INTERIM REPORT FOR THE PERIOD 1 JANUARY – 30 JUNE 2017

Continued growth and stable margin in H1 2017

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

Highlights

- Organic revenue growth of 1.8% in H1 and 1.0% in Q2 (Q1 2017: 2.6%).
- Total revenue increased by 2% in H1 and Q2 (Q1 2017: 2%), driven by organic growth and a positive effect from the net impact from acquisitions and divestments, partly offset by a negative impact from foreign exchange effects.
- Operating margin of 5.0% in H1 (H1 2016: 4.9%) and 5.4% in Q2 (Q2 2016: 5.4%). The operating profit before other items increased to DKK 1,954 million in H1 (H1 2016: DKK 1,907 million) and DKK 1,079 million in Q2 (Q2 2016: 1,058 million).
- Cash conversion over the last twelve months of 92% (Q1 2017: 98%).
- Net profit (adjusted) decreased to DKK 1,056 million in H1 (H1 2016: DKK 1,155 million), negatively impacted by a DKK 212 million loss related to remeasurement of a business classified as held for sale in Northern Europe.
- Net profit decreased to DKK 839 million in H1 (H1 2016: DKK 897 million).
- On 28 April 2017, we completed the DKK 1.5 billion acquisition of Guckenheimer, a leading US food services company with an annual revenue of approximately DKK 2,300 million and 3,200 employees in 33 US states.
- Leverage at 30 June 2017 was 2.8x (30 June 2016: 2.5x), impacted by the acquisition of Guckenheimer. Our capital allocation and leverage objectives remain unchanged.
- We have extended our global IFS partnership with Barclays until 2022. In addition, we have significantly expanded and extended our large cleaning contract with National Westminster Bank in the UK into an IFS partnership including technical services and maintenance and won an IFS contract with ABB covering four countries in APAC.
- Revenue generated from IFS increased by 4% in local currency in H1 (Q1 2017: 6%), leading to a total share of 36% of Group revenue (Q1 2017: 36%).
- Revenue from Global Corporate Clients increased by 10% in local currency in H1 (Q1 2017: 10%) and represents 11% of Group revenue (Q1 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 June 2017, the Group activities in Argentina and Uruguay have been classified as discontinued operations and as held for sale.
- The 2017 outlook for organic revenue growth is narrowed to 1.5%-2.5% (from 1.5%-3.5% previously). Our expectations for operating margin (above 5.78%, restated) and cash conversion (above 90%) are unchanged.

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

"As we anticipated in May, our organic growth was down in Q2 compared to Q1. While the annualisation of losses and wins as well as the downsizing of some businesses were expected, we also faced some delays in contract start-ups and lower demand for non-portfolio services. The announced reduction in our future scope of services with DXC Technology is expected to come into effect from Q4 onwards. Our pipeline remains healthy and our value proposition compelling, as evidenced by recent contract wins with National Westminster Bank, ABB and BHP Billiton and extension with Barclays. Given our performance in H1 and our expectations for growth in H2, including the scope reduction with DXC Technology, we have narrowed our organic revenue outlook for the year from 1.5-3.5% to 1.5-2.5%, within the lower half of our original range."

Lord Allen of Kensington Kt CBE
Chairman

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Group CEO

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KEY FIGURES AND FINANCIAL RATIOS[1)]

DKK million (unless otherwise stated)	Q2 2017	Q2 2016	1 January - 30 June 2017	1 January - 30 June 2016
Income statement				
Revenue	20,086	19,768	39,468	38,830
Operating profit before other items	1,079	1,058	1,954	1,907
Operating margin [2)]	5.4%	5.4%	5.0%	4.9%
EBITDA	1,050	1,173	2,096	2,173
Adjusted EBITDA	1,257	1,233	2,307	2,261
Operating profit (adjusted)	872	998	1,743	1,819
Operating profit	740	818	1,481	1,478
Financial income	(1)	13	18	39
Financial expenses	(137)	(127)	(267)	(256)
Net profit (adjusted)	510	637	1,056	1,155
Net profit from continuing operations [3)]	452	498	909	897
Net profit/(loss) from discontinued operations [3)]	(57)	(0)	(70)	(0)
Net profit	395	498	839	897
Cash flow				
Cash flow from operating activities	360	802	(421)	31
Acquisition of intangible assets and property, plant and equipment, net	(245)	(147)	(425)	(295)
Free cash flow	111	658	(865)	(244)
Cash conversion	92%	97%	92%	97%
Financial position				
Total assets	49,001	47,726	49,001	47,726
Goodwill	23,379	22,391	23,379	22,391
Additions to property, plant and equipment	137	152	310	282
Total equity (attributable to owners of ISS A/S)	12,888	13,084	12,888	13,084
Equity ratio	26.3%	27.4%	26.3%	27.4%
Employees				
Number of employees end of period	492,004	501,839	492,004	501,839
Full-time employees	75%	74%	75%	74%
Growth				
Organic growth	1.0%	3.7%	1.8%	3.7%
Acquisitions and divestments, net	1 %	(1)%	0 %	(1)%
Currency adjustments	(1)%	(5)%	(1)%	(4)%
Total revenue growth	2 %	(2)%	2 %	(1)%
Financial leverage				
Pro forma adjusted EBITDA	5,347	5,243	5,347	5,243
Net debt	14,717	13,076	14,717	13,076
Net debt / Pro forma adjusted EBITDA	2.8x	2.5x	2.8x	2.5x
Stock market ratios				
Earnings per share:				
Basic earnings per share (EPS), DKK	2.1	2.7	4.6	4.9
Diluted earnings per share, DKK	2.1	2.7	4.5	4.8
Adjusted earnings per share, DKK	2.7	3.4	5.7	6.2
Earnings per share from continuing operations:				
Basic earnings per share (EPS), DKK	2.4	2.7	4.9	4.9
Diluted earnings per share, DKK	2.4	2.7	4.9	4.8
Adjusted earnings per share, DKK	3.0	3.4	6.0	6.2
Number of shares:				
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	183,892	183,679
Average number of shares (diluted) (in thousands)	185,519	184,938	185,500	185,030

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 have been classified as discontinued operations. Comparative figures for 2016 have been restated accordingly.

