ANNUAL REPORT 2016

ISS WORLD SERVICES A/S

Buddingevej 197
DK – 2860 Søborg
Danmark
CVR nr. 10 16 16 14

Annual report
1 January – 31 December 2016

Approved at the annual general meeting
On 31 March 2017

chairman of the annual general meeting

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COMPANY INFORMATION

ISS World Services A/S
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DK-2860 Søborg

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CVR-no.:	10 16 16 14
Founded:	1 January 1966
Domicile:	Copenhagen
Financial year:	1 January – 31 December

BOARD OF DIRECTORS

Jeff Gravenhorst, Chairman
Pierre-François Riolacci
Michelle Miriam Healy
Bjørn Raasteen

Employee representatives:
Pernille Benborg
Joseph Nazareth
Palle Fransen Queck

MANAGING DIRECTOR

Bjørn Raasteen

AUDITORS

Ernst & Young
Godkendt Revisionspartnerselskab
CVR-no.: 30700228
Osvald Helmuths Vej 4
Postboks 250
2000 Frederiksberg

KEY FIGURES

DKK million (unless otherwise stated)	2016	2015	2014	2013	2012
INCOME STATEMENT					
Revenue	1,259	1,263	1,230	1,183	1,223
Operating profit before other items	750	698	705	744	817
Operating profit	748	634	658	701	769
Income from subsidiary	2,185	2,000	0	1,118	0
Financial income	1	0	12	0	30
Financial expenses	(28)	(60)	(52)	(79)	(17)
Net profit	2,713	2,418	466	1,579	554
CASH FLOW					
Cash flow from operating activities	650	537	457	575	603
Acquisition of intangible assets and plant and equipment, net	(110)	(34)	(32)	(47)	(25)
FINANCIAL POSITION					
Total assets	7,540	7,286	7,237	7,175	9,074
Additions to intangible assets and plant and equipment, gross	305	35	36	47	25
Equity	4,806	4,493	4,075	4,859	8,871
EMPLOYEES					
Average number of employees	178	159	152	136	120

MANAGEMENT REVIEW

BUSINESS REVIEW

ISS World Services A/S is a wholly owned subsidiary of ISS A/S, an international provider of facility services, listed on Nasdaq Copenhagen. ISS World Service A/S owns directly or indirectly the ISS Group's operating subsidiaries through the Danish subsidiary ISS Global A/S.

ISS World Services A/S provides certain operational and management services to companies within the ISS Group. In addition, ISS World Services A/S provides certain administrative services to ISS A/S and ISS Global A/S and other ISS companies domiciled in Buddingevej 197, Søborg.

Revenue comprise royalty and management fee from affiliated companies.

The management team of ISS World Services A/S formally consists of the Managing Director and the Board of Directors. As ISS World Services A/S has no significant operating activities independently of the ISS A/S Group, it relies on the management team of the ISS A/S Group who has the authority and responsibility for planning, implementing and controlling ISS World Services A/S's activities. As a result, Group policies etc. applicable for the ISS Group A/S are also applicable for ISS World Services A/S.

FINANCIAL REVIEW

Net profit was DKK 2,713 million, an increase of DKK 295 million from 2015. The increase was mainly due to dividends from ISS Global A/S of DKK 2,185 million (2015: DKK 2,000 million).

Cash flow from operating activities was DKK 650 million (2015: DKK 537 million), positively impacted by a higher cash inflow from changes in working capital of DKK 72 million due to timing differences.

Apart from the changes in working capital, the cash flow is mainly impacted by the operating profit and paid taxes.

Cash flow from investing activities was DKK 2,074 million (2015: DKK 1,966 million) and comprised mainly dividends received from ISS Global A/S.

Cash flow from financing activities was DKK (2,710) million in 2016 (2015: DKK (2,508) million) and related mainly to dividends paid to ISS A/S of DKK 2,400 million (2015: DKK 2,000 million).

Equity increased to DKK 4,806 million from DKK 4,493 million. Equity was positively impacted by net profit of DKK 2,713 million set off by dividend paid to ISS A/S of DKK 2,400 million.

OUTLOOK

It is expected that activities will remain unchanged in 2017. ISS World Services A/S expects net profit for 2017 to remain at the level realised in 2016.

KNOWLEDGE RESOURCES

ISS World Services A/S is a holding company and its primary activities are to provide a range of operational and management services to companies within the ISS Group. As a result, development and maintenance of knowledge resources is important.

Generally, the purpose of ISS World Services A/S within the ISS Group is to support:

- Strategy and business development
- Operational support including development and implementation of strategy as well as review of financial results at regional level
- Knowledge and best practice sharing across the ISS Group
- Controlling and support

The ISS Group's Global Corporate Clients organisation, which was established in 2007, is operated out of ISS World Services A/S. In 2016, we continued to invest herein, as this is important to ensure continued success of our IFS strategy, focusing on delivering facility services to key account customers.

To ensure continued development of ISS World Services A/S's knowledge resources, it is important for the company and for the ISS Group, to attract and maintain qualified employees.

The ISS University – operated out of ISS World Services A/S – is a Group-wide learning academy representing our leadership development programmes which are delivered globally, regionally and locally and always to consistent standards. The

ISS University is structured to enhance our leadership capability across three core dimensions:

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

COMPETENCIES AND DIVERSITY

We are committed to selecting the best candidate while aspiring to have diversity in gender as well as in broader terms such as international experience.

In support of our commitment to gender diversity, the Company targets an increase in the number of women on the Board of Directors (elected by the general meeting) from one to at least two members at the annual general meeting in 2021. This is a target only and in selecting new board members, ISS remains committed to always selecting the best person for the Board of Directors based on competencies, experience and diversity.

