ANNUAL REPORT 2018

ISS GLOBAL A/S

Buddingevej 197
DK – 2860 Søborg
Denmark
CVR 21 40 83 95

Annual report
1 January – 31 December 2018

Approved at the annual general meeting
On 3 April 2019

Barbara Fiorini Due
chairman of the annual general meeting

CONTENTS

ISS Global A/S - an integral part of the ISS A/S Group

ISS Global A/S is an indirectly, wholly owned subsidiary of ISS A/S, an international provider of facility services, listed on Nasdaq Copenhagen. ISS Global A/S owns – directly or indirectly – the ISS Group's operating companies (together referred to as "ISS", "the Group" or "the ISS Global Group") and operates as the ISS Group's internal bank. ISS Global A/S therefore holds the ISS Group's external funding.

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

The management team of the ISS Global Group formally consists of the Board of Directors and the Managing Director of ISS Global A/S. Since ISS Global A/S has no operating activities independently of the ISS A/S Group, the ISS Global Group relies on the management team of ISS A/S, which is considered the ISS Global Group's key management personnel.

Due to this structure, the sections "Our business" and "Governance" of the Management review, pp. 15-32, are described in the context of the ISS A/S Group.

KEY FIGURES AND FINANCIAL RATIOS

DKK million (unless otherwise stated)	2018	2017	2016	2015	2014
Income statement					
Revenue	73,623	73,617 [3]	78,699	79,631	74,157
Operating profit before other items	4,765	4,779	5,090	5,112	4,676
Operating margin [1]	6.5%	6.5%	6.5%	6.4%	6.3%
EBITDA before other items [1]	5,353	5,357	5,738	5,814	5,379
EBITDA	3,614	3,687	4,259	4,660	4,071
Operating profit (adjusted) [2]	3,026	3,109	3,611	3,958	3,368
Operating profit	1,998	2,911	3,058	3,432	2,504
Financial income	64	61	80	68	163
Financial expenses	(647)	(550)	(531)	(730)	(1,375)
Net profit (adjusted) [2]	1,798	1,771	2,256	2,367	1,416
Net profit/(loss) from continuing operations [3]	980	1,839	1,832	1,915	620
Net profit/(loss) from discontinued operations [3]	(886)	(201)	(8)	-	-
Net profit	94	1,638	1,824	1,915	620
Cash flow					
Cash flow from operating activities	2,653	2,752	2,956	3,133	2,134
Acquisition of intangible assets and property, plant and equipment, net	(813)	(770)	(695)	(808)	(751)
Free cash flow	1,818	1,975	2,287	2,295	1,402
Cash conversion	101%	102%	97%	99%	99%
Financial position					
Total assets	42,719	45,906	43,441	44,170	41,932
Goodwill	16,237	18,196	17,537	17,969	18,328
Additions to property, plant and equipment	881	738	647	746	691
Equity	3,389	1,946	2,078	2,981	2,769
Equity ratio	7.9%	4.3%	4.8%	6.7%	6.6%
Net debt	12,701	15,676	14,863	14,621	14,751
Employees					
Number of employees end of period	485,676	488,722	494,038	504,650	510,812
Full-time employees	76%	76%	74%	74%	73%
Growth					
Organic growth	3.9%	2.9% [3]	3.4%	4.4%	2.5%
Acquisitions and divestments, net	(0.5)%	(6.9)%	(1.3)%	(1.2)%	(6.1)%
Currency adjustments	(3.4)%	(2.5)%	(3.2)%	4.2%	(1.9)%
Total revenue growth	0.0%	(6.5)%	(1.2)%	7.4%	(5.6)%

[1] The Group uses Operating profit before other items for the calculations instead of Operating profit. Consequently, the Group excludes Other income and expenses, net, which includes items that do not form part of the Group's normal ordinary operations and Goodwill impairment and Amortisation/impairment of brands and customer contracts.
[2] Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.
[3] As of December 2018, Brazil, Brunei, Chile, the Czech Republic, Estonia, Hungary, Israel, Malaysia, the Philippines, Romania, Slovenia, Slovakia and Thailand are classified as discontinued operations in addition to Argentina and Uruguay, which were already treated as discontinued operations in 2017. Comparative figures for 2017 have been restated accordingly (for Argentina and Uruguay also 2016).

Strategy Update – impact on our reported numbers

Following the Strategy Update in December 2018, 15 countries are treated as discontinued operations in accordance with IFRS. This means that in our income statement for 2018 and 2017, the results of discontinued operations are presented separately in one line as a net amount. Consequently, in the commentary throughout the report, when we refer to individual income statement lines (e.g. revenue, operating profit etc.) and financial KPIs based on the income statement lines (e.g. organic growth, operating margin etc.), these include only the continuing operations, except where otherwise stated. The statement of cash flows and related KPIs continue to be reported on the basis of the entire Group, which is also the case for non-financial KPIs. In the statement of financial position, assets and liabilities related to the discontinued operations are reclassified to a single asset and liability line as per 31 December 2018. Comparative figures are not restated in the statement of financial position.

OUTLOOK

OUTLOOK 2019

Organic growth is expected to be 5%-7% (2018: 3.9%). In most of our major countries, current macroeconomic conditions continue to appear broadly supportive, with the exception of the UK where BREXIT-related uncertainty persists. 2018 was a strong year in terms of non-portfolio demand, which does in isolation provide a tougher comparator for 2019. However, strong commercial momentum throughout 2018 combined with a solid retention rate, including the extension of all large key accounts otherwise maturing in 2018, bodes well for organic growth in 2019. In addition, revenue reduction from DXC Technology, HP Inc. and the EMEA operations of an international bank will annualise fully during H1 2019 and from July 2019 growth will be materially supported by the launch of Deutsche Telekom – the single largest contract in ISS history.

Operating margin is expected to be 5.8%-6.0% (2018 restated: 5.8%[1)]). The operating margin will be supported by a number of run-rate improvements including the ramp-up of margins on significant contracts launched and extended during 2018, turnaround in underperforming operations in the USA and Sweden as well as gradual normalisation of restructurings on the back of finalising GREAT. These improvements are expected to more than offset the positive one-off impacts in 2018 (0.2 percentage point), as well as short-term transformational investments (approximately 0.3 percentage point) targeting significantly strengthened delivery capabilities to key accounts.

DELIVERY ON 2018 OUTLOOK		
	Realised 2018 (incl. discontinued operations)	**2018 outlook**
Organic growth	3.4%	1.5%-3.5%
Operating margin	6.2%	Around 6.3%
Cash conversion	101%	>90%

2019 OUTLOOK		
	2018 actual	**2019 outlook**
Organic growth	3.9%	5%-7%
Operating margin (incl. restructuring costs)	5.8%	5.8%-6.0%
Free cash flow	DKK 1.8 bn	DKK 1.2-1.6 bn

Free cash flow is expected to be DKK 1.2-1.6 billion (2018: DKK 1.8 billion). Free cash flow will be supported by revenue growth and improving EBITDA including a gradual normalisation of restructuring. Free cash flow will also be significantly negatively impacted by non-recurring items, mainly related to peak transition and mobilisation of Deutsche Telekom as well as accelerated short-term transformational projects. The use of factoring and participation in certain customers' supply chain finance arrangements are expected to reduce in 2019.

The outlook should be read in conjunction with "Forward-looking statements" on p. 108 and our exposure to risk, see Our business risks on pp. 23-25.

FOLLOW UP ON OUTLOOK 2018 AND COMPARISON TO OUTLOOK 2019

From 2019, our operating margin is changing as restructuring costs will be reported as part of operating profit before other items, net. As such, the table above compares 2018 results with both the 2018 and 2019 outlook on a like-for-like reporting basis.

For our three key financial objectives organic growth, operating margin and cash conversion, we ended 2018 in line with the outlook announced in connection with the annual report for 2017.

[1)] From 2019, the operating margin will include restructuring costs (previously reported in Other income and expenses, net). The operating margin for 2018 of 5.8% has been restated accordingly.

GROUP PERFORMANCE

Strong organic growth driven by focus on key accounts.

REVENUE AND ORGANIC GROWTH

DKK million	2018	2017	Organic growth	Acq./ div.	Currency adj.	Growth 2018
Continental Europe	28,006	27,828	6 %	(2)%	(3)%	1 %
Northern Europe	24,413	25,049	1 %	(2)%	(2)%	(3)%
Asia & Pacific	12,725	12,695	6 %	-	(6)%	0 %
Americas	7,847	7,370	1 %	10 %	(5)%	6 %
Other countries	667	723	(5)%	-	(3)%	(8)%
Corporate / eliminations	(35)	(48)	-	-	-	27 %
Continuing operations	**73,623**	**73,617**	**3.9 %**	**(0.5)%**	**(3.4)%**	**0.0 %**
Discontinued operations	6,179	6,735	(2.6)%	(0.6)%	(5.0)%	(8.2)%
Total	79,802	80,352	3.4 %[1]	(0.5)%[1]	(3.4)%[1]	(0.5)%[1]

[1] Excluding Argentina and Uruguay, which were not included in the outlook on organic growth for 2018.

OPERATING RESULTS (continuing operations)

Group revenue for 2018 was DKK 73.6 billion, flat compared with 2017. Organic growth was 3.9%, growth from acquisitions and divestments, net reduced revenue by 0.5% and the impact from currency effects reduced revenue by 3.4%.

Organic growth was positive in all regions, driven by growth in our portfolio services from contract launches with key account customers such as Shire, Danish Defence, three hospitals in Turkey and LEGO Group. We also saw strong growth rates in Australia and Hong Kong with the start-up and expansion of several key account contracts as well as expansion of global key account contracts in Asia & Pacific in general. In the Americas, organic growth was driven by expansion of global key account contracts in North America supported by revenue synergies on the back of the acquisition of Guckenheimer in April 2017. Northern Europe reported positive growth despite reduced revenue from global key accounts and the UK Ministry of Defence, driven by strong growth in key accounts such as the expansion of the Danish Defence contract in Denmark and non-portfolio revenue. We also saw positive growth rates in China at the end of 2018 following the contract exits in 2017 and 2018 and supported by the launch of several global and regional key accounts. Overall, the strong organic growth was achieved despite the reduction of revenue from global key account contracts with DXC technology, HP Inc. and an international bank in EMEA.

Operating profit before other items amounted to DKK 4,765 million in 2018 for an operating margin of 6.5% (2017: 6.5%). The margin was adversely impacted by acquisitions and divestments and negative net currency effects of 1 bps, or DKK 184 million. Furthermore, the margin in Northern Europe and Asia & Pacific decreased mainly due to large contracts being phased in and out and high comparator performance in Singapore in 2017. This was partly offset by margin increases in the Continental Europe and Americas regions. Continental Europe was supported by a few significant one-offs; a positive impact from a reduced pension liability similar to 2017 and a settlement linked to transition of a large contract. These more than compensated for underperformance in the Netherlands and a margin decrease in France due to contracts being phased in and out and changes to the competitiveness and employment tax credit (CICE). The margin in the Americas improved due to expansions and synergies on the back of the acquisition of Guckenheimer in April 2017 and the exit from low performing contracts in the specialised services division. Overall, Group margin was supported by one-offs of approximately 0.2 percentage point.

Other income and expenses, net was an expense of DKK 630 million (2017: net expense of DKK 543 million), predominantly restructuring costs of DKK 505 million related to the implementation of GREAT in France and Sweden and efficiency-improving initiatives for the purposes of restructuring in the UK, which is the pilot country for the Group's journey towards having more centralised ownership of financial processes. In addition, the loss on divestment, net was DKK 103 million (2017: loss of DKK 262 million) mainly related to the non-core activities in the Netherlands and the Group's activities in Greece.

Goodwill impairment amounted to DKK 829 million (2017: DKK 12 million) mainly due to the remeasurement of the divested non-core activities in the Netherlands and the Hygiene & Prevention business in France, which was classified as held for sale.

Operating profit was DKK 1,998 million (2017: DKK 2,911 million). The reduction was a result of the increase in other expenses relating to increased restructurings and loss on divestments as well as goodwill impairment.

Financial income and expenses, net was an expense of DKK 583 million (2017: DKK 489 million). The increase was partly the result of higher forward premiums when part of the Euro EMTN bonds was swapped into USD on the back of the acquisition of Guckenheimer as well as slightly higher cost of debt following the refinancing in August 2017. In addition, foreign exchange losses, net were significantly higher than last year. This was partly offset by higher interest income from companies within the ISS Group.

The effective tax rate for 2018 was 20.7% (2017: 27.4%) calculated as Income taxes (adjusted) of DKK 505 million divided by Profit before tax (adjusted) of DKK 2,443 million. The recognition of additional deferred tax assets in Germany had a positive effect on the 2018 tax rate.

Net profit (adjusted) was DKK 1,798 million (2017: DKK 1,771 million). The DKK 27 million increase was driven by lower income taxes partly offset by higher other income and expenses, net and higher financial income and expenses, net as well as a higher net loss from discontinued operations (adjusted).

Net profit was DKK 94 million (2017: DKK 1,638 million). The decrease was mainly due to the above-mentioned items as well as higher goodwill impairment from continuing and discontinued operations.

DISCONTINUED OPERATIONS

As announced in December 2018, we plan to divest our operations in 13 countries – in addition to Argentina and Uruguay, which were divested in January 2019. In 2018, these countries generated revenue of DKK 6,179 million (2017: DKK 6,735 million) and operating profit before other items of DKK 139 million (2017: DKK 278 million) for an operating margin of 2.2% (2017: 4.1%). All 15 countries have been classified as discontinued operations and are presented as a separate line item in the income statement. The reclassification has led to recognition of impairment losses of DKK 937 million, of which DKK 745 million related to goodwill. Net loss from discontinued operations was DKK 886 million in 2018 (2017: a loss of DKK 201 million). Comparative figures have been restated accordingly as described in note 3.4 to the consolidated financial statements.

BUSINESS DEVELOPMENT
(continuing operations)

Delivering service solutions to our key account customers, especially Integrated Facility Services (IFS), is a key part of our strategy. Our key account customers comprise all our global key accounts as well as regional and country key accounts. In total, key accounts represented 59% of Group revenue in 2018 (2017: 53%). Revenue generated from key accounts grew organically by 5.5% to DKK 43.6 billion. Significant contract launches and expansions in 2018 include the Danish Defence, MTR Corporation in Hong Kong and Adana, Kayseri and Elazig hospitals in Turkey, several large key account contracts in Australia as well as a number of large key account contracts in the UK as illustrated in the contract overview on p. 8.

Revenue generated from global key accounts decreased organically by 3.8% in 2018 (2017: increase of 10.5%) to DKK 10.3 billion and accounted for

OPERATING PROFIT BEFORE OTHER ITEM AND MARGIN

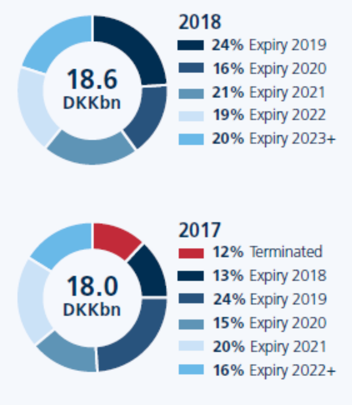
DKK million	2018		2017		Organic	Acq./div.	Currency adj.	Growth 2018
Continental Europe	2,017	7.2 %	1,901	6.8 %	13 %	(3)%	(4)%	6 %
Northern Europe	1,684	6.9 %	1,789	7.1 %	(4)%	(1)%	(1)%	(6)%
Asia & Pacific	847	6.7 %	974	7.7 %	(8)%	-	(5)%	(13)%
Americas	294	3.7 %	227	3.1 %	17 %	16 %	(3)%	30 %
Other countries	(1)	(0.1)%	15	2.1 %	(104)%	-	(0)%	(104)%
Corporate / eliminations	(76)	(0.1)%	(127)	(0.2)%	-	-	-	40 %
Continuing operations	**4,765**	**6.5 %**	**4,779**	**6.5 %**	**3.7 %**	**(0.8)%**	**(3.2)%**	**(0.3)%**
Discontinued operations	139	2.2 %	278	4.1 %	(46.3)%	(0.1)%	(1.1)%	(47.5)%
Total	4,904	6.1 %[1)	5,057	6.3 %	1.0 %	(0.7)%	(3.0)%	(2.9)%

1) Excluding Argentina and Uruguay, operating margin was 6.2%, which is the comparable to our outlook for 2018.

14% of Group revenue (2017: 15%). The decline was solely driven by the revenue reduction related to DXC Technology, HP Inc. and an international bank in EMEA. This was partly offset by 2017 contract launches with Shire, Huawei and a customer in the retail and wholesale segment as well as contract start-ups in 2018 with LEGO Group and an international food and beverage company. Furthermore, we announced the addition of three new global key accounts with the extension and expansion of the collaboration with Vattenfall and UBS as well as a technology services company.

The IFS share of Group revenue in 2018 was 40% (2017: 40%).

CONTRACT MATURITY, MAJOR KEY ACCOUNTS



CONTRACT MATURITY
(continuing operations)

Our revenue base consists of a mix of yearly contracts, which are renewed tacitly, and thousands of multi-year contracts, the majority of which have an initial term of 3-5 years. A significant share of our revenue is therefore up for renewal every year. To mitigate this inherent business risk, we have a strong focus on customer satisfaction and as part of our contract management processes we continuously and proactively work with our customers to seek contract renewals or expansions well in advance of expiry. As a result, our retention rate of customer contracts is approximately 90% and even higher for key accounts. In terms of revenue up for renewal in any given year, the majority relates to a very large number of small contracts.

MAJOR KEY ACCOUNT DEVELOPMENTS	COUNTRIES	TERM	EFFECTIVE DATE
WINS			
Arriva Rail Northern Ltd	UK	7 years	Q1 2018
International air carrier	North America	5+2 years	Q1 2018
Royal Philips	Americas, Netherlands, UK and Singapore	5 years	Q2 2018
Kayseri Entegre	Turkey	5 years	Q2 2018
Elazig Hospital	Turkey	5 years	Q3 2018
Pharmaceutical segment company	North America	3 years	Q3 2018
Professional service company	Netherlands	5 years	Q3 2018
Victoria Schools	Australia	5 years	Q3 2018
Retail company	UK	5 years	Q3 2018
TSB Bank	UK	5 years	Q4 2018
Technology services company [1]	Global	5 years	Q1 2019
Oxleas NHS Foundation Trust	UK	5 years	Q2 2019
Telecommunications company	UK	5 years	Q2 2019
EXTENSIONS/EXPANSIONS			
City and County of Denver Aviation	North America	3 years	Q1 2018
International investment bank	UK	3 years	Q1 2018
IT and telephone service provider	UK	5 years	Q1 2018
Aviva	UK	7 years	Q2 2018
BMW AG	Germany	5 years	Q3 2018
Eastern Health	Australia	3+3 years	Q3 2018
Vattenfall [1]	Nordic	7 years	Q1 2019
Nordea [1]	Nordic	5 years	Q1 2019
PostNord	Nordic	2 years	Q1 2019
Property NSW	Australia	5 years	Q1 2019
UBS [1]	UK and Switzerland	7 years	Q1 2019
Swisscom	Switzerland	5 years	Q1 2019
LOSSES			
ArcelorMittal	France	-	Q2 2018
Ipswich Hospital NHS Trust	UK	-	Q2 2018

[1] Global key account

However, an analysis of our large key account customers helps illustrate those contracts which, individually, may have a visible impact on the Group's future revenue development. This analysis is based on all global and regional key account customers and those local key account customers generating annual revenue in 2018 in excess of DKK 200 million.

In 2018, 47 ISS customer contracts fell into these categories (2017: 41 contracts). Between them, they generated revenue of approximately DKK 18.6 billion, or 25% of Group revenue. As illustrated on the previous page, going into 2019 none of these large contracts have been lost. 12 customer contracts representing annual revenue of DKK 4.5 billion (6.1% of Group revenue) are up for renewal in 2019. The chart illustrates this development together with the value (based on realised revenue in 2018) of these large contracts, which are all up for renewal in subsequent years.

It is important to note, that the analysis only shows the maturity of existing contracts and does not show any impact from new customer contracts which have been signed but are yet to commence, such as Deutsche Telekom and other significant wins as illustrated in the table on the previous page.

CASH FLOWS AND WORKING CAPITAL

Cash conversion for 2018 was 101% (2017: 102%), driven by strong general cash performance across the Group. Ensuring strong cash performance remains a key priority, and the result reflects our efforts to ensure timely payment for work performed, as well as timing of collections and payments around year-end. This included increasing commercial use of non-recourse factoring with certain large blue-chip customers and participation in certain customers' supply chain finance (SCF) arrangements.

Cash flow from operating activities amounted to DKK 2,653 million (2017: DKK 2,752 million). The decrease in cash inflow was mainly due to the net negative currency impact of DKK 184 million on operating profit before other items and lower operating profit before other items from discontinued operations. Furthermore, less positive changes in working capital and higher interest paid, net contributed to the decrease. Changes in working capital continued to be impacted by the mobilisation and transition of the Deutsche Telekom contract and strong commercial momentum with key account customers who generally demand longer payment terms. This was mitigated by the increased use of factoring and participation in customers' SCF arrangements.

Other expenses paid of DKK 426 million (2017: DKK 392 million) mainly included restructuring projects initiated and expensed in 2017 and 2018.

Cash flow from investing activities was a net outflow of DKK 832 million (2017: net outflow of DKK 2,198 million). Cash outflow from investments in intangible assets and property, plant and equipment, net, of DKK 813 million (2017: DKK 770 million) represented 1.1% of total revenue including discontinued operations.

Cash flow from financing activities was a net outflow of DKK 1,135 million (2017: inflow of DKK 1,635 million). This was primarily due to cash outflow from dividends paid to the shareholder ISS World Services A/S of DKK 1,500 million and drawings on working capital facilities as part of ordinary operations.

Free cash flow was an inflow of DKK 1,818 million (2017: 1,975 million). The decrease was mainly due to the lower cash flow from operating activities as explained above and slightly higher investments in intangible assets and property, plant and equipment, net.

STRATEGIC ACQUISITIONS AND DIVESTMENTS

DIVESTMENTS AND ASSETS HELD FOR SALE

In 2018, we completed the divestment of the Group's activities in Greece, the landscaping activities in the UK, the non-core single service cleaning portfolio in the Netherlands as well as minor non-core activities in Austria, Belgium, Brazil, Denmark, Hungary, the USA, Portugal and Spain. All divestments support our strategy of focusing on geographies and services where we see the greatest opportunities for key account growth and profitability.

As announced in December 2018, we are accelerating this journey, as we plan to divest our operations in 13 countries – in addition to Argentina and Uruguay, which were divested in January 2019 – as well as a number of business units across the Group. This is entirely consistent with our strategy of recent years and will mark the completion of our exit from non-core services. Proceeds and resources will be reinvested in a number of Group-wide transformational initiatives to further strengthen the already strong key account performance.

At 31 December 2018, these 15 countries were presented as discontinued operations and classified as held for sale. In addition, the Hygiene & Prevention business in France and one business in Asia & Pacific were classified as held for sale. Assets and liabilities held for sale amounted to DKK 3,269 million (2017: DKK 1,316 million) and DKK 1,629 million (2017: DKK 428 million), respectively.

In 2018, divestments and revaluation of businesses classified as held for sale (including discontinued operations) resulted in a total net loss before tax of DKK 1,872 million (2017: loss of DKK 318 million) of which DKK 936 million was related to countries to be divested and thus included in the line Net loss from discontinued operations. The remaining net loss of DKK 936 million was recognised in Goodwill impairment, DKK 829 million, Amortisation of brands and customer contracts, DKK 4 million, and Other income and expenses, net, DKK 103 million.

ACQUISITIONS

On 31 December 2018, ISS acquired 100% of the shares in Pluralis, an engineering company in Germany with an estimated annual revenue of approximately DKK 27 million and 39 employees. The acquisition will support the delivery on the Deutsche Telekom contract starting 1 July 2019.

As announced in December 2018, we are executing a two-year programme of accelerated investments in 2019-2020 in order to significantly further strengthen our key account capabilities. As part of the programme we will pursue bolt-on acquisition opportunities – applying a disciplined approach – with the aim of filling white spots, predominantly within technical services, catering and workplace management and design.

INTANGIBLE ASSETS, GOODWILL AND GOODWILL IMPAIRMENT

Intangible assets at 31 December 2018 amounted to DKK 17,294 million and mainly comprised goodwill, customer contracts and brands.

At 31 December 2018, goodwill was DKK 16,237 million compared with DKK 18,196 million at 31 December 2017. The decrease was mainly due to the countries and business units being classified as held for sale at 31 December 2018 of DKK 526 million, and impairment losses of DKK 1,574 million related to divestments and revaluation of businesses classified as held for sale.

CAPITAL STRUCTURE

The ISS Global Group is indirectly wholly owned by ISS A/S and is therefore part of the ISS A/S Group. Group Treasury manages financing activities and capital structure centrally for the ISS A/S Group as a whole. The ISS Global Group's financing activities and capital structure are not assessed independently of the ISS A/S Group.

The majority of the Group's funding consists of EUR 2.3 billion in EUR bonds issued under the EUR 3 billion European Medium Term Note programme and of a senior unsecured revolving credit facility of EUR 1,000 million with a group of 15 banks. The revolving credit facility matures in November 2023 and is not subject to financial covenants. The drawn margin is determined semi-annually based on a leverage grid. Further, the Group uses non-recourse factoring with certain large blue-chip customers and participates in certain customers' supply chain finance (SCF) arrangements for the purpose of optimising operational cash flows. At 31 December 2018, the total off-balance sheet value of these programmes was DKK 2.5 billion (31 December 2017: DKK 1.0 billion / 30 September 2018: DKK 1.4 billion).

ISS A/S currently holds corporate credit ratings of BBB / Stable outlook assigned by S&P and Baa2 / Stable outlook assigned by Moody's, respectively.

EQUITY

At 31 December, equity was DKK 3,403 million, equivalent to an equity ratio of 7.9% (2017: 4.3%). The increase of DKK 1,447 million was mainly a result of a capital increase of DKK 3,073 million and net profit for the period of DKK 94 million partly offset by ordinary dividends paid to shareholders of DKK 1,500 million and negative currency adjustments of DKK 148 million relating to investment in foreign subsidiaries. The negative currency adjustments were mainly due to TRY, SEK, and AUD depreciating against DKK.

SUBSEQUENT EVENTS

Acquisitions and divestments completed in the period 1 January to 28 February 2019 are described under strategic acquisitions and divestments, pp. 9–10.

Other than as set out above or elsewhere in this Annual Report, we are not aware of events subsequent to 31 December 2018, which are expected to have a material impact on the Group's financial position.

REGIONAL PERFORMANCE

CONTINENTAL EUROPE

(continuing operations)

THE MARKET

Most markets in this region are developed markets, but with differences in terms of IFS market maturity and macroeconomic environment. We hold leading market positions in several countries, including in Spain, Switzerland, France and Turkey. Key customer segments are Business Services & IT, Industry & Manufacturing, Public Administration, Healthcare and Pharmaceuticals.

BUSINESS UPDATE

Commercially, 2018 was a strong year with market-leading organic growth driven by both existing and new key accounts, including a number of wins in the healthcare segment in Turkey, a professional service company in the Netherlands, and successful expansion in the Basque region in Spain. In addition, we successfully retained our contracts with Swisscom and UBS in Switzerland, BMW and Daimler in Germany, which were up for renewal during the year. Finally, we successfully expanded and increased our business with a number of existing key account customers across the region. As such, 2018 stands as a proof point of how strengthening our key account focus can drive strong organic growth, even in mature markets. The strong commercial momentum is set to continue into 2019, driven especially by the launch of services to Deutsche Telekom, the single largest IFS contract in ISS history. With the launch of Deutsche Telekom, ISS will become one of the market leaders in Germany.

The strong commercial momentum was partly supported by the organic build-out of self-delivery catering capabilities in Austria and technical services capabilities in Spain and Turkey. Similar initiatives will continue into 2019. As an example, the launch of Deutsche Telekom in Germany will drive a significant organic build-out of additional technical services capabilities locally which will in turn support further growth with key accounts in years to come.

We continued the GREAT implementation in France, which was initiated in 2017, with a view to strengthening the operating model, improve the IFS platform, increase the commercial focus and generate efficiencies. The Group-wide GREAT implementation was initiated in 2013 and will be completed with France in 2020, with permanently lower restructuring as a consequence.

In line with the rest of the Group, the region will finalise the divestment of non-core activities during 2019-2020. Non-core activities in the Netherlands and Austria were successfully divested by the end of 2018. Other activities to be divested include Israel and six countries in Eastern Europe, which have been classified as discontinued, as well as a few non-core business units, including Hygiene & Prevention in France.

FINANCIALS

Revenue increased to DKK 28,006 million in 2018 (2017: DKK 27,828 million).

Organic growth was 6%, while the impact from divestments and acquisitions, net reduced revenue by 2% and currency effects reduced revenue by 3%, mainly due to the depreciation of TRY and CHF against DKK. The main contributors to the strong organic growth rate were Turkey, Germany, Austria and Belgium & Luxembourg. The main drivers were contract launches in the healthcare segment and price increases in Turkey, projects and contract launches in Germany as well as key account contract launches in Austria and Belgium & Luxembourg.

Operating profit before other items was up by 6% to DKK 2,017 million, resulting in an improved operating margin of 7.2% (2017: 6.8%). The margin was mainly supported by a few significant one-offs; a positive impact from a decreased pension obligation similar to 2017 and a settlement linked to the transition of a large contract. Furthermore, we saw good performance in Spain & Portugal, Switzerland and Austria as well as short-term contractual benefits in Turkey. This was partly off-set by underperformance in the Netherlands and margin decrease in France due to contracts phasing in and out and changes to the competitiveness and employment tax credits (CICE).

NORTHERN EUROPE

(continuing operations)

THE MARKET

The markets of this region are mature, developed, very competitive and with high outsourcing rates. ISS holds a market-leading position in the Nordic countries and the UK & Ireland. Key customer segments are Business Services & IT, Public Administration, Industry & Manufacturing and country-specific segments such as Healthcare and Transportation & Infrastructure.

BUSINESS UPDATE

The commercial momentum was strong across most of the region in 2018. While the UK & Ireland was impacted by reduced revenue from two global key accounts, competition from local players began to normalise. Supported by further strategic and commercial progress, the UK & Ireland was the driver behind a number of the Group's largest contract wins and expansions in 2018 – including TSB Bank, Aviva, Arriva Rail Northern Ltd., a retail company, an IT and telephone service provider as well as an international investment bank.