GROUP PERFORMANCE

OPERATING RESULTS

January – June 2017

Group revenue was DKK 39.5 billion, representing an increase of 2% compared with the same period last year. Organic growth amounted to 1.8%, while currency effects impacted revenue negatively by 1%.

Organic growth was supported by positive organic growth rates in all regions except Asia & Pacific. The organic growth was driven by growth in our portfolio services across all regions. This was partly offset by lower demand for non-portfolio services, 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 although slowing down due to phasing of contract start-ups and lower demand for non-portfolio services.

Operating profit before other items amounted to DKK 1,954 million (H1 2016: DKK 1,907 million) for an operating margin of 5.0% (H1 2016: 4.9%). The operating margin was supported by margin increases in Continental Europe and Asia & Pacific, including a positive impact from a decreased pension obligation in Continental Europe. This was partly offset by a negative group margin impact from acquisitions and divestments, mainly related to the acquisition of Guckenheimer in the USA as well as the divestment of the security activities in Finland. Furthermore, we saw a negative currency translation effect on the group margin. The net positive impact on the group margin of the decreased pension obligation and the negative margin impact from acquisitions and divestment as well as currency translation amounted to 6 bps. Finally, margins decreased in Northern Europe and the Americas compared with the same period last year, negatively impacted by operational challenges, including one-off costs in Sweden as well as one-off IFS contract start-up costs and under-performance within the specialised services division in North America. Corporate costs amounted to 0.8% of revenue (H1 2016: 0.8%), 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 4% (H1 2016: 9%) and an operating margin of 6.2% (H1 2016: 6.2%).

Financial income and expenses, net amounted to an expense of DKK 249 million for the first six months of 2017 (H1 2016: DKK 217 million). The increase in financial income and expenses, net was mainly due to slightly lower foreign exchange gains, net of DKK 17 million.

The effective tax rate per 30 June 2017 was 25.5% (H1 2016: 27.9%) calculated as Income taxes (adjusted) of DKK 381 million divided by Profit before tax (adjusted) of DKK 1,494 million. The effective tax rate was positively affected by non-taxable gains on divestments.

As per 30 June 2017, the Group's activities in Argentina and Uruguay, which are operated as a regional cluster, have been classified as discontinued operations and presented separately in the income statement as sales processes have been initiated. Net profit from discontinued operations was a loss of DKK 70 million for the first six 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 1,056 million (H1 2016: DKK 1,155 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 58 million to DKK 839 million.

Q2 2017

Group revenue in Q2 was DKK 20.1 billion, which was an increase of 2% compared with the same period last year. Organic growth amounted to 1.0% (Q1 2017: 2.6%) while the impact from acquisitions and divestments, net, increased revenue by 1% and currency effects impacted revenue negatively by 1%.

As expected, organic growth slowed from Q1. Organic growth in Q2 was supported by continued strong performance across several countries, particularly the USA, Turkey and Singapore. Organic growth was partly offset by continued organic revenue reduction especially in Brazil, Australia, Sweden and China, lower demand for non-portfolio services and the timing of contract launches and losses.

Operating profit before other items amounted to DKK 1,079 million (Q2 2016: DKK 1,058 million) for an operating margin of 5.4% (Q2 2016: 5.4%). The operating margin was supported by margin increases in several countries in Continental Europe and Asia & Pacific, including a positive impact from a decreased pension obligation in Continental Europe. This was partly offset by margin decreases in Sweden and North America. Finally, we saw a negative group margin impact from acquisitions and divestments, mainly related to the acquisition of Guckenheimer in the USA and a negative currency translation effect. Corporate costs amounted to 0.8% of revenue (Q2 2016: 0.8%), which is in line with expectations.

BUSINESS DEVELOPMENT

In H1, revenue generated from IFS was up by 4% (Q1 2017: 6%) in local currencies to DKK 14.3 billion, which corresponds to 36% (Q1 2017: 36%) of Group revenue. The growth was driven by IFS contract launches, extensions and expansions, including both new Global Corporate Clients as well as local contracts such as Heineken and Enexis in the Netherlands, Bombardier in North America, Royal Mail and a customer within the Transportation and Infrastructure segment in the UK, as well as the successful conversion of existing single service contracts to IFS contracts. This was partly offset by 2016 contract losses in Australia. As expected growth slowed from Q1 as a result of timing of contract launches and losses as well as a lower demand for non-portfolio services.

Since Q1, we have significantly expanded and extended our large cleaning contract with National Westminster Bank in the UK into an IFS partnership including technical services and maintenance and won an IFS contract with ABB covering four countries in APAC. Furthermore, we won IFS contracts with BHP Billiton in Australia and South Warwickshire NHS Foundation Trust in the UK. In addition, we extended and expanded our IFS partnerships with SEB, a leading Nordic financial services group. Finally, we will service Italian car manufacturer Fiat Chrysler Automotive at 21 sites throughout France mainly delivering multi-services.

In H1, revenue generated from Global Corporate Clients increased by 10% (Q1 2017: 10%) in local currencies to DKK 4.5 billion, representing approximately 11% of Group revenue (Q1 2017: 11%).

On 16 August 2017, we announced an extension of our global IFS partnership with Barclays until 2022. Earlier this year we converted a local relationship with Huawei in China to a Global Corporate Client relationship as we expanded the contract to include Integrated Facility Services across a number of countries in Europe. In addition, we are now expanding the contract to cover parts of Latin America.

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 ultimate reduction in scope and the associated timing remain uncertain, although we expect some loss of revenue with DXC Technology from Q4 2017. Total revenue generated from these two companies amounted to approximately 2% of the ISS Group in 2016.

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 June 2017 was 92%, 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 H1 represented a net cash outflow of DKK 421 million (H1 2016: net cash inflow of DKK 31 million). The cash outflow was primarily due to changes in working capital, changes in provisions, pensions and similar obligations and higher interest paid, net. This was partly offset by higher cash inflow from operating profit before other items.

Cash flow from operating activities in Q2 represented a net cash inflow of DKK 360 million (Q2 2016: DKK 802 million). The decrease in cash inflow was primarily due to a higher cash outflow from changes in working capital of DKK 248 million, mainly due to quarterly timing differences as well as changes in pension obligations.

