ANNUAL
REPORT
2019

ISS WORLD SERVICES A/S

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

Annual report
1 January – 31 December 2019

Approved at the annual general meeting
On 16 April 2020

Barbara Fiorini Due
chairman of the annual general meeting

CONTENTS

MANAGEMENT REVIEW

COMPANY INFORMATION

ISS World Services A/S
Buddingevej 197
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
Bjørn Raasteen
Katrien Beuls
Corinna Refsgaard
Tamilla Vahman

Employee representatives:
Nada El Boayadi
Joseph Nazareth
Elsie Yiu

MANAGING DIRECTOR

Bjørn Raasteen

AUDITORS

Ernst & Young
Godkendt Revisionspartnerselskab
CVR-no.: 30700228
Dirch Passers Allé 36
Postboks 250
2000 Frederiksberg

KEY FIGURES

DKK million (unless otherwise stated)	2019	2018	2017	2016	2015
Revenue	1,399	1,216	1,256	1,259	1,263
Operating profit	829	709	756	748	634
Dividends from subsidiary	1,500	1,500	1,200	2,185	2,000
Financial income	14	3	-	1	0
Financial expenses	(25)	(36)	(36)	(28)	(60)
Net profit	2,142	1,939	1,767	2,713	2,418
Cash flow from operating activities	514	676	766	650	537
Acquisition of software and equipment, net	(198)	(155)	(138)	(110)	(34)
Total assets	11,844	11,123	7,632	7,540	7,286
Additions to property and equipment	-	1	4	2	-
Equity	11,054	10,412	4,873	4,806	4,493

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 A/S Group are also applicable for ISS World Services A/S.

FINANCIAL REVIEW

Net profit was DKK 2,142 million, an increase of DKK 203 million from 2018. The increase was mainly due to higher royalty from ISS Global A/S of DKK 1,399 million (2018: DKK 1,216 million). Net profit is in line with expectations.

Cash flow from operating activities was DKK 514 million (2018: DKK 676 million), negatively impacted by changes in working capital and higher tax payments compared to 2018.

Cash flow from investing activities was DKK 1,302 million (2018: DKK 1,347 million) and comprised mainly dividends received from ISS Global A/S.

Cash flow from financing activities was DKK (1,822) million in 2018 (2018: DKK (2,069) million) and related mainly to dividends paid to ISS A/S of DKK 1,500 million (2018: DKK 1,200 million).

Equity increased to DKK 11,054 million from DKK 10,412 million due to net profit of DKK 2,142 million, partly offset by dividends paid to ISS A/S of DKK 1,500 million.

OUTLOOK

ISS World Services A/S expects net profit for 2020 to be lower than the level realised in 2019 due to the impact from the IT security incident and COVID-19 as described in subsequent events.

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 Key Account organisation is operated out of ISS World Services A/S. In 2019, we continued to invest herein, as this is important to ensure continued success of our strategy, focusing on delivering integrated facility services (IFS) 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 retain 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. The ISS University is structured to enhance our leadership capabilities across three core dimensions:

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

Since 2018, the Company had gender parity on the Board of Directors (Board).

In order to increase the number of women in management positions at ISS's global head office, we continue leveraging our Diversity Policy, which defines a number of initiatives, including our recruitment policy, requiring us to short-list at least one female candidate in all internal and external searches for vacant positions. We also continuously develop our succession planning aiming at identifying female successors and tabling the matter of women in leadership at ISS for discussion at least once a year at EGM level. Furthermore, it is our policy to ensure strong representation of women in various ISS leadership development and graduate programmes across the Group and at the global head office. We had 30% female representation at our 2019 annual Global Leadership Conference, and 40% female participation in our Leadership Mastery development programme.

The representation of women at management level at the global head office increased slightly in 2019 compared to 2018 and gender diversity remains a focus area in 2020.

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 subs. 6. The CR report is available at: https://www.issworld.com/about-iss/our-approach-to-cr.

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 of ISS Global A/S.

The financial risk management for the ISS Group is managed centrally by Group Treasury based on the 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 16, Financial risk management.

SUBSEQUENT EVENTS

IT SECURITY INCIDENT

As announced on 19 February 2020, ISS was the target of a malware attack on 17 February 2020, and on 20 March 2020, the ISS Group announced an update on the incident.

The nature of the Group's business is to deliver services on customer sites, mainly through our people, and as such we have been able to maintain uninterrupted service delivery to the vast majority of customers. There is still no indication that any customer data or sensitive personal employee data has been compromised as a result of the malware attack.

We have now regained control of most of our IT infrastructure and are systematically relaunching business-critical systems, albeit with somewhat reduced functionalities. This includes central finance systems supporting payroll and invoicing. We expect recovery of all business-critical systems during Q2 2020. The ongoing process for restoring or rebuilding systems and IT assets in full is anticipated to be completed by the end of 2020.