In order to promote, facilitate and increase the number of women in management level positions at ISS's global head office, we continue leveraging our Diversity Policy, which defines a number of initiatives. Our initiatives include ensuring that female candidates are identified for vacant positions, developing succession plans aiming at identifying female successors and tabling the matter of women in leadership at ISS for discussion at least once a year at EGM level. Furthermore, we ensure strong representation of women in various ISS leadership development and graduate programmes across the Group and at the global head office.

The amount of women at management level at the global head office increased slightly in 2016 compared to 2015 and gender diversity remains a focus area in 2017.

STATUTORY CR REPORT

According to § 99a of the Danish Financial Statements Act, the Management review should include a description of corporate responsibility. As the ultimate parent company of ISS World Services A/S, ISS A/S, has published a CR report, reference is made to this in accordance with §99a stk. 6. The CR report is available at: www.responsibility.issworld.com/report2016.

SPECIFIC RISKS

ISS World Services A/S is an integral part of the ISS A/S Group. Thus, operating, financing and investing activities are managed for the ISS Group as a whole, rather than specifically for ISS World Services A/S.

ISS World Services A/S is not exposed to specific operational risks as its primary activity is to deliver certain operational and management services related to subsidiaries to ISS Global A/S.

The financial risk management for the ISS Group is managed centrally by Group Treasury based on the Group Financial Policy, which is reviewed annually and approved by the Board of Directors of ISS A/S. The financial risk management is focused on managing risks from a Group perspective, i.e. including risk management in ISS World Services A/S. The specific risks for ISS World Services A/S are described in note 17, Financial risk management.

SUBSEQUENT EVENTS

We are not aware of events subsequent to 31 December 2016, which are expected to have a material impact on ISS World Services' financial position.

FINANCIAL STATEMENTS

INCOME STATEMENT

1 JANUARY – 31 DECEMBER

DKK million	Note	2016	2015
Revenue		**1,259**	**1,263**
Staff costs	3, 4	(357)	(383)
Other operating expenses	5	(111)	(147)
Depreciation and amortisation	9	(41)	(35)
Operating profit before other items		**750**	**698**
Other expenses	6	(2)	(64)
Operating profit		**748**	**634**
Income from subsidiary	10	2,185	2,000
Financial income	7	1	-
Financial expenses	7	(28)	(60)
Profit before tax		**2,906**	**2,574**
Income taxes	8	(193)	(156)
Net profit		**2,713**	**2,418**
Attributable to:			
The owner of ISS World Services A/S		2,713	2,418
Net profit		**2,713**	**2,418**

STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER

DKK million	2016	2015
Net profit	**2,713**	**2,418**
Comprehensive income	**2,713**	**2,418**
Attributable to:		
The owner of ISS World Services A/S	2,713	2,418
Comprehensive income	**2,713**	**2,418**

STATEMENT OF CASH FLOWS

1 JANUARY – 31 DECEMBER

DKK million	Note	2016	2015
Operating profit before other items		750	698
Depreciation and amortisation	9	41	35
Share-based payments (non-cash)		39	45
Changes in working capital		45	(27)
Other expenses paid		(30)	(32)
Interest paid to companies within the ISS Group		(23)	(27)
Income taxes and joint taxation, net		(172)	(155)
Cash flow from operating activities		**650**	**537**
Dividends received from subsidiary	10	2,185	2,000
Acquisition of intangible assets and plant and equipment, net		(110)	(34)
(Acquisition)/disposal of financial assets		(1)	-
Cash flow from investing activities		**2,074**	**1,966**
Payments (to)/from companies within the ISS Group, net		(310)	(508)
Dividends paid to the shareholder		(2,400)	(2,000)
Cash flow from financing activities		**(2,710)**	**(2,508)**
Total cash flow		**14**	**(5)**
Cash and cash equivalents at 1 January		13	18
Total cash flow		14	(5)
Cash and cash equivalents at 31 December		**27**	**13**

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

DKK million	Note	2016	2015
ASSETS			
Intangible assets	9	319	53
Plant and equipment	9	17	21
Investment in subsidiary	10	5,811	5,811
Other financial assets		8	7
Non-current assets		**6,155**	**5,892**
Receivables from companies within the ISS Group		1,288	1,330
Other receivables and prepayments		70	51
Cash and cash equivalents		27	13
Current assets		**1,385**	**1,394**
Total assets		**7,540**	**7,286**
EQUITY AND LIABILITIES			
Total equity	11	**4,806**	**4,493**
Loans and borrowings	12	158	-
Deferred tax liabilities	13	44	16
Non-current liabilities		**202**	**16**
Loans and borrowings	12	2,250	2,475
Trade payables		76	71
Tax payables		2	9
Other liabilities	14	204	222
Current liabilities		**2,532**	**2,777**
Total liabilities		**2,734**	**2,793**
Total equity and liabilities		**7,540**	**7,286**

STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 31 DECEMBER

2016

DKK million	Share capital	Retained earnings	Treasury shares	Total
Equity at 1 January	**180**	**4,313**	**-**	**4,493**
Net profit	**-**	**2,713**	**-**	**2,713**
Comprehensive income	**-**	**2,713**	**-**	**2,713**
Dividends paid to the shareholder	-	(2,400)	-	**(2,400)**
Transactions with the owner	**-**	**(2,400)**	**-**	**(2,400)**
Changes in equity	**-**	**313**	**-**	**313**
Equity at 31 December	**180**	**4,626**	**-**	**4,806**

2015

DKK million	Share capital	Retained earnings	Treasury shares	Total
Equity at 1 January	**1,000**	**3,354**	**(279)**	**4,075**
Net profit	**-**	**2,418**	**-**	**2,418**
Comprehensive income	**-**	**2,418**	**-**	**2,418**
Capital decrease	(820)	541	279	**-**
Dividends paid to the shareholder	-	(2,000)	-	**(2,000)**
Transactions with the owner	**(820)**	**(1,459)**	**279**	**(2,000)**
Changes in equity	**(820)**	**959**	**279**	**418**
Equity at 31 December	**180**	**4,313**	**-**	**4,493**

1 SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

ISS World Services A/S is a company domiciled in Denmark. ISS World Services A/S is a wholly-owned subsidiary of ISS A/S. The consolidated financial statements of ISS A/S is prepared in accordance with IFRS as adopted by the EU and additional requirements of the Danish Financial Statements Act. Consequently, in accordance with ÅRL §112, no consolidated financial statements are prepared for ISS World Services A/S Group. The consolidated financial statements for ISS A/S are published and can be obtained from ISS A/S, Buddingevej 197, 2860 Søborg, Denmark.