Cash flow from investing activities

Cash flow from investing activities was a net cash outflow of DKK 1,869 million (H1 2016: DKK 315 million). Investments in intangible assets and property, plant and equipment, net, was DKK 425 million (H1 2016: DKK 295 million), which represented 1.1% of Group revenue (H1 2016: 0.8%). The cash outflow from acquisition of businesses of DKK 1,677 million mainly related to the acquisition of Guckenheimer in the USA. The cash inflow from divestments of businesses of DKK 252 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 in H1 was a net cash inflow of DKK 908 million (H1 2016: net outflow of DKK 1,455 million). The cash inflow was primarily related to drawing on credit facilities due to payment of the acquisition of Guckenheimer as well as normal seasonality.

Free cash flow

Free cash flow[1)] in H1 was a cash outflow of DKK 865 million (H1 2016: 244 million). The increased cash outflow was mainly due to the cash outflow from operating activities and from investments in intangible assets and property, plant and equipment, net, as a result of quarterly timing differences in investments.

STRATEGIC ACQUISITIONS AND DIVESTMENTS

On 28 April 2017, we acquired Guckenheimer, a leading US food services company with an estimated annual revenue of approximately DKK 2,300 million and 3,200 employees in 33 US states. The acquisitions support our strategic aim of strengthening our catering capabilities in North America.

On 28 April 2017, we completed the divestment of the Group's activities in Iceland and on 30 June 2017, we divested our real estate administration activities in Sweden. The divestments support our strategy to focus on geographies and services where we see the greatest opportunities for customer growth and profitability.

At 30 June 2017, five businesses in the Asia & Pacific, Americas as well as 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 1,539 million and DKK 560 million, respectively.

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.

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

CAPITAL STRUCTURE

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

The unsecured senior bank facilities consist of a term facility of EUR 300 million and a revolving credit facility of EUR 850 million, both maturing in 2019. The applicable drawn margin is determined semi-annually on the basis of a leverage grid.

Our objective is to maintain an investment grade financial profile, and the target is for the financial leverage to be below 2.5x pro forma adjusted EBITDA, taking seasonality into account. At the end of June 2017, the financial leverage was 2.8x (31 December 2016: 2.1x and 30 June 2016: 2.5x). The acquisition of Guckenheimer has led to a short-term increase of the financial leverage of 0.2x.

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 14,717 million at 30 June 2017, an increase of DKK 3,740 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 12,900 million at 30 June 2017 equivalent to an equity ratio of 26.3% (31 December 2016: 28.5%). The DKK 1,020 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 416 million. This was partly offset by a net profit for the period of DKK 839 million. The negative currency adjustments were mainly due to depreciation of GBP, HKD and TRY towards DKK.

STRATEGY UPDATE

ISS is a leader in the USD 1 trillion outsourced facility services market which is made up of different types of customers, services and providers. In this vast market, we have made a number of key strategic choices that define who we are and what we do.

We focus our offering on customers looking for value added service performance, as opposed to commodity service delivery, as these customers represent the opportunity to generate market leading growth, profit and cash conversion. To address this market, we have created a compelling value proposition. Its key elements are how we leverage our benefits of skill and scale within volume, concepts and talent to meet our target customers' demand. We aim to provide our services through our own employees with the right mind-set, values and capabilities (self-delivery) internationally and supported by industry leading best practice. We also deliver these services with a "single point of contact" solution running all of the services necessary to operate the customer's facilities – our integrated facility services solution.

Our operating model is based on a country-by-country organisation to remain close to the local labour market, culture and customers. We are increasingly aligned across the globe in accordance with a well-defined set of business fundamentals, tools and both financial and non-financial key performance indicators.

Over the past few years, we have focused on transforming our business to a new and aligned organisational structure both above the country level and within countries in order to ensure an efficient, transparent and customer centric organisation supported by functional expertise. The customer segmentation and alignment of country organisational structures initiative has been implemented, or is in the process of being implemented in countries representing approximately 80% of our revenue. To this end, we have also invested in new roles and capabilities. Benefits so far include a more efficient and effective cooperation between and within operations and supporting functions, minimising the number of management layers between country management and key account managers thus resulting in a strong customer interface and cost reductions above contract level.

We also continue to apply a greater level of technology in our solutions. In June 2016, we signed a commercial agreement with IBM to use technology for workforce optimisation (Integration@ISS) and thereby further leverage our integrated, self-delivery capabilities. Further, technology will be used to transform the management of over 25,000 customer buildings around the world. This will lead to insights from sensors and devices to create more personalised, intuitive and user friendly buildings as well as support synergies through integration of services. We have in 2017 initiated the implementation of the solution at a number of our customer sites.

We continue to make progress in our strategic initiatives (referred to as GREAT) which include customer segmentation, organisational structure and excellence projects such as our procurement programme and Business Process Outsourcing (BPO).

We 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.

We have completed phases I-III of the procurement excellence programme which primarily has focused on Europe. The total identified savings for phases I-III amount to DKK 450-550 million to be achieved during 2013-2019. In 2016, we initiated phase IV in Europe and increased the scope to also include the Americas and Asia & Pacific. Identified cost savings amount to a total of DKK 200-300 million to be achieved during 2016-2020. While part of these cost savings will increase margins, a substantial amount will be re-invested in the business in order to maintain and strengthen competitiveness.

The Business Process Outsourcing (BPO) project covers certain finance and accounting processes and targets improved financial processes and cost savings. The BPO project is being implemented in countries covering above 50% of Group revenue. Transitions are ongoing in additional countries. Furthermore, initiatives have been launched to harmonise selected sub-processes across the countries that have already launched the BPO project.

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

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%-3.5% to 1.5%-2.5%, or within the lower half of our original range. Expectations for margin and cash conversion remain unchanged from our Annual Report 2016. The amendment of the organic growth expectation is mainly a result of the lower organic growth seen in Q2 2017 combined with our expectations for the remainder of the year. Relative to our previous expectations, we now foresee weaker 2017 revenue in Sweden and China, weaker demand for non-portfolio services and a negative impact from the reduction in revenue with DXC Technology, commencing in Q4 2017. 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 outlook for 2017 for organic growth, operating margin and cash conversion is as follows.

- Organic growth is expected to be 1.5 – 2.5%.
- Operating margin in 2017 is expected to be above the 5.78% (restated for the reclassification of discontinued operations) realised in 2016.
- 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 July 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[1)] 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.