Incremental costs related to the following activities; remediation of the IT incident, workarounds to enable the continuous delivery of service to our customers, duplication of costs associated with operating our contracts, and service underperformance as a consequence of system down-time are estimated to be DKK 300-500 million in 2020 for the ISS Group of which part of the costs will be incurred by ISS World Services A/S. These costs will be reported within Other income and expenses, net.

As a consequence of damages to some of our IT assets, a write down and rebuild of part of the IT infrastructure is required. The assessment is ongoing, but the non-cash write-down, which will be reported within Other income and expenses, net is expected to be up to DKK 350 million for the ISS Group of which a part will be incurred by ISS World Services A/S. The net incremental capital expenditure related to the rebuild is expected to be DKK 150-300 million in 2020 for the ISS Group of which a part will be incurred by ISS World Services A/S.

COVID-19

As announced on 20 March 2020, we are monitoring the rapidly developing repercussions related to COVID-19. We expect that our financial performance in 2020 will be negatively impacted. However, currently we are unable to quantify the magnitude as the situation remains too uncertain.

For further information on the impact on the ISS Group of the IT security incident and COVID-19, please refer to the Group's announcement 5 on 20 March 2020.

Other than as set out above or elsewhere in this Annual Report, we are not aware of events subsequent to 31 December 2019, which are expected to have a material impact on ISS World Services A/S's financial position.

FINANCIAL STATEMENTS

INCOME STATEMENT

1 JANUARY – 31 DECEMBER

DKK million	Note	2019	2018
Revenue		**1,399**	**1,216**
Staff costs	3, 4	(366)	(382)
Other operating expenses	5	(149)	(95)
Depreciation and amortisation	8, 9	(55)	(30)
Operating profit		**829**	**709**
Dividends from subsidiary		1,500	1,500
Financial income	6	14	3
Financial expenses	6	(25)	(36)
Profit before tax		**2,318**	**2,176**
Income tax	7	(176)	(237)
Net profit		**2,142**	**1,939**

STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER

DKK million	2019	2018
Net profit	**2,142**	**1,939**
Comprehensive income	**2,142**	**1,939**

STATEMENT OF CASH FLOWS

1 JANUARY – 31 DECEMBER

DKK million	Note	2019	2018
Operating profit		829	709
Depreciation and amortisation	8, 9	55	30
Share-based payments		11	10
Changes in working capital		(164)	60
Interest paid to companies within the ISS Group, net		(8)	(28)
Interest paid, external		(2)	(3)
Income tax and joint taxation, net		(207)	(102)
Cash flow from operating activities		**514**	**676**
Dividends received from subsidiary		1,500	1,500
Acquisition of software and property and equipment, net		(198)	(155)
Disposal of financial assets		-	2
Cash flow from investing activities		**1,302**	**1,347**
Payments (to)/from companies within the ISS Group, net		(283)	(858)
Repayment of lease liabilities		(13)	-
Other financial payments, net		(26)	(11)
Dividends paid to ISS A/S		(1,500)	(1,200)
Cash flow from financing activities		**(1,822)**	**(2,069)**
Total cash flow		**(6)**	**(46)**
Cash and cash equivalents at 1 January		8	54
Total cash flow		(6)	(46)
Cash and cash equivalents at 31 December		**2**	**8**

STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

DKK million	Note	2019	2018
ASSETS			
Software	8	684	523
Property, equipment and leases	9	63	16
Investment in subsidiary	10	8,885	8,885
Deposits		5	5
Non-current assets		**9,637**	**9,429**
Receivables from companies within the ISS Group		2,103	1,616
Other receivables and prepayments		102	70
Cash and cash equivalents		2	8
Current assets		**2,207**	**1,694**
Total assets		**11,844**	**11,123**
EQUITY AND LIABILITIES			
Equity	11	**11,054**	**10,412**
Loans and borrowings	12	100	93
Other long-term employee benefits		9	-
Deferred tax liabilities	13	159	127
Non-current liabilities		**268**	**220**
Loans and borrowings	12	47	72
Trade and other payables		273	217
Other liabilities	14	202	202
Current liabilities		**522**	**491**
Total liabilities		**790**	**711**
Total equity and liabilities		**11,844**	**11,123**

STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 31 DECEMBER

DKK million	Share capital	Reserve for development costs	Retained earnings	Total
2019				
Equity at 1 January	**180**	**210**	**10,022**	**10,412**
Net profit	**-**	**117**	**2,025**	**2,142**
Comprehensive income	**-**	**117**	**2,025**	**2,142**
Dividends paid to ISS A/S	-	-	(1,500)	**(1,500)**
Transactions with the owner	**-**	**-**	**(1,500)**	**(1,500)**
Changes in equity	**-**	**117**	**525**	**642**
Equity at 31 December	**180**	**327**	**10,547**	**11,054**
2018				
Equity at 1 January	**180**	**142**	**4,551**	**4,873**
Net profit	**-**	**68**	**1,871**	**1,939**
Comprehensive income	**-**	**68**	**1,871**	**1,939**
Capital increase	-	-	4,800	**4,800**
Dividends paid to ISS A/S	-	-	(1,200)	**(1,200)**
Transactions with the owner	**-**	**-**	**3,600**	**3,600**
Changes in equity	**-**	**68**	**5,471**	**5,539**
Equity at 31 December	**180**	**210**	**10,022**	**10,412**

1 ACCOUNTING POLICIES

ISS World Services A/S is a wholly-owned subsidiary of ISS A/S and domiciled in Denmark. In accordance with ÅRL §112, no consolidated financial statements are prepared for the ISS World Services A/S Group. The consolidated financial statements for ISS A/S are available at http://inv.issworld.com/financial-reports-iss.

The Annual Report for ISS World Services A/S for 2019 was discussed and approved by the Managing Director and the Board of Directors on 20 March 2020 and issued for approval at the subsequent annual general meeting on 16 April 2020.

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 stated.

FAIR VALUE

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

CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the accounting policies have been applied consistently in respect of the financial year and comparative figures.

From 1 January 2019, ISS World Services A/S has adopted the below standards and interpretations. Except for IFRS 16, there was no significant impact on recognition and measurement:

- IFRS 16 "Leases";
- IFRIC 23 “Uncertainty over Income Tax”; and
- Parts of Annual Improvements to IFRS 2015-2017 Cycle.

IFRS 16 “LEASES”

The implementation of IFRS 16 impacted the financial statements as most of our lease contracts were previously classified as off-balance operating leases. On adoption of IFRS 16, ISS World Services A/S recognised, with a few exceptions, all leases as right-of-use assets in the statement of financial position and the related lease obligations as liabilities, i.e. similar to previous practice for financial leases.

In terms of reported profits, previously the operating lease cost was recognised in a single amount within Operating profit. Following the adoption of IFRS 16, this is replaced by recognition of a depreciation charge in Operating profit and a financial expense. The impact on net profit is neutral over time, but a timing effect does occur due to frontloading of interest expenses.

Regarding reported cash flows, previously operating lease payments were presented as part of Cash flow from operating activities. With the adoption of IFRS 16, lease payments are presented in two separate lines in the cash flow statement: 1) Interest paid within Cash flow from operating activities; and 2) Repayment of lease liabilities within Cash flow from financing activities, respectively. Total cash flow is unchanged.

The implementation impact on the relevant line items in the financial statements is illustrated on next page.

1 ACCOUNTING POLICIES (CONTINUED)

IMPACT ON THE INCOME STATEMENT DKK million	IFRS 16 2019	IAS 17 2019	Net impact 2019
Other operating expenses	(149)	(164)	15
Depreciation and amortisation	(55)	(41)	(14)
Operating profit	**829**	**828**	**1**
Financial expenses	(25)	(23)	(2)
Profit before tax	**2,318**	**2,319**	**(1)**

IMPACT ON THE STATEMENT OF CASH FLOWS DKK million			
Operating profit	829	828	1
Depreciation and amortisation	55	(41)	14
Interests paid	(10)	(8)	(2)
Cash flow from operating activities	**514**	**501**	**13**
Repayment of lease liabilities	(13)	-	(13)
Cash flow from financing activities	**(1,822)**	**(1,809)**	**(13)**

IMPACT ON THE OPENING BALANCE DKK million			
Right-of-use assets (included in Property, equipment and leases)	148	43	105
Lease liabilities (included in Loans and borrowings)	105	-	105

APPLICATION AND PRACTICAL EXPEDIENTS

ISS World Services A/S has adopted IFRS 16 using the modified retrospective approach. Comparative figures have not been restated and continue to be reported in accordance with IAS 17 and IFRIC 4. Instead, the cumulative effect of initially applying the standard is recognised in the opening balance on 1 January 2019.

For leases previously classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments. Where the interest rate implicit in the lease was not readily determinable, an appropriate incremental borrowing rate at the date of initial application has been applied.

The weighted average incremental borrowing rates applied at 1 January 2019 were:

- Land and buildings: 2.4%
- Vehicles and other: 1.8%

The right-of-use assets were recognised based on an amount equal to the lease liability, adjusted for any prepaid or accrued lease payments previously recognised.

