Facility Services Delivery Model

Facility services fall into two broad categories based upon their operational characteristics:

- **On-site services:** cleaning, security, catering, property support and reception services. These services are carried out on the premises, mostly on a daily basis, and require a relatively large number of man hours to be completed. Relatively little equipment is required. These typically have the largest headline contract prices.
- **Route based services:** waste, washroom services, textile services, pest control, tropical plants. These services take a limited number of hours to perform, and workers will visit multiple clients each day. The contracts are typically smaller than those for on-site services. Expenditure on vehicles and additional equipment is required.

<sup>1</sup> Source: Independent market survey

Facility services can be provided either on a stand-alone single service basis or as a “bundled package” (multi-services) with the customer retaining the role of managing those service providers, or with the company appointing an external facility manager who co-ordinates and either provides directly or subcontracts the underlying services (otherwise defined by Independent market survey as Integrated Facility Services, or “IFS” or Integrated Facilities Management or “IFM”).

In 2006, IFS represented approximately 10% of the total market for outsourced facility services provided in Europe. Compared to the overall facility services market, IFS is expected to show superior growth to stand-alone/single services, although the provision of services on a single or multi-service basis will continue to be an important component of the overall market in the medium term. IFS provides a range of benefits to both the customers and providers:

<b>Customers</b>	<b>Providers</b>
<ul style="list-style-type: none"> <li>■ Better pricing terms – Absolute savings are achieved through economies of scale. Multi-service contracts optimise man hours with a smaller number of people delivering the combined tasks</li> <li>■ Improved levels of service – Greater accountability for delivery of services, arising from a single point of contact</li> <li>■ Reduced administrative burden – Number of suppliers used by the customer is reduced</li> </ul>	<ul style="list-style-type: none"> <li>■ Revenue growth – Further leverage from existing contracts, as the range of services is expanded</li> <li>■ Efficient use of employees – Opportunity to cross train on-site employees, reducing the man hours required</li> <li>■ Differentiated service offering – Despite ancillary services offered by competitors, IFS creates switching costs and competitors have to match a more complex service offering</li> </ul>

## **B. Value Drivers**

### **1. Growth Drivers**

Growth within the facility services market is derived from outsourcing penetration and economic growth. Specifically within cleaning, the three key variables are cleanable area, frequency of cleaning and price.

#### **1.1 Outsourcing Penetration**

There is a general trend toward outsourcing of facility services, which has in the past been a driver of demand for these services. The decision to outsource is dependent upon price/quality perception of customers. Focused facility services companies seek to improve service quality and reduce costs by creating skill, scale and scope benefits across the various services delivered. For the public sector, the same fundamental equation applies in terms of the decision to outsource.

The trend towards outsourcing is evident for a variety of reasons:

- Reduce and control operating costs
- Resources not available internally
- Government initiatives
- Requirements for cash
- Operation difficult to manage
- Improve company focus
- Labour market constraints
- Reduce business risks
- Access to world class capabilities

The level of outsourcing varies significantly by the nature of the facility service. Cleaning and property support services demonstrate high levels of outsourcing, while penetration remains low in office services and certain areas of catering:

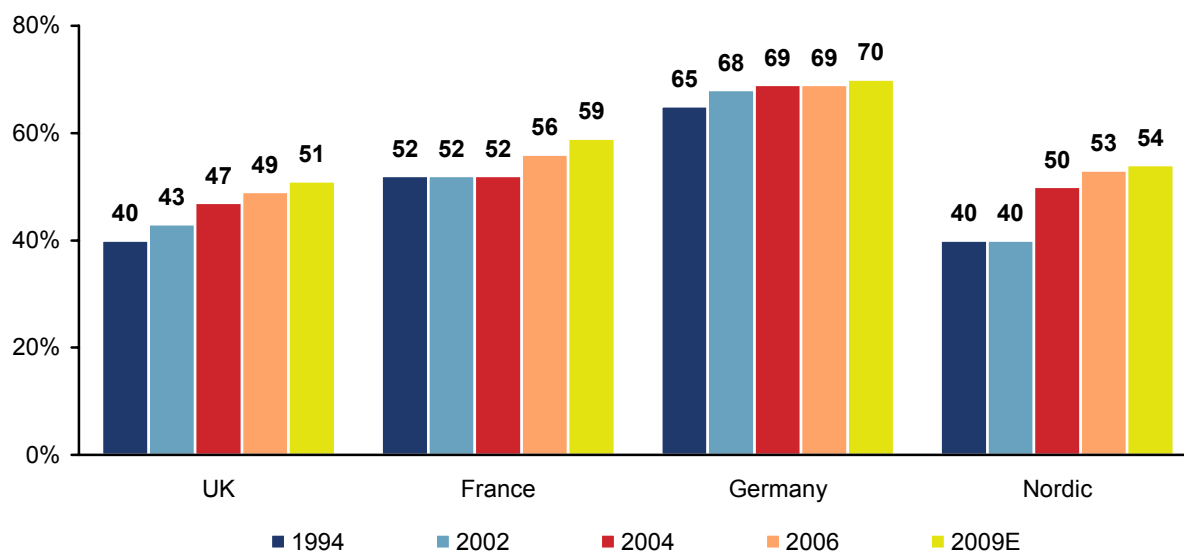


Service	Level of Outsourcing	Commentary
Cleaning	High	<ul style="list-style-type: none"> <li>■ Cleaning is a 'classic' outsourcing service as it is a non-core activity which, if outsourced, does not affect a company's strategic position</li> <li>■ Cleaning service providers tend to have lower wage costs than businesses, which in-source cleaning activities. Thus, cleaning contractors are able to provide businesses with a cheaper alternative</li> <li>■ Focused cleaning companies benefit from regional density and scale benefits. Operators can transfer best practice across sites (and even between countries) and procure cleaning equipment and materials more cheaply</li> <li>■ Outsourced services are generally perceived to be of a consistently higher service quality than insourced cleaning. Stricter hygiene regulations in recent years have increased the awareness about the importance of cleaning. The specialisation of the provider ensures a systematic end-customer orientated approach</li> </ul>
Workplace Support	Low	<ul style="list-style-type: none"> <li>■ Yet to see significant outsourcing as it is largely restricted to bundling with existing facility services contracts or serviced offices</li> <li>■ Permanent outsourcing is only a small part of the office services market (ca. 10%)</li> </ul>
Property Support	High	<ul style="list-style-type: none"> <li>■ Characterised by "hard" services such as building maintenance, elevator maintenance, energy systems maintenance, and landscaping, each of which have varying degrees of outsourcing penetration</li> <li>■ Commonly contracted out due to the levels of specialist expertise required</li> <li>■ Highly cost inefficient for companies to retain in-house staff</li> </ul>
Catering	Low / High	<ul style="list-style-type: none"> <li>■ European catering market includes vending, concessions, and contract catering</li> <li>■ Business and industry market highly penetrated</li> <li>■ Health care operations and education sectors show a lower level of outsourcing</li> <li>■ Underlying growth in catering market is partly driven by unemployment rates, which lately have increased slightly</li> </ul>

Source: Independent market survey

Most European countries have cleaning outsourcing penetration rates of 50% to 60%, with penetration levels continuing to grow. On an individual country basis the United Kingdom, France and the Nordic Region all show similar levels of penetration in line with the European average, while Germany is the most saturated market<sup>1</sup>.

Figure 15: Cleaning Outsourcing Penetration Rates, 1994-2009E



Source: Independent market survey

## 1.2 Economic Growth

The demand for facility services correlates with general economic conditions. However, the facility services industry is normally considered to be less sensitive to economic cycles than certain other industries as there is a basic demand for cleaning and other facility services in order to maintain facilities and operate businesses. In addition to being resilient to economic downturns, the facility services industry tends to be adversely affected late in an economic downturn, which enables the industry service providers with lead time to adjust the business accordingly.

<sup>1</sup> Independent market survey

**Table 18: Key Cleaning Markets (percentage of ISS 2006 EBITA before headoffice costs)**

UK (12%)			France (17%)			Germany (2%)			
Drivers	04-06	06-08E	Trend	04-06	06-08E	Trend	04-06	06-08E	Trend
GDP	2.3%	2.8%	▲	1.8%	2.3%	▲	2.0%	2.8%	▲
Construction	-0.3%	3.0%	▲	3.8%	1.0%	▼	-1.0%	1.3%	▲
Unemployment rate	+2.6ppt	-	-	-0.9ppt	-0.9ppt	▼	-1.1ppt	-1.9ppt	▼
Outsourcing	49%	51%	▲	56%	59%	▲	69%	70%	▲
Cleaning Market	02-06	06-09E	Trend	02-06	06-09E	Trend	02-06	06-09E	Trend
Growth	4%	5%	▲	6%	6%	-	1%	3%	▲

Sweden (6%)			Denmark (7%)			Norway (10%)			
Drivers	04-06	06-08E	Trend	04-06	06-08E	Trend	04-06	06-08E	Trend
GDP	3.5%	3.4%	▼	3.3%	2.7%	▼	4.1%	3.2%	▼
Construction	4.7%	3.8%	▼	3.1%	1.1%	▼	7.0%	1.3%	▼
Unemployment rate	-0.4ppt	-1.0ppt	▼	-1.8ppt	-0.5ppt	▼	-0.9ppt	-0.5ppt	▼

Finland (4%)			
Drivers	04-06	06-08E	Trend
GDP	3.8%	3.4%	▼
Construction	4.4%	0.0%	▼
Unemployment rate	-1.1ppt	-0.6ppt	▼

Source: Macroeconomic indicators (GDP and Unemployment): "Global Economic Outlook and Strategy", Citi Research, 26-April-2007.  
 Construction Market developments: EuroConstruct December-2006. Outsourcing & Cleaning Market developments: Independent market survey

**Table 19: Scale Benefits**

Scale Benefits		
Local	National	International
<ul style="list-style-type: none"> <li>■ Enables cross-utilisation of resources between sites</li> <li>■ Leverage of account management overheads</li> <li>■ Sharing of best practices</li> </ul>	<ul style="list-style-type: none"> <li>■ Benefits in purchasing power for materials and equipment</li> <li>■ Leverage of corporate HQ functions/administration</li> <li>■ Access to national accounts</li> <li>■ Sharing of best practices</li> </ul>	<ul style="list-style-type: none"> <li>■ Access to international accounts</li> <li>■ Reference customers</li> <li>■ Sharing of best practices</li> </ul>

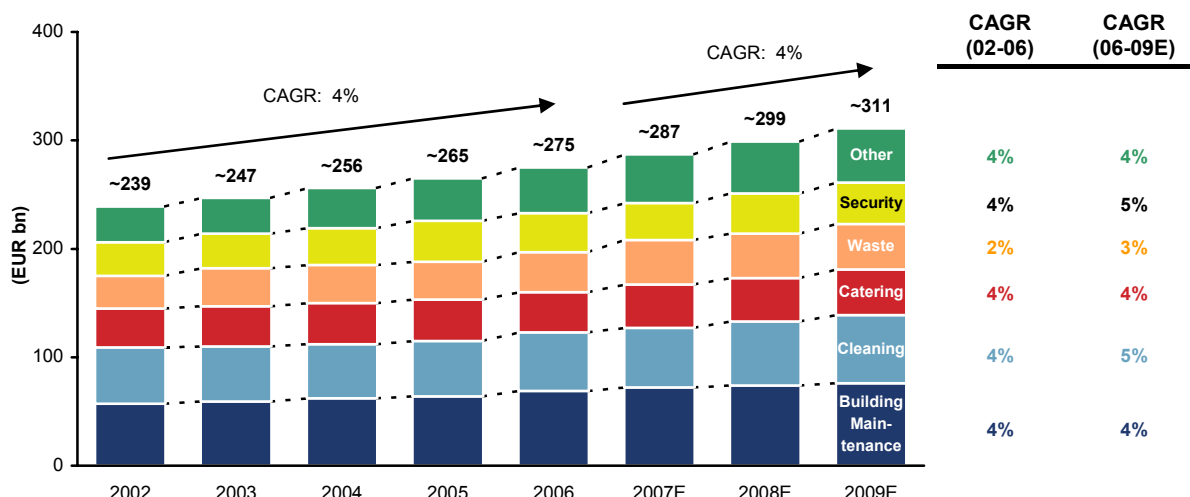
The fragmented characteristics of the facility service industry is attractive for leading participants given the potential for leaders to benefit from economies of scale both in terms of revenue generation and costs.

## C. Market Growth Projections

### 1. Facility Services

The European facility services market (excluding the EUR 40 billion waste services market) has historically grown at ca. 4% per annum and is projected to grow at 4% to 5% over the short term, driven in part by increased public sector outsourcing.

**Figure 16: European Facility Services Market, 2002-2009E (EUR bn)**

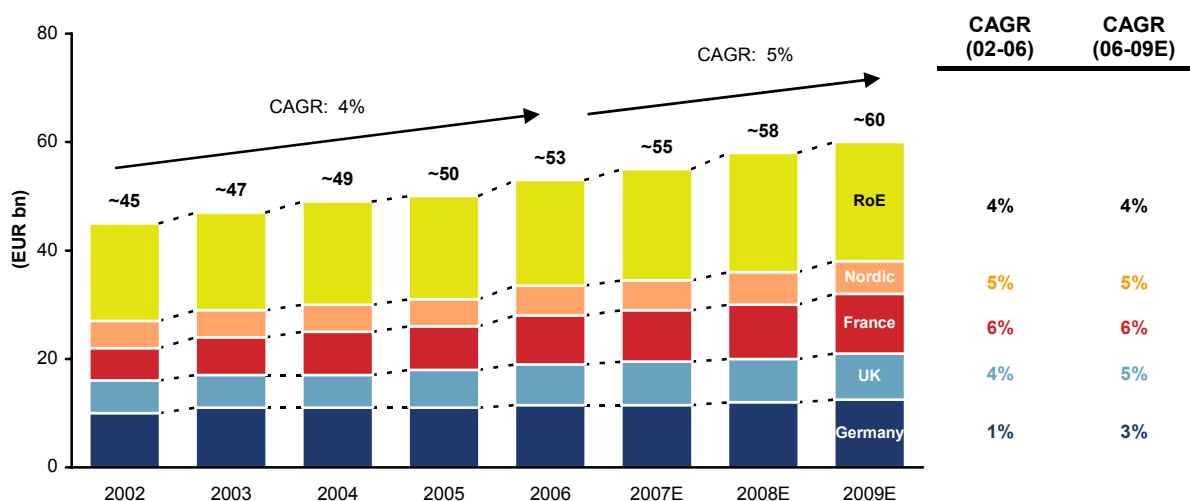


Note: Catering does not include concessions and vending.

Source: Independent market survey

The cleaning services market is expected to show growth of 3% to 6% per annum in all the major European countries through to 2009, with the exception of Germany, which is forecast to grow by ca. 3% per annum<sup>1</sup>.

**Figure 17: European Cleaning Services, 2002-2009E (EUR bn)**



Source: Independent market survey

Within the cleaning services sector specialised cleaning has historically shown the highest rate of growth. This is mainly as a result of stricter hygiene regulations and market growth the pharmaceutical, clean rooms, and food service sectors. These have increasingly encouraged companies to outsource their specialised cleaning requirements to ensure a high quality service.

## 2. Integrated Facility Services

An important trend in the industry in recent years has been to reduce the number of facility service providers, by awarding larger and bundled contracts, thereby sourcing facility services from just one or a limited number of service providers. ISS believes that this trend towards IFS will continue, an independent market survey defines as the provision of multiple facility services managed on-site by the provider through a single point of contact. In 2006, IFS represented approximately 10% of the total market for outsourced facility services provided in Europe. Compared to the overall facilities services

<sup>1</sup> Independent market survey

market, an independent market survey concluded that the market for integrated facilities services has significantly outstripped the growth in single services, and is expected to continue to show superior growth going forward.