1) The forecasted average exchange rates for the financial year 2017 are calculated using the realised average exchange rates for the first seven months of 2017 and the average forward exchange rates (as of 11 August 2017) for the last five months of 2017.

Q2 2017

	Revenue			Growth components		
DKK million	Q2 2017	Q2 2016	Growth	Organic	Acq./div.	Currency
Continental Europe 1)	7,688	7,549	2 %	1 %	1 %	(0)%
Northern Europe 2)	6,409	6,837	(6)%	1 %	(3)%	(4)%
Asia & Pacific 3)	3,702	3,602	3 %	0 %	-	3 %
Americas 4)	2,282	1,764	29 %	1 %	23 %	5 %
Other Countries 5)	24	26	(9)%	(9)%	-	(0)%
Corporate / eliminations	(19)	(10)	(90)%	-	-	-
Group	**20,086**	**19,768**	**2 %**	**1.0 %**	**1 %**	**(1)%**
Emerging markets 6)	5,117	4,956	3 %	2 %	1 %	0 %

Q2 2017

	Operating profit before other items			Operating margin 7)	
DKK million	Q2 2017	Q2 2016	Growth	Q2 2017	Q2 2016
Continental Europe	478	418	14 %	6.2 %	5.5 %
Northern Europe	421	483	(13)%	6.6 %	7.1 %
Asia & Pacific	264	249	6 %	7.1 %	6.9 %
Americas	83	71	17 %	3.6 %	4.1 %
Other Countries	1	(0)	-	4.9 %	(0.7)%
Corporate / eliminations	(168)	(163)	(3)%	(0.8)%	(0.8)%
Group	**1,079**	**1,058**	**2 %**	**5.4 %**	**5.4 %**
Emerging markets	282	308	(8)%	5.5 %	6.2 %

YTD June 2017

	Revenue			Growth components		
DKK million	2017	2016	Growth	Organic	Acq./div.	Currency
Continental Europe	15,374	14,919	3 %	3 %	1 %	(1)%
Northern Europe	12,485	13,224	(6)%	2 %	(3)%	(5)%
Asia & Pacific	7,438	7,213	3 %	(0)%	-	3 %
Americas	4,163	3,457	20 %	2 %	12 %	6 %
Other Countries	51	49	4 %	2 %	-	2 %
Corporate / eliminations	(43)	(32)	(34)%	-	-	-
Group	**39,468**	**38,830**	**2 %**	**1.8 %**	**0 %**	**(1)%**
Emerging markets	10,354	9,839	5 %	4 %	1 %	0 %

YTD June 2017

	Operating profit before other items			Operating margin 7)	
DKK million	2017	2016	Growth	2017	2016
Continental Europe	840	737	14 %	5.5 %	4.9 %
Northern Europe	759	856	(11)%	6.1 %	6.5 %
Asia & Pacific	551	486	13 %	7.4 %	6.7 %
Americas	130	124	5 %	3.1 %	3.6 %
Other Countries	1	(1)	200 %	1.9 %	(1.2)%
Corporate / eliminations	(327)	(295)	(11)%	(0.8)%	(0.8)%
Group	**1,954**	**1,907**	**2 %**	**5.0 %**	**4.9 %**
Emerging markets	644	607	6 %	6.2 %	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 15,374 million in the first six 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 Turkey, Switzerland, Germany, the Netherlands and Belgium & Luxembourg. The organic growth was mainly driven by contract launches in the above mentioned countries, partly offset by our decision to reduce the activity level in Greece.

Operating profit before other items amounted to DKK 840 million in H1 generating an operating margin of 5.5% (H1 2016: 4.9%). 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 and France. The operating margin was negatively impacted by difficult market conditions in Portugal and Israel.

In Q2, revenue amounted to DKK 7,688 million driven by organic growth of 1% (Q1 2017: 4%) and the impact from acquisitions and divestments, net increased revenue with 1%. The organic growth was driven by contract launches and non-portfolio revenue in Turkey as well as contract launches in Switzerland and the Netherlands. This was partly offset by an organic revenue reduction in France, Spain and Greece. Operating profit before other items increased by 14% to DKK 478 million, resulting in an operating margin of 6.2% (Q2 2016: 5.5%). The improved operating margin was mainly supported by a decreased pension obligation in Continental Europe secured on the back of reduced interest rates, which was partly offset by lower activity in Israel.

NORTHERN EUROPE

Revenue was reduced by 6% to DKK 12,485 million, representing an organic growth of 2% in the first six months of 2017, while the impact from divestments reduced revenue by 3% and currency effects reduced revenue by 5% mainly due to a depreciation of GBP against DKK. The organic growth was mainly supported by 2016 contract launches in several countries. This was partly offset by contract losses and downscaling in the Industry & Manufacturing segment in Sweden.

Operating profit before other items amounted to DKK 759 million, resulting in an operating margin of 6.1% (H1 2016: 6.5%). 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. Furthermore, we saw a negative currency translation effect mainly due to a depreciation of GBP against DKK.

In Q2, revenue was reduced by 6% to DKK 6,409 million, representing an organic growth of 1% (Q1 2017: 2%), while the impact from divestments reduced revenue by 3% and currency effects reduced revenue by 4% mainly due to a depreciation of GBP and SEK against DKK. The organic growth was mainly supported by strong performance within the Business services & IT and Industry & Manufacturing segments in the UK & Ireland, as well as contract launches in 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 421 million, resulting in an operating margin of 6.6% (Q2 2016: 7.1%). The decrease in operating margin was mainly due to contracts losses and operational challenges within parts of the cleaning segment in Sweden. This was partly offset by margin improvements in Denmark and Norway.

ASIA & PACIFIC

Revenue amounted to DKK 7,438 million with flat organic growth in the first six months of 2017, while the impact from currency effects increased revenue by 3%. The organic revenue was driven by strong growth rates in Singapore and India as well as good performance in Indonesia, offset by organic revenue reduction in Australia and China. The organic revenue reduction was 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 5% in H1 2017.

Operating profit before other items increased to DKK 551 million, resulting in an operating margin of 7.4% (H1 2016: 6.7%). The operating margin improvement was mainly driven by strong performances in Singapore, India and Hong Kong, supported by operational efficiencies and cost savings as well as a strong performance on certain contracts in Singapore, partly offset by margin decreases in Thailand and China.

