20240628138900

Styrelsen och verkställande direktören för

ISS Palvelut Holding AB

Org nr 556764-3712

får härmed avge

Årsredovisning

för räkenskapsåret 1 januari - 31 december 2023

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Undertecknad i egenskap av Verkställande direktör för ISS Palvelut Holding AB intygar att resultaträkningen och balansräkningen i årsredovisningen har fastställts på årsstämman den 25 juni 2024. Årsstämman beslutade att godkänna styrelsens förslag till hur vinsten ska disponeras. Jag intygar också att innehållet i årsredovisningen och revisionsberättelsen stämmer överens med originalen.

Signatur

Namn: Gustaf Lundin

Datum: 25 juni 2024

Ort: Stockholm

20240628138991

Förvaltningsberättelse

Allmänt om verksamheten
ISS Palvelut Holding AB har inte bedrivit någon verksamhet under året.

Bolaget, med säte i Stockholm, ingår i ISS-koncernen där moderföretaget ISS A/S är börsnoterat på NASDAQ Köpenhamn.

Förväntad framtida utveckling samt väsentliga risker och osäkerhetsfaktorer
Bolaget bedriver inte någon egen verksamhet utan fungerar som holdingbolag och det finns därmed risker kopplat till dotterföretagets utveckling.

Utveckling av företagets verksamhet, resultat och ställning

Belopp i EUR	**2023**	**2022**	**2021**	**2020**	**2019**
Årets resultat	15 249	2 532	1 296	1 294	1 288
Balansomslutning	315 465 659	315 450 410	315 447 878	315 446 582	315 445 288
Eget Kapital	315 465 659	315 450 410	315 447 878	315 446 582	315 445 288
Soliditet	100,0%	100,0%	100,0%	100,0%	100,0%

Årets resultat som avser ränteintäkter har ökat 2023 jämfört med tidigare år. Ökningen beror på det högre ränteläget under 2023.

Förslag till disposition av företagets vinst
Styrelsen föreslår att fritt eget kapital, EUR 315 368 527, disponeras enligt följande:

Balanseras i ny räkning	315 368 527
Summa	315 368 527

Vad beträffar resultat och ställning i övrigt, hänvisas till efterföljande resultat- och balansräkningar med tillhörande noter.

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Resultaträkning

Belopp i EUR	*Not*	*2023-01-01 -2023-12-31*	*2022-01-01 -2022-12-31*
Resultat från finansiella poster			
Ränteintäkter och liknande resultatposter	2	15 249	2 532
Resultat efter finansiella poster		15 249	2 532
Resultat före skatt		15 249	2 532
Årets resultat		15 249	2 532

20240628013893

Balansräkning

Belopp i EUR	*Not*	*2023-12-31*	*2022-12-31*
TILLGÅNGAR			
Anläggningstillgångar			
Finansiella anläggningstillgångar			
Andelar i koncernföretag	3	315 021 089	315 021 089
		315 021 089	315 021 089
Summa anläggningstillgångar		315 021 089	315 021 089
Omsättningstillgångar			
Kortfristiga fordringar			
Fordringar hos koncernföretag		444 570	429 321
		444 570	429 321
Summa omsättningstillgångar		444 570	429 321
SUMMA TILLGÅNGAR		315 465 659	315 450 410
EGET KAPITAL OCH SKULDER			
Eget kapital	4		
Bundet eget kapital			
Aktiekapital		97 132	97 132
		97 132	97 132
Fritt eget kapital			
Överkursfond		238 846 868	238 846 868
Balanserad vinst		76 506 410	76 503 878
Årets resultat		15 249	2 532
		315 368 527	315 353 278
Summa eget kapital		315 465 659	315 450 410
SUMMA EGET KAPITAL OCH SKULDER		315 465 659	315 450 410

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Rapport över förändringar i eget kapital

Belopp i EUR

	Aktie-kapital	Överkurs-fond	Balanserat resultat	Årets resultat	Summa eget kapital
Ingående balans 2023-01-01	97 132	238 846 868	76 503 878	2 532	315 450 410
Omföring resultat föregående år			2 532	-2 532	–
Årets resultat				15 249	15 249
Utgående balans 2023-12-31	97 132	238 846 868	76 506 410	15 249	315 465 659

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Noter med redovisningsprinciper och bokslutskommentarer

Belopp i EUR om inget annat anges

Not 1 Redovisningsprinciper

Allmänna redovisningsprinciper
Årsredovisningen har upprättats i enlighet med Årsredovisningslagen (1995:1554) och Bokförings-nämndens allmänna råd BFNAR 2012:1 Årsredovisning och koncernredovisning (K3).

Värderingsprinciper m m
Tillgångar, avsättningar och skulder har värderats till anskaffningsvärden om inget annat anges nedan.

Finansiella tillgångar och skulder
Finansiella tillgångar och skulder redovisas i enlighet med kapitel 11 (Finansiella instrument värderade utifrån anskaffningsvärdet) i BFNAR 2012:1.

Redovisning i och borttagande från balansräkningen
En finansiell tillgång eller finansiell skuld tas upp i balansräkningen när företaget blir part i instrumentets avtalsmässiga villkor. En finansiell tillgång tas bort från balansräkningen när den avtalsenliga rätten till kassaflödet från tillgången har upphört eller reglerats. Detsamma gäller när de risker och fördelar som är förknippade med innehavet i allt väsentligt överförts till annan part och företaget inte längre har kontroll över den finansiella tillgången. En finansiell skuld tas bort från balansräkningen när den avtalade förpliktelsen fullgjorts eller upphört.

Värdering av finansiella tillgångar
Finansiella tillgångar värderas vid första redovisningstillfället till anskaffningsvärde, inklusive eventuella transaktionsutgifter som är direkt hänförliga till förvärvet av tillgången.

Finansiella omsättningstillgångar värderas efter första redovisningstillfället till det lägsta av anskaffningsvärdet och nettoförsäljningsvärdet på balansdagen.

Kundfordringar och övriga fordringar som utgör omsättningstillgångar värderas individuellt till det belopp som beräknas inflyta.

Finansiella anläggningstillgångar värderas efter första redovisningstillfället till anskaffningsvärde med avdrag för eventuella nedskrivningar och med tillägg för eventuella uppskrivningar.

Andelar i dotterföretag, intresseföretag och gemensamt styrda företag redovisas till anskaffnings-värde minskat med ackumulerade nedskrivningar. I anskaffningsvärdet ingår förutom inköpspriset även utgifter som är direkt hänförliga till förvärvet.

Värdering av finansiella skulder
Finansiella skulder värderas till upplupet anskaffningsvärde.

Skatt
Skatt på årets resultat i resultaträkningen består av aktuell skatt och uppskjuten skatt. Aktuell skatt är inkomstskatt för innevarande räkenskapsår som avser årets skattepliktiga resultat och den del av tidigare räkenskapsårs inkomstskatt som ännu inte har redovisats. Uppskjuten skatt är inkomstskatt för skattepliktigt resultat avseende framtida räkenskapsår till följd av tidigare transaktioner eller händelser.

Uppskjuten skatteskuld redovisas för alla skattepliktiga temporära skillnader, dock särredovisas inte uppskjuten skatt hänförlig till obeskattade reserver eftersom obeskattade reserver redovisas som en egen post i balansräkningen. Uppskjuten skattefordran redovisas för avdragsgilla temporära skillnader och för möjligheten att i framtiden använda skattemässiga underskottsavdrag.

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Koncernbidrag
Koncernbidrag som erhållits/lämnats redovisas som en bokslutsdisposition i resultaträkningen.
Det erhållna/lämnade koncernbidraget har påverkat företagets aktuella skatt.

Koncernuppgifter
ISS Palvelut Holding AB, med säte i Stockholm, är ett helägt dotterföretag till ISS Palvelut Holding Oy, org nr 2071865-0 med säte i Helsingfors, Finland. Bolaget ingår i en koncern där ISS Global A/S, reg nr 21 40 83 95, med säte i Köpenhamn Danmark, upprättar koncernredovisning för den minsta koncernen. Koncernredovisning för den största koncernen upprättas av ISS A/S, reg nr 28 50 47 99, med säte i Köpenhamn, Danmark.

De utländska moderföretagens koncernredovisningar finns att tillgå hos ISS A/S, Buddingevej 197, DK-2860 Søborg samt på adressen www.issworld.com.

Företaget som utgör moderföretag för en koncern med dotterföretag, enligt not Andelar i koncernföretag, upprättar ej koncernredovisning med hänvisning till undantaget i ÅRL 7:2 då företaget och dess samtliga dotterföretag omfattas av en koncernredovisning som upprättas av ISS A/S.

Närstående
Närståendetransaktioner
Bolaget har haft närståendetransaktioner på marknadsmässiga villkor med koncernbolaget ISS Global A/S.

Not 2 Ränteintäkter och liknande resultatposter

	2023-01-01 -2023-12-31	*2022-01-01 -2022-12-31*
Ränteintäkter, koncernföretag	15 249	2 532
	15 249	2 532

Not 3 Andelar i koncernföretag

	2023-12-31	*2022-12-31*
Ackumulerade anskaffningsvärden		
Vid årets början	315 021 089	315 021 089
Redovisat värde vid årets slut	315 021 089	315 021 089

Specifikation av bolagets innehav av aktier och andelar i koncernföretag

			2023-12-31
Dotterföretag / Org nr / Säte	*Antal andelar*	*Andel i %*	*Redovisat värde*
ISS Palvelut OY, 0906333-1, Helsingfors Finland	760 000	100,0	315 021 089
			315 021 089

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Not 4 Antal aktier och kvotvärde

	2023-12-31	*2022-12-31*
Antal aktier	1 000 st	1 000 st
Kvotvärde	97,132 EUR	97,132 EUR

Not 5 Disposition av vinst eller förlust

	2023-12-31	*2022-12-31*
Förslag till disposition av företagets vinst		
Till årsstämmans förfogande står följande vinstmedel:		
Överkursfond	238 846 868	238 846 868
Balanserade vinstmedel	76 506 410	76 503 878
Årets vinst	15 249	2 532
	315 368 527	315 353 278
Styrelsen föreslår att fritt eget kapital, EUR 315 368 527, disponeras enligt följande:		
Balanseras i ny räkning	315 368 527	315 353 278
Summa	315 368 527	315 353 278

20240628133938

Oslo 2024-05-29

Carl-Fredrik Bjor
Ordförande

Gustaf Landin
Verkställande direktör

Maria Hultengren Larsson
Styrelseledamot

Maciej Wasek
Styrelseledamot

Vår revisionsberättelse har lämnats

Ernst & Young AB

Jenny Göthberg
Auktoriserad revisor

20240628138999

Carl-Fredrik Bjor
Ordförande

Gustaf Landin
Verkställande direktör

Copenhagen 2024-05-24

Maria Hultengren Larsson
Styrelseledamot

Maciej Wasek
Styrelseledamot

Vår revisionsberättelse har lämnats

Ernst & Young AB

Jenny Göthberg
Auktoriserad revisor

20240522013900

Carl-Fredrik Bjor
Ordförande

Gustaf Landin
Verkställande direktör

Warsaw, 2024-05-22

Marla Hultengren Larsson
Styrelseledamot

Maciej Wasek
Styrelseledamot

Vår revisionsberättelse har lämnats

Ernst & Young AB

Jenny Göthberg
Auktoriserad revisor

20240528130601

Stockholm, 2024-05-21

Carl-Fredrik Bjor
Ordförande

Gustaf Landin
Verkställande direktör

Maria Hultengren Larsson
Styrelseledamot

Maciej Wasek
Styrelseledamot

Vår revisionsberättelse har lämnats den 25 juni 2024

Ernst & Young AB

Jenny Göthberg
Auktoriserad revisor

Fotokopian överensstämmer
med originalet Intygas

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0734360448

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20240628113902

Building a better working world

Revisionsberättelse

Till bolagsstämman i ISS Palvelut Holding AB, org.nr 556764-3712

Rapport om årsredovisningen

Uttalanden

Vi har utfört en revision av årsredovisningen för ISS Palvelut Holding AB för räkenskapsåret 2023.

Enligt vår uppfattning har årsredovisningen upprättats i enlighet med årsredovisningslagen och ger en i alla väsentliga avseenden rättvisande bild av ISS Palvelut Holding ABs finansiella ställning per den 31 december 2023 och av dess finansiella resultat för året enligt årsredovisningslagen. Förvaltningsberättelsen är förenlig med årsredovisningens övriga delar.

Vi tillstyrker därför att bolagsstämman fastställer resultaträkningen och balansräkningen.

Grund för uttalanden

Vi har utfört revisionen enligt International Standards on Auditing (ISA) och god revisionssed i Sverige. Vårt ansvar enligt dessa standarder beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till ISS Palvelut Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen och verkställande direktören som har ansvaret för att årsredovisningen upprättas och att den ger en rättvisande bild enligt årsredovisningslagen. Styrelsen och verkställande direktören ansvarar även för den interna kontroll som de bedömer är nödvändig för att upprätta en årsredovisning som inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag.

Vid upprättandet av årsredovisningen ansvarar styrelsen och verkställande direktören för bedömningen av bolagets förmåga att fortsätta verksamheten. De upplyser, när så är tillämpligt, om förhållanden som kan påverka förmågan att fortsätta verksamheten och att använda antagandet om fortsatt drift. Antagandet om fortsatt drift tillämpas dock inte om styrelsen och verkställande direktören avser att likvidera bolaget, upphöra med verksamheten eller inte har något realistiskt alternativ till att göra något av detta.

Revisorns ansvar

Våra mål är att uppnå en rimlig grad av säkerhet om att årsredovisningen som helhet inte innehåller några väsentliga felaktigheter, vare sig dessa beror på oegentligheter eller misstag, och att lämna en revisionsberättelse som innehåller våra uttalanden. Rimlig säkerhet är en hög grad av säkerhet, men är ingen garanti för att en revision som utförs enligt ISA och god revisionssed i Sverige alltid kommer att upptäcka en väsentlig felaktighet om en sådan finns. Felaktigheter kan uppstå på grund av oegentligheter eller misstag och anses vara väsentliga om de enskilt eller tillsammans rimligen kan förväntas påverka de ekonomiska beslut som användare fattar med grund i årsredovisningen.

Som del av en revision enligt ISA använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Dessutom:

- identifierar och bedömer vi riskerna för väsentliga felaktigheter i årsredovisningen, vare sig dessa beror på oegentligheter eller misstag, utformar och utför granskningsåtgärder bland annat utifrån dessa risker och inhämtar revisionsbevis som är tillräckliga och ändamålsenliga för att utgöra en grund för våra uttalanden. Risken för att inte upptäcka en väsentlig felaktighet till följd av oegentligheter är högre än för en väsentlig felaktighet som beror på misstag, eftersom oegentligheter kan innefatta agerande i maskopi, förfalskning, avsiktliga utelämnanden, felaktig information eller åsidosättande av intern kontroll.
- skaffar vi oss en förståelse av den del av bolagets interna kontroll som har betydelse för vår revision för att utforma granskningsåtgärder som är lämpliga med hänsyn till omständigheterna, men inte för att uttala oss om effektiviteten i den interna kontrollen.
- utvärderar vi lämpligheten i de redovisningsprinciper som används och rimligheten i styrelsens och verkställande direktörens uppskattningar i redovisningen och tillhörande upplysningar.
- drar vi en slutsats om lämpligheten i att styrelsen och verkställande direktören använder antagandet om fortsatt drift vid upprättandet av årsredovisningen. Vi drar också en slutsats, med grund i de inhämtade revisionsbevisen, om det finns någon väsentlig osäkerhetsfaktor som avser sådana händelser eller förhållanden som kan leda till betydande tvivel om bolagets förmåga att fortsätta verksamheten. Om vi drar slutsatsen att det finns en väsentlig osäkerhetsfaktor, måste vi i revisionsberättelsen fästa uppmärksamheten på upplysningarna i årsredovisningen om den väsentliga osäkerhetsfaktorn eller, om sådana upplysningar är otillräckliga, modifiera uttalandet om årsredovisningen. Våra slutsatser baseras på de revisionsbevis som inhämtas fram till datumet för revisionsberättelsen. Dock kan framtida händelser eller förhållanden göra att ett bolag inte längre kan fortsätta verksamheten.
- utvärderar vi den övergripande presentationen, strukturen och innehållet i årsredovisningen, däribland upplysningarna, och om årsredovisningen återger de underliggande transaktionerna och händelserna på ett sätt som ger en rättvisande bild.

Vi måste informera styrelsen om bland annat revisionens planerade omfattning och inriktning samt tidpunkten för den. Vi måste också informera om betydelsefulla lakttagelser under revisionen, däribland de eventuella betydande brister i den interna kontrollen som vi identifierat.

20240628113903

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Rapport om andra krav enligt lagar och andra författningar

Uttalanden

Utöver vår revision av årsredovisningen har vi även utfört en revision av styrelsens och verkställande direktörens förvaltning av ISS Palvelut Holding AB för räkenskapsåret 2023 samt av förslaget till dispositioner beträffande bolagets vinst eller förlust.

Vi tillstyrker att bolagsstämman disponerar vinsten enligt förslaget i förvaltningsberättelsen och beviljar styrelsens ledamöter och verkställande direktören ansvarsfrihet för räkenskapsåret.

Grund för uttalanden

Vi har utfört revisionen enligt god revisionssed i Sverige. Vårt ansvar enligt denna beskrivs närmare i avsnittet *Revisorns ansvar*. Vi är oberoende i förhållande till ISS Palvelut Holding AB enligt god revisorssed i Sverige och har i övrigt fullgjort vårt yrkesetiska ansvar enligt dessa krav.

Vi anser att de revisionsbevis vi har inhämtat är tillräckliga och ändamålsenliga som grund för våra uttalanden.

Styrelsens och verkställande direktörens ansvar

Det är styrelsen som har ansvaret för förslaget till dispositioner beträffande bolagets vinst eller förlust. Vid förslag till utdelning innefattar detta bland annat en bedömning av om utdelningen är försvarlig med hänsyn till de krav som bolagets verksamhetsart, omfattning och risker ställer på storleken av bolagets egna kapital, konsolideringsbehov, likviditet och ställning i övrigt.

Styrelsen ansvarar för bolagets organisation och förvaltningen av bolagets angelägenheter. Detta innefattar bland annat att fortlöpande bedöma bolagets ekonomiska situation och att tillse att bolagets organisation är utformad så att bokföringen, medelsförvaltningen och bolagets ekonomiska angelägenheter i övrigt kontrolleras på ett betryggande sätt. Verkställande direktören ska sköta den löpande förvaltningen enligt styrelsens riktlinjer och anvisningar och bland annat vidta de åtgärder som är nödvändiga för att bolagets bokföring ska fullgöras i överensstämmelse med lag och för att medelsförvaltningen ska skötas på ett betryggande sätt.

Revisorns ansvar

Vårt mål beträffande revisionen av förvaltningen, och därmed vårt uttalande om ansvarsfrihet, är att inhämta revisionsbevis för att med en rimlig grad av säkerhet kunna bedöma om någon styrelseledamot eller verkställande direktören i något väsentligt avseende:

- företagit någon åtgärd eller gjort sig skyldig till någon försummelse som kan föranleda ersättningsskyldighet mot bolaget, eller
- på något annat sätt handlat i strid med aktiebolagslagen, årsredovisningslagen eller bolagsordningen.

Vårt mål beträffande revisionen av förslaget till dispositioner av bolagets vinst eller förlust, och därmed vårt uttalande om detta, är att med rimlig grad av säkerhet bedöma om förslaget är förenligt med aktiebolagslagen.

Rimlig säkerhet är en hög grad av säkerhet, men ingen garanti för att en revision som utförs enligt god revisionssed i Sverige alltid kommer att upptäcka åtgärder eller försummelser som kan föranleda ersättningsskyldighet mot bolaget, eller att ett förslag till dispositioner av bolagets vinst eller förlust inte är förenligt med aktiebolagslagen.

Som en del av en revision enligt god revisionssed i Sverige använder vi professionellt omdöme och har en professionellt skeptisk inställning under hela revisionen. Granskningen av förvaltningen och förslaget till dispositioner av bolagets vinst eller förlust grundar sig främst på revisionen av räkenskaperna. Vilka tillkommande granskningsåtgärder som utförs baseras på vår professionella bedömning med utgångspunkt i risk och väsentlighet. Det innebär att vi fokuserar granskningen på sådana åtgärder, områden och förhållanden som är väsentliga för verksamheten och där avsteg och överträdelser skulle ha särskild betydelse för bolagets situation. Vi går igenom och prövar fattade beslut, beslutsunderlag, vidtagna åtgärder och andra förhållanden som är relevanta för vårt uttalande om ansvarsfrihet. Som underlag för vårt uttalande om styrelsens förslag till dispositioner beträffande bolagets vinst eller förlust har vi granskat om förslaget är förenligt med aktiebolagslagen.

Stockholm den 25 juni 2024

Ernst & Young AB

Jenny Göthberg
Auktoriserad revisor

Fotokopians överensstämmer med originalet Intygas

Thomas Bergbull
Handelsvägen 22
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20240628139O4

Annual report 2023

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Annual report
1 January – 31 December 2023

Approved at the annual general meeting
On 10 April 2024

Bjørn Raasteen
Chair of the annual general meeting

20240628130905

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[1] Management review comprises pp. 2–32.

2023 Sustainability Report
The 2023 Sustainability Report of the ISS A/S Group as per section 99a of the Danish Financial Statements Act is available here:
Sustainability-Report-2023.pdf (issworld.com)

2023 Remuneration Report
The remuneration policy is described in the 2023 Remuneration Report which is available here:
Remuneration-Report-2023.pdf (issworld.com)

ISS Global A/S

– an integral part of the ISS A/S Group
ISS Global A/S is an indirectly, wholly owned subsidiary of ISS A/S, a leading, global provider of workplace and facility service solutions, listed on Nasdaq Copenhagen. ISS Global A/S owns – directly or indirectly – the ISS Group's operating companies (together referred to as "ISS", "the Group" or "the ISS Global Group"). ISS Global A/S operates as the ISS Group's internal bank and therefore holds the majority of the ISS Group's external funding.

As part of its financing function ISS Global has entered into the Euro Medium Term Programme (EMTN Programme) whereunder the ISS Global A/S Group may from time to time issue notes to raise funding. Notes under the programme have been admitted to trading on the Luxembourg Stock Exchange's regulated market. The aggregated nominal amount of Notes outstanding will not at any time exceed €3.000.000.000. No updates to the EMTN programme have occurred in 2023. EUR 300 million of EMTN bonds will mature in December 2024 and EUR 500 million will mature in July 2025. In the first half of 2024, the Group will evaluate different financing options. Except for this, ISS has no material short-term debt maturities.

ISS Global A/S is an integral part of the ISS A/S Group. Thus, operating, financing and investing activities are managed for the ISS A/S Group as a whole, rather than specifically for the ISS Global Group.

The management team of the ISS Global Group formally consists of the Board of Directors and the Executive Management of ISS Global A/S. Since ISS Global A/S has no operating activities independently of the ISS A/S Group, the ISS Global Group relies on the management team of ISS A/S, which is considered the ISS Global Group's key management personnel.

Due to this structure, the sections OneISS strategy, The Company of Belonging, Diversity, Our journey to net zero, Our business risks, Corporate governance and Our governance structure of the Management review, pp. 16–31, are described in the context of the ISS A/S Group.

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Key figures & ratios

Financials	2023	2022	2021	2020	2019
Results (DKKm)					
Revenue	78,702	73,858	71,383	70,767	77,715
Operating profit before other items	4,150	3,811	2,920	(2,501)	3,829
Operating profit before other items, excl. IAS 29	*4,198*	*3,840*	*2,920*	*(2,501)*	*3,829*
Operating profit	2,881	2,602	1,628	(4,899)	2,059
Financial expenses, net	(410)	(313)	(573)	(549)	(695)
Net profit from continuing operations	2,016	1,991	496	(5,262)	798
Net profit from discontinued operations[1)]	(1,725)	(36)	110	46	(46)
Net profit	291	1,955	606	(5,216)	752
Cash flow (DKKm)					
Cash flow from operating activities	3,284	3,020	3,221	(886)	1,275
Acquisition of intangible assets and property, plant and equipment, net	(553)	(588)	(424)	(552)	(897)
Free cash flow	1,819	1,616	1,900	(2,143)	(264)
Free cash flow, excl. IAS 29	*1,835*	*1,608*	*1,900*	*(2,143)*	*(264)*
Financial position (DKKm)					
Total assets	44,766	43,564	40,357	40,134	42,945
Goodwill	15,121	15,853	15,063	15,093	16,513
Additions to property, plant and equipment and right-of-use assets	1,298	1,104	1,164	1,120	1,371
Equity	7,126	7,026	4,246	3,195	2,711
Net debt	6,602	8,072	9,816	12,345	17,274

Ratios

Financial ratios					
Operating margin	5.3 %	5.2 %	4.1 %	(3.5)%	4.9 %
Operating margin, excl. IAS 29	*5.3 %*	*5.2 %*	*4.1 %*	*(3.5)%*	*4.9 %*
Equity ratio	15.9 %	16.1 %	10.5 %	8.0 %	6.3 %
Organic growth	9.7 %	8.4 %	2.0 %	(6.6)%	7.1 %
Acquisitions and divestments, net	0.5 %	(5.8)%	(0.5)%	(0.2)%	(2.2)%
Currency adjustments	(3.6)%	0.9 %	(0.6)%	(2.1)%	0.7 %
Total revenue growth	6.6 %	3.5 %	0.9 %	(8.9)%	5.6 %

ESG

Social data					
Full-time employees, %	77%	77%	76%	75%	77%
Employees (end of period), number	352,508	350,793	354,394	378,724	470,806
Employees (average), number	348,751	352,540	362,554	434,664	483,296

[1)] In 2023, France was presented as discontinued operations. Comparatives for 2022 are restated.

For definitions, see 8.5, Definitions.

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2024 outlook

ISS Global A/S is an indirectly, wholly owned subsidiary of ISS A/S and an integrated part of the ISS A/S Group.

In 2023, ISS took further steps in unfolding the full potential of the OneISS strategy, and the financial performance improved. With recent years' operational and financial progress as well as the prioritisation of the OneISS strategic initiatives, a solid foundation for continued progress in 2024 is provided.

The 2024 outlook for organic growth, operating margin and free cash flow assumes that macroeconomic and geopolitical uncertainties remain high. ISS has robust operating processes and is well positioned to operate in this environment. The execution of the OneISS strategy will continue and enhance the operating model, strengthen competitiveness, and increase focus on growth initiatives. The outlook is excluding any effects of hyperinflation (IAS 29).

Organic growth
4 – 6%
(2023: 9.7%)

Organic growth is expected to be 4-6% for 2024. Growth will be driven by price increases implemented across the Group as the tight management of cost inflation will be maintained. In addition, positive volume growth from increasing activity levels at customer sites and contract expansions is expected, as well as a positive contribution from net contract wins. The impact from projects and above-base work is expected to be neutral to slightly negative.

Operating margin[1)]
> 6%
(2023: 5.3%)

Operating margin is expected to be above 6%. Compared to the 2023 underlying margin of 5.5%, the main drivers of the increase are continuing operational improvements and efficiencies across the Group as well as operational benefits and cost savings generated from the review of the OneISS initiatives.

[1)] Based on operating profit before other items

Free cash flow
> DKK 1.7 billion
(2023: DKK 1.8bn)

In 2024 free cash flow is expected to be above DKK 1.7 billion, adversely impacted by timing effects including certain payments being withheld by Deutsche Telekom as described on p. 6 of this report.

Other revenue impacts
Acquisitions and divestments, net
~ 0.5%-point (positive)

Based on acquisitions and divestments completed by 15 February 2024 (including in 2023).

Foreign exchange rates
~ 2%-points (negative)[2)]

Based on current exchange rates, excluding any effects of hyperinflation (IAS 29).

[2)] The forecasted average FX rates for 2024 are calculated using the realised average FX rates for the first month of 2024 and the average forward FX rates (as of 19 February 2024) for the remaining eleven months of 2024

Delivery on 2023 outlook

	Organic growth	Operating margin	Free cash flow
Annual report 2022	4 - 6%	5.0 - 5.5%	~DKK 1.7bn
H1 2023	7 - 9%	Unchanged	Unchanged
Actual 2023	9.7%	5.3%	DKK 1.8bn

The outlook should be read in conjunction with Forward-looking statements, p. 137 and Our business risks, pp. 25–27.

For Definitions, see 8.5, Definitions on p. 114.

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Group results

2023 was a year of significant macroeconomic and geopolitical uncertainty, but ISS's operating model showed resilience and financial results improved. Successful implementation of price increases combined with underlying volume growth from increased activity levels at customer sites secured high organic growth. Profitability improvements were broad-based driven by OneISS efficiencies and cost initiatives as well as improvements in the UK and on the Deutsche Telekom contract.

Revenue

Group revenue in 2023 was DKK 78.7 billion, an increase of 6.6% compared with 2022. Organic growth was 9.7% and the impact from acquisitions and divestments, net was 0.5%. Currency and other effects were a negative 3.6%, including the impact of hyperinflation in Türkiye of (0.2)%.

Organic growth remained high throughout 2023, but growth rates reduced as expected during the year from 12% in Q1 to 7% in Q4, as the comparative figures for 2022 reflected the return-to-office trend which picked up in the second half of 2022. Portfolio revenue grew by 12% organically.

Price increases contributed around 6.5% to organic growth, of which around half was related to price increases implemented in Türkiye.

Across the Group, cost inflation was high, predominantly driven by wage adjustments to minimum and collective agreements. This effect was to a large extent mitigated through implementation of price increases to customers in accordance with contractual terms. In addition, underlying volume growth from higher activity levels at customer sites and office occupancy rates contributed just above 3% to the organic growth for the Group. Food services, in particular, was positively affected by this development and revenue increased by around 18%, mainly driven by more than 20% organic growth in the US from predominantly office-based food services. In 2023, food services accounted for 15% of Group revenue (2022: 14%).

Revenue from projects and above-base work accounted for 16% (2022: 18%) of Group revenue, a slight organic decline and thereby contributed marginally negative to organic growth for the Group. Demand for traditional projects and above-base work remained solid, but this was offset by reduced demand for Covid-19-related services mainly in the Asia-Pacific region as the last restrictions were lifted in January 2023.

The organic growth contribution from net contract wins was slightly positive as contracts won during 2022 and 2023 and the full-year effect of the contract win with a global retailer in the US that mobilised in H2 2022 more than offset the effects from the exit of the Danish Defence contract in May 2022 and contracts lost during 2023.

Revenue from key account customers accounted for 72% of Group revenue in 2023 (2022: 73%) and grew organically by 7.9%. Growth was driven by increased activity levels, investments in workplaces and price increases.

All regions contributed to the positive organic growth in 2023. The highest growth rates were reported in the Central & Southern Europe region mainly driven by Türkiye, where price increases mitigated high cost inflation and underlying volume growth and contract wins provided positive contributions.

