INTERIM REPORT FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2018

Continued solid growth for the first nine months of 2018

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

Highlights

- Organic growth of 3.2% in the first nine months and 3.4% in Q3 (Q2 2018: 3.2%), supported by contract launches and expansion of global key account contracts as well as continued demand for non-portfolio services.
- Total revenue decreased by 0.9% in the first nine months and 0.7% in Q3 (Q2 2018: 1.6%). The decrease in the first nine months was driven by negative currency effects of 4.1% partly offset by organic growth while effects from acquisitions and divestments were flat for the first nine months.
- Operating margin of 4.9% in the first nine months (2017: 5.4%) and 6.1% in Q3 (Q3 2017: 6.3%) reflecting contracts phasing in and out albeit less than previous quarters. The net impact of acquisitions and divestments as well as currency translation effects was negative by 3 bps for the first nine months and positive by 6 bps for Q3.
- Operating profit before other items amounted to DKK 2,901 million in the first nine months (2017: DKK 3,203 million), including negative currency translation effects of DKK 132 million, and DKK 1,189 million in Q3 (Q3 2017: DKK 1,249 million).
- Net profit (adjusted) decreased to DKK 1,387 million in the first nine months (2017: DKK 1,820 million), mainly due to lower operating profit before other items, higher other income and expenses, net and higher financial income and expenses, net.
- Net profit was DKK 437 million in the first nine months (2017: DKK 1,501 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 91% (Q2 2018: 97%) due to mobilisation of Deutsche Telekom and timing of collections and payments. Excluding the mobilisation of Deutsche Telekom the cash conversion was 95%.
- Free cash flow was an outflow of DKK 960 million for the first nine months (2017: an inflow of DKK 2 million), mainly driven by changes in working capital and lower cash flow from operating activities including mobilisation of Deutsche Telekom and negative currency translation effects.
- Net debt was DKK 13,971 million at 30 September 2018 (30 September 2017: DKK 13,913 million). Leverage at 30 September 2018 was 2.9x (30 September 2017: 2.7x), 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 accounts amounts to 56% of Group revenue in the first nine months (H1 2018: 53%).
- Revenue from global key accounts decreased by 3% in constant currency in the first nine months and represents 13% of Group revenue (H1 2018: 12%).
- Revenue generated from IFS increased by 9% in constant currency in the first nine months of 2018 leading to a total share of 40% of Group revenue (H1 2018: 39%).
- The Group is committed to maintain a nominal ordinary dividend paid in 2019 at least equal to 2018.
- We remain committed to delivering our strategy - The ISS Way. On 10 December 2018, we will host an investor call to provide a strategy update, outlining the next steps of this journey. Details will be available on the Investor section of www.issworld.com in due course.
- The 2018 outlook for organic growth, operating margin and cash conversion remains unchanged.

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

"We continued to deliver solid organic growth, supported by contract launches and expansions within our strategic segments. In Q3, we extended our contract with Nordea for five years. In addition, we won TSB Bank in the UK and successfully expanded the Post Nord contract across the Nordics. Our margins are in line with expectations, slightly lower compared to last year, due to contract rotation. We continue to increase our focus on key accounts and refine our portfolio in line with the strategy. Our pipeline is good which, together with the launch of Deutsche Telekom, will support our organic growth going into 2019."

Lord Allen of Kensington Kt CBE
Chairman

Jeff Gravenhorst
Group CEO

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KEY FIGURES AND FINANCIAL RATIOS[1)]

DKK million (unless otherwise stated)	Q3 2018	Q3 2017	1 January - 30 September 2018	1 January - 30 September 2017
Income statement				
Revenue	19,641	19,777	58,711	59,245
Operating profit before other items	1,189	1,249	2,901	3,203
Operating margin [2)]	6.1%	6.3%	4.9%	5.4%
EBITDA before other items [2)]	1,365	1,429	3,404	3,736
EBITDA	1,189	1,348	2,959	3,444
Operating profit (adjusted) [3)]	1,013	1,168	2,456	2,911
Operating profit	868	1,037	1,423	2,518
Financial income	7	3	24	21
Financial expenses	(162)	(146)	(488)	(413)
Net profit (adjusted) [3)]	684	764	1,387	1,820
Net profit/(loss) from continuing operations [4)]	528	662	543	1,571
Net profit/(loss) from discontinued operations [4)]	39	0	(106)	(70)
Net profit	567	662	437	1,501
Cash flow				
Cash flow from operating activities	701	1,115	(226)	694
Acquisition of intangible assets and property, plant and equipment, net	(249)	(238)	(709)	(663)
Free cash flow	441	867	(960)	2
Cash conversion	91%	99%	91%	99%
Financial position				
Total assets	49,239	49,856	49,239	49,856
Goodwill	22,208	23,241	22,208	23,241
Additions to property, plant and equipment	249	213	635	523
Equity (attributable to owners of ISS A/S)	12,657	13,344	12,657	13,344
Equity ratio	25.7%	26.8%	25.7%	26.8%
Employees				
Number of employees end of period	483,925	490,732	483,925	490,732
Full-time employees	75%	75%	75%	75%
Growth				
Organic growth	3.4 %	2.3 %	3.2 %	2.0 %
Acquisitions and divestments, net	(1.7)%	2.3 %	(0.0)%	1.0 %
Currency adjustments	(2.4)%	(2.9)%	(4.1)%	(1.3)%
Total revenue growth	(0.7)%	1.7 %	(0.9)%	1.7 %
Financial leverage				
Pro forma adjusted EBITDA	4,883	5,233	4,883	5,233
Net debt	13,971	13,913	13,971	13,913
Net debt / Pro forma adjusted EBITDA	2.9x	2.7x	2.9x	2.7x
Stock market ratios				
Earnings per share				
Basic earnings per share (EPS), DKK	3.1	3.6	2.3	8.1
Diluted earnings per share, DKK	3.0	3.6	2.3	8.1
Adjusted earnings per share, DKK	3.7	4.1	7.5	9.8
Earnings per share from continuing operations				
Basic earnings per share (EPS), DKK	2.8	3.6	2.9	8.5
Diluted earnings per share, DKK	2.8	3.6	2.9	8.5
Adjusted earnings per share, DKK	3.5	4.1	8.0	10.1
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)	184,522	184,160	184,448	183,982
Average number of shares (diluted) (in thousands)	185,546	185,195	185,526	185,397