In Q2, revenue amounted to DKK 3,702 million with flat organic growth (Q1 2017: negative 1%) while currency effects increased revenue by 3%. Asia, with the exemption of China, continued to deliver strong organic growth offset by Australia. Operating profit before other items increased 6%, resulting in an operating margin of 7.1% (Q2 2016: 6.9%). The operating margin improvement was mainly driven by strong performances in Singapore, India and Hong Kong, supported by operational efficiencies and cost savings as well as a strong performance on certain contracts in Singapore, partly offset by margin decreases in Thailand and China.

AMERICAS

Revenue was DKK 4,163 million, up 20% compared to the same period last year. Organic growth was 2% in the first six months of 2017, while acquisitions and divestments, net and currency effects positively affected revenue by 12% and 6%, respectively. Organic growth was mainly driven by contract start-ups and continued 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 130 million, resulting in an operating margin of 3.1% for H1 2017 (H1

2016: 3.6%). The decrease in operating margin was mainly due to IFS contract start-ups and under-performance within the specialised services division in North America.

In Q2, revenue increased 29% to DKK 2,282 million reflecting an organic growth of 1% (Q1 2017: 3%) while acquisitions and divestments, net and currency effects increased revenue by 23% and 5%, respectively. Organic growth was mainly driven by strong performance and contract start-ups within the IFS division and Guckenheimer in North America and stronger demand for non-portfolio services in Mexico and solid growth in 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 83 million, resulting in an operating margin of 3.6% for Q2 2017 (Q2 2016: 4.1%). The decrease in operating margin was mainly due to IFS contract start-up costs and under-performance within the specialised services division in North America. This was partly offset by a margin improvement in Brazil, positively impacted by a customer settlement.

MANAGEMENT STATEMENT

Copenhagen, 17 August 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 June 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 June 2017 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 30 June 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 [1)]

Joseph Nazareth [1)]

Palle Fransen Queck [1)]

[1)] Employee representative

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

1 APRIL – 30 JUNE

		Q2 2017			Q2 2016		
DKK million	Note	Adjusted results	Acqui-sition-related	Reported results	Adjusted results	Acqui-sition-related	Reported results
Revenue	4	**20,086**	**-**	**20,086**	**19,768**	**-**	**19,768**
Staff costs		(12,824)	-	(12,824)	(12,825)	-	(12,825)
Consumables		(1,881)	-	(1,881)	(1,712)	-	(1,712)
Other operating expenses		(4,124)	-	(4,124)	(3,998)	-	(3,998)
Depreciation and amortisation [1]		(178)	-	(178)	(175)	-	(175)
Operating profit before other items		**1,079**	**-**	**1,079**	**1,058**	**-**	**1,058**
Other income and expenses, net	6	(207)	-	(207)	(60)	-	(60)
Goodwill impairment	7	-	-	-	-	(24)	(24)
Amortisation/impairment of brands and customer contracts		-	(132)	(132)	-	(156)	(156)
Operating profit		**872**	**(132)**	**740**	**998**	**(180)**	**818**
Financial income	8	(1)	-	(1)	13	-	13
Financial expenses	8	(137)	-	(137)	(127)	-	(127)
Profit before tax		**734**	**(132)**	**602**	**884**	**(180)**	**704**
Income taxes		(180)	30	(150)	(247)	41	(206)
Net profit from continuing operations		**554**	**(102)**	**452**	**637**	**(139)**	**498**
Net profit/(loss) from discontinued operations	9	**(44)**	**(13)**	**(57)**	**(0)**	**-**	**(0)**
Net profit		**510**	**(115)**	**395**	**637**	**(139)**	**498**
Attributable to:							
Owners of ISS A/S				393			498
Non-controlling interests				2			0
Net profit				**395**			**498**
Earnings per share:							
Basic earnings per share (EPS), DKK				2.1			2.7
Diluted earnings per share, DKK				2.1			2.7
Adjusted earnings per share, DKK [2]				2.7			3.4
Earnings per share from continuing operations:							
Basic earnings per share (EPS), DKK				2.4			2.7
Diluted earnings per share, DKK				2.4			2.7
Adjusted earnings per share, DKK [3]				3.0			3.4

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

Background for the income statement presentation is described in the 2016 Group Annual Report in section 1, p. 67.

CONDENSED CONSOLIDATED INCOME STATEMENT

1 JANUARY – 30 JUNE

DKK million	Note	YTD 2017 Adjusted results	YTD 2017 Acquisition-related	YTD 2017 Reported results	YTD 2016 Adjusted results	YTD 2016 Acquisition-related	YTD 2016 Reported results
Revenue	4	**39,468**	**-**	**39,468**	**38,830**	**-**	**38,830**
Staff costs		(25,641)	-	(25,641)	(25,605)	-	(25,605)
Consumables		(3,559)	-	(3,559)	(3,352)	-	(3,352)
Other operating expenses		(7,961)	-	(7,961)	(7,612)	-	(7,612)
Depreciation and amortisation [1]		(353)	-	(353)	(354)	-	(354)
Operating profit before other items		**1,954**	**-**	**1,954**	**1,907**	**-**	**1,907**
Other income and expenses, net	6	(211)	-	(211)	(88)	-	(88)
Goodwill impairment	7	-	-	-	-	(24)	(24)
Amortisation/impairment of brands and customer contracts		-	(262)	(262)	-	(317)	(317)
Operating profit		**1,743**	**(262)**	**1,481**	**1,819**	**(341)**	**1,478**
Financial income	8	18	-	18	39	-	39
Financial expenses	8	(267)	-	(267)	(256)	-	(256)
Profit before tax		**1,494**	**(262)**	**1,232**	**1,602**	**(341)**	**1,261**
Income taxes		(381)	58	(323)	(447)	83	(364)
Net profit from continuing operations		**1,113**	**(204)**	**909**	**1,155**	**(258)**	**897**
Net profit/(loss) from discontinued operations	9	**(57)**	**(13)**	**(70)**	**(0)**	**-**	**(0)**
Net profit		**1,056**	**(217)**	**839**	**1,155**	**(258)**	**897**
Attributable to:							
Owners of ISS A/S				837			896
Non-controlling interests				2			1
Net profit				**839**			**897**
Earnings per share:							
Basic earnings per share (EPS), DKK				4.6			4.9
Diluted earnings per share, DKK				4.5			4.8
Adjusted earnings per share, DKK [2]				5.7			6.2
Earnings per share from continuing operations:							
Basic earnings per share (EPS), DKK				4.9			4.9
Diluted earnings per share, DKK				4.9			4.8
Adjusted earnings per share, DKK [3]				6.0			6.2

