



## INTERIM REPORT FOR THE PERIOD 1 JANUARY – 30 SEPTEMBER 2017

### Continued stable performance for the first nine months of 2017

ISS (ISS.CO, ISS DC, ISSDY), a leading global provider of facility services, announces its interim financial report for the first nine months of 2017:

#### Highlights

- Organic revenue growth of 2.0% in the first nine months and 2.3% in Q3 (Q2 2017: 1.0%).
- Total revenue increased by 2% in the first nine months as well as in Q3 (Q2 2017: 2%), driven by organic growth and a positive net impact from acquisitions and divestments, partly offset by a negative impact from foreign exchange effects.
- Operating margin of 5.4% in the first nine months (2016: 5.5%) and 6.3% in Q3 (Q3 2016: 6.5%). The net impact of acquisitions and divestments as well as currency translation effects on margin was negative by 0.1%-point both for the first nine months and Q3. The operating profit before other items increased to DKK 3,203 million in the first nine months (2016: DKK 3,177 million) and decreased to DKK 1,249 million in Q3 (Q3 2016: 1,270 million).
- Cash conversion over the last twelve months of 99% (Q2 2017: 92%).
- Net profit (adjusted) decreased to DKK 1,820 million in the first nine months (2016: DKK 1,944 million), due to a DKK 212 million loss related to remeasurement of a business classified as held for sale in Northern Europe.
- Net profit decreased to DKK 1,501 million in the first nine months (2016: DKK 1,569 million).
- Leverage at 30 September 2017 was 2.7x (30 September 2016: 2.4x), impacted by the acquisition of Guckenheimer. Capital allocation and leverage objectives remain unchanged.
- As announced 18 October, ISS will deliver Integrated Facility Services to Deutsche Telekom at approximately 9,000 sites across Germany with more than 6,000 employees starting 2019 until 2029. Once fully operational the contract will amount to approximately 4% of 2016 Group revenue.
- Revenue generated from IFS increased by 4% in local currency in the first nine months (H1 2017: 4%), leading to a total share of 37% of Group revenue (H1 2017: 36%).
- Revenue from Global Corporate Clients increased by 12% in local currency in the first nine months (H1 2017: 10%) and represents 12% of Group revenue (H1 2017: 11%).
- Strategic initiatives, including sharper focus on key customers, the procurement programme and our global concepts and tools, continue to be implemented according to plan and support the margin. In addition, our restructuring of certain operations continues.
- The Group is committed to maintain a nominal ordinary dividend in 2018 at least equal to 2017.
- The 2017 outlook for organic revenue growth is narrowed from 1.5%-2.5% to be around 2%. The Group's expectation for operating margin has been reduced from being above the 5.78% realised in 2016 to being in line with the level realised in 2016, excluding the impact from acquisitions and divestments as well as currency translation effects. Our expectation for cash conversion remains unchanged (above 90%).

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

*"As expected, our organic revenue growth improved in Q3, driven by contract wins and expansions with key account customers and within IFS. Our margin performance has been impacted by acquisitions, divestments and currency effects, together with short-term challenges in certain markets. This has led to an adjustment of our 2017 operating margin expectation. However, the underlying business performance has been positive. Our recent contract wins with Deutsche Telekom and the Danish Defence are highly encouraging. The IFS contract with Deutsche Telekom will start in July 2019, becoming the single largest contract in ISS's history. The new 6-year contract with the Danish Defence starts in February 2018 and will become the largest outsourced facility services contract in Denmark. These developments add to our conviction in the ISS Way strategy and our key account focus."*

**Lord Allen of Kensington Kt CBE**  
Chairman

**Jeff Gravenhorst**  
Group CEO

#### For investor enquiries

Nicholas Ward, Head of Group Investor Relations, +45 38 17 62 51  
Martin Kjær Hansen, Senior Investor Relations Manager, +45 38 17 64 31

#### For media enquiries

Lena Stennicke, Head of Media Relations, +45 38 17 65 03



## KEY FIGURES AND FINANCIAL RATIOS<sup>1)</sup>

| DKK million (unless otherwise stated)                                   | Q3 2017 | Q3 2016 | 1 January -<br>30 September 2017 | 1 January -<br>30 September 2016 |
|---|---------|---------|----------------------------------|----------------------------------|
| <b>Income statement</b>   |         |         |                                  |                                  |
| Revenue   | 19,777  | 19,444  | 59,245                           | 58,274                           |
| Operating profit before other items                                     | 1,249   | 1,270   | 3,203                            | 3,177                            |
| Operating margin <sup>2)</sup>  | 6.3%    | 6.5%    | 5.4%                             | 5.5%                             |
| EBITDA  | 1,350   | 1,392   | 3,446                            | 3,566                            |
| Adjusted EBITDA   | 1,431   | 1,427   | 3,738                            | 3,689                            |
| Operating profit (adjusted)   | 1,168   | 1,235   | 2,911                            | 3,054                            |
| Operating profit  | 1,037   | 1,078   | 2,518                            | 2,556                            |
| Financial income  | 3       | (7)     | 21                               | 32                               |
| Financial expenses  | (146)   | (132)   | (413)                            | (388)                            |
| Net profit (adjusted)   | 764     | 789     | 1,820                            | 1,944                            |
| Net profit from continuing operations <sup>3)</sup>                     | 662     | 672     | 1,571                            | 1,569                            |
| Net profit/(loss) from discontinued operations <sup>3)</sup>            | 0       | (0)     | (70)                             | (0)                              |
| Net profit  | 662     | 672     | 1,501                            | 1,569                            |
| <b>Cash flow</b>  |         |         |                                  |                                  |
| Cash flow from operating activities                                     | 1,115   | 918     | 694                              | 949                              |
| Acquisition of intangible assets and property, plant and equipment, net | (238)   | (172)   | (663)                            | (467)                            |
| Free cash flow  | 867     | 742     | 2                                | 498                              |
| Cash conversion   | 99%     | 95%     | 99%                              | 95%                              |
| <b>Financial position</b>   |         |         |                                  |                                  |
| Total assets  | 49,856  | 47,759  | 49,856                           | 47,759                           |
| Goodwill  | 23,241  | 22,343  | 23,241                           | 22,343                           |
| Additions to property, plant and equipment                              | 213     | 160     | 523                              | 442                              |
| Total equity (attributable to owners of ISS A/S)                        | 13,344  | 13,630  | 13,344                           | 13,630                           |
| Equity ratio  | 26.8%   | 28.5%   | 26.8%                            | 28.5%                            |
| <b>Employees</b>  |         |         |                                  |                                  |
| Number of employees end of period                                       | 490,732 | 497,146 | 490,732                          | 497,146                          |
| Full-time employees   | 75%     | 74%     | 75%                              | 74%                              |
| <b>Growth</b>   |         |         |                                  |                                  |
| Organic growth  | 2.3%    | 3.2%    | 2.0%                             | 3.5%                             |
| Acquisitions and divestments, net                                       | 2 %     | (1)%    | 1 %                              | (1)%                             |
| Currency adjustments  | (3)%    | (3)%    | (1)%                             | (4)%                             |
| Total revenue growth  | 2 %     | (1)%    | 2 %                              | (1)%                             |
| <b>Financial leverage</b>   |         |         |                                  |                                  |
| Pro forma adjusted EBITDA   | 5,233   | 5,198   | 5,233                            | 5,198                            |
| Net debt  | 13,913  | 12,469  | 13,913                           | 12,469                           |
| Net debt / Pro forma adjusted EBITDA                                    | 2.7x    | 2.4x    | 2.7x                             | 2.4x                             |
| <b>Stock market ratios</b>  |         |         |                                  |                                  |
| <b>Earnings per share:</b>  |         |         |                                  |                                  |
| Basic earnings per share (EPS), DKK                                     | 3.6     | 3.7     | 8.1                              | 8.5                              |
| Diluted earnings per share, DKK   | 3.6     | 3.6     | 8.1                              | 8.5                              |
| Adjusted earnings per share, DKK  | 4.1     | 4.3     | 9.8                              | 10.5                             |
| <b>Earnings per share from continuing operations:</b>                   |         |         |                                  |                                  |
| Basic earnings per share (EPS), DKK                                     | 3.6     | 3.7     | 8.5                              | 8.5                              |
| Diluted earnings per share, DKK   | 3.6     | 3.6     | 8.5                              | 8.5                              |
| Adjusted earnings per share, DKK  | 4.1     | 4.3     | 10.1                             | 10.5                             |
| <b>Number of shares:</b>  |         |         |                                  |                                  |
| Number of shares issued (in thousands)                                  | 185,668 | 185,668 | 185,668                          | 185,668                          |
| Number of treasury shares (in thousands)                                | 1,509   | 2,120   | 1,509                            | 2,120                            |
| Average number of shares (basic) (in thousands)                         | 184,160 | 183,548 | 183,982                          | 183,635                          |
| Average number of shares (diluted) (in thousands)                       | 185,195 | 184,971 | 185,397                          | 185,013                          |

1) See definitions in the Annual Report 2016.

2) The Group uses Operating profit before other items for the calculation of Operating margin.

3) As of 30 June 2017, Argentina and Uruguay are classified as discontinued operations. Comparative figures for 2016 have been restated accordingly.



## GROUP PERFORMANCE

### OPERATING RESULTS

#### January – September 2017

Group revenue was DKK 59.2 billion, representing an increase of 2% compared with the same period last year. Organic growth amounted to 2.0%, while the impact from acquisitions and divestments, net, increased revenue by 1% and currency effects impacted revenue negatively by 1%.

Organic growth was supported by positive organic growth rates in all regions except Asia & Pacific where the growth was flat for the period. The organic growth was mainly driven by growth in our portfolio services in Continental and Northern Europe as well as higher demand for non-portfolio services in North America. This was partly offset by expected organic revenue reductions in Australia, Brazil and China as well as contract losses and downscaling in the Industry & Manufacturing segment in Sweden. Our Integrated Facility Services (IFS) business continues to grow with start-up of our new Global Corporate clients and increased project work in North America although the growth is negatively impacted by the phasing of contract start-ups.

Operating profit before other items amounted to DKK 3,203 million (2016: DKK 3,177 million) for an operating margin of 5.4% (2016: 5.5%). The margin was negatively impacted by acquisitions and divestments as well as negative currency translation effects of net 0.1%-point. Furthermore, the operating margin was negatively impacted by margin decreases in Northern Europe and the Americas mainly due to operational challenges, one-off costs in Sweden, IFS contract start-up costs in North America as well as contract exit costs. This was partly offset by margin increases in Continental Europe and Asia & Pacific, including a positive impact from a decreased pension obligation in Continental Europe. The net impact on the group margin of the one-off items including decreased pension obligation was immaterial. Corporate costs amounted to 0.8% of revenue (2016: 0.7%), which was in line with expectations.

