INTERIM REPORT FOR THE PERIOD 1 JANUARY – 30 JUNE 2019

Strong organic growth for the first six months of 2019

ISS (ISS.CO, ISS DC, ISSDY), a leading global provider of facility services, announces its interim financial report for the first six months of 2019:

HIGHLIGHTS

- Revenue increased by 5.0% in H1 and 5.0% in Q2 (Q1 2019: 4.9%), driven by organic growth and positive currency effects, partly offset by negative net impact from acquisitions and divestments of 1.5%.
- Organic revenue growth of 6.0% in H1 and 5.8% in Q2 (Q1 2019: 6.1%), driven by wins and expansions of key account contracts following strong commercial momentum and continued solid non-portfolio demand in the first half of 2019.
- Revenue from key accounts grew organically by 7.9% in H1 and 7.7% in Q2 and represented 61% of Group revenue (Q1 2019: 60%).
- Operating profit before other items amounted to DKK 1,418 million in H1 (H1 2018: DKK 1,395 million).
- Operating margin of 3.7% in H1 (H1 2018: 3.9%) reflecting the launch of the announced transformational investments (2019-2020), renewals and start-ups of a number of significant key account contracts as well as operational challenges in certain countries.
- Net profit (adjusted) increased to DKK 822 million in H1 (H1 2018: DKK 704 million) due to improved net profit from discontinued operations.
- Net profit was DKK 402 million in H1 (H1 2018: loss of DKK 130 million) mainly driven by lower goodwill impairment.
- Free cash flow was an outflow of DKK 2,671 million for H1 (H1 2018: an outflow of DKK 1,401 million) driven by the usual seasonality as well as a significant reduction in the use of non-recourse factoring leading to a higher cash outflow from operating activities.
- Leverage at 30 June 2019 was 3.4x (30 June 2018: 3.2x), the increase driven by higher net debt and lower operating performance in discontinued operations.
- Our strategic divestment programme is proceeding as planned with three of the 15 countries presented as discontinued operations being divested by the end of July. The divestment process for the remaining countries and business units continue according to plan.
- The accelerated investment programme to further strengthen our delivery capabilities to key accounts covering DKK 700-800 million over 2019-2020 is progressing according to plan. The investment in the first six months of 2019 was approximately DKK 200 million.
- On 1 July, the Group went live with Deutsche Telekom, the single largest contract in ISS history. Although still in ramp-up phase, the go-live was on time and on all sites. Stabilisation is expected to be completed in the coming months and on that basis revenue and profitability expectations for 2019 remain unchanged.
- As a result of the stronger than expected organic growth in H1 2019, the 2019 outlook for organic growth is adjusted to 6.5%-7.5% (previously 5%-7%), operating margin is adjusted to 5.0%-5.1% (previously 5.0%-5.2%) and free cash flow remains unchanged at DKK 1.8-2.2 billion.

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

"We continued our consistent and strong commercial momentum with the extension of large key account contracts like Danske Bank and an international manufacturing company. On 1 July 2019, we launched our Integrated Facility Services partnership with Deutsche Telekom at approximately 9,000 buildings across Germany, making it the largest partnership in the history of ISS. Our focus on key accounts is paying off and we are on track to deliver industry leading organic growth of 6.5%-7.5% in 2019. As expected, margins were slightly lower in the first half of the year, reflecting the contract start-ups and expansions as well as the launch of the announced transformational investments (2019-2020). We are making good progress on our divestment programme, where we expect divestments and proceeds to step up in the second half of 2019".

Lord Allen of Kensington Kt CBE
Chairman

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KEY FIGURES AND FINANCIAL RATIOS

DKK million (unless otherwise stated)	H1 2019 [3]	H1 2018 [2]	2018
INCOME STATEMENT			
Revenue	37,886	36,098	73,592
Operating profit before other items [1]	1,418	1,395	3,699
Operating margin [1]	3.7%	3.9%	5.0%
Operating profit (adjusted)	1,365	1,355	3,573
Operating profit	1,053	468	2,386
Financial expenses, net	(327)	(290)	(590)
Net profit (adjusted)	822	704	2,084
Net profit/(loss) from continuing operations [2]	502	(18)	1,223
Net profit/(loss) from discontinued operations [2]	(100)	(112)	(932)
Net profit	402	(130)	291
CASH FLOW			
Cash flow from operating activities	(1,816)	(927)	3,347
Acquisition of intangible assets and property, plant and equipment, net	(499)	(460)	(968)
Free cash flow [4]	(2,671)	(1,401)	2,359
FINANCIAL POSITION			
Total assets	54,789	49,117	49,811
Goodwill	20,960	22,219	20,911
Additions to property, plant and equipment	692	386	882
Equity	11,260	12,196	12,472
Equity ratio	20.6%	24.8%	25.0%
EMPLOYEES			
Number of employees end of period	484,018	484,484	485,908
Full-time employees	76%	76%	76%
GROWTH			
Organic growth	6.0 %	3.2 % [2]	3.9 %
Acquisitions and divestments, net	(1.5)%	0.8 %	(0.5)%
Currency adjustments	0.5 %	(5.0)%	(3.4)%
Total revenue growth	5.0 %	(1.0)%	0.0 %
FINANCIAL LEVERAGE			
Pro forma adjusted EBITDA	5,405	4,516	4,539
Net debt	18,566	14,258	10,757
Net debt / Pro forma adjusted EBITDA	3.4x	3.2x	2.4x
STOCK MARKET RATIOS			
Earnings per share, DKK			
Basic earnings per share (EPS)	2.1	(0.7)	1.5
Diluted earnings per share	2.1	(0.7)	1.5
Adjusted earnings per share	4.4	3.8	11.2
Earnings per share from continuing operations, DKK			
Basic earnings per share (EPS)	2.7	(0.1)	6.6
Diluted earnings per share	2.7	(0.1)	6.5
Adjusted earnings per share	4.2	4.3	12.3
Number of shares issued (in thousands)	185,668	185,668	185,668
Number of treasury shares (in thousands)	970	1,001	1,001
Average number of shares (basic) (in thousands)	184,686	184,448	184,558
Average number of shares (diluted) (in thousands)	185,960	185,526	185,420

Definitions, see Annual Report 2018.

1) The Group uses Operating profit before other items for the calculations of operating margin instead of Operating profit. From 2019, operating margin includes restructuring costs, which were previously reported in Other income and expenses, net. Comparative figures have been restated accordingly.
2) As of 31 December 2018, Brazil, Brunei, Chile, the Czech Republic, Estonia, Hungary, Israel, Malaysia, the Philippines, Romania, Slovakia, Slovenia, and Thailand are classified as discontinued operations in addition to Argentina and Uruguay, which were already treated as discontinued operations from 2017. Comparative figures for H1 2018 have been restated accordingly.
3) As of 1 January 2019, the Group has implemented IFRS 16 using the modified retrospective approach. Consequently, comparative figures have not been restated.
4) See updated definition in the cash flow section.

GROUP PERFORMANCE

OPERATING RESULTS [1)]

January – June 2019

Group revenue for H1 2019 was DKK 37.9 billion, an increase of 5.0% compared with the same period last year. Organic growth was 6.0% and currency effects were 0.5%, while acquisitions and divestments, net reduced revenue by 1.5%.

Organic growth was driven by key account contract wins and expansions following strong commercial momentum as well as continued high demand for non-portfolio services. All regions delivered positive organic growth with both Continental Europe, Asia & Pacific and Northern Europe delivering strong growth in the mid to high single-digit range. Americas also delivered positive growth despite revenue reductions on the back of planned exits from small specialised services contracts. A large number of countries had double-digit growth rates, which underpins the strong growth in the first half of 2019.

