INTERIM REPORT FOR THE PERIOD 1 JANUARY – 30 JUNE 2018

Solid organic growth and continued impact from contract phasing in H1 2018

ISS (ISS.CO, ISS DC, ISSDY), a leading global provider of facility services, announces its interim financial report for the first six months of 2018:

Highlights

- Organic revenue growth of 3.2% in H1 and Q2 (Q1 2018: 3.1%), supported by contract launches and expansion of Global Key Account contracts as well as continued demand for non-portfolio services.
- Total revenue decreased by 1.0% in H1 and 1.6% in Q2 (Q1 2018: 0.4%). The decrease in H1 was driven by negative currency effects of 5.0% partly offset by organic growth and a positive net impact from acquisitions and divestments of 0.8%.
- Operating margin of 4.4% in H1 (H1 2017: 5.0%) and 4.8% in Q2 (Q2 2017: 5.4%) reflecting mainly the impact of contracts phasing in and out, which peaked in H1. The net impact of acquisitions and divestments as well as currency translation effects was negative by 6 bps for H1 and 5 bps for Q2.
- Operating profit before other items amounted to DKK 1,712 million in H1 (H1 2017: DKK 1,954 million), including negative currency translation effects of DKK 107 million, and DKK 949 million in Q2 (Q2 2017: DKK 1,079 million).
- Net profit (adjusted) decreased to DKK 703 million in H1 (H1 2017: DKK 1,056 million), mainly due to lower operating profit before other items, higher financial income and expenses, net, and higher other income and expenses, net.
- Net profit was a loss of DKK 130 million in H1 (H1 2017: positive DKK 839 million) mainly as a consequence of goodwill impairment due to remeasurement of businesses classified as held for sale in the Netherlands, Argentina and Uruguay as well as France.
- Cash conversion over the last twelve months of 97% (Q1 2018: 102%).
- Free cash flow was an outflow of DKK 1,401 million for H1 (H1 2017: an outflow of DKK 865 million), mainly driven by lower cash flow from operating activities.
- Net debt decreased to DKK 14,258 million at 30 June 2018 (30 June 2017: DKK 14,717 million). Leverage at 30 June 2018 was 2.9x (30 June 2017: 2.8x), impacted by lower operating profit before other items mainly driven by negative currency translation effects. Our capital allocation and leverage objectives remain unchanged.
- Revenue from Key Account customers corresponded to 53% of Group revenue in H1 (Q1 2018: 52%).
- Revenue from Global Key Accounts increased by 1% in constant currency in H1 and represents 12% of Group revenue (Q1 2018: 13%).
- Revenue generated from IFS increased by 9% in constant currency in H1 leading to a total share of 39% of Group revenue (Q1 2018: 38%).
- Sharpening our focus on Key Account customers led to non-core activities in the Netherlands being classified as held for sale at 30 June 2018. In France, we continued the implementation of GREAT and on 30 July 2018, we announced that we entered into exclusive discussions with a view to divest the non-core route-based Hygiene and Prevention business. Further, the transition and mobilisation of the Deutsche Telekom contract remains on track.
- The Group is committed to maintain a nominal ordinary dividend paid in 2019 at least equal to 2018.
- The 2018 outlook for organic revenue growth, operating margin and cash conversion remains unchanged.

Jeff Gravenhorst, Group CEO, ISS A/S, said:

"ISS's steady performance continued, delivering solid organic growth, driven by contract start-ups and expansions of Integrated Facility Service contracts with both local and international Key Account customers – among others LEGO Group and ABB. As expected, our margin remained impacted by short term headwinds, including contract phasing. We also continued to refine our business platform through commercial focus and divestments in line with our strategy to focus on key accounts. Based on our performance in H1 and our expectations for the rest of the year, we maintain our full-year outlook for organic growth, operating margin and cash conversion."

Lord Allen of Kensington Kt CBE
Chairman

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Group CEO

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KEY FIGURES AND FINANCIAL RATIOS[1)]

DKK million (unless otherwise stated)	Q2 2018	Q2 2017	1 January - 30 June 2018	1 January - 30 June 2017
Income statement				
Revenue	19,767	20,086	39,070	39,468
Operating profit before other items	949	1,079	1,712	1,954
Operating margin [2)]	4.8%	5.4%	4.4%	5.0%
EBITDA before other items	1,113	1,257	2,039	2,307
EBITDA	1,043	1,050	1,770	2,096
Operating profit (adjusted)	879	872	1,443	1,743
Operating profit	135	740	555	1,481
Financial income	10	(1)	17	18
Financial expenses	(169)	(137)	(326)	(267)
Net profit (adjusted)	407	510	703	1,056
Net profit/(loss) from continuing operations [3)]	(180)	452	15	909
Net profit/(loss) from discontinued operations [3)]	(135)	(57)	(145)	(70)
Net profit/(loss)	(315)	395	(130)	839
Cash flow				
Cash flow from operating activities	99	360	(927)	(421)
Acquisition of intangible assets and property, plant and equipment, net	(255)	(245)	(460)	(425)
Free cash flow	(151)	111	(1,401)	(865)
Cash conversion	97%	92%	97%	92%
Financial position				
Total assets	49,117	49,001	49,117	49,001
Goodwill	22,219	23,379	22,219	23,379
Additions to property, plant and equipment	192	137	386	310
Equity (attributable to owners of ISS A/S)	12,183	12,888	12,183	12,888
Equity ratio	24.8%	26.3%	24.8%	26.3%
Employees				
Number of employees end of period	484,484	492,004	484,484	492,004
Full-time employees	76%	75%	76%	75%
Growth				
Organic growth	3.2 %	1.0 %	3.2 %	1.8 %
Acquisitions and divestments, net	(0.4)%	1.4 %	0.8 %	0.4 %
Currency adjustments	(4.4)%	(0.8)%	(5.0)%	(0.6)%
Total revenue growth	(1.6)%	1.6 %	(1.0)%	1.6 %
Financial leverage				
Pro forma adjusted EBITDA	4,992	5,347	4,992	5,347
Net debt	14,258	14,717	14,258	14,717
Net debt / Pro forma adjusted EBITDA	2.9x	2.8x	2.9x	2.8x
Stock market ratios				
Earnings per share				
Basic earnings per share (EPS), DKK	(1.7)	2.1	(0.7)	4.6
Diluted earnings per share, DKK	(1.7)	2.1	(0.7)	4.5
Adjusted earnings per share, DKK	2.2	2.7	3.8	5.7
Earnings per share from continuing operations				
Basic earnings per share (EPS), DKK	(1.0)	2.4	0.1	4.9
Diluted earnings per share, DKK	(1.0)	2.4	0.1	4.9
Adjusted earnings per share, DKK	2.9	3.0	4.5	6.0
Number of shares				
Number of shares issued (in thousands)	185,668	185,668	185,668	185,668
Number of treasury shares (in thousands)	1,001	1,509	1,001	1,509
Average number of shares (basic) (in thousands)	184,667	184,160	184,448	183,892
Average number of shares (diluted) (in thousands)	185,690	185,519	185,526	185,500

1) See definitions in the Annual Report 2017.
2) The Group uses Operating profit before other items for the calculation of Operating margin.
3) As of 30 June 2017, Argentina and Uruguay are classified as discontinued operations.

GROUP PERFORMANCE

OPERATING RESULTS

January – June 2018

Group revenue was DKK 39.1 billion, representing a decrease of 1.0% compared with the same period last year. Organic growth amounted to 3.2%, while the impact from acquisitions and divestments, net, increased revenue by 0.8% and currency effects impacted revenue negatively by 5.0%.

Organic growth was supported by contract launches within our strategic customer segments and non-portfolio revenue, partly offset by the reduction of revenue related to Global Key Account contracts with DXC Technology, HP Inc. and an international bank in EMEA. All regions delivered positive organic growth. In Continental Europe and Asia & Pacific growth was mainly driven by strong portfolio growth. Furthermore, Americas delivered strong organic growth due to 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 was flat as a result of revenue reductions from Global Key Account contracts and the UK Ministry of Defence.