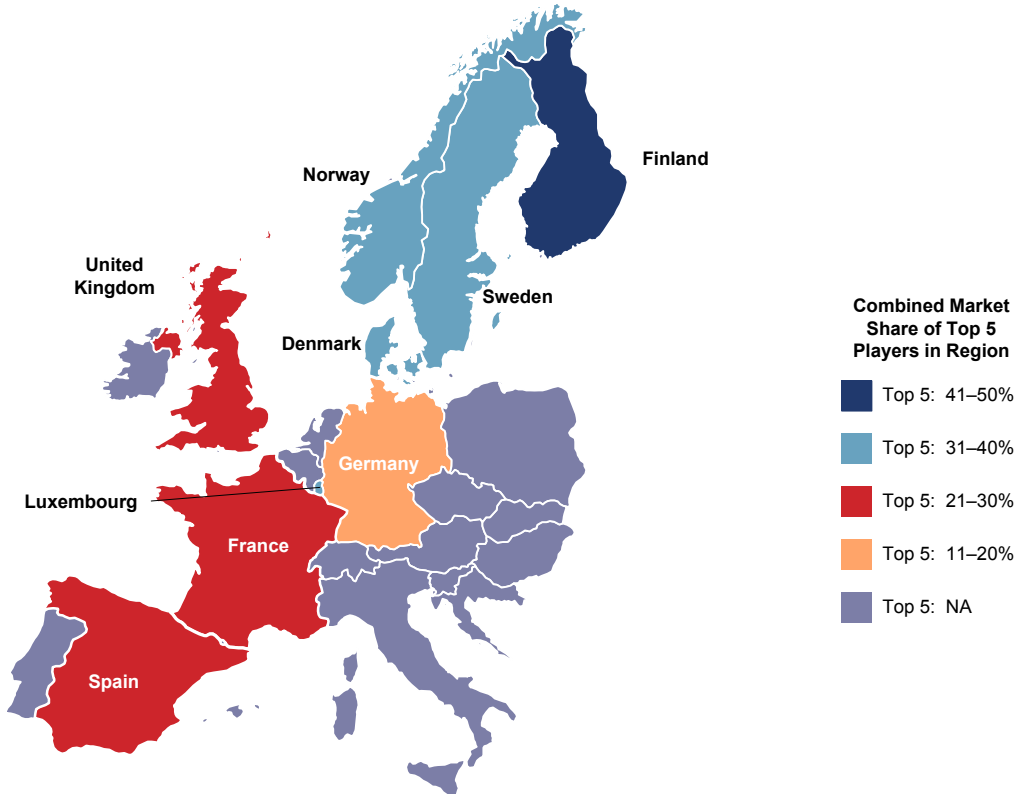
The rate of penetration of the IFS model differs by country. Countries with the highest penetration rates of outsourced facility services tend to be the most advanced in terms of adoption of IFS service provision. Accordingly, the UK and Germany account for over half of the European IFS market.

### D. Competitive Environment

The market among small and medium sized customers for basic facility services is highly fragmented and there are believed to be more than 75,000 operators in this market. Furthermore, about two-thirds of these operators employ fewer than ten people and mainly provide cleaning services to small and medium sized companies. Basic facility services, including general cleaning services, can be provided with very limited resources and, as a result, it is likely that the market for basic facility services will continue to include a large number of smaller operators. However, within each market there are generally only a few providers that have sufficient resources to provide customers with a full-range of facility services and to service larger, multi-location customers<sup>1</sup>.

The facility services market is undergoing consolidation as larger facility services providers seek to achieve economic benefits associated with the creation of operational scale and scope at the local, national and international level. Local benefits include the cross-utilisation of resources between sites, leveraging of overhead costs and sharing of best practices. At the national level, benefits accrue mainly in the form of increased credibility as a contract provider and more efficient management and administrative functions. At the international level, the service provider is able to leverage existing customer relationships across regions to gain further contracts, purchasing benefits and further share best practices and management capabilities.

**Figure 18: European Cleaning Market Consolidation, 2006**

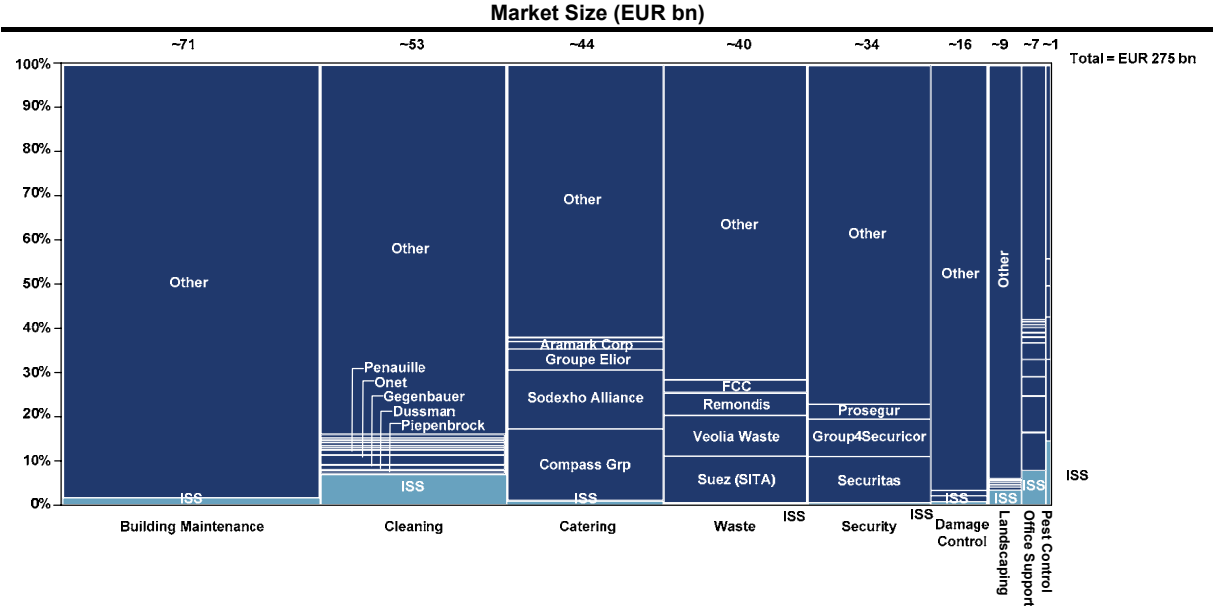


Source: Independent market survey

<sup>1</sup> Based on the independent market survey

Facility services have historically been delivered on a local basis and, due to the fragmented nature of the market, users have in the past tended to view these services as a fungible commodity. However, as part of the industry consolidation and emergence of Integrated Facility Services, facility services providers like ISS are increasingly able to differentiate their services and leverage their scope and scale to establish reputations and brand identities. As a result, there is an increasing division between the larger facility services companies with Integrated Facility Services capabilities and providers of basic services to smaller customers.

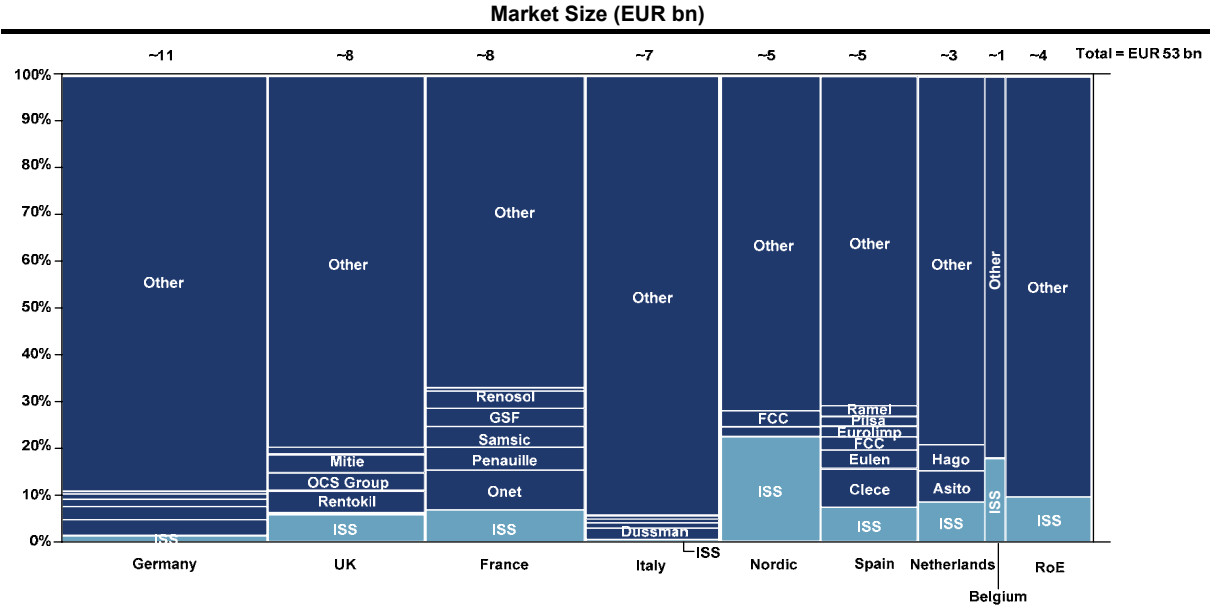
**Figure 19: Overview of the European Facility Services Market, 2006**



Source: Independent market survey

Within cleaning, larger companies have competitive advantages compared to their smaller competitors when competing for business from larger clients, which prefer to contract with established firms with appropriate depth of resources to manage their facilities. In addition, there is an increasing trend by larger and multi-national customers to consolidate their expenditure on facility services on a national and pan-European basis.

Figure 20: Overview of the European Cleaning Market, 2006



Source: Independent market survey

The market for cleaning and other facility services is highly fragmented. In general ISS's main competitors in each market are national or regional facility services providers as well as larger international facility services companies, including Compass, Rentokil and Sodexo, offering services in the market. However, these competitors differ from market to market based on the particular service offering.

ISS believes that the principal competitive factors in the facility services industry are price, service quality and reputation. For larger, multi-location customers, geographic coverage and service offering are additional competitive factors.

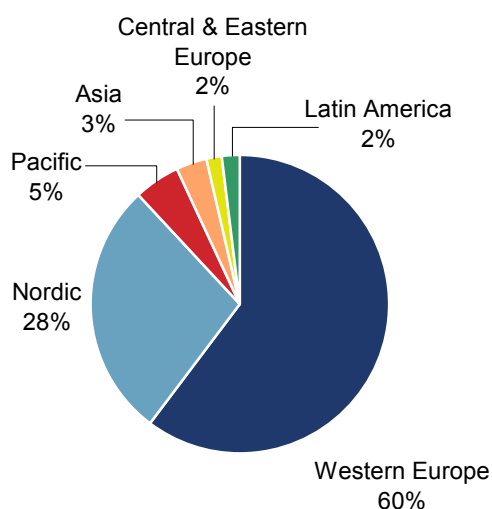
## VI. Company Overview



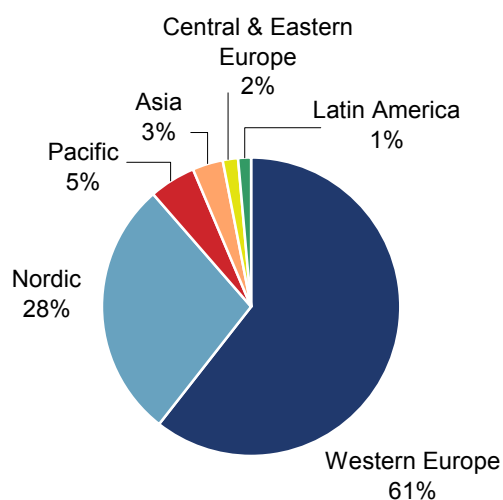
## A. Company Description

ISS is one of the world's largest providers of facility services, with operations in 49 countries in Europe, Latin America, Asia, and Australia. ISS is one of the top three cleaning companies, based on revenue, in Austria, Belgium, Hong Kong, the Netherlands, the Nordic region (Sweden, Denmark, Norway and Finland), Singapore, Spain, Switzerland, and the United Kingdom. ISS has a diversified customer base of more than 200,000 public and private sector customers. The Company employs more than 400,000 employees worldwide and is among Europe's largest private employers. In 2006, ISS had total revenue of DKK 55.8 billion (EUR 7.5 billion) and pro forma adjusted EBITDA of DKK 4.2 billion (EUR 506 million)

**Figure 21: Geographical Breakdown of Revenues in 2006, DKK 55.8 billion**



**Figure 22: Geographical Breakdown of EBITA in 2006, DKK 3.2 billion**



Source: ISS

ISS has been operating for more than 100 years. The Company began as a security company and began offering cleaning services in 1934. ISS continues the process of transforming itself into a facility services company. In response to customer demand, ISS has established operations in security services through acquisitions in several geographies. To further strengthen its strategic focus on developing these services, Security, including access control and guarding services, has been added as a fifth pillar in ISS's "IFS house" as illustrated above. This means that ISS wants to offer a wide range of services supported by the five pillars of the IFS House:

- **Cleaning services**, which represented approximately 57% of 2006 revenue includes daily office and facility cleaning, dust control, washroom and specialised cleaning services;
- **Property services**, which represented approximately 22% of 2006 revenue includes landscaping, damage control, building maintenance and technical services and pest control services;
- **Office support services**, which represented approximately 8% of 2006 revenue includes call centres, reception services, office logistics and access control services;
- **Catering services**, which represented approximately 6% of 2006 revenue includes company restaurants, event catering, executive dining and corporate catering and office catering solutions such as coffee points;
- **Security services**, which did not exist as a separate strategic service area prior to 2007: consists primarily of the provision of access control and guarding services, to both public and private sector customers.

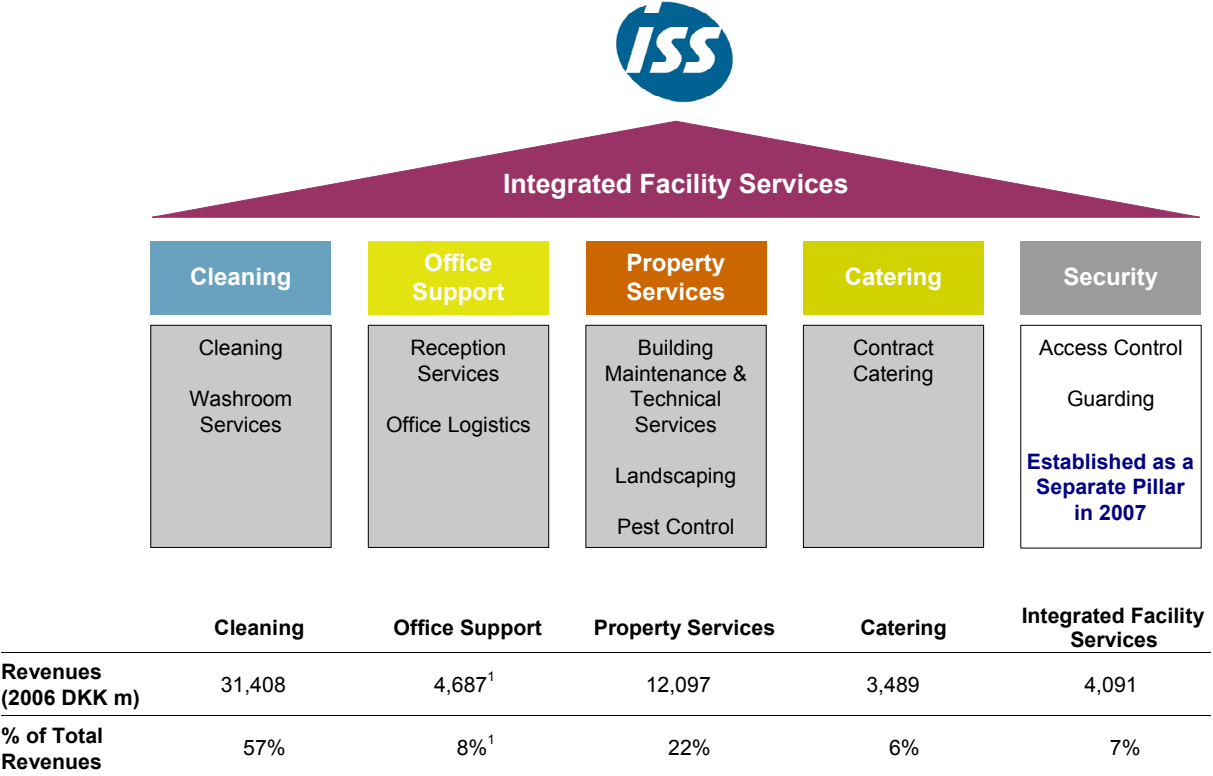
Service solutions are offered to the customer as single services, multi services or Integrated Facility Services.