Strong commercial progress in the UK & Ireland was supported in part by selective capability-enhancing bolt-on acquisitions in recent years. The acquisition of GS Hall in the UK & Ireland in 2015 significantly strengthened technical service capabilities locally. During 2018, we also initiated the organic build-out of workplace management and design capabilities gained through the acquisition of SIGNAL in 2017. In 2018, the growing demand for these services led us to open SIGNAL offices in the UK. These developments are some of the key drivers behind ISS being named the 'Top Service Provider' in the UK & Ireland in the annual brand survey by i-FM. The established platform within both technical services and workplace management and design will be leveraged further during 2019 through the organic build-out of self-delivery capabilities across the rest of the region.

Following a significant underperformance in Sweden starting in 2017, a turnaround was executed according to plan in 2018. Cost savings were initially reinvested to significantly strengthen commercial efforts and get momentum back into the business. With positive signs towards the end of 2018, including significant contract wins and expansions with Vattenfall, PostNord and Nordea, performance in Sweden is set to improve.

Towards the end of 2018, we launched further cost savings initiatives enabled by the standardisation and simplification of country organisations through GREAT. Our focus is on reducing overhead costs through consolidation, centralisation and automation. Initiatives have been launched as a pilot project in the UK which will gain further momentum during 2019. We are planning to leverage these initiatives across other countries as one of our transformational projects, driven by the establishment of a Global Shared Services organisation.

FINANCIALS

Revenue amounted to DKK 24,413 million (2017: 25,049 million).

Organic growth was 1%, while revenue was reduced by 2% due to the impact from divestments and acquisitions, net and 2% due to negative currency effects. Organic growth was mainly supported by growth in Denmark due to the expansion of the Danish Defence contract and start-up of the LEGO contract and solid growth in the key account division in Norway as well as high demand for non-portfolio services. The growth was partly offset by revenue reductions from DXC Technology, an international bank in EMEA and the UK Ministry of Defence.

Operating profit before other items decreased by 6% to DKK 1,684 million reflecting an operating margin of 6.9% (2017: 7.1%). The decrease in operating margin was mainly due to large key account contracts phasing in and out in the UK and Denmark and investments in further strengthening our technical services capabilities. This was partly offset by good performance in Norway due to efficiencies and price increases.

ASIA & PACIFIC

(continuing operations)

THE MARKET

The region consists of large and established markets, such as Australia, Hong Kong and Singapore, as well as developing outsourcing markets, such as China, India and Indonesia. ISS has a strong presence in the region and holds a market-leading position in a number of countries. Key customer segments are Business Services & IT, Industry & Manufacturing, Healthcare, Energy & Resources and Transportation & Infrastructure.

BUSINESS UPDATE

In 2018, we further strengthened our IFS offering in selected customer segments, leading to a number of important contract wins, extensions and expansions. One example was the renewal of the NSW Government Schools contract in Australia; the largest contract by revenue in the region. In 2019, we will continue developing our value proposition to selected customer segments, supported by the further strengthening of local commercial and operational capabilities as well as a number of Group-wide transformational initiatives. Moreover, driving the change towards performance-based commercial models will remain in focus as markets mature and change from input-based to outcome-based contracts, as seen through our strategic shift in China, which has driven significant growth with multinational customers and integrated solutions.

In line with our strategy to position ISS along key account-focused markets, a decision has been made to discontinue and divest Thailand, the Philippines, Malaysia and Brunei. In most of these markets the outsourcing maturity is low and the demand from both local and global key accounts is limited. From a stronger and more focused platform, in 2019 we will gradually shift even more focus towards executing on the key account strategy. Resources and proceeds from divestments will be reinvested to further strengthen commercial capabilities across the region to capitalise on the significant growth opportunity with key accounts.

In 2019, we will continue to focus on harvesting the benefits of skills and scale in terms of volume, concepts and talent. We are aligning organisational structures, leveraging best practice concepts and approaches, and driving procurement excellence. We are also focusing further on cost leadership and on achieving scale benefits through procurement excellence across countries. Sharing skills and best practices is based in part on utilising virtual teams of subject matter experts. Sharing talent across the region and developing leadership and key account management skills through training programmes will remain in focus.

FINANCIALS

Revenue was DKK 12,725 million (2017: 12,695 million).

Organic growth was 6% while the growth was impacted from currency effects by 6%. The organic growth was mainly due to global and regional key account contract launches and expansions mainly in Australia, Hong Kong and India as well as higher demand for non-portfolio services in Singapore.

Growth remains impacted by the decision to exit non-strategic contracts in China, even though we saw positive growth rates by the end of 2018, as the strategic exits started to annualise and several key accounts started.

Operating profit before other items decreased by 13% to DKK 847 million reflecting an operating margin of 6.7% (2017: 7.7%). The operating margin decrease was mainly due to high comparator performance in Singapore in 2017. Furthermore, margin decreased in Australia due to contract launches and extensions as well as in China due to exit of non-strategic contracts.

AMERICAS

(continuing operations)

THE MARKET

Americas consists of two different markets – a mature North American market and generally less mature markets in Latin America. North America is the world's largest FM market, accounting for approximately 27% of the global outsourced FM market. Given ISS's very limited market share, but with an improving platform and foothold, North America stands as the single biggest growth opportunity across the Group. Our focus is on delivering performance-based IFS solutions to large key account customers. Key customer segments include Business Services & IT, Transportation & Infrastructure and Industry & Manufacturing.

BUSINESS UPDATE

With the acquisition of Guckenheimer in 2017, we built a competitive IFS platform and positioned ourselves to capture growth in the market through strong self-delivery capabilities. In 2018, Guckenheimer delivered strong double-digit organic growth and improved margin. In 2019, the focus will gradually shift from integration to cross-selling initiatives.

The underlying commercial momentum was strong across large parts of the region in 2018. While the region was impacted by reduced revenue from a global key account, we signed a number of key wins, extensions and expansions, e.g. with an international air carrier, a company in the pharmaceutical segment and the City and County of Denver Aviation.

Latin America accounts for approximately 4% of the world's total outsourced FM market. It is a market with significantly less outsourcing maturity and with limited demand from both local and global key accounts. As such, we decided to exit operations in Argentina and Uruguay in 2017, followed by Brazil and Chile in 2018, with a view to reinvesting divestment proceeds and resources to capitalise on significant growth opportunities with key accounts elsewhere – especially in North America. Going forward, ISS will have a full country presence in Mexico, and we will continue to service global key accounts across most parts of the region.

From a stronger and more focused platform, we will in 2019 gradually shift our focus towards executing on the key account strategy. Together with potential further organic investments and acquisitions in technical services and catering capabilities and supported by a number of Group-wide transformational initiatives, ISS will start to build a significantly larger presence in the world's largest FM market.

FINANCIALS

Revenue increased by 6% to DKK 7,847 million (2017: DKK 7,370 million).

Organic growth was 1%, while the impact from acquisitions and divestments, net increased revenue by 10% and currency effects reduced revenue by 5%. Organic growth was mainly driven by catering and key account contract launches in North America. Furthermore, the organic growth was supported by solid performance in Mexico. This was partly offset by revenue reductions from DXC Technology, HP Inc. and lower demand for nonportfolio services in the USA compared to last year.

Operating profit before other items was DKK 294 million for an operating margin of 3.7% (2017: 3.1%). The operating margin was supported by contract expansions and synergies within the catering division and exit of low performing contracts in the specialised division in North America. This was partly offset by Mexico, which was slightly impacted by contract start-up costs on key accounts.

OUR STRATEGY

We operate in the global facility services market – a market with an estimated outsourced value of around USD 1 trillion. This marketplace is changing, and ISS is changing with it.

Today, our services help drive the engagement and well-being of **people** – including employees, passengers or patients – by creating outstanding workplaces and great service moments. We help our customers minimise their impact on the **environment** by reducing their consumption of energy, carbon and water and cutting their production of waste. We also help to protect and maintain **property** – buildings and the key assets inside – to ensure optimal performance. We bring all of this to life through a unique combination of data, insight and service excellence. ISS helps the world work better.

OUR VISION

"We are going to be the world's greatest service organisation"

Our business model and strategy are designed to create value for our employees, our customers and our shareholders. Only by successfully executing a sustainable strategy, meeting the needs of all key stakeholders, will we become the world's greatest service organisation.

OUR MISSION

The spirit of our approach is articulated in our mission statement:

Service performance facilitating our customers' **purpose** through **people empowerment**

At its core, our mission statement tells a story of a differentiated value proposition. We do not simply deliver services but provide outcomes that are fully supportive of our customers' core business needs. Our impact on people, the environment and property creates outstanding places to work whilst minimising risk and improving efficiency and productivity. Our mission is built on the empowerment of our 485,908 people globally, giving them the flexibility to deliver an exceptional customer experience. This approach is rooted in our values and attitude and supported by robust processes and tools. These factors form the foundation of our value proposition at the centre of which is our truly differentiated self-delivery model.

THE ISS WAY STRATEGY

The ISS Way has guided our strategic direction and choices since 2008. Prior to that, we had expanded our service capability and geographic reach through hundreds of acquisitions. From 2008-2013 we started the process of building and leveraging a differentiated platform. We strengthened our capacity to deliver Integrated Facility Services (IFS) and proved our ability to take local customer relationships national, before taking them regional and finally global.

Supported by this success, we intensified our focus from 2014-2018, making stricter choices on which industry segments and customers to target, which services we needed to provide and the places on the globe where we wanted to provide them.

We have now chosen to accelerate this journey and from 2019-2020 we will intensify our focus on – and investment in – key account customers. These customers afford us with the greatest opportunity to grow and create value based on us building our value proposition.

We estimate the outsourced key account market to comprise around 40% of the total facility services market – in other words, amounting to approximately USD 400 billion, globally. This implies an ISS share of less than 2%. The outsourcing decision for key account customers is strategic rather than purely operational. The customers are focused on outcome, not merely input, and demand a solution that is customised to their specific needs. Proven industry segment expertise is critical, as is the strength of our relationship and daily interaction – via a trained and certified key account manager. We must deliver operational excellence and risk assurance, whilst continually exhibiting cost leadership.

At ISS, serving our key account customers has been an outstanding success. Our revenue with global key account customers has grown by 69% over the past five years. Our revenue from IFS has grown by almost 44% over the past five years. Key account customers offer ISS better win rates, longer duration contracts and higher retention, higher potential share of customer wallet and, in turn, stronger growth.

To deliver against these key account customer needs, we continue to build and develop our industry segment capabilities. We also continue to strengthen and build our capabilities within our strategic services, these being facility services, workplace management and design as well as project management. We have organised ourselves in a way that allows us to leverage volumes, concepts and talent across customers, across countries, and across regions – collaborating across the Group to exploit our purchasing power, bring successful innovations from customer sites to the rest of the Group and develop and share talent.

We have become smarter. Today, we are better informed about where the key account opportunities are most prevalent and what it will take to be a winner in this marketplace. More than ever before, we now seek to concentrate capital and resources in those areas that afford compelling, long-term growth and attractive returns, and play to the strengths of ISS.

INVESTING IN KEY ACCOUNT GROWTH

To maximise growth from our key account focus, we are investing further. We are undertaking a two-year DKK 700-800 million programme of accelerated investment in 2019 and 2020 (to be fully funded by divestment proceeds). This investment comprises project-related operating expenditure (opex) (approx. 50%), capital expenditure (capex) (approx. 50%) and selective M&A. After 2020, opex and capex will return to normalised levels, but we will continue to pursue M&A opportunities.

The principal areas of investment will include:

- Catering services
- Technical services
- Workplace management
- Technology and data

There are three key aims behind our investment plans.

First, we wish to strengthen some of our existing core capabilities in facility services. We will seek to fill white spots in key geographies to ensure consistency and transparency of service delivery for our customers. Examples include catering and technical services.

Second, we are looking to scale other capabilities which may be a small part of our current service platform but where the value we bring to our customers is considerable. We will accelerate the roll-out and deployment across our major key account customers, for example within workplace management and associated technology.

Third, we will selectively explore and invest in new breakthrough capabilities, meaning services that lie outside of our current offering. However, any such investment will only be considered if the new service is clearly complimentary to our existing activities, if it strengthens our value proposition and it can be readily scaled across the Group.

SHARPENING OUR GEOGRAPHIC FOOTPRINT

As we sharpen our focus on key account customers and make additional investments in our service capabilities and platform, we will also further reduce our exposure to non-core activities. This process will release capital and resources which we will re-allocate to help fund the planned investments in our core business mentioned above. In addition, it will also make our organisation less complex, reduce risk and strengthen our ability to execute on our strategic priorities. As such, we have made bold decisions regarding the geographies we really need to be in. Every ISS country must present a strong and compelling key account strategy, consistent with the Group's priorities.

In our Strategy Update in December 2018, we announced our intention to divest activities in 13 countries – Thailand, the Philippines, Malaysia, Brunei, Brazil, Chile, Israel, the Czech Republic, Slovenia, Slovakia, Estonia, Hungary and Romania. This is in addition to Argentina and Uruguay, which were divested in January 2019. The local markets in these countries are less supportive of our key account focus and are often dominated by smaller, price-centric customers. It is not easy for us to leverage volumes, concepts and talent and, in some instances, we cannot generate attractive and sustainable returns at a commensurate risk. We will, however, continue to serve global and regional key account customers in these markets. Finally, we also announced our intention to divest a number of business units across the Group, entirely consistent with our strategy of recent years and thereby completing our exit from non-core services.

These decisions were not taken lightly. However, they reflect our conviction in the scale of the growth opportunity afforded by key accounts and our ability to offer a truly differentiated value proposition to these customers. Only through a combination of sharpened focus and stronger, targeted investment will we fully be able to capitalise on this potential.

DRIVING OUTCOMES

Evaluating the success of our strategy, including our ability to extract benefits of volume, concepts and talent, and ultimately our creation of shareholder value, requires that we measure specific KPIs.

Outlined below are some of the highlights of the progress on extracting benefits of volume, concepts and talent we made in 2018.

VOLUMES

While our world-wide procurement excellence programme as described in prior years has been completed, our focus is now on reaching beyond traditional sources of procurement value generation by increasingly leveraging our key partners' expertise to lower our delivery costs. Moreover, we are investing in common procure-to-pay platforms to drive incremental scale benefits from increased adherence to preferred vendor lists, a reduced logistics footprint, and less internal complexity. The resulting reduction of the ISS supplier portfolio will enable us to implement assurance initiatives in an increasingly targeted fashion and improve compliance.

Furthermore, in 2018 we took the first step towards establishing a global business services structure, when Group IT and Group Finance Administration were merged into Global Support Solutions (GSS). With GSS, we will accelerate our journey from decentralised local ownership of the financial processes towards a standardised and optimised setup focused on key accounts. By implementing standard procedures and outsourcing relevant activities in e.g. Accounting, People & Culture, Procurement and Operations, we make it possible to ensure consistency, standardisation and comparisons across countries together with cost leadership.

As mentioned in our Strategy Update in December 2018, this is one of our transformational projects in the investment programme for 2019 and 2020. The initiative was kicked off in the UK in 2018 and in 2019, GSS will accelerate the global migration to group standard operating systems to ensure they consist of IT solutions that are vital to our business. Our goal is to ensure that these solutions are developed, maintained and implemented in a standardised and synchronised way with the right integration layers, thereby ensuring the best platform for our future internal and external activities. Furthermore, in 2018, we continued the roll-out of a shared ERP platform. In 2019, we plan to accelerate the roll-out of ERP further as one of the transformational projects announced on 10 December 2018.

CONCEPTS

In our pursuit of excellence and to enhance our value proposition and profitability, we drive the deployment of our existing best practices and continuously explore innovations in customer segments, services, technology and processes.

To address the increasing risk and compliance agenda at our customers and the need for cost efficiency, but also to improve the user experience as a result of the services we deliver, we have in 2018 strengthened our workplace experience agenda by integrating SIGNAL into ISS and through expansion into the UK. Organic build-out of workplace management and design is one of our transformational projects that we will focus on in 2019 and 2020.

We also continue to apply an increasing level of technology in our solutions to drive compliance, transparency, consistency and efficiency as well as underpinning our workplace experience agenda. In 2017, we began to introduce new workplace systems at select customer sites, upgrading our facility management system (FMS@ISS). As announced on 10 December 2018, we will accelerate the roll-out of our FMS@ISS which will become the backbone of all of our other technology and data-driven initiatives. By the end of 2018, we had migrated key accounts generating close to 10% of our total key account revenue. By the end of 2019, we aim to be above 50% and by the end of 2020 at over 70%. This will come along with an ISS suite of solutions covering end-to-end front and back-office processes.

An important part of our innovation agenda is supported by the establishment of the ISS Corporate Garage – an autonomous unit with the ambition to unleash the innovation power of ISS by engaging with the business and our customers. In 2018, the ISS Corporate Garage has piloted the ISS Open Innovation Initiative, which aims to fast track customer-centric innovation in the service industry by connecting our customers' evolving needs with solutions from the global innovation system of start-ups. Through the ISS Open Innovation Initiative, we believe that we can make a significant impact by facilitating the discovery of needs and solutions driven by new technologies, and subsequently scaling the solutions that we find evidence for into our key accounts.

TALENT

The ingredient most essential to successfully implementing our strategy is leadership. Given our self-delivery model, our employees are the core enablers of our strategy. In 2018, we continued to invest in developing and empowering our people at all levels of our organisations to ensure the right capabilities and mindset to deliver on our vision – this mainly through the continued roll-out of leadership programmes.

Read more about our specific people initiatives in Our people, on p. 19.

We believe that strong leadership drives employee engagement, which in turn drives customer satisfaction and hence leads to improved financial results. In 2018, we conducted our customer experience survey for the eighth time. We invited 6,270 customers across 44 countries to participate and enjoyed a response rate of 82%. The KPI for customer experience is cNPS. With a score in 2018 of 49.6 (2017: 44.0) we saw an improvement for the eighth consecutive year.

OUR PEOPLE

Great leadership is the ingredient most essential to successfully implementing our strategy. It is the main driver of people engagement and the desired customer experience.

UNLEASHING THE POWER OF THE HUMAN TOUCH

Our people are the true source of our competitive advantage, and the proof point of our ability to deliver on our value proposition lies in every interaction between our people and our customers. It is our fundamental belief that great service moments can be architected by the right combination of people with a common purpose and the right attitude, who are:

- inspired and supported by the right leadership;
- equipped with the right skills and tools to perform; and
- engaged and empowered to create memorable service moments.

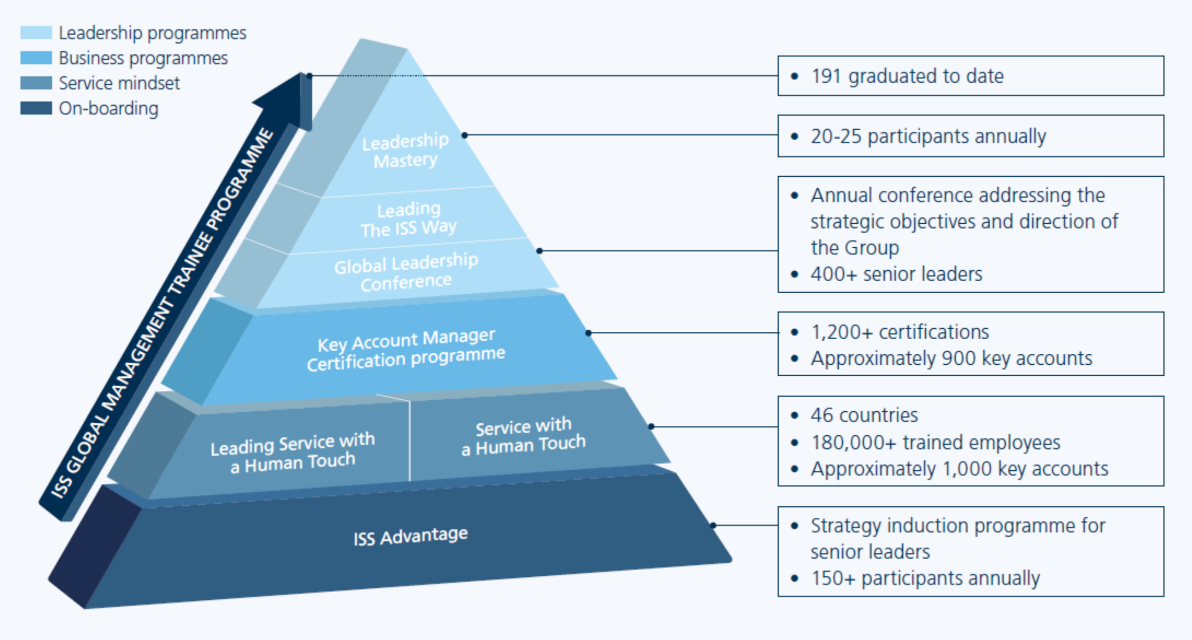
The quality and consistency of our leadership is the biggest single driver of our ability to truly unleash the Power of the Human Touch, which is why we continue to invest in developing our leaders through key Group-wide ISS University programmes.

To create a common understanding of what is expected of all our leaders in terms of skills and behaviours (competencies) for successful execution of our strategy, we have developed the **ISS Leadership Competency Framework**. The core competencies form the common thread that binds together people processes, from recruitment, to performance management, leadership development, succession planning and reward and recognition. To further build the leadership needed, we have launched **Leading the ISS Way**. The programme is targeted at all senior leaders and built specifically to communicate and embed the ISS Leadership Competency Framework across our business. In 2018, we established the programme in all countries through a train-the-trainer handover and more than 30 country leadership teams have already graduated. In 2019, we will continue the roll-out, targeting senior leaders and key account managers.

ISS UNIVERSITY

The ISS University is the 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:

ISS UNIVERSITY – THE GROUP-WIDE LEARNING ACADEMY



- **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.

A critical building block is our **Key Account Manager Certification (KAMC)** – a modular programme directed at key account managers. Vital to the successful execution of our strategy, our key account managers hold complex general management positions, are financially and customer accountable and responsible for leading large and diverse teams, often across multiple customer sites. In 2018, focus was to further sustain and maximise the effect of KAMC going forward by engaging the leadership and support structures around our key accounts. By the end of 2018, more than 1,200 certifications had been issued under KAMC, touching the majority of our key accounts globally. KAMC consistently shows strong improvement in both the loyalty of our employees and customers, measured by eNPS and cNPS, on the accounts covered by the certification. The objective is to certify all key account managers across all our key accounts in all ISS countries by the end of Q3 2019.

LEADERSHIP PIPELINE

Ensuring that our leaders are equipped to communicate our strategy and engage the organisation is a key focus area for leadership development. Our leadership programmes provide our employees with an essential understanding of our strategy and give them tools relevant for their day-to-day work.

With that in mind, we continue to run the **ISS Leadership Mastery programme**, a comprehensive five-module programme for selected senior executives. The focus is on personal leadership development and behaviour, developing a team, securing a deep understanding of our strategy and facilitating greater understanding of customers and employees. So far, more than 100 senior leaders have graduated from the Leadership Mastery programme.

In parallel to the significant focus on developing current leaders, we are looking ahead, and building our pipeline of future leaders through the **ISS Global Management Trainee programme**, which is directed at university graduates and we select the brightest and the best in a rigorous assessment process. The benefits of the programme are twofold; it enables us to build a sustainable talent pipeline for the future, while at the same time building our global employer brand in the external marketplace. Our trainees go through an 18-month programme, including an international assignment, before being assigned their first line appointment. It is structured in modules which first enable candidates to build an understanding of the ISS business model and strategy, before moving on to build knowledge of operational excellence and basic key account management capabilities. On graduating, the trainees typically take up key account manager, contract manager or contract support roles.

Since its launch in Europe in 2013, 191 trainees have completed the programme, and to date, the retention rate is 85%. For 2018, we have recruited 51 new trainees and launched the programme in the Americas region thereby ensuring our programme is implemented in all regions in 2018.

ENGAGED PEOPLE

Employee engagement is critical for our ability to serve our customers – engaged and enabled employees have a direct impact on the customer experience. For this purpose, we survey our employees on how engaged and enabled they are in working for ISS and, more importantly, what we can do better to drive engagement.

In 2018, we carried out our seventh global employee engagement survey covering 44 countries and conducted in 47 languages. Scope has been expanded each year since inception. In 2018, we removed all paper surveys and instead surveyed our people online to match our commitment to the environment and to reduce time and costs relating to processing data. More than 300,000 employees were invited to participate, with 230,824 responding – an impressive response rate of 76% (2017: 78%) considering the removal of paper survey and first year of a 100% online survey.

We further changed the structure of our people survey. In previous years, themes such as capability, motivation and pride were independently reported. In 2018, we took it a step further, combining these factors in the measures of engagement and enablement. Employee engagement is about positive attitudes and behaviours leading to positive business outcomes in a way that they trigger and reinforce one another. Employee enablement ensures that employees are able to deliver high performance by having the right skills, tools, information and other resources required. We retained some of the questions from last year and added others which has given us an enablement measure. The survey revealed an overall employee engagement score, which was 86% favourable and an overall enablement score of 90% favourable. As part of the survey, we also measure the loyalty of our employees and their willingness to recommend ISS as an employer (eNPS). In 2018, eNPS was 59.8, which is slightly behind last year's 62.1.

In response to previous learnings from the survey, we continue the **Service with a Human Touch programme (SWAHT)**, focusing on our frontline employees. The programme is a key strategic game changer driving cultural change, communicating our mission and translating customer value propositions into concrete service behaviours for thousands of service professionals.

SWAHT is operational in 46 countries, with 600 accredited trainers and more than 180,000 trained employees across approximately 1,000 key accounts. We will continue the work to continuously improve engagement, which in turn increases the overall sense of purpose of our people in the delivery of our services. We see a clear correlation between employee engagement and customer satisfaction, making them key drivers of financial and operational performance.

HEALTH, SAFETY, ENVIRONMENT AND QUALITY

Our concern for health, safety, environment and quality (HSEQ) and initiatives in that respect are aimed both at our employees and our customers. Our vision is to be incident free and our goal will always be zero injuries and zero environmental incidents. We are committed to ensuring that all our people go home well to their families after a safe working day at ISS. To drive this vision, we need a culture where safety is second nature. This requires commitment throughout our organisation, starting from our Executive Group Management to our colleagues delivering our services to our customers. Our responsibilities also include the health and safety of our customers, as we work alongside them on a daily basis. Instigating a strong safety culture amongst ourselves will have a positive impact on our customers.

We perform services with different personal health and safety risk profiles depending on our customers' activities and on the individual site. To manage HSE risks we have implemented a standardised Site Risk Register that provide an overview of the hazards and risks at a site. To ensure we understand and comply with our customers' requirements we have implemented an HSE Compliance Plan.

In order to stay on course and keep HSE in constant focus, we continue to run global HSE campaigns three times a year with changing focus points reflecting current challenges, e.g. driving safely, working at heights, and slips, trips and falls. In addition, in 2018, we continued the highly successful ISS Toolbox Talk Calendar, building on the feedback received since the launch in 2015. The Toolbox Talk reinforces and embeds safety behaviours as part of our safety culture. Two topics are chosen each month to inspire our operational teams to hold Toolbox talks at their sites. We have also developed and rolled out an e-learning module on driver safety to reinforce the behaviours we would like to embed in our organisation.

Read more about CR and HSE initiatives and performance at https://www.issworld.com/about-iss/our-approach-to-cr/reporting-and-policies

FATALITIES

Our first priority is to prevent fatalities at our workplaces. Regretfully, in 2018, we had one work-related fatality occurring in an accident involving electric current. We took immediate action by sending out a Global Safety Flash to our worldwide operations to ensure we learn from this tragic incident.

We work to make safety a responsibility for the entire organisation. Our policy is that management at all levels must understand their roles and responsibilities when it comes to safety. As per our Group Escalation Policy, each fatality and serious injury is reported to the Executive Group Management within 24 hours of occurrence.

LOST TIME INJURY FREQUENCY

We have reduced LTIF by 78% since our 2010 baseline of 13 to an LTIF of 2.9 in 2018 (target 2018: 3). The continuous improvement of our HSE performance over the last eight years has been driven by our systematic approach in addressing HSE risks across the organisation. During that period, we have implemented our:

- Group HSEQ Management System;
- ISS Safety Rules;
- HSEQ@ISS-IT system for reporting and investigating incidents, auditing and inspections;
- Global campaigns to keep the focus on HSE; and
- Toolbox Talk Calendar.

CORPORATE RESPONSIBILITY (CR)

OUR APPROACH TO CR

As a global company with more than 485,000 employees, we influence the lives of many people every day through providing employment, training and safe and healthy work environments. We believe that long-term sustainable business success relies on a high level of CR, as economic, social and environmental issues are inevitably interconnected. CR is therefore a fundamental part of our corporate values and strategy, and universally accepted principles on sustainable development are integral to the way we conduct our business.

CR is also becoming increasingly important for our selected customers as they strive to improve their own business performance and make a positive impact on society. Leading global companies require a consistent CR performance from their partners, and this is often a key factor in winning and retaining contracts. CR is therefore an important part of our value proposition to our customers.

We have adopted a principles-based approach to CR that contributes to sustainable development as defined by the international community. We have developed and rolled out across the Group a strategy for Health, Safety, Environment and Quality (HSEQ) and CR, which supports The ISS Way, our GREAT initiatives and the extraction of benefits of skill and scale within volume, concepts and talent.

Volume

By aligning procurement across countries, we ensure better control of the products and services we procure; this results in safer products, more environmentally friendly products and better control of the suppliers we use to deliver our services.

Concepts

In our pursuit of excellence and to enhance our value proposition to our customers, we have built an HSE value proposition to our customers. Customers require effective and credible risk management, including risks related to safety, labour conditions and influencing human rights in a positive direction. Our processes and systems within these areas allow us to provide support to our customers in managing these risks.

Talent

We have incorporated HSE in our training programmes Service with a Human Touch and Key Account Manager Certification (KAMC) programme, providing a better highway for the deployment of our HSE culture and processes.

OUR HSE VISION '100'

1: We aim to be number 1 in our industry and recognised as an industry leader in the way we deliver Health, Safety, and Environmental performance;

0: We operate with 0 fatalities in our workplaces; and

0: We incur 0 serious incidents and occupational injuries at our workplaces.

STRONG COMMITMENT TO UN GLOBAL COMPACT

As a signatory and supporter of the United Nations Global Compact since its inception in 1999, we have made a strong commitment on human rights, labour rights, environmental protection and anti-corruption. We remain committed to aligning our strategy and operations with the ten Global Compact principles.

Furthermore, we respect, support and promote human rights and support the ambitions set out in the United Nations Universal Declaration of Human Rights, the Core Conventions of the International Labour Organisation and the United Nations Guiding Principles on Business and Human Rights.

TRADE UNION RELATIONS

We remain fully committed to our global agreement with the international network of national labour organisations – Union Network International (UNI) – covering our employees where UNI cooperates with local unions. We continue to work closely with our European Works Council (EWC). We hold quarterly meetings with the steering committee and annual meetings with the entire EWC. At these annual meetings, the EWC visits our head office for three days, and we spend considerable executive management time with EWC to ensure alignment with our priorities and a common understanding of our strategy and the Group's direction.