Emerging markets comprising Asia, Eastern Europe, Latin America, Israel, South Africa and Turkey which represent 26% of Group revenue, delivered organic growth of 3% (2016: 8%) and an operating margin of 6.5% (2016: 6.2%).

Financial income and expenses, net amounted to an expense of DKK 392 million for the first nine months of 2017 (2016: DKK 356 million). The increase in financial income and expenses, net was mainly due to higher interest expenses on loans and borrowings of DKK 20 million compared to last year and foreign exchange losses, net of DKK 6 million compared with a gain of DKK 6 million last year. This was partly offset by lower interest on pension obligations, net of DKK 11 million compared to last year.

The effective tax rate per 30 September 2017 was 25.5% (2016: 27.9%) calculated as Income taxes (adjusted) of DKK 642 million divided by Profit before tax (adjusted) of DKK 2,519 million. The effective tax rate was positively

affected by non-taxable gains on divestments.

The Group's activities in Argentina and Uruguay, which are operated as a regional cluster, were classified as discontinued operations and presented separately in the income statement as sales processes have been initiated 30 June 2017. Net profit from discontinued operations was a loss of DKK 70 million for the first nine months of 2017. Comparative figures have been restated accordingly as described in note 9 in the interim financial statements.

Net profit (adjusted) decreased to DKK 1,820 million (2016: DKK 1,944 million), negatively impacted by increased other income and expenses, net, including a DKK 212 million loss on divestments related to a remeasurement of the business classified as held for sale in Northern Europe.

Net profit was down by DKK 68 million to DKK 1,501 million.

#### Q3 2017

Group revenue in Q3 was DKK 19.8 billion, which was an increase of 2% compared with the same period last year. Organic growth amounted to 2.3% (Q2 2017: 1.0%) while the impact from acquisitions and divestments, net, increased revenue by 2% and currency effects impacted revenue negatively by 3%.

Organic growth in Q3 was supported by continued strong performance across several countries, particularly Turkey, the USA and Switzerland. Furthermore, non-portfolio revenue growth increased in Q3, picking up from a low Q2. Organic growth was partly offset by portfolio downsizing and contract losses especially in Brazil, China and Sweden.

Operating profit before other items amounted to DKK 1,249 million (Q3 2016: DKK 1,270 million) for an operating margin of 6.3% (Q3 2016: 6.5%). The margin was negatively impacted by acquisitions and divestments as well as negative currency translation effects of net 0.1%-point. Furthermore, the operating margin was impacted by margin decreases in North America and Sweden partly offset by margin increases in certain countries in Continental Europe, Northern Europe and Asia & Pacific. Corporate costs amounted to 0.6% of revenue (Q3 2016: 0.7%), which is in line with expectations.

### BUSINESS DEVELOPMENT

Revenue generated from IFS was up by 4% in the first nine months of 2017 (H1 2017: 4%) in local currencies to DKK 22.1 billion, which corresponds to 37% (H1 2017: 36%) of Group revenue. The growth was driven by IFS contract launches, extensions and expansions, including Shire as well as local contracts such as Heineken and Enxsis in the Netherlands, Bombardier, Rolls Royce and John Crane, in North America, Royal Mail and a customer within the Transportation and Infrastructure segment in the UK, combined with the successful conversion of existing single service contracts to IFS contracts such as in Indonesia and Hong Kong. Furthermore, we saw increased project work in North



America in Q3. This was partly offset by 2016 contract losses in Australia.

We have recently signed the single largest contract in ISS history with Deutsche Telekom. Starting July 2019, ISS will deliver IFS to Deutsche Telekom at approximately 9,000 sites across Germany with more than 6,000 employees. Once fully operational the contract will amount to approximately 4% of 2016 Group revenue. Furthermore, we have expanded and extended the contract with the Danish Defence now being the largest IFS contract in Denmark. Also, we have signed a letter of intent for delivering IFS to Telenor across more than 5,000 facilities in the Nordic countries. Also, we expanded a property contract with Telefonica in Chile to now include IFS across the whole country transforming the contract from single service to IFS. Additionally, we won IFS contracts within the distribution segment in France, a professional services company in the UK and Adana Integrated Health Campus in Turkey. In addition, we have expanded our contract with Daimler in Germany and expanded and extended our contract with the Fulham Road Collaborative in the UK.

Revenue generated from Global Corporate Clients increased by 12% (H1 2017: 10%) in local currencies to DKK 7.0 billion, representing approximately 12% of Group revenue (H1 2017: 11%).

In Q2, we announced an expected reduction in the scope of our future services with both DXC Technology (a spin-off and merger of HP Enterprise's Enterprise Services business with CSC) and HP Inc. The expected impact in Q4 is a decrease in revenue of slightly above 1% and a negative impact on margin.

ISS is in regular dialogue with all major customers to develop the relationships and meet their evolving needs. Currently, we are in dialogue with a number of global customers whose contracts are expected to be re-negotiated during 2017 and 2018.

## CASH FLOWS

The LTM (last twelve months) cash conversion for September 2017 was 99%, which is in line with the ambition to have a healthy cash conversion in the Group of above 90%.

### Cash flow from operating activities

Cash flow from operating activities in the first nine months represented a net cash inflow of DKK 694 million (2016: DKK 949 million). The lower cash inflow compared to last year was primarily due to increased other expenses paid reflecting strong restructuring plans, higher income taxes paid and net interest paid partly due to phasing. The change in the remaining components in cash flow from operating activities is stable.

Cash flow from operating activities in Q3 represented a net cash inflow of DKK 1,115 million (Q3 2016: DKK 918 million). The increase in cash inflow was primarily due to a cash inflow from changes in working capital of DKK 49

million. This was partly offset by higher other expenses paid.

### Cash flow from investing activities

Cash flow from investing activities was a net cash outflow of DKK 2,106 million (2016: DKK 496 million). Investments in intangible assets and property, plant and equipment, net, was DKK 663 million (2016: DKK 467 million), which represented 1.1% of Group revenue (2016: 0.8%). The cash outflow from acquisition of businesses of DKK 1,652 million mainly related to the acquisition of Guckenheimer in the USA. The cash inflow from divestment of businesses of DKK 238 million mainly related to the divestment of the Group's activities in Iceland, the real estate administration activities in Sweden and the sewage and industrial service activities in Denmark.

### Cash flow from financing activities

Cash flow from financing activities was a net cash inflow of DKK 883 million (2016: net outflow of DKK 2,110 million). The cash inflow was primarily related to the issuance of the 10-year EUR bonds for a principal amount of EUR 600 million maturing on 31 August 2027 partly offset by the repayment of EUR 300 million Term Loan B as well as the dividends paid to shareholders.

### Free cash flow

Free cash flow<sup>1)</sup> was a cash inflow of DKK 2 million (2016: 498 million). The decrease was mainly due to lower cash inflow from operating activities and higher cash outflow from investments in intangible assets and property, plant and equipment, net.

## STRATEGIC ACQUISITIONS AND DIVESTMENTS

No businesses were acquired or divested in Q3 2017.

At 30 September 2017, four businesses in Americas, the Northern and Continental Europe regions were classified as held for sale including Argentina and Uruguay. Assets and liabilities held for sale amounted to DKK 1,311 million and DKK 453 million, respectively. The business in Asia & Pacific previously classified as held for sale has been reclassified as held for use as the sales process has been stopped. The impact of the reclassification on the consolidated financial statements was insignificant.

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.

ISS Global A/S has in Q3 successfully priced an issuance of 10-year EUR bonds for a principal amount of

1) Free cash flow is defined as cash flow from operating activities and cash flow from investing activities less acquisition/divestment of businesses, net.



EUR 600 million maturing on 31 August 2027 with a coupon of 1.500%.

The notes were issued under the company's EUR 3 billion European Medium Term Note (EMTN) programme, which is listed on the Luxembourg Stock Exchange.

The net proceeds of the offering have been used for repayment of EUR 300 million Term Loan B and for general corporate purposes.

On 3 November 2017, ISS entered into a new senior unsecured revolving credit facility of EUR 1,000 million with a group of 15 banks. The new revolving credit facility matures in November 2022 and replaces the EUR 850 million revolving credit facility maturing in February 2019.

The new revolving credit facility is not subject to financial covenants and the drawn margin is determined semi-annually on the basis of a leverage grid:

| Leverage             | New margin (bps) | Previous margin (bps) |
|----------------------|------------------|-----------------------|
| Above 3.25x          | 175              | 135                   |
| Between 3.0x - 3.25x | 100              | 110                   |
| Between 2.5x - 3.0x  | 60               | 85                    |
| Between 2.0x - 2.5x  | 45               | 65                    |
| Below 2.0            | 35               | N/A                   |

| Utilisation fee:             | Utilisation fee (bps on total drawings) | Previous Utilisation fee |
|------------------------------|---|--------------------------|
| Drawings up to 33%           | 10                                      | N/A                      |
| Drawings between 33% and 66% | 20                                      | N/A                      |
| Drawings above 66%           | 30                                      | N/A                      |

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. At the end of September 2017, the financial leverage was 2.7x (31 December 2016: 2.1x and 30 September 2016: 2.4x). The acquisition of Guckenheimer has led to a short-term increase of the financial leverage of 0.2x.

As adjusted EPS in 2017 is negatively impacted by the fair value adjustment of assets held for sales in Northern Europe and higher restructuring charges, the Group will propose to adjust the pay-out ratio to ensure that the nominal ordinary dividend in 2018 is at least equal to 2017.

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

### Net debt

Net debt was DKK 13,913 million at 30 September 2017, an increase of DKK 2,936 million compared with 31 December 2016. The increase in net debt is mainly the result of normal seasonality in operating cash flows as well as payments for the acquisition of Guckenheimer and ordinary dividends paid out in April.

## EQUITY

Total equity was DKK 13,353 million at 30 September 2017 equivalent to an equity ratio of 26.8% (31 December 2016: 28.5%). The DKK 567 million decrease in total equity from December 2016 was mainly the result of dividends paid to shareholders of DKK 1,430 million and negative foreign exchange adjustments of subsidiaries of DKK 634 million. This was partly offset by a net profit of DKK 1,501 million. The negative currency adjustments were mainly due to depreciation of HKD, GBP and CHF towards DKK.

## SUBSEQUENT EVENTS

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 2017, which are expected to have a material impact on the Group's financial position.

On 30 October 2017, ISS announced the divestment of the route based cleaning activities in the Netherlands. The transaction is expected to be completed by mid-November 2017. The divestment supports our strategy to focus on geographies and services where we see the greatest opportunities for customer growth and profitability.