Operating profit before other items amounted to DKK 1,712 million (H1 2017: DKK 1,954 million) for an operating margin of 4.4% (H1 2017: 5.0%). The operating margin was negatively impacted by acquisitions and divestments and currency effects of 6 bps or nominal DKK 102 million, net. Furthermore, the margin continued to be negatively impacted by large key account contracts phasing in and out across all regions and investments strengthening our technical services capabilities in selected countries and businesses. Similar to 2017, the margin in Continental Europe includes a positive impact from a decreased pension obligation. Corporate costs amounted to 0.7% of revenue (2017: 0.8%), which was in line with expectations.

Other income and expenses, net was an expense of DKK 269 million (H1 2017: 211 million), predominantly related to the implementation of GREAT especially in France and Sweden. Furthermore, loss on divestments, net was DKK 36 million (H1 2017: gain of DKK 23 million) mainly related to the divestment of the Group's activities in Greece.

Goodwill impairment amounted to DKK 653 million (2017: DKK 0 million) principally due to remeasurement of businesses classified as held for sale in the Netherlands and France.

Financial income and expenses, net was an expense of DKK 309 million for the first six months of 2018 (H1 2017: DKK 249 million). The increase was partly a result of higher interest expenses on the back of the acquisition of Guckenheimer in April 2017 as well as slightly higher cost of debt following the refinancing in August 2017. In addition, foreign exchange losses, net was DKK 18 million compared with a gain of DKK 5 million last year.

The effective tax rate per 30 June 2018 was 26.0% (H1 2017: 25.5%) calculated as Income taxes (adjusted) of DKK 295 million divided by Profit before tax (adjusted) of DKK 1,134 million. The tax rate was negatively impacted by one-off changes in valuation of certain net tax assets.

The Group's activities in Argentina and Uruguay continue to be classified as discontinued operations and presented separately in the income statement, as sales processes were initiated 30 June 2017. Net profit from discontinued operations was a loss of DKK 145 million for the first six months of 2018 mainly due to a fair value remeasurement.

Net profit (adjusted) amounted to DKK 703 million (H1 2017: DKK 1,056 million), mainly due to a decrease in operating profit before other items, higher financial income and expenses, net as well as higher other income and expenses, net and compared to last year.

Net profit was a loss of DKK 130 million (2017: gain of DKK 839 million).

Q2 2018

Group revenue in Q2 was DKK 19.8 billion, which was a decrease of 1.6% compared with the same period last year. Organic growth amounted to 3.2% (Q1 2018: 3.1%) while the impact from acquisitions and divestments, net, decreased revenue by 0.4% and currency effects impacted revenue negatively by 4.4%.

Organic growth in Q2 was supported by contract launches and continued demand for non-portfolio services across several countries in Continental Europe, Asia & Pacific and Americas. Organic growth was partly offset by the expected reduction of revenue with DXC Technology, HP Inc. and an international bank in EMEA as well as the UK Ministry of Defence.

Operating profit before other items amounted to DKK 949 million (Q2 2017: DKK 1,079 million) for an operating margin of 4.8% (Q2 2017: 5.4%). The margin was negatively impacted by acquisitions and divestments as well as negative currency translation effects of 5 bps. Furthermore, the operating margin was impacted by margin decreases in all regions mainly due to contracts phasing in and out as well as operational challenges in the USA. Furthermore, performance deteriorated further in the non-core activities in the Netherlands. Corporate costs amounted to 0.7% of revenue (Q2 2017: 0.8%), which is in line with expectations.

BUSINESS DEVELOPMENT

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 these key accounts represent 53% of our total revenue in H1 2018 (Q1 2018: 52%).

Revenue generated from Global Key Accounts in H1 2018 increased by 1% compared to last year in constant currencies to DKK 4.9 billion, representing approximately 12% of Group revenue. Growth was mainly driven by 2017 contract launches with Shire, Huawei and a customer in the retail and wholesale

MAJOR KEY ACCOUNT DEVELOPMENTS [1]	COUNTRIES	TERM	EFFECTIVE DATE
WINS			
Arriva Rail Northern Ltd	UK	1 year	Q1 2018
International air carrier	North America	5+2 years	Q1 2018
Royal Philips	Americas, the Netherlands, UK and Singapore	5 years	Q2 2018
Kayseri Entegre	Turkey	5 years	Q2 2018
Elaziğ Hospital	Turkey	5 years	Q3 2018
Pharmaceutical segment company	North America	3 years	Q3 2018
A professional service company	Netherlands	5 years	Q3 2018
Victoria Schools	Australia	5 years	Q3 2018
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
Vattenfall	Sweden	1 year	Q3 2018
LOSSES			
AcelorMittal	France	-	Q2 2018
Ipswich Hospital NHS Trust	UK	-	Q2 2018

1) Updates since Annual Report 2017

segment as well as contract start-ups with LEGO Group and an international food and beverage company in 2018. Combined this more than offset the revenue reduction related to DXC Technology, HP Inc. and an international bank in EMEA.

The IFS share of Group revenue in H1 was up by 9% in constant currencies to DKK 15.0 billion, representing approximately 39% of Group revenue. In addition to the growth in Global Key Accounts, the growth in IFS was supported by country and regional key account contract launches such as the MTR Corporation contract in Hong Kong, Adana and Kayseri hospitals in Turkey, ABB in Asia & Pacific and Sengkang Hospitals in Singapore as well as the start-up Aviva, an international investment bank and an IT and telephone service provider in the UK. Furthermore, we extended and expanded the Danish Defence contract in Denmark as well as converted existing contracts with National Westminster Bank and a professional service company to IFS contracts in the UK.

CASH FLOWS

The LTM (last twelve months) cash conversion for June 2018 was 97%, which is in line with our ambition to have a cash conversion above 90%.

Cash flow from operating activities

Cash flow from operating activities in the first six months represented a net cash outflow of DKK 927 million (H1 2017: DKK 421 million). The higher cash outflow compared to last year was primarily due to lower cash inflow from Operating profit before other items and a negative impact from changes in working capital.

Cash flow from investing activities

Cash flow from investing activities was a net cash outflow of DKK 375 million (H1 2017: DKK 1,869 million). Investments in intangible assets and property, plant and equipment, net, was DKK 460 million (H1 2017: DKK 425 million), which represented 1.2% of Group revenue (H1 2017: 1.1%). The cash inflow from acquisition and divestment of businesses, net of DKK 99 million mainly related to divestment of the archiving service activities in Finland and the landscaping activities in the UK. This was partly offset by deferred payments regarding previous years' acquisitions.

Cash flow from financing activities

Cash flow from financing activities was an outflow of DKK 531 million (H1 2017: inflow of DKK 908 million), primarily related to drawing on working capital facilities due to normal seasonality which was more than offset by dividends paid to shareholders.

Free cash flow

Free cash flow was an outflow of DKK 1,401 million (H1 2017: DKK 865 million). The increased cash outflow was mainly due to higher cash outflow from operating activities and slightly higher cash outflow from investments in intangible assets and property, plant and equipment, net.

STRATEGIC ACQUISITIONS AND DIVESTMENTS

In H1 we completed the divestment of the Group's activities in Greece and the landscaping activities in the UK as well as minor non-core activities in Belgium, Hungary, Brazil, Denmark and North America.

On 1 July 2018, we completed the divestment of the security activities in Spain.

On 30 July 2018, we announced that we entered into exclusive discussion with a view to divest the non-core route-based Hygiene and Prevention business in France. The proposed transaction will be submitted for consultation with the requisite staff representation bodies in France. Completion of the proposed transaction would also be subject to normal closing conditions in France, including antitrust clearance, and would be expected to finalise before year-end.

At 30 June 2018, four businesses were classified as held for sale, including non-core activities in the Netherlands, the Hygiene and Prevention business in France as well as Argentina and Uruguay. Assets and liabilities held for sale amounted to DKK 1,172 million and DKK 463 million, respectively.