DOW JONES SUSTAINABILITY INDEX

ISS has been recognised as a sustainability leader within its sector by achieving a Bronze ranking in the 2018 Dow Jones Sustainability Index. The ranking places ISS in the top 10% of the 44 global companies in the commercial services and supplies sector that are assessed across three dimensions – economic, environmental and social dimension – under the DJSI framework.

OUR CORPORATE RESPONSIBILITY REPORT

Our full CR report as per section 99a of the Danish Financial Statements Act is available at https://www.issworld.com/about-iss/our-approach-to-cr/reporting-and-policies. The report also serves as ISS's communication on progress in implementing the ten principles of the Global Compact.

OUR BUSINESS RISKS

At ISS, we see risk management as an integral part of value creation – for our customers and for ourselves.

As a global business, we take an active approach to risk management, ensuring that our key risks are identified and managed in a structured and prioritised manner.

Our business model is based on taking over facility services that are non-core to our customers. As our services are being integrated into our customers' value streams there is a risk of disrupting our customers' operations if effective operational risk management is not applied or if contract requirements are not complied with. Therefore, risk management at ISS is about understanding our customers' risks and supporting their risk management and compliance – just as much as it is about managing our own risks.

FOCUS IN 2018

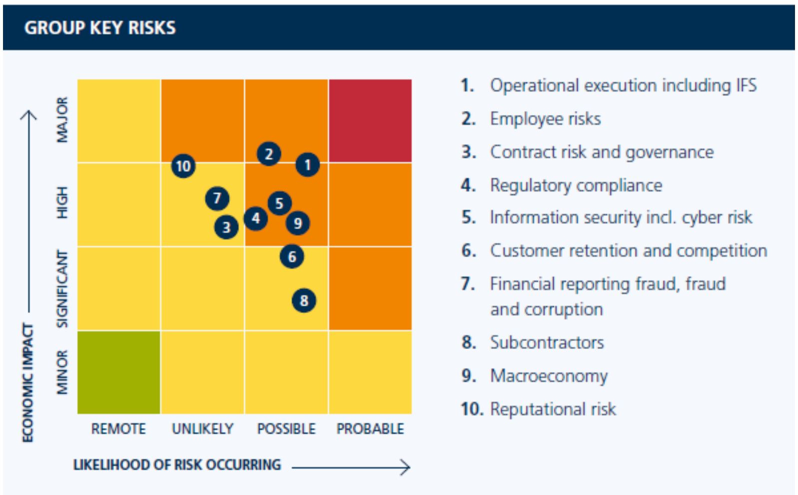
In 2018, to improve risk visibility and to deliver industry best practice risk assurance, we aligned our risk framework with ISO 31000. Consequently, we have strengthened our risk governance structure framework and line of defence model by establishing four functional risk committees for each major Group function; Global Operations, Finance, People & Culture and Legal, and reporting to the Executive Group Management (EGM). Each committee is responsible for ensuring that risks are identified and assessed, that risk management improvements are prioritised and approved, and that the outcome of this process is reported all the way up to the Board of Directors.

Our governance structure, see p. 27

Due to our continued focus on key account customers we increasingly experience demand for risk transfer, operational risk management and contract compliance. In response, we are strengthening our efforts to address risk appropriately (reference is made to Group risk no. 1 and 5). As part of our key account business, we hold and manage data related to our customers' business, e.g. basic personal data, asset information, manufacturing plant design and the like. Considering our business strength within highly regulated industries such as pharma, food manufacturing and banking, this increasingly exposes us to information security and cyber risk. Consequently, our customers also focus on information security and how we as their service provider comply with information security requirements. To meet our customers' expectations, we have further strengthened our efforts to continuously improving our information security with a specific focus on HR compliance and General Data Protection Regulations (GDPR) compliance.

GROUP KEY RISKS

As announced in our Strategy Update in December 2018, we intend to sharpen our focus even more on key account customers in order to maximise growth going forward. We have launched a two-year programme of accelerated investment in our service capabilities and platform, and at the same time we are reducing our exposure to non-core activities, including geographies that do not contribute significantly to our global key account delivery. These actions will create a significantly less complex organisation and will ultimately reduce our risk exposure. While we expect to reduce our risk exposure going forward as a result of the sharpened key account focus, the defined key risks the Group currently faces remain the same, only they will be concentrated on fewer and bigger customers. These key risks are illustrated in the overview to the left and described on the following pages. We are also exposed to financial risks related to our operating, investing and financing activities. Financial risk management is described in detail in note 4.4 to the consolidated financial statements.



GROUP KEY RISKS[1]	RISK DRIVERS	MITIGATION MEASURES
1. Operational execution including IFS As our services are integrated with our customers' value streams, any non-compliance with operational procedures or contract requirements may disrupt or damage our customers' operations and/or brands.	• Complexity in our service delivery • Customer requirements relating to operational control and risk management, e.g. in the banking sector and the pharmaceutical industry	• Risk & Compliance tools (e.g. RiskManagement@ ISS, FMS@ISS and OPF@ISS) implemented to support the automation of operating processes and ensure that services are delivered and managed according to our process frameworks • Continuous reviews on selected contracts as a part of the global risk management framework
2. Employee risks Our success depends on our ability to attract, develop and retain talented and engaged people. It requires us to take good care of our people with respect to HSE and work environment which in turn requires good leadership.	• "War for talent" • Customers' HSE and compliance requirements • Decentralised structure • Increased risk of terror	• Global people standards and group HSE policies • Global employee engagement surveys • Leadership development and training programmes • HSE site compliance plans
3. Contract risk and governance The profitability of our contracts depends on our ability to successfully calculate prices by taking economic factors, legal and other risk elements into consideration, and to manage our day-to-day operations under these contracts.	• Complexity in contracts and services, e.g. IFS and energy management • Increasing contract volumes, e.g. the growing share of global key accounts	• IT tool for contract risk management • Approval procedures for large contracts • Contract risk reviews performed by Group Risk Management for specific contracts • High-risk contract dashboard for monitoring limitation of liability • The significantly reduced number of customers as announced in December 2018 will make deployment of Group initiatives easier as well as leveraging volumes, concepts and talent more effectively
4. Regulatory compliance We are subject to a variety of complex and restrictive laws and regulations such as labour, employment, immigration, health and safety, tax (including social security, withholding and transfer pricing), corporate governance, customer protection, business practices, competition and the environment.	• Changes in local regulations and stepped-up enforcement • Customers outsourcing compliance and risk management to ISS • Data privacy regulations	• Group corporate governance policy • Code of Conduct, Anti-Corruption Policy, and Competition Law Policy, including ongoing training for selected managers and employees • GDPR procedures, including training • Binding Corporate Rules for the exchange of personal data between ISS Group companies • Reduced global footprint as announced in December 2018 will lead to fewer local markets with less inherent compliance risk and less complexity
5. Information security incl. cyber risk We increasingly hold and manage data related to customers' businesses, e.g. basic personal data, asset information, manufacturing plant design and the like. Considering our business strength in highly regulated industries such as pharma, food manufacturing and banking, this increasingly exposes us to information security and cyber risk.	• IFS contracts • Risk of cyber attacks	• Information Security Policy and other Group IT policies and procedures • Strengthening of the IT Security organisation by recruiting people with the right skill sets

[1] The risks are presented in the context of the entire Group, which means that the risks identified are considered to be globally applicable throughout the organisation. Consequently, the mitigation action plans are largely Group initiatives, or at least initiatives with the ultimate owner in a Group function. As a consequence, the risk environment and the prioritisation of Group risk mitigation action plans may be different at country level, reflecting the different maturity levels throughout the Group.

GROUP KEY RISKS [1]	RISK DRIVERS	MITIGATION MEASURES
6. Customer retention and competition Our ability to target select customer segments with attractive and competitive value propositions is key to attracting and retaining customers. Failure to develop and execute on value propositions may lead to increased price competition and contract losses as the facility services market is fragmented with relatively low barriers to entry and significant competition from local and regional players.	• Customer concentration • Key account management • Inconsistent service delivery for key accounts • Strategic market position • Lack of deep segment expertise	• Roll-out of Customer Relationship Management system (CRM@ISS) • Annual customer satisfaction survey (cNPS) • Continued roll-out of the Key Account Manager Certification programme (KAMC) • Investing in and focusing even more on key account customers as announced in December 2018
7. Financial reporting fraud, fraud and corruption Our decentralised structure of financial IT systems and operational control structures increases the risk of fraud and corruption. Our presence in emerging markets increases our exposure to compliance risks in countries where improper practices may be common.	• Exposure in emerging markets • Decentralised financial IT systems and control structures • Step-up in extraterritorial regulations and enforcement	• Well-established and documented control environment • Monitoring the implementation of key controls through the system of Control Self-Assessment • Mandatory e-learning modules on our Code of Conduct, anti-corruption, anti-bribery and competition law for selected managers and employees • Speak Up policy (whistle-blower system hosted by third party) • Automated interface between local ERP platforms and the Group's standardised financial reporting tool • Exit from certain emerging markets with high inherent compliance risk as announced in December 2018
8. Subcontractors We rely on subcontractors where we do not have self-delivery capabilities. This represents a risk primarily with respect to: • **Performance** – if subcontractors do not perform in accordance with the customer contract ISS has entered into. • **Compliance** – potential risk of non-compliance with labour laws or other regulatory requirements.	• Growth in countries with low IFS capabilities • Growth in global key accounts • Complexity of service delivery • High-profile customers	• Supplier Code of Conduct • Separate framework when using subcontractors in countries with no ISS presence • Global risk-based vendor vetting and approval system being rolled out (ProcurePass@ISS)
9. Macroeconomy The past decade has seen recurrent financial turmoil – including Brexit and the risk of trade wars – that has affected the global economy.	• Customers downsizing their businesses or reducing their need for services • Political instability • Brexit • Risk of trade wars	• Balanced and diversified revenue base • Ongoing formal monitoring of market changes and developments • Reduced global footprint as announced in December 2018
10. Reputational risk Protecting our reputation is the responsibility of every employee, because our reputation is shaped by all actions and statements made by ISS.	• Complexity in service delivery • High-profile customers • Use of social media	• Group Escalation Policy defining process for escalation of incidents to senior-level management • Crisis communication plan integrated in Group Escalation Policy and Group Crisis Response Plan • Media handling (internal and external) and monitoring tools, as well as media communication guidelines

CORPORATE GOVERNANCE

Transparency, constructive stakeholder dialogue, sound decision-making processes and controls are key aspects of our corporate governance for the benefit of ISS and our stakeholders.

The management team of the Group formally consists of the Board of Directors and the Managing Director of ISS Global A/S. Since ISS Global A/S has no operating activities of its own, the Group relies on the management team of ISS A/S, the ultimate parent company in Denmark. As a subsidiary of ISS A/S, ISS Global A/S is subject to the same corporate governance policies applicable in ISS A/S. Corporate governance of the ISS Global Group is therefore built on corporate governance of the ISS A/S Group, including the management team, and the descriptions throughout this chapter should be seen in this context.

FRAMEWORK AND RECOMMENDATIONS

The Board of Directors (Board) regularly reviews the Group's corporate governance framework and policies in relation to the Group's activities, business environment, corporate governance recommendations and statutory requirements; and continuously assesses the need for adjustments.

The 2018 statutory report on corporate governance, which is available at http://inv.issworld.com/governancereport, provides an overview of our overall corporate governance structure and our position on each of the Danish Corporate Governance Recommendations. At the end of 2018, we complied with all of the Danish Corporate Governance Recommendations.

The Board reviews the Group's capital structure on an ongoing basis. The Board believes the present capital and share structure serves the best interests of both the shareholders and ISS as it gives ISS the flexibility to pursue strategic goals, thus supporting long-term shareholder value combined with short-term shareholder value by way of ISS's dividend policy.

GOVERNANCE STRUCTURE

The shareholders of ISS A/S exercise their rights at the general meeting, which is the supreme governing body of ISS.

Rules on the governance of ISS A/S, including share capital, general meetings, shareholder decisions, election of members to the Board of Directors, Board meetings, etc. are described in our Articles of Association, which are available at http://inv.issworld.com/articles

MANAGEMENT

Management powers are distributed between our Board and our Executive Group Management Board (EGMB). No person serves as a member of both of these corporate bodies. Our EGMB carries out the day-to-day management, while our Board supervises the work of our EGMB and is responsible for the overall management and strategic direction.

BOARD OF DIRECTORS

The primary responsibilities of the Board and the four Board committees established by the Board are outlined in our governance structure opposite.

In 2018, the Board performed an evaluation of the Board's performance with external assistance, which included the performance of its individual members and an evaluation of the performance of the EGMB and of the cooperation between the Board and the EGMB. For further details, please see response to recommendation 3.5.1 of the 2018 statutory report on corporate governance.

Board members elected by the general meeting stand for election each year at our annual general meeting. Board members are eligible for re-election.

Three employee representatives serve on the Board. They are elected on the basis of a voluntary arrangement regarding Group representation for employees of ISS World Services A/S as further described in the Articles of Association. Employee representatives serve for terms of four years.

THE BOARD OF DIRECTORS (BOARD)

Responsible for the overall management and strategic direction of the Group, including:

- strategy plan and annual budget
- appointing members of the EGMB
- supervising the activities of the Group
- reviewing the financial position and capital resources to ensure that these are adequate

The Board receives a monthly financial reporting package and is briefed on important matters in between board meetings.

Meetings

Ten meetings held in 2018. All members attended all meetings, except Claire Chiang, who did not attend three meetings (two due to injury) and Henrik Poulsen, Cynthia Mary Trudell, Ben Stevens and Palle Fransen Queck who did not attend one meeting.

BOARD COMMITTEES

AUDIT AND RISK COMMITTEE

- Evaluates the external financial reporting and significant accounting estimates and judgement related to items such as impairment tests, divestments and deferred tax, see section 1 to the consolidated financial statements
- Monitors the Group internal audit function
- Monitors and considers the relationship with the independent auditors, reviews the audit process and recommends auditors to the Board
- Reviews and monitors the Group's risk management and internal controls
- Evaluates the Financial Policy, the Tax Policy and the Dividend Policy

Meetings

Six meetings held in 2018. All members attended all meetings, except Ben Stevens, who did not attend two meetings.

NOMINATION COMMITTEE

- Assists the Board in ensuring that appropriate plans and processes are in place for the nomination of candidates to the Board and the EGMB
- Evaluates the composition of the Board and the EGMB
- Makes recommendations for nomination or appointment of members of the Board, the EGMB and the board committees

Meetings

Six meetings held in 2018. All members attended all meetings, except Claire Chiang, who did not attend one meeting.

REMUNERATION COMMITTEE

- Assists the Board in preparing the remuneration policy and the overall guidelines on incentive pay
- Recommends to the Board the remuneration of the members of the Board and the EGMB, approves remuneration of EGM as well as the remuneration policy applicable to ISS in general

Meetings

Nine meetings held in 2018. All members attended all meetings, except Claire Chiang, who did not attend one meeting.

TRANSACTION COMMITTEE

- Makes recommendations to the Board in respect of certain large acquisitions, divestments and customer contracts
- Reviews the transaction pipeline
- Considers ISS's procedures for large transactions
- Evaluates selected effected transactions

Meetings

One meeting held in 2018. All members attended the meeting, except Ben Stevens.

EXECUTIVE GROUP MANAGEMENT (EGM)

Carries out the day-to-day management of the Group, including:

- developing and implementing strategic initiatives and Group policies
- designing and developing the organisational structure
- monitoring Group performance
- evaluating and executing investments, acquisitions, divestments and large customer contracts
- assessing on an ongoing basis whether the Group has adequate capital resources and liquidity to meet its existing and future liabilities
- establishing general procedures for accounting, IT organisation, risk management and internal controls

COUNTRY LEADERSHIP

Appointed to manage the business in accordance with Group policies and procedures as well as local legislation and practice of each country, including managing operations in their market

Country leadership teams are set out under each relevant country at www.issworld.com

The current employee representatives joined the Board after the annual general meeting held in April 2015. A new election was held early 2019, and the elected candidates will join our Board after the annual general meeting in April 2019.

EXECUTIVE GROUP MANAGEMENT BOARD

The members of the EGMB are the Group CEO and Group CFO. Together, they form the management registered with the Danish Business Authority.

The Group has a wider Executive Group Management (EGM), whose members are eight Corporate Senior Officers of the Group in addition to the EGMB. The primary responsibilities of the EGM are outlined in our governance structure on the previous page.

COMPETENCIES AND DIVERSITY

As one of the world's largest private employers and with operations globally and more than 485,000 employees, we are committed to fostering and cultivating a culture of diversity and inclusion in the broadest sense. The Board and the EGM recognise the importance of promoting diversity at management levels and have implemented policies regarding competencies and diversity in respect of Board and EGMB nominations according to which we are committed to selecting the best candidate while aspiring to have diversity in gender as well as in broader terms. Emphasis is placed on:

- experience and expertise (such as industry, strategy and value creation, leadership of large international companies, transformational change, people development and succession, sales and marketing, IT and technology, finance, risk management, and corporate responsibility;

- diversity (including age, gender, new talent and international experience) as well as diversity of perspectives brought to the Board or the EGMB; and

- personal characteristics matching ISS's values and leadership principles.

The Board has adopted a gender diversity target of having at least 40% women on the Board by 2020[1)]. Currently, 33% of our Board members are women. The target was not reached in 2018. The Board found that, in broad terms, it possessed a high level of diversity and did not nominate new Board candidates in 2018.

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 our recruitment policy, requiring us to short-list at least one female candidate in all internal and external searches for vacant positions. It is furthermore our policy to 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. In 2017, we launched our 2020 Talent Vision which has specific targets for female representation in succession plans for EGM and their direct reports, and the succession plans, diversity targets and progress were reviewed by the EGM as well as the Board. 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 25% female representation at our 2018 annual Global Leadership Conference, and 20% female participation in our Leadership Mastery development programme and we actively identify female candidates for these programmes to ensure adequate gender diversity. The policy and initiatives create an increased focus on gender diversity across the organisation leading to satisfactory progress.

The representation of women at management level at the global head office increased slightly in 2018 compared to 2017 and gender diversity remains a focus area in 2019.

[1)] In respect of the specific target for ISS Global A/S, the Board of Directors of ISS Global A/S has decided to target an increase in the number of women on the Board of Directors from none to at least one member by 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. As ISS Global A/S does not have any employees a policy promoting gender diversity at other management levels has not been adopted.

SPEAK UP POLICY (WHISTLE-BLOWER)

The Group has adopted its "Speak Up Policy" and reporting system to enable employees, business partners and other stakeholders to confidentially report serious and sensitive concerns to the Head of Group Internal Audit via a secure and externally hosted reporting tool or via our telephone hotline, both accessible via the ISS website.

SPECIFIC MATTERS TRANSACTED BY THE BOARD IN 2018

- Strategy Update as announced 10 December 2018
- New General Data Protection Regulation (GDPR)

KEY MATTERS TRANSACTED ANNUALLY BY THE BOARD

- Overall strategy, business and action plan
- Annual budget
- Capital and share structure as well as financing
- Financial Policy
- Dividend Policy
- External financial reporting, corporate governance report and CR report
- Material risks and risk management reporting
- Internal controls, procedures and risks related to financial reporting
- IT and information security
- Corporate governance
- Competencies, composition and independence of the Board
- Succession planning
- Evaluation of performance of the Board, individual board members, performance of the EGMB and cooperation between the Board and the EGMB
- Diversity
- Remuneration policy and guidelines on incentive pay
- Deep dives on regional operations
- Review of the agenda of Group Commercial, Global Operations and People & Culture
- Recommendation of auditors for election at the annual general meeting

INTERNAL CONTROLS RELATING TO FINANCIAL REPORTING

Quality and efficiency of financial reporting is a fundamental objective, requiring strong governance and internal controls framework.

ASSURANCE

The overall assurance responsibility follows our governance structure, see p. 27.

Group Internal Audit (GIA) is responsible for providing an objective and independent assessment of the effectiveness and quality of the internal controls in accordance with the internal audit plan approved by the Audit and Risk Committee (ARC). To ensure that GIA works independently of the Executive Group Management Board (EGMB), it operates under a charter approved by the Board of Directors (Board) and reports directly to the ARC. Group policies of relevance to financial reporting include the Code of Conduct, the Accounting Manual, the Reporting Manual, the Financial Policy, Control Procedures and the Escalation Policy.

GIA's responsibility is to provide the Board and the EGMB with reasonable assurance that:

- internal controls are in place to support the quality and efficiency of the financial reporting processes;
- significant risks are identified, and material misstatements are detected and corrected; and
- the financial reporting is compliant with ISS policies and procedures and gives a true and fair view of the Group's financial position and results.

The EGMB annually identifies and assesses the material financial reporting risks and decides which control activities and systems are required to detect and prevent such risks. This is done based on a materiality test, including an assessment of the impact of quantitative and qualitative factors and an assessment of the likelihood of any material error occurring.

To challenge the EGMB, the ARC on an ongoing basis discusses:

- the overall effectiveness of the internal controls; and
- accounting for material legal and tax issues and significant accounting estimates and judgements.

Country leadership is responsible for ensuring that an adequate control environment is in place in each operating country to prevent material errors in the country's financial reporting. Regional management provides governance of the country control environment.

Group Controlling is responsible for controlling the financial reporting from subsidiaries and for preparing the consolidated financial statements.

EXTERNAL AUDIT

The Group's financial reporting and internal controls are audited by the independent auditors elected by the annual general meeting. The nomination follows an assessment of the qualifications, objectivity and independence of the auditors and the effectiveness of the audit process. Board members receive the auditors' long-form audit reports which are reviewed by the ARC.

CONTROL ACTIVITIES

The Group has implemented a formalised financial reporting process, which includes the reporting requirements and related control activities for key areas illustrated in the table on p. 32. Further, in 2018 we implemented a new, structured and formalised Internal Control Framework for Financial Reporting (ICOFR). The status of internal controls for financial reporting, as assessed in the internal audits, and the status on the implementation of the key processes and systems, that support the financial reporting, is reported separately for each reporting entity under the framework.

In 2018, we launched a Global Shared Service organisation to drive centralisation, standardisation and automation across the Group.

Furthermore, in 2018 we successfully implemented a new Group standard financial reporting tool. In addition to the benefits the system provides for the consolidation process, a key element of the new tool is the integrated controls for reporting process management and account reconciliations. Once fully implemented, the tool will provide full transparency, consistency and documentation of compliance with the key Group financial reporting requirements for all reporting entities.

An essential element to ensure the correct and timely financial reporting is the availability of relevant information and appropriate training to the employees involved in the process. For this purpose, information and communication systems have been established to provide easy access to the appropriate information, including the Accounting Manual, the Reporting Manual, the Budgeting Manual and other relevant guidelines. An internal training programme was launched in 2018 to further strengthen the awareness and knowledge of, and to ensure compliance with the Group's accounting policies. Following the initial roll-out of training on the new leasing standard (IFRS 16), the programme will be extended to cover all key accounting topics of relevance for the employees involved in financial reporting.

THE WORK OF GIA

GIA performs annual audits across the Group. The planning is based on the group key risks described on pp. 23-25, a risk assessment performed for the individual countries and the outcome of the annual control self-assessment survey.

The internal audit framework consists of three elements:

- a baseline audit programme which assesses the internal controls and compliance across 70 key control activities;
- a contract audit programme which assesses the internal controls and contract compliance for global, regional and country key accounts; and
- audit programmes with a risk-based focus designed to perform detailed assessments of controls and compliance for individual risk areas or control measures.

In 2018, GIA performed 24 baseline audits in individual countries and 16 contract audits. It also performed 11 risk-based audits covering internal control areas related to compliance and the quality and effectiveness of financial reporting. Further, eight audits were performed of the governance and internal controls within Group corporate functions. Audit findings and conclusions, including recommendations on how the control environment may be improved, are reported to the relevant country and regional management, the EGMB and the independent Group auditors. The key findings are presented to the ARC, which evaluates the results and considers the conclusions when reviewing the internal audit plan for the coming year.

To support the efforts to improve the internal controls environment, GIA tracks the progress on resolving the audit findings. Reports on the progress are prepared for the ARC, the EGMB, and regional management. Follow-up audits are performed to provide assurance on the implementation of the measures to resolve audit findings.

ITEM	REPORTING	CONTROL ACTIVITIES
Financial position and results	All countries report income statement, statement of financial position, statement of cash flows, portfolio analysis etc. monthly.	Group Controlling monitors and controls the reporting for significant deviations compared to budget.
Cash flow forecasts	All countries report their daily liquidity cash flow forecasts once a month for a forward-looking six week period. Working capital forecasts are reported mid-quarter by all countries for a forward-looking six week period.	Actual figures are continuously monitored and validated by Group Treasury for deviations compared to forecasted figures, including e.g. daily follow-up on local material cash balances.
Business reviews	All countries report an income statement, statement of financial position, statement of cash flows, portfolio analysis, and contract performance etc. monthly.	Monthly meetings between regional management and country leadership and between regional management and EGMB with a focus on the current performance and the state of the business.
Budgets and financial plans	All countries prepare budgets and plans for the following financial year in a predefined format.	EGMB and regional management reviews the proposed budgets and plans with the countries.
Full-year forecasts	All countries update and report their full-year forecasts twice a year.	EGMB and regional management review the proposed full-year forecasts with the countries in light of the current performance and the state of the business.
Strategy reviews	Country leadership provide annual updates of a predefined strategy template, including progress on key strategic priorities.	Annual meetings between regional management and country leadership at which the strategy is discussed and priorities and plans for the coming year are agreed.
Acquisitions and divestments	Acquisition and divestment proposals are presented in a predefined report format and valuation model.	Depending on size, approval is required by regional management, EGMB or Transaction Committee/ Board.
Large contracts	Bids for large contracts are presented in a predefined format focusing on risk evaluation.	Depending on size, approval is required by regional management, EGMB or Transaction Committee/ Board.
Control self-assessments	Once a year, country leadership performs a self-assessment of the implementation of certain key internal control activities and develops plans to close any implementation gaps.	GIA performs ongoing audits based on the countries' control self-assessment.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

1 JANUARY – 31 DECEMBER

		2018			2017		
DKK million	Note	Adjusted results	Acqui-sition-related	Reported results	Adjusted results	Acqui-sition-related	Reported results
Revenue	1.1, 1.2	**73,623**	**-**	**73,623**	**73,617**	**-**	**73,617**
Staff costs	5.3, 6.6	(45,618)	-	(45,618)	(45,369)	-	(45,369)
Consumables		(7,007)	-	(7,007)	(6,592)	-	(6,592)
Other operating expenses		(15,645)	-	(15,645)	(16,299)	-	(16,299)
Depreciation and amortisation [1)]	3.6, 6.1	(588)	-	(588)	(578)	-	(578)
Operating profit before other items		**4,765**	**-**	**4,765**	**4,779**	**-**	**4,779**
Other income and expenses, net	1.4	(630)	-	(630)	(543)	-	(543)
Royalty		(1,109)	-	(1,109)	(1,127)	-	(1,127)
Goodwill impairment	3.8	-	(829)	(829)	-	(12)	(12)
Amortisation/impairment of brands and customer contracts	3.6	-	(199)	(199)	-	(186)	(186)
Operating profit	1.1, 6.8	**3,026**	**(1,028)**	**1,998**	**3,109**	**(198)**	**2,911**
Financial income	4.3	64	-	64	61	-	61
Financial expenses	4.3	(647)	-	(647)	(550)	-	(550)
Profit before tax		**2,443**	**(1,028)**	**1,415**	**2,620**	**(198)**	**2,422**
Income taxes	1.5, 1.6	(505)	70	(435)	(718)	135	(583)
Net profit from continuing operations		**1,938**	**(958)**	**980**	**1,902**	**(63)**	**1,839**
Net loss from discontinued operations	3.4	**(140)**	**(746)**	**(886)**	**(131)**	**(70)**	**(201)**
Net profit		**1,798**	**(1,704)**	**94**	**1,771**	**(133)**	**1,638**
Attributable to:							
The owner of ISS Global A/S				84			1,633
Non-controlling interests				10			5
Net profit				**94**			**1,638**

[1)] Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.