Operating profit before other items amounted to DKK 1,418 million (H1 2018: DKK 1,395 million) for an operating margin of 3.7% (H1 2018: 3.9%). As announced in the Annual Report 2018, operating margin now includes restructuring costs (previously reported in Other income and expenses, net). Comparative figures have been restated accordingly. The margin increased in Continental Europe and Americas while margins decreased in Northern Europe and Asia & Pacific. The increase in Americas was driven by turnaround initiatives, efficiency improvements and continued accretive growth in Food Services. In the other regions, margins were negatively impacted by renewals and start-ups of a number of large key account contracts as well as operational challenges in certain countries. In Continental Europe these headwinds were offset by improvements due to divestment of low performing non-core activities last year as well as positive one-offs. Asia & Pacific incurred negative one-offs, which resulted in the Group margin impact from one-offs being broadly neutral. Corporate costs amounted to 0.6% of revenue (H1 2018: 0.8%), which was mainly due to timing of costs over the year.

Other income and expenses, net was an expense of DKK 53 million (H1 2018: 40 million), predominantly divestment-related costs in France, the UK and the Netherlands.

Goodwill impairment was DKK 144 million (H1 2018: DKK 653 million) related to remeasurement of the Hygiene & Prevention business in France.

Financial expenses, net was DKK 327 million for the first six months of 2019 (H1 2018: DKK 290 million). The increase was mainly due to the implementation of IFRS 16 leading to additional DKK 40 million being presented as interest expenses in H1 2019. Also, foreign exchange gains, net were DKK 3 million compared with a loss of DKK 18 million last year.

The effective tax rate per 30 June 2019 was 25.0% (H1 2018: 24.4%) calculated as Income taxes (adjusted) of DKK 260 million divided by Profit before tax (adjusted) of DKK 1,038 million. The effective tax rate in H1 2018 was positively impacted by recognition of additional deferred tax assets in Germany.

Net profit (adjusted) amounted to DKK 822 million (H1 2018: DKK 704 million), mainly due to improved net profit from discontinued operations.

Net profit was DKK 402 million (H1 2018: Net loss of DKK 130 million). The improvement was primarily due to lower goodwill impairment.

DISCONTINUED OPERATIONS

As announced in December 2018, we plan to divest operations in 13 countries – in addition to Argentina and Uruguay, where sales processes were already ongoing. Countries to be divested have been classified as discontinued operations and comparative figures have been restarted accordingly.

Argentina and Uruguay were divested in January 2019 and our activities in Estonia were divested 31 July 2019. Sales processes continue to be ongoing for the remaining 12 countries.

In H1 2019, net loss from discontinued operations was DKK 100 million (H1 2018: net loss of DKK 112 million), including an impairment loss of DKK 131 million mainly due to a reassessment of the fair value of Israel.

BUSINESS DEVELOPMENT

Delivering service solutions to our key account customers, especially Integrated Facility Services (IFS), is a key part of our strategy.

In total, key accounts represented 61% of Group revenue in H1 2019 (Q1 2019: 60%). Revenue generated from key accounts grew organically by 7.9% to DKK 23.1 billion in H1 2019.

Revenue from global key accounts grew organically by 7.3% in H1 and 11.0% in Q2 2019 to DKK 5.8 billion and accounted for 15% of Group revenue. Growth was driven by contracts launched in 2018, primarily with an international food and beverage company and a company in the Industry & Manufacturing segment.

Furthermore, the start-up of the new contract with a technology service company as well as the more recent expansion of the Barclays contract and the conversion of the Vattenfall contract into a global key account contributed to the growth. We also experienced high demand for non-portfolio services across our global key account contracts.

[1)] All comments covering revenue, organic growth, operating profit before other items and operating margin are on continuing operations.

MAJOR KEY ACCOUNT DEVELOPMENTS [1)]	COUNTRIES	SEGMENT	TERM	EFFECTIVE DATE
WINS				
The Danish Building and Property Agency	Denmark	Public Administration	7 years	Q4 2019
EXTENSIONS/EXPANSIONS				
CITI Americas	Mexico	Business Services & IT	5 years	Q1 2019
Santander	UK	Business Services & IT	5 years	Q2 2019
Singapore General Hospital	Singapore	Healthcare	5 years	Q2 2019
Food and beverage company	Global	Industry and Manufacturing	5 years	Q2 2019
International bank	Italy	Business Services & IT	5 years	Q2 2019
Danske Bank	Global	Business Services & IT	3 years	Q2 2019
National University Health Systems	Singapore	Healthcare	3 years	Q2 2019
Roy Hill Holdings	Australia	Energy and Resources	3 years	Q2 2019
Financial services company	Spain	Business Services & IT	5 years	Q3 2019
International manufacturing company	Global	Industry and Manufacturing	5 years	Q3 2019
Global professional services company	Nordic	Business Services & IT	5 years	Q4 2019
Hotel chain	Norway	Hotel, Leisure & Entertainment	5 years	Q1 2020
Energy and resource company	Germany	Energy and Resources	2 years	Q1 2020
Vattenfall	Germany	Industry and Manufacturing	2 years	Q1 2020
Foreign Commonwealth Office	Asia & Pacific	Business Services & IT	1 year	Q1 2020
LOSSES/REDUCTIONS				
Novartis	Global	Pharmaceuticals	-	Q1 2020
ICA	Sweden	Retail and Wholesale	-	Q4 2019

1) Update since Annual Report 2018

Since full year results published in February 2019, we have signed a significant new key account contract with the Danish Building and Property Agency in Denmark. In addition, we extended and expanded a number of contracts, see the contract overview above.

On 1 July, the Group went live with Deutsche Telekom, the single largest contract in ISS history. Although still in ramp-up phase, the go-live was on time and on all sites. Stabilisation is expected to be completed in the coming months and on that basis revenue and profitability expectations for 2019 remain unchanged.

On 27 May 2019, we announced that our current contract with Novartis maturing 31 December 2019 is not likely to be extended. Revenue generated from Novartis amounted to 2.0 billion in 2018 with an operating margin above Group average. The annualised first year net negative margin impact, including exit-related costs, is expected to be 0.1-0.2%-points.

CASH FLOWS

Cash flow from operating activities

Cash flow from operating activities in the first six months was a net outflow of DKK 1,816 million (H1 2018: outflow of DKK 927 million). The outflow compared to last year was primarily due to a reduction in non-recourse factoring from DKK 2.5 billion at 31 December 2018 to DKK 1.8 billion at 30 June 2019. Furthermore, changes in working capital continued to be impacted by mobilisation of the Deutsche Telekom contract and increased capital tied up following high growth across the business. This was partly offset by a positive impact from implementation of IFRS 16 increasing depreciation and amortisation, and effectively moving lease payments to cash flow from financing activities.

Cash flow from investing activities

Cash flow from investing activities in the first six months was a net outflow of DKK 691 million (H1 2018: outflow of DKK 375 million). Investments in intangible assets and property, plant and equipment, net, was DKK 499 million (H1 2018: DKK 460 million), which represented 1.3% of Group revenue (H1 2018: 1.3%). The cash outflow from acquisition and divestment of businesses of DKK 172 million related to divestment of Argentina and Uruguay, acquisition of Pluralis in Germany and prior-year divestments.

Cash flow from financing activities

Cash flow from financing activities in the first six months was an inflow of DKK 1,623 million (H1 2018: outflow of DKK 531 million). Proceeds from the issuance of the 7-year EUR bond for a principal amount of EUR 500 million maturing on 18 June 2026 was DKK 3,695 million. This was partly offset by dividends paid to shareholders and payment of lease liabilities following the implementation of IFRS 16.

Free cash flow

As communicated in our Trading Update for the period 1 January-31 March 2019, we have updated the definition of our alternative performance measure following the implementation of IFRS 16 to include additions and disposals from leased assets. As previously informed, the change will leave Free cash flow broadly unchanged. As such, Free cash flow is defined and reconciled to the condensed consolidated interim financial statements as follows:

FREE CASH FLOW	YTD 2019	YTD 2018
DKK million		
Cash flow from operating activities	(1,816)	(927)
Cash flow from investing activities	(691)	(375)
Exclusions:		
Acquisition of businesses	(75)	(21)
Divestment of businesses	(97)	120
Additions:		
Additions of right-of-use assets, net	(336)	-
Free cash flow	**(2,671)**	**(1,401)**

Free cash flow in the first six months was an outflow of DKK 2,671 million (H1 2018: outflow of DKK 1,401 million). Adjusted for non-recourse factoring, free cash flow was DKK 0.4 billion lower than last year. The decrease was due to transformational projects impacting EBITDA and Capex, mobilisation of the Deutsche Telekom contract and increased working capital tied up following high organic growth across the business, despite a one-off cash payment linked to a settlement agreement as expected.