In a single service outsourcing the customer buys one service solution from ISS, e.g. outsourcing of cleaning or property services. The customer thereby enjoys the benefits of outsourcing to ISS and can capitalise on service know-how and best practices, labour management and handling of all HR issues, procurement benefits, reduced financial administration of the outsourced service area, increased operational flexibility, etc.

In a multi service outsourcing the customer achieves the same benefits as single service outsourcing only for each outsourced service area as well as benefits of service integration where possible.

In an Integrated Facility Services solution ISS takes over all or most of the service functions at the customer's premises, provided the services are within the pillars of the IFS house. The customer thereby receives the full potential of single service outsourcing and benefits from an ISS on-site management solution that exploits the synergy potential, and as a result provides the customer with an integrated and cost effective solution.

**Figure 23: ISS Service Overview**



<sup>1</sup> Including Security.  
Source: ISS

**B. History**

ISS's business dates back to 1901 with the establishment of a security company in Copenhagen. In 1934 this company's activities were expanded to include cleaning services. The business expanded into Sweden in 1946 and into Norway in 1952. Expansion continued during the 1960s and 1970s, with new subsidiaries in Finland, Germany, Switzerland, Belgium, the Netherlands, Austria and Spain. In 1973 the name of the parent company was changed to "ISS". In 1977 ISS A/S's common shares were listed on the Copenhagen Stock Exchange. By the end of the 1970s, ISS had annual revenue in excess of DKK 1 billion, was operating in 15 countries and had approximately 50,000 employees. By 1989, ISS's revenue and its number of employees had doubled. International expansion continued throughout the 1980s and 1990s, primarily through acquisitions in countries in which ISS had existing



operations, but also in Latin America. From 1979 to 1997 ISS had operations in the United States. ISS established its Asian operations in the late 1990s.

**Table 20: Key Historical Events**

<b>1901</b>	ISS is established
<b>1934</b>	Det Danske Rengøringselskab A/S (The Danish Cleaning Company) is established as an independent subsidiary of the security company
<b>1946</b>	The first expansion outside Denmark, into the Swedish market
<b>1952</b>	Norsk Rengøringselskap AS is set up in Norway
<b>1965</b>	Starts cleaning services operations in Germany
<b>1975</b>	The consolidated revenues of the Group reach DKK 1 billion
<b>1977</b>	ISS A/S's shares are listed on the Copenhagen Stock Exchange
<b>1979</b>	Expands into the US through acquisition
<b>1988</b>	Acquires cleaning companies in Denmark, Norway, Sweden, West Germany and the USA. These acquisitions take the total number of Group employees past 100,000
<b>1989</b>	Acquires cleaning companies in the UK, Sweden and Germany. ISS A/S's B-shares are listed on the International Stock Exchange in London
<b>1996</b>	Signs an agreement to sell ISS Inc. (ISS's US subsidiary) to Aaxis Limited, a Montreal-listed company, simultaneously taking a 19.5% stake in Aaxis
<b>1997</b>	Sale of ISS Inc. is completed. ISS American Depositary Receipts (ADRs) are de-listed from the New York Stock Exchange
<b>1999</b>	Acquires Abilis, the second largest European provider of cleaning and specialised services, in a DKK 3.6 billion acquisition, the Group's largest ever. Abilis has approximately 50,000 employees and annual revenues in 1998 of DKK 5.2 billion
<b>2001</b>	Celebrates Centenary
<b>2002</b>	Acquires Eurogestion to expand service offering in pest control and enters the Australian market
<b>2005</b>	Sale of 100% of the health care operations to EQT Partners in two separate transactions
<b>2005</b>	ISS taken private by funds advised by EQT Partners and Goldman Sachs Capital Partners
<b>2006</b>	Jørgen Lindegaard is appointed CEO
<b>2006</b>	Group revenue passed DKK 50 billion
<b>2006</b>	ISS made the second-largest acquisition in company history, when acquiring the outstanding 51% of the shares of Tempo Services Ltd in Australia

## C. Services Overview

Please see below for a more detailed description of the five individual service offerings and IFS:

### 1. Cleaning Services

ISS provides daily office and facility cleaning for commercial customers, dust control and washroom services and specialised cleaning services. ISS also provides cleaning services to customers with specialised requirements such as medical facilities, automotive paint shops and 'clean room' facilities used by manufacturers of electronic components. Specialised services also include food hygiene services, which involve the cleaning of food production and preparation facilities to specified hygiene standards, and consultancy on bacterial management.

ISS was set up in most countries by establishing a platform of cleaning services and subsequently expanding into other relevant business areas. This was the case when ISS established operations in new geographies in 2006: Mexico and the Philippines were both added to the country list through acquisitions of cleaning companies. The establishment of ISS operations in Taiwan in January-2007 was also done through acquisitions, providing ISS with a country platform, which to a large extent is

specialised in cleaning. In other geographies, ISS added density to its cleaning platform during 2006 through 25 bolt-on acquisitions.

ISS offers cleaning services in all of its operations. Set forth below is information regarding ISS's cleaning services revenue for the periods presented. Percentage figures represent the proportion of total ISS revenue for such periods.

**Table 21: Breakdown of Revenues, Cleaning Services, 2004-2006**

Revenues <sup>1</sup> :	For the Year Ended 31-December					
	2004		2005		2006	
	DKK (000)	% of Total	DKK (000)	% of Total	DKK (000)	% of Total
<b>Cleaning Services</b>						
Daily Office Services	25,107	62%	27,284	59%	29,936	54%
Food Hygiene Services	930	2%	544	1%	1,012	2%
Washroom and Dust Control	392	1%	487	1%	459	1%
<b>Total Cleaning Services</b>	<b>26,429</b>	<b>65%</b>	<b>28,315</b>	<b>61%</b>	<b>31,407</b>	<b>57%</b>

<sup>1</sup> Excludes revenues attributable to discontinued operations.

Source: ISS

## 2. Property Services

ISS provides property services comprising landscaping, damage control, building maintenance and technical services and pest control services. ISS's landscaping services include the design, construction and maintenance of gardens, parks and other green areas. ISS also provides damage control services in which it assists customers who have incurred damage as a result of natural disasters, fires, floods and other extraordinary events. These damage control services include restoration, including the recovery of data from information technology systems, and damage containment. ISS's building maintenance and technical services range from janitorial services to more specialised services such as the maintenance of heating, ventilation and air conditioning systems. Its pest control services range from prevention and eradication to disinfection and hygiene consultancy services in relation to rodents, insects, birds and other pests.

During 2006, ISS expanded its offering of property services to new geographies and increased density in other markets, where the services were already being offered. For example, the position in landscaping was further consolidated through acquisitions in e.g. Sweden and Singapore and the platform for delivering pest control services was enhanced in France and several other European countries and the service was established in Slovakia, Turkey and the Czech Republic.

Currently, ISS offers its property services primarily in Europe and Australia. The following table indicates ISS's revenue from its various property services for the periods presented. Percentage figures represent the proportion of total ISS revenue for such periods.

**Table 22: Breakdown of Revenues, Property Services, 2004-2006**

Revenues <sup>1</sup> :	For the Year Ended 31-December					
	2004		2005		2006	
	DKK (000)	% of Total	DKK (000)	% of Total	DKK (000)	% of Total
<b>Property Services</b>						
Landscaping	2,804	7%	3,607	8%	3,889	7%
Damage Control	1,656	4%	1,679	4%	1,498	3%
Building Maintenance and Technical Services	2,696	7%	4,174	9%	5,261	9%
Pest Control	1,096	3%	1,259	3%	1,449	3%
<b>Total Property Services</b>	<b>8,252</b>	<b>21%</b>	<b>10,719</b>	<b>23%</b>	<b>12,097</b>	<b>22%</b>

<sup>1</sup> Excludes revenues attributable to discontinued operations.

Source: ISS

### 3. Office Support Services

ISS provides a broad range of office support services such as call centres and reception services, including switchboard, help desk and front desk staffing and the booking of meeting rooms. In addition, office services includes office logistics, including mail processing, document copying, printing and shredding, data entry and scanning, office moves and stationery supply services. ISS also provides access control services, including security protection of property, assets and people.

The service offering was further strengthened in 2006 through the start-up of greenfield operations and through bolt-on acquisitions. In particular, Norway and Sweden added competencies in this business area through a total of 11 acquisitions that provided a range of services within temporary staffing, plant services and document handling. Also ISS Austria strengthened its service offering through acquired temporary staffing competencies.

ISS offers office support services primarily in Europe. Set forth below is information regarding ISS's office support services revenue for the periods presented. Percentage figures represent the proportion of total ISS revenue for such periods.

**Table 23: Breakdown of Revenues, Office Support Services, 2004-2006**

Revenues <sup>1</sup> :	For the Year Ended 31-December					
	2004		2005		2006	
	DKK (000)	% of Total	DKK (000)	% of Total	DKK (000)	% of Total
Office Support Services	1,822	5%	1,602	4%	4,687	8%

<sup>1</sup> Excludes revenues attributable to discontinued operations.

Source: ISS

### 4. Catering Services

ISS's catering services consist primarily of the operation of company restaurants, ranging from production floor canteens to event catering, executive dining rooms, corporate catering and office catering solutions such as coffee points.

Currently, ISS offers its catering services primarily in the Nordic region. In 2006, ISS established or expanded its catering services in several countries in 2006 including expanding the service offer in on the Norwegian market through three acquisitions.

Set forth below is information regarding the catering services revenue for the periods presented. Percentage figures represent the proportion of total ISS revenue for such periods.

**Table 24: Breakdown of Revenues, Catering Services, 2004-2006**

Revenues <sup>1</sup> :	For the Year Ended 31-December					
	2004		2005		2006	
	DKK (000)	% of Total	DKK (000)	% of Total	DKK (000)	% of Total
Catering Services	2,003	5%	2,487	6%	3,489	6%

<sup>1</sup> Excludes revenues attributable to discontinued operations.

Source: ISS

### 5. Security Services

ISS's security services, which did not exist as a separate service area prior to 2007, consists primarily of the provision of access control and guarding services to both public and private sector customers. Following the acquisition of major security companies in Thailand, Turkey and the United Kingdom as well as the security services division of Tempo in Australia, Security Services was established as a separate service area.

This is a service area the Company intends to strengthen further, both organically and through selective acquisitions. This also further strengthens the Company's Integrated Facility Services offer.

## 6. Integrated Facility Services

This refers to the provision of two or more of the facility services described above, together with on-site management through a single point of contact with the customer. In addition, ISS's Integrated Facility Services may include, among other things, space management, relocation and move management, property management and project management services. Where it provides Integrated Facility Services, ISS is able to assume responsibility for customers' facilities, and manages the provision of other ISS services, as well as co-ordinating third-party service suppliers.

By providing on-site management, ISS believes that Integrated Facility Services strengthen customer relationships by involving it in more aspects of the customer's business. In addition, Integrated Facility Services offer the opportunity to reduce customers' overhead costs and for ISS to leverage on-site labour synergies.

ISS's provision of Integrated Facility Services varies depending on its service offerings in a particular country. In general, the greatest opportunity to provide customers with Integrated Facility Services is in those countries in Northern Europe in which ISS offers its full range of facility services. In some countries, particularly Asia and Latin America, ISS does not offer Integrated Facility Services as its business in those countries remains almost exclusively within cleaning services.

It is ISS's experience that both owners and users of facilities benefit from the outsourcing of support services. The potential cost savings generally depend on whether the customers outsource single services, or opt for sourcing multiple services from one individual supplier. The more services and the higher the level of service integration, the greater the potential savings as it enables the customer to effectively reduce overhead costs and the overall facility service costs. As part of the service solution, ISS can manage the entire service delivery and ensure staff flexibility, quality of service and reliability in a cost-efficient manner, whilst customers can focus on their core operations. It should also be stressed that the IFS market is predicted to grow the fastest of all the individual facility services markets over the coming years.

The transformation of the business towards Integrated Facility Services suppliers varies by country. In some regions, for example overseas and Southern Europe, the businesses remain almost exclusively cleaning services which provides scope for further expansion of the IFS offering. However, within most Nordic region countries, ISS offers a full range of Integrated Facility Services.

In 2006 ISS commenced the delivery of integrated facility services to a number of customers, primarily in Northern Europe.

- **Aker Kvaerner** ISS's contract with Norwegian Aker Kvaerner, a leading engineering and project management company, was signed in December-2005. Generating more than DKK 100 million annual revenue, the deal was one of the largest of its kind in Northern Europe covering four main areas: catering (canteens and restaurants on major Aker Kvaerner sites), cleaning (some 140,000m<sup>2</sup> of office space), property management and operation and office support services. The deal supports ISS's ambition to deliver integrated facility services solutions with both a domestic and an international scope and runs for 12 years, after which it is subject to renewal. Almost 100 of ISS's employees now work at Aker Kvaerner's sites in Norway, including operatives and managers transferring from Aker Kvaerner to ISS.
- **Selex, UK** In 2006, ISS UK commenced a contract with Selex, an industry leader in surveillance, protection, tracking, targeting, navigation & control and imaging systems. The contract covers a fully integrated service solution including Facility Management, office services, catering, cleaning and M&E. More than 200 employees were transferred over to ISS when the contract commenced. The contract covers four locations in the UK, covering a total of 110,000 sq.m.

In addition to these contract wins, ISS acquired leading service providers in Switzerland and Germany thereby taking over the provision of broad ranged service solutions to UBS and Daimler Chrysler.

## D. Operations

ISS maintains a decentralised organisational structure in which the Chief Executive Officer of each country's operations typically reports directly to the ISS head office in Copenhagen. Each of the country organisations acts independently in its local market. ISS's head office performs certain centralised functions, including procurement, risk management, finance, legal, treasury, information technology, human resources, international sales and key account management and supervision of mergers and acquisitions. ISS operates in the following regions:

- **Nordic:** comprising Denmark, Faroe Islands, Finland, Greenland, Iceland, Norway and Sweden.
- **Western Europe:** comprising Austria, Belgium, France, Germany, Greece, Ireland, Israel, Italy, Luxembourg, The Netherlands, Portugal, Spain, Switzerland, Turkey and UK.
- **Central and Eastern Europe:** comprising Bosnia and Herzegovina, Croatia, Czech Republic, Estonia, Hungary, Poland, Romania, Russia, Slovakia and Slovenia.
- **Asia:** comprising Brunei, China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, Sri Lanka, Taiwan and Thailand
- **Latin America:** comprising Argentina, Brazil, Chile, Mexico and Uruguay
- **Pacific:** comprising Australia and New Zealand

In 2006, revenues were split: Nordic (28%), Western Europe (60%), Central and Eastern Europe (2%), Asia (3%), Latin America (2%) and Pacific (5%). ISS employed more than 391,000 employees as of 31-December-2006, of which only 93 employees had head office functions.

The following table contains information relating to sales, operating profit, margin and employees for each of the countries in which ISS operates.