1) See definitions in the Annual Report 2017.
2) 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, such as gains and losses arising from divestments, the winding up of operations, disposals of property and restructurings and acquisition-related items. Furthermore, Goodwill impairment and Amortisation/impairment of brands and customer contracts are excluded from the calculation.
3) Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.
4) As of 30 June 2017, Argentina and Uruguay are classified as discontinued operations.

GROUP PERFORMANCE

OPERATING RESULTS

January – September 2018

Group revenue was DKK 58.7 billion, representing a decrease of 0.9% compared with the same period last year. Organic growth amounted to 3.2%, while currency effects impacted revenue negatively by 4.1%. The net effect from acquisitions and divestments was flat.

Organic growth was supported by contract launches with key account customers like Shire, Danish Defence and three hospitals in Turkey as well as non-portfolio revenue. This was 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. In Northern Europe strong growth in key accounts more than offset revenue reductions from global key account contracts and the UK Ministry of Defence.

Operating profit before other items amounted to DKK 2,901 million (2017: DKK 3,203 million) for an operating margin of 4.9% (2017: 5.4%). The operating margin was negatively impacted by acquisitions and divestments and currency effects of 3 bps or nominal DKK 140 million, net. The margin continued to be negatively impacted by large key account contracts phasing in and out across all regions and operational challenges in certain countries and businesses. Similar to 2017, the margin in Continental Europe includes a positive impact from a decreased pension obligation. Corporate costs amounted to 0.6% of revenue (2017: 0.8%), which was in line with expectations.

Other income and expenses, net was an expense of DKK 445 million (2017: 292 million), predominantly related to the implementation of GREAT in France and Sweden and restructuring in the UK related to the start-up of efficiency initiatives. Furthermore, loss on divestments, net was DKK 28 million (2017: loss of DKK 79 million) mainly related to the divestment of the Group's activities in Greece.

Goodwill impairment amounted to DKK 681 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 464 million for the first nine months of 2018 (2017: DKK 392 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 30 million compared with DKK 6 million last year.

The effective tax rate per 30 September 2018 was 25.5% (2017: 25.5%) calculated as Income taxes (adjusted) of DKK 508 million divided by Profit before tax (adjusted) of DKK 1,992 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. Net profit from discontinued operations was a loss of DKK 106 million for the first nine months of 2018 mainly due to a fair value remeasurement.

Net profit (adjusted) amounted to DKK 1,387 million (2017: DKK 1,820 million), mainly due to a decrease in operating profit before other items, higher other income and expenses, net as well as higher financial income and expenses, net compared to last year.

Net profit was DKK 437 million (2017: DKK 1,501 million).

Q3 2018

Group revenue in Q3 was DKK 19.6 billion, which was a decrease of 0.7% compared with the same period last year. Organic growth amounted to 3.4% (Q2 2018: 3.2%) while the impact from acquisitions and divestments, net, decreased revenue by 1.7% and currency effects, reduced revenue by 2.4%.

Organic growth in Q3 was supported by contract launches and continued demand for non-portfolio services across several countries in Continental Europe, Asia & Pacific and Northern Europe. Americas was flat despite significant non-portfolio revenue in 2017. 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 1,189 million (Q3 2017: DKK 1,249 million) for an operating margin of 6.1% (Q3 2017: 6.3%). The margin was positively impacted by acquisitions and divestments as well as currency translation effects of 6 bps. All regions continue to be impacted by large key accounts phasing in and out albeit to a lesser extent than previously. The improvement in the operating margins in the Americas was supported among others by expansions and synergies within the catering division. On the other hand, performance deteriorated further in the non-core activities in the Netherlands. The overall net impact of one-off items in Q3 is insignificant. Corporate costs amounted to 0.6% of revenue (Q3 2017: 0.6%), 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 56% of our total revenue in 2018.

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, 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
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
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
Nordea	Nordic	5 years	Q1 2019
PostNord	Nordic	1 year	Q1 2019
LOSSES			
ArcelorMittal	France	-	Q2 2018
Ipswich Hospital NHS Trust	UK	-	Q2 2018

1) Updates since Annual Report 2017

Revenue generated from global key accounts in the first nine months of 2018 decreased by 3% compared to last year in constant currencies to DKK 7.4 billion, representing approximately 13% of Group revenue. The decline was mainly 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.

We continue to see strong demand for both international and local IFS contracts. Revenue generated from IFS in the first nine months was up by 9% in constant currencies to DKK 23.4 billion, representing approximately 40% of Group revenue. In addition to the above mentioned global key accounts, significant contract launches and expansions in 2018 include the Danish Defence, MTR Corporation in Hong Kong and Adana, Kayseri and Elazig hospitals in Turkey as well as several large key account contracts in the UK.