In terms of practical expedients, when adopting IFRS 16 ISS World Services A/S has applied the following:

- Reliance on previous assessments of whether leases are onerous;
- Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

ISS World Services A/S has elected not to reassess whether a contract contains a lease at the date of initial application. For contracts entered into before the transition date 1 January 2019, ISS World Services A/S relied on its assessment made applying IAS 17 and IFRIC 4.

1 ACCOUNTING POLICIES (CONTINUED)

RECONCILIATION OF THE LEASE LIABILITY

Differences between the operating lease commitments at 31 December 2018 as disclosed in the Annual Report 2018 and the lease liabilities recognised in the opening balance at 1 January 2019 in accordance with IFRS 16 were as follows:

DKK million	2019
Operating lease commitments 31 December 2018	112
Discounted using the weighted average incremental borrowing rate at the date of initial application	(7)
Lease liabilities recognised 1 January 2019	**105**

CHANGE IN CLASSIFICATION

ISS World Services A/S has changed the classification of restructuring costs. From 1 January 2019, restructuring costs are presented as part of Operating profit in the relevant line items, primarily staff costs. Previously, restructuring costs were presented in Other expenses.

GREAT has since 2013 been the key driver behind restructuring costs in the ISS Group. As the GREAT roll-out is coming to an end, restructuring costs are expected to stabilise going forward. Thus, it is management's assessment that this presentation most appropriately reflects ISS World Services A/S's performance. Comparative figures are restated accordingly.

The change in classification impacted the financial statements as follows:

INCOME STATEMENT

DKK million	2019	2018
Staff costs	(22)	(23)
Other operating expenses	(3)	-
Operating profit before other items	**(25)**	**(23)**
Other expenses	25	23
Operating profit	**-**	**-**

STATEMENT OF CASH FLOWS

DKK million	2019	2018
Operating profit before other items	(25)	(23)
Other expenses paid	5	20
Changes in working capital	20	3
Cash flow from operating activities	-	-

1 ACCOUNTING POLICIES (CONTINUED)

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 Financial income or Financial expenses.

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

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 in the year.

Dividends from subsidiary 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 in the subsidiary, an impairment test is performed.

Income tax comprises current tax and changes in deferred tax, including changes due to a change in the tax rate, and is recognised in the income statement or other comprehensive income.

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 in Income taxes and in the statement of financial position in Receivables from or in 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

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurements of lease liabilities (including extension options).

Cost comprises the amount of lease liabilities recognised, initial direct cost and dismantling and restoration costs incurred as well as lease payments made at or before the commencement date less any lease incentives received.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful life of the asset.

	Estimated useful life
Properties	5-10 years
Cars	3-5 years
Other equipment	2-5 years

Certain leases have lease terms of 12 months or less (short-term leases) or are leases of low-value assets, such as smaller IT equipment and office furniture. The "short-term lease" and "lease of low-value assets" recognition exemptions are applied for these leases, i.e. lease payments are recognised in Other operating expenses.

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

1 ACCOUNTING POLICIES (CONTINUED)

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

The cost of software developed for internal use includes external costs to consultants and software as well as internal direct and indirect costs related to the development. Other development costs for which it cannot be rendered probable that future economic benefits will flow to the Company are recognised in the income statement as and when incurred.

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

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

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

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

The estimated useful lives for current and comparative years are as follows:

	Estimated useful life
Software	5-10 years
Leasehold improvements	3-10 years
Equipment	3-5 years

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

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 amortised cost less allowance for expected credit losses, which are recognised in Other operating expenses.

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.

1 ACCOUNTING POLICIES (CONTINUED)

Deferred tax comprises temporary differences between the accounting and tax values of assets and liabilities and is measured in accordance with the liability method. 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.

Deferred tax assets, including the tax base of tax losses carried forward, are recognised in non-current assets at the expected value of their utilisation: either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction. Deferred tax assets are 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 including lease liabilities are measured at amortised costs using the effective interest method.

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 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.

Reserve for development costs Capitalised development costs after tax are allocated to a separate reserve under equity.

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.

2 SIGNIFICANT 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 items involve significant accounting estimates and judgements:

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 and external sources of information such as performance of the subsidiary, significant decline in market value etc.

3 STAFF COSTS

In 2019, average number of employees was 242 (2018: 218).

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. The Executive Group Management (EGM) comprises the Executive Group Management Board (EGMB) and Corporate Senior Officers of the ISS A/S Group.