STRATEGIC ACQUISITIONS AND DIVESTMENTS

Divestments and assets held for sale

In December 2018, we announced our intention to divest 13 countries (in addition to Argentina and Uruguay) and a number of business units. The strategic divestment programme, to be completed by 2020, is proceeding according to plan, and we expect to step up our divestments in H2 2019. The expected net divestment proceeds remain DKK 2.0-2.5 billion.

Argentina and Uruguay were divested on 30 January and Estonia was divested on 31 July. Additionally, in H1 2019 we divested some non-core cleaning activities in Spain. Thus, by the end of July 2019, three of the 15 countries classified as discontinued operations have been divested.

At 30 June 2019, 16 businesses were classified as held for sale, including the Hygiene & Prevention business in France, a business in Asia & Pacific, a business in Northern Europe and 13 countries presented as discontinued operations. Assets and liabilities held for sale amounted to DKK 3,679 million and DKK 1,870 million, respectively.

Acquisitions

As announced in December 2018, we are executing a two-year programme of accelerated investments in 2019 and 2020 to significantly further strengthen our key account capabilities. As part of the programme we will pursue bolt-on acquisition opportunities with the aim of filling white spots, predominantly within technical services, catering and work-place management and design. As part of the programme, we made two acquisitions in H1 2019.

On 10 April 2019, we acquired 100% of the shares in JH Catering Ltd., a business catering company in Austria. The annual revenue is estimated at DKK 63 million with around 86 employees.

On 30 April 2019, we acquired the Front of House activities of Avarn Security Oy. The annual revenue is estimated at DKK 61 million with around 156 employees.

STRATEGIC TRANSFORMATIONAL PROJECTS

As announced in December 2018, part of the proceeds from the strategic divestment programme will be reinvested back into the business through an accelerated investment programme covering DKK 700-800 million over 2019-2020. Investments among others include the organic build-out of technical services, catering and workplace management, the launch of a global shared services initiative as well as an accelerated global IT migration, including a new Facility Management System. The programme will significantly strengthen ISS's delivery capability to key accounts and is expected to yield attractive financial returns. Investments in first half of 2019 amounted to approximately DKK 200 million.

CAPITAL STRUCTURE

We wish to maintain a strong and efficient balance sheet and to strike an optimal balance between reinvesting capital back into our business and returning surplus funds to our shareholders.

On 11 June 2019, ISS Global A/S successfully priced EUR 500 million 7-year EMTN bonds with a coupon of 0.875% and a maturity date on 18 June 2026. The notes were issued under ISS Global A/S's EUR 3 billion European Mid Term Note (EMTN) programme, which is listed on the Luxembourg Stock Exchange. The net proceeds will together with surplus cash be used for the early repayment in October of EUR 700 million EMTNs maturing in January 2020.

The majority of the Group's funding consists of EUR 2.8 billion EUR bonds issued under the company's EUR 3 billion European Medium Term Note programme and of a senior unsecured revolving credit facility of EUR 1,000 million with a group of 15 banks. The revolving credit facility matures in November 2023 and is not subject to financial covenants. The drawn margin is determined semi-annually based on a leverage grid.

In line with our Financial Policy, our objective is to maintain an investment grade financial profile with a financial leverage below 2.8x pro forma adjusted EBITDA, taking seasonality into account. The financial leverage target has been adjusted upwards by 0.3x reflecting the effect of implementing IFRS 16 effective 1 January 2019. Leverage is calculated for the entire Group, i.e. including discontinued operations. At 30 June 2019, the financial leverage was 3.4x (H1 2018: 3.2x) with net debt of DKK 18,566 million (H1 2018: DKK 14,258 million). The leverage level was impacted by the reclassification of restructuring costs into EBITDA. In addition, the increase compared to last year was mainly driven by higher net debt and lower operating performance in discontinued operations. We expect leverage to gradually come down through EBITDA growth and repayment of debt.

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

Net debt

Net debt was DKK 18,566 million at 30 June 2019, an increase of DKK 7,809 million compared with 31 December 2018. The increase was the result of the implementation of IFRS 16 adding DKK 3,495 million of lease liabilities and ordinary dividends paid out in April of DKK 1,430 million. Furthermore, free cash flow (outflow) increased net debt by DKK 2,671 million, mainly due to a reduction in non-recourse factoring and normal seasonality in operating cash flows. Finally, cash outflow from acquisitions and divestments was DKK 172 million.

EQUITY

Total equity was DKK 11,260 million at 30 June 2019 equivalent to an equity ratio of 20.6% (30 June 2018: 24.8%). The DKK 1,212 million decrease from December 2018 was primarily the result of dividends paid to shareholders of DKK 1,430 million, and actuarial losses, net of DKK 307 million partly offset by net profit for the period of DKK 402 million. The actuarial losses were primarily related to a decrease in the discount rates in Switzerland and the UK.

SUBSEQUENT EVENTS

Divestments signed or completed in the period 1 July to 31 July 2019 are described under “Strategic acquisitions and divestments”.

On 13 August 2019, ISS announced that the activities in Israel will be sold to two different buyers. The transactions are subject to normal closing conditions in Israel, including anti-trust clearance, and are expected to be finalised later this year.

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 2019, which are expected to have a material impact on the Group’s financial position.

OUTLOOK

OUTLOOK 2019

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

As a result of the stronger than expected organic growth in H1 2019, the outlook for 2019 for organic growth and operating margin has been adjusted compared to the original outlook in the Annual Report 2018. The outlook for free cash flow remains unchanged.

The outlook for 2019 for organic growth, operating margin and free cash flow is as follows:

- Industry-leading **organic growth of 6.5%-7.5%** (previously 5%-7%).
- **Operating margin of 5.0%-5.1%** (previously 5.0%-5.2%) (2018: 5.0%).
- **Free cash flow** [1] **of DKK 1.8-2.2 billion**, including a slight reduction in the use of non-recourse factoring and customers' supply chain financing.

EXPECTED IMPACT FROM DIVESTMENTS, ACQUISITIONS AND FOREIGN EXCHANGE RATES IN 2019

We expect the divestments and acquisitions completed by 31 July 2019 (including in 2018) to have a negative impact on revenue growth in 2019 of approximately 1%-point. Based on the forecasted average exchange rates for the year 2019 [2] we expect a positive impact on revenue growth in 2019 of approximately 0%-1%-point.

MEDIUM-TERM TARGETS

The medium-term targets announced in the Annual Report for 2018 remain unchanged.

[1] See definition in the cash flow section.

[2] The forecasted average exchange rates for the financial year 2019 are calculated using the realised average exchange rates for the first seven months of 2019 and the average forward exchange rates (as of 1 August 2019) for the remaining five months of 2019.

2019 OUTLOOK

	Interim report 30 June 2019	Annual report 2018	Medium-term
Organic growth	6.5%-7.5%	5%-7%	Industry-leading organic growth of 4%-6%
Operating margin	5.0%-5.1%	5.0%-5.2%	Stable operating margins around 5.5%
Free cash flow	DKK 1.8-2.2 bn	DKK 1.8-2.2 bn	Strong free cash flow around DKK 3.0 bn (by 2021)

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements, including, but not limited to, the guidance and expectations in Outlook. Statements herein, other than statements of historical fact, regarding future event or prospects, are forward-looking statements. The words may, will, should, expect, anticipate, believe, estimate, plan, predict, intend or variations of such words, and other statements on matters that are not historical fact or regarding future events or prospects, are forward-looking statements. ISS has based these statements on its current views with respect to future events and financial performance. These views involve risks and uncertainties that could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of ISS.

Although ISS believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the facility service industry in general or ISS in particular including those described in this report and other information made available by ISS. As a result, you should not rely on these forward-looking statements. ISS undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, expect to the extent required by law.