CASH FLOWS

The LTM (last twelve months) cash conversion for September 2018 was 91%, 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 nine months represented a net cash outflow of DKK 226 million (2017: inflow of DKK 694 million). The cash outflow compared to last year was primarily due to higher cash outflow from changes in working capital and lower operating profit before other items. Changes in working capital is impacted by mobilisation of the Deutsche Telekom contract of DKK 137 million as well as timing of collections and payments.

Cash flow from investing activities

Cash flow from investing activities in the first nine months was a net cash outflow of DKK 679 million (2017: DKK 2,106 million). Investments in intangible assets and property, plant and equipment, net, was DKK 709 million (2017: DKK 663 million), which represented 1.2% of Group revenue (2017: 1.1%). The cash inflow from acquisition and divestment of businesses, net of DKK 55 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 as well as divestment costs relating to the divestment of non-core activities in the Netherlands.

Cash flow from financing activities

Cash flow from financing activities in the first nine months was an outflow of DKK 1,087 million (2017: inflow of DKK 883 million), primarily related to drawing on working capital facilities due to normal seasonality which was more than offset by dividends paid to shareholders. In 2017, cash flow was positively impacted by a debt refinancing including a bond issuance.

Free cash flow

Free cash flow in the first nine months was an outflow of DKK 960 million (2017: inflow of DKK 2 million). The decrease 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 the first nine months 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, North America and Spain.

On 30 July 2018, we announced that we entered into exclusive discussions with Ortec Group with a view to divest the non-core route-based Hygiene and Prevention business in France with an annual revenue of approximately DKK 890 million and around 1,500 employees.

On 10 September 2018, we announced that we have reached an agreement to divest the non-core single-service cleaning portfolio in the Netherlands to the Dutch cleaning company CSU. The activities have an annual revenue of approximately DKK 341 million and 2,200 employees.

At 30 September 2018, four businesses were classified as held for sale, including the non-core cleaning portfolio 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 1,141 million and DKK 443 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 2023. The applicable drawn margin is determined semi-annually based on a leverage grid. Effective 3 November 2018, the maturity of the facility was extended by one year to 2023 through a one-year extension option.

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 was DKK 13,971 million at 30 September 2018 (30 September 2017: DKK 13,913 million). Leverage at 30 September 2018 was 2.9x (30 September 2017: 2.7x), 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 paid 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 13,971 million at 30 September 2018, an increase of DKK 2,646 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 12,669 million at 30 September 2018 equivalent to an equity ratio of 25.7% (31 December 2017: 27.2%). The DKK 1,145 million decrease in total equity from December 2017 was mainly the result of dividends paid to shareholders of DKK 1,430 million, and negative foreign exchange adjustments of subsidiaries of DKK 209 million partly offset by net profit for the period of DKK 437 million. The negative currency adjustments were mainly due to depreciation of TRY, SEK and AUD towards DKK.

SUBSEQUENT EVENTS

Divestments signed or completed in the period 1 October 31 October 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 September 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 October 2018 (including in 2017) to have a negative impact on revenue growth in 2018 of approximately 0-1%-point. 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%-4%-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 ten months of 2018 and the average forward exchange rates (as of 1 November 2018) for the last two months of 2018.

Q3 REVENUE AND GROWTH

DKK million	Q3 2018	Q3 2017	Organic growth	Acq./div.	Currency adj.	Growth Q3 2018
Continental Europe[1)]	7,594	7,608	5 %	(2)%	(3)%	(0)%
Northern Europe[2)]	5,956	6,084	1 %	(3)%	(0)%	(2)%
Asia & Pacific[3)]	3,668	3,576	5 %	-	(2)%	3 %
Americas[4)]	2,421	2,502	(0)%	(2)%	(1)%	(3)%
Other countries[5)]	18	24	(29)%	-	2 %	(27)%
Corporate / eliminations	(16)	(17)	-	-	-	6 %
Group	**19,641**	**19,777**	**3.4 %**	**(1.7)%**	**(2.4)%**	**(0.7)%**

Q3 OPERATING PROFIT AND MARGIN [6)]

DKK million	Q3 2018		Q3 2017		Growth Q3 2018
Continental Europe	489	6.4 %	517	6.8 %	(5)%
Northern Europe	485	8.1 %	523	8.6 %	(7)%
Asia & Pacific	239	6.5 %	271	7.6 %	(12)%
Americas	97	4.0 %	62	2.5 %	56 %
Other countries	0	4.2 %	0	0.1 %	100 %
Corporate / eliminations	(121)	(0.6)%	(124)	(0.6)%	2 %
Group	**1,189**	**6.1 %**	**1,249**	**6.3 %**	**(4.8)%**

YTD REVENUE AND GROWTH

DKK million	2018	2017	Organic growth	Acq./div.	Currency adj.	Growth 2018
Continental Europe	22,827	22,982	5 %	(2)%	(4)%	(1)%
Northern Europe	17,979	18,569	1 %	(2)%	(2)%	(3)%
Asia & Pacific	10,824	11,014	5 %	-	(7)%	(2)%
Americas	7,078	6,665	3 %	11 %	(8)%	6 %
Other Countries	56	75	(27)%	-	2 %	(25)%
Corporate / eliminations	(53)	(60)	-	-	-	12 %
Group	**58,711**	**59,245**	**3.2 %**	**(0.0)%**	**(4.1)%**	**(0.9)%**

YTD OPERATING PROFIT AND MARGIN [6)]