			2019			2018
		EGM			EGM	
DKK thousand	Board	EGMB	Corporate Senior Officers	Board	EGMB	Corporate Senior Officers
Base salary and non-monetary benefits	8,751	17,543	36,879	8,818	16,821	33,614
Annual bonus (STIP)	-	2,997	10,898	-	11,906	20,660
Retention bonus	-	2,722	-	-	9,878	-
Share-based payments (LTIP)	-	4,038	4,786	-	3,482	4,141
Total remuneration	**8,751**	**27,300**	**52,563**	**8,818**	**42,087**	**58,415**

4 SHARE-BASED PAYMENTS

ISS A/S has an equity-settled share-based long-term incentive programme (LTIP) and an Accelerated Growth Award programme. ISS A/S recharges costs relating to ISS World Services A/S.

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. Participants are compensated for any dividend distributed during time of grant and time of vesting.

Subject to certain criteria, the PSUs will vest after three years. The vesting criteria are total shareholder return (TSR) and earnings per share (EPS), equally weighted. TSR peers are the Nasdaq Copenhagen OMX C25 and a peer group of comparable international service companies.

			EPS ANNUAL GROWTH [1]		
THRESHOLD	VESTING	TSR	LTIP 2017	LTIP 2018 [2]	LTIP 2019 [2]
Below threshold	0%	Below median of peers	< 3%	< 3%	< 4%
Threshold	25%	At median of peers	3%	3%	4%
Maximum	100%	At upper quartile of peers or better	9%	9%	12%

TSR peers
International service companies
ABM Industries, Adecco, Aramark, Bunzl, Compass Group, Capita, Elis (2018 and 2019 only), G4S, Mitie Group, Randstad, Rentokil Initial, Securitas, Serco, Sodexo. Interserve omitted due to bankrupcy in March 2019.

OMX C25
A.P. Møller – Mærsk A, A.P. Møller – Mærsk B, Ambu (2019 only), Bavarian Nordic (2018 only), Carlsberg, Chr. Hansen Holding, Coloplast, Danske Bank, Demant, DSV, FLSmidth & Co (2018 and 2019 only), Genmab, GN Store Nord, Jyske Bank, Lundbeck, NKT (2018 only), Nordea Bank (2018 only), Novo Nordisk, Novozymes, Pandora, Rockwool International (2019 only), Royal Unibrew (2019 only), SinCorp (2019 only), Sydbank (2019 only), Tryg (2018 and 2019 only), Vestas Wind Systems, Ørsted.

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

4 SHARE-BASED PAYMENTS (CONTINUED)

In January 2019, the Group introduced an **accelerated growth award (AGA)** for selected key leaders, to incentivise the accelerated strategy execution following the Strategy Update in December 2018. PSUs granted under the programme in March 2019 will vest in March 2020 subject to achievement of performance criteria, i.e. operating margin, organic growth and free cash flow conversion on continuing operations in 2019. Upon vesting, each PSU entitles the holder to receive one share at no cost. After this vesting, no further PSUs are outstanding and the AGA-programme will lapse.

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

DKK million (unless otherwise stated)	LTIP 2016	LTIP 2017	LTIP 2018	LTIP 2019	AGA 2019
Total PSUs granted, number	270,012	251,977	251,568	308,632	118,883
Participants, number	62	71	71	66	51
Fair value of PSUs expected to vest at grant date	34	34	29	33	21
Fair value of PSUs expected to vest at 31 December 2019	-	10	8	29	-
Recognised in the income statement in 2019	1	4	(2)	9	-
PSUs expected to vest, not yet recognised	-	-	3	20	-

APPLIED ASSUMPTIONS AT THE TIME OF GRANT

	LTIP 2017	LTIP 2018	LTIP 2019	AGA 2019
Share price (DKK)	270	228	207	188
Expected volatility [1)]	27.9%	29.0%	26.6%	-
Expected life of grant	3 years	3 years	3 years	1 year
Risk-free interest rate [1)]	(0.2)%-2.4%	(0.5)%-2.4%	(0.3)%-2.7%	-

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

LTIP 2016 - VESTED

In March 2019, the LTIP 2016 programme vested and the participants received shares in ISS A/S at no cost. Based on the annual EPS and TSR performances for 2016, 2017 and 2018, 6% of the granted PSUs, equal to 38,493 PSUs, vested. After this vesting, no further PSUs are outstanding under the LTIP 2016 and the programme has lapsed.