Revenue[1)]

(DKKm)	2023	2022	Organic growth	Acq./ div.	Currency & other adj.	Revenue Growth
Northern Europe	29,324	28,694	6%	(0)%	(4)%	2%
Central & Southern Europe	24,805	21,800	16%	2%	(4)%	14%
Central & Southern Europe, excl. IAS 29	*24,807*	*21,646*	*16%*	*2%*	*(3)%*	*15%*
Asia & Pacific	14,229	14,012	7%	(0)%	(5)%	2%
Americas	9,605	8,585	13%	-	(1)%	12%
Other countries	783	795	0%	-	(2)%	(2)%
Corporate / eliminations	(44)	(28)	-	-	-	-
Group	**78,702**	**73,858**	**9.7%**	**0.5%**	**(3.6)%**	**6.6%**

[1)] Excluding ISS France (presented as discontinued operations)

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Operating profit before other items

Operating profit before other items amounted to DKK 4,150 million corresponding to an operating margin of 5.3% (2022: 5.2%). Excluding the effect from hyperinflation in Türkiye, operating profit before other items was DKK 4,198 million leading to an operating margin of 5.3% (2022: 5.2%).

In the second half of the year, a review and prioritisation of OneISS initiatives, which were launched in 2020, was conducted. As a result of the review, one-off costs of DKK 155 million were recognised, impacting operating margin negatively by around 0.2%-point. The majority of recognised one-off costs have cash flow impact in 2024. One-off costs related mainly to severance payments and general cost adjustments to enhance strategic and operational execution. Adjusted for one-off costs, operating margin was approximately 5.5%.

In 2023, the cost base was impacted by rising inflation rates, mainly because of increasing minimum wages and collective wage agreements.

ISS has strong and well-embedded processes in place, and price increases were implemented in line with contractual agreements. Combined with operational efficiencies, the effect from inflation was mitigated, and the operating margin was generally unaffected.

The improvement to operating margin in 2023 was driven by benefits from OneISS efficiencies and cost initiatives across the Group. Furthermore, operating leverage from the higher revenue impacted the margin positively. In addition continued improvements on the Deutsche Telekom contract and in the UK contributed to the improved operating margin. However, both the UK and Deutsche Telekom contracts remained dilutive to the Group operating margin, and management continues to plan and implement further initiatives to strengthen operational and financial performance.

Deutsche Telekom AG

In July 2019, ISS and Deutsche Telekom AG (DTAG) commenced the 10.5-years FM contract under which ISS renders integrated facility services to more than 8,000 DTAG sites across Germany. In the early stages of the contract, financial performance was negatively impacted by a complicated IT migration and operational challenges which led to a material cost overrun. Subsequently, ISS Germany has worked intensely on improvements and has strengthened the operational and financial performance of the contract. The improvements continued in 2023, and management plans to implement additional initiatives to further strengthen operational and financial performance. However, the contract remains structurally challenging, and performance is dilutive to the Group operating margin.

As previously informed, ISS and DTAG have certain contractual disagreements. In December 2022, ISS has initiated the establishment of an Arbitration Tribunal under the German Institute of Arbitration (DIS) to decide on these disagreements. The arbitration proceedings are expected to complete with a final and binding ruling by mid-2025.

In the proceedings ISS and DTAG have exchanged claims against each other. ISS has claimed remuneration for services performed. DTAG has disputed the claims and is currently withholding certain payments to ISS related to the services delivered.

Profitability on the Deutsche Telekom contract improved further from the breakeven level at the end of 2022 driven by a continued strict focus on achieving operational efficiencies in all areas of the contract. The arbitration process initiated by ISS regarding certain contractual disagreements is still ongoing as further described above.

From a regional perspective, margin improvements were broad-based and were achieved through the realisation of OneISS efficiencies and operating leverage from the higher revenue.

Operating profit before other items[1)]

(DKKm)		2023		2022
Northern Europe	1,572	5.4%	1,519	5.3%
Central & Southern Europe	1,439	5.8%	1,117	5.1%
Central & Southern Europe, excl. IAS 29	*1,487*	*6.0%*	*1,146*	*5.3%*
Asia & Pacific	875	6.1%	882	6.3%
Americas	489	5.1%	445	5.2%
Other countries	48	6.1%	60	7.6%
Corporate / eliminations	(273)	-	(212)	-
Total	**4,150**	**5.3%**	**3,811**	**5.2%**
Total, excl. hyperinflation (IAS 29)	***4,198***	***5.3%***	***3,840***	***5.2%***

[1)] Excluding ISS France (presented as discontinued operations)

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Central & Southern Europe contributed the most to the improvement, mainly driven by generally solid developments and continued progress on the Deutsche Telekom contract. Northern Europe benefitted from margin improvements and generally solid developments across the region and in the UK. In the Americas, the underlying margin increased driven by OneISS efficiencies and operational improvements achieved across the region, mitigating negative effects from the tight labour market in the US. In Asia & Pacific, a slight decline was seen, mainly driven by reduced demand for margin-enhancing Covid-19-related services and additional costs related to labour shortages in selected markets.

Other income and expenses, net

Other income and expenses, net was an expense of DKK 90 million (2022: income of DKK 76 million), mainly due to a fair value adjustment of the contingent consideration related to the disposal of the 40% minority stake in ISS Türkiye in 2021 and a loss on the divestment of the security and technical services businesses in Spain. This was partly offset by a gain from the divestment of the Landscaping and Sanitation Services businesses in Singapore.

Operating profit

Operating profit was DKK 2,881 million (2022: DKK 2,602 million).

Financial income and expenses, net

In 2023, financial expenses, net amounted to DKK 410 million (2022: DKK 313 million) including a non-monetary gain of DKK 87 million relating to hyperinflation restatement (IAS 29) in Türkiye (2022: DKK 138 million). Excluding the impact from IAS 29, financial expenses, net were DKK 497 million (2022: DKK 451 million). The increase was primarily due to interest expenses being adversely impacted by an increase in interest rates. Further, foreign exchange losses of DKK 100 million (2022: DKK 73 million), primarily on intercompany loans denominated in TRY and EUR, had a negative effect.

Income tax

Income tax was DKK 455 million (2022: DKK 298 million) for an effective tax rate of 18.4% (2022: 13.0%). The effective tax rate was positively impacted by the release of valuation allowances on deferred tax assets in Germany, whereas the impact from hyperinflation adjustments in Türkiye and non-tax-deductible expenses impacted negatively.

Divestment of our French business

Historically, financial results in ISS France have not been satisfactory and have been dilutive to Group operating margins and growth. During the past several years, ISS has worked towards restructuring the business and establishing a solid foundation in the French market. However, the efforts have not generated the expected financial improvements, among others due to inherent strategic challenges, difficult market conditions, and continued muted commercial development.

In 2023, ISS concluded that building a long-term, sustainable business with a strengthened market position in France would require further restructurings and significant investments. This led to recognition of an impairment loss of DKK 1,257 million at 30 June 2023 and a decision to divest ISS France and reposition ISS in the French market to only focus on servicing global key account customers. Consequently, ISS France was classified as held for sale and discontinued operations.

On 22 December, Onet SA, a well-established and respected company in the French facility service market, committed to acquire the French business. As part of the transaction, ISS and Onet will enter into a partnership in which Onet will ensure the continued service delivery to global key accounts on behalf of the ISS Group. ISS will have oversight of the service delivery and quality assurance through a dedicated support team.

The discontinued activities generated revenues of around DKK 2.7 billion in 2023 and employed around 15,000 dedicated employees. Completion of the transaction is expected in first half of 2024 and is subject to customary antitrust approval.

Net profit from discontinued operations

Net profit from discontinued operations related mainly to France and was a loss of DKK 1,725 million (2022: loss of DKK 36 million). The loss in 2023 included the impairment loss of DKK 1,257 million recognised at 30 June 2023 and subsequent impairment losses and fair value adjustments of DKK 201 million. In addition, the operational performance of the business was slightly loss-making and one-off costs related to the divestment process have been incurred.

Net profit

Net profit was DKK 291 million (2022: DKK 1,955 million).

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Commercial development

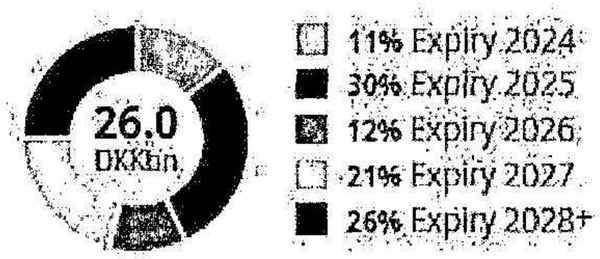
The commercial development remained solid in 2023, and we benefitted from increased activity levels and engagement. Customers continued to reallocate their resources applying more to employees. This reflects the need to create workplaces of the future, with high-quality, productive work environments that will support innovation, collaboration, and cultural belonging in a hybrid working model.

During the year, we successfully extended and expanded several local and regional key account contracts, as well as the global contract with Capgemini. Despite the loss of a few customers, mainly within the industry and manufacturing segment, the customer retention rate in 2023 increased to 95% (2022: 93%) and thus we reached our mid-term target. At the beginning of 2024, we extended the global IFS partnerships with Nordea and an Industry & Manufacturing customer as well as several key account contracts.

The pipeline of commercial opportunities for IFS solutions remains solid within our strategic focus segments, driven by local and regional deals. The key account contracts awarded in the year were mainly with local customers, including the Department for Environment, Food and Rural Affairs (Defra) in the UK and the Danish Building and Property Agency in Denmark.

The commercial decision processes, especially for global tenders, continued to take longer and are more complex than during pre-Covid times, as the importance of the workplace has increased, and additional stakeholders are involved in the processes. In our commercial processes, we are maintaining strong pricing discipline and are not taking on uncapped inflation risk.

Maturity
– large key accounts (>200 DKKm)



Contract maturity

The majority of our key account contracts have initial terms of three to five years. A significant share of revenue is consequently up for renewal every year.

In 2023, revenue from large key accounts was DKK 26.0 billion, or 33% of Group revenue. Going into 2024, contract revenue of DKK 2.9 billion (4% of Group revenue) is up for renewal (adjusted for renewals up until 22 February 2024).

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2023 development[1]	Countries	Segment	Term	Effective
Wins				
Healthcare Customer	Türkiye	Healthcare	5 years	Q1 2023
Pharmaceutical Customer	US & Netherlands	Pharmaceuticals	5 years	Q2 2023
Dept for Envr, Food & Rural Affairs (Defra)	UK	Public Administration	7 years	Q2 2024
Healthcare Customer	Türkiye	Healthcare	1 year	Q4 2023
Danish Building & Property Agency	Denmark	Public Administration	7 years	Q2 2024
Extensions/expansions				
Healthcare Customer	Global	Healthcare	5 years	Q1 2023
Banking Customer	UK	Business Services & IT	3 years	Q1 2023
Pharmaceutical Customer	Switzerland & Austria	Pharmaceuticals	5 years	Q1 2023
Mining Service Customer	Australia	Energy & Resources	4 years	Q1 2023
Public Administration Customer	Belgium	Public Administration	8 years	Q2 2023
Information & Comm. Customer	UK	Information & Comm.	4 years	Q3 2023
Hospital Authority	Hong Kong	Healthcare	3 years	Q3 2023
Healthcare Customer	UK	Healthcare	2 years	Q3 2023
Banking Customer	Nordics	Business Services & IT	1 year	Q4 2023
Capgemini	Global	Business Services & IT	3 years	Q4 2023
Public Administration Customer	UK	Public Administration	5 years	Q4 2023
Healthcare Customer	UK	Healthcare	3 years	Q4 2023
Deutsche Bank	Italy	Business Services & IT	3 years	Q1 2024
Food & Beverage Customer	Netherlands	Food & Beverage	2 years	Q1 2024
Public Administration Customer	Australia	Public Administration	1 year	Q1 2024
Professional Services Customer	UK	Business Services & IT	1 year	Q1 2024
Retail & Wholesale Customer	Norway	Retail & Wholesale customer	2 years	Q1 2024
Nestlé	Switzerland	Food & Beverage	5 years	Q1 2024
Exits/losses				
Healthcare Customer	UK	Healthcare		Q2 2023
Manufacturing Customer	US	Industry & Manufacturing		Q3 2023
Industry & Manufacturing Customer	Germany	Industry & Manufacturing		Q4 2023
Industry & Manufacuring Customer	Global	Industry & Manufacturing		Q1 2024
Transportation & Infra. Customer	Hong Kong	Transportation & Infra.		Q1 2024

1) Annual revenue above DKK 100 million.

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Cash generation and free cash flow

Cash flow from operating activities

Cash flow from operating activities was DKK 3,284 million (2022: DKK 3,020 million). Operating profit before other items improved in 2023 and outflow from changes in provisions was lower than last year. The positive impact was, however, partly offset by lower inflow from changes in working capital and higher interest paid, net.

Changes in working capital was an inflow of DKK 219 million (2022: DKK 407 million). An increase in trade receivables from high revenue growth, particularly in Türkiye where payment cycles are longer than the Group average, and adverse timing effects of certain payments relating to contractual disputes was mitigated by strong collections and further offset by an increase in trade payables. The increase in trade payables was mainly a result of general optimisation of supplier payment terms and a positive contribution from growth in food services where suppliers typically have longer payment terms. Utilisation of factoring increased slightly to DKK 1.4 billion (2022: DKK 1.3 billion) as a result of increasing revenue from key account customers, where invoices, in accordance with Group policy, are eligible for factoring.

Changes in provisions, pensions and similar obligations were an outflow of DKK 473 million (2022: DKK 665 million), primarily due to payments related to restructuring projects initiated in prior years as well as defined benefit obligations and other provisions.

Interest paid, net was an outflow of DKK 261 million DKK (2022: DKK 315 million). The decrease was mainly driven by increased interests received from companies within the ISS Group partly offset by interest paid on bonds and lease liabilities due to increased interest levels as well as utilisation of factoring.

Income tax paid was an outflow of DKK 394 million (2022: DKK 338 million) equal to a cash tax rate of 15.9% (2022: 14.8%).

Cash flow from investing activities

Cash flow from investing activities was an outflow of DKK 892 million (2022: outflow of DKK 356 million). The increase was the result of a reduced inflow from divestments as the divestment programme was completed in 2022.

Acquisition of businesses was an outflow of DKK 373 million (2022: DKK 325 million), primarily related to the acquisition of Grupo Fissa in Spain. The acquisition strengthened the service delivery for local key accounts in the southern region of the country and improved ISS Spain's market position within Healthcare and local prioritised segments.

Divestment of businesses was an inflow of DKK 25 million (2022: DKK 587 million) driven by a few minor divestments during the year.

Investments in intangible assets and property, plant and equipment, net, of DKK 553 million (2022: DKK 588 million) was equal to 0.7% (2022: 0.8%) of total revenue (including discontinued operations).

Cash flow from financing activities

Cash flow from financing activities was an outflow of DKK 1,328 million (2022: outflow of DKK 855 million).

Repayment of lease liabilities was DKK 778 million (2022: DKK 850 million).

Free cash flow

Free cash flow amounted to DKK 1,819 million (2022: DKK 1,616 million). The increase was mainly driven by the positive operating profit performance stemming from the general margin improvement. The tight management of working capital was maintained and despite the high revenue growth, changes in working capital were an inflow, although still slightly less than in 2022. Furthermore, reduced investments in intangible assets and property, plant and equipment were largely offset by an increase in additions of right-of-use assets compared to 2022.

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Capital structure

The ISS Global Group is indirectly wholly owned by ISS A/S and is therefore part of the ISS A/S Group. Group Treasury manages financing activities and capital structure centrally for the ISS A/S Group as a whole. The ISS Global Group's financing activities and capital structure are not assessed independently of the ISS A/S Group.

In 2023, the Group's liquidity position remained strong, driven by the solid free cash flow generation. At 31 December 2023, the Group's readily available liquidity reserves increased to DKK 12.1 billion (2022: DKK 11.3 billion), see note 4.5 to the consolidated financial statements.

During the year, the Group entered into a new senior unsecured Revolving Credit Facility of EUR 900 million with a syndicate of 12 banks. The facility matures in June 2028, with a two year extension option, and replaced the EUR 1 billion Revolving Credit Facility maturing in 2024.

EUR 300 million of EMTN bonds will mature in December 2024 and EUR 500 million will mature in July 2025. In the first half of 2024, the Group will evaluate different financing options. Except for this, ISS has no material short-term debt maturities.

At 31 December 2023, net debt amounted to DKK 6.6 billion (2022: DKK 8.1 billion), a decrease of DKK 1.5 billion mainly due to free cash flow generation.

Equity

At 31 December 2023, equity was DKK 7,126 million (2022: DKK 7,026 million), equivalent to an equity ratio of 15.9% (2022: 16.1%).

The positive contribution from net profit of DKK 291 million and hyperinflation restatement of equity in Türkiye at 1 January 2023 of DKK 467 million was more than offset by foreign exchange adjustments of foreign entities of DKK 438 million and remeasurement losses on defined benefit obligations (net of impact from asset ceiling) of DKK 163 million.

For a complete overview of the development in other comprehensive income in 2023, see 4.1.7, Other comprehensive income.

ISS Türkiye

As part of the acquisition of Rönesans in September 2021, ISS agreed to partner with Actera, a leading Türkiyish private equity company, to support and partly fund the acquisition. Actera brought in-depth expertise in the Türkiyish market, a strong operational track record and became minority shareholder owning 39.9% of the shares in ISS Türkiye

Furthermore, management of ISS Türkiye acquired 10% of the shares in ISS Türkiye, while ISS continued to be the controlling shareholder

The shareholders' agreement between ISS, Actera and management establishes the rights and obligations of the parties, including rights and restrictions on transferring shares, such as right of first refusal, drag along rights from Q4 2024 and right to explore a potential Initial Public Offering (IPO)

Under the structure, which has now entered into its third year, ISS Türkiye has seen strong growth and improved market position, impacted by hyperinflation and commercial momentum

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Northern Europe

The market

ISS holds a market-leading position across this region of generally mature and competitive markets with a relatively high outsourcing rate. The largest country in the region is the UK, contributing around 34% of revenue. Key segments include Office-based customers in Financial Services, Professional Services and Public Administration; Production-based customers in Industry & Manufacturing; and Healthcare.

Financial update

Revenue increased to DKK 29,324 million in 2023 (2022: DKK 28,694 million). Organic growth was 5.5%, while currency effects impacted growth negatively by 3.7%.

In 2023, the region was positively impacted by underlying volume growth from customers' increased activity levels. In addition, cost inflation was mitigated through price increases implemented across the portfolio. Portfolio revenue, in particular, benefitted from this development and grew 6.5% organically. The Northern Europe region has a relatively larger exposure to food services, and it benefitted from increased activity levels and higher office occupancy rates. Revenue from projects and above-base work was maintained at a high level with positive organic growth of 1.6% for the year, and it accounted for 19% (2022: 20%) of revenue for the region in 2023.

The majority of countries in the region generated positive growth, with Sweden and the Benelux reporting double-digit organic growth. Sweden contributed strong organic growth due to net contract wins, price increases and increasing activity levels in most customer segments. In Benelux, developments were primarily driven by increased activity levels with key account customers, implementation of price increases and contract wins in Belgium. Organic growth in Denmark was negative due to the exit of the contract with the Danish Defence in May 2022.

Commercially, our strategic focus on IFS and key account customers secured both new contract wins and extensions. All large key account contracts with expiry dates in 2023 were successfully extended. In addition, ISS was awarded new key account IFS contracts with the Department for Environment, Food & Rural Affairs (Defra) in the UK and the Danish Building and Property Agency in Denmark, which will both start up during H1 2024. The commercial pipeline remained solid across the region.

Operating profit before other items was DKK 1,572 million (2022: DKK 1,519 million), corresponding to an operating margin of 5.4% (2022: 5.3%). Adjusted for one-off costs related to the OneISS review, operating margin was 5.5%.

The operating margin improved due to improvements across the region, most significantly in Norway, Sweden and Belgium, continued positive operational developments in the UK, OneISS efficiencies, cost initiatives and operating leverage from higher revenue. Despite the improvement, the UK remained dilutive to the Group operating margin, and management continues to plan and implement further initiatives to strengthen operational and financial performance.

These improvements were partly offset by a lower contribution from margin-accretive projects and above-base work and reduced overhead costs absorption from lower revenue in Denmark, where a higher cost level was strategically maintained to support growth opportunities.

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Central & Southern Europe

The market

Central and Southern Europe comprises a number of key markets, where we hold leading market positions, including Switzerland, Spain, Austria and Türkiye. With the decision to divest ISS France, France is no longer part of the region, but is instead presented as a discontinued operation. Most of the markets are developed, but with significant differences in IFS market maturity and macroeconomic environment. Key customer segments include Office-based customers in Information & Communication and Financial Services; and Production-based customers in Industry & Manufacturing and Pharmaceuticals; and Healthcare.

Financial update

Revenue increased to DKK 24,805 million in 2023 (2022: DKK 21,800 million). Organic growth was 16.1%, of which 11.8% related to Türkiye, while acquisitions and divestments, net increased revenue by 2.3% related to Livit FM in Switzerland and Grupo Fissa in Spain. Currency effects impacted revenue negatively by 3.5%, while the net impact from hyperinflation was negative at 0.4%. Excluding the impact of hyperinflation, revenue amounted to DKK 24,807 million.

In 2023, organic growth in the region was primarily driven by strong growth in Türkiye as a result of high cost inflation mitigated through the implementation of price increases, underlying volume growth as well as net contract wins in the healthcare segment. Price increases were implemented in all countries to offset the effects of cost inflation, thereby positively impacting organic growth. Furthermore, growth was driven by underlying volume growth and net contract wins. Portfolio revenue grew organically by 18.3%.

Throughout the year, Central & Southern Europe maintained double-digit organic growth. The trend was in line with expectations, however, declining due to a tougher comparison base from 2022 when price increases were implemented, and activity levels increased during the year.

In addition, the region benefitted from increased demand for traditional projects and above-base work from key account customers. Organic growth for projects and above-base work was 6.1% and accounted for 18% (2022: 19%) of revenue in the region and thus remained above pre-Covid levels.

The commercial developments were solid and the pipeline of new business opportunities remained attractive. In addition, with the bolt-on acquisition of Grupo Fissa, ISS Spain strengthened its market position and improved its service delivery for local key accounts in the southern part of the country. As part of the transaction, ISS Spain welcomed over 6,000 placemakers and took on cleaning contracts within healthcare and local prioritised segments, representing around 1% of Group revenue.

Operating profit before other items excluding the impact of hyperinflation was DKK 1,487 million (2022: DKK 1,146 million) corresponding to an operating margin before other items of 6.0% (2022: 5.3%). Adjusted for one-off costs related to the OneISS review, operating margin was 6.4%. The positive development was a result of OneISS efficiencies and cost initiatives, most significantly in Spain and Switzerland, and operating leverage from higher revenue. In addition, the continued profitability improvement on the Deutsche Telekom contract impacted positively, but still remained dilutive to the Group operating margin, and management continues to plan and implement further initiatives to strengthen operational and financial performance. See p. 6 for an update on the ongoing arbitration process. Including the effect of hyperinflation (IAS 29), operating profit before other items amounted to DKK 1,439 million, corresponding to a margin of 5.8%.

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Asia & Pacific

The market

The region comprises a mix of developed markets including Australia & New Zealand, Hong Kong and Singapore, as well as developing markets such as Indonesia, India and China. ISS has a strong presence in the region and holds a market-leading position in several countries. Key customer segments include Office-based customers in Financial Services and Public Administration; Production-based customers in Industry & Manufacturing; and Healthcare.

Financial update

Revenue increased to DKK 14,229 million in 2023 (2022: DKK 14,012 million). Organic growth was 7.1% (2022: 6.3%) and the effect from acquisitions and divestments, net was negative at 0.4% due to the divestment of non-core businesses in Singapore, while currency effects impacted revenue negatively by 5.1%.

Overall, organic growth was driven by underlying volume growth due to increasing customer activity and price increases implemented across the region. Portfolio revenue benefitted from this development and grew organically by 12.7%. Organic growth from projects and above-base was negative with 22.4%, due to reduced demand for Covid-19-related deep cleaning and disinfection services and accounted for 12% (2022: 16%) of the region's revenue for the year. The organic growth rate improved during the first nine months of the year, but it slowed slightly in Q4 due to a higher comparison base, ending at 5.6% for the quarter.

In 2023, India, Indonesia and Australia all reported double-digit organic growth rates due to volume growth from increased activity levels at customer sites, implementation of price increases and start-up of new contracts, including the contract with a regional bank in Australia. As a result of the lifting of Covid-19 restrictions in Hong Kong and China in January 2023, demand for deep cleaning and disinfection services declined, and Hong Kong reported slightly negative organic growth while China remained positive.

During the year, the strategic focus on IFS and key accounts secured both wins of local key account contracts and retention and expansion of contracts with existing customers. All large contracts up for renewal, including with a Healthcare customer in Hong Kong and a Public Administration customer in Australia, have been retained and as a result the customer retention rate improved. The commercial pipeline remains solid across the region.

Operating profit before other items decreased to DKK 875 million (2022: DKK 882 million), corresponding to an operating margin of 6.1% (2022: 6.3%). Adjusted for one-off costs related to the OneISS review, operating margin was 6.2%. The decline was mainly driven by the reduced demand for high margin Covid-19 deep cleaning and disinfection services in Hong Kong and China, additional costs related to labor shortages in Australia and Hong Kong and a reduction in government grants received. This was only partly offset by operational improvements, most significantly in India and operating leverage.

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Americas

The market

The Americas consists of the mature North American market as well as Mexico and Chile. North America is the world's largest FM market, accounting for around 30% of the global outsourced FM market. Food services account for a significantly larger share of revenue compared to other regions. Key customer segments include Office-based customers in Technology and Financial Services, as well as Production-based customers in Industry & Manufacturing, Pharmaceuticals and Food & Beverage.

Financial update

Revenue increased to DKK 9,605 million in 2023 (2022: DKK 8,585 million). Organic growth was 12.7%, the effect from acquisitions and divestments, net was neutral, while currency effects impacted growth negatively by 1.1%.

In 2023, organic growth was mainly driven by underlying volume growth, price increases and net contract wins. Higher customer activity levels and in particular office occupancy rates benefitted revenue from food services which increased by around 16%. As a result, portfolio revenue grew by 12.9% organically. Across the region, demand for projects and above-base services, particularly from key accounts, remained at a high level and grew organically by 11.3%. Revenue from projects and above-base services accounted for 12% (2022: 12%) of the revenue in the region. Organic growth for the region was particularly strong in the beginning of the year but reduced as expected in the second half and landed at 3% in Q4. This was a result of a higher comparison base, as H2 2022 benefitted from accelerated return-to-office activity.

Developments were strong across the region with all countries reporting double-digit organic growth and the highest growth rates seen in the US and Mexico. The US, in particular, benefitted from the full-year revenue effect from the contract with a global retailer, which mobilised during H2 2022, increased activity levels and higher office occupancy rates. Across the region, price increases were implemented to offset the effects of cost inflation, and thereby had a positive contribution to organic growth.

The strategic focus on IFS and key account customers progressed and demand from key accounts was more robust and resilient compared to the rest of the customer base. Furthermore, across the entire region, there was a solid commercial development with smaller key account wins along with retention and expansion of contracts with current customers, including a global Healthcare customer.

Operating profit before other items was DKK 489 million (2022: DKK 445 million), corresponding to an operating margin of 5.1% (2022: 5.2%). Adjusted for one-off costs related to the OneISS review, the operating margin was 5.3%. The increase in the underlying margin was mainly driven by OneISS efficiencies and operational improvements achieved across the region mitigating negative effects related to the tight labour market in the US, as well as operating leverage from increased revenue. Last years' margin was positively impacted by non-recurring employee tax credits received under the US Employee Retention Credit scheme. The revenue increase in food services delivered broadly the same margin as last year as most contracts were renegotiated to cost plus commercial models during Covid-19.

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OneISS strategy

The OneISS strategic direction remains unchanged. We aim to deliver strong business growth at attractive and sustainable margins by focusing on creating value for our customers, and ultimately our shareholders.

Our focus is on becoming the global leader in Integrated Facility Services (IFS) and on driving our bespoke value propositions towards key accounts in three customer segments (Office-based, Production-based and Healthcare) from our strong position as the global leader in cleaning.

We continue to see strong demand for IFS. Key account customers are consolidating their supply chains to focus on their core business, and they need a strategic partner to drive user experience, efficiency and consistency with solutions that are sustainable and compliant across their workplaces.

OneISS defines our way of organising and aligning behind a set of principles and business processes that provide us with the ideal position to leverage our strategic differentiators and address key market demands.

Technology is a key enabler of OneISS. We continue to apply an increasing level of technology in our solutions, while creating scalable platforms and products to improve our service across workplaces.

We take pride in being a sustainable company. Our value proposition covers not only our customers' places, but also their impact on the environment and the engagement of placemakers.

Sharpened focus

For several year, ISS has worked towards establishing a solid foundation in the French market. However, the efforts have not generated the expected financial improvements and consequently in 2023, we decided to divest ISS France and reposition ISS to only focus on servicing global key account customers.

On 22 December 2023, ISS signed a binding agreement to divest ISS France to Onet SA, a French facility services company, see p. 7 for further details.

The EGM has reviewed and prioritised OneISS initiatives, which were launched in 2020. The review focused on ensuring that all initiatives generate the expected value and strengthen the strategic execution. In 2024, we will continue to embed the OneISS strategy, but we will prioritise and focus on fewer initiatives.

Our operating model enables a portfolio of scalable service products to drive a step-change in productivity. Our products are designed to address key customer needs in our prioritised segments, e.g. our innovative cleaning product "Pure Space Office", our food waste reduction service product "Winnow" and our Energy Management service to carry out onsite optimisation to reduce electricity and gas consumption across a customer facility.

We continue to invest in technology. High-quality scalable platforms and digital solutions for both our placemakers and customers are still key to improving our services across workplaces, globally. We have launched several key applications for customers and placemakers to improve the service we provide across workplaces globally, such as the ISS Workplace app, ISS Takeaway app and ISS Smart Tech Ecosystem.

During the last three years, we have invested significantly in capabilities and competencies at Group and regional level. At the same time, we have established common organisational blueprints across countries. These structures have now been implemented allowing us to reallocate certain resources applied at Group and regional level to other purposes, as our countries are capable of driving these processes without the previous support. This provides for more flexible, agile and cost-effective day-to-day operations.

The review and prioritisation of OneISS initiatives led to one-off costs of DKK 155 million, which were recognised in 2023 with a negative impact on our operating margin of around 0.2%. The majority of recognised one-off costs have cash flow impact in

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2024. The enhanced focus on initiatives is expected to generate operational benefits and estimated cost savings of around DKK 85 million annually, with approximately DKK 70 million expected to have effect in 2024.