Background for the income statement presentation is described in 7.3, General accounting policies, p. 83.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER

DKK million	Note	2018	2017
Net profit		**94**	**1,638**
Items not to be reclassified to the income statement in subsequent periods			
Actuarial gains/(losses)	5.3	(79)	192
Impact from asset ceiling regarding pensions	5.3	(8)	(45)
Tax	1.6	18	(53)
Items to be reclassified to the income statement in subsequent periods			
Foreign exchange adjustments of subsidiaries and non-controlling interests		(148)	(659)
Other comprehensive income		**(217)**	**(565)**
Comprehensive income		**(123)**	**1,073**
Attributable to:			
The owners of ISS Global A/S		(133)	1,068
Non-controlling interests		10	5
Comprehensive income		**(123)**	**1,073**

CONSOLIDATED STATEMENT OF CASH FLOWS

1 JANUARY – 31 DECEMBER

DKK million	Note	2018	2017
Operating profit before other items		4,765	4,779
Operating profit before other items from discontinued operations	3.4	139	278
Depreciation and amortisation	3.6, 6.1	651	652
Share-based payments		18	4
Changes in working capital	2.4	29	82
Changes in provisions, pensions and similar obligations		(195)	(246)
Other expenses paid	1.4	(426)	(392)
Interest received from companies within the ISS Group		28	28
Interest received, external		25	41
Interst paid to companies within the ISS Group		(28)	(27)
Interest paid, external		(476)	(378)
Income taxes paid	1.5	(624)	(709)
Payments related to royalties		(1,253)	(1,360)
Cash flow from operating activities		**2,653**	**2,752**
Acquisition of businesses	3.1	(35)	(1,650)
Divestment of businesses	3.2	38	229
Acquisition of intangible assets and property, plant and equipment		(894)	(855)
Disposal of intangible assets and property, plant and equipment		81	85
(Acquisition)/disposal of financial assets		(22)	(7)
Cash flow from investing activities		**(832)**	**(2,198)**
Proceeds from bonds	4.2	-	4,439
Repayment of senior facilities	4.2	-	(2,230)
Other financial payments, net	4.2	(289)	223
Dividends paid to shareholders		(1,500)	(1,200)
Payments (to)/from companies within the ISS Group, net		657	408
Dividends paid to non-controlling interests		(3)	(5)
Cash flow from financing activities		**(1,135)**	**1,635**
Total cash flow		**686**	**2,189**
Cash and cash equivalents at 1 January		6,220	4,272
Total cash flow		686	2,189
Foreign exchange adjustments		(80)	(241)
Cash and cash equivalents at 31 December	4.2	**6,826**	**6,220**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

DKK million	Note	2018	2017
ASSETS			
Intangible assets	3.6, 3.7	17,294	19,492
Property, plant and equipment	6.1	1,542	1,575
Deferred tax assets	1.6	706	700
Other financial assets		299	324
Non-current assets		**19,841**	**22,091**
Inventories		257	286
Trade receivables	2.1	9,676	11,583
Tax receivables		73	204
Receivables from companies within the ISS Group		60	2,314
Other receivables	2.2	2,717	1,892
Cash and cash equivalents		6,826	6,220
Assets held for sale	3.5	3,269	1,316
Current assets		**22,878**	**23,815**
Total assets		**42,719**	**45,906**
EQUITY AND LIABILITIES			
Equity attributable to owners of ISS Global A/S		3,389	1,946
Non-controlling interests		14	10
Total equity	4.1	**3,403**	**1,956**
Loans and borrowings	4.2	17,289	17,164
Pensions and similar obligations	5.3	1,161	1,291
Deferred tax liabilities	1.6	558	754
Provisions	6.2	158	218
Non-current liabilities		**19,166**	**19,427**
Loans and borrowings	4.2	2,290	6,964
Trade payables		4,049	4,320
Tax payables		247	272
Other liabilities	2.3	11,736	12,306
Provisions	6.2	199	233
Liabilities held for sale	3.5	1,629	428
Current liabilities		**20,150**	**24,523**
Total liabilities		**39,316**	**43,950**
Total equity and liabilities		**42,719**	**45,906**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 31 DECEMBER

		Attributable to the owner of ISS Global A/S					
DKK million	Note	Share capital	Retained earnings	Translation reserve [1)]	Total	Non-controlling interests	Total equity
2018							
Equity at 1 January		**180**	**2,189**	**(423)**	**1,946**	**10**	**1,956**
Net profit		-	84	-	84	10	94
Other comprehensive income		-	(69)	(148)	(217)	0	(217)
Comprehensive income		**-**	**15**	**(148)**	**(133)**	**10**	**(123)**
Capital increase	4.1	0	3,073	-	3,073	-	3,073
Dividends paid to shareholders	4.1	-	(1,500)	-	(1,500)	-	(1,500)
Acquisition of non-controlling interests		-	3	-	3	(3)	-
Dividends paid to non-controlling interests		-	-	-	-	(3)	(3)
Transactions with the owner		**0**	**1,576**	**-**	**1,576**	**(6)**	**1,570**
Changes in equity		**0**	**1,591**	**(148)**	**1,443**	**4**	**1,447**
Equity at 31 December		**180**	**3,780**	**(571)**	**3,389**	**14**	**3,403**
2017							
Equity at 1 January		**180**	**1,662**	**236**	**2,078**	**10**	**2,088**
Net profit		-	1,633	-	1,633	5	**1,638**
Other comprehensive income		-	94	(659)	(565)	(0)	**(565)**
Comprehensive income		**-**	**1,727**	**(659)**	**1,068**	**5**	**1,073**
Dividends paid to shareholders	4.1	-	(1,200)	-	(1,200)	-	(1,200)
Dividends paid to non-controlling interests		-	-	**-**	-	(5)	(5)
Transactions with the owner		-	**(1,200)**	-	**(1,200)**	**(5)**	**(1,205)**
Changes in equity		-	**527**	**(659)**	**(132)**	**(0)**	**(132)**
Equity at 31 December		**180**	**2,189**	**(423)**	**1,946**	**10**	**1,956**

[1)] At 31 December 2018, DKK 28 million of accumulated foreign exchange gains related to discontinued operations.

OPERATING PROFIT AND TAX
SECTION 1

1.1 SEGMENT INFORMATION

ISS is a global facility services company, that operates in 66 countries. Operations are generally managed based on a geographical structure in which countries are grouped into regions. The regions have been identified based on a key principle of grouping countries that share market conditions and cultures. However, countries without a fully-fledged country structure which are managed by Global Operations are excluded from the geographical segments and combined in a separate segment “Other countries”. An overview of the grouping of countries into regions is presented in 7.5, Group companies.

The segment reporting is prepared in a manner consistent with the Group's internal management and reporting structure and excludes discontinued operations. Transactions between reportable segments are made on market terms.

Disclosures relating to segment assets and liabilities are disclosed in 6.8, Other segment information together with reconciliation of segment information to the consolidated amounts.

DKK million	Continental Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total segments
2018						
Revenue [1]	**28,006**	**24,413**	**12,725**	**7,847**	**667**	**73,658**
Depreciation and amortisation [2]	(255)	(176)	(108)	(43)	(5)	**(587)**
Operating profit before other items	**2,017**	**1,684**	**847**	**294**	**(1)**	**4,841**
Operating margin [3]	7.2%	6.9%	6.7%	3.7%	(0.1)%	6.6%
Other income and expenses, net	(407)	(143)	4	(84)	-	(630)
Royalty	(453)	(387)	(193)	(76)	-	(1,109)
Goodwill impairment	(759)	(24)	(19)	(27)	-	(829)
Amortisation/impairment of brands and customer contracts	(51)	(75)	(48)	(25)	-	(199)
Operating profit	**347**	**1,055**	**591**	**82**	**(1)**	**2,074**
2017						
Revenue [1]	**27,828**	**25,049**	**12,695**	**7,370**	**723**	**73,665**
Depreciation and amortisation [2]	(253)	(176)	(108)	(34)	(7)	(578)
Operating profit before other items	**1,901**	**1,789**	**974**	**227**	**15**	**4,906**
Operating margin [3]	6.8%	7.1%	7.7%	3.1%	2.1%	6.7%
Other income and expenses, net	(126)	(342)	(12)	(63)	-	(543)
Royalty	(463)	(402)	(185)	(77)	-	(1,127)
Goodwill impairment	-	(12)	-	-	-	(12)
Amortisation/impairment of brands and customer contracts	(50)	(69)	(43)	(24)	-	(186)
Operating profit	**1,262**	**964**	**734**	**63**	**15**	**3,038**

1) Including internal revenue which due to the nature of the business is insignificant and is therefore not disclosed.
2) Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.
3) Excluding Other income and expenses, net, Royalty, Goodwill impairment and Amortisation/impairment of brands and customer contracts.

1.1 SEGMENT INFORMATION (CONTINUED)

REVENUE BY COUNTRY – MORE THAN 5% OF GROUP

DKK million	2018	2017
UK & Ireland	10,543	11,232
USA & Canada	7,072	6,551
Switzerland	5,242	5,282
Spain & Portugal	4,787	4,655
France	4,755	4,742
Norway	4,047	3,947
Denmark (ISS A/S's country of domicile)	3,807	3,426
Australia & New Zealand	3,734	3,670
Other countries [1)]	29,636	30,112
Total	**73,623**	**73,617**

[1)] Including unallocated items and eliminations.

ACCOUNTING POLICY

The accounting policies of the reportable segments are the same as the Group's accounting policies described throughout the notes. Segment revenue, costs, assets and liabilities comprise items that can be directly referred to the individual segments. Unallocated items mainly consist of revenue, costs, assets and liabilities relating to the Group's Corporate functions (including internal and external loans and borrowings, cash and cash equivalents and intra-group balances) as well as Financial income, Financial expenses and Income taxes.

For the purpose of segment reporting, segment profit has been identified as Operating profit. Segment assets and segment liabilities have been identified as Total assets and Total liabilities, respectively.

When presenting geographical information, segment revenue and non-current assets are based on the geographical location of the individual subsidiary from which the sales transaction originates.

1.2 REVENUE

PERFORMANCE OBLIGATIONS

Revenue is generated from rendering of facility services (cleaning, property, catering, support, security and facility management). Our services are provided to the customer on a daily basis continuously over the term of the contract and the customer simultaneously receives and consumes the benefits provided by the Group. Thus, the performance obligation is satisfied over time and generally invoiced on a monthly basis.

To meet our customers' different needs, we have grouped them into key accounts (including IFS contracts), large & medium (single-service solutions) and small and route-based customers.

DISAGGREGATION OF REVENUE

We disaggregate revenue based on customer type and geographical region as we believe that these best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors. Disaggregation of revenue based on geographical region is disclosed in 1.1, Segment information.

DKK million	2018
Key account customers	43,654
Large and medium customers	24,391
Small and route-based customers	5,578
Total	**73,623**

1.2 **REVENUE** (CONTINUED)

TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATION (REVENUE BACKLOG)

Our revenue base consists of a mix of yearly contracts, which are renewed tacitly, and thousands of multi-year contracts, the majority of which have an initial term of three to five years. Depending on the size and complexity of the contract, the transition and mobilisation period is normally between six and twelve months for our key accounts. Contracts regularly include options for the customer to terminate for convenience within three to nine months, however, our customer retention rate, which is around 90%, and even higher for our key accounts, supports that these options are rarely exercised.

The majority of our revenue (approx. 86%) is portfolio revenue, i.e. revenue related to services that we are obligated to deliver on a recurring basis over the term of the contract, whereas the remaining part of our revenue is non-recurring. Since non-portfolio revenue is not committed as part of the main customer contract it is excluded from the transaction price to be allocated to the remaining performance obligation (backlog). At 31 December 2018, the backlog was as follows[1)]:

DKK million	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years	Total
Key account customers	13,134	10,746	8,555	5,851	4,923	16,213	59,422
Large and medium customers	4,527	2,445	1,346	665	421	1,997	11,401
Total	**17,661**	**13,191**	**9,901**	**6,516**	**5,344**	**18,210**	**70,823**

[1)] Including contracts won but not yet started at 31 December 2018.

In estimating the revenue backlog, the Group has applied the exemptions of IFRS 15 and does not disclose backlog for contracts:

- with an original duration of less than 12 months; and
- invoiced based on time incurred, i.e. contracts where the Group invoices a fixed amount for each hour of service provided.

For our **key accounts** and **large and medium customers**, a significant number of contracts in terms of value are descoped based on a term of less than 12 months (due to termination for convenience clauses) and some contracts are descoped on the basis that they are invoiced based on time incurred.

In terms of our **small and route-based customers**, the vast majority is descoped based on either of the two exemptions. The remaining customers in scope comprise less than 1% of Group revenue and revenue backlog is due to immateriality not disclosed.

In conclusion, the amounts disclosed in the maturity profile above are significantly lower than reported revenue and will likely not reflect the degree of certainty in future revenue (and cash inflows) to the Group – both due to the exemptions and due to non-portfolio revenue not being considered part of the backlog. Please refer to Contract maturity, p. 8 for further information.

SIGNIFICANT ACCOUNTING JUDGEMENTS

Gross or net presentation of revenue In some instances, ISS does not self-deliver all services under a contract, either because the service is outside our selected strategic services or geographies or because we do not have the capabilities ourselves. In those cases, ISS delivers services through selected partners or subcontractors. The issue is whether revenue should be presented gross, i.e. based on the gross amount billed to the customer (ISS is the principal) or based on the net amount retained (the amount billed to the customer less the amount paid to the subcontractor) because ISS has only earned a commission fee (ISS is the agent).

Management considers whether the nature of its promise is a performance obligation to provide the specified services, i.e. ISS is acting as a principal, or to arrange for those services to be provided by another party, i.e. ISS is acting as an agent. This is based on an evaluation of whether ISS controls the specified services before it is transferred to the customer. Judgement is required when evaluating all relevant facts and circumstances.

ACCOUNTING POLICY

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Revenue excludes amounts collected on behalf of third parties, e.g. VAT and duties.

The Group recognises revenue from rendering of services over time, because the customer simultaneously receives and consumes the benefits provided by the Group, i.e. control is transferred over time. Services are invoiced on a monthly basis.

The Group determined that the input method is the best method to measure progress towards complete satisfaction of the service because there is a direct relationship between the Group’s effort, i.e., labour hours and costs incurred, and the transfer of service to the customer. The Group recognises revenue on the basis of the labour hours and costs expended relative to the total expected labour hours and costs to complete the service.

The transaction price for services performed comprises a guaranteed fixed amount. For key accounts and other large contracts, the transaction price may include variable consideration based on achievement of certain key performance indicators. Management estimates variable consideration based on the most likely amount to which it expects to be entitled on a contract by contract basis. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of success in each case. Variable consideration is included in revenue as services are performed to the extent that it is highly probable that the amount will not be subject to significant reversal.

Key account contracts are often modified in respect of service requirements. Generally, modifications are agreed with the customer in accordance with a specified change management procedure and accounted for going forward with no impact on recognised revenue up to the date of modifications.

1.3 TRANSLATION AND OPERATIONAL CURRENCY RISK

The Group's exposure to currency risk on transaction level is low since services are produced, delivered and invoiced in the same local currency as the functional currency in the entity delivering the services with minimal exposure from imported components. The Group is, however, exposed to risk in relation to translation into DKK of income statements and net assets of foreign subsidiaries, including intercompany items such as loans, royalties, management fees and interest payments between entities with different functional currencies, since a significant portion of the Group's revenue and operating profit is generated in foreign entities.

IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS

In 2018, the currencies in which the Group's revenue was denominated decreased with a weighted average of 3.4% (2017: decreased with 2.4%) relative to DKK, decreasing the Group's revenue by DKK 2,368 million (2017: a decrease of DKK 1,692 million). Currency movements decreased the Group's operating profit before other items by DKK 148 million (2017: a decrease of DKK 125 million). The effect of the translation of net assets in foreign subsidiaries decreased other comprehensive income by DKK 148 million (2017: a decrease of DKK 659 million).

Development in exchange rates between DKK and the functional currencies of Group companies had a negative impact on operating profit in all regions. Asia & Pacific experienced the sharpest decline of 5.3% due to depreciation of AUD, IDR, INR and HKD. At Group level the impact was 3.1% as Americas and Continental Europe declined only 4.5% and 3.6%, respectively.

SENSITIVITY ANALYSIS

It is estimated that a change in foreign exchange rates of the Group's main currencies would have impacted revenue, operating profit before other items and other comprehensive income for the year by the amounts shown below. The analysis is based on foreign exchange rate variances that the Group 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.

DKK million	Change in foreign exchange rates	Revenue	Operating profit before other items	Royalty	Net assets in foreign subsidiaries
GBP	10%	990	70	(16)	240
CHF	10%	524	51	(9)	113
USD	10%	695	22	(8)	229
NOK	10%	405	34	(6)	(44)
AUD	10%	355	17	(7)	105
SEK	10%	299	11	(5)	114
TRY	10%	271	20	(5)	41
EUR	1%	235	16	(4)	78
Other	10%	1,093	70	(17)	338
Total	-	**4,867**	**311**	**(77)**	**1,214**

EXCHANGE RATE DEVELOPMENT

Functional currency	Change in average FX rate 2017 to 2018	Change in average FX rate 2016 to 2017
GBP	(0.8)%	(6.8)%
CHF	(3.6)%	(2.0)%
AUD	(6.7)%	1.0 %
USD	(4.3)%	(2.0)%
NOK	(2.7)%	(0.5)%
EUR	0.2 %	(0.1)%
TRY	(26.2)%	(18.8)%
SEK	(5.9)%	(2.0)%

1.4 OTHER INCOME AND EXPENSES, NET

DKK million	2018	2017
Gain on divestments	18	97
Adjustments to prior years' acquisitions	-	17
Other [1)]	-	2
Other income	**18**	**116**
Restructuring projects [1)]	(505)	(241)
Loss on divestments	(121)	(359)
Acquisition and integration costs [1)]	(22)	(42)
Adjustments to prior years' acquisitions	-	(17)
Other expenses	**(648)**	**(659)**
Other income and expenses, net	**(630)**	**(543)**

[1)] Presented as Other expenses paid in the statement of cash flows when paid.

Gain on divestments mainly related to the divestment of the Direct Cleaning business in Denmark. In 2017, the gain mainly related to the divestment of the Group's activities in Iceland, the real estate administration activities in Sweden and the archiving activities in Finland.

Restructuring projects mainly related to the continued implementation of GREAT across the Group, especially in France, Sweden and Belgium as well as efficiency initiatives leading to restructurings in the USA, the UK, Finland, Spain & Portugal and Italy. The costs primarily comprised project management, redundancy payments and termination of leaseholds. In 2017, costs mainly related to Belgium, Denmark, France, India, the Netherlands, Norway, Sweden and the USA.

Loss on divestments mainly related to the divestment of the single-service cleaning business in the Netherlands and the Group's activities in Greece (country exit). In 2017, the loss mainly related to the remeasurement of the landscaping business in the UK, which was classified as held for sale.

Acquisition and integration costs mainly related to Guckenheimer in the USA and primarily comprised fees to advisors and costs incurred as a consequence of the continued integration of the business. In 2017, costs mainly related to Guckenheimer in the USA and Evantec in Germany.

CASH FLOW EFFECT FROM OTHER EXPENSES

DKK million	2018	2017
Restructuring projects	(403)	(209)
Acquisition and integration costs	(17)	(61)
Restructuring projects (presented as discontinued operations)	(6)	(90)
Other	-	(32)
Other expenses paid	**(426)**	**(392)**

Restructuring projects mainly comprised payments related to projects initiated and expensed in 2017 and 2018 in France, Sweden, the USA, Spain & Portugal, Belgium, Finland, the Netherlands, the UK and Denmark. In 2018, payments were lower than the amount expensed mainly due to France, where the main part of the costs have not yet been paid.

Restructuring projects (presented as discontinued operations) related to payments in Argentina regarding contract exits.

SIGNIFICANT ACCOUNTING JUDGEMENTS

Other income and expenses, net consists of significant recurring and non-recurring income and expenses that management does not consider to be part of the Group's ordinary operations, primarily major restructuring projects and gains and losses on divestments. Classification as other expenses is subject to management's review and approval.

Restructuring projects include cost reductions to make ISS more efficient going forward. The types of costs qualifying for treatment as restructuring are costs that are considered of no value to the continuing business and that do not form part of the ordinary operations. Whether a restructuring project qualifies for classification as other expenses is evaluated by management case by case based on a formalised restructuring request. The request includes a detailed project description and cost type specification.

1.5 INCOME TAXES

OUR APPROACH TO TAX AND TAX RISKS

We are committed to comply with applicable rules and regulations in the countries where we operate. We also have an obligation to optimise the return for our shareholders by managing and planning tax payments effectively. As a good corporate citizen, we will pay applicable taxes, and at the same time ensure a competitive effective tax rate and strive to limit double taxation to the extent possible.

We do not tolerate avoidance of taxes, social charges or payroll taxes. For the benefit of society, our employees and customers, we support governmental and industry specific initiatives that introduce tighter controls and sanctions to ensure that companies in our industry play by the rules.

Cross-border and intercompany transactions mainly comprise royalty payments, management fees and financing. Such transactions are conducted based on arm’s length principles and in accordance with current OECD principles in setting internal transfer prices.

ISS Tax Policy, see http://inv.issworld.com/policies-and-guidelines

DKK million	2018	2017
Current tax	641	524
Deferred tax	(130)	169
Adjustments relating to prior years, net	(6)	25
Income taxes (adjusted)	**505**	**718**
Income taxes (acquisition-related)	**(70)**	**(135)**
Income taxes (reported)	**435**	**583**

EFFECTIVE TAX RATE

In %	2018	2017
Statutory income tax rate in Denmark	22.0 %	22.0 %
Foreign tax rate differential, net	0.2 %	1.0 %
Total	**22.2 %**	**23.0 %**
Non-tax deductible expenses less non-taxable income	(3.7)%	(0.1)%
Non-taxable gains/losses on divestments	0.7 %	(1.0)%
Adjustments relating to prior years, net	(0.3)%	1.0 %
Change in valuation of net tax assets	(2.5)%	(2.2)%
Effect of changes in tax rates	1.4 %	3.8 %
Other taxes	2.9 %	2.9 %
Effective tax rate (profit before tax (adjusted))	**20.7 %**	**27.4 %**

Non-tax deductible expenses less non-taxable income in 2018 comprised various income and expenses, including the impact from interest limitation tax rules, the French tax credit CICE and reversal of provisions for tax exposures.

Non-taxable gain/losses on divestments mainly related to UK Landscaping. In 2017, non-taxable income on divestments related to gains on divestments in Denmark, Sweden and Finland.

Change in valuation of net tax assets in 2018 and 2017 is mainly related to release of valuation allowances on tax losses in Germany following a reassessment of expected future taxable income.

Effect of changes in tax rates in 2018 related to reduction of the corporate tax rate in France from 33% to 25% over the period 2018-2022. In 2017, the effect of changes in tax rates mainly comprised revaluation of the deferred tax asset in the USA following the US tax reform reducing the corporate tax rate from 35% to 21% from 2018.

Other taxes mainly comprised withholding tax and the French Cotisation sur la Valeur Ajoutée des Entreprises (CVAE).

1.6 DEFERRED TAX

DEVELOPMENT IN DEFERRED TAX

DKK million	2018	2017
Deferred tax (assets)/liabilities, net at 1 January	54	(67)
Adjustments relating to prior years, net	54	(14)
Foreign exchange adjustments	7	32
Acquisitions and divestments, net	26	50
Tax on other comprehensive income	(18)	53
Reclassification to Assets/(Liabilities) held for sale	(71)	(28)
Tax on profit before tax (adjusted)[1)]	(130)	171
Tax effect of amortisation/impairment of brands and customer contracts[1)]	(70)	(143)
Deferred tax (assets)/liabilities, net at 31 December	**(148)**	**54**

[1)] 2017 not adjusted for discontinued operations.

Adjustments relating to prior years, net in 2018 and 2017 were mainly related to adjustment of tax deductions (temporary differences) in the final tax returns for 2017 and 2016, respectively.

Acquisitions and divestments, net in 2018 mainly related to the divestment of the Group's activities in Greece (country exit) and in 2017 related to the acquisition of Guckenheimer.

Tax on other comprehensive income in 2018 and 2017 primarily comprised deferred tax on actuarial gains on pensions in Switzerland.

DEFERRED TAX SPECIFICATION

	Deferred tax assets		Deferred tax liabilities	
DKK million	2018	2017	2018	2017
Tax losses carried forward	524	393	-	-
Goodwill	7	6	366	366
Brands	-	-	8	11
Customer contracts	18	17	105	154
Property, plant and equipment	55	82	93	68
Provisions and other liabilities	360	347	422	512
Pensions	178	212	-	-
Set-off within legal tax units and jurisdictions	(436)	(357)	(436)	(357)
Deferred tax	**706**	**700**	**558**	**754**

UNRECOGNISED DEFERRED TAX ASSETS

At 31 December 2018, the Group had unrecognised deferred tax assets which comprised tax losses carried forward and other deductible temporary differences of DKK 480 million (2017: DKK 727 million) for continuing operations primarily relating to France, Germany and the Netherlands. The decrease compared to 2017, was mainly due to recognition of part of the unrecognised tax asset in Germany following a reassessment of expected future taxable income.

At 31 December 2018, DKK 268 million (2017: DKK 227 million) of the total unrecognised deferred tax assets related to discontinued operations.

Unrecognised tax losses can be carried forward indefinitely in the individual countries, except for the Netherlands, where tax losses can be carried forward for 9 years. Deferred tax assets have not been recognised in respect of the above tax losses as it is not deemed probable that future taxable profit will be available in the foreseeable future against which the Group can utilise these.

UNCERTAIN TAX POSITIONS

As part of operating a global business, disputes with tax authorities around the world may occur. Uncertain tax positions include ongoing disputes with tax authorities in certain jurisdictions and have been provided for in accordance with the accounting policies. Management believes that the provisions made are adequate. However, the actual obligations may deviate as they depend on the result of litigations and settlements with the relevant tax authorities. The final outcome of some of the ongoing disputes is expected to be determined during 2019.

1.6 DEFERRED TAX (CONTINUED)

SIGNIFICANT ACCOUNTING ESTIMATES

Deferred tax assets relating to tax losses carried forward are recognised, when management assesses that these can be offset against positive taxable income in the foreseeable future. The assessment is made at the reporting date taking into account the impact from limitation in interest deductibility and restrictions in utilisation of tax losses in local tax legislation. The assessment of future taxable income is based on financial budgets approved by management and management's expectations on the operational development, mainly in terms of organic growth and operating margin in the following five years. Planned adjustments to capital structure in each country are also taken into consideration.

The possible outcome of **uncertain tax positions** are measured based on management's best estimate (more likely than not) of the amount required to settle the obligation and recognised in deferred tax.

ACCOUNTING POLICY

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. Income tax effect of amortisation/impairment of brands and customer contracts is presented in a separate column in connection with these items.

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 prior years and tax paid on account.

Deferred tax is provided using the liability method on temporary differences between tax bases of assets and liabilities and their carrying amounts. Deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences, apart from in business combinations, arose at the time of acquisition without affecting either Net profit or taxable income. 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 in the respective countries applicable at the reporting date when the deferred tax becomes current tax.

Deferred tax assets, including the tax base of tax loss carryforwards, 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 and liabilities are offset if the Group has a legal right to offset these, intends to settle these on a net basis or to realise the assets and settle the liabilities, simultaneously.

WORKING CAPITAL AND CASH FLOW
SECTION 2

2.1 TRADE RECEIVABLES AND CREDIT RISK

EXPOSURE TO CREDIT RISK

We assess the Group's exposure to credit risk as low. The Group's customer portfolio is diversified in terms of geography, industry sector and customer size. The Group is not exposed to credit risk related to significant individual customers. In some geographies, mainly southern Europe and Latin America, in recent years the general credit risk has increased for certain groups of customers. However, amounts written off as uncollectible have remained at a relatively low level, which was also the case in 2018, where amounts written off were 0.3% of gross trade receivables (2017: 0.3%).

Exposure to credit risk on trade receivables is managed locally in the operating entities and credit limits are set as deemed appropriate taking into account the customer's financial position and the current market conditions. Generally, the Group does not hold collateral as security for trade receivables.

The maximum credit risk exposure at the reporting date by reportable segments is shown below. The significant decrease in the carrying amount of trade receivables compared to 2017 is mainly due to the 13 countries being presented as discontinued operations and assets held for sale at 31 December 2018 following the Strategy Update in December 2018. Commercial use of factoring with certain blue-chip customers and participation in certain customers' supply chain finance arrangements increased to DKK 2.5 billion at 31 December 2018 (31 December 2017: DKK 1.0 billion), which also contributed to the decrease in the carrying amount.

			2018			2017
DKK million	Gross	Loss allowance	Carrying amount	Gross	Loss allowance	Carrying amount
Continental Europe	4,099	(77)	4,022	4,999	(132)	4,867
Northern Europe	2,893	(22)	2,871	3,220	(23)	3,197
Asia & Pacific	1,976	(50)	1,926	2,245	(54)	2,191
Americas	863	(12)	851	1,358	(38)	1,320
Other countries	7	(1)	6	9	(1)	8
Total	**9,838**	**(162)**	**9,676**	**11,831**	**(248)**	**11,583**

ALLOWANCE FOR EXPECTED CREDIT LOSSES

			2018			2017
DKK million	Gross	Loss allowance	Carrying amount	Gross	Loss allowance	Carrying amount
Not past due	7,860	-	7,860	9,387	-	9,387
Past due 1 to 60 days	1,279	(2)	1,277	1,627	(6)	1,621
Past due 61 to 180 days	347	(5)	342	363	(6)	357
Past due 181 to 360 days	150	(22)	128	151	(21)	130
More than 360 days	202	(133)	69	303	(215)	88
Total	**9,838**	**(162)**	**9,676**	**11,831**	**(248)**	**11,583**

2.1 TRADE RECEIVABLES AND CREDIT RISK (CONTINUED)

DKK million	2018	2017
Loss allowance at 1 January	(248)	(241)
Acquisitions	-	(7)
Divestments	40	1
Provision for expected credit losses	(21)	(41)
Expected credit losses reversed	4	19
Write-off	33	30
Reclassification to/(from) Assets held for sale	30	(9)
Loss allowance at 31 December	**(162)**	**(248)**

ACCOUNTING POLICY

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less allowance for expected credit losses.

The Group applies the simplifed approach to measuring expected credit losses which uses lifetime expected credit losses for all trade receivables at each reporting date. An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar credit risk characteristics, i.e. geographical region and customer type. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit before other items. Subsequent recovery of amounts previously written off are credited against the same line item.

2.2 OTHER RECEIVABLES

DKK million	2018	2017
Supplier rebates and bonuses	552	407
Transition and mobilisation costs	487	209
Prepayments to suppliers	499	497
Sign-on fees	219	130
Receivable sales price from divestments	49	132
Currency swaps	13	3
Other	898	514
Other receivables	**2,717**	**1,892**

Other comprises refunds from customers, outlay for customers, VAT and other recoverable amounts.

ACCOUNTING POLICY

Other receivables are recognised initially at cost and subsequently at amortised cost. Prepayments are measured at cost. Costs relating to sales work and securing contracts are recognised in the income statement as incurred.

Transition and mobilisation costs (costs to fulfil a contract) related to launching certain large contracts as well as **sign-on fees** are capitalised and amortised over the initial secured contract term consistent with ISS's transfer of the related goods or services to the customer. Bid related costs are expensed as incurred.

2.3 OTHER LIABILITIES

DKK million	2018	2017
Accrued wages, pensions and holiday allowances	4,014	4,301
Tax withholdings, VAT etc.	2,656	2,790
Accrued supplier expenses	2,180	2,352
Debt to companies within the ISS Group	1,237	1,298
Prepayments from customers	483	515
Other	1,166	1,050
Other liabilities	**11,736**	**12,306**

Other comprises utilities such as rent, telephone, electricity etc., contingent consideration and deferred payments, accrued interests, fees to advisors and auditors and insurance, etc.

2.4 CHANGES IN WORKING CAPITAL

DKK million	2018	2017
Changes in inventories	(15)	1
Changes in receivables	(444)	(609)
Changes in payables	488	690
Changes in working capital	**29**	**82**

Changes in receivables The reduced negative impact compared to 2017 mainly reflects an increase in the commercial use of factoring and participation in certain customers' supply chain finance arramgements with the largest increases stemming from Switzerland, Denmark and Germany.

Changes in payables The reduced positive impact compared to 2017 is mainly related to acceleration in payment processes in the UK and lower balance in the USA in 2018 due to high comparable level in 2017 following high demand for non-portfolio work in Q4.