DKK million	2018		2017		Growth 2018
Continental Europe	1,273	5.6 %	1,357	5.9 %	(6)%
Northern Europe	1,118	6.2 %	1,282	6.9 %	(13)%
Asia & Pacific	672	6.2 %	822	7.5 %	(18)%
Americas	216	3.0 %	192	2.9 %	13 %
Other Countries	1	2.6 %	1	1.3 %	-
Corporate / eliminations	(379)	(0.6)%	(451)	(0.8)%	16 %
Group	**2,901**	**4.9 %**	**3,203**	**5.4 %**	**(9.4)%**

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 22,827 million in the first nine months of 2018. Organic growth amounted to 5% while acquisitions and divestments, net decreased revenue by 2% and currency effects impacted revenue negatively by 4%. Organic growth in Continental Europe was mainly driven by Turkey, Austria and Switzerland with Belgium & Luxembourg, Spain and Germany also delivering solid organic growth. The main drivers were the contract launches with Adana, Kayseri and Elazig hospitals and price increases in Turkey as well as key account contract launches in Austria and Switzerland. Organic growth was also supported by non-portfolio services. This was partly offset by revenue reductions from DXC Technology and an international bank in EMEA as well as revenue reductions in the Netherlands.

Operating profit before other items amounted to DKK 1,273 million in the first nine months generating an operating margin of 5.6% (2017: 5.9%). The decreased operating margin was mainly due to underperformance in the Netherlands as well as large key account contracts phasing in and out. Similar to 2017, the margin includes a positive impact from a decreased pension obligation.

In Q3, revenue amounted to DKK 7,594 million driven by organic growth of 5% (Q2 2018: 5%) while the impact from acquisitions and divestments, net decreased revenue with 2% and currency effects impacted revenue negatively by 3% mainly due to depreciation of TRY against DKK. The organic growth was mainly driven by contract launches in Turkey and contract launches and non-portfolio revenue in Spain. Operating profit before other items decreased by 5% to DKK 489 million, resulting in an operating margin of 6.4% (Q3 2017: 6.8%). The decrease in operating margin was mainly due to underperformance in the non-core activities in the Netherlands and contracts phasing in and out.

NORTHERN EUROPE

Revenue was reduced by 3% to DKK 17,979 million in the first nine months of 2018. Organic growth was 1%, while acquisitions and divestments, net reduced revenue by 2%. Furthermore, currency effects reduced revenue by 2% mainly due to depreciation of SEK, NOK and GBP against DKK. 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 amounted to DKK 1,118 million, resulting in an operating margin of 6.2% (2017: 6.9%). 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.

In Q3, revenue was reduced by 2% to DKK 5,956 million, representing 1% organic growth (Q2 2018: 0%), while the impact from acquisitions and divestments, net reduced revenue by 3% and currency effects were neutral. The organic growth was mainly supported by contract expansions and launches in Denmark, solid growth in the key account division in Norway and high demand for non-portfolio services in the UK. 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 485 million, resulting in an operating margin of 8.1% (Q3 2017: 8.6%). The decrease in operating margin was mainly due to large key account contracts phasing in and out and investments in strengthening our technical services capabilities.

ASIA & PACIFIC

Revenue decreased by 2% to DKK 10,824 million in the first nine months of 2018. Organic growth was 5%, while currency effects reduced revenue by 7%. The organic growth was mainly due to global and regional key account contract launches and expansions across Asia and Pacific 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.

Operating profit before other items decreased to DKK 672 million, resulting in an operating margin of 6.2% (2017: 7.5%). 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 Q3, revenue amounted to DKK 3,668 million, representing an organic growth of 5% (Q2 2018: 5%) while currency effects reduced revenue by 2%. Organic growth was mainly driven by contract launches in Australia, Hong Kong and Indonesia. Operating profit before other items decreased 12%, resulting in an operating margin of 6.5% (Q3 2017: 7.6%). The operating margin was impacted by underperformance in the Philippines and high performance in Singapore in 2017.

AMERICAS

Revenue was DKK 7,078 million, up 6% compared to the same period last year. Organic growth was 3% in the first nine months of 2018, while acquisitions and divestments, net increased revenue by 11% and currency effects reduced revenue by 8%. Organic growth was mainly driven by catering and key account contract launches in North America. Furthermore, the organic growth was supported by solid performances in Chile and Mexico. This 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 216 million for an operating margin of 3.0% in the first nine months of 2018 (2017: 2.9%). The operating margin was supported by contract expansions and synergies within the catering division in North America. This was offset by continued underperformance in Brazil and within the specialised services division in North America, where turnaround initiatives continue.

In Q3, revenue decreased 3% to DKK 2,421 million reflecting a flat organic growth despite high level of non-portfolio revenue in 2017 (Q2 2018: 5%) while acquisitions and divestments, net decreased revenue by 2% and currency effects reduced revenue by 1%. Organic growth was mainly driven by catering and key account contract launches in North America as well as solid growth in Mexico and Chile. This was offset by contract losses and decreases as well as limited new sales in Brazil. Operating profit before other items was DKK 97 million, resulting in an operating margin of 4.0% for Q3 2018 (Q3 2017: 2.5%). The increase in operating margin was mainly due to contract expansions and synergies within the catering division in North America.