**Table 25: Breakdown of Operations by Country, 2006**

Country	Revenue	EBITA Margin (%)	Cash Flow from Operating Activities	No. of Employees at Year End
<b>2006</b>				
France	9,641	6.2	729	41,109
United Kingdom	6,877	6.3	493	39,170
Norway	4,758	7.2	328	14,907
Denmark <sup>1</sup>	3,744	6.6	244	12,770
Sweden	3,558	6.4	238	11,117
Netherlands	3,481	7.0	206	21,534
Finland	3,173	5.0	210	12,061
Spain	3,142	6.1	147	24,470
Australia	2,691	6.4	134	16,416
Belgium and Luxembourg	2,534	6.5	148	10,404
Switzerland	1,875	7.6	213	8,821
Germany	1,842	4.0	30	12,956
Asia <sup>2</sup>	1,817	6.8	96	72,776
Austria	1,589	6.7	53	8,530
Latin America <sup>3</sup>	1,049	4.8	(10)	32,679
Central and Eastern Europe <sup>4</sup>	933	6.4	51	19,392
Israel	769	6.7	52	8,130
Ireland	575	8.5	23	2,948
Turkey	539	6.2	31	10,835
Portugal	364	6.8	38	4,625
Greece	237	6.4	1	2,038
Italy	199	11.8	11	567
New Zealand	155	3.3	8	1,934
Iceland	146	8.0	11	806
Greenland	84	4.5	6	268
Regional item, not allocated to countries	-	-	(55)	
<b>Total Operations</b>	<b>55,772</b>	<b>6.3</b>	<b>3,436</b>	<b>391,263</b>
Corporate			(241)	93
<b>Total</b>	<b>55,772</b>	<b>5.8</b>	<b>3,195</b>	<b>391,356</b>

<sup>1</sup> Including the Faroe Islands.

<sup>2</sup> Asia comprises Brunei, China, Hong Kong, India, Indonesia, Malaysia, the Philippines, Singapore, Sri Lanka and Thailand.

<sup>3</sup> Latin America comprises Argentina, Brazil, Chile, Mexico and Uruguay.

<sup>4</sup> Central and Eastern Europe comprises the Czech Republic, Croatia, Estonia, Hungary, Poland, Romania, Russia, Slovenia and Slovakia.

Source: ISS

As indicated in the table above, among ISS's more established operations, margins tend to be higher where ISS offers a broader range of services and has higher customer density.

## E. Acquisition History

Consolidation of the industry is an integral part of ISS's strategy and consequently ISS makes a large number of acquisitions every year in its key business areas. ISS has also done a few "platform" acquisitions to enter new geographies and / or areas of activities.

ISS's acquisition strategy builds on three priorities. Firstly, acquisitions have to fit with the Group strategy, by underpinning the building of the IFS competencies by possessing growth potential and by adhering to the corporate values of ISS. Secondly, acquisitions must be value-accretive for ISS. Thirdly, the associated risks and the related integration process must be manageable.

In recent years, ISS has followed a strategy of selectively acquiring smaller companies, typically with annual revenues of less than DKK 100 million (EUR 13 million), in order to strengthen ISS's competencies, enhance its service offering or establish critical mass. The volume of acquisitions has varied in recent years depending upon market conditions. In the years ended 31-December-2002, 2003, 2004, 2005 and 2006, ISS made 31, 51, 95, 102 and 104 acquisitions respectively. ISS reduced its acquisition activity in 2002 to concentrate on increasing its operating margins. These efforts included contract trimming in Belgium, Denmark, France, Germany and the Netherlands in 2002 and in Brazil in 2003, in order to rationalise ISS's contract portfolio following a period of significant growth. Following completion of these projects, ISS increased its acquisition activity in 2004. ISS maintained a

similar acquisition pace in 2005, completing 102 acquisitions. In 2006, ISS continued the pace of acquisitions from the last two years, completing 104 acquisitions in 36 countries; 91 of the acquired companies had estimated annual revenues of less than DKK 100 million.

**Table 26: ISS Acquisition History 2000- 2006**

	For the Year Ended 31-Dec						
	2000	2001	2002	2003	2004	2005	2006
<b>Acquisitions</b>							
Number of Acquisitions	56	68	31	51	95	102	104
Average Annual Revenue of Acquired Companies (DKK million) <sup>(1)</sup>	114	64	62	25	64	42	81
Revenue of Largest Acquisition (DKK million)	1199	870	902	217	1443	242	2923
Sum of Acquired Revenue (DKK million)	6,363	4,384	1930	1280	6095	4,247	8,408
Acquired Employees	50,587	12,637	9,871	5,255	37,057	37,592	64,004
<b>Divestments</b>							
Number of Divestments	NA	NA	15	7	8	18	5
Revenue Attributable to Divestments (DKK million) <sup>2</sup>	NA	NA	1,652	221	192	1,210	290
<b>Transaction Multiples</b>							
All acquisitions price / EBITA	9.7x	8.0x	9.5x	7.2x	9.9x	8.3x	7.8x
Bolt-on acquisitions price / EBITA	6.5x	6.2x	7.5x	7.2x	8.6x	8.3x	7.3x
Large Acquisitions	Klinos, RCO, Jydsk Rengøring, Laval	Nesco, M&M Medical, Ecuro, Compagnie Espaces Verts, Groupe Miege	Eurogestion	-	Coflex, Eaton, Engel, Unica, Nobis	-	Pegasus, Tempo, Edelweiss, Debeos

<sup>1</sup> Based on estimated revenue of the acquired companies made at the time of acquisition.

<sup>2</sup> On an annualised basis according to revenue for the prior year.

Source: ISS

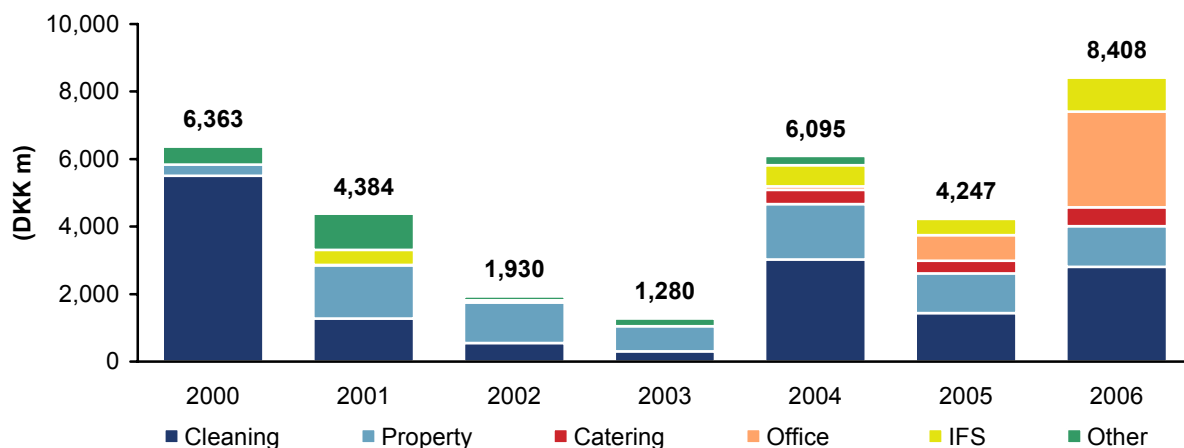
ISS has a well-developed approach to acquisitions that capitalises on the market knowledge and acquisition experience of its local managers and the expertise of a centralised M&A department. Since the beginning of 2000, ISS has acquired and integrated more than 500 companies in more than 40 countries. The total consideration for these acquisitions was more than DKK 19.5 billion (EUR 2.6 billion). More than 470 of these acquisitions were of relatively small companies, with annual revenues of less than DKK 100 million (EUR 13 million).

ISS's local management teams are responsible for the acquisition process from target identification to integration of the acquired businesses. ISS's centralised M&A department works closely with local ISS managers on the acquisition process, including the negotiation of material acquisition agreements and the performing of valuation analyses. In addition, every acquisition is approved by ISS's Executive Group Management and larger acquisitions are approved by an acquisition committee with representatives of ISS and the Sponsors.

ISS believes that its experienced local management teams, dedicated M&A resources and disciplined acquisition process allow it to understand local market conditions, identify opportunities and capitalise on the opportunities to consolidate in the fragmented facility services market. Moreover, ISS believes that its practice of acquiring mostly smaller companies helps to limit integration risks relating to individual acquisitions.

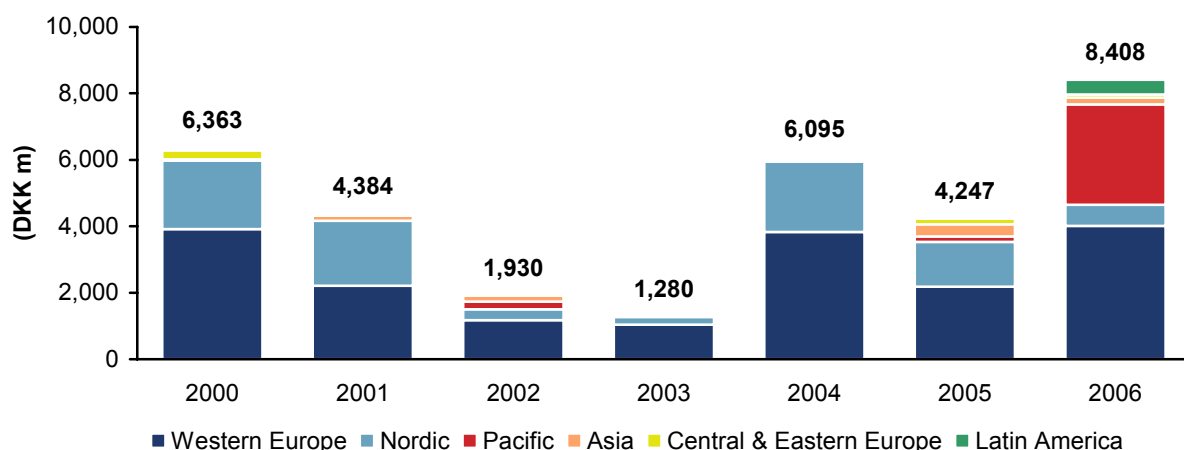
Please see the following figure for a historical overview of ISS acquisitions since 2000, representing a total of more than 500 acquisitions; in more than 40 countries, with acquired revenues of more than DKK 30 billion (EUR 4.0 billion).

**Figure 24: Historical Overview of Acquisitions 2000-2006, by service type (approximate acquired full year revenues)**



Source: ISS

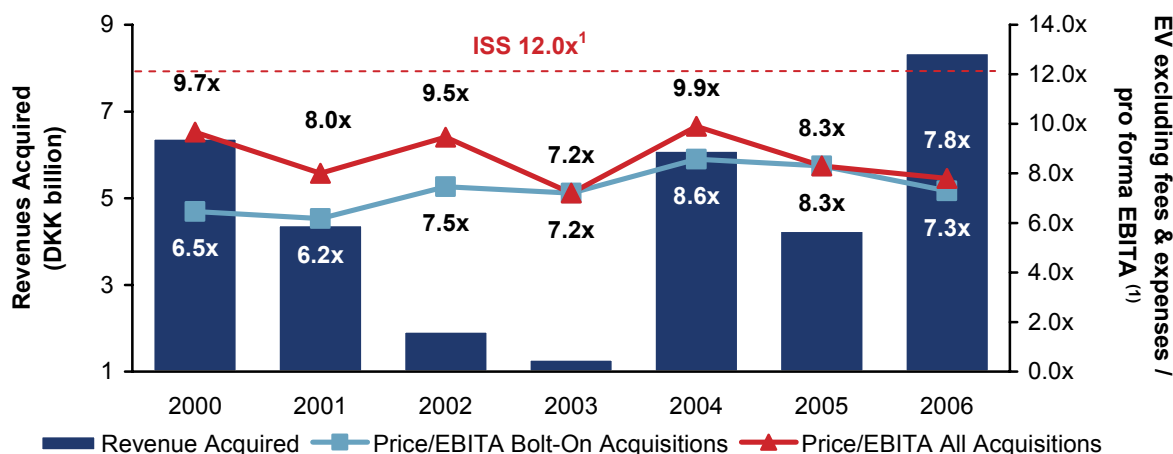
**Figure 25: Historical Overview of Acquisitions 2000-2006, by geographies (approximate acquired full year revenues)**



Source: ISS

ISS made 104 bolt-on acquisitions during 2006, of which two had particular strategic importance: Pegasus Security in the UK and Tempo Services in Australia. Through Pegasus Security, ISS UK re-entered the business area of Security Services, essentially making the UK operations capable of delivering the full service package on a national scale. The acquisition added ca. DKK 0.4 billion in annual revenue and c. 1,600 employees. In 2006, ISS also acquired the outstanding 51% of the shares which it did not already control in the Australian company Tempo. The acquisition of Tempo led to a complete transformation of ISS Australia, which was previously a country operation, mainly focused on washroom and pest control services.

**Figure 26: Average Valuation Paid for Acquisitions (including and excluding Large / Non-Bolt-On Acquisitions)**



<sup>1</sup> Implied EV (excluding fees & expenses)/pro forma EBITA at time of acquisition (Mar-2005 buyout in the case of ISS).

Note: Large / Non-Bolt-On acquisitions include:

2000: Klinos, RCO, Jydske Rengøring, Lavol

2001: Nesco (Japan), M&M Medical, Ecuero, Compagnie Espaces Verts, Groupe Miega

2002: Eurogestion

2004: Coflex, Eaton, Engel, Unica, Nobis

2006: Pegasus, Tempo, Edelweiss, Debeos

Source: ISS

Non-platform acquisitions have been done at average multiples of 6.2 – 8.6x EBITA. Since ISS has acquired more than 500 companies since the beginning of 2000, and given the small size and nature of the acquisitions, the execution risk is limited.

Divestments in the last few years have been limited and have focused on underperforming and non-core businesses. Most of these divestments have been relatively small. However, in 2002 ISS divested most of its aviation service operations in the United Kingdom, the Netherlands and the Nordic countries. The aviation services business had revenues of EUR 96 million in 2001. In November-2002, ISS sold 51% of CarePartner AB, which operated a number of care homes for the elderly in the Nordic region, to a group made up of CarePartners' local management. In February-2005, ISS sold its 49% interest in the elderly care business and 100% of its Swedish health care business, which provided diagnostic and certain other medical services in Sweden, to a newly formed joint venture entity between EQT and ISS. At the end of June-2005, ISS sold its 49% interest in the joint venture entity to EQT.

## F. Customers and Contracts

As of 30-December-2006, ISS had more than 200,000 public and private sector customers, and in 2006, revenue derived from its ten largest customers was less than 5% of its total revenue. In 2006, no more than 17% of ISS's revenue was generated in any one country, with France being the largest contributor to revenue. ISS's customers operate in a number of industries, and ISS does not believe that its business is dependent on any particular industry segment in the private sector or particular authority in the public sector.

ISS's commercial customers range in size from small firms requiring a single cleaner to large, multi-national organisations seeking Integrated Facility Services. ISS prioritises the development of larger accounts, particularly European multi-national companies, to become the sole provider of their Integrated Facility Services. In addition, ISS believes that these customers may be more likely to require Integrated Facility Services.

For larger contracts, the quality of the service delivery is often measured against defined quality benchmarks stipulated in Service Level Agreements ("SLA"). Most of ISS's operations have adopted a formalised quality approach. Generally, ISS uses ISO certified quality management systems, and a number of countries have implemented Total Quality and Business Excellence models.

The terms of ISS's customer contracts vary widely by country and customer segment due to differing customer requirements and applicable legislation. However, ISS typically provides services under multi-year contracts with a stated term of between two and five years and reciprocal termination rights upon three to twelve months' prior written notice. ISS's commercial customer contracts typically provide for automatic renewal in the absence of a party's notice to terminate the contract.

ISS is highly focused on customer retention and, as a result, has introduced Customer Retention Managers in a number of countries with the aim of improving customer churn rates even further.

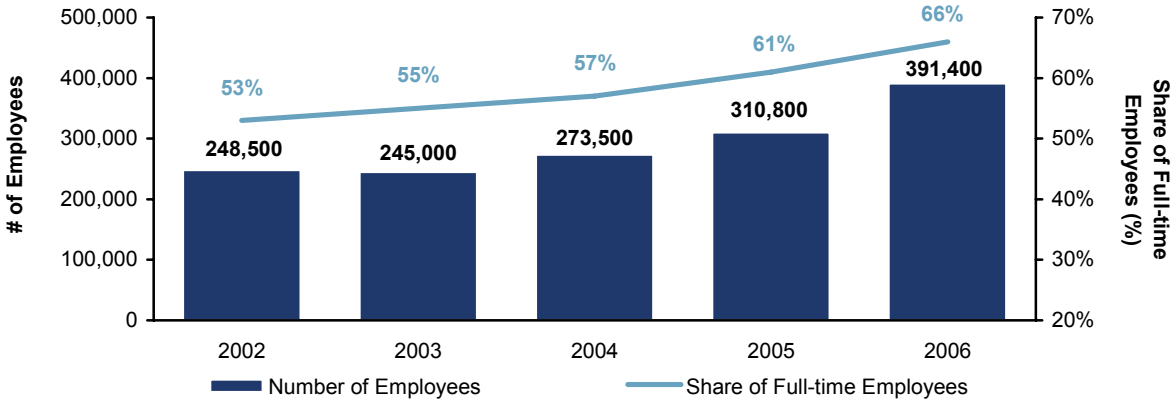
ISS also provides its services to governmental entities, primarily in Europe. The contractual arrangements with these entities differ from ISS's commercial contracts in that they are generally subject to public procurement rules. Under these rules, facility services contracts are generally retendered on a regular basis. As a result, ISS must tender to maintain existing government contracts. ISS will seek to continue providing facility services to public sector customers in the future.