STRATEGIC ACQUISITIONS AND DIVESTMENTS

SECTION 3

3.1 ACQUISITIONS

ACQUISITION IMPACT

DKK million	2018	2017
Brands	-	54
Customer contracts	-	251
Other non-current assets	1	85
Trade receivables	6	310
Other current assets	3	135
Pensions, deferred tax liabilities and other provisions	-	(206)
Loans and borrowings	-	(19)
Other non-current liabilities	(1)	(8)
Other current liabilities	-	(295)
Fair value of net assets acquired	**9**	**307**
Goodwill	11	1,473
Consideration transferred	**20**	**1,780**
Cash and cash equivalents in acquired businesses	-	(20)
Cash consideration transferred	**20**	**1,760**
Contingent and deferred consideration	15	(42)
Changes in prepaid purchase price	-	(68)
Acquisition of businesses (cash flow)	**35**	**1,650**

On 31 December 2018, ISS acquired 100% of the shares in PL2 Pluralis Planungsgesellschaft GmbH (Pluralis), an engineering company with an estimated annual revenue of approximately DKK 27 million and 39 employees. The purchase price amounted to DKK 20 million as specified above. Based on provisionally determined fair values of net assets, goodwill amounted to DKK 11 million. The acquisition of Pluralis will support the delivery on the Deutsche Telekom contract starting on 1 July 2019.

ACQUISITIONS SUBSEQUENT TO 31 DECEMBER 2018

The Group completed no acquisitions from 1 January to 28 February 2019.

3.1 ACQUISITIONS (CONTINUED)

SIGNIFICANT ACCOUNTING ESTIMATES

The most significant assets acquired generally comprise goodwill, customer contracts and trade receivables. As no active market exists for the majority of acquired assets, liabilities and contingent liabilities, in particular in respect of intangible assets, management estimates the fair value. Measurement is based on the present value of future cash flows calculated based on after-tax royalty payments, churn rates or other expected cash flows related to the specific asset. Estimates of fair value are associated with uncertainty and may be adjusted subsequently.

The fair value of customer contracts acquired is based on an evaluation of the conditions relating to the customer contract portfolio and related customer relationships. Measurement is based on a discounted cash flow model based on key assumptions about the estimated split of the acquired revenue in business segments and the related churn rates and profitability of the revenue at the time of the acquisition. Further, management estimates the Weighted Average Cost of Capital (WACC) and a risk premium for the assumed risk inherent in customer contracts.

ACCOUNTING POLICY

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measued at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are expensed as incurred and included in Other income and expenses, net.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

If uncertainties exist at the acquisition date regarding identification or measurement of identifiable assets, liabilities and contingent liabilities or regarding the consideration transferred, initial recognition will take place on the basis of provisionally determined fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have a different fair value at the acquisition date from that first assumed, goodwill is adjusted up until 12 months after the acquisition date and comparative figures are restated accordingly. Thereafter no adjustments are made to goodwill, and changes in estimates of contingent consideration relating to business combinations are recognised in Other income and expenses, net.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all assets acquired and all liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, the gain is recognised in the income statement.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group’s cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Written put options held by non-controlling shareholders are accounted for in accordance with the anticipated acquisition method, i.e. as if the put option has been exercised already. Such options are recognised as Other liabilities initially at fair value. Fair value is measured at the present value of the exercise price of the option.

Subsequent fair value adjustments of put options held by non-controlling interests relating to business combinations effected on or after 1 January 2010 are recognised directly in equity. Subsequent fair value adjustments of put options held by non-controlling interests related to business combinations effected prior to 1 January 2010 are recognised in goodwill. The effect of unwind of discount is recognised in Financial expenses.

3.2 DIVESTMENTS

The Group completed 12 divestments in 2018 (2017: eight):

Company/activity	Country	Service type	Excluded from the income statement	Interest	Annual revenue [1] (DKK million)	Number of employees [1]
ISS Greece	Greece	Country exit	January	100%	251	1,705
Kitchen maintenance	Belgium	Cleaning	January	Activities	27	54
Profi Komfort	Hungary	Cleaning	February	100%	43	700
BioSystems	Brazil	Property	March	Activities	2	9
Frugt.dk	Denmark	Fruit business (route-based)	April	Activities	66	25
Uniguard	USA	Security	April	Activities	81	342
Landscaping	UK	Property	June	Activities	412	1,458
ISS Security	Spain	Security	July	Activities	120	562
ISS Specialised Services	Netherlands	Cleaning	November	100%	341	2,166
ISS Merchandising	Portugal	Promotional service	December	Activities	4	109
ISS Compact	Austria	Cleaning	January 2019	100%	95	700
Direct Cleaning	Denmark	Cleaning	January 2019	Activities	65	262
Total					**1,507**	**8,092**

[1] Unaudited.

DIVESTMENT IMPACT

DKK million	2018	2017
Goodwill	9	142
Customer contracts	-	5
Other non-current assets	48	111
Current assets	299	110
Non-current liabilities	(9)	(16)
Current liabilities	(176)	(71)
Net assets disposed	**171**	**281**
Gain/(loss) on divestment of businesses, net	(103)	89
Divestment costs	216	118
Consideration received	**284**	**488**
Cash and cash equivalents in divested businesses	(126)	(21)
Cash consideration received	**158**	**467**
Contingent and deferred consideration	82	(111)
Divestment costs paid	(202)	(127)
Divestment of businesses (cash flow)	**38**	**229**

DIVESTMENTS SUBSEQUENT TO 31 DECEMBER 2018

On 30 January 2019, we announced the divestment of our activities in Argentina and Uruguay (country exits). The countries have combined annual revenue of DKK 262 million and around 2,647 employees.

No further divestments were completed from 1 January to 28 February 2019.

ACCOUNTING POLICY

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

3.3 PRO FORMA REVENUE AND OPERATING PROFIT BEFORE OTHER ITEMS

Assuming all acquisitions and divestments in the year were included/excluded as of 1 January, the effect on recognised revenue and operating profit before other items for continuing operations is estimated as follows:

DKK million	2018	2017
Revenue	73,623	73,617
Acquisitions	27	751
Divestments	(734)	(353)
Pro forma revenue	**72,916**	**74,015**
Operating profit before other items	4,765	4,779
Acquisitions	5	37
Divestments	26	(36)
Pro forma operating profit before other items	**4,796**	**4,780**

For the purpose of estimating pro forma revenue and operating profit before other items, adjustments relating to acquisitions and divestments are based on estimates made by local ISS management in the respective jurisdictions in which the acquisitions and divestments occurred at the time of acquisition and divestment, or actual results where available. Synergies from acquisitions are not included for periods in which the acquisitions were not controlled by the Group. The estimates are based on unaudited financial information.

These adjustments and the computation of total revenue and operating profit before other items on a pro forma basis are presented for informational purposes only. This information does not represent the results the Group would have achieved had the acquisitions and divestments during the year occurred on 1 January. In addition, the information should not be used as the basis for or prediction of any annualised calculation.

3.4 DISCONTINUED OPERATIONS

With our increasing focus on key account customers, we are becoming more selective on those geographies we choose to serve. We cannot justify a presence in a country unless it supports a strong key account offering, consistent with the strategic choices of the Group. In December 2018, we therefore announced the intention to divest our operations in 13 additional countries where the local key account market is not sufficiently compelling. Sales processes have been initiated and management assessed that they will be finalised within a year. As a result, the Group's activities in these countries have been classified as held for sale and discontinued operations.

In addition, discontinued operations comprise Argentina and Uruguay, where sales processes were initiated in 2017. In December 2018, we reached agreement to divest the businesses and the transaction was completed on 30 January 2019.

COUNTRIES PRESENTED AS DISCONTINUED OPERATIONS

Argentina, Brazil, Brunei, Chile, the Czech Republic, Estonia, Hungary, Israel, Malaysia, the Philippines, Romania, Slovakia, Slovenia, Thailand and Uruguay.

For a description of Significant accounting estimates and judgements and Accounting policies, see 3.5, Assets and liabilities held for sale.

NET LOSS FROM DISCONTINUED OPERATIONS

DKK million	2018	2017
Revenue	6,179	6,735
Expenses [1]	(6,040)	(6,457)
Operating profit before other items	**139**	**278**
Other income and expenses, net	(196)	(113)
Royalty	(117)	(137)
Goodwill impairment	(745)	(36)
Amortisation/impairment of brands and customer contracts	(4)	(41)
Operating profit	**(923)**	**(49)**
Financial expenses, net	24	(70)
Loss before tax	**(899)**	**(119)**
Income taxes	13	(82)
Net loss from discontinued operations	**(886)**	**(201)**

[1] Including depreciation and amortisation of DKK 63 million (2017: DKK 74 million).

CASH FLOW FROM DISCONTINUED OPERATIONS

DKK million	2018	2017
Cash flow from operating activities	18	29
Cash flow from investing activities	(86)	(82)
Cash flow from financing activities	32	(14)

3.5 ASSETS AND LIABILITIES HELD FOR SALE

BUSINESSES CLASSIFIED AS HELD FOR SALE

At 31 December 2017, four business were classified as held for sale; Argentina, Uruguay, the landscaping business in the UK and the Hygiene & Prevention business in France. During 2018, the landscaping business in the UK was sold, and agreements were reached to sell the remaining three businesses.

Additionally, in December 2018 13 countries were classified as held for sale and discontinued operations, see 3.4, Discontinued operations. Furthermore, one business unit in Asia & Pacific was classified as held for sale in December 2018. As a result, at 31 December 2018 16 businesses were classified as held for sale.

INCOME STATEMENT EFFECT

In 2018, the divestment of the landscaping business in the UK resulted in recognition of a loss of DKK 0.2 million recognised in Other income and expenses, net.

Remeasurement of the fair value of the Hygiene & Prevention business in France and the business unit in Asia & Pacific resulted in an impairment loss of DKK 175 million recognised in Goodwill impairment.

Furthermore, remeasurement of the fair value of discontinued operations resulted in impairment losses of DKK 936 million recognised in Net loss from discontinued operations.

STATEMENT OF FINANCIAL POSITION

DKK million	2018	2017
Goodwill	1,169	814
Customer contracts	25	-
Other non-current assets	481	126
Current assets	1,594	376
Assets held for sale	**3,269**	**1,316**
Non-current liabilities	277	81
Current liabilities	1,352	347
Liabilities held for sale	**1,629**	**428**

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group classifies non-current assets and disposal groups as held for sale when management assesses that their carrying amounts will be recovered through a sale rather than through continuing use. Management's assessment is based on an evaluation of whether the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within 12 months from the date of classification.

When classifying non-current assets and disposal groups as held for sale management makes estimates of their fair value (the final sales price and expected costs to sell). Depending on the nature of the non-current assets and the disposal group's activity, assets and liabilities, the estimated fair value may be associated with different levels of uncertainty and possibly adjusted subsequently. Measurement of the fair value of disposal groups is categorised as Level 3 in the fair value hierarchy as measurement is not based on observable market data.

Management considers intangible assets relating to the disposal groups, taking into consideration how to separate the net assets (including intangible assets) relating to the disposal group from the Group's assets in the continuing business. Impairment of these intangibles, both on initial classification as held for sale and subsequently, is considered. The estimation uncertainty relating to impairment of intangibles in general is described in 3.7, Impairment tests.

ACCOUNTING POLICY

Assets held for sale comprise non-current assets and disposal groups held for sale. Liabilities held for sale are those directly associated with the assets that will be transferred in the transaction. Immediately before classification as held for sale, the assets or disposal groups are remeasured in accordance with the Group's accounting policies. Thereafter, they are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss is first allocated to goodwill, and then to remaining assets on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Once classified as held for sale, assets are not amortised or depreciated.

Impairment losses on initial classification as held for sale, and subsequent gains and losses on remeasurement are recognised in the income statement and disclosed in the notes.

Non-current assets and disposal groups held for sale are presented in separate lines in the statement of financial position and the main elements are specified in the notes. Comparative figures are not adjusted.

A disposal group qualifies as discontinued operations if it is a component of an entity, i.e. a CGU, that either has been disposed of, or is classified as held for sale, and is:

- a separate major line of business or geographical area of operations;
- part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; and
- a subsidiary acquired exclusively with a view to resale.

In the **income statement**, discontinued operations are excluded from the results of continuing operations and presented separately as Net loss from discontinued operations. Comparative figures have been restated.

In the **statement of cash flows**, cash flows from discontinued operations are included in cash flow from operating, investing and financing activities together with cash flows from continuing operations, but specified in note 3.4, Discontinued operations.

In the **statement of financial position**, assets and liabilities are presented in separate lines and the main elements are specified in this note. Comparative figures are not restated.

3.6 INTANGIBLE ASSETS

DKK million	Goodwill	Brands	Customer contracts	Software and other intangible assets	Total
2018					
Cost at 1 January	20,279	51	4,322	1,490	26,142
Foreign exchange adjustments	(43)	3	2	(11)	(49)
Acquisitions	11	-	-	-	11
Additions	-	-	-	142	142
Divestments	(1,146)	-	(134)	(6)	(1,286)
Disposals	-	-	-	(110)	(110)
Reclassification from Property, plant and equipment	-	-	-	39	39
Reclassification to Assets held for sale	(1,373)	-	(315)	(91)	(1,779)
Cost at 31 December	**17,728**	**54**	**3,875**	**1,453**	**23,110**
Amortisation and impairment losses at 1 January	(2,083)	(7)	(3,595)	(965)	(6,650)
Foreign exchange adjustments	4	(1)	2	6	11
Amortisation	-	(10)	(189)	(132)	(331)
Impairment losses	(1,574)	-	(4)	(20)	(1,598)
Divestments	1,137	-	134	4	1,275
Disposals	-	-	-	92	92
Reclassification from Property, plant and equipment	-	-	-	(1)	(1)
Reclassification to Assets held for sale	1,025	-	289	72	1,386
Amortisation and impairment losses at 31 December	**(1,491)**	**(18)**	**(3,363)**	**(944)**	**(5,816)**
Carrying amount at 31 December	**16,237**	**36**	**512**	**509**	**17,294**
2017					
Cost at 1 January	19,656	-	4,304	1,452	25,412
Foreign exchange adjustments	(689)	(3)	(215)	(38)	(945)
Acquisitions	1,473	54	251	26	1,804
Additions	-	-	-	182	182
Divestments	(193)	-	(31)	(83)	(307)
Disposals	-	-	-	(49)	(49)
Reclassification from Assets held for sale	32	-	13	-	45
Cost at 31 December	**20,279**	**51**	**4,322**	**1,490**	**26,142**
Amortisation and impairment losses at 1 January	(2,119)	-	(3,569)	(906)	(6,594)
Foreign exchange adjustments	14	-	181	22	217
Amortisation	-	(7)	(217)	(122)	(346)
Impairment losses	(48)	-	(3)	-	(51)
Acquisitions	-	-	-	(22)	(22)
Divestments	51	-	26	19	96
Disposals	-	-	-	44	44
Reclassification to/(from) Assets held for sale	19	-	(13)	-	6
Amortisation and impairment losses at 31 December	**(2,083)**	**(7)**	**(3,595)**	**(965)**	**(6,650)**
Carrying amount at 31 December	**18,196**	**44**	**727**	**525**	**19,492**

Impairment losses on goodwill related to divestments, see 3.8, Goodwill impairment as well as businesses being classified as held for sale, see 3.5, Assets and liabilities held for sale.

3.6 INTANGIBLE ASSETS (CONTINUED)

ACCOUNTING POLICY

Goodwill is initially recognised at cost and subsequently at cost less accumulated impairment losses. Goodwill is not amortised. Goodwill is attributable mainly to assembled workforce, technical expertise and technological knowhow.

Acquisition-related **brands** are recognised at fair value at the acquisition date. Subsequently, acquired brands with indefinite useful lives are measured at cost less accumulated impairment losses. Brands with finite useful lives are measured at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life, which is usually in the range of 2-5 years.

Acquisition-related **customer contracts** are recognised at fair value at the acquisition date and subsequently at cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the estimated useful life of the acquired portfolio, which is in the range of 11-15 years.

Software and other intangible assets are measured at cost less accumulated amortisation and impairment losses. 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 Group are recognised in the income statement as and when incurred.

Amortisation is calculated on a straight-line basis over the estimated useful lives of the assets, which are 5-10 years.

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

Impairment testing of intangible assets, see 3.7, Impairment tests.

3.7 IMPAIRMENT TESTS

DETERMINATION OF CASH-GENERATING UNITS (CGUs)

Impairment tests are generally carried out per country as this represents the lowest level of cash-generating units (CGUs) to which the carrying amount of intangibles, i.e. goodwill and customer contracts, can be allocated and monitored with any reasonable certainty. This level of allocation and monitoring of intangibles should be seen in the light of the Group's strategy to integrate acquired companies as quickly as possible in order to benefit from synergies. Management of certain countries has been combined to take advantage of similarities in terms of markets, shared customers and cost synergies. In such cases, the countries are regarded as one CGU when performing the impairment tests.

ESTIMATES USED TO MEASURE RECOVERABLE AMOUNT

The recoverable amount of each CGU is determined on the basis of its value-in-use. The value-in-use is established using certain key assumptions as described below. The key assumptions are revenue growth, operating margin and discount rates.

Value-in-use cash flow projections are based on financial budgets approved by management covering the following financial year. Revenue growth and operating margin assumptions applied in the short to medium term (forecasting period of five years) are based on management's expectations regarding the growth and operational development considering all relevant factors including past experience and external sources of information where possible and relevant.

When estimating the CGUs' **margin development** in the forecasting period, past experience and the impact from expected efficiency improvements are taken into consideration. Since 2013, we have accelerated our strategy implementation through GREAT, which among other things include customer segmentation, organisational structure, IFS readiness, key account focus and excellence projects, e.g. our procurement programme and business process outsourcing (BPO). The expected impact of these initiatives are taken into consideration for the relevant CGUs.

Revenue growth projections in the forecasting period for the individual CGUs are estimated on the basis of expected market development including IFS readiness and key account potential, impact from global key account contracts and the macroeconomic environment in general. Past experience is taken into consideration as well as the expected impact from local and Group initiatives, such as GREAT, where especially initiatives on customer segmentation (including key account focus), organisational structure and IFS readiness are assumed to affect growth opportunities.

Terminal growth rates do not exceed the expected long-term average growth rate including inflation for the country in which the CGU operates.

The country specific **discount rates**, which are calculated net of tax, are generally based on 10-year government bonds of the individual countries. An interest premium is added to adjust for the inconsistency of applying government bonds with a short-term maturity when discounting the estimated future cash flows with infinite maturity.

A **target ratio** of 25/75 (2017: 25/75) between the market value of debt and equity value has been applied in the calculation. As a company based in Europe, the Group assumes the long-term market equity risk premium to be 6.5% (2017: 6.5%).

Uncertainties reflecting past performance and possible variations in the amount or timing of the projected cash flows are generally reflected in the discount rates. Consequently, a country specific risk premium is added to the discount rates to reflect the specific risk associated with each CGU.

3.7 IMPAIRMENT TESTS (CONTINUED)

CARRYING AMOUNTS AND KEY ASSUMPTIONS

The carrying amount of intangibles, i.e. goodwill and customer contracts, and the key assumptions[1)] used in the impairment testing as per 31 December are presented below for each CGU representing more than 5% of the carrying amount of the Group's intangibles or CGUs considered to be at high risk of impairment or having incurred recent impairment losses.

The significant decrease in the carrying amount of intangibles compared to 2017 is due to the 13 countries being presented as discontinued operations and assets held for sale at 31 December 2018 as well as fair value adjustments related hereto.

	Carrying amount			Forecasting period		Terminal period		Applied discount rate	
DKK million	Goodwill	Customer contracts	Total in-tangibles	Growth (avg.)	Margin (avg.) [2)]	Growth	Margin [2)]	Net of tax	Pre-tax
2018									
USA & Canada [3)]	2,230	207	2,437	4.1%	5.4%	3.0%	5.5%	10.3%	13.1%
France	1,901	-	1,901	2.8%	6.2%	2.5%	6.5%	8.5%	13.2%
UK & Ireland	1,694	184	1,878	3.3%	7.0%	2.5%	7.0%	8.0%	9.4%
Finland	1,640	-	1,640	2.4%	7.8%	2.0%	7.8%	7.9%	9.6%
Australia & New Zealand	1,279	44	1,323	3.1%	4.6%	3.0%	4.6%	9.4%	12.8%
Switzerland	1,175	3	1,178	1.0%	7.2%	2.0%	7.2%	6.4%	7.8%
Spain & Portugal	1,065	27	1,092	2.1%	6.2%	2.5%	6.2%	8.7%	11.1%
Netherlands	401	-	401	4.2%	4.2%	2.0%	5.0%	8.2%	10.6%
Other	4,852	47	4,899	-	-	-	-	-	-
Total	**16,237**	**512**	**16,749**						
2017									
USA & Canada [3)]	2,154	212	2,366	5.0%	5.0%	3.0%	5.5%	10.1%	12.8%
UK & Ireland	1,718	221	1,939	0.4%	7.0%	2.5%	7.0%	7.9%	9.1%
France	1,896	-	1,896	2.7%	5.8%	2.5%	6.5%	8.5%	12.9%
Finland	1,635	18	1,653	2.7%	7.7%	2.0%	7.7%	7.8%	9.6%
Australia & New Zealand	1,345	66	1,411	3.2%	5.4%	3.0%	5.4%	9.6%	12.8%
Switzerland	1,124	8	1,132	1.9%	7.7%	2.0%	7.7%	6.4%	7.8%
Spain & Portugal	1,069	50	1,119	2.3%	6.2%	2.5%	6.2%	8.7%	11.2%
Netherlands	995	-	995	2.8%	4.9%	2.0%	5.0%	8.2%	10.8%
Other	6,260	152	6,412	-	-	-	-	-	-
Total	**18,196**	**727**	**18,923**						

[1)] The key assumptions applied in the impairment tests are used for accounting purposes and should not be considered a forward-looking statement within the meaning of the US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations to the future development.

[2)] Excluding allocated corporate costs and Royalty.

[3)] Excluding brands of DKK 35 million.

Netherlands Following the divestment of the single-service cleaning business in November 2018, the assumptions applied have been updated to include only the continuing key account business. The assumptions have been prepared based on the general principles described on p. 60 as well as on management's updated business plan.

In terms of growth, the improvement compared to previous years reflects the 100% focus on the key account business going forward, as this market generally offers higher growth opportunities as well as an improved commercial culture in the business. This is in line with the development we have seen in recent years, where we have experienced significant key account wins in 2017 and 2018.

Operating margin is assumed in the range 3.2%-5.0% reflecting a gradual improvement following the restructurings carried out on the back of the divestment as well as implementation of operational excellence on contract level in a significantly less complex key account business.

3.7 IMPAIRMENT TESTS (CONTINUED)

SENSITIVITY ANALYSIS

A sensitivity analysis on the key assumptions in the impairment testing is presented below. The allowed change represents the percentage points by which the value assigned to the key assumption can change, all other things being equal, before the CGU's recoverable amount equals its carrying amount.

	Forecasting period				Terminal period				Discount rate, net of tax	
	Growth		Margin [1]		Growth		Margin [1]			
	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied long-term rate	Allowed decrease	Applied rate	Allowed increase
2018										
USA & Canada	4.1%	>4.1%	5.4%	>3.0%	3.0%	>3.0%	5.5%	>3.0%	10.3%	>3.0%
France	2.8%	>2.8%	6.2%	>3.0%	2.5%	>2.5%	6.5%	2.7%	8.5%	>3.0%
UK & Ireland	3.3%	>3.3%	7.0%	>3.0%	2.5%	>2.5%	7.0%	>3.0%	8.0%	>3.0%
Finland	2.4%	>2.4%	7.8%	>3.0%	2.0%	>2.0%	7.8%	>3.0%	7.9%	>3.0%
Australia & New Zealand	3.1%	>3.1%	4.6%	>3.0%	3.0%	>3.0%	4.6%	1.8%	9.4%	>3.0%
Switzerland	1.0%	>1.0%	7.2%	>3.0%	2.0%	>2.0%	7.2%	>3.0%	6.4%	>3.0%
Spain & Portugal	2.1%	>2.1%	6.2%	>3.0%	2.5%	>2.5%	6.2%	>3.0%	8.7%	>3.0%
Netherlands	4.2%	>4.2%	4.2%	>3.0%	2.0%	>2.0%	5.0%	>3.0%	8.2%	>3.0%
2017										
USA & Canada	5.0%	>5.0%	5.0%	>3.0%	3.0%	>3.0%	5.5%	2.7%	10.1%	>3.0%
UK & Ireland	0.4%	>0.4%	7.0%	>3.0%	2.5%	>2.5%	7.0%	>3.0%	7.9%	>3.0%
France	2.7%	>2.7%	5.8%	>3.0%	2.5%	>2.5%	6.5%	2.2%	8.5%	2.3%
Finland	2.7%	>2.7%	7.7%	>3.0%	2.0%	>2.0%	7.7%	>3.0%	7.8%	>3.0%
Australia & New Zealand	3.2%	>3.2%	5.4%	>3.0%	3.0%	>3.0%	5.4%	2.7%	9.6%	>3.0%
Switzerland	1.9%	>1.9%	7.7%	>3.0%	2.0%	>2.0%	7.7%	>3.0%	6.4%	>3.0%
Spain & Portugal	2.3%	>2.3%	6.2%	>3.0%	2.5%	>2.5%	6.2%	>3.0%	8.7%	>3.0%
Netherlands	2.8%	0.7%	4.9%	0.6%	2.0%	0.3%	5.0%	0.2%	8.2%	0.2%

[1] Excluding allocated corporate costs and Royalties.

3.7 IMPAIRMENT TESTS (CONTINUED)

SIGNIFICANT ACCOUNTING ESTIMATES

In performing the impairment test management assesses whether the CGU to which the intangibles relate will be able to generate positive net cash flows sufficient to support the value of intangibles and other net assets of the entity.

This assessment is based on estimates of expected future cash flows (value-in-use) made on the basis of financial budgets for the following financial year and estimated discount rates, growth and margin development. The procedure is described in "Estimates used to measure recoverable amount". In recent years, volatility in risk free interest rates has increased, which generally has increased the estimation uncertainty.

ACCOUNTING POLICY

Intangible assets with an indefinite useful life, i.e. goodwill, are subject to impairment testing at least annually or when circumstances indicate that the carrying amount may be impaired. The carrying amount of other non-current assets is tested annually for indications of impairment.

If an indication of impairment exists, the recoverable amount of the asset is determined. The recoverable amount is the higher of the fair value of the asset less anticipated costs of disposal and its value-in-use. The value-in-use is calculated as the present value of expected future cash flows from the asset or the CGU to which the asset belongs.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the CGU to which goodwill is allocated.

An impairment loss is recognised in the income statement in a separate line if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses are only reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

3.8 GOODWILL IMPAIRMENT

DKK million	2018	2017
Impairment losses derived from divestment of businesses	829	12
Goodwill impairment	**829**	**12**

Impairment losses derived from divestment of businesses predominantly related to the divested specialised cleaning business in the Netherlands of DKK 596 million as well as the divesment of the Fruit business in Denmark and the Uniguard security business in the USA. Furthermore, the remeasurement of businesses held for sale resulted in a total loss of DKK 175 million excluding losses on discontinued operations. In 2017, the losses related to the divestment of the Danish sewage and industrial service business.

CAPITAL STRUCTURE

SECTION 4

4.1 EQUITY

CAPITAL MANAGEMENT

The ISS Global Group is indirectly wholly owned by ISS A/S and is therefore part of the ISS A/S Group. Group Treasury manages financing activities and capital structure centrally for the ISS A/S Group as a whole. The ISS Global Group's financing activities and capital structure are not assessed independently of the ISS A/S Group.

The Group monitors the capital structure and evaluates the need for adjustments on an ongoing basis. The Group's objectives for managing capital and what is managed as capital are described in note 4.6, Liquidity risk. The dividend policy and payment of dividends is made subject to the necessary consolidation of equity and the Group's continuing expansion and profitability.

ISS Global A/S (the Group's parent) is a holding company, and its primary assets are shares in its subsidiaries, receivables from its subsidiaries and cash in its bank accounts. ISS Global A/S has no revenue generating operations of its own, and therefore ISS Global A/S's cash flow and ability to service its indebtness, will primarily depend on the operating performance and financial condition of its operating subsidiaries, and the receipt by ISS Global A/S of funds from its subsidiaries.

SHARE CAPITAL

In 2018, the share capital was increased by nominally DKK 100,000 by conversion of an intercompany loan of DKK 3,072,880,000 to the sole shareholder ISS World Services A/S, corresponding to a share premium of DKK 3,072,780,000.

At 31 December 2018, ISS Global A/S share capital comprised 180,100 shares with a nominal value of DKK 1,000 each. All shares were fully paid and freely transferable. ISS Global 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.

	2018		2017	
	Nominal value (DKK million)	Number of shares	Nominal value (DKK million)	Number of shares
Share capital at 1 January	180	180,000	180	180,000
Capital increase	0	100	-	-
Share capital at 31 December	**180**	**180,100**	**180**	**180,000**

DIVIDEND

In 2018, dividends of DKK 1,500 million (2017: DKK 1,200 million) to ISS World Services A/S, ultimately ISS A/S, were approved at an extraordinary general meeting and paid out in December 2018.

ACCOUNTING POLICY

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

Translation reserve comprises all foreign exchange differences arising from the translation of financial statements of foreign entities with a functional currency other than DKK as well as from the translation of non-current balances which are considered part of the investment in foreign entities.

On full or partial realisation of a foreign entity where control is lost the foreign exchange adjustments are transferred to the income statement in the same line item as the gain or loss.

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 decision to pay the dividend is made.

4.2 LOANS AND BORROWINGS

DKK million	2018	2017
Issued bonds	17,121	17,052
Bank loans	179	286
Debt to companies within the ISS Group	2,047	6,618
Finance lease liabilities	232	166
Derivatives	-	6
Total	**19,579**	**24,128**
Non-current liabilities	17,289	17,164
Current liabilities	2,290	6,964
Loans and borrowings	**19,579**	**24,128**
Cash and cash equivalents and other financial items [1]	(6,878)	(8,452)
Net debt	**12,701**	**15,676**

[1] Includes securities of DKK 39 million (2017: DKK 39 million), certain receivables from companies within the ISS Group of DKK 0 million (2017: DKK 2,190 million) and positive value of currency swaps of DKK 13 million (2017: DKK 3 million).

CASH FLOW FROM FINANCING ACTIVITIES

DKK million	2018	2017
Loans and borrowings at 1 January	24,128	21,407
Foreign exchange adjustments	85	(22)
Proceeds from bonds	-	4,439
Repayment of senior facilities	-	(2,230)
Other financial payments, net	(289)	223
Debt conversion (non-cash)	(4,800)	-
Payments (to)/from companies within the ISS Group, net	229	353
Additions to finance lease liabilities (non-cash)	136	92
Other non-cash movements	90	(134)
Loans and borrowings at 31 December	**19,579**	**24,128**

FAIR VALUE

The fair value of loans and borrowings was DKK 19,819 million (2017: DKK 24,658 million). The fair value of bonds is based on the quoted market price on the Luxembourg Stock Exchange and measurement is categorised as Level 1 in the fair value hierarchy. For the remaining loans and borrowings fair value is equal to the nominal value as illustrated in 4.5, Interest rate risk.