MANAGEMENT STATEMENT

Copenhagen, 8 November 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 September 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 September 2018 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 30 September 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

PRIMARY STATEMENTS

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STATEMENT OF CASH FLOWS

STATEMENT OF FINANCIAL POSITION

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CONDENSED CONSOLIDATED INCOME STATEMENT

1 JANUARY – 30 SEPTEMBER

DKK million	Note	Q3 2018 Adjusted results	Q3 2018 Acquisition-related	Q3 2018 Reported results	Q3 2017 Adjusted results	Q3 2017 Acquisition-related	Q3 2017 Reported results
Revenue	4	**19,641**	**-**	**19,641**	**19,777**	**-**	**19,777**
Staff costs		(12,225)	-	(12,225)	(12,105)	-	(12,105)
Consumables		(1,856)	-	(1,856)	(1,871)	-	(1,871)
Other operating expenses		(4,195)	-	(4,195)	(4,372)	-	(4,372)
Depreciation and amortisation [1]		(176)	-	(176)	(180)	-	(180)
Operating profit before other items		**1,189**	**-**	**1,189**	**1,249**	**-**	**1,249**
Other income and expenses, net	6	(176)	-	(176)	(81)	-	(81)
Goodwill impairment	7	-	(28)	(28)	-	-	-
Amortisation/impairment of brands and customer contracts		-	(117)	(117)	-	(131)	(131)
Operating profit		**1,013**	**(145)**	**868**	**1,168**	**(131)**	**1,037**
Financial income	8	7	-	7	3	-	3
Financial expenses	8	(162)	-	(162)	(146)	-	(146)
Profit before tax		**858**	**(145)**	**713**	**1,025**	**(131)**	**894**
Income taxes		(213)	28	(185)	(261)	29	(232)
Net profit from continuing operations		**645**	**(117)**	**528**	**764**	**(102)**	**662**
Net profit/(loss) from discontinued operations	9	**39**	**-**	**39**	**0**	**0**	**0**
Net profit		**684**	**(117)**	**567**	**764**	**(102)**	**662**
Attributable to:							
Owners of ISS A/S				565			661
Non-controlling interests				2			1
Net profit				**567**			**662**
Earnings per share:							
Basic earnings per share (EPS), DKK				3.1			3.6
Diluted earnings per share, DKK				3.0			3.6
Adjusted earnings per share, DKK [2]				3.7			4.1
Earnings per share from continuing operations:							
Basic earnings per share (EPS), DKK				2.8			3.6
Diluted earnings per share, DKK				2.8			3.6
Adjusted earnings per share, DKK [3]				3.5			4.1

[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 SEPTEMBER

DKK million	Note	YTD 2018 Adjusted results	YTD 2018 Acquisition-related	YTD 2018 Reported results	YTD 2017 Adjusted results	YTD 2017 Acquisition-related	YTD 2017 Reported results
Revenue	4	**58,711**	**-**	**58,711**	**59,245**	**-**	**59,245**
Staff costs		(37,394)	-	(37,394)	(37,746)	-	(37,746)
Consumables		(5,675)	-	(5,675)	(5,430)	-	(5,430)
Other operating expenses		(12,238)	-	(12,238)	(12,333)	-	(12,333)
Depreciation and amortisation [1]		(503)	-	(503)	(533)	-	(533)
Operating profit before other items		**2,901**	**-**	**2,901**	**3,203**	**-**	**3,203**
Other income and expenses, net	6	(445)	-	(445)	(292)	-	(292)
Goodwill impairment	7	-	(681)	(681)	-	-	-
Amortisation/impairment of brands and customer contracts		-	(352)	(352)	-	(393)	(393)
Operating profit		**2,456**	**(1,033)**	**1,423**	**2,911**	**(393)**	**2,518**
Financial income	8	24	-	24	21	-	21
Financial expenses	8	(488)	-	(488)	(413)	-	(413)
Profit before tax		**1,992**	**(1,033)**	**959**	**2,519**	**(393)**	**2,126**
Income taxes		(508)	92	(416)	(642)	87	(555)
Net profit from continuing operations		**1,484**	**(941)**	**543**	**1,877**	**(306)**	**1,571**
Net profit/(loss) from discontinued operations	9	**(97)**	**(9)**	**(106)**	**(57)**	**(13)**	**(70)**
Net profit		**1,387**	**(950)**	**437**	**1,820**	**(319)**	**1,501**
Attributable to:							
Owners of ISS A/S				432			1,498
Non-controlling interests				5			3
Net profit				**437**			**1,501**
Earnings per share:							
Basic earnings per share (EPS), DKK				2.3			8.1
Diluted earnings per share, DKK				2.3			8.1
Adjusted earnings per share, DKK [2]				7.5			9.8
Earnings per share from continuing operations:							
Basic earnings per share (EPS), DKK				2.9			8.5
Diluted earnings per share, DKK				2.9			8.5
Adjusted earnings per share, DKK [3]				8.0			10.1

[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 SEPTEMBER

DKK million	Note	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Net profit		**567**	**662**	**437**	**1,501**
Items not to be reclassified to the income statement in subsequent periods:					
Actuarial gains/(losses)	13	-	-	68	-
Impact from asset ceiling regarding pensions		-	-	(35)	-
Tax		-	1	(6)	(15)
Items to be reclassified to the income statement in subsequent periods:					
Foreign exchange adjustments of subsidiaries and non-controlling interests		(112)	(217)	(209)	(633)
Other comprehensive income		**(112)**	**(216)**	**(182)**	**(648)**
Comprehensive income		**455**	**446**	**255**	**853**
Attributable to:					
Owners of ISS A/S		453	444	250	849
Non-controlling interests		2	2	5	4
Comprehensive income		**455**	**446**	**255**	**853**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