The classification of the businesses held for sale is in line with our strategy to focus on key account customers. The divestments are expected to lead to future adjustments to the business platform.

We will continue to review our existing business for potential divestments of non-core activities and likewise will consider making acquisitions which enhance our core competencies subject to tight strategic and financial filters.

CAPITAL STRUCTURE

ISS's financings mainly consist of a senior unsecured bank facility and corporate bonds issued under an EMTN programme.

The senior unsecured bank facility consists of a revolving credit facility of EUR 1,000 million with a group of 15 banks maturing in November 2022. The applicable drawn margin is determined semi-annually based on a leverage grid.

Our objective is to maintain an investment grade financial profile, and the target is for the financial leverage to be below 2.5x pro forma adjusted EBITDA, taking seasonality into account. Net debt decreased to DKK 14,258 million at 30 June 2018 (30 June 2017: DKK 14,717 million). Leverage at 30 June 2018 was 2.9x (30 June 2017: 2.8x), impacted by lower operating profit before other items mainly driven by negative currency translation effects.

The Group's dividend policy states a target pay-out ratio of approximately 50% of Net profit (adjusted). The pay-out ratio will reflect a nominal ordinary dividend in 2019 at least equal to 2018.

ISS currently holds the investment grade corporate credit rating of BBB / Stable outlook by S&P and Baa2 / Stable outlook by Moody's.

Net debt

Net debt was DKK 14,258 million at 30 June 2018, an increase of DKK 2,933 million compared with 31 December 2017. The increase was mainly the result of normal seasonality in operating cash flows and ordinary dividends paid out in April.

EQUITY

Total equity was DKK 12,196 million at 30 June 2018 equivalent to an equity ratio of 24.8% (31 December 2017: 27.2%). The DKK 1,618 million decrease in total equity from December 2017 was mainly the result of dividends paid to shareholders of DKK 1,430 million, negative net profit for the period of DKK 130 million and negative foreign exchange adjustments of subsidiaries of DKK 97 million. The negative currency adjustments were mainly due to depreciation of SEK, TRY and AUD towards DKK.

SUBSEQUENT EVENTS

Divestments signed or completed in the period 1 July to 31 July 2018 are described under “Strategic acquisitions and divestments”.

Other than as set out above or elsewhere in these condensed consolidated interim financial statements, we are not aware of events subsequent to 30 June 2018, which are expected to have a material impact on the Group's financial position.

OUTLOOK

OUTLOOK 2018

This section should be read in conjunction with “Forward-looking statements” as shown in the table below.

The outlook for 2018 for organic growth, operating margin and cash conversion remains unchanged from our Annual Report 2017.

The outlook for 2018 for organic growth, operating margin and cash conversion is as follows.

- Organic growth is expected to be 1.5%-3.5%.
- Operating margin in 2018 is expected to be around 5.6%, excluding the impact from acquisitions and divestments as well as currency translation effects.
- Cash conversion is expected to remain above 90%.

EXPECTED IMPACT FROM DIVESTMENTS, ACQUISITIONS AND FOREIGN EXCHANGE RATES IN 2018

We expect the divestments and acquisitions completed by 31 July 2018 (including in 2017) to have immaterial net impact on the revenue growth in 2018. Based on the forecasted average exchange rates for the year 2018[1)] we expect a negative impact on revenue growth in 2018 of approximately 3.0%-4.0%-points.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements including, but not limited to, the statements and expectations contained in the Outlook section on page 6. Statements herein, other than statements of historical fact, regarding future events or prospects, are forward-looking statements. The words ‘‘may’’, “will”, “should”, ‘‘expect’’, ‘‘anticipate’’, ‘‘believe’’, ‘‘estimate’’, ‘‘plan’’, "predict," ‘‘intend’ or variations of these words, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements. ISS has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of 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 the Annual Report 2017 of ISS A/S 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.

The Annual Report 2017 of ISS A/S is available at the Group’s website, www.issworld.com.

1) The forecasted average exchange rates for the financial year 2018 are calculated using the realised average exchange rates for the first seven months of 2018 and the average forward exchange rates (as of 1 August 2018) for the last five months of 2018.

Q2 REVENUE AND GROWTH

DKK million	Q2 2018	Q2 2017	Organic growth	Acq./div.	Currency adj.	Growth Q2 2018
Continental Europe [1]	7,654	7,689	5 %	(1)%	(4)%	(0)%
Northern Europe [2]	6,126	6,409	(0)%	(2)%	(2)%	(4)%
Asia & Pacific [3]	3,616	3,702	5 %	-	(7)%	(2)%
Americas [4]	2,370	2,282	5 %	8 %	(9)%	4 %
Other countries [5]	19	24	(26)%	-	2 %	(24)%
Corporate / eliminations	(18)	(20)	-	-	-	10 %
Group	**19,767**	**20,086**	**3.2 %**	**(0.4)%**	**(4.4)%**	**(1.6)%**

Q2 OPERATING PROFIT AND MARGIN [6]

DKK million	Q2 2018		Q2 2017		Growth Q2 2018
Continental Europe	445	5.8 %	478	6.2 %	(7)%
Northern Europe	346	5.6 %	421	6.6 %	(18)%
Asia & Pacific	227	6.3 %	264	7.1 %	(14)%
Americas	63	2.6 %	83	3.6 %	(24)%
Other countries	0	1.2 %	1	4.9 %	100 %
Corporate / eliminations	(132)	(0.7)%	(168)	(0.8)%	21 %
Group	**949**	**4.8 %**	**1,079**	**5.4 %**	**(12)%**

YTD JUNE 2018 REVENUE AND GROWTH

DKK million	2018	2017	Organic growth	Acq./div.	Currency adj.	Growth 2018
Continental Europe	15,233	15,374	4 %	(2)%	(3)%	(1)%
Northern Europe	12,023	12,485	0 %	(2)%	(2)%	(4)%
Asia & Pacific	7,156	7,438	5 %	-	(9)%	(4)%
Americas	4,657	4,163	4 %	19 %	(11)%	12 %
Other Countries	38	51	(26)%	-	0 %	(26)%
Corporate / eliminations	(37)	(43)	-	-	-	14 %
Group	**39,070**	**39,468**	**3.2 %**	**0.8 %**	**(5.0)%**	**(1.0)%**

YTD JUNE 2018 OPERATING PROFIT AND MARGIN [6]

DKK million	2018		2017		Growth 2018
Continental Europe	784	5.1 %	840	5.5 %	(7)%
Northern Europe	633	5.3 %	759	6.1 %	(17)%
Asia & Pacific	433	6.1 %	551	7.4 %	(21)%
Americas	119	2.5 %	130	3.1 %	(8)%
Other Countries	1	1.8 %	1	1.9 %	-
Corporate / eliminations	(258)	(0.7)%	(327)	(0.8)%	21 %
Group	**1,712**	**4.4 %**	**1,954**	**5.0 %**	**(12.4)%**

Grouping of countries into regions:
1) Continental Europe comprises Austria, Belgium & Luxembourg, Bulgaria, the Czech Republic, Estonia, France, Germany, Greece (divested Jan 2018), Hungary, Israel, Italy, Latvia, Lithuania, the Netherlands, Poland, Romania, Russia, Slovakia, Slovenia, Spain & Portugal, Switzerland and Turkey.
2) Northern Europe comprises Denmark, Finland, Norway, Sweden and the UK & Ireland.
3) Asia & Pacific comprises Australia & New Zealand, Brunei, China, Hong Kong, India, Indonesia, Japan, Malaysia, the Philippines, Singapore, Taiwan and Thailand.
4) Americas comprises Brazil, Chile, Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru, Puerto Rico, and the USA & Canada.
5) Other Countries comprise Algeria, Bahrain, Cayman Islands, Croatia, Egypt, Greece, Jordan, Kuwait, Monaco, Morocco, Nigeria, Pakistan, South Africa, South Korea, Ukraine, United Arab Emirates and Vietnam.
6) The Group uses Operating profit before other items for the calculation of Operating margin.