The Annual Report 2018 of ISS A/S is available at the Group's website, www.issworld.com.

REVENUE AND GROWTH YTD JUNE 2019

DKK million	2019	2018	Organic growth	Acq./div.	Currency adj.	Growth 2019
Continental Europe	14,377	13,811	8 %	(3)%	(1)%	4 %
Northern Europe	12,344	12,023	5 %	(2)%	(0)%	3 %
Asia & Pacific	6,718	6,217	5 %	-	3 %	8 %
Americas	4,107	3,764	2 %	(0)%	7 %	9 %
Other countries	367	320	9 %	-	6 %	15 %
Corporate / eliminations	(27)	(37)	-	-	-	-
Group	**37,886**	**36,098**	**6.0 %**	**(1.5)%**	**0.5 %**	**5.0 %**

OPERATING PROFIT AND MARGIN YTD JUNE 2019

DKK million	2019		2018		Organic growth	Acq./div.	Currency adj.	Growth 2019
Continental Europe	650	4.5 %	547	4.0 %	13 %	7 %	(1)%	19 %
Northern Europe	489	4.0 %	616	5.1 %	(21)%	0 %	0 %	(21)%
Asia & Pacific	343	5.1 %	406	6.5 %	(18)%	-	2 %	(16)%
Americas	162	3.9 %	101	2.7 %	50 %	(1)%	11 %	60 %
Other countries	12	3.3 %	2	0.8 %	229 %	-	161 %	390 %
Corporate / eliminations	(238)	(0.6)%	(277)	(0.8)%	-	-	-	14 %
Group	**1,418**	**3.7 %**	**1,395**	**3.9 %**	**(1.8)%**	**2.6 %**	**0.8 %**	**1.7 %**

REGIONAL PERFORMANCE

CONTINENTAL EUROPE

Revenue increased 4% to DKK 14,377 million in the first six months of 2019. Organic growth amounted to 8%, while acquisitions and divestments, net decreased revenue by 3% and currency effects impacted revenue negatively by 1%. We saw a generally strong growth across the region, but especially in Turkey, Iberia, Germany and the Netherlands, who all delivered double-digit growth. In Turkey, the strong organic growth was driven by contract launches in the healthcare segment of Kayseri and Elazig hospital contracts, key account contract launches in late 2018 and price increases due to high inflation. Furthermore, growth was driven by key account contract launches in Iberia, the Netherlands and Germany as well as higher demand for non-portfolio services in Germany in the automotive and pharma divisions.

Operating profit before other items amounted to DKK 650 million in the first six months generating an operating margin of 4.5% (H1 2018: 4.0%). The improvement was largely due to divestment of low performing non-core activities last year, a settlement linked to the transition of a large contract and margin improvements in Iberia following good performance and cost control. Similar to 2018, the margin also included a positive impact from a decreased pension obligation. This was partly offset by lower margins in Switzerland on the back of renewal of several large key account contracts. In addition, operational improvements following the implementation of GREAT in France were somewhat delayed.

NORTHERN EUROPE

Revenue increased 3% to DKK 12,344 million in the first six months of 2019. Organic growth was 5%, while divestments reduced revenue by 2% and currency effects were neutral. Almost all countries in Northern Europe contributed with positive organic growth. Growth was primarily supported by contract launches in the UK and Denmark as well as high demand for non-portfolio services in Norway and Finland.

Operating profit before other items amounted to DKK 489 million, resulting in an operating margin of 4.0% (H1 2018: 5.1%). The decrease in operating margin was mainly due to contract start-ups and extensions and continued investment within technical services in Denmark. Furthermore, in the UK, we are investing in consolidation, centralisation and automation (one of our transformational projects).

ASIA & PACIFIC

Revenue increased 8% to DKK 6,718 million in the first six months of 2019. Organic growth was 5% and currency effects were 3%. Almost all countries delivered positive organic growth and the growth was mostly supported by contract wins in Australia in the second half of 2018 with among others Victoria Schools as well as global key account contract launches in China. Furthermore, growth was driven by project work in Singapore and price increases in Indonesia.

Operating profit before other items decreased to DKK 343 million, resulting in an operating margin of 5.1% (H1 2018: 6.5%). The operating margin decrease was mainly due to one-off costs and operational challenges in Hong Kong as well as phasing of contracts in Singapore. Further, the margin was impacted by one-off costs in New Zealand.

AMERICAS

Revenue increased 9% to DKK 4,107 million in the first six months of 2019. Organic growth was 2% and currency effects increased revenue by 7%. North America delivered positive organic growth driven by key account contract expansions and launches in Food Services and the aviation segment. This was partly offset by the planned exits from small specialised services contracts. Mexico also delivered positive organic growth due to key account contract launches.

Operating profit before other items was DKK 162 million for an operating margin of 3.9% in the first six months of 2019 (H1 2018: 2.7%). The operating margin was supported by efficiency initiatives and exits of low margin contracts in the specialised services division as well as continued accretive growth from contract expansions within Food Services in North America.

MANAGEMENT STATEMENT

Copenhagen, 15 August 2019

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 2019.

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 2019 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 30 June 2019.

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

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

Nada Elboayadi [1)]

Joseph Nazareth [1)]

Elsie Yiu [1)]

[1)] Employee representative

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

1 JANUARY – 30 JUNE

		YTD 2019			YTD 2018		
DKK million	Note	Adjusted results	Acquisition-related	Reported results	Adjusted results	Acquisition-related	Reported results
Revenue	4	**37,886**	**-**	**37,886**	**36,098**	**-**	**36,098**
Staff costs		(24,561)	-	(24,561)	(23,319)	-	(23,319)
Consumables		(3,713)	-	(3,713)	(3,470)	-	(3,470)
Other operating expenses		(7,428)	-	(7,428)	(7,618)	-	(7,618)
Depreciation and amortisation [1]		(766)	-	(766)	(296)	-	(296)
Operating profit before other items		**1,418**	**-**	**1,418**	**1,395**	**-**	**1,395**
Other income and expenses, net	6	(53)	-	(53)	(40)	-	(40)
Goodwill impairment	7	-	(144)	(144)	-	(653)	(653)
Amortisation/impairment of brands and customer contracts		-	(168)	(168)	-	(234)	(234)
Operating profit		**1,365**	**(312)**	**1,053**	**1,355**	**(887)**	**468**
Financial income	8	23	-	23	15	-	15
Financial expenses	8	(350)	-	(350)	(305)	-	(305)
Profit before tax		**1,038**	**(312)**	**726**	**1,065**	**(887)**	**178**
Income taxes		(260)	36	(224)	(260)	64	(196)
Net profit/(loss) from continuing operations		**778**	**(276)**	**502**	**805**	**(823)**	**(18)**
Net profit/(loss) from discontinued operations	9	**44**	**(144)**	**(100)**	**(101)**	**(11)**	**(112)**
Net profit/(loss)		**822**	**(420)**	**402**	**704**	**(834)**	**(130)**
Attributable to:							
Owners of ISS A/S				390			(133)
Non-controlling interests				12			3
Net profit/(loss)				**402**			**(130)**
Earnings per share, DKK							
Basic earnings per share (EPS)				2.1			(0.7)
Diluted earnings per share				2.1			(0.7)
Adjusted earnings per share [2]				4.4			3.8
Earnings per share from continuing operations, DKK							
Basic earnings per share (EPS)				2.7			(0.1)
Diluted earnings per share				2.7			(0.1)
Adjusted earnings per share [3]				4.2			4.3

[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 2018 Group Annual Report in section 7.3, p. 101.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 30 JUNE

DKK million	Note	YTD 2019	YTD 2018
Net profit/(loss)		**402**	**(130)**
Items not to be reclassified to the income statement in subsequent periods:			
Actuarial gains/(losses)	16	(417)	68
Impact from asset ceiling regarding pensions		36	(35)
Tax		74	(6)
Items to be reclassified to the income statement in subsequent periods:			
Foreign exchange adjustments of subsidiaries and non-controlling interests		47	(97)
Recycling of accumulated foreign exchange adjustments on country exits		13	-
Other comprehensive income		**(247)**	**(70)**
Comprehensive income		**155**	**(200)**
Attributable to:			
Owners of ISS A/S		144	(203)
Non-controlling interests		11	3
Comprehensive income		**155**	**(200)**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