The Annual Report for ISS World Services A/S for 2016 was discussed and approved by the Managing Director and the Board of Directors (Board) on 9 March 2017 and issued for approval at the subsequent annual general meeting on 31 March 2017.

BASIS OF PREPARATION

The financial statements for ISS World Services A/S have been prepared in accordance with IFRS as adopted by EU and additional requirements of the Danish Financial Statements Act (class C large). In addition, the financial statements have been prepared in compliance with the IFRSs issued by the IASB.

The financial statements are presented in Danish kroner (DKK), which is ISS World Services A/S's functional currency. All amounts have been rounded to nearest DKK million, unless otherwise indicated.

FAIR VALUE

The fair value of financial assets and liabilities approximates their carrying amounts.

CHANGES IN ACCOUNTING POLICIES

Except for the changes below, ISS World Services A/S has consistently applied the accounting policies set out below to all periods presented in these financial statements.

With effect from 1 January 2016, ISS World Services A/S has implemented:

- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation;
- Amendments to IAS 1 "Presentation of financial statements: Disclosure Initiative;
- Amendments to IAS 27 "Separate Financial Statements": Equity Methods in Separate Financial Statements;
- Annual Improvements to IFRSs 2012-2014.

The adoption of these standards and interpretations did not affect recognition and measurement for 2016.

FOREIGN CURRENCY

Transactions denominated in currencies other than the functional currency of ISS World Services A/S are considered transactions denominated in foreign currencies.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange adjustments arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement under Financial income or Financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the date of transaction or the exchange rate in the latest financial statements is recognised in the income statement under Financial income or Financial expenses.

Cash flows in currencies other than the functional currency are translated at the transaction date using an average rate for the month to the extent that this does not significantly deviate from the exchange rate at the transaction date.

PRESENTATION OF THE INCOME STATEMENT

The income statement is presented in accordance with the “nature of expense” method.

Revenue comprises royalty and management fees excluding VAT invoiced to companies within the ISS Group for services provided during the year.

Other expenses consists of both recurring and non-recurring expenses that ISS World Services A/S does not consider to be part of its ordinary operations such as restructuring projects. The use of Other expenses entails management judgement in the separation from the ordinary operation of the company.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Costs related to **operating leases** are recognised in the income statement on a straight-line basis over the lease term. The non-cancellable operating lease liability is disclosed in note 16, Operating leases.

Income from subsidiary comprises dividends. Dividends are recognised in the income statement in the financial year in which the dividend is declared. If dividends declared exceed the total comprehensive income for the year, an impairment test is performed.

Income taxes consists of current tax and changes in deferred tax and is recognised in the income statement or other comprehensive income.

As required by Danish legislation, ISS World Services A/S is jointly taxed with all Danish resident subsidiaries. Joint taxation contributions to/from jointly taxed companies are recognised in the income statement under Income taxes and in the statement of financial position under Receivables from or Debt to companies within the ISS Group.

Companies which utilise tax losses in other companies pay joint taxation contribution to ISS A/S (the administration company) equivalent to the tax base of the tax losses utilised. Companies whose tax losses are utilised by other companies receive joint taxation contributions from ISS A/S equivalent to the tax base of the tax losses utilised (full absorption).

STATEMENT OF FINANCIAL POSITION

Software and Plant and equipment are measured at cost less accumulated amortisation, depreciation and impairment losses.

Cost of assets comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is ready for use. The net present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset is located is added to the cost.

The cost of assets held under finance leases is stated at the lower of fair value of the asset and the net present value of future minimum lease payments. When calculating the net present value, the interest rate implicit in the lease or an approximated rate is applied as the discount rate.

A finance lease is a lease that transfers substantially all risks and rewards of ownership to the lessee. Other leases are classified as operating leases.

Subsequent costs, e.g. for replacing part of an item, are recognised in the carrying amount of the asset if it is probable that the future economic benefits embodied by the item will flow to ISS World Services A/S. The replaced item is transferred to the income statement. All other costs for common repairs and maintenance are recognised in the income statement when incurred.

Amortisation and depreciation are based on the cost of an asset less its residual value. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment. The estimated useful life and residual value is determined at the acquisition date. If the residual value exceeds the carrying amount depreciation is discontinued.

Amortisation and depreciation of software and plant and equipment are recognised in the income statement on a straight-line basis over the estimated useful lives of the assets. The estimated useful lives for current and comparative years are as follows:

	Estimated useful life
Software	3-5 years
Leasehold improvements	(lease term) 10 years
Plant and equipment	3-5 years

Amortisation and depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate. When changing the depreciation period or the residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

Gains and losses arising on the disposal or retirement of plant and equipment are measured as the difference between the selling price less direct sales costs and the carrying amount, and are recognised in the income statement under Other operating expenses in the year of sale.

Investment in subsidiary is measured at cost, which comprises consideration transferred measured at fair value and any directly attributable transaction costs. If there is indication of impairment, an impairment test is performed. Where the recoverable amount is lower than the cost, investments are written down to this lower value. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the recoverable amount does not exceed the original cost.