REGIONAL PERFORMANCE

CONTINENTAL EUROPE

Revenue decreased 1% to DKK 15,233 million in the first six months of 2018. Organic growth amounted to 4% while acquisitions and divestments, net decreased revenue by 2% and currency effects impacted revenue negatively by 3%. Organic growth in Continental Europe was mainly driven by Turkey, Austria and Switzerland with Germany and Belgium & Luxemburg also delivering solid organic growth. The main drivers were the contract launches with Adana and Kayseri hospitals and price increases in Turkey as well as key account contract launches in Austria and Switzerland. Growth was partly offset by revenue reductions from DXC Technology and an international bank in EMEA.

Operating profit before other items amounted to DKK 784 million in the first six months generating an operating margin of 5.1% (H1 2017: 5.5%). The decreased operating margin was mainly due to large key account contracts phasing in and out, underperformance in the Netherlands and investments in strengthening our technical services capabilities in Spain. Similar to 2017, the margin includes a positive impact from a decreased pension obligation.

In Q2, revenue amounted to DKK 7,654 million driven by organic growth of 5% (Q1 2018: 3%) while the impact from acquisitions and divestments, net decreased revenue with 1% and currency effects impacted revenue negatively by 4% mainly due to depreciation of TRY and CHF against DKK. The organic growth was mainly driven by contract launches in Turkey, Germany and Austria. Operating profit before other items decreased by 7% to DKK 445 million, resulting in an operating margin of 5.8% (Q2 2017: 6.2%). The decrease in operating margin was mainly due to underperformance in the non-core activities in the Netherlands.

NORTHERN EUROPE

Revenue was reduced by 4% to DKK 12,023 million in the first six months of 2018. Organic growth was flat, while acquisitions and divestments, net reduced revenue by 2%. Furthermore, currency effects reduced revenue by 2% mainly due to depreciation of GBP, NOK and SEK against DKK. Organic growth was mainly supported by expansion of the Danish Defence contract and start-up of the LEGO contracts in Denmark offset by revenue reduction from DXC Technology, an international bank in EMEA and the UK Ministry of Defence.

Operating profit before other items amounted to DKK 633 million, resulting in an operating margin of 5.3% (H1 2017: 6.1%). 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 strengthening our technical services capabilities. Furthermore, margin continues to be impacted by operational challenges and low performance in Sweden, where turnaround initiatives are ongoing.

In Q2, revenue was reduced by 4% to DKK 6,126 million, representing flat organic growth (Q1 2018: 1%), while the impact from acquisitions and divestments, net and currency effects reduced revenue by 2% and 2%, respectively, mainly due to depreciation of SEK and GBP against DKK. The organic growth was mainly supported by contract launches in Denmark and Norway. This was offset by revenue reductions from DXC Technology, an international bank in EMEA and the UK Ministry of Defence. Operating profit before other items amounted to DKK 346 million, resulting in an operating margin of 5.6% (Q2 2017: 6.6%). The decrease in operating margin was mainly due to contracts phasing in and out in the UK and Denmark.

ASIA & PACIFIC

Revenue decreased by 4% to DKK 7,156 million in the first six months of 2018. Organic growth was 5%, while currency effects reduced revenue by 9%. The organic growth was mainly due to key account contract launches and expansions in Australia and Hong Kong as well as higher demand for non-portfolio services in Singapore. Growth remains partly offset by the decision to exit non-strategic contracts in China.

Operating profit before other items decreased to DKK 433 million, resulting in an operating margin of 6.1% (H1 2017: 7.4%). The operating margin decrease was mainly due to high comparable performance in 2017 in Singapore. Furthermore, margin decreased in Indonesia due to loss of margin accretive contracts and in Australia due to contract launches and extensions as well as in China due to exit of non-strategic contracts.

In Q2, revenue amounted to DKK 3,616 million, representing an organic growth of 5% (Q1 2018: 5%) while currency effects reduced revenue by 7%. Organic growth was mainly driven by contract launches in Australia, Hong Kong, India and Indonesia partly offset by expected organic revenue reductions in China. Operating profit before other items decreased 14%, resulting in an operating margin of 6.3% (Q2 2017: 7.1%). The operating margin was impacted by large key account contracts phasing in and out, margin decreases in Singapore and Indonesia as well as China due to exit of non-strategic contracts.

AMERICAS

Revenue was DKK 4,657 million, up 12% compared to the same period last year. Organic growth was 4% in the first six months of 2018, while acquisitions and divestments, net increased revenue by 19% and currency effects reduced revenue by 11%. Organic growth was mainly driven by catering and key account contract launches in North America. Furthermore, growth in Chile was solid. Growth was partly offset by revenue reductions from DXC Technology and HP Inc. as well as contract losses and limited new sales in Brazil.

Operating profit before other items was DKK 119 million for an operating margin of 2.5% in the first six months of 2018 (H1 2017: 3.1%). The operating margin was supported by contract expansions and synergies within the catering division in North America. This was offset by the impact from large key account contracts phasing in and out as well as continued underperformance in Brazil and within the specialised services division in North America, where turnaround initiatives continue.

In Q2, revenue increased 4% to DKK 2,370 million reflecting an organic growth of 5% (Q1 2018: 4%) while acquisitions and divestments, net increased revenue by 8% and currency effects reduced revenue by 9%. Organic growth was mainly driven by catering and key account contract launches in North America as well as solid growth due to contract launches in Chile. This was partly offset by contract losses and decreases as well as limited new sales in Brazil. Operating profit before other items was DKK 63 million, resulting in an operating margin of 2.6% for Q2 2018 (Q2 2017: 3.6%). The decrease in operating margin was mainly due to higher exit costs and start-up costs as well as one-off income in Q2 2017 in Brazil.

MANAGEMENT STATEMENT

Copenhagen, 16 August 2018

The Board of Directors and the Executive Group Management Board have today discussed and approved the interim report of ISS A/S for the period 1 January – 30 June 2018.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and additional requirements of the Danish Financial Statements Act. The interim report has not been reviewed or audited.

In our opinion, the condensed consolidated interim financial statements give a true and fair view of the Group's assets, liabilities and financial position at 30 June 2018 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 30 June 2018.

Furthermore, in our opinion the Management Review gives a fair review of the development and performance of the Group's activities and of the Group's result for the period and financial position taken as a whole.

Executive Group Management Board

Jeff Gravenhorst
Group Chief Executive Officer

Pierre-François Riolacci
Group Chief Financial Officer

Board of Directors

Lord Allen of Kensington Kt CBE
Chairman

Thomas Berglund
Deputy Chairman

Claire Chiang

Henrik Poulsen

Ben Stevens

Cynthia Mary Trudell

Pernille Benborg [1)]

Joseph Nazareth [1)]

Palle Fransen Queck [1)]