In a number of countries, most significantly the United Kingdom and the Netherlands, ISS has entered into arrangements with government-owned hospitals under Private Finance Initiative (PFI) contracts. The PFI contracts generally have a contract length of between five and thirty years. With respect to certain projects, ISS has a joint equity investment in the entity providing services under the contract along with third-party equity sponsors of the project. ISS is providing some form of facility service in each of the PFI projects, ranging from new hospital builds with Integrated Facility Services to single service contracts. Under some of the PFI contracts, ISS has agreed that, in the event that the entity is unable to pay for ISS's services, then ISS will convert its receivables from the entity into a loan.

### G. Human Resources

The facility services industry is characterised by relatively high levels of employee turnover, as the industry is often considered a short-term or secondary source of employment. As a result, ISS pursues a number of strategies to reduce the turnover among blue collar employees, including arranging for more full-time and daytime work. ISS also seeks to enhance employee satisfaction and reduce turnover by providing multi-tasking jobs, encouraging career development opportunities and providing programmes designed to promote teamwork and skills development. In 2006, the share of full-time employees (working 25 hours or more per week) rose to 66% from 61% in 2005. The distribution of employee tenure (in years) provides another perspective on employee loyalty at ISS. In 2006, 67% of the Group's employees had been with ISS for more than one year.

**Figure 27: Total Number of Employees and Percentage of Full-time Employees, 2002-2006**



Source: ISS

Reduction of employee turnover is one of the principal challenges ISS faces. ISS's employees are generally members of trade unions, and employee and trade union relations have a high priority to ISS. In 1995 ISS established the European Works Council as an in-house forum for dialogue between ISS Management and employee representatives across Europe.

While ISS generally seeks to reduce its employee turnover, the relatively high rate of turnover characteristic of the facility services industry provides a certain amount of operational flexibility. Through natural attrition ISS is able to reduce staff costs in response to fluctuations in market demand. As a result of its local scale and density ISS can shift employees among existing customers. EU law, which under certain circumstances allows ISS to pass on-site staff to the new service provider when a facility services contract is lost, provides additional operational flexibility.

In the last six years ISS has not experienced any material disruption to its business as the result of strikes, work stoppages or other labour disputes. In 2003, ISS signed a letter of agreement with the international service workers union Union Network International (“UNI”), under which ISS pledged to ensure good working standards in all of its countries of operation, and UNI pledged to expose companies in the industry that violate basic employment principles and applicable legislation.

**Table 27: Key Employee Statistics, 2002-2006**

	2002	2003	2004	2005	2006
Number of Employees	248,500	245,000	273,500	310,800	391,400
Share of Full-time Employees (%)	53	55	57	61	66
Total Staff Turnover <sup>1</sup> (%)	49	49	49	50	51
Share of Employees with less than one year's Seniority <sup>2</sup> (%)	-	31	31	34	33
Share of Employees with one to five years of Seniority <sup>2</sup> (%)	-	42	39	38	39
Share of Employees with more than five years of Seniority <sup>2</sup> (%)	-	27	30	28	28

<sup>1</sup> Calculated as the number of employees who leave during the year divided by the average number of employees for the year.

<sup>2</sup> At end of period.

Source: ISS

## H. Sales and Marketing

ISS employs more than 1,200 people worldwide who are engaged in ISS's sales and marketing efforts. ISS's sales and marketing effort is predominantly organised and conducted through its country organisations. Each country has adapted its sales and marketing efforts to the challenges of its individual market.

ISS maintains a centralised corporate marketing department that co-ordinates ISS's branding strategy and its Company-wide marketing initiatives. In addition, this department is responsible for sales and account management relating to multi-national customers and other key clients and the marketing of ISS's Integrated Facility Services to a selected group of European multi-national companies, comprised of existing and potential customers. ISS intends to continue to expand this international sales force in the future.

## VII. Business Strategy

## A. Strategy

Since the Acquisition ISS's principal goal has remained the same: to become the leading global facility services company. To that end, ISS intends to: (i) continue to focus on operational efficiency to maintain or improve its competitive position; (ii) reduce financials on a multiple basis; (iii) continue to deliver single service excellence and increase its ability to deliver Integrated Facility Services throughout its operations; (iv) continue to grow the business profitably through selective acquisitions; (v) increase its ability to deliver Integrated Facility Services throughout its operations; (vi) accelerate the service development and (vii) invest further in strengthening the ISS brand across the world. The principal elements of this strategy include the following:

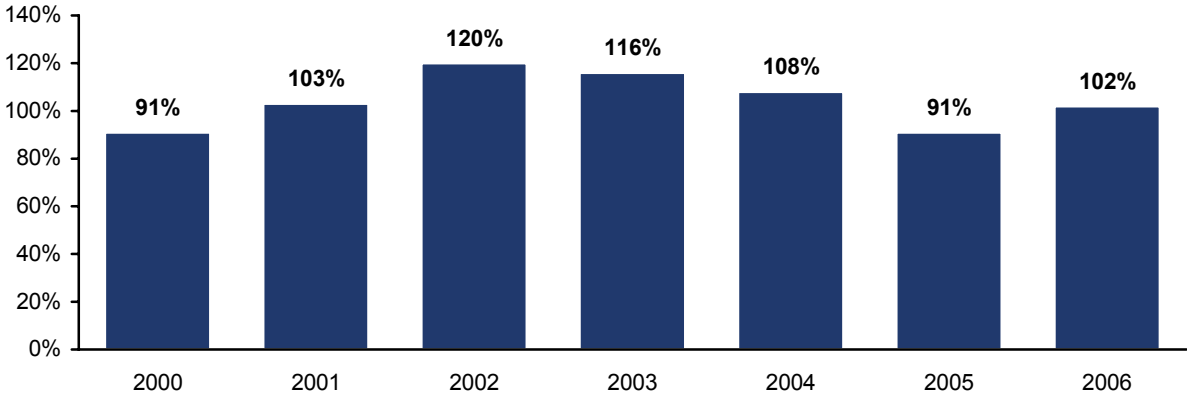
- **Operational efficiency.** ISS will seek to maintain and enhance operational efficiency by continuing its focus on three well-established and prioritised operational objectives for its local managers: (i) cash flow; (ii) operating margin; and (iii) profitable organic growth.
  - **Cash flow.** ISS's first objective is to continue to maintain a relatively high rate of cash conversion primarily by operating in a manner that optimizes working capital. Through this approach, ISS expects to continue to generate a positive free cash flow.
  - **Operating margin.** ISS's second operational objective is to maintain or increase its operating margin through continuous focus on costs. To reduce costs, ISS will seek to generate operational efficiencies by increasing its local market shares and operational densities, and implement Company-wide best practices. Consistent with this approach, ISS has increased its operating margin, which ISS defines as operating profit before other income and expenses and income from associates divided by revenue, from 5.1% in 2000 to 5.8% in 2006.
  - **Profitable organic growth.** ISS's third operational objective is to continue to leverage its international market position and service offering in order to increase its local market positions and drive organic growth. To do this, ISS continues to work with a wide range of initiatives to: (i) attract new customers; (ii) increase customer retention rates, including through the establishment of dedicated key account teams; and (iii) cross-sell related services, such as pest control and washroom services, to existing customers.
- **Reduce financial leverage on a multiple basis.** Following the Acquisition, the Group has and will continue to prioritise reduction in the financial leverage (on a multiple basis) whilst continuing to issue additional debt to fund continued Acquisitions. ISS expects to achieve this primarily through growth in its operating profit through a continued focus on cash flow, operating margin, organic growth and acquisitions. However, as a result of this growth strategy, ISS expects to incur additional debt in the future. The extent and timing of the Group's deleveraging on a multiple basis will ultimately depend upon, among other things, the Group's cash flow generation and the scale and timing of payments related to its future acquisition activities, which may temporarily increase its leverage on a multiple basis.
- **Single service excellence.** The foundation for being the leading facility services company is a continuous focus on delivering service excellence in every area. Going forward, ISS will continue to concentrate on developing single service excellence and spreading it throughout the organisation.
- **Continuous growth.** A wide range of initiatives will underpin organic growth. Since the beginning of 2000, ISS has acquired and integrated more than 500 businesses, more than 450 of which were acquisitions of relatively small businesses with annual revenues of less than DKK 100 million (EUR 13.4 million). ISS expects to continue focusing primarily on smaller acquisitions, which it believes will reduce the risks relating to individual acquisitions and enable it to leverage the experience of local management teams throughout its countries of operation.
- **Increase Integrated Facility Services capabilities.** ISS intends to continue to grow the Company into a fully Integrated Facility Services company by offering a wide range of services within the five service segments: cleaning, office support services, property services, catering and security. In a single service outsourcing, the customer buys one service solution from ISS, e.g. outsourcing of cleaning or property services. In addition, Integrated Facility Services offer the opportunity to reduce customers' overhead costs and for ISS to leverage operational synergies.

- **Continue to strengthen the organisation.** As a foundation for the strategy plan, ISS is transforming its organisation to allow it to focus on accelerating the service development.
- **Further develop the ISS brand:** As a part of the transformation to a global facility services company, ISS will invest further in strengthening the ISS brand across the world.

### 1. Continued Focus on Operational Efficiency

**Cash flow.** ISS’s first operational objective is to maintain a relatively high rate of cash conversion by optimising working capital. Through this approach, ISS expects to continue generating positive Free Operating Cash Flow and believes that, in a typical year, it should be able to achieve a target cash conversion ratio of between 90% and 95%. ISS has had a historically high cash conversion rate and has been operating in a manner that optimises working capital with a disciplined approach to capital expenditure. The cash flow from operations for the individual periods are dependent on the timing of a number of payments around the end of the individual months and years. Furthermore, one-time items in individual periods may have a significant impact on cash conversion ratios.

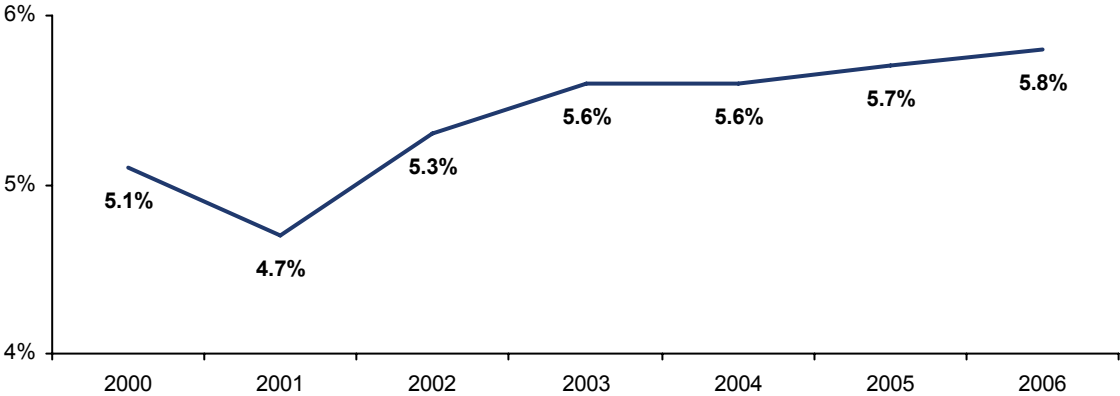
**Figure 28: Historical Cash Conversion<sup>1</sup>, 2000-2006**



<sup>1</sup> Please refer to section X Definitions of Financial Terms and Measures for the definition of Cash Conversion.  
Source: ISS

**EBITA margin.** ISS’s second operational objective is to maintain or increase its operating margin through continuous focus on costs. To reduce costs, ISS will seek to generate operational efficiencies by increasing its local market shares and operational densities and by implementing Company-wide best practices. Consistent with this approach, ISS has increased its EBITA margin from 5.1% in 2000 to 5.8% in 2006.

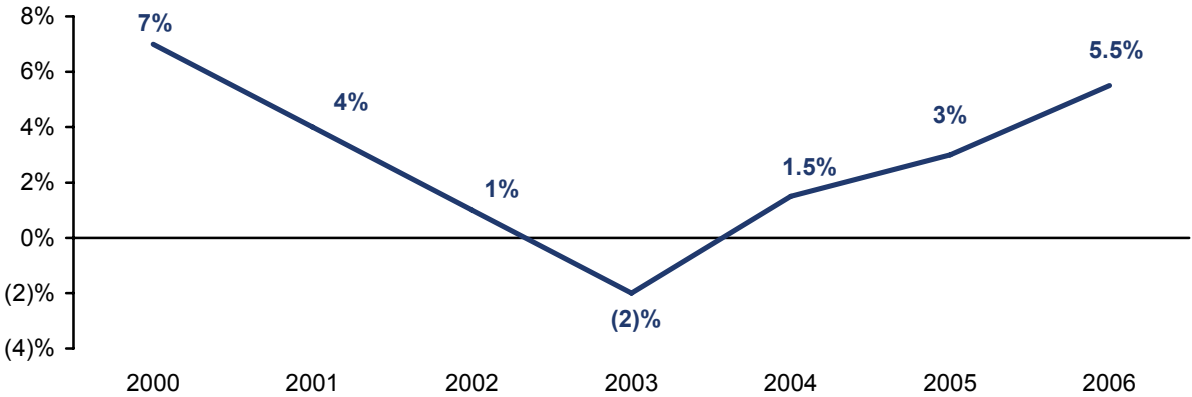
**Figure 29: Historical EBITA Margin, 2000-2006**



Source: ISS

**Profitable organic growth.** ISS's third objective is to continue to leverage its international market position and service offering in order to increase its local market positions and drive organic growth. To do this, ISS established a Sales Excellence Centre in 2006 to create sales systems and to promote benchmarking and the sharing of best practices between countries. ISS continues to employ a wide range of initiatives to: (i) attract new customers; (ii) increase customer retention rates, including through the establishment of dedicated key account teams; and (iii) cross-sell related services, such as pest control and washroom services, to existing customers. Additionally, ISS has established a market presence and operating platforms in selected high-growth economies, particularly in Latin America and Asia.

**Figure 30: Historical Organic Revenues Growth, 2000-2006**



*Note: The negative organic growth in 2003 is explained by active contract trimming to terminate unprofitable contracts and overall challenging market conditions.*

Source: ISS

## 2. Reduce Financial Leverage on a Multiple Basis

Following the Acquisition, the Group has and will continue to prioritise reduction in the financial leverage (on a multiple basis).

Following the acquisition of ISS by FS Funding, ISS has prioritised the reduction of financial leverage of the Group (on a multiple basis) whilst continuing to issue additional debt to fund continued Acquisitions. This has been achieved primarily through growth in ISS's operating profit through a continued focus on cash flow, operating margin, organic growth and acquisitions. However, as a result of this growth strategy, ISS expects to incur additional debt in the future. The extent and timing of the FS Funding Group's deleveraging on a multiple basis will depend upon, among other things, ISS's cash flow generation and the scale and timing of payments related to its future acquisition activities, which may temporarily increase its leverage on a multiple basis in terms of net debt to pro forma adjusted EBITDA.

## 3. Single Service Excellence

The foundation for being the leading facility services company is a continuous focus on delivering service excellence in every service area. ISS is dedicating additional resources to developing and implementing best practices and will continue to place a great deal of emphasis on developing single service excellence throughout the organisation.