Driving outcomes

We evaluate the success of our strategy and creation of shareholder value by using the financial KPI's described throughout "Our performance" (pp. 5-15) and the sustainability KPIs described throughout "The company of Belonging", "Diversity" and "Our journey to net zero" (pp. 18-24).

These KPIs enable us to systematically measure our progress in achieving strong growth at attractive and sustainable margins.

Our strategic priorities

Our five strategic priorities are essentially our strategic execution model focused on our customers, organisation, technology as well as environmental and social sustainability. An overview of how we fared on these priorities in 2023 is provided below.

Strategic priority #1

Commercial momentum and segment leadership

Our customers increasingly expect more, and more complex services from us. They expect us to understand the industry they operate in, and that we can deliver solutions customised to support their core business needs. Thus segment expertise is critical. Due to the varying nature of complexity, our global focus is limited to leadership in three segments. That way, we can continue to develop segment capabilities to deliver the best outcomes for our customers.

What we will achieve

- Commercial capabilities to develop, maintain and benefit from long-term strategic relationships
- A model to leverage segment expertise, globally

2023 outcome

- Leveraged the global enterprise to win a large leading bank showing our segment expertise in the banking segment. Within this prioritised segment, we serve 20 of the world's 30 largest banks
- Customer retention of 95%

Strategic priority #2

Brilliant operating basics

Customers expect us to deliver operational excellence and compliance, whilst continually exhibiting cost leadership. Thus, we focus on strengthening our business fundamentals, while also investing to build strong and scalable processes and controls that will help our placemakers manage these fundamentals.

What we will achieve

- Focus on the processes that deliver high productivity, quality and compliance
- Leverage technology-enabled and scalable processes to drive efficiencies

2023 outcome

- Successfully mitigated impact of inflation
- Cyber security above-industry benchmark
- Strengthened operational risk framework
- ISS Smart Tech Ecosystem – a scalable platform connecting all our service products

Strategic priority #3

Service products built on leading technology platforms

Our customers expect their workplace partner to embed the technology and data to optimise financial and sustainability performance. Thus, we apply an increasing level of technology and data-driven initiatives in our solutions driving compliance, transparency, consistency and efficiency. We standardise the way we deliver, enabling us to leverage our size to unlock synergies and scale investments in service products.

What we will achieve

- Innovate our service lines, sharing and scaling best practices across places
- Embed technology in service products, i.e. develop once and deploy widely

2023 outcome

- Pure space office cleaning service product scaled to more than 14,400 sites across 25 countries to drive productivity
- Commercial food waste solution, using AI to drive food waste reduction, rolled-out to additional sites

Strategic priority #4

Environmental sustainability

Caring for the environment is a key priority. We do so by making progress on our own commitments while supporting our customers' journey to reduce emissions, waste, energy and consumption of materials.

What we will achieve and 2023 outcome

See Our journey to net zero

Strategic priority #5

Safe, diverse and inclusive workplaces

We have more than 120-year legacy as a people company and social sustainability has always been part of our DNA – with safety for our placemakers being the priority first and foremost.

What we will achieve and 2023 outcome

See The Company of Belonging

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The Company of Belonging

We have more than 120-year legacy as a people company and social sustainability has always been part of our DNA. As society begins to realise the importance of social sustainability, we believe we gain a competitive advantage to be recognised as a social leader – a company that fosters safe, diverse and inclusive workplaces.

Our placemakers

Our highly engaged placemakers are the heart of our business. Every day, our more than 350,000 placemakers go above and beyond at customer sites all over the world. They are true differentiators and the main driver of our competitive advantage. The ability to deliver on our value proposition lies in every interaction between our placemakers and our customers as well as in the support we provide to our placemakers through providing safe, diverse and inclusive workplaces.

We want to ensure that every placemaker can be who they are, become what they want and be part of something bigger. Our bold signature objectives and leadership behaviours will lead our journey towards becoming the Company of Belonging, which in turn will lead to increased employee engagement, better outcomes for our customers and value creation for ISS and our shareholders.

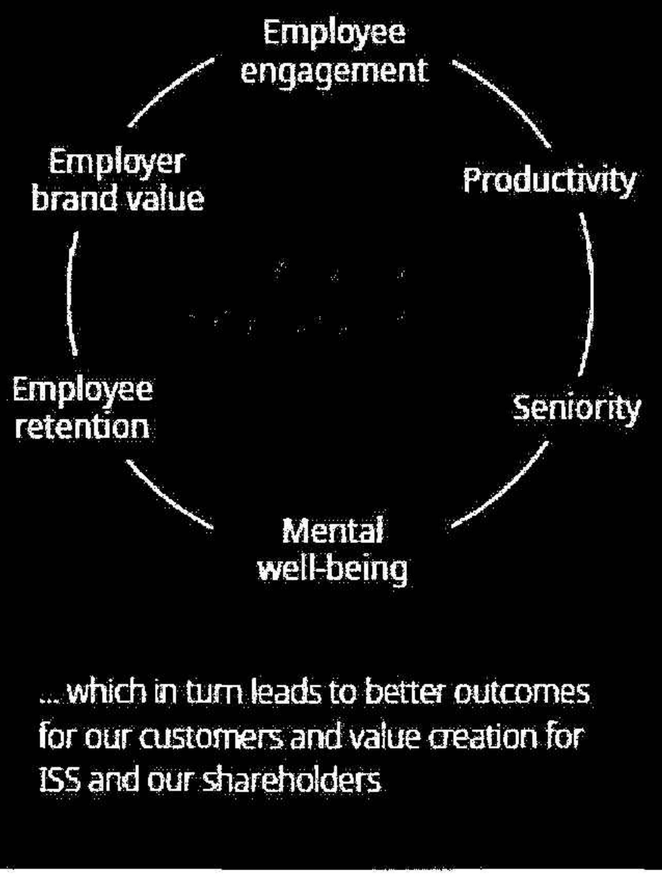
Financial value of belonging

Belonging is a value driver. A strong sense of belonging improves engagement by forming closer emotional ties with and among our placemakers. We firmly believe that a culture of belonging also translates into improved financial performance and in 2023, we set out to measure this effect. Plenty of studies document the link between belonging and financial performance from a general or holistic perspective. However, we want to understand what it specifically means for us. If we are able to develop a methodical and documented approach, we may not only gain insight into our own performance, but may also provide customers and stakeholders with a lever to gain insights into their belonging performance.

Our cultural ambition

We aim to create places where every single individual is welcomed, embraced and valued for being exactly who they are.

Financial value of belonging



Our work is still in the early stages and it is focused on identifying the financial effects by studying the cost and value drivers affected. Complexities associated with belonging remain, including what exactly drives the sense of belonging, how it is measured and how the impact is isolated from other factors that may influence the outcome.

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Progress on our signature objective

In 2023, we focused on sharpening the road map towards reaching our signature objectives we launched in November 2022. As it is important for us to get off to the right start, we worked on ensuring that we had the right baseline definitions for each of our three signature objectives. We also worked with specific initiatives for 2023 and targets towards 2025, see the table below.

1. Living wage

We believe that if our placemakers are remunerated fairly it not only fosters a sense of belonging where placemakers feel valued, the positive impact will also be realised across productivity, engagement and retention. We recognise that upholding a living wage may require increases to minimum wage levels, which is why we pledge to work with policymakers, customers and suppliers to implement living wages across our industry.

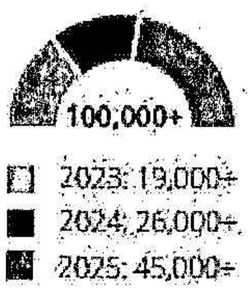
2. Recognised qualifications

Development and training are fundamental to achieving the full potential of our placemakers. We take responsibility to support both our placemakers and their family members and commit to giving 100,000+ placemakers and their family members a recognised qualification by 2025.

3. Recognition and respect

Recognition has always been part of our culture. It is our commitment to recognise the behaviours and achievements of our placemakers and helping to inspire our teams to drive our culture change. It empowers inclusion and belonging.

In 2023, we defined a new baseline definition and launched our new ISS Inspire Awards programme comprising various awards across service culture, health and safety, sustainability, and leadership. This is an example of how we celebrate the exceptional work of our placemakers and it completes our initial work on the third commitment. Our efforts on recognition and respect will continue as an integral part of our ambition to become the Company of Belonging, while we sharpen our focus on delivering on the remaining two general commitments.

Objective	2023 outcome	Targets → 2025
Living wages	• Baseline definition developed and implemented • Partnered with an independent living wage company to calculate living wage benchmarks for all our countries • Pilot initiated for two global key accounts (GKA) to analyse the impact on our social KPIs. Three further GKAs identified • Analysed 147 accounts where a living wage is being paid. Elected seven sites to develop case studies. Findings from two cases confirmed a positive correlation between social KPIs and salary increases	• Progress our work, reviewing our locations and continue dialogue with customers to develop tailored implementation plans to pay living wage • Define our 2030 living wage ambition • Conclude two pilots and initiate scale up across one global account and five countries
Recognised qualifications	• Baseline definition developed and implemented • 19,000+ placemakers gained a recognised qualification, a 90%-increase from 2022. Thus, the 2023 target of 15,000 was exceeded • ISS UK&I offered placemakers who completed the ISS Pure Space Office cleaning training the opportunity to gain a recognised License to Practice (LTP), certified by British Institute of Cleaning Science (BICS). 745 placemakers achieved an LTP • ISS India agreed funding for 50 managers to study for a university diploma in FM and committed to providing 400 placemakers with access to literacy programmes	 • Extend recognised qualifications offer to include placemaker families
Recognition and respect	• Baseline definition developed and implemented • New ISS Inspire Awards recognition programme developed and launched	• Continued work on award programme

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Development opportunities

Championing our placemakers' aspirations and supporting their growth is at the heart of our learning and development strategy. It empowers our second objective of providing recognised qualifications and acts on our EVP promise of ensuring that we provide every placemaker with an opportunity to become what they want.

We ensure a rigorous process of people management from recruitment to onboarding, development and training. Above all, leadership behaviour is the most essential ingredient for the successful implementation of our strategy. Our leaders are key to the development and engagement of our placemakers and the consistent delivery of our customer value proposition.

We accelerated the roll-out of our core global Learning and Development Programmes, i.e. the Placemakers Workshop, Service Leadership, Site Manager Certification, Key Account Manager Certification and Leading OneISS. These programmes equip our placemakers with a solid foundation for being part of our OneISS journey and building organisational capabilities for performance, the right leadership culture and engagement. In 2023, we increased completed training coverage related to these programmes with almost 42% compared to 2022. We will continue training in 2024 as well as tracking of completions.

We also launched the Leadership Masterclass programme aiming at continuously pushing the bar for our leaders' effectiveness, role modelling, ability to drive engagement and provide clarity of direction. It enables us to accelerate the cultural journey and strengthen the succession pipeline.

We made progress in digitalising our training offer and learning experience. The best example is our Pure Space Office cleaning training; a digital learning path, enabling easy access to cleaning knowledge, support tools, procedures and best practices for our global cleaning placemakers. In 2023, 15,208 cleaning placemakers completed the Pure Space Office training, hereof 4,274 (28%) via our global e-leaning platform, MyLearning.

Digitalisation

We believe that technology and data are key enablers for improving people experience and hence engagement. The availability of consistent people data is also paramount to driving our social sustainability strategy. To accelerate the journey, we established a global people data function in 2023, which will support the workstreams of our strategy.

We continued to deploy and strengthen our tools and solutions. Our global e-learning platform MyLearning is available to all our placemakers and an average of 50,000 trainings are completed every month. In 2023, our placemakers received a total of 3,577,755 hours of training (2022: 4,336,538).

We continued the roll-out of MyISS, our flagship platform and app for our placemakers to digitally connect across sites. The platform provides a unified access point for information, communication and self-service functionalities, giving our placemakers a sense of belonging. By the end of 2023, MyISS had been rolled out to 100,000+ placemakers. In 2024, we will continue the roll-out to all placemakers and continuously enhance functionality to further drive engagement.

Diversity, inclusion and belonging

We aim for an inclusive culture where everyone feels valued, engaged and respected, and where everyone is treated fairly and equally. Therefore, when we talk about diversity, inclusion and belonging (DIB), we focus on empowering our placemakers to contribute their unique skills and perspectives.

Our DIB strategy is driven through five dimensions of diversity: abilities, gender, generations & age, pride as well as cultures, race & ethnicity.

In 2023, our Employee Resource Groups (ERG) – voluntary groups led by our placemakers – continued driving our inclusion and belonging agenda through concrete DIB activities.

A status on diversity for the Executive Group Management, Corporate leadership and the Board of Directors is provided on p. 22.

Health and safety

In line with being a diverse and inclusive workplace and as a vital part of living up to our people promise, our entire health and safety agenda is pivotal for us to make our placemakers feel they

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belong in a company where respect and protection of their physical and mental wellbeing is a key essential for all.

Tragically, we experienced five fatalities in 2023. This devastating loss has deeply impacted our organisation, prompting us to intensify our mitigating measures: We have strengthened our root cause analysis processes to make sure we always fully understand why incidents happen and know how to remedy the immediate causes. We have also dived deeper into accident causes, made fundamental changes to how we operate and shared lessons across the whole Group.

Our Lost Time Injury Frequency (LTIF) differs and reflects diverse maturity levels towards safety across the various cultures and geographies in which we operate. At 31 December 2023, LTIF increased to 3.1 (2022: 2.9), mainly driven by an increase in the number of incidents recorded.

The most frequent cause of Loss Time Incidents relates to slips, trips and falls. We are launching updated campaigns and training for placemakers in 2024 to drive further awareness of these types of incidents. We remain committed to reinforcing safety behaviour across all sites and to drive LTIF below 2.5.

Measuring our success

Our aim is to measure the success of our initiatives by employee engagement and retention.

Employee engagement

To measure the effectiveness of our people agenda, and support our ambition to strengthen employee engagement, the launch of MyVoice strengthens our approach to listening and providing feedback to placemakers. The programme allows every placemaker to be heard and provide their feedback, more frequently, based on their individual needs. We piloted MyVoice in 2023 in Australia & New Zealand, Belgium, Italy, Switzerland and the UK & Ireland. We aim to roll-out MyVoice to all our placemakers in 2024.

Employee turnover

We operate in a marketplace where levels of employee churn are inherently high. This is unlikely to change materially short term. In the mid to long term, however, we are targeting a structural improvement of our retention rate and see the benefits for our customers as twofold. First, increased employee retention underpins a more consistent, higher quality of service. Second, increased employee retention reduces the costs associated with recruiting and onboarding.

Employee turnover was 33% in 2023 (2022: 33%). In some of our markets, we are experiencing an upward trend towards pre-Covid levels, e.g. with China and Hong Kong returning to a pre-Covid setting in early 2023. Parallel, we also see markets with strong improvements through consistent year-on-year retention efforts. ISS Netherlands has reduced their turnover from 33% to 20% since 2019 and similarly ISS New Zealand has gone from 35% to 19%. The effort behind these successes are multi-faceted, with leadership, personal development through our own learning academies and structured recognition programmes being among the key drivers.

In 2024, we will continue our work with policymakers, customers and suppliers to implement living wages across our industry alongside our continuous efforts to provide qualifications to our placemakers and ensuring strengthened leadership quality. At the same time, in selected countries, we will dedicate efforts for recruitment and retention in order to drive improvements in employee turnover and retention. We firmly believe that these initiatives as well as our ambitions to become the Company of Belonging will lead to improved engagement and retention.

ERG initiatives 2023

Our partnership with TENT promotes economic inclusion for refugees. We committed to hiring 2,000 refugees over three years across Europe and the US by 2025 and mentoring 50 refugee women across Europe and the US, respectively.

Through our partnership with Nestlé Youth Foundation, we are committed to hiring young Ukrainian refugees in Poland and Germany.

Our partnership with Workplace Pride promotes diversity and inclusion. We are committed to create a more inclusive workplace for LGBTQ+ by implementing policies that are respectful of all our placemakers.

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Diversity

The Board and the EGM of ISS A/S recognise the importance of promoting diversity at management levels and have implemented policies regarding competencies and diversity in respect of Board, EGM and Corporate leadership nominations in ISS A/S according to which we are committed to selecting the best candidate.

Emphasis is placed on:

- experience and expertise;
- diversity of gender, age and nationalities as well as in broader terms; and
- personal characteristics matching ISS's values and leadership principles

Gender

Gender balance is and has always been a vital part of our Diversity, Inclusion and Belonging (DIB) agenda. As part of our DIB strategy, we have defined a target of achieving at least 40% gender balance at corporate leadership levels by 2025.

To promote, facilitate and increase the number of women in corporate leadership, we continue leveraging our Diversity, Inclusion & Belonging policy, which defines a number of initiatives, e.g.:

- our recruitment policy, requiring that we short list at least one female candidate in all internal and external searches for vacant positions
- develop succession planning with the aim of identifying gender balanced successors by building and developing balanced pipeline
- engage with comparative companies and external bodies promoting women in leadership as well as engaging with our Gender Balance ERG

Executive Group Management

In our EGM, the female representation decreased to 22% in 2023 (2022: 31%) following changes to the management team which reduced from 13 to 9 members. We are still committed to a target of 40% gender balance.

Corporate leadership

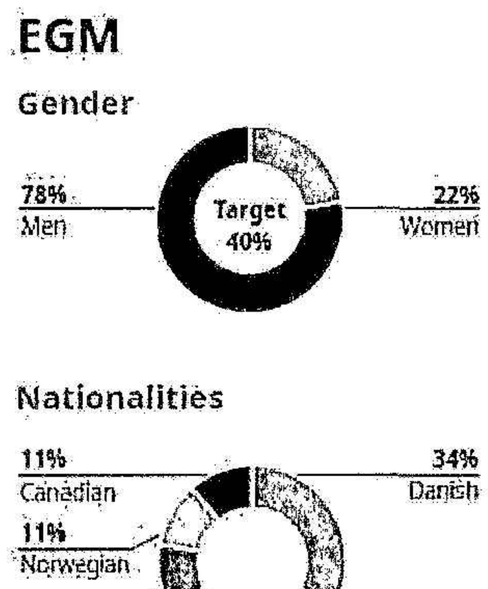
As of 2023, the representation of women in corporate leadership roles decreased slightly to 35% (2022: 36%).

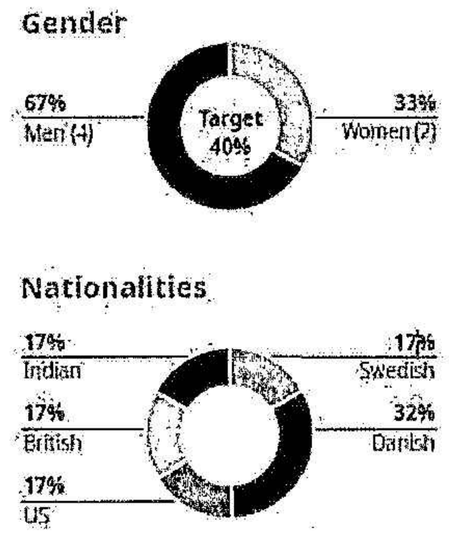
Progress in reaching our target of 40% in 2025 for both the EGM and Corporate leadership is driven by several key levers and supported by our talent strategy to develop and retain a strong pipeline of current and future female leaders. To do so, in 2023 we set out a playbook for the enterprise to have must-do actions to continue progressing towards our target, some of those actions include strong succession plans and talent retention and attraction practices.

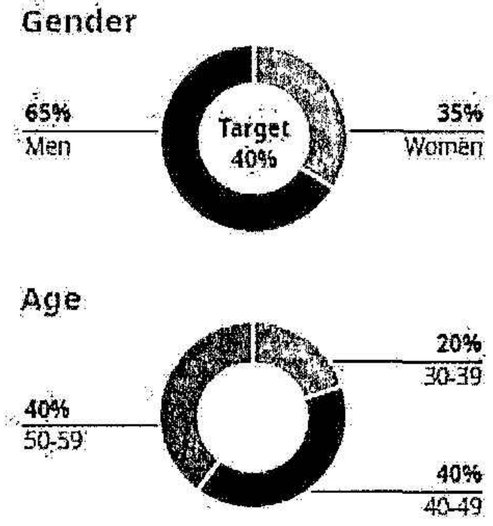
Board

The current gender representation among Board members (elected by the general meeting of ISS A/S) is 33.3% women and 66.7% men, which is considered equal according to the Danish Business Authority's applicable guidelines[1)].

[1)] According to the Danish Business Authority's guidelines on target figures, policies and reporting on the gender composition of management, a gender distribution of 40/60% or the closest number under 40% is considered equal.







Diversity inclusion & Belonging policy

The ISS A/S Group's Diversity, Inclusion & Belonging policy is available here:
ISS-Group-Diversity-Inclusion-Belonging-Policy-approved-version.pdf (issworld.com)

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Our journey to net zero

In Q4 2023, our near-term science-based Emission targets were validated by the Science-Based Targets initiative.

Commitments

Our net zero targets remain unchanged. We aim to reach net zero for scope 1 and 2 by 2030 and scope 3 by 2040. In 2023, we have continued execution on the key initiatives that support our net zero commitments:

1. Electrify ~20,000 vehicles by 2030
2. Reduce emissions from food with 25% by 2030 and food waste with 50% by 2027

Our fleet electrification continues as planned and by the end of 2023 we reached an electrification ratio of 13.6% – up from 8.9% in 2022. Not surprisingly, we see higher electrification ratios in the countries that offer access to convenient and widespread charging infrastructure.

Reducing food emissions is done through reducing consumption volume e.g. by optimising meal sizes or by changing the recipe mix towards less carbon emission intensive sources while at the same time ensuring that end-users remain satisfied. Our talented chefs and food teams design innovative menus that support the well-being and nutritious needs of our end-users and move us closer to our 2030 food emission reduction target. Progress is visible and in 2023 we have seen CO_2 emissions per 1,000 kcal reduce by approximately 5%.

Our food waste initiative is supported by our partnership with Winnow and we have continued our roll-out of our Winnow food waste reduction service product, which during 2023 helped us pass the 30% reduction milestone against our 2019 baseline – well on track to meeting our 2027 reduction target of 50%.

Having our near-term emission targets validated in 2023 by the Science-Based Targets initiative was a major achievement and tangible proof that we are moving in the right direction on our net zero journey. There is still a long way to go and we will during 2024 need to develop stronger and more encompassing climate transition plans to address more of our emission sources. We will do so in parallel with continued execution on the decarbonisation initiatives already identified.

Our global partnership with Watershed entered into in 2023 provides us with access to world class technology that combined with our data compilation will deliver insights on carbon performance across group, countries, customers and supply chain. The platform will become fully operational in 2024 and will be an important enabler of our continued net zero journey.

It will also enable us to provide better customer insights into the carbon footprint of our services including our Pure Space Office product that aligns cleaning processes and leverages best practice to ensure consistent delivery. During 2023, Pure Space Office was rolled-out to 10,214 sites across 25 countries and we target to implement it across all office sites in 2024, which on top of positive carbon footprint effects also reduces consumption of water and chemicals.

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CO_2	Business activity	2023	2022
Scope 1 ~4%	Sources under our direct control, e.g., company vehicles, gas emissions and refrigerants	66,153 t CO_2 eq.	69,581 t CO_2 eq.
Scope 2 (market-based) ~1%	Consumption of purchased electricity, heating, cooling and steam	7,594 t CO_2 eq.	7,084 t CO_2 eq.
Scope 3 ~95%	Supply chain, incl. purchased goods and services, and employee commuting (44)%	1,550,214 t CO_2 eq.	1,520,341 t CO_2 eq.

Commitments	2023 outcome	Targets → 2025
Fleet Electrify ~20,000 vehicles by 2030	• Partnership with LeasePlan to reduce CO_2 • 2,500+ vehicles electrified	• Continued progress on fleet electrification
Food	• CO_2 emissions per 1,000 kcal associated with the food served globally reduced by ~5%	
Emission ↓ 25% by 2030	• Supply chain carbon analysis initiated across our portfolio • Power Plant Programme – plant-based menu offerings through innovative recipe development, menu concepts and culinary training • Future 50 Foods – new plant-based recipes across our kitchens, globally	
Waste ↓ 50% by 2027	• Food waste reduced by 30% since 2019-baseline • Tracking food waste at 73% of our sites and 85% our transactions, globally • Winnows food waste reduction system rolled-out to additional sites	• Continued scaling of Winnows system across sites and countries

Read more in the 2023 Sustainability Report of ISS A/S here:
Sustainability-Report-2023.pdf (issworld.com)

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Our business risks

We perceive risk management as an enabler for value creation – for all our stakeholders – while at the same time being important for value protection.

Our business model is based on taking over facility services that are non-core to our customers. As our services are integrated into our customers' value streams, there is a risk of disrupting their operations if operational risk management or contract requirements are not complied with. Thus, as a key business partner to the majority of our customers, we play a significant role in their overall risk management framework. Through our services, we can proactively support our customers in enhancing their risk management agenda and capabilities.

2023 risk agenda

Technology

As technology increasingly becomes an integral part of the workplace, cyber security is equally important.

ISS has built industry-leading cyber security capabilities in recent years. In 2023, we continued to strengthen and develop internal technology capabilities (e.g. AI and a new Tech Centre in Porto) to capture opportunities related to productivity gains and deployment of new services. We also continued the collaboration with well-established global technology partners.

Environmental sustainability

Environmental sustainability is one of our five strategic priorities. Our ability to deliver on our net zero and science-based targets is key to maintaining our license to operate and our competitive advantage.

In 2023, we rolled out a group-wide carbon management and reporting tool to support carbon disclosures at Group, Country, Account, and Site level. The tool will simplify, standardise and automate the collection, validation, calculation and reporting of carbon metrics in countries and across products and service lines.

Market developments

Office working

In 2023, we saw the steady emergence of a new post-Covid office working trend, with an increasing number of customers solidifying their return-to-office strategies – entailing both risk and opportunities for ISS.

The pandemic has likely accelerated the working-from-home trends and large office-based customers have in recent years downsized their office space. At the same time, however, ISS is benefitting from customers reallocating more resources to employees and quality offerings, including by increasing cleaning frequencies, ordering additional deep-cleaning and improving the quality of food solutions. We believe that through our service offering we can compensate for the effects of these developments by capturing business opportunities to maintain and grow our business.

Inflation

Geopolitical events continued to exert pressure on supply chains and consequently drove up inflation. As such, inflation management remained a priority in 2023. We continued to utilise the contractual agreements in our customer contract portfolio to implement price increases and thereby mitigate the increasing operating costs of our supply chain. In addition, the rise in inflation continued to squeeze real wages and drove up legislative minimum wages. To offset increased operating costs from higher wages, we discussed price increases or scope adjustments with customers on a timely basis.

Continuously rising inflation poses a risk of evolving into a cost-of-living crisis during a mid-term period, leading to further instability in labour markets. This puts sustainability in the spotlight, as the potential effects of an unstable financial environment may lead to social challenges.

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Annual group risk review

As part of our annual process, we reviewed and refined the Group's key risks to reflect the main exposure that may potentially impact the achievement of our OneISS strategic priorities. This led to three new risks being classified as Group key risks: "Strategic transformation", "Emerging technology" and "Data collection and analysis" and three risks taken out of the group key risk map i.e. "Subcontractors", "IT ransformation" and "Finance and reporting".

Each key risk has been assigned mitigation measures and EGM ownership. See the following page for details.

Group key risks

- Strategic transformation
- Emerging technology
- Sustainability
- Health and safety
- Contract management
- Data collection and analysis
- People management
- Regulatory compliance
- IT Security
- Macroeconomic and political environment

Our Group key risks, drivers and mitigation actions are described on the following pages.

Our exposure to financial risks is disclosed in note 4.3 to the consolidated financial statements.

Sustainability Report of ISS A/S

In 2023, we provided a double materiality assessment to identify sustainability risk and opportunities most material to the ISS A/S Group and our stakeholders.

For the outcome of the assessment, see the 2023 Sustainability Report of ISS A/S here: Sustainability-Report-2023.pdf (issworld.com)

Strategic transformation (new)

Failure to execute the ongoing OneISS strategic transformation, aimed at enhancing the operating model and strengthening competitiveness, within desired timeframes could negatively impact future financial results.

⚠ Risk drivers

The OneISS strategic transformation plan spans across the global organisation with significant scale, including multiple cross-functional projects, impacting wide range of processes, IT systems, frameworks and operating models

✓ Mitigation actions

- Set-up of dedicated Transformation Office in the EGM structure
- Refocus and reprioritisation of key project initiatives
- Continued execution of priority projects, incl. clear road maps for implementation
- Continuous monitoring and management of risks within the transformation projects

Emerging technology (new)

Risk that ISS will not be able to sufficiently leverage rapidly emerging, new technologies (e.g. AI), leading to missed opportunities related to potential productivity gains and/or deployment of new services.

⚠ Risk drivers

Complex and unknown nature of technology could result in insufficient speed of adoption

✓ Mitigation actions

- Strengthened organisational and governance structures and collaboration framework between IT and Commercial functions
- Strengthening of internal technology development capabilities (incl. Tech Centre in Porto)
- Collaboration with well-established global technology partners

Data collection and analysis (new)

Risk that ISS will not be able to leverage quality data, related both to internal processes and delivered services, to obtain meaningful insights enabling new or improve existing service offerings may not meet future market demands and requirements.

⚠ Risk drivers

The volume, complexity and variety of customer demand of data related to rendering of services and supporting processes. Inconsistent demand for data across industries and customers

✓ Mitigation actions

- Strengthened governance structures and collaboration framework between functions
- Embed data insights in the service and product development process

Health and Safety

Failure to design and implement, within our internal processes and service delivery, sufficient health and safety mechanisms increase risk of health and safety incidents affecting our placemakers and customers.

⚠ Risk drivers

Our placemakers provide a range of services in customer workplaces across the globe, including high risk environments and services

✓ Mitigation actions

- Our Health and Safety framework, independently certified against ISO 45001, 14001 and 9001, promotes strong processes and procedures. It is supported by a robust training program for our placemakers and we actively promote a strong, positive safety culture across our organisation

Contract management

Failure to fully identify, assess and manage key risks and opportunities in customer contracts thus adversely impacting profitability, leading to operational or regulatory non-compliance or suffering financial loss or reputational damage.

⚠ Risk drivers

Diversity of ISS services portfolio translates to variety of contractual arrangements with the customers. As the complexity of delivered services grows, so does the complexity of contractual requirements and ultimately – inherent risk of failure in contract management

✓ Mitigation actions

- Standardised commercial bid process, incl. governance structure and procedures that involve variety of subject matter experts across the organisation
- Standardised contract transition model, incl. internal certification programme
- Standardised service delivery policies, incl. contractual obligations management
- Governance and cross country cooperation for global key accounts

People management

Risk that ISS will not be able to attract and retain the right people in order to maintain operations and meet our customer obligations.