[1)] Employee representative

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

1 JANUARY – 30 JUNE

DKK million	Note	Q2 2018 Adjusted results	Q2 2018 Acqui-sition-related	Q2 2018 Reported results	Q2 2017 Adjusted results	Q2 2017 Acqui-sition-related	Q2 2017 Reported results
Revenue	4	**19,767**	**-**	**19,767**	**20,086**	**-**	**20,086**
Staff costs		(12,696)	-	(12,696)	(12,824)	-	(12,824)
Consumables		(1,948)	-	(1,948)	(1,881)	-	(1,881)
Other operating expenses		(4,010)	-	(4,010)	(4,124)	-	(4,124)
Depreciation and amortisation [1]		(164)	-	(164)	(178)	-	(178)
Operating profit before other items		**949**	**-**	**949**	**1,079**	**-**	**1,079**
Other income and expenses, net	6	(70)	-	(70)	(207)	-	(207)
Goodwill impairment	7	-	(629)	(629)	-	-	-
Amortisation/impairment of brands and customer contracts		-	(115)	(115)	-	(132)	(132)
Operating profit		**879**	**(744)**	**135**	**872**	**(132)**	**740**
Financial income	8	10	-	10	(1)	-	(1)
Financial expenses	8	(169)	-	(169)	(137)	-	(137)
Profit before tax		**720**	**(744)**	**(24)**	**734**	**(132)**	**602**
Income taxes		(187)	31	(156)	(180)	30	(150)
Net profit from continuing operations		**533**	**(713)**	**(180)**	**554**	**(102)**	**452**
Net profit/(loss) from discontinued operations	9	**(126)**	**(9)**	**(135)**	**(44)**	**(13)**	**(57)**
Net profit/(loss)		**407**	**(722)**	**(315)**	**510**	**(115)**	**395**
Attributable to:							
Owners of ISS A/S				(317)			393
Non-controlling interests				2			2
Net profit/(loss)				**(315)**			**395**
Earnings per share:							
Basic earnings per share (EPS), DKK				(1.7)			2.1
Diluted earnings per share, DKK				(1.7)			2.1
Adjusted earnings per share, DKK [2]				2.2			2.7
Earnings per share from continuing operations:							
Basic earnings per share (EPS), DKK				(1.0)			2.4
Diluted earnings per share, DKK				(1.0)			2.4
Adjusted earnings per share, DKK [3]				2.9			3.0

[1] Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.
[2] Calculated as Net profit (adjusted) divided by the average number of shares (diluted).
[3] Calculated as Net profit from continuing operations (adjusted) divided by the average number of shares (diluted).

Background for the income statement presentation is described in the 2017 Group Annual Report in section 1, p. 67.

CONDENSED CONSOLIDATED INCOME STATEMENT

1 JANUARY – 30 JUNE

		YTD 2018			YTD 2017		
DKK million	Note	Adjusted results	Acqui-sition-related	Reported results	Adjusted results	Acqui-sition-related	Reported results
Revenue	4	**39,070**	**-**	**39,070**	**39,468**	**-**	**39,468**
Staff costs		(25,169)	-	(25,169)	(25,641)	-	(25,641)
Consumables		(3,819)	-	(3,819)	(3,559)	-	(3,559)
Other operating expenses		(8,043)	-	(8,043)	(7,961)	-	(7,961)
Depreciation and amortisation [1]		(327)	-	(327)	(353)	-	(353)
Operating profit before other items		**1,712**	**-**	**1,712**	**1,954**	**-**	**1,954**
Other income and expenses, net	6	(269)	-	(269)	(211)	-	(211)
Goodwill impairment	7	-	(653)	(653)	-	-	-
Amortisation/impairment of brands and customer contracts		-	(235)	(235)	-	(262)	(262)
Operating profit		**1,443**	**(888)**	**555**	**1,743**	**(262)**	**1,481**
Financial income	8	17	-	17	18	-	18
Financial expenses	8	(326)	-	(326)	(267)	-	(267)
Profit before tax		**1,134**	**(888)**	**246**	**1,494**	**(262)**	**1,232**
Income taxes		(295)	64	(231)	(381)	58	(323)
Net profit from continuing operations		**839**	**(824)**	**15**	**1,113**	**(204)**	**909**
Net profit/(loss) from discontinued operations	9	**(136)**	**(9)**	**(145)**	**(57)**	**(13)**	**(70)**
Net profit/(loss)		**703**	**(833)**	**(130)**	**1,056**	**(217)**	**839**
Attributable to:							
Owners of ISS A/S				(133)			837
Non-controlling interests				3			2
Net profit/(loss)				**(130)**			**839**
Earnings per share:							
Basic earnings per share (EPS), DKK				(0.7)			4.6
Diluted earnings per share, DKK				(0.7)			4.5
Adjusted earnings per share, DKK [2]				3.8			5.7
Earnings per share from continuing operations:							
Basic earnings per share (EPS), DKK				0.1			4.9
Diluted earnings per share, DKK				0.1			4.9
Adjusted earnings per share, DKK [3]				4.5			6.0

[1] Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.
[2] Calculated as Net profit (adjusted) divided by the average number of shares (diluted).
[3] Calculated as Net profit from continuing operations (adjusted) divided by the average number of shares (diluted).

Background for the income statement presentation is described in the 2017 Group Annual Report in section 1, p. 67.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 30 JUNE

DKK million	Note	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Net profit/(loss)		**(315)**	**395**	**(130)**	**839**
Items not to be reclassified to the income statement in subsequent periods:					
Actuarial gains/(losses)	13	68	-	68	-
Impact from asset ceiling regarding pensions		(35)	-	(35)	-
Tax		(6)	(16)	(6)	(16)
Items to be reclassified to the income statement in subsequent periods:					
Foreign exchange adjustments of subsidiaries and non-controlling interests		109	(540)	(97)	(416)
Other comprehensive income		**136**	**(556)**	**(70)**	**(432)**
Comprehensive income		**(179)**	**(161)**	**(200)**	**407**
Attributable to:					
Owners of ISS A/S		(180)	(162)	(203)	405
Non-controlling interests		1	1	3	2
Comprehensive income		**(179)**	**(161)**	**(200)**	**407**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

1 JANUARY – 30 JUNE

DKK million	Note	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Operating profit before other items		949	1,079	1,712	1,954
Operating profit before other items from discontinued operations	9	(5)	4	(5)	3
Depreciation and amortisation		165	178	328	354
Share-based payments		(3)	21	17	22
Changes in working capital		(626)	(417)	(2,072)	(1,795)
Changes in provisions, pensions and similar obligations		(81)	(132)	(106)	(137)
Other expenses paid	6	(71)	(104)	(141)	(157)
Interest received		3	7	11	16
Interest paid		(46)	(55)	(207)	(204)
Income taxes paid		(186)	(221)	(464)	(477)
Cash flow from operating activities	9	**99**	**360**	**(927)**	**(421)**
Acquisition of businesses		-	(1,691)	(21)	(1,677)
Divestment of businesses	10	57	176	120	252
Acquisition of intangible assets and property, plant and equipment		(265)	(255)	(489)	(449)
Disposal of intangible assets and property, plant and equipment		10	10	29	24
(Acquisition)/disposal of financial assets		5	(4)	(14)	(19)
Cash flow from investing activities	9	**(193)**	**(1,764)**	**(375)**	**(1,869)**
Other financial payments, net		783	1,826	891	2,326
Dividends paid to shareholders		(1,422)	(1,418)	(1,422)	(1,418)
Cash flow from financing activities	9	**(639)**	**408**	**(531)**	**908**
Total cash flow		**(733)**	**(996)**	**(1,833)**	**(1,382)**
Cash and cash equivalents at the begining of the period		5,092	3,971	6,275	4,300
Total cash flow		(733)	(996)	(1,833)	(1,382)
Foreign exchange adjustments		28	(181)	(55)	(124)
Cash and cash equivalents at 30 June		**4,387**	**2,794**	**4,387**	**2,794**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 JANUARY – 30 JUNE

DKK million	Note	30 June 2018	30 June 2017	31 December 2017
ASSETS				
Intangible assets		25,837	27,425	26,665
Property, plant and equipment		1,640	1,539	1,593
Deferred tax assets		767	926	700
Other financial assets		336	347	331
Non-current assets		**28,580**	**30,237**	**29,289**
Inventories		284	299	286
Trade receivables		11,949	11,761	11,583
Tax receivables		276	257	204
Other receivables		2,469	2,114	1,988
Cash and cash equivalents		4,387	2,794	6,275
Assets classified as held for sale	12	1,172	1,539	1,210
Current assets		**20,537**	**18,764**	**21,546**
Total assets		**49,117**	**49,001**	**50,835**
EQUITY AND LIABILITIES				
Total equity attributable to owners of ISS A/S		12,183	12,888	13,804
Non-controlling interests		13	12	10
Total equity		**12,196**	**12,900**	**13,814**
Loans and borrowings		17,324	15,060	17,290
Pensions and similar obligations	13	1,142	1,518	1,291
Deferred tax liabilities		1,322	1,508	1,267
Provisions		213	195	218
Non-current liabilities		**20,001**	**18,281**	**20,066**
Loans and borrowings		1,382	2,508	381
Trade payables		3,561	3,253	4,428
Tax payables		156	255	279
Other liabilities		11,141	10,962	11,206
Provisions		217	282	233
Liabilities classified as held for sale	12	463	560	428
Current liabilities		**16,920**	**17,820**	**16,955**
Total liabilities		**36,921**	**36,101**	**37,021**
Total equity and liabilities		**49,117**	**49,001**	**50,835**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 30 JUNE