Receivables from companies within the ISS Group are initially recognised at fair value and subsequently measured at cost less impairment. Impairment losses are recognised in Other operating expenses.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred tax is measured in accordance with the liability method and comprises all temporary differences between accounting and tax values of assets and liabilities. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to management's intended use of the asset or settlement of the liability. Deferred tax is measured according to the taxation rules and tax rates applicable at the reporting date when the deferred tax becomes current tax. Change in deferred tax as a result of changes in tax rates is recognised in the income statement.

Deferred tax assets, including the tax base of tax losses carried forward, are recognised under non-current assets at the expected value of their utilisation: either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction. Deferred tax assets are assessed yearly and only recognised to the extent that it is more likely than not that they can be utilised in the foreseeable future.

Deferred tax assets and liabilities are offset if ISS World Services A/S has a legal right to offset current tax assets and tax liabilities or intends to settle current tax assets and tax liabilities on a net basis or to realise the assets and settle the liabilities simultaneously.

Financial liabilities include the capitalised residual obligations on finance leases, which are measured at amortised costs.

Share-based payments The value of services received in exchange for granted performance-based share units (PSUs) is measured at fair value at the grant date and recognised in the income statement under Staff costs over the vesting period with a corresponding debt to ISS A/S.

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

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

EQUITY

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

Dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). Dividends proposed for the year are shown in a separate reserve under equity. Interim dividends are recognised as a liability at the date when the decision to pay interim dividend is made.

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

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statements, management made various judgements, estimates and assumptions concerning future events that affected the application of ISS World Services A/S's accounting policies and the reported amounts of assets, liabilities, income and expenses, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Estimates and assumptions are reviewed on an ongoing basis and have been prepared taking macroeconomic developments into consideration, but still ensuring that one-off effects which are not expected to exist in the long term do not affect estimation and determination of these key factors, including discount rates and expectations of the future.

The following are the areas involving significant accounting estimates and judgements:

Contingent liabilities On an on-going basis management assesses contingent liabilities. The outcome depends on future events that are uncertain by nature. Management believes that these proceedings will not have a material impact on the financial position beyond the assets and liabilities already recognised in the statement of financial position at 31 December 2016. Contingent liabilities are disclosed in note 15, Contingent liabilities.

Investment in subsidiary is tested for impairment when there is an indication that the investment may be impaired. The assessment of whether there is an indication of impairment is based on both internal sources of information such as performance of the subsidiary, significant decline in market value etc.

3 STAFF COSTS

In 2016, average number of employees was 178 (2015: 159).

Staff costs comprise remuneration to employees in Denmark and in companies within the ISS Group for duties performed on behalf of ISS World Services A/S. Employees in companies within the ISS Group are not included in the calculation of average number of employees.

REMUNERATION TO THE BOARD OF DIRECTORS AND THE EXECUTIVE GROUP MANAGEMENT

The management team of ISS World Services A/S formally consists of the Managing Director and the Board of Directors (Board). Members of the management team are not remunerated separately for their duties performed in ISS World Services A/S.

As ISS World Services A/S has no significant operating activities independently of the ISS A/S Group, it relies on the management team of the ISS A/S Group who has the authority and responsibility for planning, implementing and controlling ISS World Services A/S's activities. Consequently, key management personnel of the ISS A/S Group is also considered key management personnel of ISS World Services A/S.

Remuneration to key management personnel of the ISS A/S Group is specified below:

			2016			2015
		EGM			EGM	
DKK thousand	Board	EGMB [1]	Corporate Senior Officers	Board	EGMB	Corporate Senior Officers
Base salary and non-monetary benefits	7,645	12,919	40,620	6,758	23,816	43,192
Annual bonus	-	8,343	24,247	-	15,867	21,027
Share-based payments [2]	-	6,771	17,547	-	14,822	30,263
Severance payments [3]	-	-	-	-	-	34,041
Total remuneration	**7,645**	**28,033**	**82,414**	**6,758**	**54,505**	**128,523**

[1] Heine Dalsgaard stepped down as Group CFO on 31 May 2016. Pierre-François Riolacci replaced Heine Dalsgaard as Group CFO with effect from 7 November 2016.

[2] In 2015, DKK 9 million related to senior management changes at Group level was recognised in Other income and expenses, net.

[3] Severance payments related to senior management changes at Group level were included in Other income and expenses, net.

Remuneration to the Board in 2015 and 2016 and remuneration to the Executive Group Management Board (EGMB) in 2016 was paid by ISS A/S. In 2015, remuneration to the EGMB was paid by ISS World Services A/S.

4 SHARE-BASED PAYMENTS

ISS A/S has two equity-settled share-based incentive programmes; a Long-Term Incentive Programme (LTIP) and a transition share programme (TSP) (one-time grant). Both programmes are equity-settled in ISS A/S, who recharges costs relating to ISS World Services A/S. Furthermore, ISS World Services A/S has a bonus programme, which is partly settled in shares in ISS A/S.

In March 2016, the remaining 50% of the PSUs under the TSP vested and the participants received shares in ISS A/S at no cost corresponding to their granted number of PSUs. After this vesting, no further PSUs are outstanding and the programme has lapsed.

LONG-TERM INCENTIVE PROGRAMME

Members of the EGM in ISS A/S (EGMB and Corporate Senior Officers of the Group), and other senior officers of the Group, were granted a number of PSUs. Upon vesting, each PSU entitles the holder to receive one share at no cost.

The programme will vest on the date of the third anniversary of the grant. PSUs have vesting criteria of total shareholder return (TSR) and earnings per share (EPS), equally weighted. TSR peers are the Nasdaq Copenhagen OMX C20 and a peer group of comparable international service companies.