1 JANUARY – 30 JUNE

DKK million	Note	YTD 2019	YTD 2018
Operating profit before other items		1,418	1,395
Operating profit before other items from discontinued operations	9	30	77
Depreciation and amortisation		766	328
Share-based payments		57	17
Changes in working capital	10	(3,230)	(1,975)
Changes in provisions, pensions and similar obligations		(77)	(106)
Other expenses paid		(10)	(3)
Interest received		16	11
Interest paid		(284)	(207)
Income taxes paid		(502)	(464)
Cash flow from operating activities		**(1,816)**	**(927)**
Acquisition of businesses	11	(75)	(21)
Divestment of businesses	12	(97)	120
Acquisition of intangible assets and property, plant and equipment		(541)	(489)
Disposal of intangible assets and property, plant and equipment		42	29
(Acquisition)/disposal of financial assets		(20)	(14)
Cash flow from investing activities		**(691)**	**(375)**
Proceeds from bonds		3,695	-
Payment of lease liabilities	14	(535)	(36)
Other financial payments, net		(114)	927
Dividends paid to shareholders		(1,422)	(1,422)
Dividends paid to non-controlling interests		(1)	-
Cash flow from financing activities		**1,623**	**(531)**
Total cash flow		**(884)**	**(1,833)**
Cash and cash equivalents at the begining of the period		6,834	6,275
Total cash flow		(884)	(1,833)
Foreign exchange adjustments		78	(55)
Cash and cash equivalents at 30 June		**6,028**	**4,387**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 JANUARY – 30 JUNE

DKK million	Note	30 June 2019	30 June 2018	31 December 2018
ASSETS				
Intangible assets		24,279	25,837	24,306
Property, plant and equipment	14	4,700	1,640	1,558
Deferred tax assets		803	767	706
Other financial assets		315	336	304
Non-current assets		**30,097**	**28,580**	**26,874**
Inventories		245	284	257
Trade receivables		11,527	12,037	9,753
Tax receivables		342	276	73
Other receivables		2,871	2,381	2,720
Cash and cash equivalents		6,028	4,387	6,834
Assets classified as held for sale	15	3,679	1,172	3,300
Current assets		**24,692**	**20,537**	**22,937**
Total assets		**54,789**	**49,117**	**49,811**
EQUITY AND LIABILITIES				
Equity attributable to owners of ISS A/S		11,236	12,183	12,458
Non-controlling interests		24	13	14
Total equity		**11,260**	**12,196**	**12,472**
Loans and borrowings	14, 17	23,340	17,324	17,382
Pensions and similar obligations	16	1,463	1,142	1,161
Deferred tax liabilities		1,326	1,322	1,130
Provisions		215	213	158
Non-current liabilities		**26,344**	**20,001**	**19,831**
Loans and borrowings	14	1,054	1,382	278
Trade payables		3,430	3,561	4,219
Tax payables		189	156	339
Other liabilities		10,490	11,141	10,694
Provisions		152	217	199
Liabilities classified as held for sale	15	1,870	463	1,779
Current liabilities		**17,185**	**16,920**	**17,508**
Total liabilities		**43,529**	**36,921**	**37,339**
Total equity and liabilities		**54,789**	**49,117**	**49,811**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 30 JUNE

		Attributable to owners of ISS A/S							
YTD 2019 DKK million	Note	Share capital	Retained earnings	Trans-lation reserve	Treasury shares	Proposed dividends	Total	Non-con-trolling interests	Total equity
Equity at 1 January		**185**	**12,007**	**(967)**	**(197)**	**1,430**	**12,458**	**14**	**12,472**
Net profit		-	390	-	-	-	390	12	402
Other comprehensive income		-	(307)	61	-	-	(246)	(1)	(247)
Comprehensive income		**-**	**83**	**61**	**-**	**-**	**144**	**11**	**155**
Share-based payments		-	57	-	-	-	57	-	57
Settlement of vested PSUs		-	(7)	-	6	-	(1)	-	(1)
Dividends paid to shareholders		-	-	-	-	(1,430)	(1,430)	-	(1,430)
Dividends, treasury shares		-	8	-	-	-	8	-	8
Dividends paid to non-controlling interests		-		-	-	-	-	(1)	(1)
Transactions with owners		**-**	**58**	**-**	**6**	**(1,430)**	**(1,366)**	**(1)**	**(1,367)**
Changes in equity		**-**	**141**	**61**	**6**	**(1,430)**	**(1,222)**	**10**	**(1,212)**
Equity at 30 June		**185**	**12,148**	**(906)**	**(191)**	**-**	**11,236**	**24**	**11,260**
YTD 2018									
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**

1 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements of ISS A/S for the period 1 January - 30 June 2019 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 2018. A full description of the Group's accounting policies is included in the consolidated financial statements for 2018.

CHANGES IN ACCOUNTING POLICIES

From 1 January 2019, the Group has adopted the below standards and interpretations. Except for IFRS 16, there was no significant impact on recognition and measurement:

- IFRS 16 "Leases";
- Amendments to IFRS 9 “Financial Instruments”: Prepayment Features with Negative Compensation;
- Amendments to IAS 19 “Employee Benefits”: Plan Amendment, Curtailment or Settlement;
- IFRIC 23 “Uncertainty over Income Tax”; and
- Parts of Annual Improvements to IFRS 2015-2017 Cycle.

IFRS 16 "LEASES"

Implementation of IFRS 16 had a material impact on the Group’s condensed consolidated financial statement as most of our lease contracts were previously classified as off-balance operating leases. On adoption of IFRS 16, the Group recognised, with a few exceptions, all leases as right-of-use assets in the statement of financial position and the related lease obligations as liabilities, i.e. similar to previous practice for financial leases.

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

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

Implementation impact

The effect on the income statement was as follows:

DKK million	IFRS 16 YTD 2019	IAS 17 YTD 2019	Net impact YTD 2019
Other operating expenses	(7,428)	(7,869)	441
Depreciation and amortisation	(766)	(337)	(429)
Operating profit before other items	**1,418**	**1,406**	**12**
Financial expenses	(350)	(310)	(40)
Profit before tax (adjusted)	**1,038**	**1,066**	**(28)**

The effect on the statement of cash flows was as follows:

DKK million	IFRS 16 YTD 2019	IAS 17 YTD 2019	Net impact YTD 2019
Operating profit before other items	1,418	1,406	12
Operating profit before other items (discontinued operations)	30	(53)	83
Depreciation and amortisation	766	337	429
Interests paid	(284)	(240)	(44)
Cash flow from operating activities	**(1,816)**	**(2,296)**	**480**
Payment of lease liabilities	(535)	(55)	(480)
Cash flow from financing activities	**1,623**	**2,103**	**(480)**

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The effect on the opening balance at 1 January 2019 was as follows:

DKK million	IFRS 16 1 Jan 2019	IAS 17 1 Jan 2019	Net impact YTD 2019
Right-of-use assets (included in Property, plant and equipment)	4,138	643	3,495
Lease liabilities (included in Loans and borrowings)	3,855	360	3,495

Application and practical expedients applied

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

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

The weighted average incremental borrowing rates applied at 1 January 2019 were:
· Land and buildings: 2.6%
· Production equipment: 2.1%
· IT and hardware: 1.9%
· Vehicles and other: 2.9%

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

For leases classified as finance leases under IAS 17, the carrying amount of lease liabilities and right-of-use assets at 1 January 2019 equals the carrying amount of lease liabilities and lease assets at 31 December 2018.