YTD 2018 DKK million	Note	Share capital	Retained earnings	Translation reserve	Treasury shares	Proposed dividends	Total	Non-controlling interests	Total equity
		Attributable to owners of ISS A/S							
Equity at 1 January		**185**	**13,301**	**(815)**	**(297)**	**1,430**	**13,804**	**10**	**13,814**
Net profit/(loss)		-	(133)	-	-	-	(133)	3	(130)
Other comprehensive income		-	27	(97)	-	-	(70)	0	(70)
Comprehensive income		**-**	**(106)**	**(97)**	**-**	**-**	**(203)**	**3**	**(200)**
Share-based payments		-	27	-	-	-	27	-	27
Settlement of vested PSUs		-	(123)	-	100	-	(23)	-	(23)
Dividends paid to shareholders		-	-	-	-	(1,430)	(1,430)	-	(1,430)
Dividends, treasury shares		-	8	-	-	-	8	-	8
Transactions with owners		**-**	**(88)**	**-**	**100**	**(1,430)**	**(1,418)**	**-**	**(1,418)**
Changes in equity		**-**	**(194)**	**(97)**	**100**	**(1,430)**	**(1,621)**	**3**	**(1,618)**
Equity at 30 June		**185**	**13,107**	**(912)**	**(197)**	**-**	**12,183**	**13**	**12,196**

YTD 2017									
Equity at 1 January		**185**	**12,717**	**(4)**	**(418)**	**1,430**	**13,910**	**10**	**13,920**
Net profit		-	837	-	-	-	837	2	839
Other comprehensive income		-	(16)	(416)	-	-	(432)	(0)	(432)
Comprehensive income		**-**	**821**	**(416)**	**-**	**-**	**405**	**2**	**407**
Share-based payments		-	45	-	-	-	45	-	45
Settlement of vested PSUs		-	(175)	-	116	-	(59)	-	(59)
Settlement of paid RSUs		-	-	-	5	-	5	-	5
Dividends paid to shareholders		-	-	-	-	(1,430)	(1,430)	-	(1,430)
Dividends, treasury shares		-	12	-	-	-	12	-	12
Transactions with owners		**-**	**(118)**	**-**	**121**	**(1,430)**	**(1,427)**	**-**	**(1,427)**
Changes in equity		**-**	**703**	**(416)**	**121**	**(1,430)**	**(1,022)**	**2**	**(1,020)**
Equity at 30 June		**185**	**13,420**	**(420)**	**(297)**	**-**	**12,888**	**12**	**12,900**

1 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements of ISS A/S for the period 1 January - 30 June 2018 comprise ISS A/S and its subsidiaries (together referred to as "the Group"), associates and joint ventures.

STATEMENT OF COMPLIANCE

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Except as described below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017. A full description of the Group's accounting policies is included in the consolidated financial statements for 2017.

CHANGES IN ACCOUNTING POLICIES

From 1 January 2018, the Group has adopted the below standards and interpretations with no significant impact 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;
- Amendments to IAS 28 "Investments in Associates and Joint Ventures”: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice;
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration”; and
- Parts of Annual Improvements to IFRSs 2014-2016 Cycle.

The Group has adopted IFRS 15 "Revenue from Contracts with Customers" using the cumulative effect method, however, the impact is considered immaterial to the condensed consolidated interim financial statements and no effect 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 15 establishes a five-step model to account for revenue arising from contracts with customers. The main principle is that revenue is recognised when control of goods or services transfers to a customer, i.e. when the performance obligation is satisfied.

The Group has adopted IFRS 9 “Financial Instruments”, which introduces a new expected credit loss (ECL) model, which requires recognition of impairment based on ECL rather than incurred losses as was the case under IAS 39. The impact of the adoption of IFRS 9 is considered immaterial to the condensed consolidated interim financial statements and no effect has been recognised in equity at 1 January 2018.

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Except for the judgements and estimates commented upon in the notes of these condensed consolidated interim financial statements and in relation to the implementation of IFRS 15 as described below, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017.

REVENUE

Performance obligations satisfied over time Revenue is mainly generated from rendering of services. Services are provided to customers on a daily basis continuously over the term of the contracts and customers simultaneously receive and consume the benefits provided. Thus, revenue is recognised over time as services are provided.

Revenue is recognised based on the extent of progress towards complete satisfaction of the performance obligation. The method to measure progress towards completion requires judgement and is based on the nature of the service to be provided. For key account contracts, we generally use an input-based method to measure progress as it best depicts the transfer of service to the customer. The input-based method recognises revenue on the basis of our inputs, e.g. labour hours incurred, resources consumed, costs incurred, relative to the total expected inputs required to satisfy the performance obligations. Services are billed and paid for on a monthly basis.

2 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

REVENUE (CONTINUED)

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. The Group estimates variable consideration based on the most likely amount to which we expect 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.

Contract modifications Key account contracts are often modified to account for changes in contract specification and service requirements. The major part of modifications are agreed with the customer in accordance with a specified change management procedure and are accounted for going forward with no impact on already recognised revenue.

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 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 itself, 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.

3 SEASONALITY

The operating margin before other items is typically lowest in the first quarter of the year and increasing quarter by quarter to reach the highest level in the fourth quarter of the year. Cash flow from operating activities tends to be lower in the first quarter of the year due to a number of cash payments relating to, among other things, pension contributions, insurance premium payments, holiday payments and the payment of bonuses earned in the prior year. Cash flow from operating activities becomes increasingly positive throughout the year and is usually highest in the fourth quarter of the year, when revenue recognised in the third quarter of the year is collected.

4 SEGMENT AND REVENUE INFORMATION

NATURE OF SERVICES

ISS is a global facility services company, that operates in 74 countries. Revenue is generated from rendering of services within cleaning, property, catering, support, security and facility management. Cleaning, property (technical) and catering are delivered as single-service, multi-service or Integrated Facility Services (IFS) solutions. Support, security and facility management are principally offered as part of IFS contracts.

Based on our customers' different needs we have grouped them into key accounts (mainly IFS contracts), specialised (single-service solutions) and direct (small mainly route-based contracts). The vast majority of revenue is generated from multi-year contracts, typically with an initial term of 3-5 years for our key account contracts.

We disaggregate revenue into customer type and geographical region, see below under Reportable segments, as we believe it best depicts how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

REPORTABLE SEGMENTS

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 with limited activities which are managed by the Global Key Account organisation are excluded from the geographical segments and combined in a separate segment called "Other countries".