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

Background for the income statement presentation is described in the 2016 Group Annual Report in section 1, p. 67.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 30 JUNE

DKK million	Note	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Net profit		**395**	**498**	**839**	**897**
Items not to be reclassified to the income statement in subsequent periods:					
Actuarial gains/(losses)	15	-	(353)	-	(353)
Impact from asset ceiling regarding pensions		-	4	-	4
Tax		(16)	74	(16)	74
Items to be reclassified to the income statement in subsequent periods:					
Foreign exchange adjustments of subsidiaries and non-controlling interests		(540)	(134)	(416)	(574)
Other comprehensive income		**(556)**	**(409)**	**(432)**	**(849)**
Comprehensive income		**(161)**	**89**	**407**	**48**
Attributable to:					
Owners of ISS A/S		(162)	89	405	47
Non-controlling interests		1	0	2	1
Comprehensive income		**(161)**	**89**	**407**	**48**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

1 JANUARY – 30 JUNE

DKK million	Note	Q2 2017	Q2 2016	YTD 2017	YTD 2016
Operating profit before other items		1,079	1,058	1,954	1,907
Operating profit before other items from discontinued operations		4	7	3	12
Depreciation and amortisation		178	176	354	355
Share-based payments		21	23	22	45
Changes in working capital		(417)	(133)	(1,795)	(1,547)
Changes in provisions, pensions and similar obligations		(132)	(26)	(137)	(81)
Other expenses paid		(104)	(34)	(157)	(85)
Interest received		7	12	16	22
Interest paid		(55)	(48)	(204)	(150)
Income taxes paid		(221)	(233)	(477)	(447)
Cash flow from operating activities	9	**360**	**802**	**(421)**	**31**
Acquisition of businesses	10	(1,691)	-	(1,677)	(25)
Divestment of businesses	11	176	(11)	252	(15)
Acquisition of intangible assets and property, plant and equipment		(255)	(176)	(449)	(337)
Disposal of intangible assets and property, plant and equipment		10	29	24	42
(Acquisition)/disposal of financial assets		(4)	3	(19)	20
Cash flow from investing activities	9	**(1,764)**	**(155)**	**(1,869)**	**(315)**
Other financial payments, net		1,826	314	2,326	55
Purchase of treasury shares		-	-	-	(149)
Dividends paid to shareholders		(1,418)	(1,358)	(1,418)	(1,358)
Dividends paid to non-controlling interests		-	(3)	-	(3)
Cash flow from financing activities	9	**408**	**(1,047)**	**908**	**(1,455)**
Total cash flow		**(996)**	**(400)**	**(1,382)**	**(1,739)**
Cash and cash equivalents at the begining of the period		3,971	3,126	4,300	4,526
Total cash flow		(996)	(400)	(1,382)	(1,739)
Foreign exchange adjustments		(181)	(12)	(124)	(73)
Cash and cash equivalents at 30 June		**2,794**	**2,714**	**2,794**	**2,714**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1 JANUARY – 30 JUNE

DKK million	Note	30 June 2017	30 June 2016	31 December 2016
ASSETS				
Intangible assets	13	27,425	26,399	26,361
Property, plant and equipment		1,539	1,518	1,572
Deferred tax assets		926	978	861
Other financial assets		347	404	358
Non-current assets		**30,237**	**29,299**	**29,152**
Inventories		299	290	276
Trade receivables		11,761	11,527	11,307
Tax receivables		257	226	235
Other receivables		2,114	1,874	1,992
Cash and cash equivalents		2,794	2,714	4,300
Assets classified as held for sale	14	1,539	1,796	1,520
Current assets		**18,764**	**18,427**	**19,630**
Total assets		**49,001**	**47,726**	**48,782**
EQUITY AND LIABILITIES				
Total equity attributable to owners of ISS A/S		12,888	13,084	13,910
Non-controlling interests		12	8	10
Total equity		**12,900**	**13,092**	**13,920**
Loans and borrowings		15,060	14,902	15,055
Pensions and similar obligations	15	1,518	1,966	1,638
Deferred tax liabilities		1,508	1,450	1,383
Provisions		195	269	256
Non-current liabilities		**18,281**	**18,587**	**18,332**
Loans and borrowings		2,508	931	283
Trade payables		3,253	3,073	4,068
Tax payables		255	264	339
Other liabilities		10,962	11,053	11,227
Provisions		282	173	187
Liabilities classified as held for sale	14	560	553	426
Current liabilities		**17,820**	**16,047**	**16,530**
Total liabilities		**36,101**	**34,634**	**34,862**
Total equity and liabilities		**49,001**	**47,726**	**48,782**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1 JANUARY – 30 JUNE

YTD 2017

DKK million	Note	Share capital	Retained earnings	Translation reserve	Treasury shares	Proposed dividends	Total	Non-controlling interests	Total equity
		Attributable to owners of ISS A/S							
Equity at 1 January		**185**	**12,717**	**(4)**	**(418)**	**1,430**	**13,910**	**10**	**13,920**
Net profit		-	837	-	-	-	837	2	839
Other comprehensive income		-	(16)	(416)	-	-	(432)	(0)	(432)
Comprehensive income		**-**	**821**	**(416)**	**-**	**-**	**405**	**2**	**407**
Share-based payments		-	45	-	-	-	45	-	45
Settlement of vested PSUs		-	(175)	-	116	-	(59)	-	(59)
Settlement of vested RSUs		-	-	-	5	-	5	-	5
Dividends paid to shareholders		-	-	-	-	(1,430)	(1,430)	-	(1,430)
Dividends, treasury shares		-	12	-	-	-	12	-	12
Transactions with owners		**-**	**(118)**	**-**	**121**	**(1,430)**	**(1,427)**	**-**	**(1,427)**
Changes in equity		**-**	**703**	**(416)**	**121**	**(1,430)**	**(1,022)**	**2**	**(1,020)**
Equity at 30 June		**185**	**13,420**	**(420)**	**(297)**	**-**	**12,888**	**12**	**12,900**