For the LTIP 2016 (but not previous programmes) participants are compensated for any dividend distributed during time of grant and time of vesting. For the extraordinary dividend in November 2016 it was decided to compensate participants in the existing three LTIP programmes.

4 SHARE-BASED PAYMENTS (CONTINUED)

CRITERIA	TSR (LTIP 2014-2016)	EPS GROWTH[2] (LTIP 2014)	EPS GROWTH[2] (LTIP 2015)	EPS GROWTH[2] (LTIP 2016)
No vesting	Below median of peer group	Less than 12% annually	Less than 7.5% annually	Less than 6% annually
25% vesting [1]	At median of peer group	12% annually	7.5% annually	6% annually
100% vesting [1]	At upper quartile of peer group or better	18% annually or more	13.5% annually or more	12% annually or more

Peer groups
International service companies: ABM Industries, Adecco, Aramark, Bunzl, Berendsen, Compass Group, Capita, G4S, Interserve, Mitie Group, Randstad, Rentokil Initial, Securitas, Serco, Sodexo.

OMX C20: Comprise companies included in the OMX C20 at the time of grant i.e. A.P. Møller – Mærsk A, A.P. Møller – Mærsk B, Carlsberg, Chr. Hansen Holding, Coloplast, Danske Bank, DSV, FLSmidth & Co, Genmab, GN Store Nord, Jyske Bank, Nordea Bank, Novo Nordisk, Novozymes, Pandora, TDC, Topdanmark (not in 2015 and 2016), Tryg, Vestas Wind Systems, William Demant Holding.

[1] Linear vesting between 25% and 100% vesting.
[2] Adjusted earnings per share excluding Other income and expenses, net. EPS growth is measured as compound annual growth rate (CAGR).

VALUE OF THE PROGRAMMES AND IMPACT IN THE INCOME STATEMENT OF ISS WORLD SERVICES A/S

	LTIP 2014	LTIP 2015	LTIP 2016	TSP
Total PSUs granted	443,531	349,404	256,024	280,384
Number of participants	62	72	62	14
Fair value of PSUs expected to vest at grant date, DKK million	38	39	35	32
Fair value of PSUs expected to vest at 31 December 2016, DKK million	45	41	31	-
Recognised in the income statement in 2016, DKK million [1]	16	14	8	4
Not yet recognised in respect of PSUs expected to vest, DKK million	3	13	23	-

[1] DKK 42 million was recognised in Other operating expenses, hereof DKK 3 million related to employer social security contributions.

APPLIED ASSUMPTIONS AT THE TIME OF GRANT

	LTIP 2014	LTIP 2015	LTIP 2016	TSP
Share price (DKK)	160	219	241	160
Expected volatility	23%[1]	21.9%[1]	24.5%[1]	-
Expected life of grant	3 years	3 years	3 years	1-2 years
Risk-free interest rate	1.7%-2.8%	0.8%-2.0%	0.6%-1.6%	-

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

4 SHARE-BASED PAYMENTS (CONTINUED)

LTIP - OUTSTANDING PSUs

LTIP 2014 Number of PSUs	EGM			
	EGMB [1) 2)]	Corporate Senior Officers	Other senior officers	Total
Outstanding at 1 January 2015	131,914	142,598	163,588	438,100
Transferred	(55,064)	(68,850)	123,914	-
Cancelled	-	-	(7,922)	(7,922)
Outstanding at 31 December 2015	**76,850**	**73,748**	**279,580**	**430,178**
Granted	-	1,400	4,031	5,431
Transferred	(49,725)	33,895	(7,161)	(22,991)
Cancelled	(27,125)	(14,606)	(3,248)	(44,979)
Outstanding at 31 December 2016 [3)]	**-**	**94,437**	**273,202**	**367,639**

LTIP 2015 Number of PSUs	EGMB	Corporate Senior Officers	Other senior officers	Total
Granted	57,231	88,738	199,162	345,131
Cancelled	-	-	(4,378)	(4,378)
Outstanding at 31 December 2015	**57,231**	**88,738**	**194,784**	**340,753**
Granted	-	1,259	3,014	4,273
Transferred	(37,031)	7,377	(4,739)	(34,393)
Cancelled	(20,200)	(12,419)	(5,923)	(38,542)
Outstanding at 31 December 2016	**-**	**84,955**	**187,136**	**272,091**

LTIP 2016 Number of PSUs	EGMB	Corporate Senior Officers	Other senior officers	Total
Granted	-	93,401	162,623	256,024
Cancelled	-	(12,539)	(1,074)	(13,613)
Outstanding at 31 December 2016	**-**	**80,862**	**161,549**	**242,411**

1) Heine Dalsgaard's unvested PSUs under the LTIP were cancelled as he stepped down as Group CFO on 31 May 2016.

2) In 2016, the costs related to share-based payments for EGMB were expensed in ISS A/S and therefore their PSUs are not included in the outstanding balance at 31 December 2016.

3) The PSUs granted as part of the LTIP 2014 programme will vest on 18 March 2017. This is the first vesting of LTIP post the IPO in 2014. Based on the annual EPS and TSR performances for 2014, 2015 and 2016, 96% of the PSUs granted under the LTIP 2014 will vest.

4 SHARE-BASED PAYMENTS (CONTINUED)

TSP - OUTSTANDING PSUs

Number of PSUs	EGM EGMB	EGM Corporate Senior Officers	Other senior officers	Total
Outstanding at 1 January 2015	137,786	142,598	-	280,384
Transferred	(58,998)	(68,850)	127,848	-
Vested	(36,199)	(33,881)	(58,737)	(128,817)
Cancelled	(3,194)	(2,992)	(5,184)	(11,370)
Outstanding at 31 December 2015	**39,395**	**36,875**	**63,927**	**140,197**
Transferred	(24,863)	10,474	-	(14,389)
Vested	(14,532)	(47,349)	(63,927)	(125,808)
Outstanding at 31 December 2016	**-**	**-**	**-**	**-**

DEFERRED BONUS PROGRAMME

ISS World Services has an annual bonus programme under which two-thirds were paid out in cash the following year, while one-third was deferred and settled in restricted share units (RSUs) of which 50% are converted into shares after one year and 50% are converted into shares after two years. There are no performance conditions attached to the RSUs. With effect from 2015, bonuses will be settled entirely in cash.