⚠ Risk drivers

Rising wage inflation in certain geographies. Increased expectations towards employers, beyond simple remuneration and encompass wider social responsibility requirements. Demographic changes, fuelled by aging society and mass migration, will further limit availability of key talent in certain regions in the mid-term perspective

✓ Mitigation actions

- Development of Target Operating Model for people processes to enhance employee experience (incl. onboarding), supported by dedicated tools and internal platforms
- Company of Belonging signature objectives
- Development of tailor-made recruitment plans for specific countries and/or regions

Regulatory compliance

Failure to comply with applicable laws and regulations, incl. labour law, data protection and cyber security regulations and required licenses and permits which may lead to regulatory, operational, and reputational losses.

⚠ Risk drivers

Wide variety of provided services and industries that ISS operates in.

Multitude of geographies in which ISS is present, as well as growing complexity and volatility of various regulatory regimes globally

✓ Mitigation actions

- Strengthening of functional expertise to build compliance focused culture and further develop regulatory compliance maturity
- Implementation of robust compliance framework and standardised, global approach towards monitoring and ensuring compliance with laws and regulations
- Compliance-related projects targeting specific future regulatory requirements impacting ISS business

IT Security

ISS being target of cyber attacks leading to business disruption and/or disclosure of ISS and/or our business data.

⚠ Risk drivers

- State sponsored attacks due to geopolitical tensions
- Double extortion attacks, where criminals not only compromise the infrastructure with ransomware, but also demand payment for not selling or publishing acquired data

✓ Mitigation actions

- Building of maturity of security operations and proactive vulnerability & threat discovery capabilities
- Significant investments in continuous improvements
- 24/7 SOC team with detect and response capabilities
- Cyber risk function driving ownership on identified cyber risks
- Cyber awareness campaigns
- Involvement of IT security in business processes, incl. commercial and operations, to support driving security agendas of our customers

Sustainability

Risk that ISS will not be able to deliver on own sustainability goals and targets and will not be able to support customers' net zero journey.

⚠ Risk drivers

- Environmental impact is driven primarily by carbon emissions, 95% of which sits within Scope 3.
- Social impact is inherent to the ISS business model, that relies on over 350,000 placemakers to deliver the services
- Governance dimension is driven by the complexity of international, multi-cultural markets ISS operates in

✓ Mitigation actions

- Clear governance and ownership structure for sustainability agenda
- Science-based targets with near term carbon goals
- Sustainability reporting framework
- Carbon management tool allowing for tracking, monitoring and reporting
- Living wage pledge
- Code of conduct and speak-up policy
- Integrating carbon management into our service products, including reduction of GHG emissions from food and reduction of food waste

Macroeconomic and political environment

Unstable and/or unfavourable economic, financial and/or currency conditions, as well as political environment and instability that might have adverse impact on achieving ISS business goals.

⚠ Risk drivers

ISS delivers services in dozens of countries across the globe. This requires us to consider political and macroeconomic environment both on global international market, as well as local ones. Persistent geopolitical tensions, supply chain disruptions, inflationary pressures and economic slowdown are primary external drivers that might directly or indirectly impact service delivery and its profitability

✓ Mitigation actions

- Enhancing macroeconomic and political risk analysis in the commercial bid process when considering involvement in new markets
- Monitoring of macroeconomic indicators and political environment in existing markets
- Standards governing inflation approach in our contracts
- Crisis management structures both on group and local levels

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Corporate governance

Transparency, constructive stakeholder dialogue, sound decision-making processes and controls are key aspects of our corporate governance for the benefit of ISS and our stakeholders.

The management team of the Group formally consists of the Board of Directors and the Executive Management of ISS Global A/S. Since ISS Global A/S has no operating activities of its own, the Group relies on the management team of ISS A/S, the ultimate par-ent company in Denmark. As a subsidiary of ISS A/S, ISS Global A/S is subject to the same corporate gov-ernance policies applicable in ISS A/S. Corporate governance of the ISS Global Group is therefore built on corporate governance of the ISS A/S Group, including the management team, and descriptions in this chapter should be seen in this context.

Framework

The Board of Directors (the Board) continuously reviews and develops the Group's corporate governance framework and policies in response to the Group's strategic development, activities, business environment, corporate governance recommendations and statutory requirements.

The Board reviews the Group's share and capital structure on an ongoing basis. The Board believes the present share and capital structure serves the best interests of both the shareholders and ISS as it gives ISS the flexibility to pursue strategic goals, thus supporting long-term shareholder value combined with short-term shareholder value by way of ISS's dividend policy.

Governance structure

Shareholders

The shareholders of ISS A/S exercise their rights at the annual general meeting, which is the supreme governing body of ISS.

Management

Management powers are distributed between our Board and our Executive Group Management Board (the EGMB). No person serves as a member of both corporate bodies. Our EGMB carries out the day-to-day management, while our Board supervises the work of our EGMB and is responsible for the overall management and strategic direction.

Governance Report of ISS A/S

The report includes a transparent description of our governance structure, the main elements of our internal controls related to financial reporting and a detailed description of our position on the Danish Corporate Governance Recommendations. The report is available here: Corporate-Governance-Report-2023.pdf (issworld.com)

The members of the EGMB are the Group CEO and the Group CFO. Together, they form the management registered with the Danish Business Authority. The Group has a wider Executive Group Management (the EGM), whose members are seven Corporate Senior Officers in addition to the EGMB. The EGM has a number of committees including a Sustainability Committee addressing ESG-related matters which are reported and reviewed by the EGM and the Board as required.

In the review of our governance structure on p. 31, we have outlined the primary responsibilities of the Board and the EGM as well as 2023 activity by Board committees.

New Group CEO and EGM

On 1 September 2023, Kasper Fangel was appointed Group CEO, replacing Jacob Aarup-Andersen, who resigned in March. On 7 September 2023, ISS announced changes to the EGM. The EGM was reduced from 13 to 9 members enhancing agility and execution power to build a stronger, more robust ISS and drive financial performance going forward. Carsten Højlund was appointed interim Group CFO. On 9 January 2024, ISS announced that Mads Holm is appointed new Group CFO, joining ISS no later than 1 August 2024.

Board composition

The Board currently consists of nine members, six elected by the general meeting and three elected by and among the employees. Board members elected by the general meeting stand for election each year.

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At the annual general meeting on 13 April 2023, the following Board changes were made:

- Cynthia Mary Trudell stepped down
- Reshma Ramachandran appointed as new board member
- Gloria Diana Glang appointed as new board member. End of August, Gloria Diana Glang stepped down due to a new executive position requiring her to step down from board positions in listed companies

Employee representatives are elected on the basis of a voluntary arrangement regarding Group representation for employees of ISS World Services A/S as further described in the Articles of Association. Employee representatives serve for terms of four years. The current employee representatives joined the Board after the annual general meeting in April 2023.

Board evaluation

In 2023, the Board evaluation was conducted as a self-assessment. The assessment included input of nine board members and the Group CEO based on a questionnaire, evaluating the strategy development and implementation; risk awareness, monitoring and reporting; cooperation with and evaluation process of CEO and EGM; board composition and dynamics; on- and off- boarding; meeting structure and operation; meeting effectiveness; stakeholder relations; committee and Deputy Chair value contribution; and evaluation of the Chair.

The result was reviewed by the Nomination Committee and discussed at a Board meeting in December 2023. The individual member's contribution was subsequently reviewed as part of individual meetings held between the Chair and each member.

The outcome of the 2023 Board evaluation was a continued high level of performance and improvement was seen across almost all areas covered by the questionnaire. Especially, board composition and dynamics as well as on- and off boarding had improved compared to last year's evaluation. Overall, the Board was found to achieve its mandate, fulfil its responsibilities, and provide value.

The evaluation identified a few focus areas to improve the Board's impact and value-add during 2024: i) increased focus on strategy execution and implementation, ii) continued high focus on risk management and iii) further work on talent development and succession planning. For further details, see response to recommendation 3.5.1 of the 2023 Statutory report on Corporate Governance.

Assurance

The Group's external financial reporting is audited by the independent auditors. Group Internal Audit (GIA) is responsible for providing an objective and independent assessment of the effectiveness and quality of the internal controls through delivery of the internal audit plan approved by the Audit and Risk Committee (ARC). GIA operates under a charter approved by the Board.

The internal audit plan for 2023 was prepared based on the outcome of the Group risk review and incorporated audits covering the areas of financial reporting controls, internal controls on ISS's largest strategic key accounts, the control environment in ISS country organisations, information technology and compliance (internal and external regulations).

GIA monitors the actions of management to address observation made on the internal control environment to ensure control gaps are resolved adequately. Regular reports on the status of open observations are made to both EGM and the ARC.

Speak Up (whistleblower)

The Speak Up Policy is supported by a reporting system operated on a platform from EQS and available in 21 languages via ISS's website and local ISS country websites. The Speak Up system also incorporates a manned phone hotline providing local landline and toll-free numbers across 35 countries giving reporters the opportunity to report to an independent third-party in their native language. The system enables employees of ISS, business partners and other stakeholders to report concerns, including anonymously to Group Internal Audit.

All business integrity and ethics issues identified through Speak Up or other sources are handled by the Business Integrity Committee (BIC) that is composed of the Group CFO, the Group General Counsel, the Group Chief People & Transformation Officer and the Head of Group Internal Audit. The ISS Management Protocol for Speak Up describes how BIC investigations are to be handled and is regularly updated to accommodate changes in local legislation. The BIC reports to the Audit and Risk Committee on all matters that have been subject to investigation.

During 2023, reports into the Speak Up system have led to disciplinary sanctions, including dismissals. In addition, the Management Protocol for Speak Up was updated to strengthen the governance around reports out of scope of the Speak Up policy resulting in a shortening in resolution time for reporters.

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More information regarding the Speak Up system, including detailed run-through of selected reports, can be found in the Sustainability Report of the ISS A/S Group.

Data ethics

The Group's Data Ethics Policy describes ISS's approach to data ethics and aims to encourage our placemakers and partners, to have an active involvement in data ethical questions and to raise concerns ensuring continuous development of the guiding principles.

ISS process data for the purpose of providing our services, managing our workforce and properly documenting compliance and delivery to customers and public authorities. To protect the data, processes, and the persons affected by these activities, the policy is based on the Charter of Fundamental Rights of the European Union.

In 2023, ISS continued to work towards integrating the principles of the policy in existing and new processes. The focus has been within data analytics and data science ensuring our use cases are prepared and utilises our Data Ethics frameworks. This ensures that use cases within analytics, data science etc. are prepared in an ethical, responsible manner reducing the risk of bias and minimising potential negative impact.

Data ethics are considered in relevant initiatives and included in applicable approval processes. Training efforts are conducted to generate awareness. The policy also establishes governing ethical principles when developing and deploying data processing AI technologies. These principles are implemented in order to ensure safe, accountable, transparent and non-discriminative use of AI technology.

Data Ethics policy of ISS A/S

The Data Ethics policy as per section 99d in the Danish Financial Statements Act, adopted by the EGM and the Board and subject to annual review, is available at: Data-Ethics-Policy-2023.pdf (issworld.com)

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Our governance structure

Board of Directors

Responsible for the overall management and strategic direction of the Group, including:

- strategy plan and financial projections
- appointing EGMB members
- supervising the activities of the Group
- reviewing the financial position and capital resources to ensure that these are adequate

The Board receives monthly financial reporting and is briefed on important matters in between board meetings.

The Board held 15 meetings in 2023.

2023 committee activity

Audit and Risk Committee

Held 7 meetings in 2023 and continued its focus on:

- Evaluating the external financial and ESG reporting, material accounting policies and significant accounting estimates and judgements related to e.g. impairment tests, divestments, deferred tax and revenue and related customer receivables
- Reviewing and monitoring the Group's risk management, internal controls, Speak Up (whistleblower) system and business integrity matters
- Monitoring the Group Internal Audit Function
- Evaluating the Financial Policy, the Dividend Policy and the Group Tax Policy
- Monitoring and considering the relationship with the external auditor and the independent external assurance partner in respect of ESG reporting, reviewing the audit process and the long-form audit report, and recommending on appointment of external auditor and assurance partner on ESG

Remuneration Committee

Held 6 meetings in 2023 and continued its focus on:

- Reviewing the remuneration policy and guidelines on incentive pay
- Recommending the remuneration of Board and EGMB members and approving remuneration of EGM

Nomination Committee

Held 4 meetings in 2023 and continued its focus on:

- Assisting in ensuring that appropriate plans and processes are in place for the nomination of candidates to the Board and the EGMB
- Evaluating the composition of the Board and the EGMB
- Recommending nomination or appointment of Board, EGMB and board committee members

Transaction Committee

Held 6 meetings in 2023 and continued its focus on:

- Reviewing new M&A strategy
- Reviewing and making recommendations on certain large acquisitions, divestments and customer contracts
- Following and considering large transactions, including reviewing pipeline and ISS's procedures
- Reviewing material new financing, refinancing or material variation of existing financing and proposals for equity or debt issuance

Executive Group Management

Responsible for the day-to-day management of the Group, including:

- developing and implementing strategic initiatives and Group policies
- designing and developing the organisational structure
- monitoring Group performance
- evaluating and executing investments, acquisitions, divestments and large customer contracts
- assessing whether the Group has adequate capital resources and liquidity to meet its existing and future liabilities
- establishing procedures for accounting, IT organisation, risk management and internal controls
- EGM has established a number of committees, including Sustainability, Remuneration, IT & Digitalisation, Business Integrity, D&I, Disclosure, Product & Platform and Transaction Committees.

Country leadership

Responsible for the implementation of the OneISS strategy and business model on country level and managing the business in accordance with Group policies and procedures as well as local legislation and practice of each country, including managing operations in their market.

Country leadership teams are set out under each relevant country at www.issworld.com

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Parent company

Financial review

Net profit decreased to (759) million (2022: DKK (181) million) mainly due to reduced income from subsidiaries and joint ventures as a result of increased impairment.

Cash flow from operating activities was DKK 58 million, a slight increase compared to DKK 53 million in 2022.

Cash flow from investing activities decreased to DKK 906 million (2022: DKK 1,098 million) mainly due to recuced positive impact from divestments of subsidiaries as well as decreased dividends received from subsidiaries.

Cash flow from financing activities was DKK (415) million (2022: DKK 503 million). The decrease related mainly to decreased payments received from companies within the ISS Group.

Equity was DKK 8,275 million (2022: DKK 9,034 million) driven by net profit.

2024 outlook

Management expects net profit for 2024 to be in line with the level realised in 2023.

Diversity reporting

This section covers ISS Global A/S's reporting in accordance with the Danish Financial Statements Act sections 99b and 107d.

The Board of Directors (the Board) is responsible for annually determining the appropriate qualifications, experience and competencies required of the Board and the Executive Management of ISS Global A/S in order for the Board and the Executive Management to best perform their tasks, taking into account ISS Global A/S's needs and the existing composition of these boards.

The Board and the Executive Management recognise the importance of promoting diversity and consider both competencies and diversity in respect of Board and Executive Management nominations according to which we are committed to selecting the best candidate.

ISS Global A/S has no employees employed. The management team of ISS Global A/S consists of the Executive Management, comprising one member employed by ISS World Service A/S (the parent of ISS Global A/S) and the Board, whose members are employed by ISS A/S and ISS World Services A/S. As ISS Global A/S has no employees, the company has not implemented separate policies in accordance with section 107d.

Gender representation

Board

The current gender representation among Board members (elected by the general meeting) is 25% women and 75% men, which is considered equal according to the Danish Business Authority's applicable guidelines[1]. As the gender representation is considered equal, ISS Global A/S is exempted from setting a target figure for the board.

Other management levels

Other management levels of ISS Global A/S comprise the Executive Management, which consist of a single member employed by ISS World Service A/S as described above. As ISS Global A/S has less than 50 employees and the Executive Management consists of less than three people, ISS Global A/S has not adopted a company specific gender target or policy promoting gender diversity at other management levels.

Underrepresented gender

§99b-reporting

2023	Board	Other management levels
Target	n/a	n/a
Total members	4	1
Female/male:		
Number	1/4 [2]	0/1
%	25/75 [2]	0/100

1) According to the Danish Business Authority's guidelines on target figures, policies and reporting on the gender composition of management, a gender distribution of 40/60% or the closest number under 40% is considered equal.
2) Equal representations according to the Danish Business Authority's guidelines on target figures, policies and reporting on the gender composition of management.

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Statement of profit or loss

1 January – 31 December

(DKKm)	Note	2023	2022
Revenue	1.1, 1.2	**78,702**	**73,858**
Employee costs	1.3	(48,847)	(45,405)
Consumables		(7,481)	(6,485)
Other operating expenses		(16,921)	(16,873)
Depreciation and amortisation	2.6, 3.1	(1,303)	(1,284)
Operating profit before other items		**4,150**	**3,811**
Other income and expenses, net	1.4	(90)	76
Royalty		(1,110)	(1,216)
Amortisation/impairment of customer contracts	3.1	(69)	(69)
Operating profit	1.1	**2,881**	**2,602**
Financial income	4.2	397	297
Financial expenses	4.2	(807)	(610)
Profit before tax		**2,471**	**2,289**
Income tax	5.1	(455)	(298)
Net profit from continuing operations		**2,016**	**1,991**
Net profit from discontinued operations	3.4	**(1,725)**	**(36)**
Net profit		**291**	**1,955**
Attributable to:			
The owner of ISS Global A/S		245	1,877
Non-controlling interests		46	78
Net profit		**291**	**1,955**

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Statement of comprehensive income

1 January – 31 December

(DKKm)	Note	2023	2022
Net profit		**291**	**1,955**
Items that will not be reclassified to profit or loss:			
Remeasurement gain/(loss), defined benefit plans	7.1	(462)	208
Asset ceiling, defined benefit plans	7.1	299	(43)
Tax	5.2	33	(53)
Items that may be reclassified to profit or loss:			
Foreign exchange adjustments of foreign entities	4.1	(438)	(31)
Recycling of accumulated foreign exchange adjustments on country exits	4.1	(6)	(36)
Hyperinflation restatement of equity at 1 January	7.2	467	814
Fair value adjustments of net investment hedges	4.1	(84)	(43)
Tax	4.1	-	10
Other comprehensive income		**(191)**	**826**
Comprehensive income		**100**	**2,781**
Attributable to:			
The owner of ISS Global A/S		73	2,385
Non-controlling interests		27	396
Comprehensive Income		**100**	**2,781**

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Statement of cash flows

At 31 December

(DKKm)	Note	2023	2022
Operating profit before other items		4,150	3,811
Operating profit before other items from discontinued operations	3.4	(146)	(40)
Depreciation and amortisation	2.6, 3.1	1,350	1,386
Non-cash items related to hyperinflation	7.2	(90)	(51)
Share-based payments		42	40
Changes in working capital	2.4	219	407
Changes in provisions, pensions and similar obligations		(473)	(665)
Other expenses paid		(42)	(31)
Interest received from companies within the ISS Group		203	83
Interest received		122	85
Interest paid to companies within the ISS Group		(11)	-
Interest paid		(575)	(483)
Income tax paid		(394)	(338)
Payments related to royalties		(1,071)	(1,184)
Cash flow from operating activities		**3,284**	**3,020**
Acquisitions	3.3	(373)	(325)
Divestments	3.4	25	587
Acquisition of intangible assets and property, plant and equipment		(569)	(616)
Disposal of intangible assets and property, plant and equipment		16	28
Change in financial assets		9	(30)
Cash flow from investing activities		**(892)**	**(356)**
Repayment of lease liabilities	4.2	(778)	(850)
Other financial payments, net	4.2	(144)	(41)
Changes in debt to companies within the ISS Group, net	4.2	(29)	40
Changes in receivables from companies within the ISS Group, net		(371)	3
Transactions with non-controlling interests		(6)	(7)
Cash flow from financing activities		**(1,328)**	**(855)**
Total cash flow		**1,064**	**1,809**
Cash and cash equivalents at 1 January		5,166	3,427
Total cash flow		1,064	1,809
Foreign exchange adjustments		(137)	(70)
Cash and cash equivalents at 31 December	4.2, 4.5	**6,093**	**5,166**
Free cash flow	2.7	**1,819**	**1,616**

Statement of financial position

At 31 December

(DKKm)	Note	2023	2022
Assets			
Intangible assets	3.1, 3.2	16,569	17,246
Right-of-use assets	2.6	2,153	2,345
Property, plant and equipment	2.6	901	891
Receivables from companies within the ISS Group		3,821	3,386
Deferred tax assets	5.2	916	897
Other financial assets		189	449
Non-current assets		**24,549**	**25,214**
Inventories		239	231
Trade receivables	2.1	11,354	10,996
Tax receivables		119	145
Receivables from companies within the ISS Group		220	180
Other receivables	2.2	1,494	1,600
Cash and cash equivalents	4.2, 4.5	6,093	5,166
Assets held for sale	3.4	698	32
Current assets		**20,217**	**18,350**
Total assets		**44,766**	**43,564**
Equity and liability			
Equity attributable to the owner of ISS Global A/S	4.1	6,497	6,424
Non-controlling interests	4.1	629	602
Total equity		**7,126**	**7,026**
Loans and borrowings	4.2	13,386	15,893
Pensions and similar obligations	7.1	1,135	1,185
Deferred tax liabilities	5.2	603	536
Provisions	2.5	387	465
Non-current liabilities		**15,511**	**18,079**
Loans and borrowings	4.2	3,299	892
Trade and other payables	4.5	7,000	6,757
Tax payables		155	172
Other liabilities	2.3	9,967	10,022
Provisions	2.5	359	606
Liabilities held for sale	3.4	1,349	10
Current liabilities		**22,129**	**18,459**
Total liabilities		**37,640**	**36,538**
Total equity and liabilities		**44,766**	**43,564**

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Statement of changes in equity

1 January – 31 December

(DKKm)	Note	Attributable to the owner of ISS Global A/S: Share capital	Retained earnings	Translation reserve	Total	Non-controlling interests	Total equity
2023							
Equity at 1 January		**180**	**6,841**	**(597)**	**6,424**	**602**	**7,026**
Net profit		-	245	-	245	46	291
Other comprehensive income	4.1	-	(101)	(71)	(172)	(19)	(191)
Comprehensive income		**-**	**144**	**(71)**	**73**	**27**	**100**
Changes in equity		**-**	**144**	**(71)**	**73**	**27**	**100**
Equity at 31 December		**180**	**6,985**	**(668)**	**6,497**	**629**	**7,126**
2022							
Equity at 1 January		**180**	**4,816**	**(957)**	**4,039**	**206**	**4,245**
Net profit		-	1,877	-	1,877	78	1,955
Other comprehensive income	4.1	-	148	360	508	318	826
Comprehensive income		**-**	**2,025**	**360**	**2,385**	**396**	**2,781**
Changes in equity		**-**	**2,025**	**360**	**2,385**	**396**	**2,781**
Equity at 31 December		**180**	**6,841**	**(597)**	**6,424**	**602**	**7,026**

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Significant changes and events

In 2023, the Group's performance and financial position was affected by the significant changes and events highlighted below. A detailed review of the Group's performance is provided in the Management's Review on pp. 5-15.

France

Discontinued operations

In 2023, it was decided to divest ISS France and reposition ISS to only focus on servicing global key account customers. As a result, the business was classified as held for sale and discontinued operations. On 22 December 2023, we signed a binding agreement (put option) to divest the business to Onet SA with expected completion in the first half of 2024.

Net profit of the French business for 2023 amounted to DKK (1,685) million, and was presented separately in "Net profit from discontinued operations". The result included the impairment loss of DKK 1,257 million recognised at 30 June 2023 and subsequent impairment losses and fair value adjustments of DKK 201 million.

See 3.2, Impairment tests and 3.4, Discontinued operations, assets held for sale and divestments for further details.

DTAG

Arbitration process

As previously informed, ISS and Deutsche Telekom (DTAG) have certain contractual disagreements and ISS has in 2022 initiated the establishment of an Arbitration Tribunal under the German Institute of Arbitration (DIS) to decide on these disagreements. The arbitration proceedings are expected to complete with a final and binding ruling by mid-2025. ISS and DTAG have exchanged claims against each other, but the outcome of the proceedings remains uncertain.

Management has carefully considered the various aspects of the dispute in making their estimates and judgements, mainly in relation to provisions and contingent liabilities.

See 2.5, Provisions, contingencies, guarantees and commitments for further details.

Macroeconomic and geopolitical environment

Continued uncertainty

The macroeconomic environment and geopolitical events continued to create uncertainty in 2023.

Rising inflation and interest rates touched certain aspects of our business, such as increasing our cost base, mainly because of increasing minimum wages and collective wage agreements. To mitigate the effect, we continued to utilise the price adjustment mechanisms in our customer contracts.

Türkiye also continued to be considered a hyperinflationary economy and eligible for accounting in accordance with IAS 29.

In preparing these consolidated financial statements, we considered the impact of this development when making accounting estimates, most significantly in relation to:

- Impairment tests, 3.2
- Pensions and similar obligations, 7.1
- Hyperinflation in Türkiye, 7.2

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Estimates and judgements

Note		Significant accounting estimates
1.2	Revenue	• Impact from contract modifications and variable consideration
2.5	Provisions	• Onerous contracts – assessment of future profitability • Assumptions for onerous contracts, claims, disputes and legal proceedings
3.2	Impairment tests	• Key assumptions in impairment test of goodwill and other intangible assets
3.4	Assets held for sale	• Estimate of fair value less costs to sell
5.2	Deferred tax	• Assessment of future taxable profit • Uncertain tax positions – estimate of the amount required to settle the obligation
7.1	Pensions and similar obligations	• Impact from increased inflation and discount rates on future salary and pension increases

Note		Significant judgement
1.2	Revenue	• Gross or net presentation – assessment of whether ISS acts as the principal or the agent
2.2	Other receivables	• Transition and mobilisation costs – assessment of the criteria for capitalisation
2.5	Provisions	• Lawsuits and disputes - assessment of the likely outcome • Large contracts - assessment of risks and disputes
2.6	Right-of-use assets	• Lease term – determining whether extension options are reasonably certain to be exercised
3.1	Intangible assets	• Cloud-based arrangements – assessment of control and whether configuration/customisation costs result in an intangible assets costs result in an intangible assets • Software – capitalisation of configuration/customisation costs
7.2	Hyperinflation in Türkiye	• Price index – assessment of which approach to apply in calculating the conversion factor when restating for hyperinflation, i.e. average year-todate or average month-to-date

The preparation of the Group's consolidated financial statements required management to make judgements, estimates and assumptions that affected the reported amounts of assets, liabilities, income and expenses, the accompanying disclosures, including contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Estimates and assumptions are reviewed on an ongoing basis and have been prepared taking macroeconomic and geopolitic developments into consideration as well as climate-related matters, but still ensuring that one-off effects which are not expected to exist in the long term do not affect estimation and determination of these key factors, including discount rates and expectations for the future.

The Group's significant accounting estimates and judgements in applying the Group's material accounting policies are provided in the overviews above.

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Estimates and judgements (continued)

Climate-related matters

In preparing these consolidated financial statements, management assessed the impact of climate matters and related risks in relation to 1) the going concern assessment; and 2) in applying significant estimates and assumptions. The assessment included both transitional risks in the form of increased costs incurred as part of transitioning toward a more sustainable economy, and physical risks due to specific weather events, such as storms or flooding.

Generally, we do not believe that our profitability, cash flow generation or asset base is significantly exposed to climate risk, which is based on our general ability to pass on cost increases to customers as evidenced by our relative historic margin stability and on the fact that we are an asset-light operation with low operational investment needs. This conclusion is supported by our TCFD assessment.

As a result, it is management's assessment, that climate-related matters 1) will not have a significant impact on the Group's going concern assessment, or in the long term (next five years); and 2) did not have a material impact on the Group's significant accounting estimates and assumptions applied in these consolidated financial statements.

In relation to the latter, management specifically considered the impact of climate-related matters in performing impairment tests; in estimating cash flow projections for the individual CGUs management considered both transitional risks, i.e. increased costs resulting from imposed carbon tax and other regulatory requirements, as well as physical risks, such as critical weather events. As our business model entails performing services at our customers sites, this mainly included an assessment of our customers' ability to continue their business in the short to medium term.

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Operating profit

1.1 Segments

1.1.1 Operating segments

ISS is a leading, global provider of workplace and facility service solutions operating in 30+ countries. Operations are generally managed based on a geographical structure in which countries are grouped into regions.

The regions have been identified based on a key principle of grouping countries that share market conditions and cultures. Countries where we do not have a full country-based support structure (partnership countries) are combined in a separate segment "Other countries".

An overview of the grouping of countries into regions is presented in 8.4, Group companies.

France classified as held for sale and discontinued operations

On 9 August 2023, ISS announced its intention to divest the French business, while still retaining global key account customers in the country. As a result, ISS France (excluding global key accounts) was classified as held for sale and discontinued operations and excluded from the segment overview below (previously included in Central & Southern Europe). Revenue and operating profit related to the retained global key accounts was presented in Other countries. Comparative figures have been restated accordingly.