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

YTD 2018 DKK million	**Continental Europe**	**Northern Europe**	**Asia & Pacific**	**Americas**	**Other countries**	**Total reportable segments**
Revenue [1]	15,233	12,023	7,156	4,657	38	**39,107**
Operating profit before other items [2]	784	633	433	119	1	**1,970**
Operating profit	(103)	453	401	75	1	**827**
Total assets	18,696	17,308	8,210	5,202	14	**49,430**
Total liabilities	9,856	8,142	3,638	4,142	10	**25,788**

YTD 2017 DKK million	**Continental Europe**	**Northern Europe**	**Asia & Pacific**	**Americas**	**Other countries**	**Total reportable segments**
Revenue [1]	15,374	12,485	7,438	4,163	51	**39,511**
Operating profit before other items [2]	840	759	551	130	1	**2,281**
Operating profit	712	509	517	71	0	**1,809**
Total assets	19,764	17,889	8,133	5,573	14	**51,373**
Total liabilities	10,647	8,158	3,484	4,296	11	**26,596**

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

4 SEGMENT AND REVENUE INFORMATION (CONTINUED)

RECONCILIATION OF OPERATING PROFIT

DKK million	YTD 2018	YTD 2017
Operating profit for reportable segments	827	1,809
Unallocated corporate costs	(257)	(327)
Unallocated other income and expenses, net	(15)	(1)
Operating profit	**555**	**1,481**

REVENUE BY CUSTOMER TYPE

DKK million	YTD 2018
Key Account customers	20,600
Large and medium customers	15,509
Small and route-based customers	2,961
Total revenue	**39,070**

5 SHARE-BASED PAYMENTS

SHARE-BASED INCENTIVE PROGRAMMES

Long-Term Incentive Programme (LTIP) On 1 March 2018, new performance-based share units (PSUs) were granted under the LTIP to members of the EGM (EGMB and Corporate Senior Officers of the Group) and other senior officers of the Group. The programme is described in the consolidated financial statements for 2017. The number of PSUs granted was 819,887. In April 2018, additional PSUs were granted to adjust for the distribution of ordinary dividends as adopted at the annual general meeting of ISS A/S on 11 April 2018. The number of additional PSUs granted was 24,967. Like for previous grants under the LTIP, the PSUs are subject to achievement of certain performance targets the following three years and will vest on the date of the third anniversary of the grant. Upon vesting, each PSU entitles the holder to receive one share at no cost.

	LTIP 2018
Total PSUs granted	844,854
Number of participants	148
Number of PSUs expected to vest at grant date	414,332
Fair value of PSUs expected to vest at grant date, DKK million	100

LTIP 2015 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.

6 OTHER INCOME AND EXPENSES, NET

DKK million	YTD 2018	YTD 2017
Gain on divestments	1	130
Other	-	3
Other income	**1**	**133**
Restructuring projects [1)]	(230)	(107)
Loss on divestments	(37)	(212)
Acquisition and integration costs [1)]	(3)	(25)
Other expenses	**(270)**	**(344)**
Other income and expenses, net	**(269)**	**(211)**

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

Gain on divestments mainly related to the divestment of BioSystems in Brazil. In 2017, the gain related to the divestment of ISS Kloak- & Industriservice, the Danish sewage and industrial services business and the real estate administration activities in Sweden.

Restructuring projects mainly related to the continued implementation of GREAT across the Group, especially in France, Sweden, and Belgium as well as restructurings in Spain and at Group level. The costs primarily comprised redundancy payments. In 2017, costs mainly related to Brazil, Norway, France, the Netherlands, Denmark, the USA and Belgium.

Loss on divestments mainly related to 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 mainly 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	YTD 2018	YTD 2017
Restructuring projects	(131)	(97)
Restructuring projects (presented as discontinued operations)	(6)	(30)
Acquisition and integration costs	(3)	(25)
Other	(1)	(5)
Total	**(141)**	**(157)**

Restructuring projects mainly comprised payments related to projects initiated and expensed in 2017 and 2018 in France, Sweden, Spain, Portugal, Belgium, the Netherlands 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.

7 GOODWILL IMPAIRMENT

DKK million	YTD 2018	YTD 2017
Impairment losses derived from divestment of businesses	653	-
Goodwill impairment	**653**	**-**

Impairment losses derived from divestment of businesses predominantly related to the remeasurement of businesses held for sale in the Netherlands of DKK 550 million and France of DKK 52 million as well as the divestment of the fruit business in Denmark and the Uniguard security activities in the USA.

IMPAIRMENT TESTS

The Group performs impairment tests on intangibles[1)] annually and whenever there is an indication that intangibles may be impaired. The annual impairment test is performed as per 31 December based on financial budgets approved by management covering the following financial year.

At 30 June 2018, the Group performed a review for indications of impairment of the carrying amount of intangibles. It is management's opinion that there are no significant changes to the assumptions applied in the impairment tests presented in note 4.8 in the consolidated financial statements for 2017, except for the Netherlands where the assumptions have been updated in connection with the classification of certain non-core activities as held for sale. The update did not result in any impairment loss except for the DKK 550 million related to the remeasurement of the non-core activities.

1) Intangibles cover the value of goodwill, brands and customer contracts.

8 FINANCIAL INCOME AND FINANCIAL EXPENSES

DKK million	YTD 2018	YTD 2017
Interest income on cash and cash equivalents	17	13
Foreign exchange gains	-	5
Financial income	**17**	**18**
Interest expenses on loans and borrowings	(252)	(208)
Other bank fees	(35)	(31)
Amortisation of financing fees	(11)	(17)
Net interest on defined benefit obligations	(10)	(11)
Foreign exchange losses	(18)	-
Financial expenses	**(326)**	**(267)**

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 are included.

Interest expenses on loans and borrowings The increase in interest expenses was mainly a result of the refinancing in August 2017 where debt under the Senior Facilities was replaced with 10 year EMTN bonds with a higher coupon. In addition, as a result of the acquistion of Guckenheimer in April 2017, a greater part of the debt was effectively denominated in 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.

9 DISCONTINUED OPERATIONS

In June 2017, management decided to initiate sales processes for the Group's activities in Argentina and Uruguay, which are operated as a regional cluster. The decision was based on a strategic review of the Group’s activities in the Americas region with the conclusion that the two countries were no longer considered as strategic to the Group. As a result, the Group’s activities in Argentina and Uruguay have been classified as held for sale and discontinued operations.

Net profit/(loss) from discontinued operations consists of the following:

DKK million	YTD 2018	YTD 2017
Revenue	143	233
Expenses [1)]	(148)	(230)
Operating profit before other items from discontinued operations	**(5)**	**3**
Other income and expenses, net	(124)	(48)
Goodwil impairment	(9)	(12)
Amortisation/impairment of brands and customer contracts	-	(1)
Operating profit from discontinued operations	**(138)**	**(58)**
Financial expenses, net	(6)	(10)
Profit/(loss) before tax from discontinued operations	**(144)**	**(68)**
Income taxes	(1)	(2)
Net profit/(loss) from discontinued operations	**(145)**	**(70)**
Earnings per share from discontinued operations:		
Basic earnings per share (EPS), DKK	(0.8)	(0.4)
Diluted earnings per share, DKK	(0.8)	(0.4)
Adjusted earnings per share, DKK	(0.7)	(0.3)

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

Cash flows from discontinued operations are included in the statement of cash flows with the following amounts:

DKK million	YTD 2018	YTD 2017
Cash flow from operating activities	**(14)**	**(44)**
Cash flow from investing activities	**(1)**	**(3)**
Cash flow from financing activities	**(1)**	**0**

10 DIVESTMENTS

The Group completed seven divestments during 1 January - 30 June 2018 (five during 1 January - 30 June 2017).

Company/activity	Country	Service type	Excluded from the income statement	Percentage interest	Annual revenue (DKK million)	Number of employees
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
Total					**882**	**4,293**

DIVESTMENT IMPACT

DKK million	YTD 2018	YTD 2017
Goodwill	9	24
Customer contracts	-	8
Other non-current assets	39	111
Current assets	196	80
Other non-current liabilities	(5)	(16)
Other current liabilities	(63)	(53)
Net assets disposed	**176**	**154**
Gain/(loss) on divestment of businesses, net	(36)	130
Divestment costs, net of tax	70	40
Consideration received	**210**	**324**
Cash and cash equivalents in divested businesses	(96)	(9)
Cash consideration received	**114**	**315**
Contingent and deferred consideration	89	(1)
Divestment costs paid	(83)	(62)
Divestment of businesses (cash flow)	**120**	**252**

DIVESTMENTS SUBSEQUENT TO 30 JUNE 2018

On 1 July 2018, we divested the Spanish security activities with an annual revenue of approximately DKK 120 million and 562 employees.