	EGM			
Number of PSUs	EGMB	Corporate Senior Officers	Other senior officers	Total
Outstanding at 1 January 2018	-	69,149	153,253	222,402
Granted	-	2,064	5,035	7,099
Transferred	-	(10,117)	(3,723)	(13,840)
Cancelled	-	(11,246)	(9,841)	(21,087)
Outstanding at 31 December 2018	**-**	**49,850**	**144,724**	**194,574**
Vested	-	(3,115)	(8,870)	(11,985)
Forfeited	-	(46,735)	(135,854)	(182,589)
Outstanding at 31 December 2019	**-**	**-**	**-**	**-**

4 SHARE-BASED PAYMENTS (CONTINUED)

LTIP - OUTSTANDING PSUs

LTIP 2017 Number of PSUs	EGMB	EGM Corporate Senior Officers	Other senior officers	Total
Outstanding at 1 January 2018	-	60,353	153,814	214,167
Granted	-	1,892	5,074	6,966
Transferred	-	(7,006)	(4,566)	(11,572)
Cancelled	-	(9,034)	(13,798)	(22,832)
Outstanding at 31 December 2018	**-**	**46,205**	**140,524**	**186,729**
Granted	-	1,670	5,587	7,257
Transferred		-	14,418	14,418
Cancelled	-	-	(5,142)	(5,142)
Outstanding at 31 December 2019 [1)]	**-**	**47,875**	**155,387**	**203,262**

[1)] In March 2020, the PSUs granted under LTIP 2017 will vest with 0% based on the annual EPS and TSR performances for 2017, 2018 and 2019.

LTIP 2018

LTIP 2018	EGMB	Corporate Senior Officers	Other senior officers	Total
Granted	-	65,659	187,847	253,506
Cancelled	-	(10,534)	(20,370)	(30,904)
Outstanding at 31 December 2018	**-**	**55,125**	**167,477**	**222,602**
Granted	-	1,473	6,593	8,066
Transferred		-	16,515	16,515
Cancelled	-	-	(9,715)	(9,715)
Outstanding at 31 December 2019	**-**	**56,598**	**180,870**	**237,468**

LTIP 2019

LTIP 2019	EGMB	Corporate Senior Officers	Other senior officers	Total
Granted	-	81,173	227,459	308,632
Cancelled		-	(12,150)	(12,150)
Outstanding at 31 December 2019	**-**	**81,173**	**215,309**	**296,482**

Accelerated Growth Award (AGA)

Accelerated Growth Award (AGA)	EGMB	Corporate Senior Officers	Other senior officers	Total
Granted	-	37,437	81,446	118,883
Cancelled	-	-	(1,428)	(1,428)
Outstanding at 31 December 2019 [2)]	**-**	**37,437**	**80,018**	**117,455**

[2)] In March 2020, the PSU's granted under the AGA will vest with 0% based on operating margin, organic growth and free cash flow conversion on continuing operations in 2019.

5 FEES TO AUDITORS

DKK million	2019	2018
Statutory audit	3	1
Other assurance services	1	1
Other services	3	2
Total	**7**	**4**

Other assurance services comprised mainly work related to interim financial statements and other assurance services.

Other services comprised among other things advice in relation to IFRS 16.

6 FINANCIAL INCOME AND EXPENSES

DKK million	2019	2018
Interest income from companies within the ISS Group [1)]	3	-
Foreign exchange gains	11	3
Financial income	**14**	**3**
Interest expenses to companies within the ISS Group [1)]	(11)	(29)
Interest expenses on lease liabilities	(2)	-
Other financial expenses	(3)	(2)
Foreign exchange losses	(9)	(5)
Financial expenses	**(25)**	**(36)**

[1)] The effective interest rate was 0.3% (2018: 1.5%).

7 INCOME TAX

DKK million	2019	2018
Current tax	158	133
Deferred tax	53	106
Adjustments relating to prior years, net	(35)	(2)
Income tax	**176**	**237**

EFFECTIVE TAX RATE

In %	2019	2018
Statutory income tax rate in Denmark	22.0 %	22.0 %
Non-tax deductible expenses less non-taxable income	(2.3)%	3.4 %
Adjustments relating to prior years, net	(0.3)%	(0.1)%
Withholding tax	0.3 %	0.7 %
Income from subsidiary	(14.2)%	(15.2)%
Other	(0)	0.1 %
Effective tax rate	**5.5 %**	**10.9 %**

The low **effective tax rate** is due to non-taxable dividend from subsidiary of DKK 1,500 million (2018: DKK 1,500 million).

8 SOFTWARE

DKK million	2019 [1)]	2018
Cost at 1 January	776	625
Additions	198	157
Disposals	-	(6)
Cost at 31 December	**974**	**776**
Amortisation at 1 January	(253)	(229)
Amortisation	(37)	(27)
Disposals	-	3
Amortisation at 31 December	**(290)**	**(253)**
Carrying amount at 31 December	**684**	**523**

1) Of which DKK 292 million (2018: DKK 221 million) related to assets under development.