1 JANUARY – 30 SEPTEMBER

DKK million	Note	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Operating profit before other items		1,189	1,249	2,901	3,203
Operating profit before other items from discontinued operations	9	1	1	(4)	4
Depreciation and amortisation		176	181	504	535
Share-based payments		18	(15)	35	7
Changes in working capital		(223)	49	(2,295)	(1,746)
Changes in provisions, pensions and similar obligations		(50)	(9)	(156)	(146)
Other expenses paid	6	(177)	(133)	(318)	(290)
Interest received		7	10	18	26
Interest paid		(121)	(42)	(328)	(246)
Income taxes paid		(119)	(176)	(583)	(653)
Cash flow from operating activities	9	**701**	**1,115**	**(226)**	**694**
Acquisition of businesses		-	25	(21)	(1,652)
Divestment of businesses	10	(44)	(14)	76	238
Acquisition of intangible assets and property, plant and equipment		(267)	(257)	(756)	(706)
Disposal of intangible assets and property, plant and equipment		18	19	47	43
(Acquisition)/disposal of financial assets		(11)	(10)	(25)	(29)
Cash flow from investing activities	9	**(304)**	**(237)**	**(679)**	**(2,106)**
Proceeds from bonds		-	4,439	-	4,439
Repayment of senior facilities		-	(2,230)	-	(2,230)
Other financial payments, net		(556)	(2,229)	335	97
Dividends paid to shareholders		-	-	(1,422)	(1,418)
Dividends paid to non-controlling interests		-	(5)	-	(5)
Cash flow from financing activities	9	**(556)**	**(25)**	**(1,087)**	**883**
Total cash flow		**(159)**	**853**	**(1,992)**	**(529)**
Cash and cash equivalents at the begining of the period		4,387	2,794	6,275	4,300
Total cash flow		(159)	853	(1,992)	(529)
Foreign exchange adjustments		3	(40)	(52)	(164)
Cash and cash equivalents at 30 September		**4,231**	**3,607**	**4,231**	**3,607**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 JANUARY – 30 SEPTEMBER

DKK million	Note	30 September 2018	30 September 2017	31 December 2017
ASSETS				
Intangible assets		25,718	27,144	26,665
Property, plant and equipment		1,709	1,570	1,593
Deferred tax assets		735	924	700
Other financial assets		341	357	331
Non-current assets		**28,503**	**29,995**	**29,289**
Inventories		284	301	286
Trade receivables		12,039	12,203	11,583
Tax receivables		236	250	204
Other receivables		2,805	2,189	1,988
Cash and cash equivalents		4,231	3,607	6,275
Assets classified as held for sale	12	1,141	1,311	1,210
Current assets		**20,736**	**19,861**	**21,546**
Total assets		**49,239**	**49,856**	**50,835**
EQUITY AND LIABILITIES				
Total equity attributable to owners of ISS A/S		12,657	13,344	13,804
Non-controlling interests		12	9	10
Total equity		**12,669**	**13,353**	**13,814**
Loans and borrowings		17,345	17,339	17,290
Pensions and similar obligations		1,120	1,490	1,291
Deferred tax liabilities		1,267	1,488	1,267
Provisions		194	208	218
Non-current liabilities		**19,926**	**20,525**	**20,066**
Loans and borrowings		911	251	381
Trade payables		3,924	3,634	4,428
Tax payables		202	287	279
Other liabilities		10,961	11,079	11,206
Provisions		203	274	233
Liabilities classified as held for sale	12	443	453	428
Current liabilities		**16,644**	**15,978**	**16,955**
Total liabilities		**36,570**	**36,503**	**37,021**
Total equity and liabilities		**49,239**	**49,856**	**50,835**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 30 SEPTEMBER

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		-	432	-	-	-	432	5	437
Other comprehensive income		-	27	(209)	-	-	(182)	0	(182)
Comprehensive income		**-**	**459**	**(209)**	**-**	**-**	**250**	**5**	**255**
Share-based payments		-	45	-	-	-	45	-	45
Settlement of vested PSUs		-	(123)	-	100	-	(23)	-	(23)
Dividends paid to shareholders		-	-	-	-	(1,430)	(1,430)	-	(1,430)
Dividends, treasury shares		-	8	-	-	-	8	-	8
Acquisition of non-controlling interests		-	3	-	-	-	3	(3)	-
Transactions with owners		**-**	**(67)**	**-**	**100**	**(1,430)**	**(1,397)**	**(3)**	**(1,400)**
Changes in equity		**-**	**392**	**(209)**	**100**	**(1,430)**	**(1,147)**	**2**	**(1,145)**
Equity at 30 September		**185**	**13,693**	**(1,024)**	**(197)**	**-**	**12,657**	**12**	**12,669**

YTD 2017	Note	Share capital	Retained earnings	Translation reserve	Treasury shares	Proposed dividends	Total	Non-controlling interests	Total equity
Equity at 1 January		**185**	**12,717**	**(4)**	**(418)**	**1,430**	**13,910**	**10**	**13,920**
Net profit		-	1,498	-	-	-	1,498	3	1,501
Other comprehensive income		-	(15)	(634)	-	-	(649)	1	(648)
Comprehensive income		**-**	**1,483**	**(634)**	**-**	**-**	**849**	**4**	**853**
Share-based payments		-	57	-	-	-	57	-	57
Settlement of vested PSUs		-	(175)	-	116	-	(59)	-	(59)
Settlement of vested RSUs		-	-	-	5	-	5	-	5
Dividends paid to shareholders		-	-	-	-	(1,430)	(1,430)	-	(1,430)
Dividends, treasury shares		-	12	-	-	-	12		12
Dividends paid to non-controlling interests		-	-	-	-	-	-	(5)	(5)
Transactions with owners		**-**	**(106)**	**-**	**121**	**(1,430)**	**(1,415)**	**(5)**	**(1,420)**
Changes in equity		**-**	**1,377**	**(634)**	**121**	**(1,430)**	**(566)**	**(1)**	**(567)**
Equity at 30 September		**185**	**14,094**	**(638)**	**(297)**	**-**	**13,344**	**9**	**13,353**