(DKKm)	Northern Europe	Central & Southern Europe	Asia & Pacific	Americas	Other countries	Total segments	Unallo-cated/ elimination	Total Group
2023								
Revenue, excl. IAS 29	29,324	24,807	14,229	9,605	783	78,748	(44)	78,704
Hyperinflation restatement	-	(2)	-	-	-	(2)	-	(2)
Revenue	**29,324**	**24,805**	**14,229**	**9,605**	**783**	**78,746**	**(44)**	**78,702**
Depreciation and amortisation	(543)	(493)	(132)	(121)	(4)	(1,293)	(10)	(1,303)
Operating profit before other items, excl. IAS 29	1,572	1,487	875	489	48	4,471	(273)	4,198
Hyperinflation restatement	-	(48)	-	-	-	(48)	-	(48)
Operating profit before other items	**1,572**	**1,439**	**875**	**489**	**48**	**4,423**	**(273)**	**4,150**
Operating margin	*5.4%*	*5.8%*	*6.1%*	*5.1%*	*6.1%*	*5.6%*	*-*	*5.3%*
Operating margin, excl. IAS 29	*5.4%*	*6.0%*	*6.1%*	*5.1%*	*6.1%*	*5.7%*	*-*	*5.3%*
Other income and expenses, net	-	(43)	15	(4)	-	(32)	(58)	(90)
Royalty	(413)	(344)	(247)	(108)	2	(1,110)	-	(1,110)
Amortisation/impairment of customer contracts	(13)	(37)	(2)	(17)	-	(69)	-	(69)
Operating profit	**1,146**	**1,015**	**641**	**360**	**50**	**3,212**	**(331)**	**2,881**

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1.1 Segments (continued)

(DKKm)	Northern Europe	Central & Southern Europe	Asia & Pacific	Americas	Other countries	Total segments	Unallo-cated/ elimination	Total Group
2022								
Revenue, excl. IAS 29	28,694	21,646	14,012	8,585	795	73,732	(28)	73,704
Hyperinflation restatement	-	154	-	-	-	154	-	154
Revenue	**28,694**	**21,800**	**14,012**	**8,585**	**795**	**73,886**	**(28)**	**73,858**
Depreciation and amortisation	(557)	(473)	(147)	(97)	(4)	(1,278)	(6)	(1,284)
Operating profit before other items, excl. IAS 29	1,519	1,146	882	445	60	4,052	(212)	3,840
Hyperinflation restatement	-	(29)	-	-	-	(29)	-	(29)
Operating profit before other items	**1,519**	**1,117**	**882**	**445**	**60**	**4,023**	**(212)**	**3,811**
Operating margin	*5.3%*	*5.1%*	*6.3%*	*5.2%*	*7.6%*	*5.4%*	-	*5.2%*
Operating margin, excl. IAS 29	*5.3%*	*5.3%*	*6.3%*	*5.2%*	*7.6%*	*5.5%*	-	*5.2%*
Other income and expenses, net	62	(15)	160	(124)	-	83	(7)	76
Royalty	(467)	(330)	(280)	(131)	(8)	(1,216)	-	(1,216)
Amortisation/impairment of customer contracts	(16)	(27)	(4)	(22)	-	(69)	-	(69)
Operating profit	1,098	745	758	168	52	2,821	(219)	2,602

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1.1 Segments (continued)

1.1.2 Geographical distribution

	Revenue		Non-current assets [1]	
(DKKm)	2023	2022	2023	2022
UK & Ireland	10,611	10,396	2,218	2,172
US & Canada	7,004	6,387	2,368	2,492
Switzerland	6,383	5,729	2,010	1,950
Germany	5,864	5,556	993	1,016
Australia & New Zealand	5,102	4,868	1,331	1,384
Türkiye	4,833	3,341	1,525	1,519
Spain	4,460	4,130	1,644	1,263
Denmark (country of domicile)	2,994	3,169	806	813
Other countries [2]	31,451	30,282	10,738	11,708
Total	**78,702**	**73,858**	**23,633**	**24,317**

[1] Excluding deferred tax assets.

[2] Including unallocated items and eliminations.

Accounting policy

Our segments are managed primarily based on business performance measured by Operating profit. Segment revenue and costs comprise items that are directly attributable to the individual segments. Unallocated items mainly consist of revenue and cost relating to the Group's corporate functions. Decisions on financing (financial income and expenses) as well as tax planning (income tax) are managed at Group level and are therefore not managed and allocated to segments.

Segment revenue is presented including internal revenue which due to the nature of the business is insignificant and therefore not disclosed.

The geographical distribution of segment revenue and non-current assets is based on the geographical location of the individual subsidiary from which the sales transaction originates. Significant countries are defined as countries representing more than 5% of Group revenue as well as the domicile country, Denmark. No customer comprises more than 10% of Group revenue.

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1.2 Revenue

1.2.1 Performance obligations

Revenue is generated from rendering of workplace and facility service solutions. Our services are provided at the customer's site on a daily basis continuously over the term of the contract. The customer simultaneously receives and consumes the benefits provided by the Group. Thus, performance obligations are satisfied over time.

Revenue is split between portfolio and projects and above-base work, with the vast majority stemming from portfolio revenue, 84% (2022: 82%).

(DKKm)	2023	2022
Portfolio revenue	65,731	60,552
Projects and above-base work	12,971	13,306
Total	**78,702**	**73,858**

Portfolio revenue comprises revenue from contracts with customers that is contractually agreed (committed) at inception and relates to services that we are obligated to render on a recurring basis over the term of the contract. Revenue from projects and above-base work (e.g. capital projects, events, etc.) is demanded on a non-recurring basis and agreed separately with the customer.

1.2.2 Disaggregation of revenue

Aligned with our strategy to focus on key accounts in three prioritised segments, where we deliver our core services, we disaggregate revenue based on:

- customer category;
- customer segment;
- core services; and
- geographical region

We believe that these best depict how the nature, amount, timing and uncertainty of our revenue and cash flows are affected by economic factors.

(DKKm)	2023	2022
Customer category		
Key accounts	56,274	53,827
Large and medium	18,645	16,406
Small and route-based	3,783	3,625
Total	**78,702**	**73,858**
Customer segments		
Office-based	30,690	29,869
Production-based	18,906	16,985
Healthcare	10,951	9,994
Other	18,155	17,010
Total	**78,702**	**73,858**
Core services		
Cleaning	33,170	32,805
Technical	18,288	16,577
Food	11,997	10,168
Workplace, incl. Other	15,247	14,308
Total	**78,702**	**73,858**

Disaggregation of revenue based on geographical region is disclosed in 1.1, Segments.

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1.2 Revenue (continued)

1.2.3 Costs to fulfil a contract

The size and complexity of key account contracts often requires ISS to incur significant transition and mobilisation costs before service delivery commences in order to be able to fulfil the performance obligations under the contracts.

Transition and mobilisation costs comprise costs, directly related to launching certain large long-term contracts such as transfer of employees from previous suppliers, site due diligence, planning and developing service plans. The cost includes internal direct costs and external costs, e.g. to consultants.

At 31 December 2023, capitalised transition and mobilisation costs amounted to DKK 42 million (2022: DKK 36 million). The increase in 2023 was due to ongoing mobilisation activities for a new contract in the UK, partly offset by ordinary amortisation, mainly in Denmark, Sweden and the UK.

Capitalised transition and mobilisation costs are presented in 2.2, Other receivables.

1.2.4 Revenue backlog

Our revenue base consists of a mix of yearly contracts, which are renewed tacitly, and thousands of multi-year contracts, the majority of which have an initial term of three to five years. Depending on the size and complexity of the contract, the transition and mobilisation period is normally between six and twelve months for our key accounts. Contracts regularly include options for the customer to terminate for convenience within three to nine months. However, we maintain a high retention rate of 95%, both for key accounts and overall, supporting that these options are rarely exercised.

The vast majority of our revenue is portfolio revenue, see 1.2.1, Performance obligations. The remaining part is non-recurring in the form of projects and above-base work, which is not committed as part of the main customer contract and thus, excluded from the revenue backlog. In addition, the Group has excluded contracts with a term of less than 12 months and contracts where the Group invoices a fixed amount for each hour of service provided.

As a result, the amounts disclosed in the maturity table is significantly lower than reported revenue and will likely not reflect the degree of certainty in future revenue (and cash inflows) to the Group. As a supplement, in the management review, p. 8, a maturity overview for our largest key accounts (> DKK 200 million of annual revenue) is presented.

(DKKm)	2023		2022	
< 1 year	33%	20,793	33%	20,230
1-5 years	56%	35,356	55%	33,237
> 5 years	11%	7,463	12%	7,352
Total	**100%**	**63,612**	**100%**	**60,819**

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1.2 Revenue (continued)

Significant accounting estimates and judgements

Our customer contracts are based on three different commercial models requiring varying levels of management estimates and judgement in determining the transaction price:

1. Fixed price contracts
2. Cost-plus contracts; and
3. Cost-plus variations (typically capped)

For fixed price contracts, revenue is recognised based on the transaction price stated in the contract, and thus require limited judgement from management.

For cost-plus contracts, including variations e.g. with a cap, ISS's transaction price is determined based on costs incurred with the addition of an agreed markup/management fee. Determining the transaction price requires management to assess, which costs may be included in the calculation basis and if relevant, whether within the capped maximum.

For key accounts and other large contracts, the transaction price may also include a variable consideration based on achievement of certain key performance indicators and gain share. Management estimates variable consideration based on the most likely amount to which it expects to be entitled on a contract-by-contract basis. Management makes a detailed assessment of the amount of revenue expected to be received and the probability of success in each case. Variable consideration is included in revenue as services are performed to the extent that it is highly probable that the amount will not be subject to significant reversal.

Price adjustment mechanisms in our customer contracts vary in terms of content and extent. Judgement is required by management to determine the amount of revenue expected to be received as a result of inflationary pressure on costs of delivery.

Contract modifications regularly occur, particularly for key account customers, in order to ensure that service solutions reflect their current needs. Such modifications are generally agreed with the customer in advance as per the contract in accordance with a specified change management procedure and accounted for going forward with no impact on recognised revenue up to the date of modification. Management assess how quickly ISS would be able to implement the scope changes of the service.

Gross or net presentation of revenue Management uses judgement to determine whether the nature of ISS's promise is to provide the specified services (ISS is the principal), or to arrange for another party to provide the services (ISS is acting as an agent). This assessment is based on an evaluation of whether ISS controls the specified services before transfer to the customer. The Group has concluded that as a main rule ISS is the principal in its revenue arrangements, because it typically controls the services before transferring them to the customer, and consequently as a main rule recognises revenue on a gross basis.

Accounting policy

Revenue from contracts with customers is recognised when control of the services is transferred to the customer. Control is transferred over time as the customer simultaneously receives and consumes the benefits provided by the Group.

Services are invoiced on a monthly basis at an amount corresponding to the value of the completed performance obligation.

The input method is used to measure progress towards complete satisfaction of the service due to the direct relationship between labour hours and costs incurred, and the transfer of services to the customer. The Group recognises revenue on the basis of the labour hours and costs expensed relative to the total expected labour hours and costs to complete the service.

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1.3 Employee costs

(DKKm)	Note	2023	2022
Wages and salaries		39,281	35,929
Social security costs		8,127	7,994
Pensions	7.1	1,397	1,442
Share-based payments	6.2	42	40
Total		**48,847**	**45,405**
Average number of employees		**334,627**	**337,667**

Our strategy is based on self-delivery of our core services by our placemakers. Our business model is asset-light and therefore employee costs is our single largest cost category.

In 2023, employee costs comprised 66% of the total operating costs (2022: 65%).

Number of employees

At 31 December 2023, total number of employees was 352,508 (2022: 350,793). The number of employees includes both the continuing and discontinued operations. Once the divestment of France is completed, the number of employees will be reduced with around 15,000 employees.

Average number of employees was 334,627 (2022: 337,667). Including France, average number of employees was 348,751 (2022: 352,540).

Government grants

In 2023, the Group recognised government grants of DKK 184 million (2022: DKK 159 million) in the form of wage subventions, which have been recognised as a reduction of employee costs. The grants compensate the Group primarily for social security, wage increases as well as employing certain categories of employees such as trainees, disabled persons, long-term unemployed and employees in certain age groups.

In addition, the Group received Covid-19 grants during the pandemic to compensate costs related to e.g. employees on furlough, social security contribution and sick pay compensation. With the cessation of the pandemic, the grants have gradually lapsed. In 2023, the Group recognised Covid-19-related grants of DKK 18 million, mainly in Austria and Hong Kong (2022: DKK 122 million mainly in US, Hong Kong and Sweden).

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1.4 Other income and expenses, net

(DKKm)	2023	2022
Gain on divestments	16	225
Other income	**16**	**225**
Loss on divestments	(32)	(124)
Integration costs	(8)	(7)
Acquisition costs	(8)	(4)
Other	(58)	(14)
Other expenses	**(106)**	**(149)**
Other income and expenses, net	**(90)**	**76**

Gain on divestments mainly related to the landscaping and the sanitation services businesses in Singapore. In 2022, the gain mainly related to the waste management business in Hong Kong and the damage control business in the UK.

Loss on divestments mainly related to the security and the technical services businesses in Spain. In 2022, the loss comprised a withdrawal liability on a multiemployer plan in the US related to the divestment of Specialized Services in December 2021.

Integration costs related to the acquisition of Grupo Fissa in Spain and Livit FM Services AG in Switzerland (2022: Livit FM Services AG).

Acquisition costs mainly related to the acquisition of Grupo Fissa in Spain (2022: Livit FM Services AG).

Other comprised a fair value adjustment of a contingent consideration associated with the transaction in Türkiye in 2021. In 2022, the loss comprised costs related to winding-up of a minor business in Germany.

Accounting policy

Other income and expenses, net consists of recurring and non-recurring items that management does not consider to be part of the Group's ordinary operating activities, i.e. gains and losses on divestments, remeasurement of disposal groups classified as held for sale, the winding-up of operations, disposal of property and acquisition and integration costs.

Other income and expenses, net are presented separately from the Group's ordinary operating activities as management believes that this best reflects the Group's financial performance.

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SECTION 2

Operating assets, liabilities and free cash flow

2.1 Trade receivables and credit risk

(DKKm)	2023 Gross	2023 Expected credit losses	2023 Carrying amount	2022 Gross	2022 Expected credit losses	2022 Carrying amount
Central & Southern Europe	4,481	(30)	4,451	4,553	(50)	4,503
Northern Europe	3,632	(59)	3,573	3,218	(24)	3,194
Asia & Pacific	2,072	(30)	2,042	2,072	(38)	2,034
Americas	1,194	(8)	1,186	1,171	(12)	1,159
Other countries	102	-	102	106	-	106
Total	**11,481**	**(127)**	**11,354**	**11,120**	**(124)**	**10,996**
Not past due	10,148	(1)	10,147	9,762	(6)	9,756
Past due 1 to 60 days	878	(2)	876	1,073	(4)	1,069
Past due 61 to 180 days	220	(40)	180	179	(14)	165
Past due 181 to 360 days	113	(28)	85	22	(20)	2
More than 360 days	122	(56)	66	84	(80)	4
Total	**11,481**	**(127)**	**11,354**	**11,120**	**(124)**	**10,996**

Expected credit losses

(DKKm)	2023	2022
At 1 January	(124)	(162)
Foreign exchange adjustments	4	6
(Acquisitions)/Divestments	(5)	2
Additions	(86)	(59)
Unused amounts reversed	52	74
Unrecoverable amounts written off	18	15
Reclass to Assets held for sale	14	-
At 31 December	**(127)**	**(124)**

Development in 2023

In 2023, trade receivables increased to DKK 11,354 million (2022: DKK 10,996 million) generally as a result of high organic growth driven by implemented price increases and high activity levels at customer sites across the Group. Furthermore, the increase was driven by Türkiye, where payment cycles are longer than Group average, and by adverse timing effects of certain payments relating to contractual disputes.

Commercial use of factoring with certain large key account customers and participation in certain customers' supply chain finance arrangements was DKK 1.4 billion (2022: DKK 1.3 billion) at 31 December 2023.

Expected credit losses comprised 1.1% (2022: 1.1%) of trade receivables (gross) and trade receivables not past due was 89% of trade receivables, net (2022: 89%).

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2.1 Trade receivables and credit risk (continued)

Exposure to credit risk
- low exposure

The Group's exposure to credit risk is inherently low due to its business model and strategic choices leading to a diversified customer portfolio, both in terms of geography, industry sector, customer size and services.

Risk management
Exposure to credit risk and expected credit losses are managed locally in the operating entities.

We have a strong ongoing assessment and monitoring of customers' creditworthiness and the credit limits are set as deemed appropriate taking into account the customer's financial position and the current market conditions.

In 2023, we continued to manage inflation rates tightly through price increases. The vast majority of cost increases were passed on to customers as per the agreed contractual terms with no increase in credit losses.

Generally, the Group does not hold collateral as security for trade receivables.

Accounting policy

Trade receivables comprise invoiced and unbilled revenue. Unbilled revenue represents service deliveries where the performance obligation has been fulfilled, but not yet invoiced. Trade receivables are recognised at the invoiced amount less expected credit losses, which equals amortised costs due to their short term nature.

Expected credit losses are calculated using a provision matrix. The provision rates are based on days past due for grouping of customers with similar loss patterns, e.g. by geographical region, customer type and rating. The calculation reflects reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

Trade receivables are generally written off if they are past due more than 180 days or when there is no reasonable expectation of recovery. Write-offs are presented in Other operating expenses. Subsequent recovery of write-offs or reversal of expected credit losses are credited against the same line item.

Factoring and participation in customers' supply chain finance arrangements (factoring) are mainly used to optimise cash collection and to finance working capital impacts related to growth with certain key account customers, including from general pressure for longer payment terms and necessary investments in transition and mobilisation of such contracts. Trade receivables subject to factoring agreements are derecognised once the derecognition criteria have been met and all substantial risks and rewards have been transferred to the factor. Once the trade receivables have been derecognised, the Group does not carry any risk and has no continuing involvement in these trade receivables.

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2.2 Other receivables

(DKKm)	2023	2022
Supplier rebates and bonuses	434	424
Prepayments to suppliers	294	297
Securities	117	104
Receivable divestment proceeds	114	114
Sign-on fees	98	110
Transition and mobilisation costs	42	36
Government grants	23	103
Derivatives	24	50
Other	348	362
Total	**1,494**	**1,600**

Supplier rebates and bonuses comprised volume related discounts obtained from suppliers and reflects the Group's efforts to consolidate the number of suppliers and drive synergies and cost savings.

Prepayments to suppliers comprised various payments mainly related to IT licences, utilities and insurance.

Securities related to a savings plan in the US administered by ISS on behalf of certain senior employees.

Receivable divestment proceeds mainly mainly related to the divestment of Specialized Services in the US, where part of the consideration is deferred.

Sign-on fees comprised upfront discounts to certain large customers incurred in the normal course of business, most significantly in the UK and on certain global key accounts.

Transition and mobilisation costs comprised costs to fulfil the performance obligation under certain large contracts, see 1.2.3, Costs to fulfil a contract. The increase in 2023 was due to ongoing mobilisation activities for a new contract in the UK, partly offset by ordinary amortisation, mainly in Denmark, Sweden and the UK.

Government grants related to various receivables, mainly wage subventions in Spain.

Other comprised refunds from customers, accrued interest, VAT, employee-related taxes and other recoverable amounts.

Significant accounting judgement

Transition and mobilisation costs (costs to fulfil a contract) comprise costs directly related to startup of operations of certain large contracts, e.g. transfer of employees from previous suppliers, site due diligence, planning and developing service plans. The costs include internal direct costs and external costs e.g. to consultants.

Capitalisation of transition and mobilisation costs involves management's judgement to assess if the criteria for capitalisation are fulfilled, including determining if the costs relate directly to the contract and are incurred in order for ISS to be able to fulfil the contract. In addition, management determines if the costs generate resources that will be used in satisfying the performance obligations and are expected to be recovered, i.e. reflected in the pricing of the contracts.

Bid-related costs, including costs relating to sales work and securing contracts, are expensed as incurred.

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2.2 Other receivables (continued)

Accounting policy

Other receivables comprise various items of different nature and thus different measurement methods are applied. As these items are considered individually immaterial, they are presented together as Other receivables.

Except for the items described below, other receivables are recognised initially at cost and subsequently at amortised cost. Due to the short-term nature of other receivables, amortised cost will equal the cost.

Sign-on fees and transition and mobilisation costs are capitalised and amortised over the initial secured contract term consistent with ISS's transfer of the related services to the customer.

Securities and derivatives are measured at fair value with fair value adjustments being recognised in profit or loss. The fair value of derivatives is presented in Other receivables when the fair value is positive and in Other liabilities when the fair value is negative.

2.3 Other liabilities

(DKKm)	2023	2022
Accrued wages, pensions and holiday allowances	5,060	5,389
Tax withholdings, VAT etc.	1,768	1,666
Debt to companies within the ISS Group	1,611	1,410
Prepayments from customers	989	805
Savings plan	117	104
Derivatives	70	130
Contingent consideration and deferred payments	29	12
Other	323	506
Total	**9,967**	**10,022**

In 2023, other liabilities decreased mainly due to reclassification of France as being held for sale. The decrease was partly offset by tax withholdings, VAT etc. and prepayments from customers, mainly driven by the revenue growth in 2023.

Savings plan related to a plan in the US under which ISS has invested in securities, see 2.2, Other receivables. The plan is administered by ISS on behalf of certain senior employees. ISS invests in securities.

Other comprised customer discounts, accrued interests, etc.

2.4 Changes in working capital

(DKKm)	2023	2022
Changes in inventories	(24)	(61)
Changes in receivables	(764)	(870)
Changes in payables	1,007	1,338
Total	**219**	**407**

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2.5 Provisions, contingencies, guarantees and commitments

ISS is exposed to various risks and uncertainties, and party to certain disputes, claims, investigations and legal proceedings arising out of the normal conduct of its business. These are mainly within:

- Commercial/contractual matters
- Labour-related
- Divestments and M&A
- Tax/social regulations

Provisions are recognised in relation to such obligations for probable losses, that management deems reasonable and appropriate at 31 December 2023 as reflected in the table to the right. In addition, ISS is exposed to possible obligations in relation hereto, see 2.5.2, Contingencies.

2.5.1 Provisions

Legal claims and disputes

The provision primarily relates to labour-related claims and disputes regarding wages, overtime, holiday, pensions, severance etc., claims and disputes in relation to contractual disagreements with customers and suppliers as well as sales and service tax disputes. In addition, the provision includes claims and disputes associated with our divestment activities. Such claims and disputes arise out of the normal conduct of business. In 2023, the decrease was primarily due to settlement of a labour-related dispute in the UK. At 31 December 2023, the remaining provision concerned predominantly Hong Kong, the US, and Norway.

Self-insurance

The provision mainly relates to employers' liability and/or workers compensation in certain countries and covers claims by employees for medical benefits and lost wages associated with injuries/illness incurred in the course of their employment.

The relevant countries, including self-insurance limits are listed below:

- **Hong Kong:** DKKm 25.9 (2022: DKKm 26.8) yearly
- **UK:** DKKm 25.7 (2022: DKKm 25.2) yearly aggregated limit and DKKm 4.3 (2022: DKKm 4.2) per claim
- **Australia:** DKKm 4.6 (2022: DKKm 4.7) per claim
- **US:** DKKm 3.4 (2022: DKKm 3.5) per claim

The provision also includes obligations not covered by the global general business liability insurance in relation to damage caused in the ordinary course of service delivery, e.g. property damage and bodily injury. The Group is self-insured for claims below DKK 7.5 million (EUR 1 million per claim).

Restructurings

The provision mainly relates to restructuring projects in several countries. Such projects are conducted in the ordinary course of our business to ensure continuous optimisation and adjustment of our cost base involving mainly overhead reductions, including termination of employees. In 2023, projects were initiated and executed in several countries and at Group level mainly as part of the OneISS strategic review, which resulted in additions of DKK 158 million and payments of DKK 150 million. The latter was mainly in relation to severance payments in Germany.

Onerous contracts

The provision covers unavoidable costs for certain loss-making contracts. The continued high inflation and resulting cost increases in 2023, was generally managed through price increases and cost reductions, and did not lead to identification of any significant new onerous contracts or increased provision for contracts already recognised as onerous.

In 2023, the decrease of DKK 51 million was primarily due to utilisation of the provision for a key account contract in Hong Kong. Furthermore, in the UK and Austria improvement initiatives on a few minor loss-making contracts led to reversal of amounts provided in prior years.

Other

The provision comprises various other risks and obligations incidental to our business, most significantly related to customer and contract-related risks and disputes, acquisitions, divestments and decommissioning liabilities.

In 2023, the provision decreased to DKK 225 million (2022: DKK 410 million) mainly due to utilisations and reassessments related to customer disputes and contract-related risks. At 31 December 2023, the provision mainly related to customer disputes and contract risks in the US and Germany.

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2.5 Provisions, contingencies, guarantees and commitments (continued)

(DKKm)	Legal claims and disputes	Self-insurance	Restruc-turings	Onerous contracts	Other	Total
2023						
At 1 January	268	245	71	77	410	1,071
Foreign exchange adjustments	-	(8)	-	(1)	(2)	(11)
Additions	66	198	158	14	10	446
Used during the year	(140)	(203)	(150)	(28)	(41)	(562)
Unused amounts reversed	(76)	(32)	-	(19)	(138)	(265)
Acquisitions	-	3	-	4	-	7
Reclass to Liabilities held for sale	(48)	-	-	-	-	(48)
Reclass (to)/from other liabilities	88	60	(5)	(21)	(14)	108
At 31 December	**158**	**263**	**74**	**26**	**225**	**746**
Non-current	78	154	1	5	149	387
Current	80	109	73	21	76	359
2022						
At 1 January	235	262	374	330	515	1,716
Foreign exchange adjustments	(9)	6	-	3	4	4
Additions	109	142	6	15	99	371
Used during the year	(41)	(149)	(263)	(191)	(90)	(734)
Unused amounts reversed	(28)	(15)	(46)	(80)	(8)	(177)
Reclass (to)/from other liabilities	2	(1)	-	-	(110)	(109)
At 31 December	**268**	**245**	**71**	**77**	**410**	**1,071**
Non-current	47	129	-	23	266	465
Current	221	116	71	54	144	606

Significant accounting estimates and judgement

Due to our strategic focus on key accounts, our customer base contains a large number of larger complex contracts in terms of performance obligations towards our customers. Additionally, the size and complexity of such contracts often requires ISS to incur significant transition and mobilisation costs before service delivery commences to enable fulfilment of the performance obligations. Furthermore, complex restructuring projects may need to be initiated and recognised as a provision.

Onerous contracts Management assesses whether contracts may be onerous by estimating the expected future profitability. This involves estimating total contract revenue and the unavoidable costs of meeting the performance obligations under the contract, including any transition and mobilisation costs incurred. In estimating the expected future profitability, management makes judgements, including in relation to termination and extension options.

Certain contracts are large, complex and longer-term facility service partnerships. In estimating unavoidable costs in relation to such contracts, management makes assumptions around future realisation of costs taking estimated optimisations and efficiency gains from improvement initiatives into consideration. While ISS has inherent risk in this respect, ISS is by nature also dependent on aligning interest with the customer within the framework of the agreement for the benefit of both parties. The outcome may vary significantly should the assumptions and judgements applied not be realised as expected by management and applied as basis for their assessment of whether a contract is onerous.

Restructurings and other provisions Management makes judgements related to various other matters and obligations, primarily relating to planned/initiated restructurings, and complex customer and contract-related risks and disputes, including ongoing lawsuits. Management's assessment of the likely outcome of lawsuits, etc., is based on external legal assistance and established precedents.

For large, complex contracts, the outcome may vary significantly should the judgements and assumptions applied by management in their assessment of the risks and disputes not be realised as expected.

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2.5 Provisions, contingencies, guarantees and commitments (continued)

2.5.2 Contingencies

ISS is party to pending disputes, claims, investigations and litigations arising out of the normal conduct of its business and is therefore exposed to possible obligations. Management believes that these will not have a material impact on the Group's financial position beyond the assets and liabilities recognised in the statement of financial position at 31 December 2023. However, the existence of such possible obligations will only be confirmed by the occurrence of future events, not entirely within ISS's control. Due to the inherent uncertainty, future events may lead to material adverse effects on the Group's profit or loss, financial position and cash flows from one or more of these possible obligations.

Contractual disagreements

Contractual disagreements with customers arise on a recurring basis in the ordinary course of ISS's business. While most are resolved as part of the daily contract management procedures, in some cases the contractual disagreements will lead to legal proceedings.

The Group is currently party to certain disputes and legal proceedings, including in relation to the contract with Deutsche Telekom (DTAG). As previously informed, ISS has initiated the establishment of an Arbitration Tribunal under the German Institute of Arbitration (DIS) to decide on the contractual disagreements between ISS and DTAG. The arbitration proceedings are expected to complete with a final and binding ruling by mid-2025. In the proceedings ISS and DTAG have exchanged claims against each other. ISS has claimed remuneration for services rendered. DTAG has disputed the claims and is currently withholding certain payments to ISS related to the services rendered. The outcome of the proceedings remains uncertain.

Labour-related risks

Being a people company operating across different geographies and service areas exposes us to varying and changing labour laws, including regulations on pension schemes, especially across Europe. Although we have policies and procedures in place to ensure that we comply with current regulations, interpretations and procedures applied by ISS could be challenged in certain jurisdictions and result in disputes and possibly liabilities.

The Group is currently party to certain labour-related claims, disputes and legal proceedings, e.g. around wages, overtime, holiday and severance. Additionally, the Group is aware of certain legal rulings implying that practices applied by ISS could potentially be challenged and possibly lead to liabilities in the future. Management believes that these would not have a material impact on the Group's financial position beyond the assets and liabilities already recognised at 31 December 2023.

Divestments

The Group makes provisions for claims from purchasers or other parties in connection with divestments and the representations and warranties given in relation to such divestments. In addition, the Group's divestment activities can give rise to possible obligations, mainly labour-related, including pension plans, and related to disputes in relation to sales price.

Restructurings

Restructuring projects are being undertaken on an ongoing basis across different geographies and service areas, currently mainly in Germany, France and Spain. 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 disputes and possibly liabilities. Management believes that this would not have a material impact on the Group's financial position beyond the assets and liabilities already recognised at 31 December 2023.

Sales and consumption tax disputes

Being a global company operating in various regulatory jurisdictions exposes us to varying and changing laws and regulations, including interpretations from authorities on sales and consumption taxes. Although we have policies and procedures in place to ensure that we comply with current regulations, interpretations and procedures applied by ISS could be challenged in certain jurisdictions and result in disputes and possibly liabilities and future cash outflows. The Group is currently party to certain disputes, mainly in relation to VAT on canteen services in Norway.

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2.5 Provisions, contingencies, guarantees and commitments (continued)

2.5.3 Guarantees

ISS has issued certain guarantees in the normal course of business.

(DKKm)	2023	2022
Bank-guaranteed performance bonds	1,627	1,755
Other performance bonds	4,824	3,131
Performance guarantees (service contracts)	**6,451**	**4,886**
Indemnity and guarantee commitments	**575**	**472**

Performance guarantees

ISS regularly issues performance guarantees to customers to guarantee satisfactory completion of work in accordance with the service contract. Such guarantees are issued in the ordinary course of business, either in the form of bank guarantees, parent guarantees or insurances. The increase in Other performance bonds related mainly to a new contract in the UK.

Indemnity and guarantee commitments

Other guarantees are mainly issued to insurance companies towards self-insurance liabilities as well as to owners of rental property occupied by ISS in certain countries. Furthermore, in a few instances guarantees have been issued to public authorities towards tax withholding liabilities.

Guarantee related to the revolving credit facility

ISS Global has issued a guarantee related to ISS A/S's and ISS World Services A/S's possible draw on the revolving credit facility of EUR 900 million. The facility was unused at 31 December 2023.

2.5.4 Commitments

The Group has entered into various contractual agreements under which the Group is obligated to pay a continued fee in the short to long term.

(DKKm)	2023
Licenses	49
Leases	60
Purchase obligations, suppliers and subcontractors	29
Total not recognised	**138**
Non-current	58
Current	80

The Group entered into multi-year software license agreements with non-cancellable obligations to pay future license fees.

Leases relates to various contracts not yet commenced at 31 December 2023, but entailing obligations for future lease payments.

Furthermore, the Group entered into contracts with a limited number of suppliers and subcontractors that contain future purchase obligations.