On 3 November 2017, ISS entered into a new senior unsecured revolving credit facility of EUR 1,000 million with a group of 15 banks. The new revolving credit facility matures in November 2022 and replaces the EUR 850 million revolving credit facility maturing in February 2019.

## OUTLOOK

### OUTLOOK 2017

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

Our 2017 full year organic revenue growth expectation has been narrowed from 1.5%-2.5% to be around 2%. Our 2017 full year operating margin expectation has been reduced from being above the 5.78% realised in 2016 to being in line with the level realised in 2016, excluding the impact from acquisitions and divestments as well as currency translation effects. Our expectation for cash conversion remains unchanged from our Annual Report 2016.

The narrowing of the organic growth expectation is mainly a result of our increased visibility on full year performance. Overall growth will continue to be supported by the positive developments across a number of our countries and further success in IFS, driven by both expansion of existing customer relationships and new customer wins. The growth continues to be impacted by weaker 2017 revenue in Sweden and China, a generally weaker demand for non-portfolio services and a negative impact from the reduction in revenue with DXC Technology, commencing in Q4 2017.

The reduction of the operating margin expectation is mainly a result of the continued significant negative impact from acquisitions and divestments as well as negative currency translation effects of around net 0.1%-point. Furthermore, the weaker margin performance seen in especially Sweden and North America is expected to continue into the first half of 2018. In addition, we are impacted by a change in mix of our contract portfolio as a number of our mature contracts have either been replaced by new contracts or have been renewed.

The outlook for 2017 for organic growth, operating margin and cash conversion is as follows.

- Organic growth is expected to be around 2%.
- Operating margin in 2017 is expected to be in line with the level realised in 2016, 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 2017

We expect the divestments and acquisitions completed by 31 October 2017 (including in 2016) to positively impact the revenue growth in 2017 by approximately 1%-point. Based on the forecasted average exchange rates for the year 2017<sup>1)</sup> we expect a negative impact on revenue growth in 2017 of approximately 2.0%-points from the development in foreign exchange rates.

### 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 2016 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 2016 of ISS A/S is available at the Group's website, [www.issworld.com](http://www.issworld.com).

<sup>1)</sup> The forecasted average exchange rates for the financial year 2017 are calculated using the realised average exchange rates for the first ten months of 2017 and the average forward exchange rates (as of 1 November 2017) for the last two months of 2017.



**Q3 2017**

| DKK million                      | Revenue       |               |              | Growth components |              |               |
|----------------------------------|---------------|---------------|--------------|-------------------|--------------|---------------|
|                                  | Q3 2017       | Q3 2016       | Growth       | Organic           | Acq./div.    | Currency      |
| Continental Europe <sup>1)</sup> | 7,608         | 7,443         | 2 %          | 4 %               | 1 %          | (3)%          |
| Northern Europe <sup>2)</sup>    | 6,084         | 6,399         | (5)%         | 1 %               | (4)%         | (2)%          |
| Asia & Pacific <sup>3)</sup>     | 3,576         | 3,696         | (3)%         | 1 %               | -            | (4)%          |
| Americas <sup>4)</sup>           | 2,502         | 1,897         | 32 %         | 3 %               | 32 %         | (3)%          |
| Other Countries <sup>5)</sup>    | 24            | 26            | (8)%         | (2)%              | -            | (6)%          |
| Corporate / eliminations         | (17)          | (17)          | -            | -                 | -            | -             |
| <b>Group</b>                     | <b>19,777</b> | <b>19,444</b> | <b>1.7 %</b> | <b>2.3 %</b>      | <b>2.3 %</b> | <b>(2.9)%</b> |
| Emerging markets <sup>6)</sup>   | 4,945         | 5,083         | (3)%         | 3 %               | 1 %          | (7)%          |

**Q3 2017**

| DKK million              | Operating profit before other items |              |             | Operating margin <sup>7)</sup> |              |
|--------------------------|-------------------------------------|--------------|-------------|--------------------------------|--------------|
|                          | Q3 2017                             | Q3 2016      | Growth      | Q3 2017                        | Q3 2016      |
| Continental Europe       | 517                                 | 457          | 13 %        | 6.8 %                          | 6.1 %        |
| Northern Europe          | 523                                 | 568          | (8)%        | 8.6 %                          | 8.9 %        |
| Asia & Pacific           | 271                                 | 288          | (6)%        | 7.6 %                          | 7.8 %        |
| Americas                 | 62                                  | 89           | (30)%       | 2.5 %                          | 4.7 %        |
| Other Countries          | 0                                   | (0)          | -           | -                              | -            |
| Corporate / eliminations | (124)                               | (132)        | 6 %         | (0.6)%                         | (0.7)%       |
| <b>Group</b>             | <b>1,249</b>                        | <b>1,270</b> | <b>(2)%</b> | <b>6.3 %</b>                   | <b>6.5 %</b> |
| Emerging markets         | 357                                 | 313          | 14 %        | 7.2 %                          | 6.2 %        |

**YTD September 2017**

| DKK million              | Revenue       |               |              | Growth components |              |               |
|--------------------------|---------------|---------------|--------------|-------------------|--------------|---------------|
|                          | 2017          | 2016          | Growth       | Organic           | Acq./div.    | Currency      |
| Continental Europe       | 22,982        | 22,362        | 3 %          | 3 %               | 1 %          | (1)%          |
| Northern Europe          | 18,569        | 19,623        | (5)%         | 1 %               | (3)%         | (3)%          |
| Asia & Pacific           | 11,014        | 10,909        | 1 %          | 0 %               | -            | 1 %           |
| Americas                 | 6,665         | 5,354         | 24 %         | 3 %               | 19 %         | 2 %           |
| Other Countries          | 75            | 75            | (0)%         | 1 %               | -            | (1)%          |
| Corporate / eliminations | (60)          | (49)          | (22)%        | -                 | -            | -             |
| <b>Group</b>             | <b>59,245</b> | <b>58,274</b> | <b>1.7 %</b> | <b>2.0 %</b>      | <b>1.0 %</b> | <b>(1.3)%</b> |
| Emerging markets         | 15,299        | 14,921        | 3 %          | 3 %               | 1 %          | (1)%          |

**YTD September 2017**

| DKK million              | Operating profit before other items |              |            | Operating margin |              |
|--------------------------|-------------------------------------|--------------|------------|------------------|--------------|
|                          | 2017                                | 2016         | Growth     | 2017             | 2016         |
| Continental Europe       | 1,357                               | 1,194        | 14 %       | 5.9 %            | 5.3 %        |
| Northern Europe          | 1,282                               | 1,424        | (10)%      | 6.9 %            | 7.3 %        |
| Asia & Pacific           | 822                                 | 774          | 6 %        | 7.5 %            | 7.1 %        |
| Americas                 | 192                                 | 213          | (10)%      | 2.9 %            | 4.0 %        |
| Other Countries          | 1                                   | (1)          | 200 %      | 1.3 %            | (1.2)%       |
| Corporate / eliminations | (451)                               | (427)        | (6)%       | (0.8)%           | (0.7)%       |
| <b>Group</b>             | <b>3,203</b>                        | <b>3,177</b> | <b>1 %</b> | <b>5.4 %</b>     | <b>5.5 %</b> |
| Emerging markets         | 1,001                               | 920          | 9 %        | 6.5 %            | 6.2 %        |

Grouping of countries into regions:

1) Continental Europe comprises Austria, Belgium & Luxembourg, Bulgaria, the Czech Republic, Estonia, France, Germany, Greece, Hungary, Israel, Italy, Latvia, Lithuania, the Netherlands, Poland, Romania, Russia, Slovakia, Slovenia, Spain & Portugal, Switzerland, 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, Jordan, Kuwait, Monaco, Morocco, Nigeria, Pakistan, South Africa, South Korea, Ukraine, United Arab Emirates and Vietnam.

6) Emerging Markets comprise Asia, Eastern Europe, Latin America, Israel, South Africa and Turkey. See country overview in the Annual Report 2016.

7) The Group uses Operating profit before other items for the calculation of Operating margin.

## REGIONAL PERFORMANCE

### CONTINENTAL EUROPE

Revenue increased 3% to DKK 22,982 million in the first nine months of 2017. Organic growth amounted to 3% while acquisitions and divestments, net increased revenue by 1% and currency effects impacted revenue negatively by 1%. The organic growth in Continental Europe was mainly driven by contract launches in Turkey, Belgium & Luxembourg, Austria and Germany as well as project work in Switzerland. This was partly offset by our decision to reduce the activity level in Greece.

Operating profit before other items amounted to DKK 1,357 million in the first nine months generating an operating margin of 5.9% (2016: 5.3%). The improved operating margin was mainly supported by a decreased pension obligation in Continental Europe secured on the back of reduced interest rates, as well as early benefits from the GREAT implementation in the Netherlands and good performances in Spain, France and Turkey. The operating margin was negatively impacted by difficult market conditions in Portugal and Israel.

In Q3, revenue amounted to DKK 7,608 million driven by organic growth of 4% (Q2 2017: 1%) while the impact from acquisitions and divestments, net increased revenue with 1% and currency effects impacted revenue negatively by 3%. The organic growth was mainly driven by contract launches in Turkey and Austria as well as project work in Switzerland. This was partly offset by a planned organic revenue reduction in Greece. Operating profit before other items increased by 13% to DKK 517 million, resulting in an operating margin of 6.8% (Q3 2016: 6.1%). The improved operating margin was mainly supported by project work in Switzerland and Turkey as well as improved performances in Spain and the Netherlands.

### NORTHERN EUROPE

Revenue reduced by 5% to DKK 18,569 million, representing an organic growth of 1% in the first nine months of 2017, while the impact from acquisitions and divestments, net reduced revenue by 3%. Furthermore, currency effects reduced revenue by 3% mainly due to a depreciation of GBP against DKK. The organic growth was mainly supported by 2016 contract launches in the UK & Ireland, Norway and Denmark. This was partly offset by contract losses and downscaling in the Industry & Manufacturing segment in Sweden.

Operating profit before other items amounted to DKK 1,282 million, resulting in an operating margin of 6.9% (2016: 7.3%). We saw margin increases in all countries apart from Sweden. The decrease in operating margin in Sweden was mainly due to contract losses, operational challenges within parts of the cleaning segment and one-off costs.