11 PRO FORMA REVENUE AND OPERATING PROFIT BEFORE OTHER ITEMS

Assuming all acquisitions and divestments during 1 January - 30 June 2018 were included/excluded as of 1 January, the effect on revenue and operating profit before other items is estimated as follows:

DKK million	YTD 2018	YTD 2017
Revenue	39,070	39,468
Acquisitions	-	833
Divestments	(208)	(144)
Pro forma revenue	**38,862**	**40,157**
Operating profit before other items	1,712	1,954
Acquisitions	-	41
Divestments	2	(9)
Pro forma operating profit before other items	**1,714**	**1,986**

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.

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 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.

12 ASSETS AND LIABILITIES HELD FOR SALE

At 31 December 2017, assets classified as held for sale comprised four businesses in the Continental Europe, Northern Europe and Americas regions. In May 2018, one of the businesses, the landscaping activities in the UK, was divested. The divestment resulted in the recognition of a loss of DKK 0.2 million in Other income and expenses, net. At 30 June 2018, sales processes were still ongoing for the other three businesses.

Additionally during the first six months of 2018, the continued evaluation of our activities led to the sales process initiation for certain non-core activities in the Netherlands, which were classified as held for sale. The reclassification resulted in an impairment loss of DKK 550 million being recognised in Goodwill impairment following a remeasurement of the business to fair value (sales price less costs to sell).

During the first six months of 2018, remeasurement of the fair value of the two businesses in the Americas region, i.e. Argentina and Uruguay, resulted in a loss of DKK 127 million being recognised in Net loss from discontinued operations. Furthermore, a remeasurement of the Hygiene and Prevention business in France resulted in an impairment loss of DKK 52 million being recognised in Goodwill impairment.

13 PENSIONS AND SIMILAR OBLIGATIONS

For interim periods, the Group's defined benefit obligations are based on valuations from external actuaries carried out at the end of the prior financial year taking into account any subsequent movements in the obligation due to pension costs, contributions etc. up until the reporting date. For interim periods, actuarial calculations are only updated to the extent that significant changes in applied assumptions have occurred. Based on an overall analysis carried out by management it is determined whether updated actuarial calculations should be obtained for interim periods.

At 30 June 2018, the overall evaluation carried out by management resulted in updated actuarial calculations being obtained for Switzerland and the UK due to an increase in the discount rates. As a consequence of the updated calculations, at 30 June 2018 actuarial gains of DKK 33 million (DKK 27 million net of tax), were recognised in Other comprehensive income with a resulting decrease in the defined benefit obligation.

During the first six months of 2018, a net pension gain of approximately DKK 71 million was recognised related to a decrease in benefits following a plan amendment in Continental Europe.

14 CONTINGENT LIABILITIES

GUARANTEE COMMITMENTS

Indemnity and guarantee commitments (mainly towards public authorities and insurance companies) at 30 June 2018 amounted to DKK 433 million (31 December 2017: DKK 427 million).

PERFORMANCE GUARANTEES

The Group has issued performance guarantee bonds for service contracts amounting to DKK 3,217 million (31 December 2017: DKK 3,190 million) of which DKK 1,364 million (31 December 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 our 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 30 June 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 30 June 2018.

RESTRUCTURINGS

Restructuring projects, e.g. related to implementation of the strategic initiative 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 30 June 2018.

15 RELATED PARTIES

PARENT AND ULTIMATE CONTROLLING PARTY

The Group's parent ISS A/S is the ultimate controlling party. At 30 June 2018, ISS had no related parties with either control of the Group or significant influence in the Group.

KEY MANAGEMENT PERSONNEL

Members of the Board of Directors (the Board) and the Executive Group Management (the EGM)[1)] have authority and responsibility for planning, implementing and controlling the Group's activities and are therefore considered as the Group's key management personnel.

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

[1)] The EGM comprise the Executive Group Management Board (the EGMB) and Corporate Senior Officers of the Group.

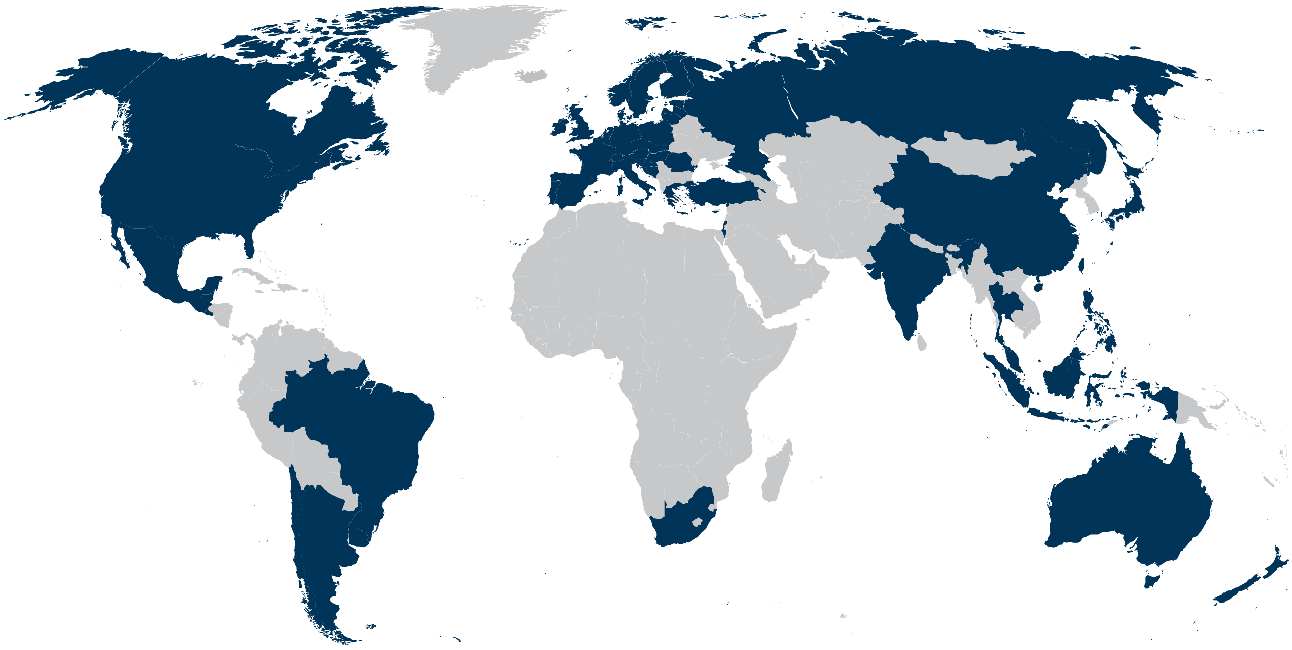
16 SUBSEQUENT EVENTS

Divestments completed from 1 July to 31 July 2018 are listed in note 10, Divestments.

On 30 July 2018, we announced that we entered into exclusive discussions with a view to divest the non-core route-based Hygiene and Prevention business in France. The proposed transcation will be submitted for consultation with the requisite staff representation bodies in France. Completion of the proposed transaction would also be subject to normal closing conditions in France, including antitrust clearance, and would be expected to finalise before year-end.

Other than as set out above or elsewhere in these condensed consolidated interim financial statements, we are not aware of events subsequent to 30 June 2018, which are expected to have a material impact on the Group's financial position.

THE ISS REPRESENTATION AROUND THE GLOBE



The ISS Group was founded in Copenhagen in 1901 and has grown to become one of the world's leading Facility Services companies. ISS offers a wide range of services such as: Cleaning, Catering, Security, Property and Support Services as well as Facility Management. Global revenue amounted to DKK 80 billion in 2017 and ISS has more than 482,000 employees and activities in more than 70 countries across Europe, Asia, North America, Latin America and Pacific, serving thousands of both public and private sector customers.