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2.5 Provisions, contingencies, guarantees and commitments (continued)

Accounting policy

Provisions

Provisions are recognised at the estimated costs when the Group, as a result of a past event, has a legal or constructive obligation and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount is discounted using the Group's average borrowing rate, if this significantly impacts the measurement of the liability. Provisions are recognised for:

Legal claims and disputes, e.g. lawsuits and other disputes, based on external legal assistance and established precedents.

Self-insurance on employers' liability and/or workers compensation based on valuations from external actuaries.

Restructurings when a detailed, formal restructuring plan is announced to the affected parties on or before the reporting date. The plan must identify the business concerned, the location and number of employees affected, and a detailed estimate of the associated costs, as well as the timeline must be in place.

Onerous contracts, when the unavoidable costs, including directly allocated overhead costs, of meeting the obligations under the contract exceed the economic benefits expected to be received under it, corresponding to the lower of the costs to fulfil the obligations under the contract and the costs of exiting the contract.

Customer and contract-related disputes (presented in "Other" provisions) based on an assessment of available facts and circumstances in respect of the specific risks or disputes, when it is deemed that a contractual, non-contractual or constructive obligation exists, and it is probable that this will lead to an outflow of economic resources from the Group.

Decommissioning liability (presented in "Other" provisions) if the Group has a legal obligation to dismantle or remove an asset or restore a site or leased facilities when vacated. The present value of the obligation is included in the cost of the relevant tangible or right-of-use asset and depreciated accordingly. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs, or in the discount rate applied, are added to or deducted from the cost of the relevant asset.

Contingencies and commitments

Contingent liabilities are possible of nature as the existence of the obligation will be confirmed by the occurrence or non-occurrence of future events. An obligation may also be contingent if the amount cannot be estimated reliable or settlement is not probable.

Commitments is the Group's promise resulting from a contractual agreement to assume a future obligation for a future delivery.

Contingent liabilities and commitments do not represent a legal or constructive obligation. Thus, they are not recognised, but disclosed in the notes.

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2.6 Right-of-use assets and property, plant and equipment

(DKKm)	Right-of-use assets				Property, plant and equipment
	Properties	Vehicles	Other	Total	
2023					
Cost at 1 January	2,562	1,399	706	4,667	3,206
Foreign exchange adjustments	19	(2)	(78)	(61)	(84)
Hyperinflation restatement	2	20	70	92	104
Additions	258	438	210	906	392
Acquisitions	(5)	-	-	(5)	4
Divestments	-	(6)	-	(6)	(6)
Disposals	(236)	(322)	(87)	(645)	(395)
Reclass to Assets held for sale	(180)	(87)	(71)	(338)	(159)
Reclass	-	-	(15)	(15)	15
Cost at 31 December	**2,420**	**1,440**	**735**	**4,595**	**3,077**
Depreciation at 1 January	(1,232)	(764)	(326)	(2,322)	(2,315)
Foreign exchange adjustments	(10)	1	32	23	51
Hyperinflation restatement	-	(7)	(17)	(24)	(57)
Impairment	(141)	(36)	(33)	(210)	(38)
Depreciation	(382)	(352)	(159)	(893)	(344)
Divestments	-	2	-	2	4
Disposals	236	322	87	645	379
Reclass to Assets held for sale	180	82	60	322	159
Reclass	-	-	15	15	(15)
Depreciation at 31 December	**(1,349)**	**(752)**	**(341)**	**(2,442)**	**(2,176)**
Carrying amount at 31 December	**1,071**	**688**	**394**	**2,153**	**901**
2022					
Cost at 1 January	2,484	1,296	577	4,357	3,381
Foreign exchange adjustments	4	(9)	(34)	(39)	(39)
Hyperinflation restatement	-	20	57	77	183
Additions	264	309	187	760	344
Acquisitions	5	34	-	39	7
Divestments	-	-	-	-	(16)
Disposals	(195)	(251)	(81)	(527)	(654)
Cost at 31 December	**2,562**	**1,399**	**706**	**4,667**	**3,206**
Depreciation at 1 January	(1,038)	(663)	(279)	(1,980)	(2,485)
Foreign exchange adjustments	(1)	7	18	24	31
Hyperinflation restatement	-	(7)	(13)	(20)	(107)
Impairment	-	-	-	-	(22)
Depreciation	(388)	(352)	(133)	(873)	(373)
Divestments	-	-	-	-	15
Disposals	195	251	81	527	626
Depreciation at 31 December	**(1,232)**	**(764)**	**(326)**	**(2,322)**	**(2,315)**
Carrying amount at 31 December	**1,330**	**635**	**380**	**2,345**	**891**

Lease liabilities For carrying amount, see 4.2.1, Loans and borrowings. For maturity, see 4.5.1, Financial liabilities.

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2.6 Right-of-use assets and property, plant and equipment (continued)

ISS is a people business operating based on an asset-light business model. Operating assets (leased and owned) comprised only 7% of the Group's total assets at 31 December 2023 (2022: 7%). Our model is mainly based on leasing, rather than owning, property, vehicles and equipment.

2.6.1 Right-of-use assets

At 31 December 2023, ISS was party to around 17,500 (2022: 18,500) lease agreements of which the majority related to vehicles. In terms of asset value, the main part related to property. Additions was DKK 906 million in 2023 (2022: DKK 760 million). The increase was mainly driven by new production equipment and vehicle leases in Belgium related to a new contract whereas other countries were broadly in line with 2022.

Lease-related costs

(DKKm)	2023	2022
Depreciation of right-of-use assets	866	815
Interest expenses on lease liabilities	121	78
Leases of low-value assets	138	182
Short-term leases	49	66
Variable lease payments	7	11
Recognised in profit or loss	**1,181**	**1,152**
Hereof cash outflow	**315**	**337**

2.6.2 Property, plant and equipment

Consists mainly of production equipment and leasehold improvements. In 2023, additions of DKK 392 million (2022: DKK 344 million) primarily related to equipment for new and existing contracts, and leasehold improvements.

Significant accounting judgement

Lease term Several of ISS's lease contracts (office buildings) have no contractual fixed lease term or contains an extension option. Management exercises judgement in determining whether these extension options are reasonably certain to be exercised. Management considers all relevant facts and circumstances that create an economic incentive for the Group to exercise the extension option.

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

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2.6 Right-of-use assets and property, plant and equipment (continued)

Accounting policy

Right-of-use assets are recognised at the commencement date of the lease and measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities, including extension options.

Certain leases comprise a liability to dismantle or remove the asset or restore the facility. Cost related to such liability is recognised as part of the cost of the right-of-use asset.

Right-of-use assets are depreciated on a straightline basis over the shorter of the lease term and the estimated useful life of the asset.

	Estimated useful life
Properties	5-10 years
Vehicles	3-5 years
Other equipment	2-5 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Certain leases have a term of 12 months or less or are leases of low-value assets, such as minor cleaning and IT equipment and office furniture. The recognition exemptions are applied for these leases and lease payments are recognised in Other operating expenses on a straight-line basis over the lease term.

Property, plant and equipmentis measured at cost, less accumulated depreciation and impairment losses.

Certain assets comprise a liability to dismantle or remove the asset or restore the site. Cost related to such liability is recognised as part of the cost of the asset.

Property, plant and equipment is depreciated on a straight-line basis over the estimated useful lives of the assets.

	Estimated useful life
Plant and equipment	3-10 years
Leasehold improvements (lease term)	3-10 years
Buildings	20-40 years
Land	Not depreciated

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Gains and losses arising on the disposal or retirement of property, plant and equipment are recognised in Other operating expenses in the year of sale, except gains and losses arising on disposal of property, which are recognised in Other income and expenses, net.

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2.7 Free cash flow

Free cash flow as defined by management, see 8.5, Definitions, is summarised below. Free cash flow is not a financial performance measure defined by IFRS. Accordingly, the measure and its calculation is presented as it is used by management as an alternative performance measure in managing the business.

The free cash flow measure should not be considered a substitute for those measures required by IFRS and may not be calculated by other companies in the same manner. As such, reference is made to the IFRS measures included in the consolidated statement of cash flows of the consolidated financial statements.

(DKKm)	Note	2023	2022
Cash flow from operating activities		3,284	3,020
Acquisition of intangible assets and property, plant and equipment		(569)	(616)
Disposal of intangible assets and property, plant and equipment		16	28
Change in financial assets [1]		(6)	(52)
Addition of right-of-use assets, net	2.6	(906)	(764)
Free cash flow		**1,819**	**1,616**

[1] Excluding changes in equity-accounted investees which in 2023 was DKK (15) million (2022: DKK (22) million).

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SECTION 3

Strategic investments and divestments

3.1 Intangible assets

(DKKm)	Goodwill	Brands	Customer contracts	Software	Total
2023					
Cost at 1 January	18,273	59	4,294	1,587	24,213
Foreign exchange adjustments	(340)	(2)	(194)	(12)	(548)
Hyperinflation restatement	337	-	183	4	524
Additions	-	-	-	166	166
Acquisitions	221	-	136	-	357
Divestments	(4)	-	(12)	-	(16)
Disposals	-	-	-	(175)	(175)
Reclass to Assets held for sale	(2,146)	-	(68)	(192)	(2,406)
Cost at 31 December	**16,341**	**57**	**4,339**	**1,378**	**22,115**
Amortisation/impairment at 1 January	(2,420)	(59)	(3,437)	(1,051)	(6,967)
Foreign exchange adjustments	(9)	2	31	8	32
Hyperinflation restatement	-	-	(10)	(2)	(12)
Amortisation	-	-	(69)	(113)	(182)
Impairment	(937)	-	-	(72)	(1,009)
Divestments	-	-	12	-	12
Disposals	-	-	-	174	174
Reclass to Assets held for sale	2,146	-	68	192	2,406
Amortisation/impairment at 31 December	**(1,220)**	**(57)**	**(3,405)**	**(864)**	**(5,546)**
Carrying amount at 31 December	**15,121**	**-**	**934**	**514**	**16,569**
2022					
Cost at 1 January	17,492	53	4,039	1,445	23,029
Foreign exchange adjustments	(35)	6	(47)	(8)	(84)
Hyperinflation restatement	644	-	235	5	884
Additions	-	-	-	263	263
Acquisitions	203	-	161	-	364
Divestments	(30)	-	(1)	(2)	(33)
Disposals	-	-	(93)	(116)	(209)
Cost at 31 December	**18,274**	**59**	**4,294**	**1,587**	**24,214**
Amortisation/impairment at 1 January	(2,429)	(49)	(3,442)	(1,054)	(6,974)
Foreign exchange adjustments	8	(6)	(22)	7	(13)
Hyperinflation restatement	-	-	(2)	(3)	(5)
Amortisation	-	(4)	(65)	(115)	(184)
Impairment	-	-	-	(3)	(3)
Divestments	-	-	1	2	3
Disposals	-	-	93	115	208
Amortisation/impairment at 31 December	**(2,421)**	**(59)**	**(3,437)**	**(1,051)**	**(6,968)**
Carrying amount at 31 December	**15,853**	**-**	**857**	**536**	**17,246**

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3.1 Intangible assets (continued)

Goodwill and customer contracts

In 2023, the Group acquired Grupo Fissa adding DKK 217 million to goodwill and DKK 136 million to customer contracts. Further details are provided in 3.3, Acquisitions. Goodwill relates mainly to assembled workforce, technical expertise and know how.

In 2023, the goodwill impairment of DKK 937 million (2022: DKK 0 million) related to France, and recognised in Net profit from discontinued operations, see 3.2, Impairment tests.

Software

In line with the Group's strategic ambition of becoming the technology leader in the industry, we continued investing in software, e.g. digital applications for our customers and employees as well as cybersecure infrastructure. In 2023, additions amounted to DKK 166 million (2022: DKK 263 million), the majority related to Group-wide systems and applications.

Significant accounting judgement

Cloud-based arrangement At the commencement date, management assesses whether the Group acquires an intangible asset, a leased asset or receives a service over the term of the contract. If the Group receives a right to access the cloud provider's application without further rights or control it is neither a lease nor an intangible asset. However, the Group may acquire an intangible asset if the Group has the contractual right to take possession of the software during the contract period without significant penalty and it is feasible for the Group to run the software on its own hardware or with another cloud provider.

In SaaS (Software as a Service) arrangements, where the provider controls the software application, the assessment of whether configuration or customisation of the software results in an intangible asset for the Group depends on the output of the configuration or customisation activities performed.

Part of the activities undertaken may entail the development of software code that enhances or modifies, or creates additional capability to the existing on-premise software to enable it to connect with the cloud-based software applications. If activities are performed on the Group's infrastructure and applications, they likely represent assets that the Group controls because they enhance, improve or customise existing software assets.

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3.1 Intangible assets (continued)

Accounting policy

Goodwill is not amortised but recognised at cost less accumulated impairment losses.

Acquisition-related customer contracts are recognised at fair value at the acquisition date and subsequently, at cost less accumulated amortisation and impairment losses.

Software is measured at cost less accumulated amortisation and impairment losses. The cost of software developed for internal use includes external costs to consultants and software as well as internal direct costs related to the development. Other development costs for which it cannot be demonstrated that future economic benefits will flow to the Group are recognised in profit or loss.

Amortisation is calculated on a straight-line basis over the estimated useful lives except for certain customer contracts where the unit of production method better reflects the expected pattern of consumption.

	Estimated useful life
Customer contracts	10-24 years
Software	3-10 years

Amortisation methods and useful lives are reassessed at the reporting date.

Cloud-based arrangements Software within a cloud-based arrangement is recognised as either an intangible asset, a leased asset or as a service received (Software as a Service) based on the contract and facts and circumstances of the software. Software as a Service (SaaS) arrangements are service contracts providing the Group with the right to access a cloud provider's application software over the contract term.

Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as Other operating expenses when the services are received. Also, internal costs such as costs related to selection of cloud provider, data conversion, training and testing are expensed in Other operating expenses.

Configuration and customisation activities undertaken in implementing SaaS arrangements may give rise to a separate asset, i.e. the development of a software code that enhances, modifies or creates additional capability to the Group's existing on-premise systems. Costs incurred for these activities rerecognised as intangible assets if they meet the recognition criteria and amortised over the useful life of the software.

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3.2 Impairment tests

3.2.1 Impairment test results

The impairment tests of goodwill, customer contracts and brands performed at 31 December 2023 did not result in recognition of impairment losses (2022: no impairment losses). It is management's view that excess values in the Group's CGUs are fairly resilient to any likely and reasonable deteriorations in the key assumptions applied, see sensitivity analyses in 3.2.2, Goodwill and customer contracts.

France

In the first six months of 2023, ISS worked diligently on implementing the business improvement plan from December 2022. However, in evaluating the H1 2023 operational performance and the status of the business, it was concluded that significant profitability improvements could not be achieved on a stand-alone basis without further restructurings and additional investments. Accordingly, management lowered its expectations in the forecasting and terminal period as explained in note 7, Impairment tests in the Interim Report for H1 2023. This resulted in recognition of an impairment loss at 30 June 2023 amounting to DKK 1,257 million of which DKK 937 million related to goodwill and DKK 320 million related to other non-monetary assets.

Subsequently, on 9 August 2023 ISS announced its intention to divest ISS France resulting in reclassification as held for sale and discontinued operations as of this date. Consequently, results of ISS France, including the impairment loss recognised at 30 June 2023, was reclassified to "Net profit from discontinued operations" in the profit or loss statement, see 3.4, Discontinued operations, assets held for sale and divestments for additional information.

Türkiye

In 2023, ISS Türkiye continued to perform well in terms of revenue growth, operating margin and improved free cash flow despite the difficult macroeconomic environment with continued high inflation and significantly increasing interest rates. However, due to the IAS 29 hyperinflation adjustments goodwill and customer contracts also continued to increase significantly. At 31 December 2023, intangibles amounted to DKK 1.3 billion of which DKK 1.0 billion was attributable to hyperinflation.

As a result of the highly unusual macroeconomic situation, the normal Group methodology of applying a constant WACC rate in both the forecasting and terminal period, would lead to an understatement of the value in use (especially in the terminal period) due to the disproportionate negative gap between the risk-free interest rate and the consistently applied terminal growth rate. Instead, the Group has applied a normalised WACC rate in the terminal period, while the WACC applied in the forecasting period continues to be determined based on the normal Group methodology. Given the circumstances, it is management's view that this is more appropriate and leads to a more reasonable estimate of the value in use in Türkiye.

Significant accounting estimates

In performing the impairment test, management assesses whether the CGU to which the goodwill relates will be able to generate positive net cash flows sufficient to support the value of intangibles and other non-current assets. The assessment is based on estimates of expected future cash flows (value in use) for the individual GCU, which by nature are uncertain.

Estimates are based on financial forecasts for the following year as approved by management, and estimated discount rates, growth and market developments. Assumptions applied in the short to medium term (forecasting period of five years) as well as terminal growth rates and margins applied are described in 3.2.4, Determining value in use.

The outcome of the impairment test may vary significantly should the assumptions, estimates and judgements not be realised as expected and applied as basis for management's conclusion of whether impairment of a CGU has occurred.

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3.2 Impairment tests (continued)

3.2.2 Goodwill and customer contracts

The carrying amounts of intangibles for CGUs representing more than 5% of intangibles are disclosed in the table below. A sensitivity analysis on the key assumptions in the impairment testing are disclosed in the table on the next page.

	2023			2022		
(DKKm)	Goodwill	Customer contracts	Total	Goodwill	Customer contracts	Total
US & Canada	2,125	134	2,259	2,197	155	2,352
UK & Ireland	1,719	88	1,807	1,681	99	1,780
Switzerland	1,512	156	1,668	1,414	157	1,571
Finland	1,656	-	1,656	1,653	-	1,653
Spain	1,224	132	1,356	1,005	1	1,006
Türkiye	858	417	1,275	849	434	1283
Australia & NZ	1,272	-	1,272	1,315	2	1,317
France [1]	-	-	-	936	-	936
Other	4,755	7	4,762	4,803	9	4,812
Total	**15,121**	**934**	**16,055**	**15,853**	**857**	**16,710**

[1] In June 2023, goodwill in France was fully impaired and the entity was subsequently reclassified as held for sale and discontinued operations.

Accounting policy

The Group performs impairment test of goodwill and the ISS brand at the reporting date or when indications of impairment exist. Other non-current assets are tested annually for indications of impairment.

When performing the impairment test, the recoverable amount of the asset is determined, i.e. the higher of the fair value of the asset less anticipated costs of disposal and its value in use. The value in use is calculated as the present value of expected future cash flows from the asset or the CGU to which the asset belongs.

Impairment of goodwill is recognised in the statement of profit or loss in a separate line if the carrying amount of an asset or CGU exceeds its estimated recoverable amount.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the CGU to which goodwill is allocated.

Impairment of goodwill is not reversed. Impairment of other assets is reversed if estimates used to calculate the recoverable amount have been changed. An impairment loss is reversed to the extent that the carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

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3.2 Impairment tests (continued)

Sensitivity analysis

The allowed change represents the percentage points by which the specific key assumption can change, all other things being equal, before the CGU's recoverable amount equals its carrying amount.

		Forecasting period				Terminal period				Discount rate		
		Growth		Margin [1]		Growth		Margin [1]				
(DKKm)	Carrying amount	Allowed Avg.	decrease	Allowed Avg.	decrease	Allowed Rate	decrease	Allowed Rate	decrease	Net of tax	Allowed increase	Pre-tax
2023												
US & Canada	2,259	4.3 %	>4.3 %	6.0 %	>6.0%	3.0 %	>3.0 %	6.0 %	3.5 %	10.9 %	7.1 %	14.1 %
UK & Ireland	1,807	3.0 %	>3.0 %	5.4 %	>5.4%	2.5 %	>2.5 %	6.0 %	4.9 %	10.4 %	>10.4 %	13.7 %
Switzerland	1,668	1.9 %	>1.9 %	7.8 %	>7.8%	2.0 %	>2.0 %	7.8 %	7.7 %	6.9 %	>6.9 %	8.1 %
Finland	1,656	2.6 %	>2.6 %	6.2 %	>6.2%	2.5 %	>2.5 %	6.2 %	3.2 %	8.6 %	4.4 %	10.4 %
Spain	1,356	4.5 %	>4.5 %	6.4 %	>6.4 %	2.5 %	>2.5 %	6.5 %	4.5 %	9. %	8.2 %	11.4 %
Türkiye [2]	1,275	31.7 %	11.5 %	7.8 %	6.9 %	10.0 %	8.4 %	8.0 %	3.6 %	36.2 %	5.3 %	43.7 %
Australia & NZ	1,272	2.0 %	>2.0 %	7.5 %	>7.5 %	3.0 %	>3.0 %	7.5 %	>7.5 %	9.7 %	>9.7 %	13.2 %
2022												
US & Canada	2,352	6.1 %	>6.1 %	5.8 %	>5.8 %	3.0 %	>3.0 %	6.0 %	2.7 %	10.7 %	4.8 %	13.9%
UK & Ireland	1,780	4.8 %	>4.8 %	5.1 %	>5.1 %	3.0 %	>3.0 %	6.0 %	5.1 %	10.2 %	>10.2 %	12.9%
Switzerland	1,571	2.3 %	>2.3 %	7.5 %	>7.5 %	2.0 %	>2.0 %	7.5 %	7.1 %	7.0 %	>7.0 %	8.3%
Finland	1,653	1.9 %	>1.9 %	6.2 %	> 6.2 %	2.5 %	>2.5 %	6.2 %	3.2 %	8.6 %	4.5 %	10.5%
Spain	1,006	4.4 %	>4.4 %	6.3 %	>6.3 %	2.5 %	>2.5 %	6.5 %	4.2 %	9.0 %	7.3 %	11.5%
Türkiye	1,283	36.0 %	17.5 %	8.4 %	>8.4 %	10.0 %	>10.0 %	8.0 %	5.4 %	21.9 %	10.7 %	27.3%
Australia & NZ	1,317	2.8 %	>2.8 %	5.6 %	>5.6 %	2.5 %	>2.5 %	5.6 %	3.7 %	9.9 %	9.8 %	14.1%
France [3]	936	1.8 %	1.8 %	0.2%	1.2 %	2.5 %	0.7%	5.0 %	0.4%	9.4 %	0.6%	11.4%

[1] Excluding allocated corporate costs.

[2] Discount rate applied in the terminal period was 20.5%

[3] In June 2023, goodwill in France was fully impaired and the entity was subsequently reclassified as held for sale and discontinued operations.

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3.2 Impairment tests (continued)

3.2.3 Cash-generating units (CGUs)

Consistent with the Group's management and reporting structure, the lowest level of CGUs is the individual countries, as cash inflows are generated largely independent of cash inflows in other ISS countries (the majority of our contract portfolio is locally based with no cross-border activities). Accordingly, impairment tests are carried out per country, and intangibles (i.e. goodwill and customer contracts) are allocated to these.

Management of certain countries has been combined to take advantage of similarities in terms of markets, shared customers and cost synergies. In such exceptional cases, the countries are regarded as one CGU when performing the impairment test.

3.2.4 Determining value in use

The recoverable amount of each CGU is calculated on the basis of its value in use using certain key assumptions per CGU, i.e. *revenue growth, operating margin and discount rate.*

Forecasting period

Cash flow projections for the individual CGUs are based on financial forecasts for the following year as approved by management.

Assumptions applied in the short to medium term (forecasting period of five years) generally reflect management's expectations considering all relevant factors, including the Group's strategic initiatives, local initiatives, past experience and external sources of information, where possible and relevant. This also includes expected development in local markets in terms of competition, inflation and growth.

More specifically, management has considered the expected impacts from the OneISS strategic priorities, especially around continued key account focus, investments in technology and the global operating model. Where relevant, initiated restructurings and other improvement initiatives, have also been taken into consideration when estimating the expected future performance and cash flows. This includes the impacts of the strategic review announced in November 2023.

Management also assessed the impact from macroeconomic developments, which in 2023 primarily related to increased inflation rates. During the year, the Group demonstrated its continued ability to manage and mitigate price increases in the supply chain, including activating indexation mechanisms in the contract portfolio to pass on price increases to our customers.

Terminal period

Assumptions applied in the terminal period generally reflect management's long-term expectations for the individual country. Revenue growth reflects inflation and GDP growth and is determined based on input from external sources like IMF's "World Economic Outlook". Operating margin reflects the expected normalised earnings level in the long term.

Corporate costs

Corporate costs for the services performed by the Group's head office functions for the benefit of the CGUs are allocated to the individual CGUs and taken into account in the calculation of the recoverable amount.

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3.2 Impairment tests (continued)

Key assumptions [1)]	Description
Revenue growth	*Year 1* • Financial forecasts as approved by management *Forecasting period (year 2-5)* • Based on expected market development, including maturity and inflation • Impact from local and Group initiatives are considered, including key account focus *Terminal period* • Long-term expectations based on external sources such as IMF "World Economic Outlook", OECD, etc. • Not exceeding expected long-term average for the country, including inflation
Operating margin	*Year 1* • Financial forecasts as approved by management *Forecasting period (year 2-5)* • Impact from local and Group initiatives are considered, including key account focus and investments in technology and the global operating model • Restructurings, including the strategic review in Q4 2023, and local improvement initiatives are considered *Terminal period* • Reflects the expected normalised earnings level in the long term
Discount rates (net of tax)	• Risk-free interest rate based on 10-year government bonds (country-specific), except that for Türkiye a normalised interest rate is applied in the terminal period • Premium added to adjust for the inconsistency of applying government bonds with a short-term maturity when discounting cash flows with infinite maturity • Country specific estimation risk premium added (to reflect possible variations in amounts/timing of the projected cash flows) • Equity risk premium: 6.0% (2022: 6.0%)2) • Debt/equity target ratio (market values): 25/75 (2022: 25/75)

[1)] The key assumptions applied are used for accounting purposes and should not be considered a forward-looking statement within the meaning of the US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations to the future development.

[2)] For Türkiye a country specific risk premium of 9.0% is added (2022: 6.0%).

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3.3 Acquisitions

3.3.1 Acquisition impact

Grupo Fissa

On 14 September 2023, ISS acquired 100% of the shares in Grupo Fissa in Spain. The acquisition strengthens our market position in Spain and enables us to expand and develop our cleaning service offering to public sector customers, predominantly in Southern Spain.

The acquisition adds annual revenue of approximately DKK 745 million and more than 6,000 employees (estimated based on unaudited financial information). Since completion of the acquisition, Grupo Fissa contributed revenue of DKK 254 million to the ISS Group.

The purchase consideration amounted to DKK 404 million of which DKK 22 million are contingent upon certain conditions being fulfilled, mainly related to the recoverability of certain receivables.

Due to the short time between completion of the acquisition and finalisation of these consolidated financial statements, the Group has not yet completed the acquisition accounting. Consequently, the fair value of certain assets and liabilities such as deferred revenue and provisions has been determined provisionally based on management's best estimates as the necessary analyses and calculations could not be completed.

Goodwill amounted to DKK 217 million and is attributable mainly to: 1) platform for growth primarily in Southern Spain, 2) synergies and scale, 3) expertise and know-how in the Healthcare, Education and Public administration segment, and 4) assembled workforce. Goodwill is deductible for tax purposes.

Prior years adjustments

Prior year adjustments related to the acquisition of Livit FM Services AG in Switzerland in 2022.

Net assets and cash flow impact

(DKKm)	Grupo Fissa	Prior year adj.	2023	2022
Customer contracts	136	-	136	161
Other non-current assets	90	(7)	83	48
Trade receivables	200	-	200	(3)
Other current assets	205	-	205	50
Non-current liabilities	(90)	4	(86)	(68)
Current liabilities	(354)	(1)	(355)	(48)
Fair value of net assets	**187**	**(4)**	**183**	**140**
Goodwill	217	4	221	203
Consideration transferred	**404**	**-**	**404**	**343**
Cash in acquired business	(9)	-	(9)	(33)
Consideration transferred, net	**395**	**-**	**395**	**310**
Contingent and deferred consideration	(22)	-	(22)	15
Acquisitions (cash flow)	**373**	**-**	**373**	**325**

3.3.2 Subsequent acquisitions

The Group completed no acquisitions from 1 January to 15 February 2024.

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3.3 Acquisitions (continued)

3.3.3 Pro forma revenue and operating profit

Assuming acquisitions/divestments in the year were included/excluded in profit or loss from 1 January 2023, revenue on a pro forma basis would have been DKK 79,094 million compared to reported revenue of DKK 78,702 million. Likewise, operating profit before other items on a pro forma basis would have been DKK 4,168 million compared to reported operating profit before other items of DKK 4,150 million.

Pro forma revenue and operating profit before other items include adjustments relating to acquisitions/divestments estimated by local ISS management at the time of acquisition/divestment or actual results where available. The estimates are based on unaudited financial information.

Accounting policy

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and presented in *Other income and expenses, net*.

Contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

If uncertainties exist at the acquisition date regarding identification or measurement of assets, liabilities and contingent liabilities, initial recognition is based on provisionally determined fair values. Changes to fair values are adjusted against goodwill up until 12 months after the acquisition date. Comparatives are restated accordingly. Changes in fair values after 12 months are recognised in Other income and expenses, net.

Goodwill is initially measured at cost being the excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination.

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3.4 Discontinued operations, assets held for sale and divestments

ISS continuously reviews the strategic fit and rationale of its business activities. In 2023, this led to four minor non-core businesses being divested in Spain and Singapore. Also, the exit from Brunei, where we signed an agreement to divest our activities in 2022, was completed in February 2023.

On 9 August 2023, ISS announced the intention to divest the French business, excluding global key account customers. As a result, ISS France was classified as held for sale and discontinued operations as of that date.

Historically, financial results in France have not been satisfactory and have been dilutive to Group operating margins and growth. During the past several years, ISS has worked towards restructuring the business and establishing a solid foundation in the French market. However, the efforts have not generated the expected financial improvements, among others due to inherent strategic challenges, difficult market conditions, and continued muted commercial development.

At 30 June 2023, ISS concluded that building a long-term, sustainable business with a strengthened market position in France would require further restructurings and significant investments, which led to recognition of an impairment loss of DKK 1,257 million (see 3.2, Impairment tests) and the subsequent decision to divest ISS France and reposition ISS in the French market to only focus on servicing global key account customers.

In the second half of 2023, the sales process has been ongoing, and on 22 December 2023 ISS signed a binding agreement (put option) to divest the business to Onet SA, a French facility services company. A mandatory information and consultation process with the employee representative has been launched. Completion of the transaction is expected in first half of 2024 and is subject to customary antitrust approval.

3.4.1 Discontinued operations

Profit or loss

(DKKm)	Note	2023	2022
Revenue		2,662	3,085
Expenses		(2,808)	(3,125)
Operating profit before other items		**(146)**	**(40)**
Other income and expenses, net		(501)	141
Royalty		(61)	(66)
Goodwill impairment	3.2	(937)	-
Operating profit		**(1,645)**	**35**
Financial income/(expenses), net		(55)	(5)
Net profit before tax		**(1,700)**	**30**
Income tax		(25)	(66)
Net profit from discontinued operations		**(1,725)**	**(36)**

2023: Includes Brunei and France.