YTD 2016

DKK million	Note	Share capital	Retained earnings	Translation reserve	Treasury shares	Proposed dividends	Total	Non-controlling interests	Total equity
Equity at 1 January		**185**	**12,666**	**592**	**(323)**	**1,374**	**14,494**	**10**	**14,504**
Net profit		-	896	-	-	-	896	1	897
Other comprehensive income		-	(275)	(574)	-	-	(849)	0	(849)
Comprehensive income		**-**	**621**	**(574)**	**-**	**-**	**47**	**1**	**48**
Purchase of treasury shares		-	-	-	(149)	-	(149)	-	(149)
Share-based payments		-	45	-	-	-	45	-	45
Settlement of vested PSUs		-	(49)	-	49	-	-	-	-
Settlement of vested RSUs		-	-	-	5	-	5	-	5
Dividends paid to shareholders		-	-	-	-	(1,374)	(1,374)	-	(1,374)
Dividends, treasury shares		-	16	-	-	-	16	-	16
Dividends paid to non controlling interests		-	-	-	-	-	-	(3)	(3)
Transactions with owners		**-**	**12**	**-**	**(95)**	**(1,374)**	**(1,457)**	**(3)**	**(1,460)**
Changes in equity		**-**	**633**	**(574)**	**(95)**	**(1,374)**	**(1,410)**	**(2)**	**(1,412)**
Equity at 30 June		**185**	**13,299**	**18**	**(418)**	**-**	**13,084**	**8**	**13,092**

1 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements of ISS A/S for the period 1 January - 30 June 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 Initiatve
- Parts of Annual Improvements to IFRSs 2014-2016 Cycle

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

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

YTD 2016 DKK million	Continental Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total reportable segments
Revenue 1)	14,919	13,224	7,213	3,457	49	**38,862**
Operating profit before other items 2)	737	856	486	124	(1)	**2,202**
Operating profit	628	670	467	9	(1)	**1,773**
Total assets	19,775	17,734	7,836	3,773	14	**49,132**
Total liabilities	10,915	7,895	3,596	2,396	12	**24,814**

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

RECONCILIATION OF OPERATING PROFIT

DKK million	YTD 2017	YTD 2016
Operating profit for reportable segments	1,809	1,773
Unallocated corporate costs	(327)	(295)
Unallocated other income and expenses, net	(1)	-
Operating profit according to the income statement	**1,481**	**1,478**

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	1
Other	3	-
Other income	**133**	**1**
Loss on divestments	(212)	(41)
Restructuring projects	(107)	(46)
Acquisition and integration costs	(25)	(2)
Other expenses	**(344)**	**(89)**
Other income and expenses, net	**(211)**	**(88)**

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.

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 Brazil, Norway, France, the Netherlands, Denmark, the USA and Belgium. In 2016, costs mainly related to Brazil, Spain, Portugal, Finland, China and Belgium.

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
Goodwill impairment	**-**	**24**

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

At 30 June 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.

[1)] 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	13	17
Foreign exchange gains	5	22
Financial income	**18**	**39**
Interest expenses on loans and borrowings	(208)	(194)
Other bank fees	(31)	(27)
Net interest on defined benefit obligations	(11)	(18)
Amortisation of financing fees	(17)	(17)
Financial expenses	**(267)**	**(256)**

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.

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	233	233
Expenses	(230)	(221)
Operating profit before other items from discontinued operations	**3**	**12**
Other income and expenses, net	(48)	-
Goodwill impairment	(12)	-
Amortisation/impairment of brands and customer contracts	(1)	0
Operating profit from discontinued operations	**(58)**	**12**
Financial expenses, net	(10)	(10)
Profit/(loss) before tax from discontinued operations	**(68)**	**2**
Income taxes	(2)	(2)
Net profit/(loss) from discontinued operations	**(70)**	**(0)**
Earnings per share from discontinued operations:		
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
Cash flow from operating activities	**(44)**	**(1)**
Cash flow from investing activities	**(3)**	**(3)**
Cash flow from financing activities	**0**	**(1)**

10 ACQUISITIONS

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

Company/activity	Country	Service type	Consolidated in the income statement	Percentage interest	Annual revenue [1] (DKK million)	Number of employees [1]
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
Total					**2,682**	**4,030**

[1] 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 1,584 million.

During the period 28 April to 30 June 2017, Guckenheimer contributed revenue of DKK 427 million and operating profit before other items of DKK 17 million. Acquisition-related costs of DKK 12 million have been included in Other income and expenses, net.

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 1,242 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 six months of 2017, Evantec contributed revenue of DKK 161 million and operating profit before other items of DKK 11 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

	YTD 2017			YTD 2016
DKK million	Guckenheimer Enterprises, Inc.	Other acquisitions	Total acquisitions	Total acquisitions
Brands	56	-	56	
Customer contracts	273	15	288	-
Other non-current assets	84	5	89	-
Trade receivables	249	75	324	-
Other current assets	110	28	138	-
Pensions, deferred tax liabilities and other provisions	(172)	(49)	(221)	
Other non-current liabilities	(8)	-	(8)	-
Other current liabilities	(250)	(68)	(318)	-
Fair value of net assets acquired	**342**	**6**	**348**	**-**
Goodwill	1,242	262	1,504	-
Consideration transferred	**1,584**	**268**	**1,852**	**-**
Cash and cash equivalents in acquired businesses	-	(20)	(20)	-
Cash consideration transferred	**1,584**	**248**	**1,832**	**-**
Contingent and deferred consideration	-	(89)	(89)	25
Changes in prepaid purchase price	-	(66)	(66)	-
Acquisition of businesses (cash flow)	**1,584**	**93**	**1,677**	**25**

ACQUISITIONS SUBSEQUENT TO 30 JUNE 2017

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

11 DIVESTMENTS

The Group completed five divestments during 1 January - 30 June 2017 (one during 1 January - 30 June 2016).

Company/activity	Country	Service type	Excluded from the income statement	Percentage interest	Annual revenue [1] (DKK million)	Number of employees [1]
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
Total					**555**	**1,264**

[1] Unaudited financial information.