1 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements of ISS A/S for the period 1 January - 30 September 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)]	22,827	17,979	10,824	7,078	56	**58,764**
Operating profit before other items	1,273	1,118	672	216	1	**3,280**
Operating profit	291	778	625	122	1	**1,817**
Total assets	19,112	17,107	8,201	5,423	15	**49,858**
Total liabilities	10,222	7,916	3,630	4,366	10	**26,144**

YTD 2017 DKK million	**Continental Europe**	**Northern Europe**	**Asia & Pacific**	**Americas**	**Other countries**	**Total reportable segments**
Revenue [1)]	22,982	18,569	11,014	6,665	75	**59,305**
Operating profit before other items	1,357	1,282	822	192	1	**3,654**
Operating profit	1,153	942	763	112	(0)	**2,970**
Total assets	19,941	18,350	7,997	5,425	13	**51,726**
Total liabilities	10,754	8,383	3,450	4,213	10	**26,810**

[1)] Including internal revenue which due to the nature of the business is insignificant and is therefore not disclosed.

4 SEGMENT AND REVENUE INFORMATION (CONTINUED)

RECONCILIATION OF OPERATING PROFIT

DKK million	YTD 2018	YTD 2017
Operating profit for reportable segments	1,817	2,970
Unallocated corporate costs	(379)	(451)
Unallocated other income and expenses, net	(15)	(1)
Operating profit	**1,423**	**2,518**

REVENUE BY CUSTOMER TYPE

DKK million	YTD 2018
Key Account customers	33,152
Large and medium customers	21,129
Small and route-based customers	4,430
Total revenue	**58,711**

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
Adjustment to prior years' acquistions	-	26
Other [1)]	-	3
Other income	**1**	**159**
Restructuring projects [1)]	(396)	(220)
Loss on divestments	(29)	(209)
Acquisition and integration costs [1)]	(21)	(22)
Other expenses	**(446)**	**(451)**
Other income and expenses, net	**(445)**	**(292)**

[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 mainly related to the divestment of ISS Kloak- & Industriservice the Danish sewage and industrial services business and the real estate administration activities in Sweden.

Adjustments to prior years' acquisitions in 2017 related to the final settlement of the contingent consideration related to the acquisition of GS Hall in 2015.

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

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	(289)	(216)
Restructuring projects (presented as discontinued operations)	(6)	(36)
Acquisition and integration costs	(22)	(30)
Other	(1)	(8)
Total	**(318)**	**(290)**

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.

7 GOODWILL IMPAIRMENT

DKK million	YTD 2018	YTD 2017
Impairment losses derived from divestment of businesses	(681)	-
Goodwill impairment	**(681)**	**-**

Impairment losses derived from divestment of businesses predominantly related to the remeasurement of businesses held for sale, in the Netherlands of DKK 579 million and France of DKK 51 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 September 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 were updated in connection with the classification of the non-core cleaning portfolio as held for sale. The update did not result in any impairment loss except for the DKK 579 million related to the remeasurement of the non-core cleaning portfolio.

[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	24	21
Financial income	**24**	**21**
Interest expenses on loans and borrowings	(375)	(310)
Other bank fees	(51)	(47)
Amortisation of financing fees	(17)	(33)
Net interest on defined benefit obligations	(15)	(17)
Foreign exchange losses	(30)	(6)
Financial expenses	**(488)**	**(413)**

Foreign exchange 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	203	320
Expenses [1]	(207)	(316)
Operating profit before other items from discontinued operations	**(4)**	**4**
Other income and expenses, net	(83)	(45)
Goodwill impairment	(9)	(12)
Amortisation/impairment of brands and customer contracts	-	(1)
Operating profit from discontinued operations	**(96)**	**(54)**
Financial expenses, net	(9)	(14)
Profit/(loss) before tax from discontinued operations	**(105)**	**(68)**
Income taxes	(1)	(2)
Net profit/(loss) from discontinued operations	**(106)**	**(70)**
Earnings per share from discontinued operations:		
Basic earnings per share (EPS), DKK	(0.6)	(0.4)
Diluted earnings per share, DKK	(0.6)	(0.4)
Adjusted earnings per share, DKK	(0.5)	(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	**(12)**	**(45)**
Cash flow from investing activities	**(1)**	**(3)**
Cash flow from financing activities	**3**	**(16)**

10 DIVESTMENTS

The Group completed eight divestments during 1 January - 30 September 2018 (five during 1 January - 30 September 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
ISS Security	Spain	Security	July	Activities	120	562
Total					**1,002**	**4,855**

DIVESTMENT IMPACT

DKK million	YTD 2018	YTD 2017
Goodwill	9	24
Customer contracts	-	8
Other non-current assets	30	111
Current assets	196	80
Other non-current liabilities	(5)	(16)
Other current liabilities	(63)	(53)
Net assets disposed	**167**	**154**
Gain/(loss) on divestment of businesses, net	(56)	130
Divestment costs, net of tax	102	41
Consideration received	**213**	**325**
Cash and cash equivalents in divested businesses	(96)	(9)
Cash consideration received	**117**	**316**
Contingent and deferred consideration	90	4
Divestment costs paid	(131)	(82)
Divestment of businesses (cash flow)	**76**	**238**

DIVESTMENTS SUBSEQUENT TO 30 SEPTEMBER 2018

On 30 July 2018, we announced that we entered into exclusive discussions with Ortec Group with a view to divest the non-core route-based Hygiene and Prevention business in France with an annual revenue of approximately DKK 890 million and around 1,500 employees.