9 PROPERTY, EQUIPMENT AND LEASES

DKK million	Right-of-use assets	Property and equipment	2019	2018
Cost at 1 January	-	43	43	42
Adoption of IFRS 16	105	-	105	-
Additions	(40)	-	(40)	1
Cost at 31 December	**65**	**43**	**108**	**43**
Depreciation at 1 January	-	(27)	(27)	(24)
Depreciation	(14)	(4)	(18)	(3)
Depreciation at 31 December	**(14)**	**(31)**	**(45)**	**(27)**
Carrying amount at 31 December	**51**	**12**	**63**	**16**

The carrying amount of the **lease liabilities**, movements in the year and the maturity profile are disclosed in 12, Loans and borrowings.

In 2019, recognised costs related to short-term leases and leases of low-value assets comprised an insignificant amount.

10 INVESTMENT IN SUBSIDIARY

DKK million	2019	2018
Cost at 1 January	8,885	5,812
Additions	-	3,073
Cost at 31 December	**8,885**	**8,885**
Carrying amount at 31 December	**8,885**	**8,885**

Additions In 2018, the Company increased its investment in ISS Global A/S through a conversion of part of its net receivable from ISS Global A/S.

SUBSIDIARY, DKK million	Shares	Net profit	Equity
ISS Global A/S, Søborg, Denmark	100%	(3)	5,139

11 SHARE CAPITAL

At 31 December 2019, ISS World Services A/S's share capital comprised a total of 9,005,000 shares (2018: 9,005,000) with a nominal value of DKK 20 each. All shares were fully paid and freely transferable.

	2019		2018	
	Nominal value (DKK million)	**Number of shares** (in thousands)	**Nominal value** (DKK million)	**Number of shares** (in thousands)
Share capital at 1 January	180	9,005	180	9,000
Capital increase	-	-	-	5
Share capital at 31 December	**180**	**9,005**	**180**	**9,005**

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

DIVIDENDS

In 2019, dividends of DKK 1,500 million (2018: DKK 1,200 million) were approved on an extraordinary general meeting and paid out in December 2019.

12 LOANS AND BORROWINGS

DKK mio.	2019	2018
Debt to ISS A/S	-	37
Lease liabilities	52	-
Other	95	128
Total	**147**	**165**
Non-current liabilities	100	93
Current liabilities	47	72
Loans and borrowings	**147**	**165**

CHANGE IN LEASE LIABILITIES

DKK million	2019
Lease liability at 1 January	105
Additions	(40)
Interest expense	2
Payments	(15)
Lease liability at 31 December	**52**

CONTRACTUAL MATURITIES

DKK million	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
2019								
Lease liabilities	52	56	14	16	17	9	0	0
Other	95	96	35	24	15	15	7	-
Total financial liabilities	**147**	**152**	**49**	**40**	**32**	**24**	**7**	**0**
2018								
Debt to ISS A/S	37	37	37	-	-	-	-	-
Other	128	131	35	35	24	15	15	7
Total financial liabilities	**165**	**168**	**72**	**35**	**24**	**15**	**15**	**7**

CHANGES IN LOANS AND BORROWINGS

DKK million	2019	2018
Loans and borrowings at 1 January	165	2,353
Adoption of IFRS 16	105	-
Foreign exchange adjustments	(7)	-
Repayment of debt to ISS A/S	(37)	(2,155)
Repayment of lease liabilities	(13)	-
Other financial payments, net	(26)	(33)
Additions to lease liabilities (non-cash)	(40)	-
Loans and borrowings at 31 December	**147**	**165**

13 DEFERRED TAX

DKK million	2019	2018
Deferred tax liabilities at 1 January	127	32
Adjustments relating to prior years, net	(21)	64
Tax on profit before tax	53	31
Deferred tax liabilities at 31 December	**159**	**127**

DEFERRED TAX SPECIFICATION

DKK million	2019	2018
Software and property, equipment and leases	104	33
Tax losses in foreign subsidiaries previously under Danish joint taxation	23	23
Provisions and other liabilities	29	75
Other assets and liabilities	3	(4)
Deferred tax at 31 December	**159**	**127**

14 OTHER LIABILITIES

DKK million	2019	2018
Accrued wages and holiday allowances	88	117
Debt to companies within the ISS Group	55	56
Other	59	29
Other liabilities	**202**	**202**

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. At 31 December 2019, Danish corporate and withholding taxes within the joint taxation amounted to DKK 0 million (2018: 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 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 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 2019 compared to 2018.

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.

FOREIGN CURRENCY SENSITIVITY

A 10%-change (except for EUR: 1%) in relevant currencíes, and with all other variables held constant, would have impacted revenue with the amounts below.

DKK million	2019
GBP	19
CHF	10
NOK	7
USD	9
AUD	8
SEK	5
TRY	6
EUR	4
Other	31
Total	**99**

16 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. A maturity analysis of the contractual obligations is presented in note 12, Loans and borrowings.

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.