In Q3, revenue reduced by 5% to DKK 6,084 million, representing an organic growth of 1% (Q2 2017: 1%), while the impact from acquisitions and divestments, net reduced revenue by 4% and currency effects reduced revenue by 2% mainly due to a depreciation of GBP

against DKK. The organic growth was mainly supported by contract launches in Denmark, Norway, and the UK. This was partly offset by contract losses and downscaling in the Industry & Manufacturing segment in Sweden. Operating profit before other items amounted to DKK 523 million, resulting in an operating margin of 8.6% (Q3 2016: 8.9%). The decrease in operating margin was mainly due to contract losses and operational challenges within parts of the cleaning segment in Sweden. This was partly offset by margin improvements in Norway, Finland and Denmark.

### ASIA & PACIFIC

Revenue increased by 1% to DKK 11,014 million with flat organic growth in the first nine months of 2017, while the impact from currency effects increased revenue by 1%. The organic growth was supported by strong growth rates in India and Singapore as well as a good performance in Indonesia, offset by organic revenue reduction in Australia and China. The organic revenue reduction was mainly due to reduced services within the remote site resource sector in Australia as well as the retail segment in China, as expected. Excluding Australia, organic growth was 4% in the first nine months of 2017.

Operating profit before other items increased to DKK 822 million, resulting in an operating margin of 7.5% (2016: 7.1%). The operating margin improvement was mainly driven by strong performances in Singapore supported by operational efficiencies and cost savings, as well as strong performance on certain contracts in India, partly offset by margin decreases in Thailand, China and Indonesia.

In Q3, revenue amounted to DKK 3,576 million, representing an organic growth of 1% (Q2 2017: 0%) while currency effects reduced revenue by 4%. Organic growth was mainly driven by contract launches in India, Indonesia and Singapore partly offset by expected organic revenue reductions in China and Australia. Operating profit before other items decreased 6%, resulting in an operating margin of 7.6% (Q3 2016: 7.8%). The operating margin was impacted by margin decreases in China, Australia and Indonesia partly offset by strong performances in India and Singapore.

### AMERICAS

Revenue was DKK 6,665 million, up 24% compared to the same period last year. Organic growth was 3% in the first nine months of 2017, while acquisitions and divestments, net and currency effects positively affected revenue by 19% and 2%, respectively. Organic growth was mainly driven by contract start-ups and higher demand for non-portfolio services in North America as well as the positive impact from contract launches in 2016 in Chile and Mexico. This was partly offset by planned contract exits in Brazil within certain business segments following the structural adjustments of our business platform.

Operating profit before other items was DKK 192 million, resulting in an operating margin of 2.9% for the first nine months of 2017 (2016: 4.0%). The decrease in operating margin was mainly due to IFS contract start-ups costs,



underperformance within the specialised services division and one-off costs related to contract exits.

In Q3, revenue increased 32% to DKK 2,502 million reflecting an organic growth of 3% (Q2 2017: 1%) while acquisitions and divestments, net increased revenue by 32% and currency effects reduced revenue by 3%. Organic growth was mainly driven by strong performance and contract start-ups within the IFS division and non-portfolio services in North America as well as solid growth due to contract launches in Mexico and Chile. This was partly offset by contract exits in Brazil within certain business units following the structural adjustments of our business platform. Operating profit before other items was DKK 62 million, resulting in an operating margin of 2.5% for Q3 2017 (Q3 2016: 4.7%). The decrease in operating margin was mainly due to IFS contract start-up costs, underperformance within the specialised services division and one-off costs related to contract exits.



## MANAGEMENT STATEMENT

**Copenhagen, 8 November 2017**

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 2017.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU and additional Danish disclosure requirements for interim reports for listed companies. 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 2017 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 30 September 2017.

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 <sup>1)</sup>

Joseph Nazareth <sup>1)</sup>

Palle Fransen Queck <sup>1)</sup>

<sup>1)</sup> Employee representative



## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### PRIMARY STATEMENTS

- 12 Condensed consolidated income statement
- 14 Condensed consolidated statement of comprehensive income
- 15 Condensed consolidated statement of cash flows
- 16 Condensed consolidated statement of financial position
- 17 Condensed consolidated statement of changes in equity

### BASIS OF PREPARATION

- 18 1 Significant accounting policies
- 18 2 Critical accounting estimates and judgements
- 18 3 Seasonality

### INCOME STATEMENT

- 19 4 Segment information
- 20 5 Share-based payments
- 20 6 Other income and expenses, net
- 21 7 Goodwill impairment
- 21 8 Financial income and financial expenses
- 22 9 Discontinued operations

### STATEMENT OF CASH FLOWS

- 23 10 Acquisitions
- 25 11 Divestments
- 26 12 Pro forma revenue and operating profit before other items

### STATEMENT OF FINANCIAL POSITION

- 27 13 Intangible assets
- 28 14 Disposal groups
- 28 15 Pensions and similar obligations
- 28 16 Loans and borrowings

### OTHER

- 29 17 Contingent liabilities
- 29 18 Related parties
- 29 19 Subsequent events



## CONDENSED CONSOLIDATED INCOME STATEMENT

1 JULY – 30 SEPTEMBER

| DKK million  | Note | Q3 2017          |                        |                  | Q3 2016          |                        |                  |
|--|------|------------------|------------------------|------------------|------------------|------------------------|------------------|
|  |      | Adjusted results | Acqui- sition- related | Reported results | Adjusted results | Acqui- sition- related | Reported results |
| <b>Revenue</b>   | 4    | <b>19,777</b>    | -                      | <b>19,777</b>    | <b>19,444</b>    | -                      | <b>19,444</b>    |
| Staff costs  |      | (12,105)         | -                      | (12,105)         | (12,413)         | -                      | (12,413)         |
| Consumables  |      | (1,871)          | -                      | (1,871)          | (1,610)          | -                      | (1,610)          |
| Other operating expenses                                 |      | (4,372)          | -                      | (4,372)          | (3,994)          | -                      | (3,994)          |
| Depreciation and amortisation <sup>1)</sup>              |      | (180)            | -                      | (180)            | (157)            | -                      | (157)            |
| <b>Operating profit before other items</b>               |      | <b>1,249</b>     | -                      | <b>1,249</b>     | <b>1,270</b>     | -                      | <b>1,270</b>     |
| Other income and expenses, net                           | 6    | (81)             | -                      | (81)             | (35)             | -                      | (35)             |
| Goodwill impairment                                      | 7    | -                | -                      | -                | -                | -                      | -                |
| Amortisation/impairment of brands and customer contracts |      | -                | (131)                  | (131)            | -                | (157)                  | (157)            |
| <b>Operating profit</b>                                  |      | <b>1,168</b>     | <b>(131)</b>           | <b>1,037</b>     | <b>1,235</b>     | <b>(157)</b>           | <b>1,078</b>     |
| Financial income   | 8    | 3                | -                      | 3                | (7)              | -                      | (7)              |
| Financial expenses                                       | 8    | (146)            | -                      | (146)            | (132)            | -                      | (132)            |
| <b>Profit before tax</b>                                 |      | <b>1,025</b>     | <b>(131)</b>           | <b>894</b>       | <b>1,096</b>     | <b>(157)</b>           | <b>939</b>       |
| Income taxes   |      | (261)            | 29                     | (232)            | (307)            | 40                     | (267)            |
| <b>Net profit from continuing operations</b>             |      | <b>764</b>       | <b>(102)</b>           | <b>662</b>       | <b>789</b>       | <b>(117)</b>           | <b>672</b>       |
| <b>Net profit/(loss) from discontinued operations</b>    | 9    | <b>0</b>         | <b>0</b>               | <b>0</b>         | <b>(0)</b>       | <b>-</b>               | <b>(0)</b>       |
| <b>Net profit</b>  |      | <b>764</b>       | <b>(102)</b>           | <b>662</b>       | <b>789</b>       | <b>(117)</b>           | <b>672</b>       |
| <b>Attributable to:</b>                                  |      |                  |                        |                  |                  |                        |                  |
| Owners of ISS A/S  |      |                  |                        | 661              |                  |                        | 671              |
| Non-controlling interests                                |      |                  |                        | 1                |                  |                        | 1                |
| <b>Net profit</b>  |      |                  |                        | <b>662</b>       |                  |                        | <b>672</b>       |
| <b>Earnings per share:</b>                               |      |                  |                        |                  |                  |                        |                  |
| Basic earnings per share (EPS), DKK                      |      |                  |                        | 3.6              |                  |                        | 3.7              |
| Diluted earnings per share, DKK                          |      |                  |                        | 3.6              |                  |                        | 3.6              |
| Adjusted earnings per share, DKK <sup>2)</sup>           |      |                  |                        | 4.1              |                  |                        | 4.3              |
| <b>Earnings per share from continuing operations:</b>    |      |                  |                        |                  |                  |                        |                  |
| Basic earnings per share (EPS), DKK                      |      |                  |                        | 3.6              |                  |                        | 3.7              |
| Diluted earnings per share, DKK                          |      |                  |                        | 3.6              |                  |                        | 3.6              |
| Adjusted earnings per share, DKK <sup>3)</sup>           |      |                  |                        | 4.1              |                  |                        | 4.3              |

<sup>1)</sup> Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.

<sup>2)</sup> Calculated as Net profit (adjusted) divided by the average number of shares (diluted).

<sup>3)</sup> 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 2016 Group Annual Report in section 1, p. 67.