Number of RSUs	EGM EGMB [2]	EGM Corporate Senior Officers	Other senior officers	Total
Vested	23,965	22,941	-	46,906
Transferred	(11,279)	(8,079)	19,358	-
Outstanding (vested) at 31 December 2015	**12,686**	**14,862**	**19,358**	**46,906**
Transferred [1]	(9,909)	3,166	2,779	(3,964)
Paid out	(2,777)	(9,013)	(9,679)	(21,469)
Outstanding (vested) at 31 December 2016	**-**	**9,015**	**12,458**	**21,473**

[1] Heine Dalsgaard's remaining RSUs have been transferred from EGMB to other senior officers as he stepped down as Group CFO on 31 May 2016.

[2] In 2016, remuneration to Jeff Gravenhorst, Group CEO was paid by ISS A/S and therefore his RSUs are not included in the outstanding balance at 31 December 2016.

ACCOUNTING POLICY

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

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

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

5 FEES TO AUDITORS

DKK million	2016	2015
Statutory audit	1	1
Other services	1	2
Total	**2**	**3**

Other services comprised mainly work related to half-year reporting and interim balance.

6 OTHER EXPENSES

DKK million	2016	2015
Restructuring projects	(2)	(20)
Senior management changes	-	(44)
Other expenses	**(2)**	**(64)**

Restructuring projects in 2016 and 2015 mainly related to the implementation of GREAT i.e. the review of the customer segmentation and organisational structure.

Senior management changes in 2015 related to redundancy payments to members of the EGM[1)] as a result of the new, delayered and strengthened Group organisational structure as per 1 September 2015.

[1)] EGM comprise the EGMB and Corporate Senior Officers of the ISS A/S Group.

7 FINANCIAL INCOME AND EXPENSES

DKK million	2016	2015
Foreign exchange gains	1	-
Financial income	**1**	**-**
Interest expenses to companies within the ISS Group [1)]	(27)	(29)
Other bank fees	(1)	-
Foreign exchange losses	-	(31)
Financial expenses	**(28)**	**(60)**

[1)] The efective interest rate was 1.26% (2015: 1.27%).

8 INCOME TAXES

DKK million	2016	2015
Current tax	152	168
Deferred tax	20	(22)
Adjustments relating to prior years, net	21	10
Income taxes	**193**	**156**

EFFECTIVE TAX RATE

In %	2016	2015
Statutory income tax rate in Denmark	22.0 %	23.5 %
Adjustments relating to prior years, net	1.6 %	0.4 %
Withholding tax	1.0 %	0.4 %
Income from subsidiary	(16.5)%	(18.2)%
Other	(1.5)%	0.0 %
Effective tax rate	**6.6 %**	**6.1 %**

The low **effective tax rate** is due to non-taxable dividend from subsidiary of DKK 2,185 million (2015: DKK 2,000 million).

9 INTANGIBLE ASSETS AND PLANT AND EQUIPMENT

	Software		Plant and equipment	
DKK million	2016	2015	2016	2015
Cost at 1 January	229	194	38	38
Additions	303	35	2	0
Disposals	(41)	-	(2)	(0)
Cost at 31 December	**491**	**229**	**38**	**38**
Amortisation, depreciation and impairment losses at 1 January	(176)	(145)	(17)	(13)
Amortisation and depreciation	(37)	(31)	(4)	(4)
Disposals	41	-	-	0
Amortisation, depreciation and impairment losses at 31 December	**(172)**	**(176)**	**(21)**	**(17)**
Carrying amount at 31 December	**319**	**53**	**17**	**21**

Additions on software was impacted by licenses related to the commercial agreement with IBM to use technology for workforce optimisation and managing services in customer buildings. At 31 December 2016, the carrying amount was DKK 210 million and was classified as assets under finance leases.

10 INVESTMENT IN SUBSIDIARY

DKK mio.	2016	2015
Cost at 1 January	5,811	5,811
Cost at 31 December	**5,811**	**5,811**
Carrying amount at 31 December	**5,811**	**5,811**

INCOME FROM SUBSIDIARY	2016	2015
Received dividends	2,185	2,000
Income from subsidiary	**2,185**	**2,000**

SUBSIDIARY	Share %	Share %
ISS Global A/S, Søborg, Denmark	100	100

11 SHARE CAPITAL

SHARE CAPITAL

At 31 December 2016, ISS World Services A/S's share capital comprised a total of 9,000,000 shares (2015: 9,000,000) with a nominal value of DKK 20 each. All shares were fully paid and freely transferable. No shares carry special rights.

	2016		2015	
	Nominal value (DKK million)	Number of shares (in thousands)	Nominal value (DKK million)	Number of shares (in thousands)
Share capital at 1 January	180	9,000	1,000	50,000
Capital decrease	-	-	(820)	(41,000)
Share capital at 31 December	**180**	**9,000**	**180**	**9,000**

DIVIDENDS

In 2016, dividends of DKK 2,400 million (2015: DKK 2,000 million) were approved on an extraordinary general meeting and paid out in December 2016.