DIVESTMENT IMPACT

DKK million	YTD 2017	YTD 2016
Goodwill	24	-
Customer contracts	8	-
Other non-current assets	111	17
Current assets	80	14
Loans and borrowings	(37)	(3)
Other non-current liabilities	(16)	-
Other current liabilities	(53)	(18)
Fair value of net assets disposed	**117**	**10**
Gain/(loss) on divestment of businesses, net	130	(40)
Divestment costs, net of tax	40	3
Consideration received	**287**	**(27)**
Cash and cash equivalents in divested businesses	28	4
Cash consideration received	**315**	**(23)**
Contingent and deferred consideration	(1)	41
Divestment costs paid, net of tax	(62)	(33)
Divestment of businesses (cash flow)	**252**	**(15)**

DIVESTMENTS SUBSEQUENT TO 30 JUNE 2017

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

12 PRO FORMA REVENUE AND OPERATING PROFIT BEFORE OTHER ITEMS

Assuming all acquisitions and divestments during 1 January - 30 June 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	39,468	38,830
Acquisitions	833	-
Divestments	(144)	(28)
Pro forma revenue	**40,157**	**38,802**
Operating profit before other items recognised in the income statement	1,954	1,907
Acquisitions	41	-
Divestments	(9)	1
Pro forma operating profit before other items	**1,986**	**1,908**

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
2017					
Cost at 1 January	25,604	1,615	9,814	1,857	38,890
Foreign exchange adjustments	(440)	-	(183)	(19)	(642)
Acquisitions	1,504	56	288	5	1,853
Additions	-	-	-	169	169
Divestments	(63)	-	(48)	(84)	(195)
Disposals	-	-	-	(17)	(17)
Reclassification to Assets classified as held for sale	(26)	-	(6)	(2)	(34)
Cost at 30 June	**26,579**	**1,671**	**9,865**	**1,909**	**40,024**
Amortisation and impairment losses at 1 January	(3,250)	(26)	(8,261)	(992)	(12,529)
Foreign exchange adjustments	7	-	140	11	158
Amortisation	-	(2)	(257)	(89)	(348)
Acquisitions	-	-	-	(1)	(1)
Impairment losses [1)]	(12)	-	(3)	-	(15)
Divestments	39	-	41	19	99
Disposals	-	-	-	13	13
Reclassification to Assets classified as held for sale	16	-	6	2	24
Amortisation and impairment losses at 30 June	**(3,200)**	**(28)**	**(8,334)**	**(1,037)**	**(12,599)**
Carrying amount at 30 June	**23,379**	**1,643**	**1,531**	**872**	**27,425**

[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 June 2017, sales processes were still ongoing and the three businesses 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 six months of 2017, the continued 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 June 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 June 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 June 2017.

At 30 June 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 CONTINGENT LIABILITIES

GUARANTEE COMMITMENTS
Indemnity and guarantee commitments (mainly towards public authorities and insurance companies) at 30 June 2017 amounted to DKK 457 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 1,767 million (31 December 2016: DKK 1,791 million) of which DKK 1,323 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 June 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 June 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 June 2017.

17 RELATED PARTIES

PARENT AND ULTIMATE CONTROLLING PARTY

The Group's parent ISS A/S is the ultimate controlling party. At 30 June 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)[1)] have authority and responsibility for planning, implementing and controlling the Group's activities and are therefore considered as the Group's key management personnel.

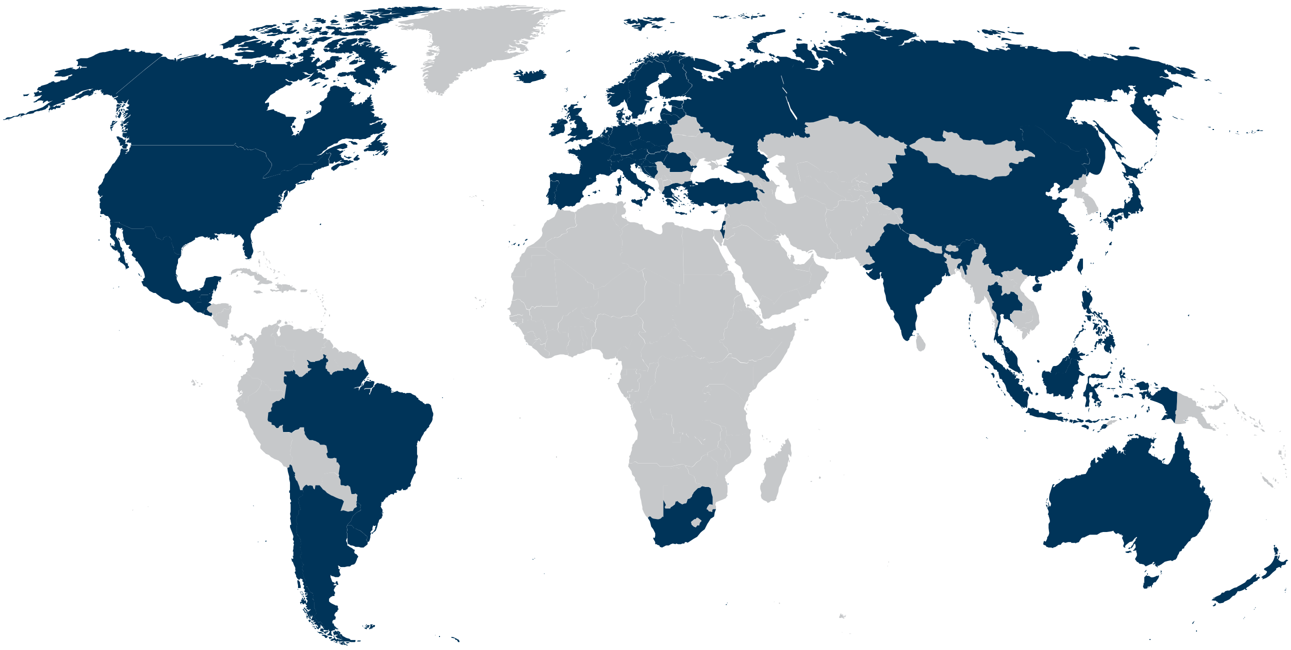
Apart from remuneration, including Long-Term Incentive Programmes, there were no significant transactions with members of the Board and the EGM during the first six months of 2017.

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

18 SUBSEQUENT EVENTS

Other than as set out elsewhere in these condensed consolidated interim financial statements, we are not aware of events subsequent to 30 June 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 79.1 billion in 2016 and ISS has more than 492,000 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.