## CONDENSED CONSOLIDATED INCOME STATEMENT

1 JANUARY – 30 SEPTEMBER

| DKK million  | Note | YTD 2017         |                        |                  | YTD 2016         |                        |                  |
|--|------|------------------|------------------------|------------------|------------------|------------------------|------------------|
|  |      | Adjusted results | Acqui- sition- related | Reported results | Adjusted results | Acqui- sition- related | Reported results |
| <b>Revenue</b>   | 4    | <b>59,245</b>    | -                      | <b>59,245</b>    | <b>58,274</b>    | -                      | <b>58,274</b>    |
| Staff costs  |      | (37,746)         | -                      | (37,746)         | (38,018)         | -                      | (38,018)         |
| Consumables  |      | (5,430)          | -                      | (5,430)          | (4,962)          | -                      | (4,962)          |
| Other operating expenses                                 |      | (12,333)         | -                      | (12,333)         | (11,606)         | -                      | (11,606)         |
| Depreciation and amortisation <sup>1)</sup>              |      | (533)            | -                      | (533)            | (511)            | -                      | (511)            |
| <b>Operating profit before other items</b>               |      | <b>3,203</b>     | -                      | <b>3,203</b>     | <b>3,177</b>     | -                      | <b>3,177</b>     |
| Other income and expenses, net                           | 6    | (292)            | -                      | (292)            | (123)            | -                      | (123)            |
| Goodwill impairment                                      | 7    | -                | -                      | -                | -                | (24)                   | (24)             |
| Amortisation/impairment of brands and customer contracts |      | -                | (393)                  | (393)            | -                | (474)                  | (474)            |
| <b>Operating profit</b>                                  |      | <b>2,911</b>     | <b>(393)</b>           | <b>2,518</b>     | <b>3,054</b>     | <b>(498)</b>           | <b>2,556</b>     |
| Financial income   | 8    | 21               | -                      | 21               | 32               | -                      | 32               |
| Financial expenses                                       | 8    | (413)            | -                      | (413)            | (388)            | -                      | (388)            |
| <b>Profit before tax</b>                                 |      | <b>2,519</b>     | <b>(393)</b>           | <b>2,126</b>     | <b>2,698</b>     | <b>(498)</b>           | <b>2,200</b>     |
| Income taxes   |      | (642)            | 87                     | (555)            | (754)            | 123                    | (631)            |
| <b>Net profit from continuing operations</b>             |      | <b>1,877</b>     | <b>(306)</b>           | <b>1,571</b>     | <b>1,944</b>     | <b>(375)</b>           | <b>1,569</b>     |
| <b>Net profit/(loss) from discontinued operations</b>    | 9    | <b>(57)</b>      | <b>(13)</b>            | <b>(70)</b>      | <b>(0)</b>       | -                      | <b>(0)</b>       |
| <b>Net profit</b>  |      | <b>1,820</b>     | <b>(319)</b>           | <b>1,501</b>     | <b>1,944</b>     | <b>(375)</b>           | <b>1,569</b>     |
| <b>Attributable to:</b>                                  |      |                  |                        |                  |                  |                        |                  |
| Owners of ISS A/S  |      |                  |                        | 1,498            |                  |                        | 1,567            |
| Non-controlling interests                                |      |                  |                        | 3                |                  |                        | 2                |
| <b>Net profit</b>  |      |                  |                        | <b>1,501</b>     |                  |                        | <b>1,569</b>     |
| <b>Earnings per share:</b>                               |      |                  |                        |                  |                  |                        |                  |
| Basic earnings per share (EPS), DKK                      |      |                  |                        | 8.1              |                  |                        | 8.5              |
| Diluted earnings per share, DKK                          |      |                  |                        | 8.1              |                  |                        | 8.5              |
| Adjusted earnings per share, DKK <sup>2)</sup>           |      |                  |                        | 9.8              |                  |                        | 10.5             |
| <b>Earnings per share from continuing operations:</b>    |      |                  |                        |                  |                  |                        |                  |
| Basic earnings per share (EPS), DKK                      |      |                  |                        | 8.5              |                  |                        | 8.5              |
| Diluted earnings per share, DKK                          |      |                  |                        | 8.5              |                  |                        | 8.5              |
| Adjusted earnings per share, DKK <sup>3)</sup>           |      |                  |                        | 10.1             |                  |                        | 10.5             |

<sup>1)</sup> Excluding Goodwill impairment and Amortisation/impairment of brands and customer contracts.

<sup>2)</sup> Calculated as Net profit (adjusted) divided by the average number of shares (diluted).

<sup>3)</sup> 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 2016 Group Annual Report in section 1, p. 67.



## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 30 SEPTEMBER

| DKK million  | Note | Q3 2017      | Q3 2016      | YTD 2017     | YTD 2016     |
|--|------|--------------|--------------|--------------|--------------|
| <b>Net profit</b>  |      | <b>662</b>   | <b>672</b>   | <b>1,501</b> | <b>1,569</b> |
| <b>Items not to be reclassified to the income statement in subsequent periods:</b> |      |              |              |              |              |
| Actuarial gains/(losses)   | 15   | -            | -            | -            | (353)        |
| Impact from asset ceiling regarding pensions                                       |      | -            | -            | -            | 4            |
| Tax  |      | 1            | -            | (15)         | 74           |
| <b>Items to be reclassified to the income statement in subsequent periods:</b>     |      |              |              |              |              |
| Foreign exchange adjustments of subsidiaries and non-controlling interests         |      | (217)        | (147)        | (633)        | (721)        |
| <b>Other comprehensive income</b>  |      | <b>(216)</b> | <b>(147)</b> | <b>(648)</b> | <b>(996)</b> |
| <b>Comprehensive income</b>  |      | <b>446</b>   | <b>525</b>   | <b>853</b>   | <b>573</b>   |
| <b>Attributable to:</b>  |      |              |              |              |              |
| Owners of ISS A/S  |      | 444          | 523          | 849          | 570          |
| Non-controlling interests  |      | 2            | 2            | 4            | 3            |
| <b>Comprehensive income</b>  |      | <b>446</b>   | <b>525</b>   | <b>853</b>   | <b>573</b>   |



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

1 JANUARY – 30 SEPTEMBER

| DKK million  | Note | Q3 2017      | Q3 2016      | YTD 2017       | YTD 2016       |
|--|------|--------------|--------------|----------------|----------------|
| Operating profit before other items                                |      | 1,249        | 1,270        | 3,203          | 3,177          |
| Operating profit before other items from discontinued operations   |      | 1            | 7            | 4              | 19             |
| Depreciation and amortisation                                      |      | 181          | 158          | 535            | 513            |
| Share-based payments   |      | (15)         | 23           | 7              | 68             |
| Changes in working capital   |      | 49           | (286)        | (1,746)        | (1,833)        |
| Changes in provisions, pensions and similar obligations            |      | (9)          | (15)         | (146)          | (96)           |
| Other expenses paid  |      | (133)        | (39)         | (290)          | (124)          |
| Interest received  |      | 10           | 13           | 26             | 35             |
| Interest paid  |      | (42)         | (53)         | (246)          | (203)          |
| Income taxes paid  |      | (176)        | (160)        | (653)          | (607)          |
| <b>Cash flow from operating activities</b>                         | 9    | <b>1,115</b> | <b>918</b>   | <b>694</b>     | <b>949</b>     |
| Acquisition of businesses  | 10   | 25           | (4)          | (1,652)        | (29)           |
| Divestment of businesses   | 11   | (14)         | (1)          | 238            | (16)           |
| Acquisition of intangible assets and property, plant and equipment |      | (257)        | (180)        | (706)          | (517)          |
| Disposal of intangible assets and property, plant and equipment    |      | 19           | 8            | 43             | 50             |
| (Acquisition)/disposal of financial assets                         |      | (10)         | (4)          | (29)           | 16             |
| <b>Cash flow from investing activities</b>                         | 9    | <b>(237)</b> | <b>(181)</b> | <b>(2,106)</b> | <b>(496)</b>   |
| Proceeds from bonds and senior facilities                          | 16   | 4,439        | -            | 4,439          | -              |
| Repayment of bonds and senior facilities                           | 16   | (2,230)      | -            | (2,230)        | -              |
| Other financial payments, net                                      |      | (2,229)      | (654)        | 97             | (599)          |
| Purchase of treasury shares  |      | -            | -            | -              | (149)          |
| Dividends paid to shareholders                                     |      | -            | -            | (1,418)        | (1,358)        |
| Dividends paid to non-controlling interests                        |      | (5)          | (1)          | (5)            | (4)            |
| <b>Cash flow from financing activities</b>                         | 9    | <b>(25)</b>  | <b>(655)</b> | <b>883</b>     | <b>(2,110)</b> |
| <b>Total cash flow</b>   |      | <b>853</b>   | <b>82</b>    | <b>(529)</b>   | <b>(1,657)</b> |
| Cash and cash equivalents at the beginning of the period           |      | 2,794        | 2,714        | 4,300          | 4,526          |
| Total cash flow  |      | 853          | 82           | (529)          | (1,657)        |
| Foreign exchange adjustments                                       |      | (40)         | (19)         | (164)          | (92)           |
| <b>Cash and cash equivalents at 30 September</b>                   |      | <b>3,607</b> | <b>2,777</b> | <b>3,607</b>   | <b>2,777</b>   |



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 JANUARY – 30 SEPTEMBER

| DKK million                                    | Note | 30 September<br>2017 | 30 September<br>2016 | 31 December<br>2016 |
|--|------|----------------------|----------------------|---------------------|
| <b>ASSETS</b>                                  |      |                      |                      |                     |
| Intangible assets                              | 13   | 27,144               | 26,191               | 26,361              |
| Property, plant and equipment                  |      | 1,570                | 1,529                | 1,572               |
| Deferred tax assets                            |      | 924                  | 943                  | 861                 |
| Other financial assets                         |      | 357                  | 387                  | 358                 |
| <b>Non-current assets</b>                      |      | <b>29,995</b>        | <b>29,050</b>        | <b>29,152</b>       |
| Inventories                                    |      | 301                  | 293                  | 276                 |
| Trade receivables                              |      | 12,203               | 11,539               | 11,307              |
| Tax receivables                                |      | 250                  | 232                  | 235                 |
| Other receivables                              |      | 2,189                | 2,066                | 1,992               |
| Cash and cash equivalents                      |      | 3,607                | 2,777                | 4,300               |
| Assets classified as held for sale             | 14   | 1,311                | 1,802                | 1,520               |
| <b>Current assets</b>                          |      | <b>19,861</b>        | <b>18,709</b>        | <b>19,630</b>       |
| <b>Total assets</b>                            |      | <b>49,856</b>        | <b>47,759</b>        | <b>48,782</b>       |
| <b>EQUITY AND LIABILITIES</b>                  |      |                      |                      |                     |
| Total equity attributable to owners of ISS A/S |      | 13,344               | 13,630               | 13,910              |
| Non-controlling interests                      |      | 9                    | 9                    | 10                  |
| <b>Total equity</b>                            |      | <b>13,353</b>        | <b>13,639</b>        | <b>13,920</b>       |
| Loans and borrowings                           | 16   | 17,339               | 14,936               | 15,055              |
| Pensions and similar obligations               | 15   | 1,490                | 1,953                | 1,638               |
| Deferred tax liabilities                       |      | 1,488                | 1,412                | 1,383               |
| Provisions                                     |      | 208                  | 257                  | 256                 |
| <b>Non-current liabilities</b>                 |      | <b>20,525</b>        | <b>18,558</b>        | <b>18,332</b>       |
| Loans and borrowings                           | 16   | 251                  | 350                  | 283                 |
| Trade payables                                 |      | 3,634                | 3,101                | 4,068               |
| Tax payables                                   |      | 287                  | 385                  | 339                 |
| Other liabilities                              |      | 11,079               | 11,027               | 11,227              |
| Provisions                                     |      | 274                  | 176                  | 187                 |
| Liabilities classified as held for sale        | 14   | 453                  | 523                  | 426                 |
| <b>Current liabilities</b>                     |      | <b>15,978</b>        | <b>15,562</b>        | <b>16,530</b>       |
| <b>Total liabilities</b>                       |      | <b>36,503</b>        | <b>34,120</b>        | <b>34,862</b>       |
| <b>Total equity and liabilities</b>            |      | <b>49,856</b>        | <b>47,759</b>        | <b>48,782</b>       |



## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 30 SEPTEMBER

| YTD 2017                                    | Attributable to owners of ISS A/S |               |                   |                             |                    |                       |                |                                   |                 |
|---|-----------------------------------|---------------|-------------------|-----------------------------|--------------------|-----------------------|----------------|-----------------------------------|-----------------|
|   | Note                              | Share capital | Retained earnings | Trans-<br>lation<br>reserve | Treasury<br>shares | Proposed<br>dividends | Total          | Non-con-<br>trolling<br>interests | Total<br>equity |
| DKK million                                 |                                   |               |                   |                             |                    |                       |                |                                   |                 |
| <b>Equity at 1 January</b>                  |                                   | <b>185</b>    | <b>12,717</b>     | <b>(4)</b>                  | <b>(418)</b>       | <b>1,430</b>          | <b>13,910</b>  | <b>10</b>                         | <b>13,920</b>   |
| Net profit                                  |                                   | -             | 1,498             | -                           | -                  | -                     | 1,498          | 3                                 | 1,501           |
| Other comprehensive income                  |                                   | -             | (15)              | (634)                       | -                  | -                     | (649)          | 1                                 | (648)           |
| <b>Comprehensive income</b>                 |                                   | <b>-</b>      | <b>1,483</b>      | <b>(634)</b>                | <b>-</b>           | <b>-</b>              | <b>849</b>     | <b>4</b>                          | <b>853</b>      |
| 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)             |
| <b>Transactions with owners</b>             |                                   | <b>-</b>      | <b>(106)</b>      | <b>-</b>                    | <b>121</b>         | <b>(1,430)</b>        | <b>(1,415)</b> | <b>(5)</b>                        | <b>(1,420)</b>  |
| <b>Changes in equity</b>                    |                                   | <b>-</b>      | <b>1,377</b>      | <b>(634)</b>                | <b>121</b>         | <b>(1,430)</b>        | <b>(566)</b>   | <b>(1)</b>                        | <b>(567)</b>    |
| <b>Equity at 30 September</b>               |                                   | <b>185</b>    | <b>14,094</b>     | <b>(638)</b>                | <b>(297)</b>       | <b>-</b>              | <b>13,344</b>  | <b>9</b>                          | <b>13,353</b>   |
| <b>YTD 2016</b>                             |                                   |               |                   |                             |                    |                       |                |                                   |                 |
| <b>Equity at 1 January</b>                  |                                   | <b>185</b>    | <b>12,666</b>     | <b>592</b>                  | <b>(323)</b>       | <b>1,374</b>          | <b>14,494</b>  | <b>10</b>                         | <b>14,504</b>   |
| Net profit                                  |                                   | -             | 1,567             | -                           | -                  | -                     | 1,567          | 2                                 | 1,569           |
| Other comprehensive income                  |                                   | -             | (275)             | (722)                       | -                  | -                     | (997)          | 1                                 | (996)           |
| <b>Comprehensive income</b>                 |                                   | <b>-</b>      | <b>1,292</b>      | <b>(722)</b>                | <b>-</b>           | <b>-</b>              | <b>570</b>     | <b>3</b>                          | <b>573</b>      |
| Purchase of treasury shares                 |                                   | -             | -                 | -                           | (149)              | -                     | (149)          | -                                 | (149)           |
| Share-based payments                        |                                   | -             | 68                | -                           | -                  | -                     | 68             | -                                 | 68              |
| Settlement of vested PSUs                   |                                   | -             | (49)              | -                           | 49                 | -                     | -              | -                                 | -               |
| Settlement of vested RSUs                   |                                   | -             | -                 | -                           | 5                  | -                     | 5              | -                                 | 5               |
| Dividends paid to shareholders              |                                   | -             | -                 | -                           | -                  | (1,358)               | (1,358)        | -                                 | (1,358)         |
| Dividends, treasury shares                  |                                   | -             | 16                | -                           | -                  | (16)                  | -              | -                                 | -               |
| Dividends paid to non-controlling interests |                                   | -             | -                 | -                           | -                  | -                     | -              | (4)                               | (4)             |
| <b>Transactions with owners</b>             |                                   | <b>-</b>      | <b>35</b>         | <b>-</b>                    | <b>(95)</b>        | <b>(1,374)</b>        | <b>(1,434)</b> | <b>(4)</b>                        | <b>(1,438)</b>  |
| <b>Changes in equity</b>                    |                                   | <b>-</b>      | <b>1,327</b>      | <b>(722)</b>                | <b>(95)</b>        | <b>(1,374)</b>        | <b>(864)</b>   | <b>(1)</b>                        | <b>(865)</b>    |
| <b>Equity at 30 September</b>               |                                   | <b>185</b>    | <b>13,993</b>     | <b>(130)</b>                | <b>(418)</b>       | <b>-</b>              | <b>13,630</b>  | <b>9</b>                          | <b>13,639</b>   |

## 1 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements of ISS A/S for the period 1 January - 30 September 2017 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 2016. A full description of the Group's accounting policies is included in the consolidated financial statements for 2016.

### CHANGES IN ACCOUNTING POLICIES

With effect from 1 January 2017, the Group has implemented:

- Amendments to IAS 12 "Income Taxes": Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to IAS 7 "Financial Instruments: Disclosures": Disclosure Initiative
- Parts of Annual Improvements to IFRSs 2014-2016 Cycle

The adoption of these standards and interpretations did not affect recognition and measurement for 2017.

## 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of 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, 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 2016.

## 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 operations 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 operations 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 INFORMATION

### REPORTABLE SEGMENTS

ISS is a global facility services company, that operates in 74 countries and delivers a wide range of services within the areas cleaning, support, property, catering, security and facility management.

Operations are generally managed based on a geographical structure in which countries are grouped into four 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 Corporate Clients 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. Segment revenue, costs, assets and liabilities comprise items that can be directly referred to the individual segments.

Transactions between reportable segments are made on market terms.

| YTD 2017  | Continental Europe | Northern Europe | Asia & Pacific | Americas | Other countries | Total reportable segments |
|---|--------------------|-----------------|----------------|----------|-----------------|---------------------------|
| DKK million                                       |                    |                 |                |          |                 |                           |
| Revenue <sup>1)</sup>                             | 22,982             | 18,569          | 11,014         | 6,665    | 75              | 59,305                    |
| Operating profit before other items <sup>2)</sup> | 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                    |

| YTD 2016  | Continental Europe | Northern Europe | Asia & Pacific | Americas | Other countries | Total reportable segments |
|---|--------------------|-----------------|----------------|----------|-----------------|---------------------------|
| DKK million                                       |                    |                 |                |          |                 |                           |
| Revenue <sup>1)</sup>                             | 22,362             | 19,623          | 10,909         | 5,354    | 75              | 58,323                    |
| Operating profit before other items <sup>2)</sup> | 1,194              | 1,424           | 774            | 213      | (1)             | 3,604                     |
| Operating profit                                  | 1,048              | 1,170           | 742            | 24       | (1)             | 2,983                     |
| Total assets                                      | 19,778             | 17,676          | 7,951          | 3,711    | 15              | 49,131                    |
| Total liabilities                                 | 10,790             | 7,774           | 3,593          | 2,388    | 13              | 24,558                    |

<sup>1)</sup> Including internal revenue which due to the nature of the business is insignificant and is therefore not disclosed.

<sup>2)</sup> Excluding Other income and expenses, net, Goodwill impairment and Amortisation/impairment of brands and customer contracts.

### RECONCILIATION OF OPERATING PROFIT

| DKK million   | YTD 2017     | YTD 2016     |
|---|--------------|--------------|
| Operating profit for reportable segments                  | 2,970        | 2,983        |
| Unallocated corporate costs                               | (451)        | (427)        |
| Unallocated other income and expenses, net                | (1)          | -            |
| <b>Operating profit according to the income statement</b> | <b>2,518</b> | <b>2,556</b> |

## 5 SHARE-BASED PAYMENTS

### SHARE BASED INCENTIVE PROGRAMMES

**Long-Term Incentive Programme (LTIP)** On 2 March 2017, 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 2016. The number of PSUs granted was 693,671. In April 2017, additional PSUs were granted to adjust for the distribution of ordinary dividends as adopted at the annual general meeting of ISS A/S on 30 March 2017. The number of additional PSUs granted was 18,046. 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 2017 |
|--|-----------|
| Total PSUs granted   | 711,717   |
| Number of participants   | 152       |
| Number of PSUs expected to vest at grant date                  | 354,531   |
| Fair value of PSUs expected to vest at grant date, DKK million | 102       |

**LTIP 2014** In March 2017, the LTIP 2014 programme vested and the participants received shares in ISS A/S at no cost. Based on the annual EPS and TSR performances for 2014, 2015 and 2016, 96% of the granted PSUs, equal to 799,350 PSUs, vested. After this vesting, no further PSUs are outstanding under the LTIP 2014 and the programme has lapsed.

### DEFERRED BONUS PROGRAMME

In March 2017, the remaining 50% of the restricted share units (RSUs) equal to 25,993 RSUs, which were granted in settlement of the deferred bonus awarded under the Group's annual bonus programme for the financial year 2014, were converted into shares in ISS A/S. Each RSU entitles the holder to receive one share. After this conversion, no further RSUs are outstanding.

For further information refer to note 6.2 of the 2016 Group Annual Report.

## 6 OTHER INCOME AND EXPENSES, NET

| DKK million                             | YTD 2017     | YTD 2016     |
|---|--------------|--------------|
| Gain on divestments                     | 130          | 3            |
| Adjustment to prior years' acquisitions | 26           | -            |
| Other                                   | 3            | -            |
| <b>Other income</b>                     | <b>159</b>   | <b>3</b>     |
| Restructuring projects                  | (220)        | (82)         |
| Loss on divestments                     | (209)        | (41)         |
| Acquisition and integration costs       | (22)         | (3)          |
| <b>Other expenses</b>                   | <b>(451)</b> | <b>(126)</b> |
| <b>Other income and expenses, net</b>   | <b>(292)</b> | <b>(123)</b> |

**Gain on divestments** mainly related to the divestment of the Group's activities in Iceland, ISS Kloak- & Industriservice, the Danish sewage and industrial services business and the real estate administration activities in Sweden.