12 LOANS AND BORROWINGS

DKK mio.	2016	2015
Debt to companies within the ISS Group	2,211	2,470
Finance lease liabilities	193	-
Derivatives	4	5
Total	**2,408**	**2,475**
Non-current liabilities	158	-
Current liabilities	2,250	2,475
Loans and borrowings	**2,408**	**2,475**

13 DEFERRED TAX

MOVEMENTS IN DEFERRED TAX

DKK million	2016	2015
Deferred tax liabilities at 1 January	16	19
Adjustments relating to prior years, net	8	19
Tax on profit before tax	20	(22)
Deferred tax liabilities at 31 December	**44**	**16**

DEFERRED TAX SPECIFICATION

DKK million	2016	2015
Software and Plant and equipment	28	12
Tax losses in foreign subsidiaries previously under Danish joint taxation	23	23
Other assets and liabilities	(7)	(19)
Deferred tax at 31 December	**44**	**16**

14 OTHER LIABILITIES

DKK million	2016	2015
Accrued wages and holiday allowances	123	117
Debt to companies within the ISS Group	6	16
Other	75	89
Other liabilities	**204**	**222**

15 CONTINGENT LIABILITIES

CORPORATE TAX AND WITHHOLDING TAXES

ISS World Services A/S is jointly taxed with all Danish resident subsidiaries. ISS World Services A/S and the companies within the joint taxation have a joint and unlimited liability of Danish corporate and withholding taxes related to dividends, interests and royalties. As per 31 December 2016, Danish corporate and withholding taxes within the joint taxation amounted to DKK 0 million. Any subsequent adjustment to Danish withholding taxes may result in the joint and unlimited liability being higher than DKK 0 million.

VAT

ISS World Services A/S and certain Danish Group companies are jointly registered for VAT and are jointly liable for the payment hereof.

16 OPERATING LEASES

ISS World Services A/S leases property, vehicles and other equipment under operating leases.

The disclosed non-cancellable operating lease payments below assume no early termination of any agreement:

DKK million	Year 1	Year 2	Year 3	Year 4	Year 5	After 5 years	Total lease payments
At 31 December 2016	14	12	11	11	11	74	133
At 31 December 2015	14	13	11	10	10	84	142

In 2016, DKK 16 million (2015: DKK 16 million) was recognised as an expense in the income statement in respect of operating leases.

16 OPERATING LEASES (CONTINUED)

Leasing of cars is primarily entered under an international car fleet lease framework agreement which is valid until end 2018. The majority of the underlying agreements have a lifetime duration of 3-5 years.

As of 30 November 2012, ISS World Services A/S entered into a lease agreement for the head office in Søborg. The tenancy is irrevocable by ISS World Services A/S for 15 years, however, subject to a penalty payment, with a right to terminate the contract with 12 months' notice and vacating the premises 10 years after the date of commencement, at the earliest.

17 FINANCIAL RISK MANAGEMENT

ISS World Services A/S is exposed to financial risks arising from its operating and financing activities, mainly currency risk.

The financial risk management for the ISS Group is managed centrally by Group Treasury based on the Group Financial Policy, which is reviewed annually and approved by the Board of Directors of ISS A/S. The financial risk management is focused on managing risks from a Group perspective, i.e. including risk management in ISS World Services A/S. The specific risks for ISS World Services A/S are described below.

ISS World Services A/S has not identified additional financial risk exposures in 2016 compared to 2015.

CURRENCY RISK

Currency risk is the risk that arises from changes in exchange rates, and affects ISS World Services A/S's result or value of financial instruments.

ISS World Services A/S is exposed to changes in exchange rates since the company has transactions (operational risk) as well as receivables and debt that are denominated in other currencies than the functional currency, DKK (financial risk). ISS World Services A/S is exposed to primarily EUR, but also to other currencies.

Operational risk Currency risk relates primarily to revenue as the majority is generated in foreign currency, while costs, mainly salaries, is generated in DKK. Revenue comprises royalty and management fees invoiced to companies within the ISS Group in their functional currency for services provided.

Financial risk ISS World Services A/S is exposed to currency risk related to translation of royalties as these are denominated in currencies other than the functional currency.

SENSITIVITY ANALYSIS

It is estimated that a change in foreign exchange rates of ISS World Services A/S's main currencies would have impacted revenue by the amounts shown below. The analysis is based on foreign exchange rate variances that ISS World Services A/S considered to be reasonably possible at the reporting date. It is assumed that all other variables, in particular interest rates, remain constant and any impact of forecasted sales and purchases is ignored.

	2016		2015	
DKK million	Increase in foreign exchange rates	Revenue	Increase in foreign exchange rates	Revenue
GBP	10%	18	10%	19
CHF	10%	9	10%	9
AUD	10%	7	10%	8
NOK	10%	6	10%	6
USD	10%	6	10%	7
SEK	10%	6	10%	6
TRY	10%	5	10%	5
HKD	10%	4	10%	4
EUR	1%	4	1%	4
Andre	10%	26	10%	28
I alt	**-**	**91**	**-**	**96**

17 FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK

Liquidity risk results from ISS World Services A/S's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity. Since ISS World Services A/S is a holding company, and its primary activity is to operate as service provider through the wholly-owned subsidiary ISS Global A/S and its subsidiaries as well as to deliver certain operating and management services in relation hereto, the risk is considered limited.

CAPITAL MANAGEMENT

ISS World Services A/S is owned by ISS A/S and therefore part of the ISS Group. Capital management is not monitored for ISS World Services A/S independently but for the ISS Group as a whole.

18 RELATED PARTIES

PARENT AND ULTIMATE CONTROLLING PARTY

ISS World Services A/S is wholly owned by ISS A/S (the ultimate parent).

In 2016, there were no significant transactions with ISS A/S apart from the transactions described below.

KEY MANAGEMENT PERSONNEL

The Board of ISS A/S and the EGM of ISS A/S are considered the Group's key management personnel as defined in note 3, Staff costs.

Apart from remuneration, see note 3, Staff costs and note 4, Share-based payments, there were no significant transactions with members of the Board and the EGM in 2016.