17 RELATED PARTIES

PARENT AND ULTIMATE CONTROLLING PARTY

ISS World Services A/S is wholly owned by ISS A/S (the ultimate parent). In 2019, there were no significant transactions with ISS A/S apart from the transactions described below.

KEY MANAGEMENT PERSONNEL

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

Apart from remuneration, including Long-Term Incentive Programmes and Accelerated Growth Award, 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 2019.

OTHER RELATED PARTY TRANSACTIONS

In 2019, 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 receivable from ISS A/S amounted to DKK 25 million (2018: short-term debt of DKK 37 million) at 31 December 2019.
- ISS World Services A/S's short-term debt to ISS Group companies amounted to DKK 55 million (2018: short term debt of DKK 56 million) at 31 December 2019.
- ISS World Services A/S's short-term receivable from ISS Global A/S amounted to DKK 651 million (2018: DKK 358 million) at 31 December 2019.
- ISS World Services A/S received interest income from ISS Global A/S, which amounted to DKK 3 million (2018: None).
- ISS World Services A/S paid interest to ISS Global A/S, which amounted to DKK 11 million in 2019.
- 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 1,500 million (2018: DKK 1,500 million) from ISS Global A/S.
- ISS World Services A/S paid dividends of DKK 1,500 million (2018: DKK 1,200 million) to ISS A/S.

18 SUBSEQUENT EVENTS

IT SECURITY INCIDENT

As announced on 19 February 2020, ISS was the target of a malware attack on 17 February 2020, and on 20 March 2020, the ISS Group announced an update on the incident.

The nature of the Group's business is to deliver services on customer sites, mainly through our people, and as such we have been able to maintain uninterrupted service delivery to the vast majority of customers. There is still no indication that any customer data or sensitive personal employee data has been compromised as a result of the malware attack.

We have now regained control of most of our IT infrastructure and are systematically relaunching business-critical systems, albeit with somewhat reduced functionalities. This includes central finance systems supporting payroll and invoicing. We expect recovery of all business-critical systems during Q2 2020. The ongoing process for restoring or rebuilding systems and IT assets in full is anticipated to be completed by the end of 2020.

Incremental costs related to the following activities; remediation of the IT incident, workarounds to enable the continuous delivery of service to our customers, duplication of costs associated with operating our contracts, and service underperformance as a consequence of system down-time are estimated to be DKK 300-500 million in 2020 for the ISS Group of which part of the costs will be incurred by ISS World Services A/S. These costs will be reported within Other income and expenses, net.

As a consequence of damages to some of our IT assets, a write down and rebuild of part of the IT infrastructure is required. The assessment is ongoing, but the non-cash write-down, which will be reported within Other income and expenses, net is expected to be up to DKK 350 million for the ISS Group of which a part will be incurred by ISS World Services A/S. The net incremental capital expenditure related to the rebuild is expected to be DKK 150-300 million in 2020 for the ISS Group of which a part will be incurred by ISS World Services A/S.

COVID-19

As announced on 20 March 2020, we are monitoring the rapidly developing repercussions related to COVID-19. We expect that our financial performance in 2020 will be negatively impacted. However, currently we are unable to quantify the magnitude as the situation remains too uncertain.

For further information on the impact on the ISS Group of the IT security incident and COVID-19, please refer to the Group's announcement 5 on 20 March 2020.

Other than as set out above or elsewhere in this Annual Report, we are not aware of events subsequent to 31 December 2019, which are expected to have a material impact on ISS World Services A/S's financial position.

19 NEW STANDARDS AND INTERPRETATIONS NOT YET IMPLEMENTED

IASB has published certain new standards, amendments to existing standards and interpretations that are not yet mandatory for the preparation of the financial statements of ISS World Services A/S at 31 December 2019. In addition, IASB has published certain new standards, amendments to existing standards and interpretations, which are not yet adopted by the EU at 31 December 2019.

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.

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 of ISS World Services A/S.

MANAGEMENT STATEMENT

COPENHAGEN, 20 MARCH 2020

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 2019.

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 2019 and of the results of the company's operations and cash flows for the financial year 1 January – 31 December 2019.

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 **Chairman**	**Pierre-François Riolacci**	**Bjørn Raasteen**
Katrien Beuls	**Corinna Refsgaard**	**Tamilla Vahman**
Nada El Boayadi (E)	**Joseph Nazareth** (E)	**Elsie Yiu** (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 2019, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies. 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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

STATEMNET OF MANAGEMENT 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 the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- 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, 20 MARCH 2020

ERNST & YOUNG
Godkendt Revisionspartnerselskab
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Torben Bender State Authorised Public Accountant MNE-no.: mne21332	**Claus Kronbak** State Authorised Public Accountant MNE-no.: mne28675