FINANCING FEES

In 2018, financing fees amounting to DKK 4 million (2017: DKK 51 million) have been recognised in loans and borrowings while financing fees of DKK 22 million (2017: DKK 59 million) have been amortised and recognised in financial expenses. Accumulated financing fees recognised in loans and borrowings on 31 December 2018 amounted to DKK 79 million (2017: DKK 97 million).

ACCOUNTING POLICY

Financial liabilities are recognised at the date of borrowing at fair value less related transaction costs paid. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. Any difference between the proceeds initially received and the nominal value is recognised in Financial expenses over the term of the loan. Financial liabilities also include the capitalised residual obligations on finance leases, which are measured at amortised cost.

4.3 FINANCIAL INCOME AND EXPENSES

DKK million	2018	2017
Interest income on cash and cash equivalents	37	33
Interest income from companies within the ISS Group	27	28
Financial income	**64**	**61**
Interest expenses on loans and borrowings	(349)	(316)
Forward premiums on currency swaps	(99)	(56)
Interest expense to companies within the ISS Group	(28)	(29)
Other bank fees	(62)	(47)
Foreign exchange losses	(31)	(4)
Amortisation of financing fees	(22)	(59)
Net interest on defined benefit obligations	(21)	(21)
Interest on factoring and supply chain finance [1)]	(20)	(7)
Interest on financial leasing	(15)	(11)
Financial expenses	**(647)**	**(550)**

[1)] The Group uses non-recourse factoring with certain large blue-chip customers and participates in certain customers' supply chain finance arrangements for the purpose of optimising operational cash flows.

Interest expenses on loans and borrowings The increase in interest expenses in 2018 was mainly a result of the issuance of bonds under the EMTN programme in August 2017 carrying slightly higher interest rates.

Forward premiums on currency swaps increased as a result of the acquistion of Guckenheimer in April 2017, when part of the Euro EMTN bonds was swapped into USD carrying a higher interest rate.

Foreign exchange gains and losses mainly related to exchange rate movements on intercompany loans from the parent company to foreign subsidiaries as well as on external loans and borrowings denominated in currencies other than DKK. In addition, fair value adjustments of currency swaps were included.

Amortisation of financing fees At the date of borrowing financing fees are recognised as part of loans and borrowings. Subsequently, financing fees are amortised over the term of the loan and recognised in financial expenses. Amortisation of financing fees are non-cash financial expenses.

4.4 FINANCIAL RISK MANAGEMENT

The Group is exposed to a number of financial risks arising from its operating and financing activities, mainly interest rate risk, liquidity risk, currency risk and credit risk. These financial risks are managed centrally by Group Treasury based on the Financial Policy, which is reviewed and approved annually by the Board of Directors of ISS A/S. Within the framework of the Financial Policy it is considered on an ongoing basis if the financial risk management approach appropriately adresses the exposures.

It is the Group's policy to mitigate risk exposure derived from its business activities. Group policy does not allow taking speculative positions in the financial markets.

The areas exposed to financial risks are mainly loans and borrowings and financial income and expenses. The Group's objectives, policies and processes for measuring and managing the risk exposure related to these items are explained in:

- 4.5 Interest rate risk;
- 4.6 Liquidity risk; and
- 4.7 Currency risk.

Credit risk on trade receivables and currency risk (operational) are described in:

- 2.1 Trade receivables and credit risk; and
- 1.3 Translation and operational currency risk.

At 31 December 2018, the exposure to credit risk related to cash and cash equivalents was DKK 6,826 million (2017: DKK 6,262 million). It is the Group's policy to transact only with financial institutions with at least A-1/P-1 credit ratings. Group Treasury monitors credit ratings on an ongoing basis and approves exceptions to credit rating requirements.

The Group has not identified additional financial risk exposures in 2018 compared to 2017.

4.5 INTEREST RATE RISK

EXPOSURE	RISK MANAGEMENT POLICY	MITIGATION
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments, currently bank loans and issued bonds. **Low risk** • 99% of the Group's external bank loans and bonds carried fixed interest rates at 31 December 2018 (2017: 98%) • Duration of gross external debt (fixed-rate period) of 4.1 years at 31 December 2018 (2017: 5.1 years) • Exposure primarily related to EUR denominated bank loans with floating rates	• At least 50% of the Group's bank loans and issued bonds must carry fixed interest rates directly or through derivatives • Duration of gross debt (fixed-rate period) shall be 2-6 years • Currently the Group does not use interest rate swaps	• The balance between fixed and variable interest rates and gross debt duration (fixed-rate period) is measured on a monthly basis to ensure compliance

EXPOSURE TOWARDS INTEREST RATES

DKK million	Nominal interest rate	Currency	Maturity	Nominal value	2018 Carrying amount	2017 Carrying amount
Issued bonds (fixed interest rate)						
EMTNs (EUR 700 million)	1.125%	EUR	2020	5,227	5,220	5,197
EMTNs (EUR 500 million)	1.125%	EUR	2021	3,734	3,724	3,708
EMTNs (EUR 500 million)	2.125%	EUR	2024	3,734	3,717	3,703
EMTNs (EUR 600 million)	1.500%	EUR	2027	4,480	4,460	4,444
				17,175	**17,121**	**17,052**
Bank loans (floating interest rate)						
Revolving Credit Facility (EUR 1,000 million) [1]	Libor + 0.60%	Multi	2023	78	53	42
Bank loans and overdrafts	-	Multi	-	126	126	244
				204	**179**	**286**
Intra-group (floating interest rate)						
Debt to companies within the ISS Group [2]	Cibor + 0.50%	DKK	2024	2,047	2,047	6,618
				2,047	**2,047**	**6,618**

[1] The Revolving Credit Facility was extended in November 2018 to mature in November 2023. The current margin of 0.60% will decrease to 0.45% in February 2019 if leverage in the ISS A/S Group is below 2.5x. At 31 December 2018, leverage was 2.1x. In addition, a utilisation fee applies. For utilisation up to 33% the fee is 0.10%, for utilisation between 33% and 66%, the fee is 0.20%, and for utilisations above 66% the fee is 0.30%.

[2] The loans are committed until 2024, but classified as current as they are used in the ISS Global Group's normal operating cycle.

SENSITIVITY ANALYSIS

It is estimated that a general increase in relevant interest rates of 1%-point would have decreased profit for the year and other comprehensive income by DKK 21 million (2017: decreased both items by DKK 42 million).

The estimate was based on loans and borrowings with floating interest rates, i.e. disregarding cash and cash equivalents, as the level at 31 December is typically the highest in the year and not a representative level for the purpose of this analysis. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

In addition, the net forward position of intercompany loan hedges at 31 December 2018 was DKK 4.3 billion (excluding EUR/DKK hedges) of which USD represent DKK 2.4 billion. It is estimated that a general increase of 1 percentage point in relevant interest rates versus EUR/DKK interest rates would have increased the annual cost (forward premium) by DKK 43 million and consequently decreased profit for the year and other comprehensive income with the same amount.

4.6 LIQUIDITY RISK

EXPOSURE	RISK MANAGEMENT POLICY	MITIGATION
Liquidity risk results from the Group's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity. **Low risk** • Diversified funding through bank loans and bonds • No short-term maturities	• Maintain an appropriate level of short- and long-term liquidity reserves (liquid funds and committed credit facilities) • Maintain a smooth maturity profile in terms of different maturities • Maintain access to diversified funding sources	• Raising capital is managed centrally in Group Treasury to ensure efficient liquidity management • Liquidity is transferred to/from ISS Global A/S, which operates as the internal bank of the Group • For day-to-day liquidity management cash pools have been established in the majority of the local entities

LIQUIDITY RESERVES

The Group's liquidity reserves mainly consist of liquid funds (cash and cash equivalents less not readily available or restricted cash) and unused credit facilities. The level of cash and cash equivalents is typically highest at 31 December and not a representative level for the rest of the year. As at 31 December 2018, the Group's liquid reserves consisted of readily available liquid funds of DKK 6,762 million (2017: DKK 6,199 million) and unused revolving credit facilities of DKK 7,056 million (2017: DKK 7,210 million) where the majority is available for drawing until 3 November 2023.

In addition, as of 31 December 2018, ISS had DKK 1.4 billion of other credit facilities of which DKK 1.0 billion was unused. Such facilities comprise mainly other local credit facilities and finance leases, which are not part of the senior unsecured facilities.

DKK 64 million (2017: DKK 21 million) of the total cash position at 31 December 2018 was placed on blocked or restricted bank accounts due to legal circumstances.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

The contractual maturities of financial liabilities, based on undiscounted contractual cash flows, are shown in the maturity table below. The undiscounted contractual cash flows include expected interest payments, estimated based on market expectations at the reporting date. The risk implied from the values reflects the one-sided scenario of cash outflows only. Trade payables and other financial liabilities are mainly used to finance assets such as trade receivables and property, plant and equipment.

DKK million	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
2018								
Loans and borrowings[1]	17,532	18,851	538	5,488	3,936	182	163	8,544
Debt to companies within the ISS Group	2,047	2,057	2,057	-	-	-	-	-
Trade payables and other financial liabilities[2]	7,207	7,253	7,095	73	32	53	-	-
Total financial liabilities	**26,786**	**28,161**	**9,690**	**5,561**	**3,968**	**235**	**163**	**8,544**
2017								
Loans and borrowings[1]	17,510	19,071	632	289	5,434	3,888	161	8,667
Debt to companies within the ISS Group	6,618	6,651	6,651	-	-	-	-	-
Trade payables and other financial liabilities[2]	6,108	6,195	5,986	71	43	36	59	-
Total financial liabilities	**30,236**	**31,917**	**13,269**	**360**	**5,477**	**3,924**	**220**	**8,667**

[1] Excluding debt to companies within the ISS Group.

[2] Including payable royalties and management fees to ISS World Services A/S.

4.7 CURRENCY RISK

EXPOSURE	RISK MANAGEMENT POLICY	MITIGATION
Currency risk is the risk that arises from changes in exchange rates, and affects the Group's result or value of financial instruments. The Group uses currency swaps to hedge the exposure to currency risk. **Low risk** • 99.7% of the Group's external bank loans and bonds were denominated in EUR at 31 December 2018 (2017: 97.0%) • Exposure relates to intercompany loans from the parent company to foreign subsidiaries and intercompany balances as these are typically denominated in the functional currency of the subsidiary	• All hedging is conducted at Group level • Main policy is to hedge foreign exchange exposures towards EUR or DKK exceeding DKK 5 million. However, some currencies cannot be hedged within a reasonable price range, e.g. ARS, in which case correlation to a proxy currency is considered and, if deemed appropriate, proxy hedging is applied • Exposure to EUR is monitored but not hedged due to the fixed exchange rate policy between DKK/EUR • Exposure resulting from functional currencies not matching liabilities may as a result of recent currency volatility be hedged for functional currencies representing 5% or more of Group EBITDA in an amount equaling 3-5 years of annual EBITDA in the functional currency adjusted as appropriate to market entry and market exit risk • Our hedging of foreign exchange exposures (intercompany loans) exposes us to interest spread risk, see sensitivity analysis in note 4.5, Interest rate risk	• Use of currency swaps to hedge the exposure to currency risk on loans and borrowings (external) and intercompany balances. As fair value adjustments of both the hedged item and the derivative financial instrument are recognised in the income statement in financial income and expenses, hedge accounting in accordance with IFRS 9 is not applied • Exposure on loans and borrowings, intercompany balances and cash and cash equivalents are measured at least on a weekly basis to evaluate the need for hedging currency positions

IMPACT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Fluctuations in foreign exchange rates will affect the value of loans and borrowings (external) as well as the income statement as funding is obtained in various currencies. In 2018, changes in foreign exchange rates related to loans and borrowings resulted in a loss of DKK 85 million (2017: gain of DKK 22 million). The impact is derived from loans and borrowings in EUR, which appreciated 0.2% against DKK in 2018.

SENSITIVITY ANALYSIS

It is estimated that a change in relevant foreign exchange rates would have increased/(decreased) net profit and other comprehensive income by the amounts shown below. The analysis is based on the Group's internal monitoring of currency exposure on loans and borrowings, intercompany loans, cash and cash equivalents as well as accrued royalties (Group internal). Further, the analysis is based on foreign exchange rate variances that the Group considered to be reasonably possible at the reporting date and assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

				Sensitivity		
DKK million	Currency exposure (nominal value)	Currency swaps (contractual value)	Total exposure	Increase in foreign exchange rates	Net profit	Other comprehensive income
2018						
EUR/DKK	(15,723)	8,304	(7,419)	1%	(74)	(74)
USD/DKK	2,201	(2,264)	(63)	10%	(6)	(6)
Other/DKK	1,373	(1,321)	52	10%	5	5
Total	**(12,149)**	**4,719**	**(7,430)**			
2017						
EUR/DKK	(14,879)	7,578	(7,301)	1%	(73)	(73)
USD/DKK	2,009	(2,212)	(203)	10%	(20)	(20)
Other/DKK	981	(826)	155	10%	16	16
Total	**(11,889)**	**4,540**	**(7,349)**			

REMUNERATION
SECTION 5

5.1 REMUNERATION TO THE BOARD OF DIRECTORS AND THE EXECUTIVE GROUP MANAGEMENT

The management team of the ISS Global Group formally consists of the Managing Director and the Board of Directors. Members of the management team are not separately remunerated for their duties performed in the ISS Global Group.

As the ISS Global Group 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 the ISS Global Group's activities. Consequently, key management personnel of the ISS A/S Group is also considered key management personnel of the ISS Global Group.

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

	2018			2017		
		EGM			EGM	
DKK thousand	Board	EGMB	Corporate Senior Officers	Board	EGMB	Corporate Senior Officers
Base salary and non-monetary benefits	8,818	16,821	33,614	8,490	15,215	40,033
Annual bonus (STIP)	-	11,906	20,660	-	8,718	19,798
Retention bonus [1)]	-	9,878	-	-	-	-
Share-based payments (LTIP)	-	3,482	4,141	-	4,637	11,061
Total remuneration	**8,818**	**42,087**	**58,415**	**8,490**	**28,570**	**70,892**

[1)] Hereof DKK 5.6 million paid in 2018 and the remaining DKK 4.3 million are subject to continued employment in 2019 and 2020.

5.2 SHARE-BASED PAYMENTS

ISS A/S has an equity-settled long-term incentive programme (LTIP). ISS A/S recharges costs relating to the ISS Global Group. Members of the EGM (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 PSUs will vest on the date of the third year 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 C25 and a peer group of comparable international service companies.

For the LTIP 2016, 2017 and 2018 (but not previous programmes) participants are compensated for any dividend distributed during time of grant and time of vesting.

THRESHOLD	VESTING	TSR	EPS GROWTH [1)] (LTIP 2016)	EPS GROWTH [1)] (LTIP 2017)	EPS GROWTH [1)] (LTIP 2018)
Below threshold	0%	Below median of peers	< 6% annually	< 3% annually	< 3% annually
Threshold	25%	At median of peers	6% annually	3% annually	3% annually
Maximum	100%	At upper quartile of peers or better	12% annually	9% annually	9% annually

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

5.2 SHARE-BASED PAYMENTS (CONTINUED)

VALUE OF LTIP PROGRAMMES AND IMPACT IN THE INCOME STATEMENT

	LTIP 2015	LTIP 2016	LTIP 2017	LTIP 2018
Total PSUs granted	785,976	822,876	732,824	844,854
Number of participants	142	141	155	152
Fair value of PSUs expected to vest at grant date, DKK million	89	103	102	100
Fair value of PSUs expected to vest at 31 December 2018, DKK million	103	54	52	86
Recognised in the income statement in 2018, DKK million [1)]	7	(4)	5	24
Not yet recognised in respect of PSUs expected to vest, DKK million	-	3	13	63

[1)] Hereof DKK 3 million were expensed in ISS A/S and DKK 10 million were expensed in ISS World Serices A/S.

APPLIED ASSUMPTIONS AT THE TIME OF GRANT

	LTIP 2016	LTIP 2017	LTIP 2018
Share price (DKK)	241	270	228
Expected volatility	24.5%[1)]	27.9%[1)]	29.0%[1)]
Expected life of grant	3 years	3 years	3 years
Risk-free interest rate	0.6%-1.6%[1)]	(0.2)%-2.4%[1)]	0.5%-2.4%[1)]

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

LTIP 2015 - VESTED

In March 2018, the LTIP 2015 programme vested and the participants received shares in ISS A/S at no cost. Based on the annual EPS and TSR performances for 2015, 2016 and 2017, 91% of the granted PSUs, equal to 609,334 PSUs, vested. After this vesting, no further PSUs are outstanding under the LTIP 2015 and the programme has lapsed.

LTIP 2015 Number of PSUs	EGM EGMB	EGM Corporate Senior Officers	Other senior officers	Total
Outstanding at 1 January 2017	37,589	116,476	542,671	696,736
Cancelled	-	-	(26,227)	(26,227)
Outstanding at 31 December 2017	**37,589**	**116,476**	**516,444**	**670,509**
Vested	(34,308)	(84,935)	(490,091)	(609,334)
Transferred	-	(23,415)	23,415	-
Forfeited	(3,281)	(8,126)	(46,925)	(58,332)
Cancelled	-	-	(2,843)	(2,843)
Outstanding at 31 December 2018	**-**	**-**	**-**	**-**

5.2 SHARE-BASED PAYMENTS (CONTINUED)

LTIP - OUTSTANDING PSUs

LTIP 2016 Number of PSUs	EGM: EGMB	EGM: Corporate Senior Officers	Other senior officers	Total
Outstanding at 1 January 2017	54,063	130,284	492,234	676,581
Granted	1,548	3,728	13,784	19,060
Cancelled	-	(14,026)	(39,250)	(53,276)
Outstanding at 31 December 2017	**55,611**	**119,986**	**466,768**	**642,365**
Granted	1,946	3,842	15,985	21,773
Transferred	-	(10,117)	10,117	-
Cancelled	-	(11,246)	(35,525)	(46,771)
Outstanding at 31 December 2018 [1]	**57,557**	**102,465**	**457,345**	**617,367**

LTIP 2017 Number of PSUs	EGMB	Corporate Senior Officers	Other senior officers	Total
Granted	58,182	101,596	551,939	711,717
Cancelled	-	(13,355)	(88,320)	(101,675)
Outstanding at 31 December 2017	**58,182**	**88,241**	**463,619**	**610,042**
Granted	2,066	2,882	16,159	21,107
Transferred	-	(7,006)	7,006	-
Cancelled	-	(9,034)	(42,210)	(51,244)
Outstanding at 31 December 2018	**60,248**	**75,083**	**444,574**	**579,905**

LTIP 2018 Number of PSUs	EGMB	Corporate Senior Officers	Other senior officers	Total
Granted	85,410	94,892	664,552	844,854
Cancelled	-	(10,534)	(151,656)	(162,190)
Outstanding at 31 December 2018	**85,410**	**84,358**	**512,896**	**682,664**

[1] In March 2019, the PSUs granted under LTIP 2016 will vest with 6% based on the annual EPS and TSR performances for 2016, 2017 and 2018.

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 staff costs over the vesting period with a corresponding increase in 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.

5.3 PENSIONS AND SIMILAR OBLIGATIONS

DEFINED CONTRIBUTION PLANS

The majority of the Group's pension schemes are defined contribution plans where contributions are paid to publicly or privately administered pension plans. The Group has no further payment obligations once the contributions have been paid. In 2018, contributions amounted to DKK 1,408 million (2017: 1,358 million), corresponding to 91% of the Group's pension costs (2017: 91%).

DEFINED BENEFIT PLANS

The Group has a number of defined benefit plans where the responsibility for the pension obligation towards the employees rests with the Group. The largest plans are in Switzerland and the UK accounting for 87% (2017: 86%) of the Group's obligation (gross) and 96% (2017: 96%) of its plan assets.

The defined benefit plans are primarily based on years of service, and benefits are generally determined on the basis of salary and rank. For defined benefit plans the Group assumes the risk associated with future developments in salary, interest rates, inflation, mortality and disability etc.

The majority of the obligations are funded with assets placed in independent pension funds. In some countries, primarily Sweden, France and Hong Kong the obligation is unfunded. For these unfunded plans the retirement benefit obligations amounted to DKK 696 million or 9% of the present value of the gross obligation (2017: DKK 683 million or 9%).

Switzerland Participants are insured against the financial consequences of retirement, disability and death. The pension plans guarantee a minimum interest credit and fixed conversion rates at retirement. Contributions are paid by both the employee and the employer. The plans must be fully funded. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, reduction of benefits or a combination of both. The pension plans include a risk-sharing element between ISS and the plan participants.

The UK Participants are insured against the financial consequences of retirement and death. The schemes do not provide any insured disability benefits. The pension plans are plans guaranteeing defined benefit pension at retirement on a final salary basis. The majority of the pension plans does not include a risk-sharing element between ISS and the plan participants.

SIGNIFICANT ACCOUNTING ESTIMATES

The present value of defined benefit obligations is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. All assumptions are assessed at the reporting date. Changes in these assumptions may significantly affect the liabilities and pension costs under defined benefit plans. The range and weighted average of these assumptions as well as sensitivities on key assumptions are disclosed in this note.

The discount rates used for calculating the present value of expected future cash flows are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating to the terms of the defined benefit obligations.

ISS participates in multi-employer pension schemes that by nature are defined benefit plans. Some funds are not able to provide the necessary information in order for the Group to account for the schemes as defined benefit plans and the schemes are therefore accounted for as defined contribution plans. There is a risk that the plans are not sufficiently funded. However, information on surplus or deficit in the schemes is not available.

ACCOUNTING POLICY

Contributions to **defined contribution plans** are recognised in Staff costs when the related service is provided. Any contributions outstanding are recognised in Other liabilities.

Defined benefit plans The Group's net obligation is calculated annually by a qualified actuary using the projected unit credit method. This calculation is done separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. The present value less the fair value of any plan assets is recognised in Pensions and similar obligations.

When the calculation results in a potential asset, recognition is limited to the present value of economic benefits available in the form of future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Pension costs are calculated based on actuarial estimates and financial expectations at the beginning of the year. Service costs are recognised in Staff costs and net interest is recognised in Financial expenses. Differences between the expected development in pension assets and liabilities and the realised amounts at the reporting date are designated actuarial gains or losses and recognised in other comprehensive income.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised in Staff costs. The Group recognises gains and losses on the settlement when the settlement occurs.

Other long-term employee benefits are recognised based on an actuarial calculation. Service costs and actuarial gains and losses are recognised in Staff costs. Interest on long-term employee benefits are recognised in Financial expenses. Other long-term employee benefits comprise jubilee benefits, long-service or sabbatical leave etc.

5.3 PENSIONS AND SIMILAR OBLIGATIONS (CONTINUED)

ACTUARIAL ASSUMPTIONS

Actuarial calculations and valuations are performed annually for all major defined benefit plans. The actuarial assumptions vary from country to country due to local conditions. Discount rates are based on the market yield of high quality corporate bonds or government bonds with a maturity approximating to the terms of the defined benefit obligations.

	2018				2017			
	CHF	GBP	EUR	Other currencies	CHF	GBP	EUR	Other currencies
Discount rates at 31 Dec	0.9%	3.0%	1.4-1.9%	1.0-16.8%	0.6%	2.7%	1.3-3.2%	1.0-10.8%
Future salary increases	1.0%	1.0-2.2%	0.0-3.0%	0.0-8.6%	1.0%	1.8%	0.0-3.5%	0.0-8.6%
Future pension increases	0.0%	3.1%	0.0-2.0%	0.0-2.0%	0.0%	3.0%	0.0-2.0%	0.0-1.9%

SENSITIVITY ANALYSIS

The table below illustrates the sensitivity related to significant actuarial assumptions used in the calculation of the defined benefit obligation recognised at the reporting date. The analysis is based on changes in assumptions that the Group considered to be reasonably possible at the reporting date. It is estimated that the relevant changes in assumptions would have increased/(decreased) the defined benefit obligation by the amounts shown below:

	2018		2017	
DKK million	+0.5%	-0.5%	+0.5%	-0.5%
Discount rate	(476)	535	(478)	554
Future price inflation	138	(116)	171	(70)
Future salary increases	78	(71)	130	(33)
Future pension increases	357	(84)	359	(46)
	+1 year	-1 year	+1 year	-1 year
Life expectancy	165	(158)	213	(114)

The estimated weighted average duration of the defined benefit obligation was 13 years (2017: 14 years) and is split into:

Years	2018	2017
Active employees	13	13
Retired employees	13	13
Deferred vested [1)]	22	22
Total employees [1)]	13	14

[1)] The impact from deferred vested on total estimated weighted average duration is minor due to the fact that deferred vested make up less than 2% of the participants, and do not exist in many of the shorter duration plans.

5.3 PENSIONS AND SIMILAR OBLIGATIONS (CONTINUED)

DKK million	2018 Present value of obligation	2018 Fair value of plan assets	2018 Obligation, net	2017 Present value of obligation	2017 Fair value of plan assets	2017 Obligation, net
Carrying amount at 1 January	**7,567**	**6,506**	**1,061**	**7,744**	**6,234**	**1,510**
Current service costs	173	-	173	169	-	169
Interest on obligation/plan assets	94	73	21	78	56	22
Past service costs	(71)	-	(71)	(57)	-	(57)
Recognised in the income statement [1]	**196**	**73**	**123**	**190**	**56**	**134**
Actuarial (gains)/losses from demographic assumptions	(93)	-	(93)	38	-	38
Actuarial (gains)/losses from financial assumptions	(250)	-	(250)	10	-	10
Actuarial (gains)/losses due to experience adjustments	100	-	100	70	-	70
Return on plan assets excluding interest income	-	(322)	322	-	326	(326)
Impact from asset ceiling	-	(8)	8	-	(45)	45
Reclassifications	(3)	(3)	-	165	149	16
Recognised in other comprehensive income [2]	**(246)**	**(333)**	**87**	**283**	**430**	**(147)**
Foreign exchange adjustments	211	220	(9)	(530)	(450)	(80)
Reclassifications	21	-	21	-	-	-
Acquisitions and divestments, net	(9)	(2)	(7)	-	-	-
Additions from new contracts, net	-	-	-	9	-	9
Employee contributions	134	134	-	125	125	-
Employer contributions	-	198	(198)	-	196	(196)
Benefits paid	(257)	(173)	(84)	(211)	(130)	(81)
Impact from asset ceiling	-	8	(8)	-	45	(45)
Reclassification to Liabilities held for sale	(89)	(37)	(52)	(43)	-	(43)
Other changes	**11**	**348**	**(337)**	**(650)**	**(214)**	**(436)**
Carrying amount at 31 December	**7,528**	**6,594**	**934**	**7,567**	**6,506**	**1,061**
Other long-term employee benefits			140			151
Accumulated impact from asset ceiling			87			79
Pensions and similar obligations at 31 December			**1,161**			**1,291**

[1] Of which DKK 12 million was recognised in Net loss from discontinued operations (2017: DKK 10 million).

[2] Of which DKK 4 million related to discontinued operations (2017: DKK 22 million).

Past service costs In 2018 and 2017, the negative past service costs mainly related to decrease of benefits in Switzerland due to a plan amendment.

Contribution to defined benefit plans The Group expects to contribute DKK 225 million in 2019 (2018: DKK 253 million).

MAJOR CATEGORIES OF PLAN ASSETS	2018	2017
Listed shares	31%	34%
Corporate bonds	27%	30%
Property	13%	12%
Cash and cash equivalents	5%	6%
Government bonds	4%	1%
Other	20%	17%
Total	**100%**	**100%**

OTHER REQUIRED DISCLOSURES
SECTION 6

6.1 PROPERTY, PLANT AND EQUIPMENT

DKK million	2018	2017
Cost at 1 January	5,023	5,230
Foreign exchange adjustments	(76)	(226)
Acquisitions	1	162
Additions	881	738
Divestments	(34)	(151)
Disposals	(583)	(680)
Reclassification to Intangible assets	(39)	-
Reclassification to Assets held for sale	(696)	(50)
Cost at 31 December	**4,477**	**5,023**
Depreciation at 1 January	(3,448)	(3,675)
Foreign exchange adjustments	41	173
Acquisitions	-	(124)
Impairment	(13)	-
Depreciation	(519)	(530)
Divestments	33	107
Disposals	520	602
Reclassification to Intangible assets	1	-
Reclassification to Assets held for sale	450	(1)
Depreciation at 31 December	**(2,935)**	**(3,448)**
Carrying amount at 31 December	**1,542**	**1,575**
Hereof carrying amount of:		
Land and buildings	45	54
Assets held under finance leases	246	173

PROPERTY AND EQUIPMENT UNDER OPERATING LEASES

The Group leases a number of properties, vehicles (primarily cars) and other equipment under operating leases. The leases, except for properties, typically run for a period of 2-5 years, with an option to renew the lease after that date.

Leasing of cars is primarily entered under an international car fleet lease framework agreement which is valid until end 2019. The majority of the underlying agreements have a lifetime duration of 3-5 years.

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
2018	1,115	758	500	312	175	449	3,309
2017	1,109	806	541	340	216	308	3,320

In 2018, DKK 1,486 million (2017: DKK 1,617 million) was recognised as an expense in the income statement in respect of operating leases of which DKK 130 million (2017: DKK 75 million) was recognised in Net loss from discontinued operations.

6.1 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

ACCOUNTING POLICY

Property, plant and equipment is measured at cost less accumulated depreciation and impairment losses.

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.

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. 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.

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 the Group. 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.

Depreciation is based on the cost of an asset less its residual value. When parts of an item of property, plant 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 is discontinued.

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

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets. Assets under finance leases are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. The estimated useful lives for current and comparative years are as follows:

	Estimated useful life
Plant and equipment	3-10 years
Leasehold improvements	(the lease term) 5-12 years
Buildings	20-40 years

Land is not depreciated.

Gains and losses arising on the disposal or retirement of property, plant 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, except gains and losses arising on disposal of property, which are recognised in Other income and expenses, net.