## 4. Continuous Growth

**Organic growth.** A wide range of initiatives will underpin organic growth spanning from further investment in the growth economies of the world via an enhanced sales force and training to new customer retention initiatives.

**Geographic expansion.** ISS intends to increasingly focus on the BRIC countries (Brazil, Russia, India and China) as well as other growth markets, particularly those emerging markets located in Eastern



Europe, Latin America and Asia. In 2006, ISS established country operations in Mexico and the Philippines and in January 2007 ISS set up operations in Taiwan. Furthermore, the presence in Turkey was significantly expanded in 2006 through an acquisition. ISS is currently analysing the US market in preparation for a possible US entry. Acquisitions are aimed at complementary auxiliary businesses, increasing the scale of existing operations or to capture growth opportunities in new countries.

**Acquisitions.** ISS expects to continue making acquisitions to facilitate its strategy of increasing local scale and broadening its local service offerings. Since the beginning of 2000, ISS has acquired and integrated more than 500 businesses, more than 450 of which were acquisitions of relatively small businesses with annual revenues of less than DKK 100 million (EUR 13.4 million).

In recent years, ISS has followed a strategy of selectively acquiring smaller companies, typically with annual revenues of less than DKK 100 million. The volume of acquisitions has varied depending on market conditions. ISS reduced its acquisition activity in 2002 to focus on increasing its operating margins. Following completion of these projects, ISS increased its acquisition activity in 2004 and maintained a similar acquisition pace in 2005, completing 102 acquisitions. In 2006 completed 104 acquisitions in 36 countries, 91 of which had estimated annual revenue of less than DKK 100 million.

It is ISS's intention to continue the Company's acquisition strategy i.e. focus on selective value-enhancing targets. In line with the acquisition strategy since 2000, the aim is to continue to strengthen the overall operations of the Group, both through focusing on acquisitions in the core cleaning segment to achieve the desirable local density and through strengthening the other services segments, thereby enabling ISS to an even greater extent to offer IFS services. ISS believes that continued consolidation within its facility services markets will enable it to build local scale, which the Company believes is important to its continued growth and is a driver of profitability.

The primary focus will be smaller acquisitions that individually comprise less than 5% of Group revenues. ISS believes that bolt-on acquisition activity that adds around 8-12% on average to revenue year-on-year is a good guideline for the targeted level of investment in acquisitions. However, depending on opportunities, organisational capability, macro-economic conditions, and financial resources, the acquisition will vary from year to year. Larger acquisitions, for example, will not be ruled out; however, such acquisitions will not be core to the acquisition strategy going forward. Historically, acquisitions have been low risk and accretive in value with prices paid ranging from 6.2x – 8.6x (excluding Large / Non-Bolt-On acquisitions).

## 5. Increase Integrated Facility Services Capabilities

ISS intends to continue to grow the Company into a fully Integrated Facility Services company by offering a wide range of services within the five service segments: cleaning, office support services, property services, catering and security. In a full Integrated Facility Services solution, ISS takes over all or most of the service functions at the customer's premises, provided the services are within the pillars of the IFS house. The customer thereby receives the full potential of single service outsourcing and benefits from an ISS on-site management solution that exploits the synergy potential, and as a result provides the customer with an integrated and cost effective solution.

Through the acquisitions of broad-ranged service companies in Germany, Switzerland and the United Kingdom, ISS is able to provide Integrated Facility Services in these geographies. The acquired capabilities have provided an approach to clients where ISS is able to offer management of services, delivered either through subcontracting or through own service provisions depending on the preference of the client.

An IFS implementation team was established in 2006 with the primary focus of accelerating the IFS implementation in selected countries. The team consists of four experienced specialists with an overlying mission of providing operational support in winning, bidding, transitioning and operating the first IFS contract within a country. The prioritised countries in 2006 were Spain, Belgium and Switzerland. In 2007, the prioritised countries are Germany, the Netherlands and Australia.

## **6. Continue to Strengthen the Organisation**

As a foundation for the strategy plan, ISS is transforming its organisation to allow it to focus on accelerating the service development. Head office resources focusing specifically on China and India have been appointed. Organisational resources have also been added for Eastern Europe, Russia, Australia and Latin America in order to support the development of these geographies.

Training and education is key to the strategy plan. ISS will invest even more in these areas in order to continue to accelerate its transformation towards Integrated Facility Services.

## **7. Further Develop the ISS brand**

As a part of the transformation to a global facility services company, ISS will invest further in strengthening the ISS brand across the world.

## VIII. Corporate Governance and Management

## A. Board of Directors ISS

The Board of Directors of ISS functions in accordance with its rules of procedure, which provide guidelines for the Board of Director's work. The following table sets forth information concerning the directors of ISS. ISS is a direct subsidiary of FS Funding and ISS Global is a direct subsidiary of ISS.

**Table 28: Board of Directors, ISS**

Name	Year of Birth	Position
Sir Francis Mackay	1944	Chairman
Leif Östling	1945	Vice-Chairman
Ole Andersen	1956	Member of the Board
Richard Sharp	1956	Member of the Board
Sanjay Patel	1961	Member of the Board
Christopher Sander	1962	Member of the Board
Peter Korsholm	1971	Alternate Director
Steven Sher	1970	Alternate Director
Flemming Quist	1964	Member of the Board, Employee Representative
Carsten Højlund	1974	Member of the Board, Employee Representative
Nicolai Søegaard	1977	Member of the Board, Employee Representative

**Sir Francis Mackay** joined the Board of ISS as Vice Chairman in October-2006, becoming Chairman in April-2007. Sir Mackay is also Chairman of Carlton Partners LLP, a private merchant bank with international associates. Previously he was Chairman of Compass Group PLC from June 1999 to June-2006, responsible for the Group's international development through organic growth and acquisition. Sir Mackay was also Chairman of Kingfisher PLC for four and a half years until May-2006. He began his career in financial positions with such companies as LCS Ltd, SGT PLC, and Finance Director of Global Ltd (part of GUS PLC). In June-2003, Sir Mackay was given a Knighthood in recognition of his services to the hospitality industry and charity in the Queen's Birthday Honours List.

**Leif Östling** is currently the President and Group Chief Executive of Scania AB, a position he has held since 1994. Prior to that time, Mr. Östling held various positions within Scania, including acting manager of Scania's Latin American operations, head of Strategic Planning, Marketing Manager in The Netherlands and President of Scania Nederland. He has also served as Chairman of the Board of the Danish company Sabroe Refrigeration, which was previously owned by EQT. Mr. Östling is a member of the Board of Directors of Scania AB, AB SKF, Svensk Näringsliv and Teknikföretagen.

**Ole Andersen** has been a partner of EQT Partners and head of its Copenhagen office since September-2003. Prior to joining EQT Partners, Mr. Andersen was employed at Enskilda Securities. From 1997 to 2000 he was head of the Copenhagen Branch and from 2000 to 2003 he was global head of Corporate Finance. From 1983 to 1997 Mr. Andersen worked for Arthur Andersen & Co., Skandinavisk Holding, Scandinavian Capital Partner and Alfred Berg. Mr. Andersen is currently a director of Contex Holding A/S, Aleris AB and BTX Group A/S. Mr. Andersen graduated from the Copenhagen Business School with a Masters degree in Economics.

**Richard Sharp** is an advisory director of Goldman Sachs. Up until December-2006 he was Chairman of the Principal Investment Area in Europe, where he was responsible for European Private Equity and Mezzanine Funds. Mr. Sharp was a member of the Global Investment Committee, which oversees investments in all of Goldman Sachs' Private Equity and Mezzanine Funds, and was on the Board of Directors of Goldman Sachs International and on the European Management Committee. Mr. Sharp joined Goldman Sachs International as a vice president in 1984 and became a general partner in 1994. Mr. Sharp earned a BA and an MA from Oxford University.

**Sanjay Patel** is co-head of Private Equity in Europe for the Principal Investment Area of Goldman Sachs. Prior to joining Goldman Sachs in 2005 he worked with GSC Partners, holding the position of co-President from 1999 to 2004 when he became a Senior Advisor of GSC Partners until December-2004. Mr. Patel previously worked in the Principal Investment Area of Goldman Sachs from 1987 to 1997. Mr. Patel is a director of R.L. Winston Rod Company, and serves on the Advisory Boards of International Asset Transactions, SmartAnalyst and Ahlsell AB. Mr. Patel received a

Bachelor of Arts degree magna cum laude and a Master of Science degree from Harvard University, and a Master of Business Administration degree from Stanford University.

**Christoph Sander** is Chief Executive of Casper Limited, which he co-founded in June-2006. Prior to this he was a main Board Director of Bunzl plc, where he was responsible for the European and Australasian business area, which he led from its inception until he became Chief Executive designate of the Group. He is also a non-executive Board Director of Euro Packaging Group, to which he was appointed by MidOcean Partners in December-2006. Mr. Sander's early career was spent with the Boston Consulting Group in London, Germany and South Africa. Mr Sander was educated in Germany, Portugal, the UK and USA, and holds an MA in Economics from Cambridge University, and an MBA from Harvard Business School.

**Peter Korsholm** is a partner in EQT Partners, where he joined in 1999. Prior to joining EQT he worked as an investment banker with Morgan Stanley in London. Mr. Korsholm is a deputy director of the board of Contex Holding A/S and a director of BTX Group A/S. Mr. Korsholm received a B.A. in Economics from University of Copenhagen, an M.Sc in Econometrics and Mathematical Economics from London School of Economics and an MBA with distinction from INSEAD.

**Steven Sher** is responsible for the private equity activities of Goldman Sachs Capital Partners in the Nordic Region. He joined Goldman Sachs in 1997 in Investment Banking and moved to PIA in 2000. Steven also sits on the board of Rhiag Holding Limited and Ahlsell AB both Goldman Sachs Capital Partners' investments. He became a managing director in 2006. Steven earned a Bachelor of Commerce, followed by a postgraduate Bachelor of Accounting in 1992 and 1993, respectively, at the University of Witwatersrand (Republic of South Africa).

**Flemming Quist (Employee Representative)** has been Treasury Manager since June-2006 and with ISS since 1996. Prior to joining ISS he held various positions with the East Asiatic Company and with the insurance group Alm. Brand. Mr Quist has received a Master of Science in Economics from University of Copenhagen (1990) and a Diploma in Management Accounting from Copenhagen Business School (2005).

**Carsten Højlund (Employee Representative)** has been Treasury Manager since August-2006 and with ISS since 2001. Mr. Højlund has received a Master of Science in Finance from the Aarhus School of Business, Denmark.

**Nicolai Søgaard (Employee Representative)** has been Group Financial Controller since March-2006. From 2002 to 2006 Mr. Søgaard was an auditor with Ernst & Young. Mr. Søgaard has received a Master of Science in Business Administration and Auditing from the Copenhagen Business School, Denmark.

## B. Management Team of ISS

The overall strategy of the Group is determined by the members of the Board of Directors of ISS. The Group's day-to-day operations are managed by the Management Team of ISS.

The following table sets forth information concerning the members of the Management Team of ISS.

**Table 29: ISS Management Team**

<b>Name</b>	<b>Year of Birth</b>	<b>Position</b>
Jørgen Lindegaard	1948	Group Chief Executive Officer
Jeff Olsen Gravenhorst	1962	Group Chief Financial Officer
Flemming Schandorff	1948	Group Chief Operating Officer
Allan Aebischer	1954	Chief Operating Officer
Martin Gaarn Thomsen	1970	Chief Operating Officer
Jacob Gøtzsche	1967	Chief Operating Officer
Stig Pastwa	1967	Chief Operating Officer
Jens Ebbe Olesen	1962	Head of Group M&A
Helle Havgaard	1959	Head of Group Human Capital
Christian K. Jakobsen	1970	Group Treasurer
Bjørn Raasteen	1964	Group General Counsel
Henrik Trepka	1963	Head of Group IT

**Jørgen Lindegaard** has been Group Chief Executive Officer since 31-August-2006. Previously he was the President and CEO of SAS Group 2001-2006. From 1997-2001 he was Chief Executive Officer of GN Store Nord. From 1991-96 he was CEO of Copenhagen Telephone (KTAS). From 1990-91 he was Chief Executive Officer of Fyns Telefon A/S. From 1977-90 he held various positions in Fyns Telefon A/S. From 1975-77 he worked as a graduate engineer with Philips Telekommunikation. He is a member of Efsen Engineering A/S. Mr. Lindegaard holds a Master of Science in Engineering from The Technical University of Denmark.

**Jeff Gravenhorst** has been the Chief Financial Officer of ISS since 01-October-2005. Previously he was the Chief Financial Officer of ISS UK from 2002 to 2005. From 2000 to 2002 he was Chief Executive Officer and President of ALTO Copenhagen A/S, a division of Incentive A/S. From 1998 to 1999 Mr. Gravenhorst was Vice President, Business Unit Consumer, of ALTO U.S. Inc. He also served as President and Chief Financial Officer of Clarke Industries Inc. and Finance Director of Wittenborg UK Ltd, each a division of Incentive A/S, as well as a Manager of Arthur Andersen in Denmark. Mr. Gravenhorst holds a Master of Science in Business Administration and Auditing from the Copenhagen Business School.

**Flemming Schandorff** has been Group Chief Operating Officer since 2002. Previously, he was a Managing Director, International, of ISS from 2000 to 2002. Mr. Schandorff was the Chief Executive Officer of Kompan A/S from 1996 to 2000. He rejoined ISS in 2000, having held various positions with ISS from 1973 to 1994. He is a member of the Board of Directors of Modulex A/S. Mr. Schandorff received a Diploma in Accounting and Management theory from the Copenhagen Business College.

**Allan Aebischer** has been Chief Operating Officer since March-2006. Previously, he served as Country Manager for ISS in Denmark from 2004 – 2006. Mr. Aebischer has served at ISS in a number of positions during the last 26 years, including head of ISS Food Hygiene Services in seven countries. In 1981, Mr. Aebischer joined ISS Denmark as Management Trainee after finishing a degree in business at Niels Brock – Copenhagen Business College in Denmark.

**Martin Gaarn Thomsen** has been Chief Operating Officer, since 2006. Previously, he served as International Operations Director for ISS Hygiene Services from 2002 to 2004. Mr. Thomsen served as Vice President, Corporate Affairs and ISS Innovation from 2000 to 2002. He joined ISS in 1999 and served as a Business Support Manager, Business Development until 2000. Prior to that time, Mr.

Thomsen was IS Manager for Coca-Cola Nordic Beverages. Mr. Thomsen received a Master of Science degree in Business Administration from Copenhagen Business School.

**Jacob Gøtzsche** has been Chief Operating Officer since 2006. Previously, Mr. Gøtzsche served as Senior Vice President, Mergers and Acquisitions from 2002 to 2004 and Senior Vice President, Head of Corporate Finance and Control from 2001 to 2002. He served as ISS's Chief Group Controller, Head of Corporate Finance in 2000 and International Controller from 1999 to 2000. Mr. Gøtzsche joined ISS in 1999 from PriceWaterhouse where he was an auditor from 1994. Mr. Gøtzsche received a Master of Auditing degree from Odense University.

**Stig Pastwa** has been Chief Operating Officer since 2005. Previously, he was ISS's International Business Director for Southern Europe from 2001 to 2003 and Financial Director for Southern Europe in 2000. Mr. Pastwa also served as Senior Vice President of ISS's Mergers and Acquisition department from 1998 to 2000. He joined ISS in 1998. Prior to that time he served in various positions with A.P. Moller-Maersk, most recently as Chief Financial Officer of Maersk Ivory Coast. Mr. Pastwa received a PED degree from IMD, an ADP degree from the London Business School and a degree in Management Accounting from Copenhagen Business School.

**Jens Ebbe Olesen** has been Executive Vice President, Mergers and Acquisitions, since 1999. Mr. Olesen joined ISS in 1998. Prior to that time he was Chief Financial Officer of Jacob Holm & Sons from 1991. He received a degree in Management Accounting from the Esbjerg Business School and a Master of Commerce from Kolding Business School, Denmark.