2022: Includes Brunei, Portugal, Russia and Taiwan.

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3.4.1 Discontinued operations, assets held for sale and divestments (continued)

Impact on profit or loss

The initial classification of ISS France as held for sale and discontinued operations, did not result in impairment losses beyond the impairment loss recognised at 30 June 2023 of DKK 1,257 million.

Subsequently, additional investment in non-monetary assets of DKK 64 million were immediately written off.

Finally, at 31 December 2023 fair value less costs to sell was reassessed on the basis of the agreement with Onet SA, which resulted in recognition of an additional loss of DKK 137 million.

The total impairment losses and fair value adjustments in 2023 amounted to DKK 1,458 million as presented to the left in:

- Goodwill impairment (DKK 937 million); and
- Other income and expenses, net (DKK 521 million)

Cash flows

(DKKm)	2023	2022
Operating activities	(44)	(140)
Investing activities	(2)	(115)
Financing activities	(41)	(45)

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3.4 Discontinued operations, assets held for sale and divestments (continued)

3.4.2 Assets held for sale

Major classes

(DKKm)	2023	2022
Goodwill	-	11
Other non-current assets	143	12
Current assets	555	9
Assets held for sale	**698**	**32**
Non-current liabilities	305	-
Current liabilities	1,044	10
Liabilities held for sale	**1,349**	**10**

Significant accounting estimates and judgements

The Group classifies non-current assets and disposal groups as held for sale when management assesses that their carrying amounts will be recovered through a sale rather than continuing use within one year from the classification. Management's assessment is based on an evaluation of whether the sale is highly probable, and the asset or disposal group is available for immediate sale in its current condition, including whether actions required to complete the sale indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management is committed to the plan to sell the asset.

If a sale has not been concluded within one year, the period is extended if management assesses that the above criteria continue to be fulfilled.

On classification, management estimates the fair value (the sales price less expected costs to sell). Depending on the nature of the non-current assets and the disposal group's activity, assets and liabilities, the estimated fair value may be associated with uncertainty and possibly adjusted subsequently. Measurement of the fair value of disposal groups is categorised as Level 3 in the fair value hierarchy as measurement is not based on observable market data.

Management considers intangible assets relating to the disposal groups, taking into consideration how to separate the net assets (including intangible assets) relating to the disposal group from the Group's assets in the continuing business. Impairment of these intangibles, both on initial classification as held for sale and subsequently, is considered. The estimation uncertainty relating to impairment of intangibles is described in 3.2, Impairment tests.

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3.4 Discontinued operations, assets held for sale and divestments (continued)

Accounting policy

Assets held for sale comprise assets and liabilities related to disposal groups held for sale, and are measured at the lower of their carrying amount and fair value less costs to sell. Once classified as held for sale, assets are not amortised or depreciated.

Impairment losses on initial classification as held for sale, and subsequent gains and losses on remeasurement are recognised in profit or loss and disclosed in the notes.

Assets held for sale are presented in separate lines of the statement of financial position and specified in the notes. Comparatives are not restated.

A disposal group is presented as discontinued operations if it is a geographical area, i.e. a CGU (country), that either has been disposed of, or is classified as held for sale.

Discontinued operations are presented separately as Net profit from discontinued operations and specified in the notes. Comparatives are restated.

Cash flows from discontinued operations are included in cash flow from operating, investing and financing activities together with cash flows from continuing operations, but separately specified in 3.4.1, Discontinued operations.

Divestments Gain or loss on disposal of an operation that is part of a CGU includes a portion of the related goodwill allocated to that CGU. Goodwill related to the disposed operation is measured based on the fair value of the disposed operation relative to the fair value of the entire CGU.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in Other income and expenses, net.

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3.4 Discontinued operations, assets held for sale and divestments (continued)

3.4.3 Divestment impact

Divestments completed in 2023

Company/activity	Country	Service type	Excluded from P/L	Interest	Annual revenue (DKKm) [1]	Employees (number) [1]
ISS Brunei	Brunei	Country exit	February	100%	44	539
Security Business	Spain	Technical	April	100%	51	181
Landscaping	Singapore	Technical	July	100%	67	260
Sanitation Services	Singapore	Technical	July	100%	23	26
Technical Services	Spain	Technical	July	100%	51	82
Total					**236**	**1,088**

[1] Unaudited

Net assets and cash flow impact

(DKKm)	2023	2022
Goodwill	15	190
Other non-current assets	18	165
Current assets	59	325
Non-current liabilities	-	(24)
Loans and borrowings	(5)	(24)
Current liabilities	(27)	(251)
Net assets disposed	**60**	**381**
Gain/(loss) on divestment, net [1]	(3)	168
Divestment costs	42	128
Consideration received	**99**	**677**
Cash in divested businesses	(23)	(87)
Consideration received, net	**76**	**590**
Contingent and deferred consideration	(4)	49
Divestment costs paid	(47)	(52)
Divestments (cash flow)	**25**	**587**

[1] In addition, DKK 6 million (2022: DKK 36 million) was recognised in Other income and expenses, net related to recycling of accumulated foreign exchange adjustments on country exits.

3.4.4 Subsequent divestments

No divestments were completed from 1 January to 15 February 2024.

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SECTION 4
Capital structure

4.1 Equity

4.1.1 Capital management

The ISS Global Group is indirectly wholly owned by ISS A/S and is therefore part of the ISS A/S Group. Group Treasury manages financing activities and capital structure centrally for the ISS A/S Group as a whole. The ISS Global Group's financing activities and capital structure are not assessed independently of the ISS A/S Group.

The Group monitors the capital structure and evaluates the need for adjustments on an ongoing basis. The Group's objectives for managing capital and what is managed as capital are described in 4.5, Liquidity risk. The dividend policy and payment of dividend is made subject to the necessary consolidation of equity and the Group's continuing expansion and profitability.

ISS Global A/S (the Group's parent) is a holding company, and its primary assets are shares in subsidiaries, receivables from its subsidiaries and cash in its bank accounts. ISS Global A/S has no revenue generating operations of its own, and therefore ISS Global A/S's cash flow and ability to service its indebtedness and other obligations will depend primarily on the operating performance and financial condition of its operating subsidiaries, and the receipt by ISS Global A/S of funds from its subsidiaries in form of dividends or otherwise.

4.1.2 Share capital

At 31 December 2023, ISS Global A/S's share capital comprised a total of DKK 180,200 shares (2022: 180,200) with a nominal value of DKK thousand each. All shares were fully paid and freely transferable.

ISS Global A/S has one class of shares, and no shares carry special rights. Each share gives the holder the right to one vote at our general meetings.

4.1.3 Translation reserve

(DKKm)	Hedging	Subsidiaries	Total
2023			
At 1 January	(185)	(412)	(597)
Foreign exchange adjustments of subsidiaries (ISS Global A/S's share)	-	(290)	(290)
Recycling of accumulated foreign exchange adj. on country exits	-	(6)	(6)
Hyperinflation, Türkiye	-	309	309
Fair value adjustment of net investment hedges, net of tax	(84)	-	(84)
At 31 December	**(269)**	**(399)**	**(668)**
2022			
At 1 January	(152)	(805)	(957)
Foreign exchange adjustments of subsidiaries (ISS Global A/S's share)	-	26	26
Recycling of accumulated foreign exchange adj. on country exits	-	(36)	(36)
Hyperinflation, Türkiye	-	403	403
Fair value adjustment of net investment hedges, net of tax	(33)	-	(33)
At 31 December	(185)	(412)	(597)

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4.1 Equity (continued)

Hedging reserve

In 2023, the Group ceased the use of currency swaps to hedge its currency exposure on net investments in subsidiaries. At 31 December 2023, accumulated fair value adjustments, net of tax amounted to DKK (269) million of which DKK (140) million related to GBP, DKK (75) million related to CHF and DKK (54) million related to USD. The total tax effect was DKK 12 million. The amounts will remain in the translation reserve until full realisation of the foreign entity.

4.1.4 Dividends

In 2023 and 2022, no dividend to ISS World Services (ultimately ISS A/S) were approved.

4.1.5 Non-controlling interests

The Group's non-controlling interests predominantly relates to ISS Türkiye, where Actera, a leading Türkiyish private equity company, owns 39.9%. Actera became minority shareholder of ISS Türkiye as part of the acquisition of Rönesans Facility Management Company in September 2021. Further, certain members of management of ISS Türkiye together hold a minority shareholding of 10% in ISS Türkiye.

The shareholders' agreement between ISS, Actera and management establishes the rights and obligations of the parties, including rights and restrictions on transferring shares, such as right of first refusal, drag along rights from Q4 2024 and right to explore a potential Initial Public Offering (IPO).

Accounting policy

Retained earnings is the Group's free reserves, which includes share premium. Share premium comprises amounts above the nominal share capital paid by shareholders when shares are issued by ISS Global A/S.

Translation reserve comprises foreign exchange differences arising from the translation of financial statements of foreign entities with a functional currency other than DKK as well as from the translation of non-current balances which are considered part of the investment in foreign entities. Furthermore, the reserve includes fair value adjustments of net investment hedges and hyperinflation restatement. On full realisation of a foreign entity the accumulated foreign exchange adjustments are transferred to profit or loss in the same line item as the gain or loss.

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4.1 Equity (continued)

4.1.7 Other comprehensive income

(DKKm)	Note	Attributable to the owner of ISS Global A/S: Retained earnings	Translation reserve	Total	Non-controlling interest	Total equity
2023						
Defined benefit plans						
Remeasurement (gain)/loss	7.1	(423)	-	(423)	(39)	(462)
Asset ceiling	7.1	299	-	299	-	299
Foreign exchange adjustments						
Foreign exchange adjustments of foreign entities		-	(290)	(290)	(148)	(438)
Recycling of accumulated foreign exchange adj. on country exits		-	(6)	(6)	-	(6)
Hyperinflation restatement of equity at 1 January		-	309	309	158	467
Hedging						
Fair value adjustments of net investment hedges		-	(84)	(84)	-	(84)
Tax						
Tax related to the items above		23	-	23	10	33
Total		**(101)**	**(71)**	**(172)**	**(19)**	**(191)**
2022						
Defined benefit plans						
Remeasurement (gain)/loss	7.1	253	-	253	(45)	208
Asset ceiling	7.1	(43)	-	(43)	-	(43)
Foreign exchange adjustments						
Foreign exchange adjustments of foreign entities		-	26	26	(57)	(31)
Recycling of accumulated foreign exchange adj. on country exits		-	(36)	(36)	-	(36)
Hyperinflation restatement of equity at 1 January		-	403	403	411	814
Hedging						
Fair value adjustments of net investment hedges		-	(43)	(43)	-	(43)
Tax						
Tax related to the items above		(62)	10	(52)	9	(43)
Total		**148**	**360**	**508**	**318**	**826**

Development in 2023

In 2023, other comprehensive income was DKK (191) million, a decrease of DKK 1,017 million compared to 2022. The decrease mainly related to an increased negative impact from translation of foreign entities primarily Türkiye, Switzerland and the UK as well as remeasurement gain/losses on defined benefit plans partly offset by a positive impact from changes in asset ceiling. In addition, the positive impact from hyperinflation restatement in Türkiye decreased by DKK 347 million compared to 2022.

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4.2 Borrowings and interests

4.2.1 Loans and borrowings

(DKKm)	Note	2023	2022
Issued bonds		14,073	13,973
Lease liabilities		2,282	2,400
Bank loans		311	363
Debt to companies within the ISS Group		19	49
Loans and borrowings		**16,685**	**16,785**
Non-current liabilities		13,386	15,893
Current liabilities		3,299	892
Loans and borrowings		**16,685**	**16,785**
Cash and cash equivalents		(6,093)	(5,166)
Receivables from companies within the ISS Group		(3,919)	(3,523)
Derivatives, net	2.2, 2.3	46	80
Securities	2.2	(117)	(104)
Net debt		**6,602**	**8,072**

Refinancing

On 26 June 2023, ISS entered into a new senior unsecured Revolving Credit Facility of EUR 900 million with a syndicate of 12 banks. The facility matures in June 2028 with a two-year extension option and replaces the EUR 1 billion Revolving Credit Facility maturing in 2024. The new Revolving Credit Facility is not subject to financial covenants and the margin is determined semi-annually based on a margin grid.

Furthermore, EUR 300 million of EMTN bonds will mature in December 2024 and EUR 500 million will mature in July 2025. In the first half of 2024, the Group will evaluate different refinancing options. Except for this, ISS has no material short-term debt maturities.

Financing fees

At 31 December 2023, accumulated financing fees recognised in loans and borrowings amounted to DKK 54 million (2022: DKK 57 million). The decrease compared to last year was due to ordinary amortisation of DKK 29 million (2022: DKK 22 million) recognised in financial expenses, partly offset by financing fees of DKK 26 million being capitalised in relation to the new Revolving Credit Facility.

Fair value

At 31 December 2023, the fair value of bonds was DKK 13,474 million (2022: DKK 15,751 million). The fair value of bonds was based on the quoted market price on the Luxembourg Stock Exchange and measurement is categorised as Level 1 in the fair value hierarchy.

For the remaining loans and borrowings, the fair values are not materially different from their carrying amounts due to their short-term nature.

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4.2 Borrowings and interests (continued)

4.2.2 Financial income and expenses

(DKKm)	2023	2022
Interest income on cash and cash equivalents	98	67
Interest income to companies within the ISS Group [1)]	212	92
Monetary gain on hyperinflation restatement	87	138
Financial income	**397**	**297**
Interest expenses on loans and borrowings [1)]	(355)	(299)
Interest expenses on lease liabilities [1)]	(119)	(77)
Interest expenses on factoring [1)]	(71)	(22)
Interest expenses to companies within the ISS Group [1)]	(32)	(9)
Bank fees	(61)	(48)
Amortisation of financing fees (non-cash) [1)]	(29)	(22)
Net interest on defined benefit obligations	(24)	(17)
Commitment fees	(16)	(43)
Foreign exchange losses	(100)	(73)
Financial expenses	**(807)**	**(610)**

[1)] Measurement basis amortised cost.

Monetary gain on hyperinflation restatement related to the adjustment for hyperinflation (IAS 29) in Türkiye.

Interest expenses on loans and borrowings comprised mainly interest on issued bonds. The increase compared to 2022 was driven by increased interest rates throughout 2023 of which DKK 43 million related to the interest rate swap on part of the bonds.

Interest expenses on factoring increased due to higher facility utilisation and increased interest rates throughout 2023.

Foreign exchange losses were mainly driven by the unhedged TRY and EUR positions. The highest contributor is TRY, which remains unhedged due to high cost. TRY depreciated 39% against DKK in 2023.

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4.2 Borrowings and interests (continued)

4.2.3 Cash flow impact from changes in loans and borrowings

(DKKm)	Note	Issued bonds	Lease liabilities	Bank loans	Debt to companies within the ISS Group	Total
2023						
At 1 January		13,973	2,400	363	49	16,785
Foreign exchange adjustments		31	(16)	(118)	(1)	(104)
Cash flows		-	(778)	(144)	(29)	(951)
Acquisitions/divestments, net		-	(9)	207	-	198
Lease additions	2.6	-	906	-	-	906
Fair value adjustments	4.4	51	-	-	-	51
Reclass to Liabilities held for sale		-	(243)	(11)	-	(254)
Other		18	22	14	-	54
At 31 December		**14,073**	**2,282**	**311**	**19**	**16,685**
2022						
At 1 January		14,064	2,464	340	9	16,877
Foreign exchange adjustments		-	(13)	(86)	-	(99)
Cash flows		-	(850)	(41)	40	(851)
Acquisitions		-	40	-	-	40
Lease additions	2.6	-	761	-	-	761
Fair value adjustments	4.4	(108)	-	43	-	(65)
Other		17	(2)	107	-	122
At 31 December		13,973	2,400	363	49	16,785

Accounting policy

Issued bonds and bank loans are recognised initially at fair value net of transaction costs (financing fees) and subsequently at amortised cost. Any difference between the proceeds and the nominal value is recognised in Financial expenses over the term of the loan using the effective interest method.

Lease liabilities At the commencement date the Group recognises lease liabilities at the present value of the lease payments to be made over the lease term. The present value is calculated using the Group's incremental borrowing rate if the interest rate implicit in the lease is not readily determinable. Subsequently, the lease liability is measured at amortised cost and remeasured due to modifications such as changes in; 1) lease term, 2) the assessment to purchase the underlying asset, 3) future lease payments (e.g. a change in an index or rate), or 4) the Group's estimate of the amount expected to be payable under a residual guarantee.

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4.3 Financial risk management

The Group is exposed to a number of financial risks arising from its operating and financing activities, mainly interest rate risk, liquidity risk, currency risk and credit risk. It is management's assessment that the Group's exposure to these risks is low. The Group has not identified additional financial risk exposures in 2023 compared to 2022.

Financial risks are managed centrally by Group Treasury based on the Financial Policy, which is reviewed and approved annually by the Board of Directors of ISS A/S. Exposure to credit risk on trade receivables and expected credit losses is however managed locally in the operating entities, see 2.1, Trade receivables and credit risk. Through our risk management procedures, financial risks are monitored and reduced to an acceptable level.

It is the Group's policy to mitigate risk exposure derived from its business activities. Group policy does not allow taking speculative positions in the financial markets.

On an ongoing basis the Group considers whether the financial risk management approach appropriately addresses the risk exposures.

In 2023, the Group decided to cease the use of currency swaps to hedge its currency exposure on net investments in subsidiaries in the UK (GBP), the US (USD) and Switzerland (CHF) as this was no longer considered beneficial, see 4.1.3, Translation reserve.

An overview of financial risks and impact assessment at 31 December 2023 is provided to the right. The Group's objectives and policies for measuring and managing risk exposure are explained in the respective notes.

Financial risks	Risk	Basis for assessment at 31 December	Note
Credit risk	Low	• Not past due on trade receivables is around 90% (aging analysis) • Expected credit losses on trade receivables are less than 2% of gross receivables (credit ratings) • The Group transacts only with financial institutions with a credit rating of at least A- (cash and cash equivalents)	2.1
Interest rate risk	Low	• 82% of the Group's bank loans and bonds carried fixed rates (2022: 82%) • Duration of gross debt (fixed-rate period) 2.1 years (2022: 2.9)	4.4
Liquidity risk	Low	• Diversified funding portfolio of debt (bonds and bank loans) • No financial covenants in our main Group facilities (certain covenants apply to the local loan facility in Türkiye) • New revolving credit facility of EUR 900 million (established in 2023) maturing in 2028 • Uncommitted facilities in place to ensure flexible and efficient liquidity management	4.5
Currency risk	Low	• The Group benefits from a natural hedge in having income, costs and investments in the same functional currency, country-by-country • 97.6% of the Group's loans and borrowings (external) denominated in EUR (2022: 97.2%)	4.6

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4.4 Interest rate risk

Low interest risk exposure
– low exposure

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Exposure relates to bank loans, bonds or interest rate swaps with floating interest rates.

Risk management policy
- At least 50% of the Group's bank loans and issued bonds must carry fixed interest rates directly or through derivatives
- Duration of gross debt (fixed-rate period) shall be 2-6 years

Mitigation
- The fixed/floating ratio and gross debt duration (fixed-rate period) are measured on a monthly basis
- Interest rate swaps (fair value hedge) are used to manage the fixed/floating ratio on gross debt

4.4.1 Interest-bearing loans and borrowings

			2023	2022
(DKKm)	Maturity	Nominal interest rate	Nominal value	Carrying amount	Carrying amount
Issued bonds (fixed interest rate)					
EMTNs (EUR 300 million)	2024	2.13%	2,237	2,237	2,229
EMTNs (EUR 500 million)[1)]	2025	1.25%	3,727	3,660	3,594
EMTNs (EUR 500 million)	2026	0.88%	3,727	3,713	3,700
EMTNs (EUR 600 million)	2027	1.50%	4,471	4,463	4,450
			14,162	**14,073**	**13,973**
Bank loans (floating interest rate)					
Loan facility Türkiye (TRY)	2026	TLREF	98	97	192
Bank loans and overdrafts (Multi)	-	-	235	214	171
			333	**311**	**363**
Intra-Group (floating interest rate)					
Debt to companies within the ISS Group			19	19	49
			19	**19**	**49**

[1)] The carrying amount included the accumulated fair value adjustments at 31 December 2023 of the hedged item, see 4.4.2 below.

Interest rate sensitivity

An increase in relevant interest rates of 1%-point, with all other variables held constant, would have increased net profit by DKK 13 million (2022: increased by DKK 9 million).

The estimate was based on the Group's floating rate loans and borrowings and receivable from companies within the ISS Group, i.e. disregarding cash and cash equivalents, as the level at 31 December is typically the highest in the year and thus not representative for the purpose of this analysis.

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4.4 Interest rate risk (continued)

4.4.2 Fair value hedge

(DKKm)	Nominal amount	Carrying amount	Accumulated fair value adj.	Change in FV
Interest rate swap	EUR 300 million	(57)	(57)	51
Bond (fixed-rate borrowing), maturing 2025	EUR 500 million	3,660	57	(51)

At 31 December 2023, the Group had an interest rate swap agreement with a nominal amount of EUR 300 million whereby the Group receives a fixed rate interest and pays a variable interest rate on the nominal amount. The swap hedges the exposure to changes in the fair value of the Group's fixed rate bond maturing in 2025.

In 2023, no ineffectiveness was recognised in profit or loss (2022: no ineffectiveness).

The contractual maturity of the interest rate swap is illustrated in 4.5.1, Financial liabilities.

Accounting policy

The Group's interest rate swap qualifies as fair value hedge as the risk being hedged is the possible change in the fair value of a recognised liability. Thus, hedge accounting is applied.

The change in the fair value of the interest rate swap (the hedging instrument) is recognised in profit or loss under Financial income or Financial expenses. The change in the fair value of the hedged item (the bond) attributable to the risk being hedged is recognised as part of the carrying amount of the hedged item and is also recognised in profit or loss under Financial income or Financial expenses. As the hedge is effective there is no net impact on profit or loss.

The unamortised fair value is recognised in profit or loss if the hedged item is derecognised.

Fair value measurement takes current market data into account. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. Measurement is categorised as Level 2 in the fair value hierarchy as it is based on directly observable market data.

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4.5 Liquidity risk

Liquidity risk
– low exposure

Liquidity risk results from the Group's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity.

Risk management policy

- Maintain an appropriate level of short- and long-term liquidity reserves (liquid funds and committed credit facilities)
- Maintain a smooth maturity profile in terms of different maturities
- Maintain access to diversified funding sources

Mitigation

- Raising capital is managed centrally by Group Treasury to ensure efficient liquidity management
- Group Treasury monitors the risk of insufficient liquidity on a daily basis
- Liquidity is transferred to/from ISS Global A/S, which operates as the Group's internal bank
- For day-to-day liquidity management cash pools have been established in the majority of the local entities

4.5.1 Financial liabilities

Contractual maturities

(DKKm)	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
2023								
Bonds and bank loans	14,384	14,998	2,725	3,905	3,852	4,516	-	-
Lease liabilities	2,282	2,519	1,002	551	370	232	127	237
Debt to companies within the ISS Group	19	20	20	-	-	-	-	-
Trade payables and other[1)]	6,380	6,380	6,380	-	-	-	-	-
Derivatives	70	70	70	-	-	-	-	-
Total financial liabilities	**23,135**	**23,987**	**10,197**	**4,456**	**4,222**	**4,748**	**127**	**237**
2022								
Bonds and bank loans	14,336	15,333	539	2,513	3,914	3,861	4,506	-
Lease liabilities	2,400	2,533	752	564	423	259	168	367
Debt to companies within the ISS Group	49	51	51	-	-	-	-	-
Trade payables and other[1)]	5,055	5,055	5,055	-	-	-	-	-
Derivatives	130	130	130	-	-	-	-	-
Total financial liabilities	**21,970**	**23,102**	**6,527**	**3,077**	**4,337**	**4,120**	**4,674**	**367**

[1)] Including payable royalties, management fees to ISS World Services A/S and joint taxation contribution.

The contractual maturities of financial liabilities above are based on the undiscounted contractual cash flows, i.e. including interest payments estimated based on market expectations at 31 December.

The risk implied from the values reflects the one-sided scenario of cash outflows only. Trade payables and other financial liabilities are mainly used to finance operating assets such as trade receivables and property, plant and equipment.

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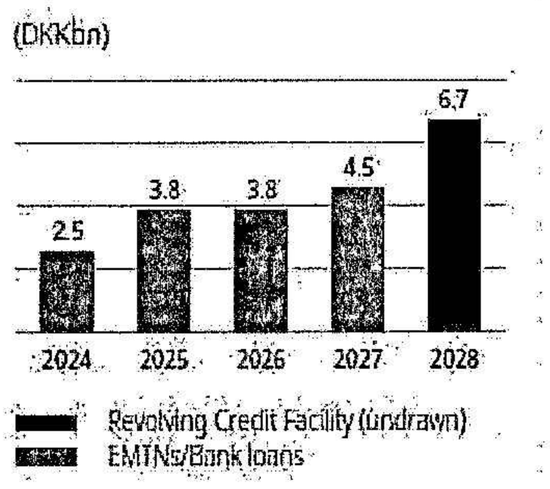
4.5 Liquidity risk (continued)

Maturity profile
- Nominal values

The maturity profile of the Group's current financing, i.e. issued bonds, bank loans and committed bank facilities (excluding interest payments) is illustrated in the chart to the right.



4.5.2 Liquidity reserves

(DKKm)	2023	2022
Cash and cash equivalents	6,093	5,166
Restricted cash	(46)	(35)
Unused revolving credit facilities	6,708	7,276
Liquidity reserves	**12,755**	**12,407**
Not readily available	(686)	(1,078)
Readily available liquidity	**12,069**	**11,329**

Cash and cash equivalents reflects the strong liquidity position of the Group. The level is typically highest at 31 December and not a representative level for the rest of the year.

Restricted cash DKK 46 million of the total cash and cash equivalents at 31 December 2023 was placed on blocked or restricted bank accounts due to legal cases and tax-related circumstances.

Unused revolving credit facilities The Group has a EUR 900 million revolving credit facility maturing in June 2028 with a two years extension option. In addition, uncommitted credit facilities are available in countries and at Group level, which are not considered part of the readily available liquidity. At 31 December 2023, these amounted to DKK 3.9 billion of which DKK 0.1 billion was drawn (2022: DKK 0.9 billion of which DKK 0.2 billion was drawn).

Not readily available Cash is considered readily available when upstreaming to the parent company (ISS A/S) is possible within five days. In a number of countries, transfer to ISS A/S is assessed to take more than five days due to local administrative processes, and thus such cash is not deemed readily available.

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4.6 Currency risk

Currency risk
– low

Currency risk arises from changes in exchange rates, and affects the Group's result, investments or value of financial instruments.

The Group's exposure to currency risk on transaction level is low since income, costs and investments are in the same functional currency country-by-country. Currency risk therefore predominantly arises from funding and investments in subsidiaries.

Risk management policy

- *It is Group policy to pool funding activities centrally and fund investments in subsidiaries through a combination of intercompany loans and equity*
- Currency risk on intercompany loans is generally hedged against DKK or EUR when exposure exceeds DKK 5 million. Some currencies cannot be hedged within a reasonable price range why correlation to a proxy currency is considered and, if deemed appropriate, proxy hedging is applied
- Exposure to EUR is monitored but not hedged due to the fixed rate exchange policy between DKK/EUR
- Currency risk on net investments are as a main policy not hedged

Mitigation

- Currency swaps are used to hedge currency risk on loans and borrowings (external), intercompany balances and long-term receivables (external)
- Currency exposure on loans and borrowings, intercompany balances and cash and cash equivalents is measured at least on a weekly basis

4.6.1 Currency exposure, loans and borrowings

				Sensitivity		
(DKKm)	Currency exposure (nominal)	Currency swaps (contractual)	Exposure, net	Increase in FX	Profit or loss	Comprehensive income
2023						
EUR/DKK	(15,320)	8,104	(7,216)	1%	(72)	(72)
TRY/DKK[1)]	194	67	261	30%	62	78
USD/DKK	972	(1,132)	(160)	10%	(16)	(16)
Other/DKK	(1,780)	2,070	290	10%	29	29
Total	**(15,934)**	**9,109**	**(6,825)**			
2022						
EUR/DKK	(17,661)	7,333	(10,328)	1%	(103)	(103)
USD/DKK	1,349	(1,491)	(142)	10%	(14)	(14)
Other/DKK	(1,991)	1,690	(301)	10%	(30)	(30)
Total	**(18,303)**	**7,532**	**(10,771)**			

[1)] TRY is not hedged due to high costs of hedging.

Foreign currency sensitivity

A change in relevant currencies, with all other variables held constant, would have impacted profit or loss and other comprehensive income with the amounts above. The analysis is based on the Group's internal monitoring of currency exposure on loans and borrowings, intercompany loans, external long-term receivables as well as cash and cash equivalents.

The impact on profit or loss related to a change in TRY is adjusted for the translation effect related to receivables considered part of the net investment in Türkiye.

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4.6 Currency risk (continued)

4.6.2 Translation risk

Impact on profit or loss

In 2023, changes in average FX rates resulted in a decrease in Group revenue of DKK 2,476 million or 3.4% (2022: increase of DKK 843 million or 1.2%) and a decrease of the Group's operating profit before other items of DKK 175 million or 4.6% (2022: decrease of DKK 45 million or 1.5%), including the impact of hyperinflation in Türkiye.

Excluding hyperinflation impact in Türkiye, changes in average exchange rates resulted in a decrease in Group revenue of DKK 2,320 million or 3.1% (2022: increase of DKK 688 million or 1.0%) and a decrease of the Group's operating profit before other items of DKK 157 million or 4.1% (2022: decrease of DKK 16 million or 0.5%).

Change in average FX rates	2022-2023	2021-2022
TRY	(30.7)%	(40.8)%
GBP	(1.8%)	0.8%
USD	(2.7)%	12.6%
CHF	3.4%	7.7%
AUD	(6.7%)	3.9%
NOK	(11.4%)	0.7%
SEK	(7.2)%	(4.5)%
HKD	(2.7)%	11.7%
EUR	0.2%	0.0%

( ) = Weakened against DKK

Foreign currency sensitivity

A 10% change (TRY: 30% and EUR: 1% change) in relevant currencies, with all other variables held constant, would have impacted profit or loss with the amounts below.

(DKKm)	Revenue	Operating profit before other items	Royalty expense
TRY	1,450	88	22
GBP	1,004	38	18
USD	672	27	11
CHF	638	51	13
AUD	485	36	10
NOK	381	32	8
SEK	304	18	6
HKD	250	15	5
EUR	229	12	5
Other	1,065	36	23
Total	**6,478**	**353**	**121**

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SECTION 5

Tax

5.1 Income tax

5.1.1 Tax in profit or loss

(DKKm)	2023	2022
Current tax	450	443
Deferred tax	14	(158)
Prior year adjustments, net	(9)	13
Income tax	**455**	**298**

In 2023, income tax was DKK 455 million (2022: DKK 298 million). The increase was mainly driven by changes in deferred tax which due to a lower amount of temporary differences as well as utilisation of deferred tax losses resulted in a tax expense of DKK 14 million (2022: tax income of DKK 158 million from recognition of additional deferred tax assets on tax losses).