On 10 September 2018, we announced that we have reached an agreement to divest the non-core cleaning portfolio in the Netherlands to the Dutch cleaning company CSU. The activities have an annual revenue of approximately DKK 341 million and around 2,200 employees.

11 PRO FORMA REVENUE AND OPERATING PROFIT BEFORE OTHER ITEMS

Assuming all acquisitions and divestments during 1 January - 30 September 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	58,711	59,245
Acquisitions	-	762
Divestments	(265)	(144)
Pro forma revenue	**58,446**	**59,863**
Operating profit before other items	2,901	3,203
Acquisitions	-	38
Divestments	0	(9)
Pro forma operating profit before other items	**2,901**	**3,232**

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 September 2018, sales processes were still ongoing for the other three businesses, i.e. the Hygiene and Prevention business in France and the Group's activities in Argentina and Uruguay.

Additionally, during the first nine months of 2018, the continued evaluation of our activities led to the sales process initiation for the non-core cleaning portfolio in the Netherlands, which was classified as held for sale. The reclassification resulted in an impairment loss of DKK 579 million being recognised in Goodwill impairment following a remeasurement of the business to fair value (sales price less costs to sell).

During the first nine 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 86 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 51 million being recognised in Goodwill impairment.

As per 30 September 2018, we have reached agreement to divest the Hygiene and Prevention business in France and the non-core cleaning portfolio in the Netherlands.

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.

As per 30 September 2018, the overall analysis did not lead to the conclusion that updated actuarial calculations should be obtained.

During the first nine 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 September 2018 amounted to DKK 411 million (31 December 2017: DKK 427 million).

PERFORMANCE GUARANTEES

The Group has issued performance guarantee bonds for service contracts amounting to DKK 3,155 million (31 December 2017: DKK 3,190 million) of which DKK 1,306 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 September 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 September 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 September 2018.

15 RELATED PARTIES

PARENT AND ULTIMATE CONTROLLING PARTY

The Group's parent ISS A/S is the ultimate controlling party. At 30 September 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 nine months of 2018.

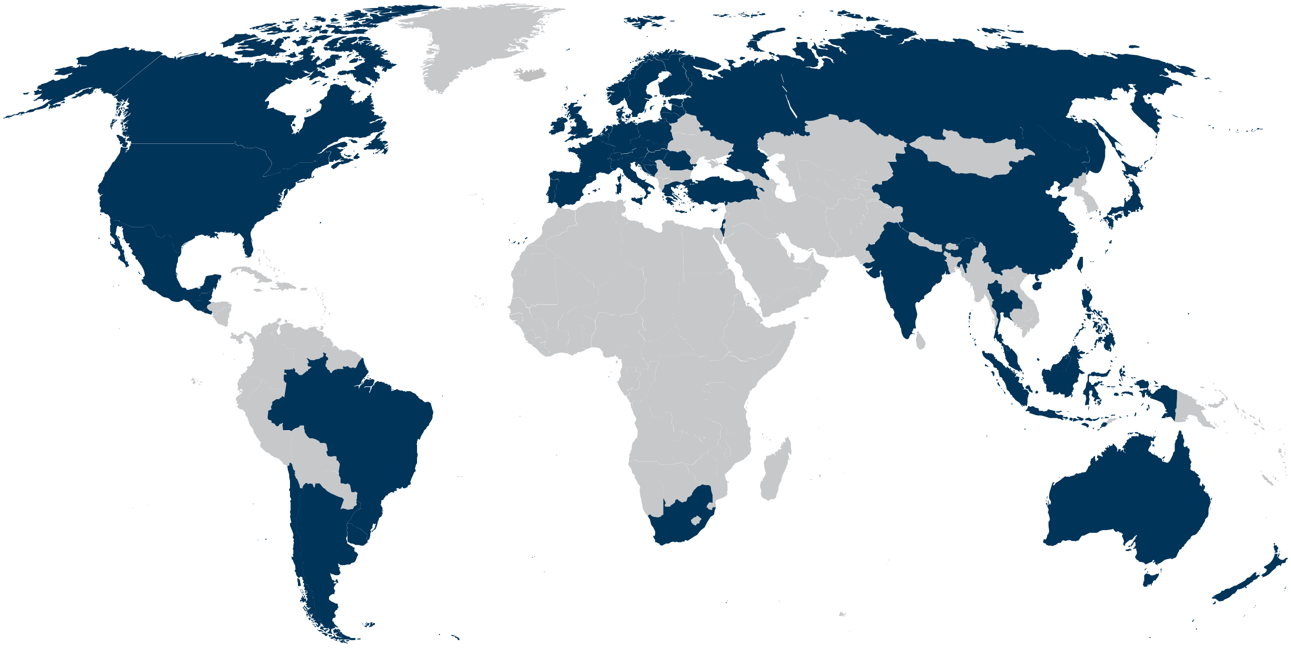
[1)] The EGM comprise the Executive Group Management Board (the EGMB) and Corporate Senior Officers of the Group.

16 SUBSEQUENT EVENTS

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