**Helle Havgaard** has been Senior Vice President, Human Capital, since 2004. Previously Ms. Havgaard served as ISS Denmark's Human Resource Manager from 2003 to 2004. From 2000 to 2003, she was General Counsel in ISS Denmark. Prior to joining ISS, Ms. Havgaard was Head of Legal Section with Ledernes Hovedorganisation, the Human Resource Manager at Paranova and she lectured in Labour Law as an external reader at the University of Copenhagen. From 1989 to 1995, Ms. Havgaard was General Counsel at Association of Employers in the Service Industry. Ms. Havgaard received a Masters of Law from the University of Copenhagen, Denmark.

**Christian K. Jakobsen** joined ISS in 2004 and has been Senior Vice President, Head of Group Treasury since 2005. Before joining ISS he held various positions with ABN AMRO N.V. in Structured Finance from 1997 and was appointed Vice President in 2000. Mr. Jakobsen has received a Master of Business Administration from Bradford University and a bachelor's degree from Copenhagen Business School, Denmark.

**Bjørn Raasteen** has been Senior Vice President and General Counsel since 2005. Previously, he was Assistant General Counsel since he joined ISS in 1999. Previously, Mr. Raasteen was a lawyer with the Jonas Bruun and Hjejle, Gersted & Mogensen law firms. Mr. Raasteen received a Masters of Law degree from the University of Copenhagen.

**Henrik Trepka** has been Senior Vice President, Group IT, since July-2005. From 2000 to 2005, Mr. Trepka was International IT advisor for Kuwait Petroleum International Ltd. Prior to that time, he served in various positions for Kuwait Petroleum (Denmark) A/S and as a management consultant with Accenture. Mr. Trepka received a Master of Science in Business Administration from Copenhagen Business School and an E\*MBA from Scandinavian International Management Institute.

## **IX. Historical Financial Information**



## A. Income Statement

ISS has enjoyed almost uninterrupted revenue and EBITA growth over the last seven years. Focusing on a strategy of increasing its international presence and increasing its breadth of services, ISS has grown revenues by a 38% between 2004 and 2006. In addition, ISS' comprehensive financial control and entrepreneurial culture has enabled the company to control operating costs and resulted in an increase in EBITA margins from 5.6% in 2004 to 5.8% in 2006.

**Table 30: Consolidated Income Statement, 2004-2006**

DKK m	ISS A/S		FS Funding
	2004	2005	2006
<b>Net Revenue</b>	<b>40,355</b>	<b>46,440</b>	<b>55,772</b>
Growth Rate %	12.0%	15.0%	20.0%
Staff Costs	(26,596)	(30,592)	(36,284)
Cost of Goods Sold	(3,146)	(3,753)	(4,911)
Other	(7,736)	(8,786)	(10,598)
Total Operating Expenses	(37,478)	(43,131)	(51,793)
Whereof Operational Leasing Costs	1,272	1,479	1,692
<b>EBITDAR</b>	<b>4,149</b>	<b>4,788</b>	<b>5,671</b>
EBITDAR %	10.3%	10.3%	10.2%
Whereof Operational Leasing Costs	(1,272)	(1,479)	(1,692)
<b>EBITDA</b>	<b>2,877</b>	<b>3,309</b>	<b>3,979</b>
EBITDA %	7.1%	7.1%	7.1%
Depreciation and Amortisation <sup>1</sup>	(617)	(659)	(745)
<b>EBITA</b>	<b>2,260</b>	<b>2,650</b>	<b>3,234</b>
EBITA %	5.6%	5.7%	5.8%
Other Income and Expenses	(37)	(286)	(109)

<sup>1</sup> The amounts exclude amortisation of goodwill.

Source: ISS

### Revenue Growth

The revenue growth from 2000 to 2006 was to a large extent driven by acquisitions. However, organic growth was also a reliable source of growth, apart from in 2003 when revenues declined by 4.8%. The decline in 2003 is explained by a deliberate slow-down in growth and a refocusing on operational efficiency following several years of rapid expansion which had to some extent affected margins. The operational re-focusing included the divestment of the elderly care business and aviation business in 2002, engagement in an active contract trimming programme to terminate unprofitable contracts, currency fluctuations and overall challenging market conditions.

The table below provides further explanation on the breakdown of revenues growth attributed to acquisitions, foreign exchange movements, organic growth, and contract trimming. Revenue increased 20% to DKK 55.8 billion in 2006 from DKK 46.4 billion in 2005 driven by the increase in organic growth and 15% growth from acquisitions.

**Table 31: Breakdown of Revenue Growth (%), 2000-2006**

	2000	2001	2002	2003	2004	2005	2006
Total Revenue Growth	45%	21%	9%	(5)%	12%	15%	20%
Foreign Exchange	3%	(1)%	0%	(3)%	(0)%	1%	0%
Acquisitions, Net	35%	18%	8%	0%	11%	11%	15%
Organic Growth	7%	4%	1%	(2)%	1.5%	3%	5.5%

Source: ISS

Following the positive cash flow and operating margin performances in recent years, ISS decided at the beginning of 2004 to strengthen the focus on organic revenue growth. This was sustained in 2006 and resulted in a further improvement of the organic growth rate to 5.5% from 3% in 2005. The organic growth was in particular driven by 15% growth in the overseas region headed by double-digit organic growth rates in the growth economies of Asia and Latin America. Organic growth also increased from

2% in 2005 to 6% in Northern Europe, while an organic growth rate of 4% was maintained in Continental Europe.

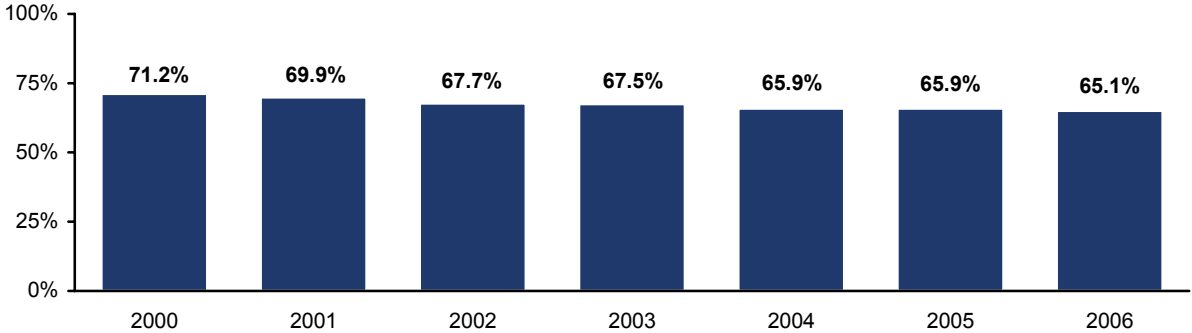
**Operating Expenses**

Operating expenses as a percentage of revenues have remained fairly stable in the period of 2000-2006, accounting for 93% to 94% of revenue. ISS’s cost base is flexible and in 2006 approximately 65% of total operating costs constituted staff costs, including salaries and wages, pensions, and other employee-related expenses. Furthermore, according to EU law, when facility services contracts are lost to a competitor, the former provider may under certain circumstances be able to pass on-site staff to the new provider, an option which provides additional operational flexibility.

The proportion of staff costs have declined steadily during the period from 71.2% in 2000 to 65.1% of revenues in 2006. The development is mainly explained by a change in mix of services offered by ISS, resulting in subcontracting of some services, thereby decreasing staff cost but increasing cost of goods sold. In 2006, staff costs increased by 18.6% to DKK 5,691 million compared to 2005. This increase was primarily attributable to an increase in the number of employees of 80,600 (or 26%). Cost of goods sold increased from 8.1% in 2004 to 8.8% of revenues in 2006.

Other operating expenses have increased from 19.2% of revenues in 2004 to 21.3% in 2006, principally due to the increased cost in connection with operating leases. Over the last few years ISS has actively striven to shift from capex to operational leases (which consist of leases and rentals of properties, cars and other equipment), which are included in the operating expenses. Other operating expenses also include expenses for detergents, uniforms, expensed service equipment, subcontractor costs as well as other selling, distribution and administrative expenses, including management salaries, clerical and administrative overheads, professional services, costs associated with marketing and revenues efforts and costs associated with the Company’s information systems. In line with previous years, changes in social legislation, pensions and a number of non-recurring items affected the Group in 2006, including a curtailment gain related to defined benefit pension plans in the Netherlands, which was partly offset by restructuring costs in Finland and margin-dilutive acquisitions in Australia and Mexico as well as investments in organic growth.

**Figure 31: Staff Costs, 2000-2006<sup>1</sup>**

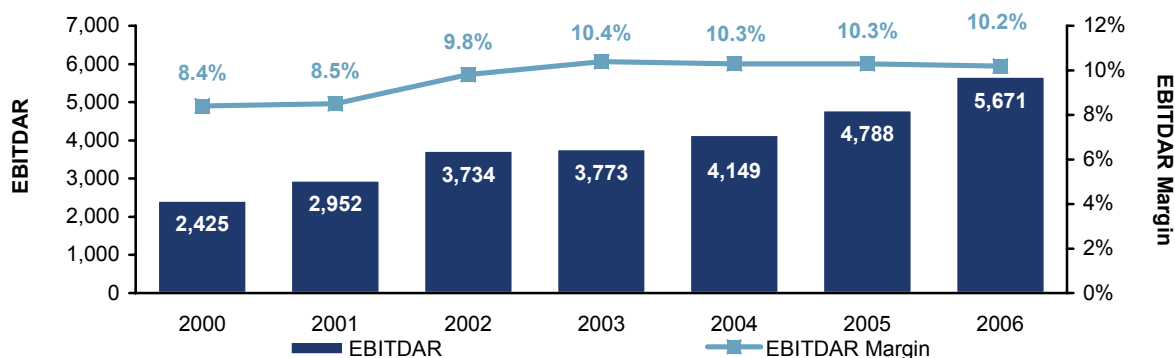


<sup>1</sup> Represents average number of employees from 01-January through 31-December.  
Source: ISS

## EBITDAR Margins

The adjusted EBITDAR margins (normalised for non-recurring items) have been stable around 10% since 2002. ISS incurred costs in 2001 due to the restructurings of the aviation business following the 9/11 event.<sup>1</sup>

Figure 32: Historical Adjusted EBITDAR and EBITDAR Margin, 2000-2006<sup>1</sup>



<sup>1</sup> Adjusted before impact from other income and expenses relating to items regarded by management as non-recurring.

Note: 2004 EBITDAR is not pro forma adjusted.

Source: ISS

## Taxes

ISS was up until 2004 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. The foreign companies in the Group are subject to taxation in their local jurisdictions. As of 2005, the joint taxation has only included fully owned Danish subsidiaries.

## B. Balance Sheet

Table 32: Summary Historical Balance Sheets, 2005-2006

DKK m	FS Funding	
	2005	2006
Goodwill	22,995	26,178
Brands	1,664	1,664
Customer Contracts	7,878	8,002
Software and Other Intangibles	135	188
Tangible Assets	1,956	2,163
Financial Assets	965	830
<b>Fixed Assets</b>	<b>35,593</b>	<b>39,025</b>
Acc. Receivable and Other Current Assets	9,000	10,953
Current Liabilities	(10,623)	(13,244)
<b>Net Working Capital</b>	<b>(1,623)</b>	<b>(2,291)</b>
<b>Capital Employed</b>	<b>33,970</b>	<b>36,734</b>
Provisions	(4,374)	(4,389)
Net Borrowings/Interest Bearing Debt	(22,822)	(26,366)
Minority Interests	(60)	(63)
<b>Net Assets</b>	<b>(27,256)</b>	<b>(30,818)</b>
Net Working Capital as % of Revenue <sup>1</sup>	(3.5)%	(4.1)%

<sup>1</sup> 2005: Relates to ISS Revenue.

Source: ISS

<sup>1</sup> Source: ISS A/S Annual Report, 2001, p.25.

## Fixed Assets

The majority of the fixed assets is goodwill accounting for c. 67% of total fixed assets in 2006. Goodwill and other fixed assets increased significantly from 2005-2006 due to acquisitions but also in relation to revenues (from 50% of revenues in 2005 to 47% in 2006). Under IFRS, customer contracts and relationships are recognised in the balance sheet. Hence, these are amortised while goodwill is not amortised under IFRS. Instead goodwill must be tested for impairment.

Tangible assets include land, buildings and cleaning equipment. The level of tangible assets has also increased in the period from 2005-2006 in connection with the acquisitions of companies and general corporate growth. As previously mentioned, ISS is aiming at leasing its equipment, if possible as operating leases, and thus the items included on the balance sheet to a large extent relate to assets with no active lease market e.g. specialised vehicles. Financial assets mainly include deferred tax assets and investments in associated companies.

## Current Assets

Current assets (less liquid funds) amounted to 20% of revenues in 2006, which is an increase over 2005 when it accounted for 19%. This relative increase in current assets has been driven by accounts receivables, which represent approximately 84% of total current assets. The number of days of revenues outstanding was 48 days in 2006, which is in line with 2005 (47 days) and 2004 (48 days).

Inventories comprise mainly raw materials, supplies and finished goods. Contract work in progress has increased in the period 2000-2006 with the exception of 2003 when it decreased. The increase is related to management focusing more on Integrated Facility Services, and also the fact that contracts are increasing in size and scope.

## Current Liabilities

The majority of current liabilities relate to employee-related liabilities such as accrued salaries and holiday allowances. Trade payables increased in the period 2005-2006, which was in line with the development of cost of goods sold and other operating expenses, hence current liabilities in relation to revenues have remained stable. Current liabilities have been impacted by an increase in prepayments from customers, as the Company has continuously focused on generating cash flows.

## Total Non-Current Liabilities

Net interest bearing debt for FS Funding was DKK 27.7 million at 31-December-2006 compared to DKK 23.0 million at 31-December-2005. The increase was primarily related to the funding of acquisitions during the year. Non-interest-bearing items amounted to DKK 0.2 billion at year-end 2006 and were primarily related to part of the above-mentioned net gain on interest rate swaps, which will be included in the income statements for the financial years 2007-2014.

Provisions include pensions, deferred tax liabilities, and other provisions. As the Company operates in various countries, there are different forms of pension schemes. The Group contributes to defined contribution plans as well as defined benefit plans. As of 31-December-2006, the Company had pension and similar obligations on its balance sheet equal to DKK 885 million, which comprise pension in relation to the defined benefit plans<sup>1</sup>. Other provisions include labour related items, self-insurance, acquisitions and other which combined, have remained stable at around 1% of revenues during 2004-2006.

<sup>1</sup> ISS 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 ISS has no legal or constructive obligation to pay further contributions irrespective of the funding of these insurance companies. Pension costs related to such plans are recorded as expenses when incurred.