OTHER RELATED PARTY TRANSACTIONS

In 2016, ISS World Services A/S had the following transactions with other related parties, which were all made on market terms:

- ISS World Services A/S charged royalty and management fees to ISS Global A/S's subsidiaries which are recognised as revenue.
- ISS World Services A/S's short-term debt to ISS Global A/S amounted to DKK 2,211 million at 31 December 2016.
- ISS World Services A/S paid interest to ISS Global A/S, see note 7, Financial income and expenses.
- ISS World Services A/S paid joint taxation contribution equal to 22% of taxable income to ISS A/S.
- ISS World Services A/S received dividends of DKK 2,185 million from ISS Global A/S.
- ISS World Services A/S paid dividends of DKK 2,400 million to ISS A/S.

DIRECTORSHIPS AND EXTERNAL EXECUTIVE POSITIONS OF THE BOARD AND THE MANAGING DIRECTOR AT 31 DECEMBER 2016

Board of Directors	Board member	Executive position
Jeff Gravenhorst (Chairman)	Chairman of the board of directors of Rambøll Gruppen A/S, deputy chairman of the board of directors of Nets A/S and member of the Confederation of Danish Industry’s (DI) Permanent Committee on Business Policies.	None
Pierre-François Riolacci	Member of the board of directors of KLM (Koninklijke Luchtvaart Maatschappij N.V.).	None
Michelle Miriam Healy	None	None
Bjørn Raasteen	None	None
Pernille Benborg	None	None
Joseph Nazareth	None	None
Palle Fransen Queck	None	None

Managing Director	Board member	Executive position
Bjørn Raasteen	None	None

19 SUBSEQUENT EVENTS

We are not aware of events subsequent to 31 December 2016, which are expected to have a material impact on ISS World Services A/S's financial position.

20 NEW STANDARDS AND INTERPRETATIONS NOT YET IMPLEMENTED

IASB has published the following new standards, amendments to existing standards and interpretations that are not yet mandatory for the preparation of the financial statements for the year ended 31 December 2016:

• IFRS 9 "Financial Instruments".

In addition IASB has published the following new standards, amendments to existing standards and interpretations, which are not yet adopted by the EU at 31 December 2016:

• Amendments to IFRS 9 "Financial Instruments", IFRS7 "Financial Instruments: Disclosures" and IAS 39 "Financial Instruments: Recognition and Measurement;
• IFRS 16 “Leases";
• Amendments to IAS 12 "Income Taxes": Recognition of Deferred Tax Assets for Unrealised Losses;
• Amendments to IAS 7 "Financial instruments: Disclosures": Disclosure Initiative;
• Clarifications to IFRS 15 "Revenue from Contracts with Customers";
• Amendments to IFRS 2 "Share-based payments": Classification and Measurement of Share-based Payment Transactions;
• Annual improvements to IFRS 2014-2016 Cycle; and
• IFRIC Interpretation 22 "Foreign Currency Transactions and Advance Consideration".

ISS World Services A/S expects to adopt the new standards and interpretations when they become mandatory. The standards and interpretations that are approved with different effective dates in the EU than the corresponding effective dates under IASB will be early adopted so that the implementation follows the effective dates under IASB.

IFRS 16 "Leases" (superseding IAS 17) will be effective for the financial year beginning on 1 January 2019. The new standard significantly changes the accounting treatment of leases currently treated as operating leases, in that lessees, with a few exceptions, should recognise all types of leases as assets in the statement of financial position and the related lease obligations as liabilities. The annual cost of the lease, which will comprise two elements – depreciation and interest expense – will be charged to the lessee’s income statement. Currently, operating lease cost is recognised in a single amount under Other operating expenses. Similarly, operating lease payments will be presented in the cash flow statement in two lines – Interest paid and Other financial payments. Currently, operating lease payments are presented as part of cash flow from operating activities as they are included in Operating profit before other items.

Our business model is based on leasing, rather than owning property, vehicles (cars) and equipment under operating leases. The new standard will therefore have an impact on recognition and measurement in the financial statements.

In 2016, a process was commenced to analyse and evaluate the impact of the new standard. The analysis will continue in 2017 and is expected to be finalised in 2018.

Except as mentioned above for IFRS 16 "Leases", based on the current business setup and level of activities, none of the standards and interpretations are expected to have a material impact on the recognition and measurement in the financial statements.

MANAGEMENT STATEMENT

COPENHAGEN, 9 MARCH 2017

The Board of Directors and the Managing Director have today discussed and approved the annual report for ISS World Services A/S for the financial year 2016.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the company's financial position at 31 December 2016 and of the results of the company's operations and cash flows for the financial year 1 January – 31 December 2016.

In our opinion, the Management review includes a fair review of the development in the company's operations and financial conditions, the results for the year, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the company face.

We recommend that the annual report be approved at the annual general meeting.

MANAGING DIRECTOR

Bjørn Raasteen

BOARD OF DIRECTORS

Jeff Gravenhorst
Chairmen

Pierre-François Riolacci

Michelle Miriam Healy

Bjørn Raasteen

Pernille Benborg (E)

Joseph Nazareth (E)

Palle Fransen Queck (E)

E = Employee representative

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDER OF ISS WORLD SERVICES A/S

OPINION

We have audited the financial statements of ISS World Services A/S for the financial year 1 January – 31 December 2016, comprising income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes, including accounting policies for the Company. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2016 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. As required by the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, we are independent of the Company, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we concluded that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain an attitude of professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may imply that the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its business activities to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, 9 March 2017
Ernst & Young
Godkendt Revisionspartnerselskab
CVR-nr.: 30700228

Jesper Ridder Olsen	**Michael Groth Hansen**
State Authorised Public Accountant	State Authorised Public Accountant