In terms of practical expedients, when adopting IFRS 16 the Group has applied the following:
- Reliance on previous assessments of whether leases are onerous;
- Exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

Reconciliation of lease liability

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

DKK million	YTD 2019
Operating lease commitments 31 December 2018	3,421
Discounted using the Group's incremental borrowing rate at the date of initial application	(215)
Finance lease liabilities recognised 31 December 2018	360
Short-term and low-value leases recognised as an expense on a straight-line basis	(347)
Adjustments	636
Lease liabilities recognised 1 January 2019	**3,855**

Current / non-current classification

Non-current liabilities	2,789
Current liabilities	1,066

Adjustments primarily comprise the value of lease options which are reasonably certain to be exercised at the date of initial application. These options did not qualify as future minimum lease payments under non-cancellable operating leases in accordance with IAS 17.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CHANGE IN CLASSIFICATION

The Group changed the classification of restructuring costs. Restructuring costs are presented as part of Operating profit before other items within the relevant line items, primarily staff costs. Previously, restructuring costs were presented within the line item Other income and expenses, net.

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

The change in classification impacted the income statement and statement of cash flows as follows:

Income statement

DKK million	YTD 2019	YTD 2018
Staff costs	(104)	(195)
Other operating expenses	(47)	(35)
Operating profit before other items	**(151)**	**(230)**
Other income and expenses, net	151	230
Operating profit	**-**	**-**

Statement of cash flows

DKK million	YTD 2019	YTD 2018
Operating profit before other items	(151)	(230)
Other expenses paid	177	131
Changes in working capital	(26)	99
Cash flow from operating activities	-	-

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, including in relation to the implementation of IFRS 16 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 2018.

LEASES

Defining the lease term Several of ISS's office buildings have no contractual fixed lease term or contains an extension option. Management considers all facts and circumstances that create an economic incentive to exercise an extension option when determining the lease period. Extension options are only included in the lease term if it is reasonably certain that the lease will be extended.

The lease term for contracts without an end date is set to 10 years for head office and accessory buildings, whereas all other leases with no definite end date are set to 5 years.

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

ISS is a global facility services company, that operates in 64 countries. Operations are generally managed based on a geographical structure in which countries are grouped into regions. The regions have been identified based on a key principle of grouping countries that share market conditions and cultures. However, countries without a fully-fledged country structure which are managed by Global Operations are excluded from the geographical segments and combined in a separate segment "Other countries".

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

YTD 2019

DKK million	Continental Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total reportable segments
Revenue [1]	14,377	12,344	6,718	4,107	367	**37,913**
Operating profit before other items [2]	650	489	343	162	12	**1,656**
Operating profit	430	379	327	148	12	**1,296**
Total assets	19,361	17,785	7,708	4,795	3,213	**52,862**
Hereof assets held for sale	1,045	70	51	-	2,513	**3,679**
Total liabilities	11,167	9,042	3,382	3,866	2,874	**30,331**
Hereof liabilities held for sale	351	2	11	-	1,506	**1,870**

YTD 2018

DKK million	Continental Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total reportable segments
Revenue [1]	13,811	12,023	6,217	3,764	320	**36,135**
Operating profit before other items [2]	547	616	406	101	2	**1,672**
Operating profit	(144)	453	376	59	2	**746**
Total assets	16,565	17,308	7,190	4,415	3,952	**49,430**
Hereof assets held for sale	1,143	-	-	-	29	**1,172**
Total liabilities	8,791	8,142	3,097	3,528	2,295	**25,853**
Hereof liabilities held for sale	349	-	-	-	114	**463**

[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.

RECONCILIATION OF OPERATING PROFIT

DKK million	YTD 2019	YTD 2018
Operating profit for reportable segments	1,296	746
Unallocated corporate costs	(237)	(278)
Unallocated other income and expenses, net	(6)	-
Operating profit	**1,053**	**468**

REVENUE BY CUSTOMER TYPE

DKK million	YTD 2019	YTD 2018
Key Account customers	23,080	19,857
Large and medium customers	12,320	13,438
Small and route-based customers	2,486	2,803
Total revenue	**37,886**	**36,098**

5 SHARE-BASED PAYMENTS

SHARE-BASED INCENTIVE PROGRAMMES

Long-Term Incentive Programme (LTIP) On 16 April 2019, 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 2018. The number of PSUs granted was 901,987. In April 2019, additional PSUs were granted to adjust for the distribution of ordinary dividends as adopted at the annual general meeting of ISS A/S on 10 April 2019. The number of additional PSUs granted was 26,380. 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.

Accelerated Growth Award In January 2019, ISS introduced an Accelerated Growth Award ("AGA") for selected key leaders, to incentivise the accelerated strategy execution following the Strategy Update in December 2018. The number of PSUs granted was 316,485. In April 2019, additional PSUs were granted to adjust for the distribution of ordinary dividends as adopted at the annual general meeting of ISS A/S on 10 April 2019. The number of additional PSUs granted was 11,408. The programme will vest in March 2020 subject to achievement of performance criteria, i.e. operating margin, organic growth and free cash flow conversion on continuing operations in 2019. Upon vesting, each PSU entitles the holder to receive one share at no cost.

	AGA	LTIP 2019
Total PSUs granted	327,893	928,367
Number of participants	103	133
Number of PSUs expected to vest at grant date	322,617	457,278
Fair value of PSUs expected to vest at grant date, DKK million	59	101

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

6 OTHER INCOME AND EXPENSES, NET

DKK million	YTD 2019	YTD 2018
Other income	**-**	**-**
Loss on divestments	(48)	(37)
Acquisition and integration costs	(5)	(3)
Other expenses	**(53)**	**(40)**
Other income and expenses, net	**(53)**	**(40)**

Loss on divestments mainly comprised divestment costs related to the Hygiene & Prevention business in France, which is classified as held for sale. Furthermore, additional divestment and settlement costs were recognised in relation to prior-year divestments in the UK and the Netherlands. In 2018, the loss mainly related to the Group's activities in Greece (country exit).

Acquisition and integration costs mainly related to the acquisition of Front of House in Finland, JH Catering in Austria and Pluralis in Germany. In 2018, costs mainly related to the continued integration of Guckenheimer in the USA.

7 GOODWILL IMPAIRMENT

DKK million	YTD 2019	YTD 2018
Impairment losses derived from divestment of businesses	(144)	(653)
Goodwill impairment	**(144)**	**(653)**

Impairment losses derived from divestment of businesses related to remeasurement of the Hygiene & Prevention business in France, which is classified as held for sale. In 2018, the loss mainly related to the remeasurement of the Specialised Services in the Netherlands of DKK 550 million and the Hygiene & Prevention business in France of DKK 52 million.

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 2019, 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 3.7 in the consolidated financial statements for 2018.

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

8 FINANCIAL INCOME AND FINANCIAL EXPENSES

DKK million	YTD 2019	YTD 2018
Interest income on cash and cash equivalents	20	15
Foreign exchange gains	3	-
Financial income	**23**	**15**
Interest expenses on loans and borrowings	(186)	(176)
Interest expenses on lease liabilities	(48)	(6)
Forward premiums on currency swaps	(53)	(49)
Other bank fees	(22)	(31)
Net interest on defined benefit obligations	(13)	(9)
Amortisation of financing fees	(11)	(11)
Interest on factoring and customers' supply chain finance arrangements [1)]	(17)	(5)
Foreign exchange losses	-	(18)
Financial expenses	**(350)**	**(305)**

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

Foreign exchange gains/(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 were at the same level as in 2018.

Interest expenses on lease liabilities increased due to implementation of IFRS 16. Comparatives have not been restated.

Forward premiums on currency swaps ISS uses currency swaps to hedge the exposure to currency risk on intercompany loans. The cost of hedging in 2019 was in line with 2018.

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 loan term and recognised in financial expenses. Amortisation of financing fees are non-cash financial expenses.

9 DISCONTINUED OPERATIONS

In December 2018, we announced the intention to divest our operations in 13 countries (in addtion to Argentina and Uruguay), where the local key account market is not sufficiently compelling. Sales processes are ongoing and the Group's activities in these countries are presented as discontinued operations.

In January, Argentina and Uruguay were divested and have been excluded from the income statement effective February. In July, we completed the divestment of Estonia and the business will be excluded from the income statement effective August 2019.