## C. Cash Flow Statement

Table 33: Cash Flow Statement, 2004-2006

DKK m	ISS A/S		FS Funding
	2004	2005	2006
EBITA	2,260	2,650	3,234
Depreciation and Amortisation	617	659	745
<b>EBITDA</b>	<b>2,877</b>	<b>3,309</b>	<b>3,979</b>
Share-based Payment	8	3	0
Changes in Working Capital	186	(234)	50
Changes in Provisions	(88)	(177)	(166)
Other inc. and Exp. Net Payment	(64)	(277)	(239)
Payments Related to Integration Cost	(45)	(128)	(105)
<b>Operating Cash Flow before Interest and Tax</b>	<b>2,874</b>	<b>2,496</b>	<b>3,519</b>
Corporate Tax Paid	(602)	(898)	(324)
<b>Operating Cash Flow</b>	<b>2,272</b>	<b>1,598</b>	<b>3,195</b>
Capex Net	(583)	(549)	(843)
<b>Free Operating Cash Flow</b>	<b>1,689</b>	<b>1,049</b>	<b>2,352</b>
Acquisitions of Businesses	(3,853)	(2,570)	(3,552)
Divestment of Businesses	36	845	68
Investments in Financial Assets, Net	(601)	422	47
<b>Cash Flow after Investments</b>	<b>(2,729)</b>	<b>(254)</b>	<b>(1,085)</b>
Financial Payments, Net	3,358	5,859	3,850
Net Interest Paid	(326)	25	(2,330)
Proceeds – Issuance of Share Capital	793	130	0
Purchase/Disposal of Own Shares	(30)	(171)	0
Dividend Paid to Shareholders	(177)	(7,229)	0
Options and Warrants Settled	0	(178)	0
Minority Interests	(6)	(11)	(8)
<b>Cash Flow from Financing Activities</b>	<b>3,612</b>	<b>(1,575)</b>	<b>1,512</b>
<b>Net Change in Cash</b>	<b>883</b>	<b>(1,829)</b>	<b>427</b>
Cash Conversion %	108	91	102

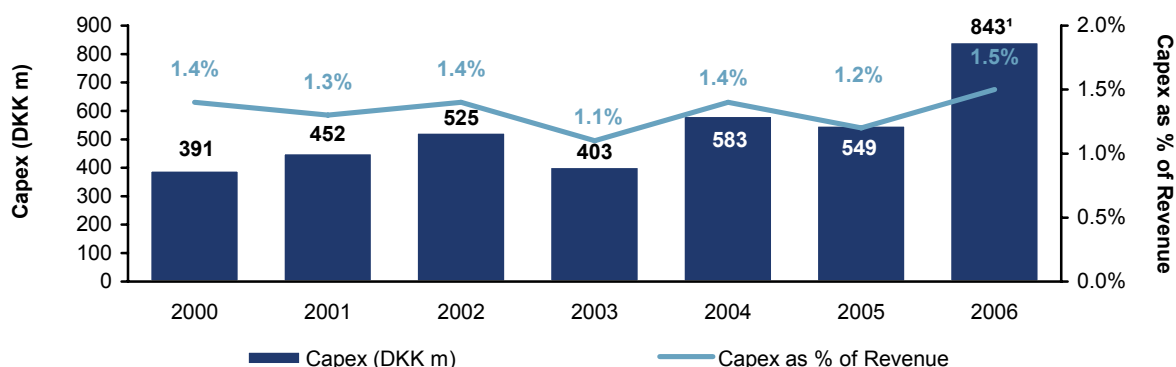
Source: ISS

The table above reflects the strong cash generative aspect of ISS's business model. In addition to growth in EBITDA, Free Operating Cash Flow has been improved by a continuously declining working capital level and relatively low maintenance investment requirements. Average cash conversion has consistently been above 90% over the last six years and the Company aims to achieve a target cash conversion ratio of between 90-95% going forward.

### Capex and Operating Leases

As illustrated in the Figure below, capital expenditures have averaged 1.3% of revenues between 2000 and 2006.

**Figure 33: Capex, 2000-2006 <sup>1</sup>**



<sup>1</sup> Increase is partly due to reclassification of embedded leases.

Source: ISS

Please see below for a summary of operating leasing payments and maintenance Capex from 2000-2006. ISS has certain off-balance sheet liabilities, primarily contingent liabilities relating to operating leases, which consist of leases and rentals of properties, vehicles (primarily cars)<sup>1</sup> and other equipment. On 1 January 2005 ISS entered into a new global car fleet lease framework agreement for three years, including an option for extension for a subsequent three-year term. The framework agreement contains an option for ISS to terminate the underlying country agreement or the entire global commitment upon four weeks' notice prior to the end of a calendar quarter and subject to ISS's payment of a termination fee. The majority of the underlying agreements have a duration of three to five years. The disclosed contingent liability includes ISS's total leasing commitment assuming no early termination of the agreement. The total expenses under operating leases in the income statement amounted to DKK 1,672 million in 2006 compared to DKK 1,479 million in 2005.

**Table 34: Historical Overview of Operational Leases, 2000-2006**

DKK m	2000	2001	2002	2003	2004	2005	2006
Operational Leasing Expenses	503	768	1,121	1,154	1,272	1,479	1,692
Operational Leasing as % of Revenue	1.8%	2.2%	3.0%	3.2%	3.2%	3.2%	3.0%
Capex	391	452	525	403	583	549	843
Capex as % of Revenue	1.4%	1.3%	1.4%	1.1%	1.4%	1.2%	1.5%

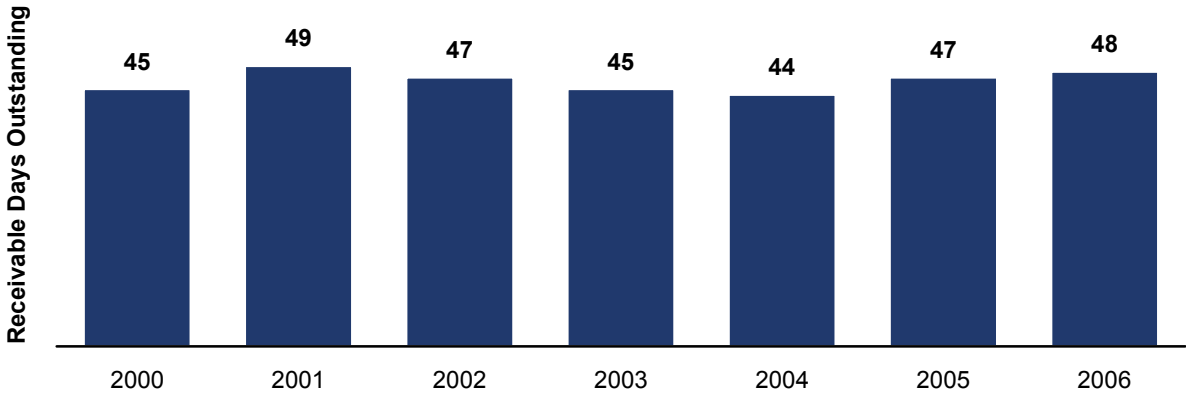
Source: ISS

### Working Capital

In recent years, there has been an increased focus on the optimisation of working capital with particular emphasis on the reduction of outstanding debtors as expressed in average receivable days for a given period and reporting entity. The Company has been and will continue to be focused on creating a faster and more effective process in all of its operations; 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 is achieved through the improvement of internal paper-flows, the use of information technology and the optimisation of procedures for following up on outstanding debtors. However, the growth of the Company in Continental European and International markets has a negative impact on the receivable days as average receivable days are typically less favourable than in Northern Europe.

<sup>1</sup> The company has the ability to terminate its vehicle leases with six months' notice in each individual country.

**Figure 34: Development in Receivable Days Outstanding, 2000-2006**

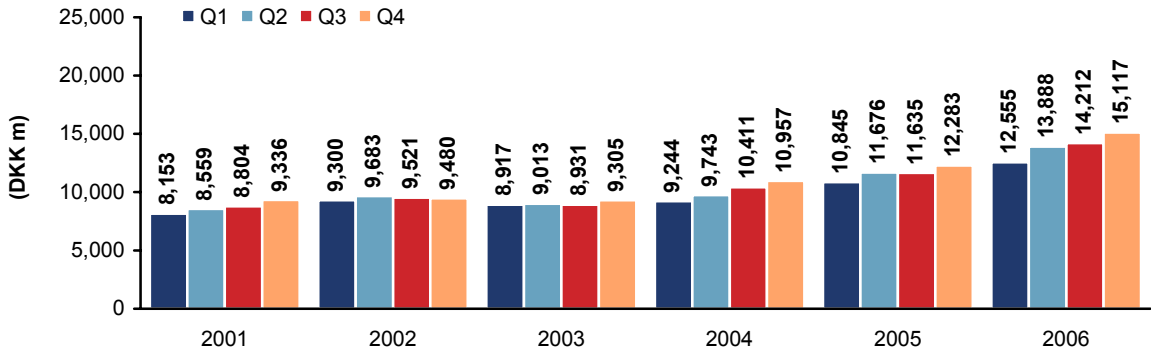


Source: ISS

**D. Seasonality**

The demand for traditional facility services is generally stable and there is limited overall seasonality in ISS's quarterly revenue development over the historical period. However, some of the services ISS provides experience seasonality. In particular, demand for the landscaping and pest control services of property services segment are significantly higher in the summer months than in the fall and winter, which may cause revenues to be higher in the second and third quarter of the year and lower in the first and fourth quarters. However, the impact of the timing of acquisitions (in particular 2000 and 2001) makes it very difficult to compare quarterly revenue development, hence no direct conclusions can be drawn.

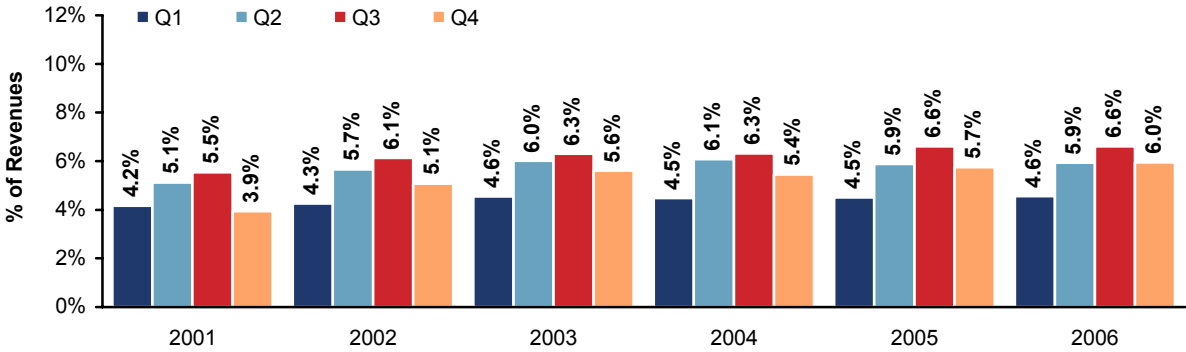
**Figure 35: ISS Revenues, 2001-2006, by Quarter**



Source: ISS

For the EBITA margin, there is a clear trend of higher profitability in the second and third quarter since certain countries have their high season in summer when non-contractual high margin jobs positively impact EBITA margins. ISS tends to incur higher staff costs in the fourth quarter of the year due to the payment of bonuses, the additional payment under month salary arrangements and higher pension contributions. Furthermore, during the summer season labour costs are lower due to increased use of temporary staff.

**Figure 36: ISS EBITA Margin, 2001-2006, by Quarter**

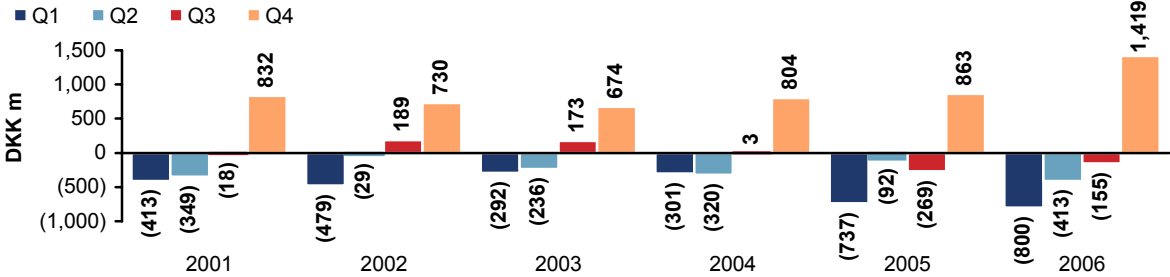


Source: ISS

ISS’s working capital tends to be lower in the first quarter of its fiscal year due to a number of cash payments relating to, among other things, pension contributions, insurance premium payments, holiday payments and the payment of bonuses earned in the prior year. ISS’s working capital is typically positive in the second half of its fiscal year and is usually highest in the fourth quarter of its fiscal year, when it collects revenue recognised in the third quarter of its fiscal year.

In the twelve month period from 01-January-2006 to 31-December-2006, cash inflow from changes in working capital amounted to DKK 50 million.

**Figure 37: Changes in Working Capital, 2001-2006, by Quarter**



Source: ISS

## **X. Definitions of Financial Terms and Measures**

<b>2007 YTD Acquisitions</b>	Acquisitions signed or expected signed and completed by 30-June-2007
<b>Amortisation</b>	Amortisation represents only the amortisation for intangible assets and software. Further amortisation, which is not included herein, is amortisation of customer contracts under IFRS.
<b>Cash Conversion Ratio</b>	Cash conversion represents the sum of EBITA and changes in working capital, divided by EBITA.
<b>Consolidated Pro Forma 31-December-2006 Adjusted EBITDA</b>	Consolidated Pro Forma EBITDA represents the Group's Pro Forma EBITDA including the pro forma effect of net aggregate estimated full-year EBITDA for each of the acquired or divested businesses for the period from 2007 YTD acquisitions.
<b>Currency Exchange Rate</b>	Unless otherwise noted, amounts expressed in Danish kroner in this memo have been converted into Euro based on the 31-December-2006 exchange ratio of EUR 1.00 = DKK 7.4591
<b>Days of Receivables Outstanding</b>	Defined as (Accounts Receivable) divided by ((revenue for the total number of months plus VAT) divided by 30 days)
<b>Days of Revenues Outstanding</b>	Calculated as sum of trade receivables plus tax receivables plus other receivables, divided by total sales, multiplied by a factor of 365 days.
<b>EBITA / Operating profit</b>	EBITA represents earnings before interest, taxes, amortisation, other income and expenses, and income from associates. Amortisation represents only the amortisation of intangible assets and software. Further amortisation, which is not included herein, is amortisation of customer contracts under IFRS. Please note that EBITA and operating profit is used interchangeably in the document.
<b>EBITDA</b>	EBITDA, as calculated by ISS, represents operating profit before other items, depreciation and amortisation under IFRS. By using operating profit before other items under IFRS, as a starting point for the calculation of EBITDA instead of operating profit, ISS excludes from the calculation of EBITDA those items recorded under the line item "other income and expenses, net", in which ISS includes income and expenses that it believes do not form part of ISS's normal ordinary operations, such as gains and losses arising from divestments, the winding-up of operations and disposals of property, as well as integration costs relating to acquisitions.
<b>EBITDAR</b>	EBITDAR represents earnings before interest, taxes, depreciation, amortisation, other income and expenses, income from associates, and rent.
<b>EMTNs</b>	ISS Global's European Medium Term Notes, including the EUR 850 million EMTNs due 2010 and the EUR 500 million EMTNs due 2014.
<b>Free Operating Cash Flow</b>	Free Operating Cash Flow, as calculated by ISS, represents cash flow from operating activities less investments in intangible assets and property, plant and equipment. Intangible assets do not include goodwill and customer contracts and related customer relationships and primarily relate to computer software.
<b>Pro Forma Adjusted EBITDA</b>	Pro Forma EBITDA represents the Group's EBITDA for the financial year 2006 including the pro forma effect of net aggregate estimated EBITDA for each of the acquired or divested businesses in 2006 for the period from 1-January-2006 to the date of its acquisition by the Group. These amounts are estimates in part because (i) the historical income statement information that was available for the acquired businesses for the periods from 1-January-2006 to the date of their acquisition by the Group has been converted and adjusted by the Group as described below, and (ii) income statement information was generally not available for any of the Acquired Businesses for the portions of the twelve-month period ended 31-December-2006 from the dates of the last annual or interim financial statements of the Acquired Businesses until the date on which they were purchased by the Group.
<b>Revenues</b>	Revenues, which are recorded net of VAT, duties and discounts, are comprised of the value of services provided. ISS recognises revenue as services are performed for maintenance and service contracts. Additionally, ISS utilises the percentage-of-completion method of accounting for installation contracts. Under this method, Revenues are recognised according to the ratio of costs incurred to estimated total contract costs. Changes in job performance, job conditions, estimated profitability, anticipated contract losses and final contract settlements may result in revisions to costs and income and are recognised in the period in which the revisions are

	determined.
<b>Sponsors</b>	EQT Partners (“EQT”) and Goldman Sachs Capital Partners (“GSCP”)
<b>Total Fixed Cover Charge</b>	In any given year, the sum of: (i) EBITDA less (ii) Change in Working Capital less (iii) Cash Taxes less (iv) Other Income/Expenses less (v) Payments related to Integration Costs less (vi) Income from Associates, divided by the sum of (v) interest payments plus (vi) contractual debt repayments
<b>Other Income and Expenses</b>	Other Income and Expenses are items below EBITDA which according to Management do not form part of the group’s normal ordinary operations, and consequently are considered as one-off or nonrecurring items.