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

**Loss on divestments** mainly comprised the remeasurement of the business classified as held for sale in the Northern Europe region. In 2016, the loss mainly related to the divestment of the Group's activities in Greenland and adjustments to prior years' divestments, most significantly the landscaping business in France.

**Restructuring projects** mainly related to the continued implementation of GREAT across the Group and adjustments of the business platform in Brazil. The costs primarily comprised redundancy payments, termination of leaseholds and relocation costs as well as contract termination costs and related labour claim costs in Brazil. In 2017, costs mainly related to Sweden, the Netherlands, Brazil, France, Denmark, Norway, the USA, Belgium and India. In 2016, costs mainly related to Brazil, Spain, Portugal, Finland, Belgium and China.

**Acquisition and integration costs** mainly related to Guckenheimer in the USA and Evantec in Germany and mainly comprised financial and legal fees to advisors as well as costs incurred as a consequence of the integration.



## 7 GOODWILL IMPAIRMENT

| DKK million   | YTD 2017 | YTD 2016  |
|---|----------|-----------|
| Impairment losses derived from divestment of businesses | -        | 24        |
| <b>Goodwill impairment</b>                              | <b>-</b> | <b>24</b> |

**Impairment losses derived from divestment of businesses** In 2016, impairment losses related to the divestment of the Group's activities in Greenland.

### IMPAIRMENT TESTS

The Group performs impairment tests on intangibles<sup>1)</sup> 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 2017, 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 4.6 in the consolidated financial statements for 2016.

<sup>1)</sup> Intangibles cover the value of goodwill, brands and customer contracts.

## 8 FINANCIAL INCOME AND FINANCIAL EXPENSES

| DKK million                                  | YTD 2017     | YTD 2016     |
|--|--------------|--------------|
| Interest income on cash and cash equivalents | 21           | 26           |
| Foreign exchange gains                       | -            | 6            |
| <b>Financial income</b>                      | <b>21</b>    | <b>32</b>    |
| Interest expenses on loans and borrowings    | (310)        | (290)        |
| Other bank fees                              | (47)         | (44)         |
| Amortisation of financing fees               | (33)         | (26)         |
| Net interest on defined benefit obligations  | (17)         | (28)         |
| Foreign exchange losses                      | (6)          | -            |
| <b>Financial expenses</b>                    | <b>(413)</b> | <b>(388)</b> |

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

**Interest expenses on loans and borrowings** The slight increase in interest expenses was mainly a result of higher average net debt in 2017 due to the acquisition of Guckenheimer.

**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. In connection with the repayment of Term Loan B (EUR 300 million) in August 2017, unamortised financing fees of DKK 7 million were expensed.

## 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 are no longer considered as strategic to the Group. It is management's assessment that the sales processes will be finalised within a year.

As a result, the Group's activities in Argentina and Uruguay have been classified as held for sale and as discontinued operations. This means that assets and liabilities are presented in separate lines in the statement of financial position. Comparative figures for 2016 have not been restated.

The discontinued operations are also shown separately in the income statement and the comparative figures have been restated.

In the statement of cash flows, cash flows from discontinued operations are included in cash flow from operating, investing and financing activities together with cash flows from continuing operations.

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

| DKK million   | YTD 2017    | YTD 2016   |
|---|-------------|------------|
| Revenue   | 320         | 354        |
| Expenses  | (316)       | (335)      |
| <b>Operating profit before other items from discontinued operations</b> | <b>4</b>    | <b>19</b>  |
| Other income and expenses, net  | (45)        | (2)        |
| Goodwill impairment   | (12)        | -          |
| Amortisation/impairment of brands and customer contracts                | (1)         | (0)        |
| <b>Operating profit from discontinued operations</b>                    | <b>(54)</b> | <b>17</b>  |
| Financial expenses, net   | (14)        | (15)       |
| <b>Profit/(loss) before tax from discontinued operations</b>            | <b>(68)</b> | <b>2</b>   |
| Income taxes  | (2)         | (2)        |
| <b>Net profit/(loss) from discontinued operations</b>                   | <b>(70)</b> | <b>(0)</b> |
| <b>Earnings per share from discontinued operations:</b>                 |             |            |
| Basic earnings per share (EPS), DKK                                     | (0.4)       | (0.0)      |
| Diluted earnings per share, DKK   | (0.4)       | (0.0)      |
| Adjusted earnings per share, DKK  | (0.3)       | (0.0)      |

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

| DKK million                                | YTD 2017    | YTD 2016   |
|--|-------------|------------|
| <b>Cash flow from operating activities</b> | <b>(45)</b> | <b>(4)</b> |
| <b>Cash flow from investing activities</b> | <b>(3)</b>  | <b>(4)</b> |
| <b>Cash flow from financing activities</b> | <b>(16)</b> | <b>4</b>   |



## 10 ACQUISITIONS

The Group completed three acquisitions during 1 January - 30 September 2017 (none during 1 January - 30 September 2016).

| Company/activity | Country | Service type                    | Consolidated in the income statement | Percentage interest | Annual revenue <sup>1)</sup> (DKK million) | Number of employees <sup>1)</sup> |
|------------------|---------|---------------------------------|--------------------------------------|---------------------|--|-----------------------------------|
| Guckenheimer     | USA     | Food service company            | May                                  | 100%                | 2,300                                      | 3,200                             |
| Evantec          | Germany | Technical and building services | January                              | 100%                | 352  | 800                               |
| SIGNAL           | Denmark | Workplace management            | February                             | 100%                | 30   | 30                                |
| <b>Total</b>     |         |                                 |                                      |                     | <b>2,682</b>                               | <b>4,030</b>                      |

<sup>1)</sup> Unaudited financial information.

### GUCKENHEIMER

On 28 April 2017, ISS acquired 100% of the shares in Guckenheimer, a leading US food services company, with an estimated annual revenue of approximately DKK 2,300 million and 3,200 employees in 33 states. The purchase price (on a debt and cash free basis) amounted to DKK 1,541 million.

During the period 28 April to 30 September 2017, Guckenheimer contributed revenue of DKK 1,017 million and operating profit before other items of DKK 34 million. Acquisition-related costs of DKK 11 million have been included in Other income and expenses,

The acquisition supports our strategic aim of strengthening our catering capabilities in North America. Thus, goodwill added on acquisition is attributable mainly to 1) catering expertise, 2) synergies mainly by enhancing self-delivery possibilities, 3) platform for growth primarily within IFS, and 4) assembled work force.

Based on the provisionally determined fair values of net assets, goodwill amounted to DKK 1,221 million. Goodwill is not expected to be deductible for income tax purposes.

### EVANTEC

On 1 January 2017, ISS acquired 100% of the shares in Evantec, a technical and building services company in Germany. The annual revenue is estimated at DKK 352 million based on expectations at the time of the acquisition. During the first nine months of 2017, Evantec contributed revenue of DKK 241 million (30 June 2017: DKK 161 million) and operating profit before other items of DKK 8 million (30 June 2017: DKK 4 million). Number of employees taken over was approximately 800.

Acquisition-related costs of DKK 5 million have been included in Other income and expenses, net.

The acquisition supports our strategy by strengthening our German technical and building services capabilities. Thus, goodwill added on acquisition is attributable mainly to: 1) technical expertise, 2) synergies mainly by enhancing self-delivery possibilities, 3) platform for growth primarily within IFS, and 4) assembled work force.

Based on the provisionally determined fair values of net assets, goodwill amounted to DKK 98 million. Goodwill is not expected to be deductible for income tax purposes.



## 10 ACQUISITIONS (CONTINUED)

### ACQUISITION IMPACT

| DKK million   | YTD 2017                       |                    | YTD 2016           |                    |
|---|--------------------------------|--------------------|--------------------|--------------------|
|   | Guckenheimer Enterprises, Inc. | Other acquisitions | Total acquisitions | Total acquisitions |
| Brands  | 54                             | -                  | 54                 | -                  |
| Customer contracts                                      | 265                            | 16                 | 281                | -                  |
| Other non-current assets                                | 80                             | 5                  | 85                 | -                  |
| Trade receivables                                       | 241                            | 76                 | 317                | -                  |
| Other current assets                                    | 104                            | 27                 | 131                | -                  |
| Pensions, deferred tax liabilities and other provisions | (167)                          | (50)               | (217)              | -                  |
| Other non-current liabilities                           | (8)                            | -                  | (8)                | -                  |
| Other current liabilities                               | (249)                          | (68)               | (317)              | -                  |
| <b>Fair value of net assets acquired</b>                | <b>320</b>                     | <b>6</b>           | <b>326</b>         | <b>-</b>           |
| Goodwill  | 1,221                          | 263                | 1,484              | 2                  |
| <b>Consideration transferred</b>                        | <b>1,541</b>                   | <b>269</b>         | <b>1,810</b>       | <b>2</b>           |
| Cash and cash equivalents in acquired businesses        | -                              | (20)               | (20)               | -                  |
| <b>Cash consideration transferred</b>                   | <b>1,541</b>                   | <b>249</b>         | <b>1,790</b>       | <b>2</b>           |
| Contingent and deferred consideration                   | -                              | (72)               | (72)               | 27                 |
| Changes in prepaid purchase price                       | -                              | (66)               | (66)               | -                  |
| <b>Acquisition of businesses (cash flow)</b>            | <b>1,541</b>                   | <b>111</b>         | <b>1,652</b>       | <b>29</b>          |

### ACQUISITIONS SUBSEQUENT TO 30 SEPTEMBER 2017

The Group completed no acquisitions in the period 1 October to 31 October 2017.

## 11 DIVESTMENTS

The Group completed five divestments during 1 January - 30 September 2017 (two during 1 January - 30 September 2016).

| Company/activity             | Country | Service type                   | Excluded from the income statement | Percentage interest | Annual revenue <sup>1)</sup> (DKK million) | Number of employees <sup>1)</sup> |
|------------------------------|---------|--------------------------------|------------------------------------|---------------------|--|-----------------------------------|
| ISS Kloak- & Industriservice | Denmark | Sewage and industrial services | January                            | 100%                | 209  | 159                               |
| Security                     | Ireland | Security services              | March                              | Activities          | 43   | 263                               |
| ISS Hotels Iberia            | Spain   | Support services               | April                              | Activities          | 43   | 24                                |
| ISS Iceland                  | Iceland | Country exit                   | May                                | 100%                | 194  | 743                               |
| Real estate administration   | Sweden  | Support services               | July                               | 100%                | 66   | 75                                |
| <b>Total</b>                 |         |                                |                                    |                     | <b>555</b>                                 | <b>1,264</b>                      |

<sup>1)</sup> Unaudited financial information.