COUNTRIES PRESENTED AS DISCONTINUED OPERATIONS

- Argentina
- Brazil
- Brunei
- Chile
- Czech Republic
- Estonia
- Hungary
- Israel
- Malaysia
- Philippines
- Romania
- Slovakia
- Slovenia
- Thailand
- Uruguay

NET LOSS FROM DISCONTINUED OPERATIONS

DKK million	YTD 2019	YTD 2018
Revenue	3,036	3,115
Expenses	(3,006)	(3,038)
Operating profit before other items	**30**	**77**
Other income and expenses, net	(1)	(117)
Goodwill impairment	(144)	(9)
Amortisation/impairment of brands and customer contracts	-	(2)
Operating profit	**(115)**	**(51)**
Financial income/(expenses), net	61	(26)
Profit/(loss) before tax	**(54)**	**(77)**
Income taxes	(46)	(35)
Net profit/(loss) from discontinued operations	**(100)**	**(112)**
Earnings per share from discontinued operations, DKK		
Basic earnings per share (EPS)	(0.6)	(0.6)
Diluted earnings per share	(0.6)	(0.6)
Adjusted earnings per share	0.2	(0.5)

CASH FLOW FROM DISCONTINUED OPERATIONS

DKK million	YTD 2019	YTD 2018
Cash flow from operating activities	**(172)**	**(239)**
Cash flow from investing activities	**(44)**	**(42)**
Cash flow from financing activities	**(51)**	**(1)**

10 CHANGES IN WORKING CAPITAL

DKK million	YTD 2019	YTD 2018
Changes in inventories	2	(6)
Changes in receivables	(2,120)	(1,161)
Changes in payables	(1,112)	(808)
Changes in working capital	**(3,230)**	**(1,975)**

10 CHANGES IN WORKING CAPITAL (CONTINUED)

Changes in receivables The higher cash outflow was mainly driven by a reduction in the use of non-recourse factoring from DKK 2.5 billion at 31 December 2018 to DKK 1.8 billion at 30 June 2019. The largest reductions were in Spain, Norway and the UK. Furthermore, the high organic growth resulted in increased capital tied up. This was partly offset by a one-off cash payment linked to a settlement agreement.

Changes in payables The higher cash outflow was mainly related to timing of supplier payments.

11 ACQUISITIONS

The Group completed two acquisitions during 1 January - 30 June 2019 (none during 1 January - 30 June 2018).

Company/activity	Country	Service type	Consolidated in the income statement	Percentage interest	Annual revenue [1] (DKK million)	Number of employees [1]
JH Catering Ltd.	Austria	Business catering	April	100%	63	86
Front of House	Finland	Reception and security services	May	Activities	61	156
Total					**124**	**242**

[1] Unaudited financial information.

On 10 April 2019, ISS acquired 100% of the shares in JH Catering Ltd., a business catering company in Austria. The purchase price amounted to DKK 20 million and based on the provisionally determined fair values of net assets, goodwill amounted to DKK 20 million.

On 30 April 2019, ISS acquired the Front of House activities from Avarn Security Oy. The purchase price amounted to DKK 5 million and based on the provisionally determined fair values of net assets, goodwill amounted to DKK 20 million.

The acquisitions support our strategy by strengthening our self-delivery capabilities to our strategically important key account customers. Thus, goodwill added on acquisition is attributable mainly to: 1) service expertise, 2) synergies mainly by enhancing self-delivery capabilities, 3) platform for growth primarily within IFS, and 4) assembled work force.

DKK million	YTD 2019	YTD 2018
Other non-current assets	5	-
Trade receivables	1	-
Other current assets	9	-
Pensions, deferred tax liabilities and other provisions	(3)	-
Other non-current liabilities	(4)	-
Other current liabilities	(23)	5
Fair value of net assets acquired	**(15)**	**5**
Goodwill	42	(5)
Consideration transferred	**27**	**-**
Cash and cash equivalents in acquired businesses	(7)	-
Cash consideration transferred	**20**	**-**
Contingent and deferred consideration	55	21
Acquisition of businesses (cash flow)	**75**	**21**

Contingent and deferred consideration mainly related to the final settlement of the earn-out component of the acquisition of Evantec in Germany of DKK 34 million and additional payment related to a put option in Turkey of DKK 16 million.

ACQUISITIONS SUBSEQUENT TO 30 JUNE 2019

The Group completed no acquisitions in the period 1 July to 31 July 2019.

12 DIVESTMENTS

The Group completed three divestments during 1 January - 30 June 2019 (seven during 1 January - 30 June 2018).

Company/activity	Country	Service type	Excluded from the income statement	Percentage interest	Annual revenue (DKK million)	Number of employees
ISS Argentina	Argentina	Country exit	February	100%	146	1,351
ISS Uruguay	Uruguay	Country exit	February	100%	117	1,392
Public hospitals (Aragon Region)	Spain	Cleaning	February	Activities	112	582
Total					**375**	**3,325**

DIVESTMENT IMPACT

DKK million	YTD 2019	YTD 2018
Goodwill	-	9
Other non-current assets	2	39
Current assets	46	196
Other non-current liabilities	(72)	(5)
Loans and borrowings	(7)	-
Other current liabilities	(35)	(63)
Net assets disposed	**(66)**	**176**
Gain/(loss) on divestment of businesses, net	(62)	(36)
Divestment costs, net of tax	55	70
Consideration received/(transferred)	**(73)**	**210**
Cash and cash equivalents in divested businesses	(12)	(96)
Cash consideration received/(transferred)	**(85)**	**114**
Contingent and deferred consideration	27	89
Divestment costs paid	(39)	(83)
Divestment of businesses (cash flow)	**(97)**	**120**

DIVESTMENTS SUBSEQUENT TO 30 JUNE 2019

On 31 July 2019, we completed the divestment of Estonia (country exit). Estonia has an annual revenue of approximately DKK 150 million and around 1,600 employees.

No further divestments were completed from 1 July to 31 July 2019.

13 PRO FORMA REVENUE AND OPERATING PROFIT BEFORE OTHER ITEMS

Assuming all acquisitions and divestments during 1 January - 30 June 2019 were included/excluded as of 1 January, the effect on revenue and operating profit before other items is estimated as follows:

DKK million	YTD 2019	YTD 2018
Revenue	37,886	36,098
Acquisitions	36	-
Divestments [1]	(9)	(208)
Pro forma revenue	**37,913**	**35,890**
Operating profit before other items	1,418	1,395
Acquisitions	3	-
Divestments [1]	(0)	2
Pro forma operating profit before other items	**1,421**	**1,397**

[1] Excluding businesses classified as discontinued operations.

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 acquisitions and divestments during the year occurred on 1 January. In addition, the information should not be used as the basis for or prediction of any annualised calculation.

14 LEASES

The Group leases a number of properties, vehicles (primarily cars), cleaning and other equipment. At 30 June, the Group was party to more than 23,000 lease agreements qualifying for IFRS 16.

The leases, except for properties, typically run for a period of 2-5 years, some leases with an option to renew the lease after that date. Leasing of cars is primarily entered under international car fleet lease framework agreements which are valid until end 2019. The majority of the underlying agreements have a lifetime duration of 3-5 years.

LEASE LIABILITIES

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments less any incentive payments, variable lease payments that depend on an index or rate, e.g. when a minimum indexation is applied, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The present value is calculated using the Group's incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. The lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. The lease liability is remeasured if there is a modification, a change in lease term or a change in the assessment to purchase the underlying asset. In addition, the lease liability is remeasured if there is a change in future lease payments arising from a change in an index or rate or if there is a change in the Group's estimate of the amount expected to be payable under a residual guarantee.

RIGHT-OF-USE ASSETS

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are initially measured at cost comprising the amount of the initial measurement of the lease liability, adjusted for any lease payments made at or before the commencement date and any initial direct costs incurred including dismantling and restoration costs.

After initial recognition, right-of-use assets are measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. Depreciation is calculated on a straight-line basis over the shorter of the useful life of the lease and the lease term.

14 LEASES (CONTINUED)

Leases with a lease term of 12 months or less and low-value assets are recognised on a straight-line basis as an expense in the income statement. Low-value assets primarily comprise smaller cleaning equipment, IT equipment and office furniture.