Assets held under operating leases are not recognised in the statement of financial position. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

6.2 PROVISIONS

DKK million	Legal and labour-related cases	Self-insurance	Other	Total
Provisions at 1 January 2018	134	206	111	451
Foreign exchange adjustments	(19)	4	1	(14)
Additions	30	149	29	208
Disposals	(1)	0	0	(1)
Used during the year	(41)	(171)	(32)	(244)
Unused amounts reversed	(14)	0	(6)	(20)
Unwind of discount and other financial expenses	2	1	0	3
Reclassification to Liabilities held for sale	(35)	-	(2)	(37)
Reclassification from Other liabilities	4	2	5	11
Provisions at 31 December 2018	**60**	**191**	**106**	**357**
Current	36	78	44	158
Non-current	24	113	62	199

Self-insurance In the Hong Kong, the UK, Ireland, Australia and the USA the Group carries insurance provisions on employers' liability and/or workers compensation. Generally, the provisions for self-insurance are based on valuations from external actuaries. The countries are self-insured up to the following limits:

- **Hong Kong** – DKK 24.9 million (2017: DKK 24.0 million) yearly
- **UK** – DKK 22.8 million (2017: DKK 20 million) yearly aggregated limit and DKK 4 million (2017: DKK 4 million) per claim
- **Ireland** – DKK 7.5 million (2017: DKK 6.7 million) yearly aggregated limit and DKK 1.1 million (2017: DKK 1 million) per claim
- **Australia** – DKK 3.5 million (2017: DKK 2.4 million) per claim
- **USA** – DKK 3.2 million (2017: DKK 3.0 million) per claim

Furthermore, the provision includes liability not insured under the global general liability insurance with a self-insured level of DKK 7.5 million worldwide, except for the USA where the self-insurance level is DKK 6.5 million (2017: worldwide, including the USA, DKK 0.2 million) per claim. Obligations and legal costs in relation to various insurance cases if not covered by the insurance are also included in the provision.

Other comprises various obligations incurred, e.g. restructuring costs, guarantee reserves, dismantling costs, operational issues, closure of contracts and costs of meeting obligations under onerous contracts. At 31 December 2018, provisions for onerous contracts were included with DKK 13 million (2017: DKK 37 million).

ACCOUNTING POLICY

The amount recognised as a provision is management’s best estimate of the amount required to settle the obligation. The outcome depends on future events that are uncertain by nature. In assessing the likely outcome of lawsuits and tax disputes etc., management bases its assessment on external legal assistance and established precedents.

Provisions are recognised if the Group, as a result of a past event, has a present legal or constructive obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation. The costs required to settle the obligation are discounted if this significantly impacts the measurement of the liability. The entity's average borrowing rate is used as discount rate.

Restructuring costs are recognised in Provisions when a detailed, formal restructuring plan is announced to the affected parties on or before the reporting date.

Onerous contracts A provision is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

Asset retirement obligation When the Group has a legal obligation to dismantle or remove an asset or restore a site or rented facilities when vacated, a provision is recognised corresponding to the present value of expected future costs. The present value of the obligation is included in the cost of the relevant tangible asset and depreciated accordingly.

6.3 CONTINGENT LIABILITIES

GUARANTEE COMMITMENTS

Indemnity and guarantee commitments (mainly towards public authorities and insurance companies) at 31 December 2018 amounted to DKK 413 million (2017: DKK 427 million).

PERFORMANCE GUARANTEES

The Group has issued performance guarantee bonds for service contracts amounting to DKK 3,207 million (2017: DKK 3,190 million) of which DKK 1,331 million (2017: DKK 1,294 million) were bank-guaranteed performance bonds. Such performance bonds are issued in the ordinary course of business in the service industry to guarantee towards specific customers satisfactory completion of work in accordance with service contracts.

DIVESTMENTS

The Group makes provisions for claims from purchasers or other parties in connection with divestments and representations and warranties given in relation to such divestments. Management believes that provisions made at 31 December 2018 are adequate. However, there can be no assurance that one or more major claims arising out of the Group's divestment of companies will not adversely affect the Group's activities, results of operations and financial position.

LEGAL PROCEEDINGS

The Group is party to certain legal proceedings. Management believes that these proceedings (many of which are labour-related cases incidental to the business) will not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the statement of financial position at 31 December 2018.

RESTRUCTURING PROJECTS

Restructuring projects, e.g. related to implementation of GREAT, have been undertaken across different geographies and service areas. Labour laws especially in Europe include restrictions on dismissals and procedural rules to be followed. The procedures applied by ISS could be challenged in certain jurisdictions resulting in liabilities. Management believes that this would not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the statement of financial position at 31 December 2018.

6.4 AVERAGE NUMBER OF EMPLOYEES

In 2018, the average number of employees was 485,682 (2017: 490,915). The decrease was mainly due to contract losses and exits as well as divestments.

6.5 RELATED PARTIES

PARENT AND ULTIMATE CONTROLLING PARTY

The sole shareholder of ISS Global A/S, ISS World Services A/S, has controlling influence in the Group and is wholly owned by ISS A/S (the ultimate parent).

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 5.1, Remuneration to the Board of Directors and the Executive Group Management.

Apart from remuneration, including Long-Term Incentive Programmes, there were no significant transactions with members of the Board and the EGM in 2018.

OTHER RELATED PARTY TRANSACTIONS

In 2018, the Group had the following transactions with other related parties, which were all made on market terms:

- the Group was charged royalty and management fees from ISS World Services A/S amounting to DKK 1,226 million of which DKK 117 million related to discontinued operations.
- the Group received/paid interest from/to companies within the ISS Group, see 4.3, Financial income and expenses.
- the Group's short-term debt to ISS A/S amounted to DKK 1,675 million at 31 December 2018.
- the Group's short-term debt to ISS World Services A/S amounted to DKK 358 million at 31 December 2018.
- the share capital in ISS Global A/S increased by conversion of an intercompany loan of DKK 3,073 million to ISS World Services A/S.
- the Group paid dividends to ISS World Services A/S of DKK 1,500 million.

6.5 RELATED PARTIES (CONTINUED)

DIRECTORSHIPS AND EXTERNAL EXECUTIVE POSITIONS OF THE BOARD AND MANAGING DIRECTORS AT 31 DECEMBER 2018

Board of directors	Board member
Jeff Gravenhorst	Chairman of the board of directors of Rambøll Gruppen A/S, chairman of the Confederation of Danish Industry's (DI) Permanent Committee on Business Policies and member of the board of directors of certain ISS Group companies.
Pierre-François Riolacci	Member of the board of directors of KLM (Koninklijke Luchtvaart Maatschappij N.V.) and member of the board of directors of certain ISS Group companies.
Bjørn Raasteen	Member of the board of directors of certain ISS Group companies.

Managing Director	Board member
Kristoffer Lykke-Olesen	Member of the board of directors of certain ISS Group companies.

Members of the board of directors and the Managing Director have no other executive positions.

6.6 GOVERNMENT GRANTS

The Group received government grants in the form of wage subventions, which have been recognised as a reduction of staff costs. The grants compensate the Group for staff costs primarily related to social security and wage increases as well as hiring certain categories of employees such as trainees, disabled persons, long-term unemployed and employees in certain age groups.

6.7 FEES TO AUDITORS

DKK million	2018	2017
Statutory audit	26	24
Other assurance services	2	2
Tax and VAT advisory services	5	5
Other services	2	1
Total	**35**	**32**

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

Tax and VAT advisory services mainly related to tax compliance services.

Other services comprised among other things work related to acquisitions and divestments, such as financial and tax due diligence.

6.8 OTHER SEGMENT INFORMATION

DKK million	Continental Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total segments	Unallocated [1]	Elimination [2]	Total Group
2018									
Operating profit	347	1,055	591	82	(1)	**2,074**	(76)	-	**1,998**
Total assets	16,333	14,276	7,214	4,503	3,178	**45,504**	15,924	(18,709)	**42,719**
Hereof assets held for sale	1,083	-	50	-	2,136	**3,269**	-	-	**3,269**
Additions to non-current assets [3]	469	283	140	60	83	**1,035**	-	-	**1,035**
Total liabilities	8,794	8,463	3,204	3,597	2,510	**26,568**	31,099	(18,351)	**39,316**
Hereof liabilities held for sale	275	-	12	-	1,342	**1,629**	-	-	**1,629**
2017									
Operating profit	1,262	964	733	63	15	**3,037**	(126)	-	**2,911**
Total assets	19,025	14,754	7,763	5,173	15	**46,730**	17,069	(17,893)	**45,906**
Hereof assets held for sale	1,172	51	-	93	-	**1,316**	-	-	**1,316**
Additions to non-current assets [3]	724	273	128	1,761	-	**2,886**	-	-	**2,886**
Total liabilities	10,505	8,871	3,642	3,993	11	**27,022**	34,439	(17,511)	**43,950**
Hereof liabilities held for sale	272	80	-	76	-	**428**	-	-	**428**

[1] Unallocated assets and liabilities relate to the Group's holding companies and comprise internal and external loans and borrowings, cash and cash equivalents and intra-group balances.

[2] Eliminations relate to intra-group balances.

[3] Comprise additions to Intangible assets and Property, plant and equipment, including from Acquisitions.

NON-CURRENT ASSETS[1] BY COUNTRY – MORE THAN 5% OF GROUP REVENUE

DKK million	2018	2017
USA & Canada	2,605	2,530
France	2,157	2,141
UK & Ireland	2,097	2,153
Australia & New Zealand	1,453	1,537
Switzerland	1,423	1,306
Spain & Portugal	1,257	1,265
Denmark (ISS A/S's country of domicile)	831	830
Norway	645	656
Other countries [2]	6,667	8,973
Total	**19,135**	**21,391**

[1] Excluding deferred tax assets.

[2] Including unallocated items and eliminations.

ACCOUNTING POLICY

The accounting policies of the reportable segments are described in 1.1, Segment information.

6.9 SUBSEQUENT EVENTS

Acquisitions and divestments completed from 1 January to 28 February 2019 are listed in 3.1, Acquisitions and 3.2, Divestments.

Other than as set out above or elsewhere in these consolidated financial statements, we are not aware of events subsequent to 31 December 2018, which are expected to have a material impact on the Group’s financial position.

BASIS OF PREPARATION
SECTION 7

7.1 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management made various judgements, estimates and assumptions concerning future events that affected the application of the Group'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 for the future.

The following items involve significant accounting estimates and judgements:

Item	Estimates	Judgements	Note
Deferred tax assets	x		1.6
Acquisitions	x		3.1
Discontinued operations and Assets and liabilities held for sale	x	x	3.4, 3.5
Impairment tests	x		3.8
Pensions and similar obligations	x		5.3
Revenue - gross or net presentation		x	1.2
Other income and expenses, net		x	1.4

7.2 CHANGE 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 2018, the Group has adopted the below standards and interpretations with no significant effect on recognition and measurement:

- IFRS 15 “Revenue from Contracts with Customers”;
- IFRS 9 "Financial Instruments";
- Amendments to IFRS 2 “Share-based Payments“: Classification and Measurement of Share-based Payment Transactions;
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration”; and
- Parts of Annual Improvements to IFRSs 2014-2016 Cycle.

IFRS 15 supersedes IAS 18 "Revenue" and IAS 11 "Construction Contracts" and applies to revenue arising from contracts with customers. IFRS 15 establishes a five-step model to account for revenue and requires that revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group has adopted IFRS 15 using the cumulative effect method. The impact on recognition and measurement is considered immaterial to the consolidated financial statements and no adjustment has been recognised in equity at 1 January 2018. The comparative information has not been restated and continues to be reported under IAS 18 and IAS 11.

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement" and bring together the aspects of the accounting for financial instruments; classification and measurement; impairment; and hedge accounting. Currently, the Group does not use hedge accounting. IFRS 9 has changed the Group's accounting for impairment losses on financial assets by replacing IAS 39's incurred loss model with a forward-looking expected credit loss approach, whereby the Group recognises an allowance for expected credit losses for trade receivables. The impact on recognition and measurement of the adoption of IFRS 9 is considered immaterial to the consolidated financial statements and no adjustment has been recognised in equity at 1 January 2018.

7.3 GENERAL ACCOUNTING POLICIES

The consolidated financial statements of ISS Global A/S for the year ended 31 December 2018 comprise ISS Global A/S and its subsidiaries (collectively, the Group). Significant subsidiaries are listed in 7.5, Group companies.

The Annual Report for ISS Global A/S for 2018 was discussed and approved by the Managing Director and the Board of Directors (Board) on 11 March 2019 and issued for approval at the subsequent annual general meeting on 3 April 2019.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRS as adopted by the EU and additional requirements of the Danish Financial Statements Act. In addition, the consolidated financial statements have been prepared in compliance with the IFRSs issued by the IASB.

The Group's significant accounting policies and accounting policies related to IAS 1 minimum presentation items are described in the relevant notes to the consolidated financial statements or otherwise stated below. A list of the notes is shown on p. 33.

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

PRESENTATION OF THE CONSOLIDATED INCOME STATEMENT

When designing our income statement our aim has been to ensure that line items, headings and subtotals presented are relevant to understand ISS's financial performance.

In the past, ISS has built its business platform, and grown its business, through a large number of acquisitions, which has added a substantial amount of intangibles to the consolidated statement of financial position. Consequently, large amounts of non-cash amortisation/impairment of intangibles are recognised in our consolidated income statement every year.

It is important for us to clearly separate these items to understand the impact of our growth strategy and to enable comparison with our peers. For those reasons, our consolidated income statement is presented in a three-column format, where the line items Goodwill impairment and Amortisation/impairment of brands and customer contracts are presented separately in the column "Acquisition-related" together with the income tax related hereto.

DEFINING MATERIALITY

The consolidated financial statements separately present items that are considered individually significant, or are required under the minimum presentation requirements of IAS 1.

In determining whether an item is individually significant ISS considers both quantitative and qualitative factors. If the presentation or disclosure of an item is not decision-useful, the information is considered insignificant. Explanatory disclosure notes related to the consolidated financial statements are presented for individually significant items. Where separate presentation of a line item is made solely due to the minimum presentation requirements in IAS 1, no further disclosures are provided in respect of that line item.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise ISS Global A/S and entities controlled by ISS Global A/S. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

On consolidation intra-group transactions, balances, income and expenses are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investment. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The non-controlling interest's share of net profit and equity of subsidiaries, which are not wholly-owned, are included in the Group's net profit and equity, respectively, but disclosed separately. By virtue of agreement certain non-controlling shareholders are only eligible of receiving benefits from their non-controlling interest when ISS as controlling shareholder has received their initial investment and compound interest on such. In such instances the subsidiaries' result and equity are fully allocated to ISS until the point in time where ISS has recognised amounts exceeding their investment including compound interest on such.

A change in ownership-interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in Other income and expenses, net. Any investment retained is recognised at fair value on initial recognition.

7.3 GENERAL ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY

Transactions in currencies other than the functional currency of the respective Group companies are considered transactions denominated in foreign currencies.

On initial recognition, these are translated to the respective functional currencies of the Group companies 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.

On recognition in the consolidated financial statements of Group companies with a functional currency other than DKK, the income statements and statements of cash flows are translated at the exchange rates at the transaction date and the statements of financial position are translated at the exchange rates at the reporting date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange adjustments arising on translation of the opening balance of equity of foreign entities at the exchange rates at the reporting date and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the reporting date are recognised in other comprehensive income and presented in equity under a separate translation reserve. However, if the foreign entity is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the non-controlling interest.

Foreign exchange adjustment of balances with foreign entities which are considered part of the investment in the entity is recognised in other comprehensive income and presented in equity under a separate translation reserve.

7.4 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 consolidated financial statements of the Group at 31 December 2018:

• Amendments to IFRS 9 "Financial Instruments" - Prepayment Features with Negative Compensation;
• IFRS 16 “Leases"; and
• IFRIC 23 "Undertainty over Income Tax Treatments".

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 2018:

• Amendments to IAS 1 and IAS 8 "Definition of Material";
• Amendments to IAS 28 "Investments in Associates and Joint Ventures": Long-term interests in Associates and Joint ventures;
• Amendments to IFRS 3 "Business combinations";
• Conceptual Framework - Amendments to References to the Conceptual Framework in IFRS Standards; and
• Annual Improvements to IFRSs 2015-2017 Cycle.

The Group 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 right-of-use 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 within Other operating expenses. Similarly, operating lease payments will be presented in the cash flow statement in two lines – Interest paid and Lease payments – within Cash flow from operating activities and Cash flow from financing activities, respectively. 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, primarily under operating leases. At 31 December 2018, the Group was party to more than 23,000 lease agreements. The majority of the lease agreements relates to cars, while the majority of the total lease obligation relates to property.

We will adopt IFRS 16 as per 1 January 2019 applying the modified retrospective approach, whereby the cumulative effect is recognised at the date of initial application and the right-of-use assets are recognised at the same value as the lease obligations. Comparative figures will not be restated.

During 2017 and 2018 we have been preparing for the implementation of the standard by performing a complete review of the Group’s assets under operating leases. Based on the analysis, it is our assessment that the implementation of IFRS 16 will have a significant impact on the Group’s consolidated financial statements. Assuming that the portfolio of leases remains broadly unchanged, at 31 December 2018, we estimate that:

• Property, plant and equipment and Net debt will increase approximately DKK 3.4 billion of which DKK 0.2 billion relates to disposal groups (assets held for sale);
• Operating profit before other items (continuing operations) will be insignificantly impacted;
• Net profit from discontinued operations will be insignificantly impacted;
• Net profit will be slightly reduced from the impact of financial cost of leases; and
• Cash flow from operating activities will be improved and Cash flow from financing activities will be negatively impacted, both in the level of DKK 1 billion.

Effective 1 January 2019, we will change the definition of free cash flow to include payments related to lease obligations, effectively leaving our free cash flow unchanged following the implementation of IFRS 16.

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 consolidated financial statements of the Group.

7.5 GROUP COMPANIES

Below the Group's significant subsidiaries, associates and joint ventures are presented per region. Together these are referred to as "Companies within the ISS Group".

CONTINENTAL EUROPE

Austria	
ISS Austria Holding GmbH	100%
ISS Facility Services GmbH	100%
ISS Ground Services GmbH	51%
ISS Ground Services Germany GmbH	51%
Belgium & Luxembourg	
ISS Catering N.V.	100%
ISS Facility Services N.V.	100%
ISS Facility Services S.A.	100%
France	
GIE ISS Services	100%
ISS Facility Management SAS	100%
ISS Holding Paris SAS	100%
ISS Hygiene & Prevention SAS	100%
ISS Logistique et Production SAS	100%
ISS Proprete SAS	100%
Germany	
ISS Automotive Services GmbH	100%
ISS Evantec GmbH	100%
ISS Facility Services Holding GmbH	100%
ISS Facility Services Nord GmbH	100%
ISS Facility Services Süd GmbH	100%
ISS IT & Business Services GmbH	100%
ISS Pharma Services GmbH	100%
ISS VSG GmbH	100%
Italy	
ISS Facility Services S.r.l.	100%
Netherlands	
ISS Catering Services B.V.	100%
ISS Cure & Care B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Integrated Facility Services B.V.	100%
ISS Nederland B.V.	100%
ISS Security Services B.V.	100%
Poland	
ISS Facility Services Sp. Z o.o.	100%
Russia	
Facility Services RUS LLC	100%
Spain & Portugal	
Integrated Service Solutions, S.L.	100%
ISS Facility Services, S.A.	100%
ISS Facility Services G. eM de E., Lda	100%
Switzerland	
ISS Facility Services AG	100%
ISS Kanal Services AG	100%
ISS Schweiz AG	100%
Turkey	
ISS Hazir Yemek Üretim ve Hizmet A.Ş.	90% 3)
ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.	90% 3)
ISS Tesis Yönetim Hizmetleri A.Ş.	90% 3)

NORTHERN EUROPE

Denmark (ISS A/S's country of domicile)	
ISS Facility Services A/S	100%
ISS Global Management A/S	100%
ISS Holding France A/S	100%
ISS Lending A/S	100%
Finland	
ISS Palvelut Holding Oy	100%
ISS Palvelut Oy	100%
Opset Oy	76% 1)
Norway	
ISS Holding AS	100%
ISS Management AS	100%
ISS Facility Services AS	100%
ISS Serveringspartner AS	100%
ISS Service Management AS	100%
NSB Trafikkservice AS	45% 1)
Sweden	
ISS Facility Services Holding AB	100%
ISS Facility Services AB	100%
ISS Palvelut Holding AB	100%
UK & Ireland	
ISS UK Holding Limited	100%
ISS UK Limited	100%
ISS Facility Services Ltd.	100%
ISS Mediclean Limited	100%
ISS Damage Control (Scotland) Limited	100%
Spectrum Franchising Ltd.	100%
ISS Ireland Ltd.	100%

AMERICAS

Mexico	
ISS Centro América, S de RL de CV	100%
ISS Facility Services, SA de CV	100%
ISS Servicios Integrales, S. de R.L. de C.V.	100%
USA & Canada	
ISS Facility Services Holding, Inc.	100%
ISS Management and Finance Co, Inc	100%
ISS Facility Services, Inc	100%
Guckenheimer Enterprises Inc.	100%
ISS C&S Building Maintenance Corporation	100%
ISS Facility Services California, Inc.	100%
ISS Holding Inc.	100%
ISS TMC Services, Inc.	100%

7.5 GROUP COMPANIES (CONTINUED)

ASIA & PACIFIC

Australia & New Zealand	
ISS Catering Services Pty Ltd.	100%
ISS Facility Management Pty Limited	100%
ISS Facility Services Australia Ltd.	100%
ISS Facility Services Pty Ltd.	100%
ISS Health Services Pty Ltd.	100%
ISS Holdings Pty Ltd.	100%
ISS Hospitality Pty Limited	100%
ISS Integrated Services Pty Ltd.	100%
ISS Property Services Pty Ltd.	100%
ISS Security Pty Ltd.	100%
Pacific Invest December 2004 Pty Ltd.	100%
Pacific Service Solutions Pty Ltd.	100%
ISS Facilities Services Ltd.	100%
ISS Holdings NZ Ltd.	100%
China	
ISS Facility Services (Shanghai) Ltd.	100%
ISS Hongrun (Shanghai) Cleaning Services Limited	100%
Shanghai B&A Security Co., Ltd.	100%
Shanghai ISS Catering Management Ltd.	100%
Hong Kong	
Hung Fat Cleaning Transportation Co., Ltd.	100%
ISS Adams Secuforce Ltd.	100%
ISS China Holdings Ltd.	100%
ISS China Holdings I Ltd.	100%
ISS EastPoint Properties Ltd.	100%
ISS EastPoint Property Management Ltd.	100%
ISS Environmental Services (HK) Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Facility Services China Ltd.	100%
ISS Greater China Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
ISS Pan Asia Security Services Ltd.	100%
JSL Ltd.	100%
Silvertech E&M Engineering Co., Ltd.	100%
India	
Innovative and Payroll Advisory Services Pvt. Ltd.	46% [2]
ISS Facility Services India Pvt. Ltd.	100%
ISS SDB Security Services Pvt. Ltd.	46% [2]
Modern Protection & Investigations Pvt. Ltd.	46% [2]
ISS Support Services Pvt. Ltd.	100%
Indonesia	
PT ISS Facility Services	49% [2]
PT ISS Indonesia	100%
PT ISS Jasa Fasilitas	0% [2]
PT ISS Parking Management	100%
Japan	
Nihon ISS KK	100%
Singapore	
ISS Catering Services Pte. Ltd.	100%
ISS Facility Services Pte. Ltd.	100%
ISS Hydroculture Pte. Ltd.	100%
ISS M&E Pte. Ltd.	100%
Taiwan	
ISS Facility Services Ltd.	100%
ISS Security Ltd.	100%

DISCONTINUED OPERATIONS

Argentina	
ISS Argentina S.A.	100%
ISS Facility Services S.R.L.	100%
ISS Litoral S.R.L.	100%
ISS Personal Temporario S.R.L.	100%
Brazil	
ISS Servisystem do Brasil Ltda.	100%
ISS Manutenção e Serviços Integrados LTDA.	100%
ISS Serviços de Logística Integrada LTDA.	100%
Brunei	
ISS Facility Services Sdn. Bhd.	50% [2]
Chile	
Apunto Servicios de Alimentacion S.A.	100%
ISS Chile S.A.	100%
ISS Facility Services S.A.	100%
ISS Servicios Generales Ltda.	100%
ISS Servicios Integrales Ltda.	100%
Czech Republic	
ISS Facility Services s.r.o	100%
Estonia	
ISS Haldus OÜ	100%
Hungary	
ISS Facility Services Kft.	100%
Israel	
Catering Services Ltd.	100%
ISS Catering Services Ltd. (ex Norcat Ltd.)	100%
ISS Cleaning Services Ltd. (ex ISS Ashmoret Ltd.)	100%
ISS Integrated Facility Service Management Ltd.	100%
ISS Israel Comprehensive Business Services Ltd.	100%
ISS In-Flight Catering Services Ltd.	100%
Malaysia	
ISS Facility Services Sdn. Bhd.	100%
Philippines	
ISS Facility Services Phils., Inc.	100%
Romania	
ISS Facility Services S.R.L.	100%
ISS Romania Group S.R.L.	100%
Slovakia	
ISS Facility Services spol. s.r.o.	100%
Slovenia	
ISS Facility Services d.o.o.	100%
Thailand	
ISS Facility Services Co., Ltd.	100%
Notre-Bel Company Limited	100%
ISS Security Guarding Co., Ltd.	100%
ISS Support Services Company Limited	100%
Uruguay	
ISS Uruguay S.A.	100%
Samilar S.A.	100%

Notes

[1] Associate.

[2] By virtue of the governance structure, the Group has the power to govern the financial and operating policies of the company. Consequently, the company is consolidated as a subsidiary.

[3] The non-controlling shareholder holds a put option which is accounted for as if the put option has already been exercised. Accordingly, the subsidiary is consolidated with no non-controlling interest.

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT OF THE PARENT COMPANY

1 JANUARY – 31 DECEMBER

DKK million	Note	2018	2017
Revenue		**3**	**22**
Other operating income and expenses, net	3, 4	(58)	11
Operating profit/(loss) before other items		**(55)**	**33**
Other expenses		-	(2)
Operating profit/(loss)		**(55)**	**31**
Income from subsidiaries and joint ventures	7	339	594
Financial income	5	407	240
Financial expenses	5	(625)	(463)
Profit before tax		**66**	**402**
Income taxes	6	(13)	(26)
Net profit		**53**	**376**

STATEMENT OF COMPREHENSIVE INCOME OF THE PARENT COMPANY

1 JANUARY – 31 DECEMBER

DKK million	2018	2017
Net profit	**53**	**376**
Comprehensive income	**53**	**376**

STATEMENT OF CASH FLOWS OF THE PARENT COMPANY

1 JANUARY – 31 DECEMBER

DKK million	Note	2018	2017
Operating profit/(loss) before other items		(55)	33
Changes in working capital		(4)	6
Changes in provisions		108	-
Other expenses paid		-	(2)
Interest received from companies within the ISS Group		283	234
Interest received, external		0	5
Interest paid to companies within the ISS Group		(61)	(67)
Interest paid, external		(368)	(280)
Corporate tax and joint taxation contribution (paid)/received, net		(20)	0
Cash flow from operating activities		**(117)**	**(71)**
Payment in respect of earn-out		(21)	(92)
Capital increase in subsidiaries and joint ventures	7	(663)	(81)
Capital reduction in subsidiaries	7	15	
Acquisition of subsidiaries and joint ventures	7	-	(17)
Proceeds from sale and liquidation of subsidiaries and joint ventures	7	14	6
Dividends received from subsidiaries and joint ventures	7	1,132	1,477
Cash flow from investing activities		**477**	**1,293**
Proceeds from bonds	9	-	4,439
Repayment of senior facilities	9	-	(2,230)
Other financial payments, net	9	(36)	140
Dividends paid to the shareholder		(1,500)	(1,200)
Payments (to)/from companies within the ISS Group, net		1,621	(764)
Cash flow from financing activities		**85**	**385**
Total cash flow		**445**	**1,607**
Cash and cash equivalents at 1 January		2,734	1,173
Total cash flow		445	1,607
Foreign exchange adjustments		(3)	(46)
Cash and cash equivalents at 31 December		**3,176**	**2,734**

STATEMENT OF FINANCIAL POSITION OF THE PARENT COMPANY

AT 31 DECEMBER

DKK million	Note	2018	2017
ASSETS			
Investments in subsidiaries and joint ventures	7	22,715	23,428
Receivables from companies within the ISS Group		5,184	5,935
Deferred tax assets	8	14	9
Non-current assets		**27,913**	**29,372**
Receivables from companies within the ISS Group		2,944	4,097
Other receivables		167	84
Cash and cash equivalents		3,176	2,734
Assets held for sale	7	554	-
Current assets		**6,841**	**6,915**
Total assets		**34,754**	**36,287**
EQUITY AND LIABILITIES			
Equity		**6,642**	**5,016**
Loans and borrowings	9	17,190	17,119
Provisions	3	165	57
Non-current liabilities		**17,355**	**17,176**
Loans and borrowings	9	10,437	13,675
Other liabilities		320	420
Current liabilities		**10,757**	**14,095**
Total liabilities		**28,112**	**31,271**
Total equity and liabilities		**34,754**	**36,287**

STATEMENT OF CHANGES IN EQUITY OF THE PARENT COMPANY

1 JANUARY – 31 DECEMBER

DKK million	Note	Share capital	Retained earnings	Total
2018				
Equity at 1 January		**180**	**4,836**	**5,016**
Net profit		-	53	**53**
Comprehensive income		**-**	**53**	**53**
Capital increase		0	3,073	**3,073**
Dividends paid to the shareholder		-	(1,500)	**(1,500)**
Transactions with the owner		**-**	**1,573**	**1,573**
Changes in equity		-	**1,626**	**1,626**
Equity at 31 december		**180**	**6,462**	**6,642**
2017				
Equity at 1 January		**180**	**5,660**	**5,840**
Net profit		-	376	376
Comprehensive income		**-**	**376**	**376**
Dividends paid to the shareholder		-	(1,200)	(1,200)
Transactions with the owner		**-**	**(1,200)**	**(1,200)**
Changes in equity		**-**	**(824)**	**(824)**
Equity at 31 December		**180**	**4,836**	**5,016**

1 SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements of ISS Global A/S have been prepared in accordance with IFRS as adopted by the EU and additional requirements of the Danish Financial Statements Act. In addition, the financial statements have been prepared in compliance with the IFRSs issued by the IASB.

CHANGES IN ACCOUNTING POLICIES

Changes in accounting policies are described in 7.2 to the consolidated financial statements.

ACCOUNTING POLICIES

With the exception of the items described below, the accounting policies for ISS Global A/S are identical to the Group's accounting policies, which are described in the notes to the consolidated financial statements.

Revenue relates to rendering of services managed by the Group's Global Operations and is recognised over time.

Income from subsidiaries and joint ventures comprises dividends, impairment losses, reversal of prior years' impairment losses and gains and losses from divestment and liquidation of subsidiaries and joint ventures. 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.

Investments in subsidiaries and joint ventures are 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 as described in the accounting policies in 3.8 to the consolidated financial statements. 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.

Tax As required by Danish legislation ISS Global 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 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).

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Significant accounting estimates and judgements relating to the applied accounting policies for ISS Global A/S are the same as for the Group to the extent of similar accounting items, see 7.1 to the consolidated financial statements for a description. The specific risks for ISS Global A/S are described in the notes to the financial statements of the parent company.

Investments in subsidiaries and joint ventures are tested for impairment when there is an indication that the investments may be impaired. The assessment of whether there is an indication of impairment is based on both external and internal sources of information such as performance of the subsidiaries and joint ventures, significant decline in market values etc.