### DIVESTMENT IMPACT

| DKK million                                      | YTD 2017   | YTD 2016    |
|--|------------|-------------|
| Goodwill   | 24         | -           |
| Customer contracts                               | 8          | 0           |
| Other non-current assets                         | 111        | 17          |
| Current assets                                   | 80         | 15          |
| Loans and borrowings                             | (37)       | (3)         |
| Other non-current liabilities                    | (16)       | -           |
| Other current liabilities                        | (53)       | (18)        |
| <b>Fair value of net assets disposed</b>         | <b>117</b> | <b>11</b>   |
| Gain/(loss) on divestment of businesses, net     | 130        | (38)        |
| Divestment costs, net of tax                     | 41         | 3           |
| <b>Consideration received</b>                    | <b>288</b> | <b>(24)</b> |
| Cash and cash equivalents in divested businesses | 28         | 4           |
| <b>Cash consideration received</b>               | <b>316</b> | <b>(20)</b> |
| Contingent and deferred consideration            | 4          | 43          |
| Divestment costs paid, net of tax                | (82)       | (39)        |
| <b>Divestment of businesses (cash flow)</b>      | <b>238</b> | <b>(16)</b> |

### DIVESTMENTS SUBSEQUENT TO 30 SEPTEMBER 2017

The Group completed no divestments in the period 1 October to 31 October 2017.



## 12 PRO FORMA REVENUE AND OPERATING PROFIT BEFORE OTHER ITEMS

Assuming all acquisitions and divestments during 1 January - 30 September 2017 were included/excluded as of 1 January, the effect on revenue and operating profit before other items is estimated as follows:

| DKK million  | YTD 2017      | YTD 2016      |
|--|---------------|---------------|
| Revenue recognised in the income statement                             | 59,245        | 58,274        |
| Acquisitions   | 762           | -             |
| Divestments  | (144)         | (31)          |
| <b>Pro forma revenue</b>   | <b>59,863</b> | <b>58,243</b> |
| Operating profit before other items recognised in the income statement | 3,203         | 3,177         |
| Acquisitions   | 38            | -             |
| Divestments  | (9)           | 1             |
| <b>Pro forma operating profit before other items</b>                   | <b>3,232</b>  | <b>3,178</b>  |

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

These adjustments and the computation of total revenue and operating profit before other items on a pro forma basis are presented for informational purposes only. This information does not represent the results the Group would have achieved had the 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.



### 13 INTANGIBLE ASSETS

| DKK million   | Goodwill       | Brands       | Customer contracts | Software and other intangible assets | Total           |
|---|----------------|--------------|--------------------|--------------------------------------|-----------------|
| <b>2017</b>   |                |              |                    |                                      |                 |
| Cost at 1 January   | 25,604         | 1,615        | 9,814              | 1,857                                | 38,890          |
| Foreign exchange adjustments                              | (615)          | -            | (250)              | (27)                                 | (892)           |
| Acquisitions  | 1,484          | 54           | 281                | 5                                    | 1,824           |
| Additions   | -              | -            | -                  | 232                                  | 232             |
| Divestments   | (63)           | -            | (48)               | (84)                                 | (195)           |
| Disposals   | -              | -            | -                  | (21)                                 | (21)            |
| Reclassification to Assets classified as held for sale    | 33             | -            | 14                 | (1)                                  | 46              |
| <b>Cost at 30 September</b>                               | <b>26,443</b>  | <b>1,669</b> | <b>9,811</b>       | <b>1,961</b>                         | <b>39,884</b>   |
| Amortisation and impairment losses at 1 January           | (3,250)        | (26)         | (8,261)            | (992)                                | (12,529)        |
| Foreign exchange adjustments                              | 6              | -            | 199                | 16                                   | 221             |
| Amortisation  | -              | (5)          | (385)              | (143)                                | (533)           |
| Acquisitions  | -              | -            | -                  | (1)                                  | (1)             |
| Impairment losses <sup>1)</sup>                           | (12)           | -            | (3)                | -                                    | (15)            |
| Divestments   | 39             | -            | 41                 | 20                                   | 100             |
| Disposals   | -              | -            | -                  | 15                                   | 15              |
| Reclassification to Assets classified as held for sale    | 15             | -            | (14)               | 1                                    | 2               |
| <b>Amortisation and impairment losses at 30 September</b> | <b>(3,202)</b> | <b>(31)</b>  | <b>(8,423)</b>     | <b>(1,084)</b>                       | <b>(12,740)</b> |
| <b>Carrying amount at 30 September</b>                    | <b>23,241</b>  | <b>1,638</b> | <b>1,388</b>       | <b>877</b>                           | <b>27,144</b>   |

1) Including impairment loss on goodwill of DKK 12 million recognised in Net profit/(loss) from discontinued operations in connection with remeasurement of Argentina and Uruguay when classified as held for sale on 30 June 2017.

## 14 DISPOSAL GROUPS

At 31 December 2016, assets classified as held for sale comprised three businesses in the Continental Europe, Northern Europe and Asia & Pacific regions for which sales processes were initiated during previous years. At 30 September 2017, the sales process of one of these disposal groups has been stopped and consequently it has been reclassified as held for use. The impact of the reclassification on the consolidated financial statements was insignificant. Sales processes were still ongoing for the remaining two businesses and these activities continued to be held for sale. In 2017, a reassessment of the fair value of one of the businesses resulted in an impairment loss of DKK 181 million being recognised in Other income and expenses, net with DKK 212 million and in Income taxes with DKK (31) million.

During the first nine months of 2017, the overall evaluation of our activities has led to the sales process initiation for two additional businesses in the Americas region, i.e. Argentina and Uruguay. At 30 September 2017, these activities were classified as held for sale, see note 9, Discontinued operations. These activities were presented in separate line items in the statement of financial position at the lower of the carrying amount and fair value less costs to sell. The reclassification resulted in an impairment loss of DKK 21 million being recognised in Net profit/(loss) from discontinued operations.

## 15 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 September 2017, the overall evaluation carried out by management resulted in no updated actuarial calculations being obtained as it is management's opinion that there are no significant changes to the assumptions applied at year-end 2016. Consequently, no actuarial gains or losses are recognised at 30 September 2017.

During the first nine months of 2017, a net pension gain of approximately DKK 60 million was recognised related to a decrease in benefits in Continental Europe due to a plan amendment.

## 16 LOANS AND BORROWINGS

In August 2017, the Group issued EUR 600 million of bonds maturing on 31 August 2027 with a coupon of 1.500% under the Group's existing EMTN programme of EUR 3 billion. The net proceeds of the offering have been used for repayment of Term Loan B (EUR 300 million) and for general corporate purposes. The repayment resulted in unamortised financing fees of DKK 7 million being expensed.



## 17 CONTINGENT LIABILITIES

### GUARANTEE COMMITMENTS

Indemnity and guarantee commitments (mainly towards public authorities and insurance companies) at 30 September 2017 amounted to DKK 453 million (31 December 2016: DKK 478 million).

### PERFORMANCE GUARANTEES

The Group has issued performance guarantee bonds for service contracts with an annual revenue of DKK 1,596 million (31 December 2016: DKK 1,791 million) of which DKK 1,175 million (31 December 2016: DKK 1,316 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 2017 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 2017.

### 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 2017.

## 18 RELATED PARTIES

### PARENT AND ULTIMATE CONTROLLING PARTY

The Group's parent ISS A/S is the ultimate controlling party. At 30 September 2017, 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)<sup>1)</sup> 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 2017.

<sup>1)</sup> The EGM comprise the Executive Group Management Board (the EGMB) and Corporate Senior Officers of the Group.

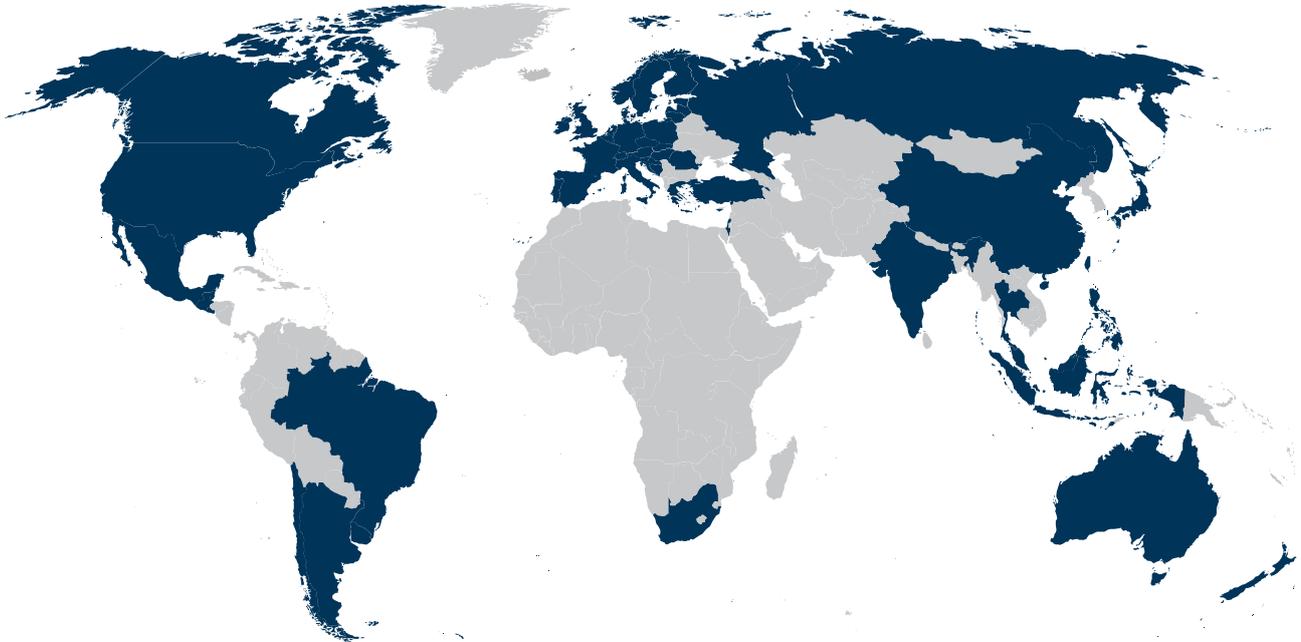
## 19 SUBSEQUENT EVENTS

On 30 October 2017, ISS announced the divestment of the route based cleaning activities in the Netherlands. The transaction is expected to be completed by mid-November 2017.

On 3 November 2017, ISS entered into a new senior unsecured revolving credit facility of EUR 1,000 million with a group of 15 banks. The new revolving credit facility matures in November 2022 and replaces the EUR 850 million revolving credit facility maturing in February 2019.

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 2017, 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 79 billion in 2016 and ISS has more than 490,000 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.