The right-of-use assets relate to the following classes of assets:

DKK million	Land and buildings	Production equipment	IT equipment	Vehicles and others	Financial leasing	Total right-of-use assets
1 January 2019	2,357	235	62	841	643	4,138
Foreign exchange adjustments	14	-	-	3	(5)	12
Additions	143	8	1	184	-	336
Depreciation	(211)	(46)	(6)	(166)	(38)	(467)
Reclassification to Assets held for sale	(164)	(19)	(3)	(144)	-	(330)
30 June 2019	**2,139**	**178**	**54**	**718**	**600**	**3,689**

Set out below, are the carrying amount of lease liabilities and movements during the period:

DKK million	Lease liabilities
1 January 2019 [1)]	3,855
Foreign exchange adjustments	17
Additions	336
Interest expense	53
Payments	(588)
Reclassification to Liabilities held for sale	(271)
30 June 2019	**3,402**

[1)] Hereof DKK 360 million related to finance leases already recognised in accordance with IAS 17.

15 ASSETS AND LIABILITIES HELD FOR SALE

BUSINESSES CLASSIFIED AS HELD FOR SALE

At 31 December 2018, 15 countries and two businesses in the Continental Europe (Hygiene & Prevention in France) and Asia & Pacific regions were classified as held for sale. During the first six months of 2019, two of the countries, Argentina and Uruguay, were divested. Furthermore, one additional business unit in the Northern Europe region was classified as held for sale.

In terms of Hygiene and Prevention in France, we announced in 2018, that following dialogue with several interested parties, we entered into exclusive discussions with a potential buyer. During the first six months of 2019 it became clear that, the discussions would not lead to a finalisation of the divestment. Consequently, ISS continues to pursue the divestment with other buyers.

Sales processes for the remaining countries and businesses also continue to be ongoing. As a result, at 30 June 2019 a total of 16 businesses were classified as held for sale.

INCOME STATEMENT EFFECT

During the first six months of 2019, the divestment of Argentina and Uruguay resulted in recognition of a loss of DKK 13 million in Net loss from discontinued operations due to recycling of accumulated foreign exchange rate adjustments recognised in equity.

Furthermore, fair value remeasurements resulted in impairment losses of DKK 144 million being recognised in Goodwill impairment in relation to Hygiene & Prevention in France and DKK 131 million being recognised in Net loss from discontinued operations mainly related to Israel.

16 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 2019, 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 2019 actuarial losses including impact from asset ceiling of DKK 381 million (DKK 307 million net of tax), were recognised in Other comprehensive income with a resulting increase in the defined benefit obligation.

During the first six months of 2019, a net pension gain of approximately DKK 71 million (H1 2018: DKK 71 million) was recognised related to a decrease in benefits following a plan amendment in Continental Europe.

17 LOANS AND BORROWINGS

On 18 June 2019, the Group issued EUR 500 million of 7 year bonds with a coupon of 0.875% under the existing EUR 3 billion European Medium Term Note (EMTN) programme maturing in June 2026. The net proceeds will together with surplus cash be used for early repayment in October of EUR 700 million EMTNs maturing in January 2020.

18 CONTINGENT LIABILITIES

GUARANTEE COMMITMENTS

Indemnity and guarantee commitments (mainly towards public authorities and insurance companies) at 30 June 2019 amounted to DKK 459 million (31 December 2018: DKK 413 million).

PERFORMANCE GUARANTEES

The Group has issued performance guarantee bonds for service contracts amounting to DKK 3,386 million (31 December 2018: DKK 3,207 million) of which DKK 1,515 million (31 December 2018: DKK 1,331 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 2019 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 2019.

RESTRUCTURINGS

Restructuring projects, e.g. related to divestments and to implementation of GREAT, have been undertaken across different geographies and service areas. Labour laws especially in Europe include restrictions on dismissals and procedural rules to be followed. The procedures applied by ISS could be challenged in certain jurisdictions resulting in liabilities. Management believes that this would not have a material impact on the Group's financial position beyond the assets and liabilities already recognised in the statement of financial position at 30 June 2019.

19 RELATED PARTIES

PARENT AND ULTIMATE CONTROLLING PARTY

The Group's parent ISS A/S is the ultimate controlling party. At 30 June 2019, 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 the Group's key management

Apart from remuneration, including Long-Term Incentive Programmes and the Accelerated Growth Award Programme, there were no significant transactions with members of the Board and the EGM during the first six months of 2019.

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

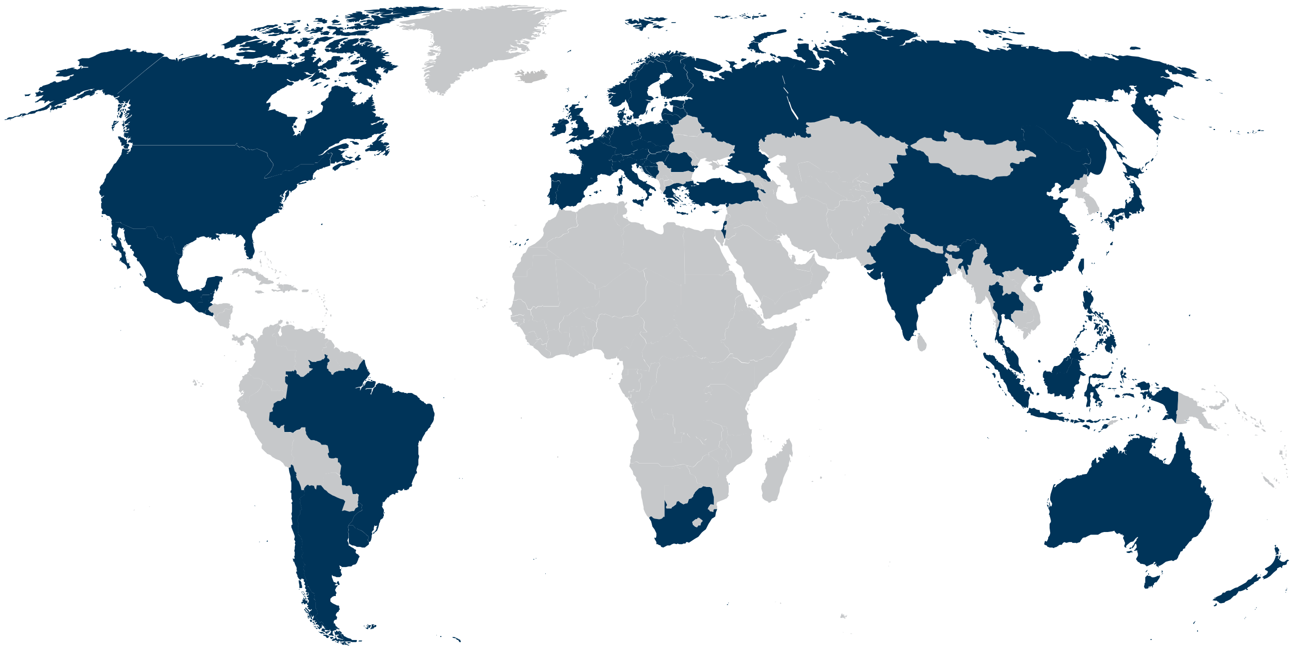
20 SUBSEQUENT EVENTS

Divestments completed from 1 July to 31 July 2019 are listed in note 12, Divestments.

On 13 August 2019, ISS announced that the activities in Israel will be sold to two different buyers. The transactions are subject to normal closing conditions in Israel, including anti-trust clearance, and are expected to be finalised later this year.

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 2019, which are expected to have a material impact on the Group's financial position.

OUR GLOBAL FOOTPRINT



ISS is a leading workplace experience and facility management company. In partnership with customers, ISS drives the engagement and well-being of people, minimises the impact on the environment, and protects and maintains property. ISS brings all of this to life through a unique combination of data, insight and service excellence at offices, factories, airports, hospitals and other locations across the globe. In 2018, ISS Group's global revenue amounted to DKK 73.6 billion.