3 OTHER OPERATING INCOME AND EXPENSES, NET

In 2018, the provision related to the guarantee issued by ISS Global A/S to its subsidiary ISS Lending A/S to cover losses on an intercompany receivable with ISS Brazil was increased DKK 108 million to DKK 165 million (2017: DKK 57 million).

4 FEES TO AUDITORS

DKK million	2018	2017
Statutory audit	(0)	(0)
Other assurance services	(1)	(1)
Total	**(1)**	**(1)**

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

5 FINANCIAL INCOME AND EXPENSES

DKK million	2018	2017
Interest income on cash and cash equivalents	0	5
Interest income from companies within the ISS Group	283	235
Foreign exchange gains	124	-
Financial income	**407**	**240**
Interest expenses on loans and borrowings	(281)	(251)
Forward premiums on currency swaps	(99)	(56)
Interest expenses to companies within the ISS Group	(62)	(67)
Amortisation of financing fees	(22)	(59)
Bank fees	(4)	(4)
Foreign exchange losses	(157)	(26)
Financial expenses	**(625)**	**(463)**

Interest expenses on loans and borrowings The increase in interest expenses in 2018 was mainly a result of the issuance of bonds under the EMTN programme in August 2017 carrying slightly higher interest rates.

Forward premiums on currency swaps increased as a result of the acquistion of Guckenheimer in April 2017, when part of the Euro EMTN bonds was swapped into USD carrying a higher interest rate.

Amortisation of financing fees At the date of borrowing financing fees are recognised as part of loans and borrowings. Subsequently, financing fees are amortised over the term of the loan and recognised in financial expenses. Amortisation of financing fees are non-cash financial expenses.

Foreign exchange gains and losses mainly related to exchange rate movements on intercompany loans to foreign subsidiaries as well as on external loans and borrowings denominated in currencies other than DKK. In addition, fair value adjustments of currency swaps were included.

6 INCOME TAXES

DKK million	2018	2017
Current tax	(16)	(10)
Deferred tax	5	(8)
Adjustments relating to prior years, net	(2)	(8)
Income taxes	**(13)**	**(26)**

EFFECTIVE TAX RATE

In %	2018	2017
Statutory income tax rate in Denmark	22.0 %	22.0 %
Income from subsidiaries and joint ventures	(114.4)%	(32.5)%
Non-tax deductible expenses less non-taxable income	109.1 %	14.9 %
Adjustments relating to prior years, net	3.0 %	2.0 %
Effective tax rate	**19.7 %**	**6.4 %**

Non-tax deductible expenses less non-taxable income includes the impact from interest limitation tax rules and non-deductible withholding taxes.

7 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES

DKK million	2018	2017
Cost at 1 January	29,798	29,557
Additions [1)]	663	243
Capital reductions	(15)	-
Disposals	(572)	(2)
Reclassification to assets held for sale	(2,496)	-
Cost at 31 December	**27,378**	**29,798**
Revaluation at 1 January	(6,370)	(5,483)
Impairment losses	(791)	(986)
Reversal of prior years' impairment losses	-	99
Disposals	556	-
Reclassification to assets held for sale	1,942	-
Revaluation at 31 December	**(4,663)**	**(6,370)**
Carrying amount at 31 December	**22,715**	**23,428**

[1)] In 2017, DKK 145 million was related to non-cash transactions.

Additions In 2018, ISS Global A/S made capital increases in their subsidaries in the Netherlands of DKK 402 million, Germany of DKK 187 million, Brazil of DKK 35 million, Portugal of DKK 24 million and Argentina of DKK 15 million.

Disposals In 2018, ISS Global A/S's investment in Greece with a net book value of DKK 16 million was sold, resulting in a minor loss of DKK 2 million.

Reclassification to assets held for sale In December 2018, the Group decided to divest 13 countries in addition to Argentina and Uruguay, which were already classified as held for sale in 2017. Investments in these 15 subsidiaries are reclassified to assets held for sale at 31 December 2018, see note 3.4 to the consolidated financial statements for a list of the countries.

7 INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

Impairment losses The recoverable amount of investments in subsidiaries and joint ventures is determined on the basis of the value-in-use adjusted for net debt. Value-in-use applied in the impairment test is equal to value-in-use established for the Group, see note 4.8 to the Group's consolidated financial statements. Subsidiaries classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses recognised in 2018, see below.

DKK million	Impairment loss 2018	Recoverable amount	Applied discount rate, net of tax
Investments in subsidiaries and joint ventures			
Netherlands	365	482	8.2%
France [1)]	17	1,562	-
Assets held for sale			
Argentina	100		
Slovakia	96		
Hungary	84		
Philippines	59		
Brazil	35		
Czech Republic	22		
Malaysia	11		
Uruguay	2		
Impairment losses	**791**		

[1)] The French activities are owned through a holding company, ISS Holding France A/S. The recoverable amount is based on the equity at 31 December 2018 in this holding company.

The investment in the Netherlands was impaired by DKK 365 million following a capital increase of DKK 402 million and a decrease in the recoverable amount of the remaining activities after the divestment of the single-service cleaning business.

Reversal of prior years' impairment losses In 2018 it was assessed that none of the impairment losses recognised in previous years are eligible for reversal. In 2017, DKK 99 million was reversed and related to Mexico (DKK 46 million), South Eastern (SE) Europe Cluster (DKK 37 million) and Greece (DKK 16 million).

INCOME FROM SUBSIDIARIES AND JOINT VENTURES

DKK million	2018	2017
Received dividends	1,132	1,477
Proceeds from sale and liquidation of subsidiaries and joint ventures	14	6
Carrying amount of disposed subsidiaries and joint ventures	(16)	(2)
Impairment losses	(791)	(986)
Reversal of prior years' impairment losses	-	99
Income from subsidiaries and joint ventures	**339**	**594**

SUBSIDIARIES AND JOINT VENTURES

For a list of significant directly owned subsidiaries and joint ventures, see note 15, Subsidiaries and joint ventures.

8 DEFERRED TAX

DEVELOPMENT IN DEFERRED TAX

DKK million	2018	2017
Deferred tax assets at 1 January	9	17
Tax on profit before tax	5	(8)
Deferred tax assets at 31 December	**14**	**9**

Deferred tax assets relate to loans and borrowings. ISS Global A/S has no recognised or unrecognised deferred tax assets regarding tax losses carried forward.

9 LOANS AND BORROWINGS

DKK million	2018	2017
Issued bonds	17,121	17,052
Bank loans	(25)	(26)
Debt to companies within the ISS Group	10,531	13,762
Derivatives	-	6
Total	**27,627**	**30,794**
Non-current liabilities	17,190	17,119
Current liabilities	10,437	13,675
Loans and borrowings	**27,627**	**30,794**
Cash and cash equivalents and other financial items [1)]	(11,302)	(12,766)
Net debt	**16,325**	**18,028**

1) Includes certain receivables from companies within the ISS Group of DKK 8,115 million (2017: DKK 10,032 million) and positive value of currency swaps of DKK 11 million (2017: DKK 0 million). The average interest rate related to receivables from companies within the ISS Group was 2.10% (2017: 1.91%).

CASH FLOW FROM FINANCING ACTIVITIES

DKK million	2016	2017
Loans and borrowings at 1 January	30,794	28,315
Foreign exchange adjustments	52	(157)
Proceeds from bonds	-	4,439
Repayment of senior facilities	-	(2,230)
Other financial payments, net	(36)	140
Debt conversion (non-cash)	(4,800)	-
Payments (to)/from companies within the ISS Group, net	1,569	464
Other non-cash movements	48	(177)
Loans and borrowings at 31 December	**27,627**	**30,794**

9 LOANS AND BORROWINGS (CONTINUED)

FAIR VALUE

The fair value of loans and borrowings amounted to DKK 27,867 million (2017: DKK 31,324 million). The fair value of bonds is based on the quoted market price on the Luxembourg Stock Exchange and measurement is categorised as Level 1 in the fair value hierarchy. For the remaining part of the loans and borrowings fair value is equal to the nominal value as illustrated in note 12, Financial risk management.

FINANCING FEES

In 2018, financing fees amounting to DKK 4 million (2017: DKK 51 million) have been recognised in loans and borrowings while financing fees of DKK 22 million (2017: DKK 59 milllion) have been amortised and recognised in financial expenses. Accumulated financing fees recognised in loans and borrowings on 31 December 2018 amounted to DKK 79 million (2017: DKK 97 million).

10 REMUNERATION TO THE BOARD OF DIRECTORS AND THE EXECUTIVE GROUP MANAGEMENT

Key management personnel of the Group as defined in 5.1 to the consolidated financial statements are also considered key management personnel of the parent.

Remuneration to key management personnel is specified in 5.1 to the consolidated financial statements.

11 CONTINGENT LIABILITIES

SENIOR FACILITY AGREEMENT

ISS Global A/S guarantees the borrowings under the unsecured senior facility agreement.

COMMITMENT VEHICLE LEASES

Leasing of cars in the Group is primarily entered under an international car fleet lease framework agreement which is valid until end 2019. The framework agreement contains a quarterly option for the Group to terminate the fleet of an entire country or the entire fleet under the framework agreement with four weeks notice subject to payment of a termination amount. The majority of the underlying agreements have a lifetime duration of 3-5 years. ISS Global A/S has issued a guarantee for all payments from companies within the ISS Group. The total contingent liability amounted to DKK 871 million as per 31 December 2018 (2017: DKK 904 million).

PARENT COMPANY GUARANTEES

ISS Global A/S has credit facilities in place totalling DKK 300 million (2017: DKK 371 million) which can be used to issue guarantees for subsidiaries' local bank overdrafts. As per 31 December 2018, DKK 48 million was utilised (2017: DKK 118 million). Furthermore, ISS Global A/S has issued parent guarantees and performance bonds for various subsidiaries' current and future financial liabilities and obligations under customer contracts amounting to DKK 7.9 billion (2017: DKK 7.2 billion). These financial liabilities are primarily local bank overdrafts, bank guarantee lines and pension liabilities.

WITHOLDING TAXES

ISS Global A/S is jointly taxed with all Danish resident subsidiaries. ISS Global 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 2018 Danish corporate and withholding taxes within the joint taxation amounted to DKK 0 million (2017: DKK 0 million). Any subsequent adjustments to Danish withholding taxes may change this joint and unlimited liability.

VAT

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

12 FINANCIAL RISK MANAGEMENT

ISS Global A/S's financial risks are managed centrally by Group Treasury based on the treasury policy approved by the Board of Directors of ISS A/S. The objectives, policies and processes for measuring and managing the exposure to financial risks is described in 4.4 to the consolidated financial statements. The risks specific to ISS Global A/S are described below.

INTEREST RATE RISK

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments, primarily bank loans and issued bonds. ISS Global A/S's exposure towards interest rates is illustrated below, where a breakdown of ISS Global A/S's loans and borrowings in floating and fixed rates is provided. The interest rate exposure to floating interest rates is primarily in EUR.

					2018	2017
DKK million	Nominal interest rate	Currency	Year of maturity	Nominal value	Carrying amount	Carrying amount
Issued bonds (fixed interest rate)						
EMTNs (EUR 700 million)	1.125%	EUR	2020	5,227	5,220	5,197
EMTNs (EUR 500 million)	1.125%	EUR	2021	3,734	3,724	3,708
EMTNs (EUR 500 million)	2.125%	EUR	2024	3,734	3,717	3,703
EMTNs (EUR 600 million)	1.500%	EUR	2027	4,480	4,460	4,444
				17,175	**17,121**	**17,052**
Bank loans (floating interest rate)						
Revolving Credit Facility (EUR 1,000 million) [1)]	Libor + 0.60%	Multi	2023	0	(25)	(26)
				0	**(25)**	**(26)**
Intra-group (floating interest rate)						
Debt to companies within the ISS Group	-	Multi	2019	10,531	10,531	13,762
				10,531	**10,531**	**13,762**

[1)] The Revolving Credit Facility was extended in November 2018 to mature in November 2023. The current margin of 0.60% will decrease to 0.45% in February 2019 if leverage of ISS A/S is below 2.5x. At 31 December 2018, leverage was 2.1x. In addition, a utilisation fee applies. For utilisation up to 33% the fee is 0.10%, for utilisation between 33% and 66%, the fee is 0.20%, and for utilisations above 66% the fee is 0.30%.

SENSITIVITY ANALYSIS

The interest rate risk is measured by the duration of the gross debt (fixed-rate period). As at 31 December 2018, the duration of gross debt was approximately 2.7 years (2017: 2.9 years).

It is estimated that a general increase in relevant interest rates of 1%-point would have decreased profit for the year and other comprehensive income by DKK 21 million (2017: decreased both items by DKK 26 million).

The estimate was based on loans and borrowings with floating interest rates, i.e. disregarding cash and cash equivalents, as the level at 31 December is typically the highest in the year and not a representative level for the purpose of this analysis. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

LIQUIDITY RISK

Liquidity risk results from ISS Global A/S's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity.

LIQUIDITY RESERVES

ISS Global A/S's liquidity reserves mainly consist of liquid funds (cash and cash equivalents less not readily available or restricted cash) and unused credit facilities. As at 31 December 2018, ISS Global A/S's liquid reserves consisted of readily available liquid funds of DKK 3,176 million (2017: DKK 2,734 million) and unused revolving credit facilities of DKK 6,947 million (2017: DKK 7,210 million) where the majority is available for drawing until 3 November 2023.

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

The contractual maturities of financial liabilities, based on undiscounted contractual cash flows, are shown below. The undiscounted contractual cash flows include expected interest payments, estimated based on market expectations at the reporting date.

The risk implied from the values in the maturity table below reflects the one-sided scenario of cash outflows only.

DKK million	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
2018								
Loans and borrowings [1)]	17,096	18,376	247	5,417	3,881	147	147	8,537
Debt to companies within the ISS Group	10,531	10,472	10,401	71	-	-	-	-
Other financial liabilities	306	352	237	36	29	50	-	-
Total financial liabilities	**27,933**	**29,200**	**10,885**	**5,524**	**3,910**	**197**	**147**	**8,537**
2017								
Loans and borrowings [1)]	17,032	18,576	252	247	5,401	3,869	146	8,661
Debt to companies within the ISS Group	13,762	13,843	13,843	-	-	-	-	-
Other financial liabilities	280	366	193	35	43	36	59	-
Total financial liabilities	**31,074**	**32,785**	**14,288**	**282**	**5,444**	**3,905**	**205**	**8,661**

[1)] Excluding debt to companies within the ISS Group.

12 FINANCIAL RISK MANAGEMENT (CONTINUED)

CURRENCY RISK

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

To a limited extent ISS Global A/S is exposed to currency risk on loans and borrowings (external) that are denominated in currencies other than DKK as well as intercompany loans to foreign subsidiaries as these are typically denominated in the functional currency of the subsidiary.

At 31 December 2018, 88% (2017: 92%) of ISS Global A/S's loans and borrowings were denominated in EUR or DKK.

IMPACT ON THE FINANCIAL STATEMENTS

Fluctuations in foreign exchange rates will affect the value of loans and borrowings as well as the income statement as funding is obtained in various currencies. In 2017, changes in foreign exchange rates related to loans and borrowings resulted in a gain of DKK 28 million (2017: gain of DKK 157 million), which was almost offset by the effect of currency swaps. The primary impact is derived from loans and borrowings in NOK and CHF, which depreciated 7.5% and 8.1%, respectively, against DKK in 2018.

SENSITIVITY ANALYSIS

It is estimated that a change in relevant foreign exchange rates would have increased/(decreased) net profit and other comprehensive income by the amounts shown below. The analysis is based on the ISS Group's internal monitoring of currency exposure on loans and borrowings, cash and cash equivalents and intercompany loans. Further, the analysis is based on foreign exchange rate variances that is considered to be reasonably possible at the reporting date and that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases.

				Sensitivity		
DKK million	Currency exposure (nominal value)	Currency swaps (contractual value)	Total exposure	Increase in foreign ex-change rates	Net profit	Other com-prehensive income
2018						
EUR/DKK	(16,196)	8,304	(7,892)	1%	(79)	(79)
Other/DKK	2,282	(2,309)	(27)	10%	(3)	(3)
Total	**(13,914)**	**5,995**	**(7,919)**			
2017						
EUR/DKK	(15,100)	7,429	(7,671)	1%	(77)	(77)
Other/DKK	1,689	(1,691)	(2)	10%	(0)	(0)
Total	**(13,411)**	**5,738**	**(7,673)**			

13 RELATED PARTIES

In addition to the description in note 6.5 to the Group's consolidated financial statements of related parties and transactions with these, related parties of ISS Global A/S comprise ISS World Services A/S and its subsidiaries, associates and joint ventures, see note 7.5 to the Group's consolidated financial statements.

In 2018, ISS Global A/S had the following transactions with other related parties, which were all made on market terms:

- ISS Global A/S received/paid interest from/to companies within the ISS Group, see note 5, Financial income and expenses.
- Debt to companies within the ISS Group is disclosed in note 9, Loans and Borrowings.
- ISS Global A/S's short-term receivable from subsidiaries was DKK 2,944 million.
- ISS Global A/S paid joint taxation contribution equal to 22% of taxable income to jointly taxed Danish resident subsidiaries.
- ISS Global A/S received dividends in total of DKK 1,132 million from companies within the ISS Group, see note 7, Investments in subsidiaries and joint ventures.
- ISS Global A/S increased the share capital in five subsidiaries by DKK 663 million, see note 7, Investments in subsidiaries and joint ventures.

14 NEW STANDARDS AND INTERPRETATIONS NOT YET IMPLEMENTED

New standards and interpretations not yet implemented are described in 7.4 to the consolidated financial statements.

15 SUBSIDIARIES AND JOINT VENTURES

SIGNIFICANT DIRECTLY OWNED SUBSIDIARIES AND JOINT VENTURES

ISS Facility Services Australia Ltd.	Australia	100%
Pacific Invest December 2004 Pty Ltd.	Australia	100%
ISS Austria Holding GmbH	Austria	100%
ISS N.V.	Belgium	100%
ISS Greater China Ltd.	China and Hong Kong	100%
ISS Facility Services A/S	Denmark	100%
ISS Global Management A/S	Denmark	100%
ISS Holding France A/S	Denmark	100%
ISS Lending A/S	Denmark	100%
Signal Arkitekter ApS	Denmark	84%
ISS Palvelut Holding Oy	Finland	100%
ISS Facility Services GmbH	Germany	100%
ISS Facility Services India Pvt. Ltd.	India	100%
PT ISS Indonesia	Indonesia	100%
PT ISS Parking Management	Indonesia	100%
PT ISS Catering Services	Indonesia	49%
ISS Ireland Holding Limited.	Ireland	100%
ISS Facility Services S.r.l.	Italy	100%
Nihon ISS KK	Japan	100%
ISS Centro América, S de RL de CV	Mexico	100%
ISS Holding Nederland B.V.	Netherlands	100%
ISS Holdings NZ Ltd.	New Zealand	100%
ISS Holding AS	Norway	100%
ISS Facility Services Sp. Z.o.o.	Poland	100%
ISS Facility Services, Lda.	Portugal	100%
FS East Oy	Russia	100%
ISS Asia Pacific Pte. Ltd.	Singapore	100%
ISS Facility Services Pte. Ltd.	Singapore	100%
ISS Facility Services (Pty) Limited	South Africa	100%
Integrated Service Solutions S.L.	Spain	100%
ISS Abans Environmental Services (PT) Ltd.	Sri Lanka	50% 1)
ISS Facility Services Holding AB	Sweden	100%
ISS Holding AG	Switzerland	100%
ISS Tesis Yönetim Hizmetleri A.Ş.	Turkey	90%
ISS UK Holding Limited.	United Kingdom	100%

SIGNIFICANT DIRECTLY OWNED SUBSIDIARIES AND JOINT VENTURES CLASSIFIED AS HELD FOR SALE

ISS Facility Services S.R.L.	Argentina	90%
ISS Argentina S.A.	Argentina	60%
ISS Sulamericana Brasil Ltda.	Brazil	100%
ISS Facility Services Sdn. Bhd.	Brunei	100%
ISS Chile S.A.	Chile	100%
ISS Facility Services s.r.o.	Czech Republic	100%
ISS Holding OÜ	Estonia	100%
ISS Facility Services Kft.	Hungary	100%
ISS Facility Services Sdn. Bhd.	Malaysia	30%
ISS Facility Services Phils., Inc.	Philippinnes	100%
3D Romania S.A.	Romania	100%
ISS Facility Services spol s r.o.	Slovakia	100%
ISS Facility Services d.o.o.	Slovenia	100%
ISS Facility Services Co., Ltd.	Thailand	100%
ISS Uruguay S.A.	Uruguay	100%

1) Joint venture

MANAGEMENT STATEMENT

COPENHAGEN, 11 MARCH 2019

The Board of Directors and the Managing Director have today discussed and approved the annual report of ISS Global A/S for the financial year 2018.

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 consolidated financial statements and the Parent company financial statements give a true and fair view of the Group's and the Parent company's financial position at 31 December 2018 and of the results of the Group's and the Parent company's operations and cash flows for the financial year 1 January – 31 December 2018.

In our opinion, the Management review includes a fair review of the development in the Group's and the Parent 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 Group and the parent company face.

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

MANAGING DIRECTOR

Kristoffer Lykke-Olesen

BOARD OF DIRECTORS

Jeff Gravenhorst
Chairman

Pierre-François Riolacci

Bjørn Raasteen

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ISS GLOBAL A/S

OPINION

We have audited the consolidated financial statements and the Parent company financial statements (the "financial statements") of ISS Global A/S for the financial year 1 January – 31 December 2018, pp. 33–87 and pp. 88–102, which comprise 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 Group as well as for the Parent 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 consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2018 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit and Risk Committee and the Board of Directors.

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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 Group 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.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

APPOINTMENT OF AUDITOR

Subsequent to ISS Global A/S' listing of bonds on Bourse de Luxemburg, we were initially appointed as auditors of ISS Global A/S on 1 April 2003. We have been reappointed annually by resolution of the general meeting for a total consecutive period of fifteen years up to and including the financial year 2018.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the financial year 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditors' responsibilities for the audit of the consolidated financial statements and the Parent company financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

VALUATION OF INTANGIBLE ASSETS

The carrying amounts of goodwill and customer contracts related to prior years' acquisitions comprise a significant part of the consolidated statement of financial position. The cash-generating units in which goodwill and customer contracts are included are impairment tested by Management on an annual basis. The impairment tests are based on Management's estimates of among others future profitability, long-term growth and discount rate. Due to the inherent uncertainty involved in determining the net present value of future cash flows, we considered these impairment tests to be a key audit matter.

For details on the impairment tests performed by Management reference is made to notes 3.6, 3.7 and 3.8 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others, testing the mathematical accuracy of the discounted cash flow model and comparing forecasted profitability to board approved budgets. We evaluated the assumptions and methodologies used in the discounted cash flow model, in particular those relating to the forecasted revenue growth and operating margin, including comparing with historical growth rates. We compared the assumptions applied to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth and discount rates. Further, we evaluated the sensitivity analysis on the assumptions applied. Our audit procedures primarily focused on cash generating units where changes in key assumptions could result in impairment. We further evaluated the disclosures provided by Management in the financial statements compared to applicable accounting standards.

ASSETS AND LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS

When classifying businesses as held for sale and as discontinued operations in the consolidated financial statements, Management makes judgments and estimates, including assessment of impairment of the net assets. Due to the materiality of Management's disposal plans and inherent uncertainty involved in classifying and assessing assets and liabilities held for sale and discontinued operations, we considered these judgments and estimates as a key audit matter.

For details on the assets and liabilities held for sale and discontinued operations reference is made to note 3.5 and note 3.4 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others, agreeing the carrying amounts of the assets and liabilities held for sale to underlying accounting records, discussing with Management the criteria for classification of businesses as held for sale and discontinued operations and reading draft agreements where relevant, including reviewing minutes and other relevant documentation of the sales processes and board decisions. We considered the impairment assessment made by Management, including assessment of key assumptions applied and evaluation of the explanations provided by comparing key assumptions to market data, where available. We further evaluated the disclosures provided by Management in the financial statements compared to applicable accounting standards.

INCOME TAX AND DEFERRED TAX BALANCES

The Group's operations are subject to income taxes in various jurisdictions having different tax legislation. Management makes judgments and estimates in determining the recognition of income taxes and deferred taxes. Given the inherent uncertainty involved in assessing and estimating the income tax and deferred tax balances, including tax exposures and write-down of deferred tax assets, we considered these balances as a key audit matter.

For details on the income tax and deferred tax balances reference is made to notes 1.5 and 1.6 in the consolidated financial statements and notes 6 and 8 in the Parent company financial statements.

In response to the identified risks, our audit procedures included review of completeness and accuracy of the amounts recognised as income taxes and deferred taxes, including assessment of correspondence with tax authorities and evaluation of tax exposures as well as write-down of deferred tax assets. In respect of the deferred tax assets recognised in the statement of financial position, we assessed Management's assumptions as to the probability of recovering the assets through taxable income in future years and available tax planning strategies. We further evaluated the disclosures provided by Management compared to applicable accounting standards.

VALUATION OF INVESTMENTS IN SUBSIDIARIES

The investments in subsidiaries comprise a significant part of the balance sheet of the parent company. The valuation of investments in subsidiaries is based on Management's assessment of whether indications or objective evidence of impairment exists. This assessment is based on a review of the net present value of the expected future cash flows generated by the subsidiaries which is determined on the basis of, among others, the expected future profitability, long-term growth and discount rate for each subsidiary. Due to the inherent uncertainty involved in determining the net present value of expected future cash flows, we considered the valuation of investments in subsidiaries to be a key audit matter.

For details on the valuation of investments in subsidiaries reference is made to note 7 in the parent company financial statements.

In response to the identified risks, our audit procedures included, among others, testing the mathematical accuracy of the discounted cash flow model and comparing forecasted profitability to board approved budgets. We evaluated the assumptions and methodologies used in the discounted cash flow model, in particular those relating to the forecasted revenue growth and operating profitability, including comparing with historical growth rates and results. We compared the assumptions applied to externally derived data as well as our own assessments in relation to key inputs such as projected economic growth and discount rates. Further, we evaluated the sensitivity analysis on the assumptions applied. Our audit procedures primarily focused on investments, where likely changes in key assumptions could result in impairment. We further evaluated the disclosures provided by Management in the parent company financial statements compared to applicable accounting standards.

STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the Management's review, pp. 1-32.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of 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 consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

AUDITORS' 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 Group's and the Parent 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 Group's and the Parent 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 auditors' report to the related disclosures in the financial statements or, if such disclosures are in-adequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Parent company to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

COPENHAGEN, 11 MARCH 2019

ERNST & YOUNG
Godkendt **Revisionspartnerselskab**
CVR-no. 30700228

Michael Groth Hansen	**Claus Kronbak**
State Authorised	State Authorised
Public Accountant	Public Accountant
MNE-no.: mne33228	MNE-no.: mne28675

DEFINITIONS

FINANCIAL AND NON-FIANCIAL RATIOS

ISS uses various key figures, financial ratios (including alternative performance measures (APMs)) and non-financial ratios, all of which provide our stakeholders with useful and necessary information about the Group's financial position, performance and development in a consistent way. In relation to managing the business, achieving our strategic goals and ultimately creating value for our shareholders, these measures are considered essential.

FINANCIAL RATIOS

Acquisitions, %

$$= \frac{\text{Revenue from acquisitions}^{1)} \times 100}{\text{Revenue prior year}}$$

1) Based on management's expectations at the acquisition date.

Cash conversion, %

$$= \frac{\text{(Operating profit before other items last twelve months (LTM) + Changes in working capital LTM)} \times 100}{\text{Operating profit before other items (LTM)}}$$

Currency adjustments

= Total revenue growth – Organic growth – Acquisition/divestment growth, net [2]

2) Includes the effect stemming from exclusion of currency effects from the calculation of organic growth and acquisition/divestment growth, net.

Divestments, %

$$= \frac{\text{Revenue from divestments}^{3)} \times 100}{\text{Revenue prior year}}$$

3) Based on estimated or actual revenue where available at the divestment date.

EBITDA

= Operating profit + Depreciation and amortisation + Goodwill impairment + Amortisation/impairment of brands and customer contracts

EBITDA before other items

= Operating profit before other items + Depreciation and amortisation

Equity ratio, %

$$= \frac{\text{Equity attributable to the owner of ISS Global A/S} \times 100}{\text{Total assets}}$$

Free cash flow

= Cash flow from operations + Cash flow from investments – Cash flow from acquisitions/divestments, net

Free cash flow conversion

$$= \frac{\text{Free cash flow last twelve months (LTM)} \times 100}{\text{Operating profit before other items (LTM)}}$$

Net debt

= Non-current and current loans and borrowings – Securities – Cash and cash equivalents – Positive fair value of derivatives

Operating margin, %

$$= \frac{\text{Operating profit before other items} \times 100}{\text{Revenue}}$$

Organic growth, %

$$= \frac{\text{(Revenue current year – Comparable revenue}^{1)}\text{ prior year)} \times 100}{\text{Comparable revenue}^{1)}\text{ prior year}}$$

1) Implies the exclusion of changes in revenue attributable to acquisitions/divestments, net and the effect of changes in foreign exchange rates. In order to present comparable revenue and thereby organic growth excluding any effect from changes in foreign currency exchange rates, comparable revenue in the prior year is calculated at the current year's foreign currency exchange rates. Acquisitions are treated as having been integrated into ISS upon acquisition, and ISS's calculation of organic growth includes changes in revenue of these acquisitions compared with revenue expectations at the date of acquisition.

Total revenue growth, %

$$= \frac{\text{(Revenue current year – Revenue prior year)} \times 100}{\text{Revenue prior year}}$$

NON-FINANCIAL RATIOS

Customer Net Promoter Score (cNPS)

Measures the loyalty of our customers through a direct question of how likely the customer is to recommend ISS to others as a business partner

Employee Net Promoter Score (eNPS)

Measures the loyalty of our employees through a direct question of how likely the employee is to recommend ISS to others as a place to work

Lost Time Injury Frequency (LTIF)

Measures the number of incidents classified as lost time injuries per millions of hours worked

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements, including, but not limited to, the guidance and expectations in Outlook on p. 5. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words may, will, should, expect, anticipate, believe, estimate, plan, predict, intend or variations of such words, and other state-ments on matters that are not historical fact or regarding future events or prospects, are forward-looking statements. ISS has based these statements on its current views with respect to future events and financial performance. These views involve risks and uncertainties that could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of ISS. Although ISS believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the facility service industry in general or ISS in particular including those described in this report and other information made available by ISS. As a result, you should not rely on these forward-looking statements. ISS undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.