5.1.2 Effective tax rate

	2023	2022
Statutory income tax rate, Denmark	22.0 %	22.0 %
Foreign tax rate differential, net	0.0 %	(0.4)%
Total	**22.0%**	**21.6 %**
Non-tax-deductible expenses less non-taxable income	(0.3)%	(2.3)%
Prior year adjustments, net	(0.4)%	0.6 %
Change in valuation of tax assets, net	(4.8)%	(5.6)%
Changes in tax rates	0.4 %	0.4 %
Hyperinflation	1.1 %	(1.7)%
Other taxes	0.4 %	0.0 %
Effective tax rate	**18.4%**	**13.0%**

Development in 2023

In 2023, the Group's effective tax rate increased to 18.4% (2022: 13.0%), mainly driven by non-recurring non-taxable gains on divestments in 2022 and the impact from hyperinflation restatement in Türkiye.

Compared to the statutory income tax in Denmark of 22%, the effective tax rate was mainly positively impacted by release of valuation allowance on deferred tax assets in Germany and the Netherlands, whereas hyperinflation restatement in Türkiye impacted negatively.

Non-tax-deductible expenses less non-taxable income comprised various income and expenses. In 2023, the net non-taxable income comprised mainly inflation adjustments in Chile and Mexico and non taxable interest income. In 2022, non-taxable divestment gains in Hong Kong and the UK impacted positively, partly offset by the recurring negative impacts from interest limitation in Denmark.

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5.1 Income tax (continued)

Change in valuation of tax assets, net related mainly to release of valuation allowance on tax losses in Germany and the Netherlands due to expected improvements in future profitability (2022: Spain, the Netherlands and Germany).

Changes in tax rates was mainly driven by the US due to difference in federal tax rate (21%) and the tax rate applied for deferred taxes, including state taxes (24%). In 2022, the change was mainly driven by changed income tax rates in Türkiye from 20% to 25% (effective from 2023) and in the UK from 19% to 25% (effective from April 2023).

Hyperinflation related to the hyperinflation adjustment in Türkiye, including the positive impact from change in local tax rules leading to step-up in tax bases of assets due to hyperinflation.

Other taxes mainly comprised withholding tax, e.g. in Denmark.

Country effective tax rate

The effective tax rate (ETR) for our largest countries is disclosed below. The country ETR may deviate from the statutory income tax rate due to e.g. effects from change in valuation of deferred tax assets, non-taxable gains on divestments, withholding taxes without credit exemption or from prior year adjustments.

Countries	Statutory income tax	2023	2022
Australia	30.0 %	29.9 %	30.3%
Denmark (incl. HQ)	22.0 %	45.3 %	303.5 %
Finland	20.0 %	28.2 %	24.5%
Germany	30.3 %	102.3 %	40.4%
Norway	22.0%	22.0%	20.2%
Spain	25.0 %	26.8 %	(18.9%)
Switzerland	18.0 %	17.9 %	18.1%
Türkiye	25.0 %	37.4 %	(6.1%)
UK	23.5 %	7.5 %	17.1%
US	21.0 %	36.2 %	(104.2%)

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5.2 Deferred tax

5.2.1 Recognised deferred tax

	Assets		Liabilities	
(DKKm)	2023	2022	2023	2022
Tax losses carried forward	561	482	-	-
Goodwill	4	4	423	387
Customer contracts	7	7	187	150
Property, plant and equipment	116	187	471	425
Provisions and other liabilities	918	973	287	394
Pensions	157	126	82	62
Set-off within legal tax units and jurisdictions	(847)	(882)	(847)	(882)
Total	**916**	**897**	**603**	**536**

Development in deferred tax

(DKKm)	2023	2022
Deferred tax liabilities, net at 1 January	(361)	(412)
Prior year adjustments, net	26	34
Foreign exchange adjustments	26	(22)
Hyperinflation restatement	(4)	62
Acquisitions and divestments, net	(2)	20
Other comprehensive income	(33)	53
Reclass to Assets/(Liabilities) held for sale	21	24
Tax on profit before tax	14	(120)
Deferred tax liabilities, net at 31 December	**(313)**	**(361)**

Prior year adjustments, net mainly related to adjustment of tax deductions (temporary differences) in the final tax returns.

Acquisitions and divestments, net in 2023 related to the acquisition of Grupo Fissa in Spain (2022: Livit FM Services AG in Switzerland).

Other comprehensive income comprised tax on actuarial (gains)/losses on pensions.

5.2.2 Unrecognised deferred tax assets

At 31 December 2023, the Group had unrecognised deferred tax assets which comprised tax losses carried forward and other deductible temporary differences of DKK 1,032 million (2022: DKK 1,814 million) mainly related to Germany.

The decrease was mainly due to France being classified as held for sale and discontinued operations in 2023. Unrecognised tax losses can be carried forward indefinitely in the individual countries, except for China, where tax losses can be carried forward for 5 years.

5.2.3 Uncertain tax positions

Uncertain tax positions include ongoing disputes with tax authorities in certain jurisdictions and have been provided for in accordance with the accounting policies. Management believes that the provisions made are adequate. However, the actual obligations may deviate as they depend on the result of litigations and settlements with the relevant tax authorities. The final outcome of some of the ongoing disputes is expected to be determined in 2024-2025.

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5.2 Deferred tax (continued)

Significant accounting estimates and judgements

Deferred tax assets relating to tax losses carried forward are recognised, when management assesses that these can be offset against positive taxable income in the foreseeable future. The assessment is made at the reporting date taking into account the impact from limitation in interest deductibility and local tax restrictions in utilisation of tax losses. Future taxable income is based on financial forecasts approved by management and expectations for operational development, mainly in terms of organic growth and operating margin, i.e. the cash flow projections made for the purpose of the Group's impairment tests, see 3.2, Impairment tests. These represent management's best estimates, but are by nature associated with significant uncertainty.

Uncertain tax positions As part of operating a global business, disputes with tax authorities around the world may occur. Management periodically evaluates positions taken in tax returns with respect to situations where applicable tax regulation is subject to interpretation and considers whether it is probable that a tax authority will accept an uncertain tax treatment. The possible outcome of uncertain tax positions is measured based on management's best estimate of the amount required to settle the obligation and recognised in deferred tax or income tax depending on the tax position.

Accounting policy

Deferred tax is provided using the liability method on temporary differences between tax bases of assets and liabilities and their carrying amounts, except for goodwill which is not deductible for tax purposes. Where alternative taxation rules can be applied to determine the tax base, deferred tax is measured according to management's intended use of the asset or settlement of the liability.

Deferred tax is measured according to the taxation rules and tax rates in the respective countries applicable at the reporting date when the deferred tax becomes current tax.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in non-current assets at the expected value of their utilisation, either as a set-off against tax on future income, or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

The Group has applied the mandatory exception for recognition and disclosure of deferred tax assets and liabilities arising from Pillar Two Income taxes.

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SECTION 6

Remuneration

6.1 Management remuneration

The management team of the ISS Global Group formally consists of the Executive Management and the Board of Directors of ISS Global A/S. Members of the management team are not separately remunerated for their duties performed in the ISS Global Group. Total remuneration to the members of the management team of ISS Global A/S for their respective duties performed for the ISS A/S Group in 2023 to DKK 50.1 million (2022: DKK 61.5 million).

As the ISS Global Group has no significant operating activities independently of the ISS A/S Group, it relies on the management team of the ISS A/S Group who has authority and responsibility for planning, implementing and controlling the ISS Global Group's activities. Consequently, key management personnel of the ISS A/S Group is also considered key management personnel of the ISS Global Group.

Remuneration to key management personnel of the ISS A/S Group is specified below:

		EGM	
(DKK thousand)	Board	EGMB	Corporate Senior Officers
2023			
Base salary and non-monetary benefits	9,176	13,484	50,671
Pensions		386	3,916
Annual bonus (STIP)	-	7,176	15,709
Sign-on bonus		-	11,658
Share-based payments [1]	-	(4,603)	18,664
Severance payments	-	-	16,161
Total remuneration	**9,176**	**16,443**	**116,779**
2022			
Base salary and non-monetary benefits	8,587	15,123	49,935
Pensions		146	1,916
Annual bonus (STIP)	-	11,572	30,101
Sign-on bonus	-	-	2,066
Share-based payments	-	7,310	14,741
Total remuneration	**8,587**	**34,151**	**98,759**

[1] In 2023, share-based payments to the EGMB included a cost reversal of DKK 7 million (2022: DKK 0 million) due to forfeited PSUs as the Group CEO Jacob Aarup-Andersen left ISS.

On 1 September 2023, Jacob Aarup-Andersen stepped down as Group CEO and was succeeded by former Group CFO Kasper Fangel. A search process for a new Group CFO was initiated. In the period until 31 December 2023, the EGMB comprised only one member, the Group CEO. As a result, total remuneration to the EGMB decreased compared to 2022.

Remuneration policy is described in the Remuneration report which is available at:
https://brand.issworld.com/m/c534b1411e5287b/original/Remuneration-Policy-2023.pdf

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6.2 Share-based payments

To drive delivery of long-term financial results, retention of leaders and alignment to shareholder value creation, the Group has implemented two share-based incentive programmes:

- long-term incentive programme (LTIP)
- special incentive programme (SIP)

6.2.1 Long-term incentive programme

Members of the EGM and other senior officers of the Group are granted a number of performance share units (PSUs) under the annual LTIP. Participants are compensated for any dividend distributed between time of grant and time of vesting. Upon vesting, each PSU entitles the holder to receive one share at no cost.

Subject to certain criteria, the PSUs will vest after three years.

In 2023, the ISS A/S Group recognised share-based payment costs of DKK 72 million (2022: DKK 80 million) of which DKK (5) million (2022: DKK 9 million) were recognised in ISS A/S and DKK 34 million (2022: DKK 29 million) were recognised in ISS World Services A/S (see overview below for PSUs and overview in 6.2.2, Special incentive programmes (SIP) for RSUs).

Fair value and profit or loss impact	LTIP 2020[1)]	LTIP 2021	LTIP 2022	LTIP 2023
Fair value (DKKm)				
At grant date	102	116	129	116
At 31 December 2023	-	83	98	102
Profit or loss impact (DKKm)				
Recognised in 2023	3	17	27	23
Not yet recognised	-	4	34	65
PSUs and participants (number)				
Participants	109	122	142	151
PSUs granted	1,461,173	1,362,540	1,428,890	994,916
PSUs expected to vest, %	32%	64%	68%	62%

[1)] Vested in March 2023.

Fair value assumptions	LTIP 2020	LTIP 2021	LTIP 2022	LTIP 2023
At the time of grant				
Share price, DKK [1)]	98	111-153	117-153	122-153
Expected volatility [2)]	29.1%	47.2%	47.5%	44.2%
Expected life of grant, years	3	3	3	3
Risk-free interest rate [2)]	(0.4)%-1.9%	(0.6)%-0.9%	(0.1%)-1.5%	1.0%-3.1%

[1)] Based on five-day average.

[2)] Based on observable market data for peer groups.

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6.2 Share-based payments (continued)

Vesting criteria

The vesting criteria are total shareholder return (TSR), measured relative to peer group performance, and earnings per share (EPS).

For LTIP 2021, LTIP 2022 and LTIP 2023 the weight of the individual criteria are:

- TSR: 40%
- EPS: 40%
- Service-based objective: 20%

For LTIP 2020, TSR and EPS were equally weighted (no service-based objective).

TSR performance criteria

Threshold	Vesting	TSR
Below threshold	0%	Below median of peers
Threshold	25%	At median of peers
Maximum	100%	At upper quartile of peers or better

TSR peers are the Nasdaq Copenhagen OMX C25 and a peer group of comparable international service companies.

Vested programmes

In March 2023, the LTIP 2020 programme vested. Based on the annual EPS and TSR performances for 2020, 2021 and 2022, 32% of the granted PSUs vested at a weighted average price of DKK 152 at the date of exercise. After this vesting, no further PSUs are outstanding under the LTIP 2020 and the programme has lapsed.

Furthermore, in March 2024, the PSUs granted under LTIP 2021 will vest with 64% based on the annual EPS and TSR performances for 2021, 2022 and 2023.

6.2 Share-based payments (continued)

Outstanding PSUs	EGM			
LTIP 2020 (vested in 2023)	**EGMB**	**Corporate Senior Officers**	**Other senior officers**	**Total**
Outstanding at 1 January 2022	59,769	177,999	1,025,210	1,262,978
Forfeited	-	-	(31,586)	(31,586)
Transferred	-	(10,382)	10,382	-
Outstanding at 31 December 2022	**59,769**	**167,617**	**1,004,006**	**1,231,392**
Transferred	-	(25,773)	25,773	-
Exercised	(19,397)	(46,033)	(334,169)	(399,599)
Expired	(40,372)	(95,811)	(695,610)	(831,793)
Outstanding at 31 December 2023	**-**	**-**	**-**	**-**
LTIP 2021 (vesting in 2024)				
Outstanding at 1 January 2022	148,297	176,746	772,721	1,097,764
Granted	-	11,015	64,856	75,871
Forfeited	-	(8,583)	(71,403)	(79,986)
Transferred	-	6,578	(6,578)	-
Outstanding at 31 December 2022	**148,297**	**185,756**	**759,596**	**1,093,649**
Granted	451	18,857	26,414	45,722
Forfeited	(118,308)	-	(50,695)	(169,003)
Transferred	-	(57,053)	57,053	-
Outstanding at 31 December 2023	**30,440**	**147,560**	**792,368**	**970,368**
LTIP 2022 (vesting in 2025)				
Granted	139,713	265,208	948,934	1,353,855
Forfeited	-	(18,233)	(115,516)	(133,749)
Transferred	-	(9,116)	9,116	-
Outstanding at 31 December 2022	**139,713**	**237,859**	**842,534**	**1,220,106**
Granted	516	17,149	57,460	75,125
Forfeited	(105,396)	(6,085)	(102,561)	(214,042)
Transferred	-	(58,320)	58,320	-
Outstanding at 31 December 2023	**34,833**	**190,603**	**855,753**	**1,081,189**
LTIP 2023 (vesting in 2026)				
Granted	47,698	191,237	755,981	994,916
Forfeited	-	(17,357)	(100,948)	(118,305)
Transferred	-	(30,068)	30,068	-
Outstanding at 31 December 2023	**47,698**	**143,812**	**685,101**	**876,611**

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6.2 Share-based payments (continued)

6.2.2 Special incentive programmes (SIP)

The Group has a Special Incentive Programme (SIP) under which Restricted Share Units (RSUs) are granted to certain Corporate Senior Officers (EGM members) and other senior officers of the Group. Subject to individual service criteria, the RSUs will vest after two or three years. Upon vesting, each RSU entitles the holder to receive one share at no cost.

In September 2023, a total of 10,178 RSUs were granted to certain Other Senior Officers under the SIP 2023 programme.

Fair value and profit or loss impact	SIP 2020-2023	SIP 2023
Fair value (DKKm)		
At grant date	24	1
At 31 December 2023	-	1
Profit or loss impact (DKKm)		
Recognised in 2023	2	0
Not yet recognised	-	1
RSUs and participants (number)		
Participants	37	4
RSUs granted	232,730	10,178
Expected to vest, %	100%	100%

Fair value assumptions	SIP 2020-2023	SIP 2023
At the time of grant		
Share price, DKK	101	122
Expected life of grant, years	3	1.5

Vested programmes

In March 2023, the SIP 2020-2023 programme vested. Based on individual service criteria, 100% of the granted RSUs vested at a weighted average price of DKK 152 at the date of exercise. After this vesting, no further RSUs are outstanding under the SIP 2020-2023 and the programme has lapsed.

In March 2025, the RSUs granted under the SIP 2023 programme will vest 100% subject to achievement of individual service criteria.

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6.2 Share-based payments (continued)

Outstanding RSUs	EGM		
SIP 2020-2023 (vested in 2023)	Corporate Senior Officers	Other senior officers	Total
Outstanding at 1 January 2022	26,619	193,258	219,877
Granted	-	5,759	5,759
Forfeited	-	(1,462)	(1,462)
Transferred	10,432	(10,432)	-
Outstanding at 31 December 2022	**37,051**	**187,123**	**224,174**
Exercised	(37,051)	(187,123)	(224,174)
Outstanding at 31 December 2023	**-**	**-**	**-**
SIP 2023 (vesting in 2025)			
Granted	-	10,178	10,178
Outstanding at 31 December 2023	**-**	**10,178**	**10,178**

Accounting policy

The value of services received in exchange for granted performance-based share units (PSUs) and restricted share units (RSUs) are measured at fair value at the grant date and recognised in employee costs over the vesting period with a corresponding increase in debt to ISS A/S.

The fair value of granted PSUs under the long-term incentive programme is measured using a generally accepted valuation model taking into consideration the terms and conditions upon which the PSUs were granted including market-based vesting conditions (Total Shareholder Return (TSR)).

On initial recognition, an estimate is made of the number of PSUs and RSUs expected to vest. The estimated number is subsequently revised for changes in the number of PSUs and RSUs expected to vest due to non-market based vesting conditions.

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SECTION 7
Other required disclosures

7.1 Pensions and similar obligations

7.1.1 Pension schemes

The Group has a significant number of pension schemes with different characteristics. The majority of the schemes are defined contribution plans, but in a number of countries, the Group is also party to defined benefit plans.

Defined contribution plans

These are pension schemes where contributions are paid to publicly or privately administered pension plans. The Group has no further payment obligations once the contributions have been paid.

In 2023, contributions amounted to DKK 1,156 million (2022: DKK 1,217 million), or 83% of the Group's pension costs (2022: 84%).

Defined benefit plans

Under these schemes the obligation towards the employees as well as the risk associated with future developments in salary, interest rate, inflation, mortality, etc. rests with the Group. The plans are primarily based on years of service, and benefits are determined on the basis of salary and position.

The largest plans are in Switzerland and the UK accounting for 87% (2022: 86%) of the Group's obligation (gross) and 98% (2022: 97%) of its plan assets.

The majority of the obligations are funded with assets placed in independent pension funds. In some countries, primarily Sweden, France, Türkiye, Hong Kong and Mexico, the obligation is unfunded. For unfunded plans, the obligation amounted to DKK 665 million or 8% of the present value of the total gross obligation (2022: DKK 633 million or 8%).

Multiemployer pension plans

In a few countries, the Group participates in multiemployer pension schemes that by nature are defined benefit plans. Some funds are not able to provide the necessary information in order for the Group to account for the schemes as defined benefit plans and these schemes are therefore accounted for as defined contribution plans.

7.1.2 Major defined benefit plans

Switzerland

Participants are insured against the financial consequences of:

- retirement;
- disability; and
- death

The pension plans guarantee a minimum interest credit and fixed conversion rates at retirement and include a risk-sharing element between ISS and the plan participants.

Contributions are paid by both ISS and the employees and the plans must be fully funded. In case of underfunding, recovery measures must be taken, such as additional financing from ISS or from ISS and the employees, reduction of benefits or a combination of both.

The UK

Participants are insured against the financial consequences of:

- retirement; and
- death

The pension plans guarantee a defined benefit pension at retirement on a final salary basis, but do not provide any insured disability benefits. The majority of the plans does not include a risk-sharing element between ISS and the plan participants.

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7.1 Pensions and similar obligations (continued)

7.1.3 Defined benefit plans (carrying amounts)

	2023			2022		
(DKKm)	Present value of obligation	Fair value of plan assets	Carrying amount	Present value of obligation	Fair value of plan assets	Carrying amount
At 1 January	**7,953**	**8,663**	**(710)**	**8,625**	**8,997**	**(372)**
Current service costs	199	-	199	197	-	197
Interest on obligation/plan assets	257	233	24	72	55	17
Past service costs	18	-	18	11	-	11
Recognised in profit or loss	**474**	**233**	**241**	**280**	**55**	**225**
Remeasurement (gain)/loss:						
Demographic assumptions	(7)	-	(7)	7	-	7
Financial assumptions	399	-	399	(1,702)	-	(1,702)
Experience adjustments	90	-	90	490	-	490
Return on plan assets	-	20	(20)	-	(997)	997
Asset ceiling	-	299	(299)	-	(43)	43
Recognised in other comprehensive income	**482**	**319**	**163**	**(1,205)**	**(1,040)**	**(165)**
Foreign exchange adjustments	328	501	(173)	214	295	(81)
Acquisitions and divestments, net	-	-	-	227	219	8
Employee contributions	173	173	-	154	154	-
Employer contributions	-	260	(260)	-	207	(207)
Benefits paid	(605)	(512)	(93)	(342)	(267)	(75)
Asset ceiling	-	(299)	299	-	43	(43)
Reclass to Liabilities held for sale	(50)	-	(50)	-	-	-
Other changes	**(154)**	**123**	**(277)**	**253**	**651**	**(398)**
At 31 December	**8,755**	**9,338**	**(583)**	**7,953**	**8,663**	**(710)**

Recognised in the statement of financial position

(DKKm)	2023	2022
Carrying amount of defined benefit plans	(583)	(710)
Accumulated impact from asset ceiling [1]	1,172	1,352
Defined benefit obligation, net [2]	**589**	**642**
Other long-term employee benefits	546	543
Pensions and similar obligations	**1,135**	**1,185**

[1] Including a foreign exchange adjustment on the opening balance of DKK 119 million (2022: DKK 56 million).

[2] Including an asset of DKK 326 million (2022: DKK 247 million) related to defined benefit plans in the UK.

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7.1 Pensions and similar obligations (continued)

Development in 2023

In 2023, actuarial calculations led to recognition of actuarial losses due to decreased discount rates (financial assumptions) of DKK 399 million, mainly in Switzerland. This was partly offset by a positive return on plan assets of DKK 20 million and a decrease in the asset ceiling of DKK 299 million, primarily related to Switzerland and the UK. The net impact on the pension obligation from actuarial calculations was a loss of DKK 163 million recognised in other comprehensive income.

In recent years, we have experienced strong asset returns and actuarial gains, which led to a significant surplus on the major plans in Switzerland and the UK. Due to surplus restrictions (ISS does not have access to the overfunding), a significant asset ceiling has been recognised in prior years.

In 2023, market conditions for our plan assets including listed shares, bonds, and real estate improved compared to 2022, resulting in a gain on plan assets in Switzerland and the UK. Due to a larger increase in the pension obligation (gross) the asset ceiling decreased by DKK 299 million. As such, by the end of 2023, the accumulated impact from the asset ceiling was DKK 1,172 million (2022: DKK 1,352 million).

Contributions in 2023

In 2023, the Group contributed DKK 353 million to defined benefit plans (2022: DKK 283 million). The Group expects to contribute DKK 352 million in 2024.

Significant accounting estimates

Actuarial calculations and valuations are performed annually for all major plans. The present value of defined benefit obligations is determined based on assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. Applied assumptions vary from country to country due to local conditions. All assumptions are assessed at the reporting date.

The discount rates used for calculating the present value of expected future cash flows are based on the market yield of high-quality corporate bonds or government bonds with a maturity approximating to the terms of the defined benefit obligations.

When the Group participates in multi-employer pension plans being accounted for as defined contribution plans due to unavailability of information, there is a risk that the plans are not sufficiently funded. However, information on surplus or deficit in the schemes is not available.

Accounting policy

Contributions to defined contribution plans are recognised in Employee costs when the related service is provided.

Defined benefit plans The Group's net obligation is calculated by a qualified actuary using the projected unit credit method, separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The present value less the fair value of plan assets is recognised in Pensions and similar obligations. When the calculation results in a potential asset, recognition is limited to the present value of economic benefits available in the form of future refunds from or reductions in future contributions to the plan. To calculate the present value, consideration is given to applicable minimum funding requirements.

Pension costs are calculated based on actuarial estimates and financial expectations at the beginning of the year. Service costs are recognised in Employee costs and net interest is recognised in Financial expenses. Remeasurements (actuarial gains/losses), comprising the differences between the expected development in pension assets and liabilities and the realised amounts at the reporting date as well as the effect of asset ceiling are recognised in other comprehensive income.

When the benefits are changed or a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised in Employee costs. Gains and losses on settlement are recognised when incurred.

The aggregated value of unfunded plans is presented as a net liability and the aggregated value of funded plans are presented as a net asset.

Other long-term employee benefits are calculated as defined pension plans, except that actuarial gains and losses are recognised in Employee costs. Other long-term employee benefits comprise jubilee benefits, long-service or sabbatical leave, etc.

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7.1 Pensions and similar obligations (continued)

Plan assets - major categories	2023	2022
Listed shares	31%	34%
Corporate bonds	25%	18%
Property	19%	19%
Government bonds	3%	2%
Cash and cash equivalents	3%	6%
Other	19%	21%
Total	**100%**	**100%**

7.1.4 Actuarial assumptions

	2023				2022			
	CHF	GBP	EUR	Other currencies	CHF	GBP	EUR	Other currencies
Discount rates	1.5%	4.5%	3.3-4.3%	5.7-26.6%	2.3%	4.8%	3.7-3.8%	1.0-10.7%
Salary increase	1.1%	0.0-3.1%	0.0-3.6%	3.0-24.3%	1.3%	0.0-2.7%	2.6-3.2%	0.0-12.0%
Pension increase	0.0%	2.6-3.0%	0.0-2.8%	0.0-1.8%	0.0%	2.7-3.2%	0.0-2.2%	0.0-2.2%

Sensitivity analysis

The sensitivities related to significant actuarial assumptions used in the calculation of the defined benefit obligation in terms of estimated increase/(decrease) in the obligation are illustrated below.

The analysis is based on changes in assumptions, with all other variables held constant, that the Group considered to be reasonably possible at the reporting date.

(DKKm)	2023		2022	
	+0.5%	*-0.5%*	*+0.5%*	*-0.5%*
Discount rate	(376)	409	(334)	363
Price inflation	64	(55)	74	(65)
Salary increase	76	(76)	93	(74)
Pension increase	241	(236)	248	(248)
	+1 year	*-1 year*	*+1 year*	*-1 year*
Life expectancy	147	(144)	136	(133)

Duration

The estimated weighted average duration of the defined benefit obligation was 9 years (2022: 9 years) and is split into:

Years	2023	2022
Active employees	8	6
Retired employees	12	11
Deferred vested [1)]	15	7
Total employees	9	9

[1)] The impact from deferred vested on total estimated weighted average duration is minor due to the fact that deferred vested make up less than 2% of the participants, and do not exist in many of the shorter duration plans.

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7.2 Hyperinflation in Türkiye

Impact on the consolidated financial statements

(DKKm)	2023 (excl. IAS 29)	Inflation restatement, in year: Non-monetary items	Inflation restatement, in year: Profit or loss items	Retrans-lation (YE FX)	Total adjust-ments	2023 (reported)
Profit or loss						
Revenue	78,704	-	1,130	(1,132)	(2)	78,702
Operating profit before other items	4,198	(58)	90	(80)	(48)	4,150
Operating profit	2,942	(73)	90	(78)	(61)	2,881
Net profit	285	22	-	(16)	6	291
Financial ratios						
Organic growth (non-IFRS)	9.7%	-	-	-	-	9.7%
Operating margin (non-IFRS)	5.3%	(0.1%)	0.1%	0.0%	0.0%	5.3%
Cash flows						
Cash flow from operating activities	3,325	-	-	(41)	(41)	3,284
Cash flow from investing activities	(901)	-	-	9	9	(892)
Cash flow from financing activities	(1,311)	-	-	(17)	(17)	(1,328)
Free cash flow (non-IFRS)	1,835	-	-	(16)	(16)	1,819

(DKKm)	2023 (excl. IAS 29)	Inflation restatement, accumulated	2023 (reported)
Financial position			
Goodwill	14,389	732	15,121
Other intangible assets	1,153	295	1,448
Right-of-use and property, plant and equipment	2,945	109	3,054
Total assets	43,630	1,136	44,766
Other comprehensive income [1]	(1,127)	936	(191)
Other equity elements	7,218	99	7,317
Total equity	6,091	1,035	7,126
Deferred tax liabilities	502	101	603
Total equity and liabilities	43,630	1,136	44,766

[1] In year impact of restatement amounts to DKK 467 million (2022: DKK 814 million)

Development in 2023

In 2023, the impact of hyperinflation restatement on our three key KPIs, i.e. organic growth (non-IFRS), operating margin (non-IFRS) and free cash flow (non-IFRS) continued to be immaterial. However, the Group's statement of financial position was significantly impacted, mainly by increasing the carrying amount of goodwill, customer contracts and equity.

Financial position Accumulated goodwill increased by DKK 732 million (2022: DKK 644 million) and Other intangible assets (customer contracts) by DKK 295 million (2022: DKK 224 million), mainly due to restatement of fair values carried from the acquisition of Rönesans in 2021 and the original acquisition of ISS Türkiye in 2005. Thus, by the end of 2023, intangible assets included accumulated hyperinflation adjustments of DKK 1,027 million.

Likewise, total accumulated equity increased DKK 1,035 million (2022: DKK 891 million) mainly due to opening restatement of non-monetary items of DKK 467 million (2022: DKK 814 million) and restatement effect from changes in the price index during the year.

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7.2 Hyperinflation in Türkiye (continued)

Profit or loss Net impact on revenue was DKK (2) million (2022: DKK 154 million) of which DKK 1,130 million (2022: DKK 580 million) related to increase in price index of 31% during the year (2022: 21%). This was offset by the impact from retranslation to exchange rates at 31 December of DKK 1,132 million (2022: DKK 426 million) as the TRY/DKK exchange rate decreased from 37.25 in the beginning of 2023 to 22.82 at 31 December 2023.

(DKKm)	2022 (excl. IAS 29)	Inflation restatement, in year: Non-monetary items	Profit or loss items	Retrans-lation (YE FX)	Total adjustments	2022 (reported)
Profit or loss						
Revenue	73,704	-	580	(426)	154	73,858
Operating profit before other items	3,840	(48)	51	(32)	(29)	3,811
Operating profit	2,642	(60)	50	(30)	(40)	2,602
Net profit	1,889	77	-	(11)	66	1,955
Financial ratios						
Organic growth (non-IFRS)	8.4%	-	-	-	-	8.4%
Operating margin	5.2%	-0.1%	0.1%	0.0%	0.0%	5.2%
Cash flows						
Cash flow from operating activities	3,027	-	-	(7)	(7)	3,020
Cash flow from investing activities	(363)	-	-	7	7	(356)
Cash flow from financing activities	(853)	-	-	(2)	(2)	(855)
Free cash flow (non-IFRS)	1,608	-	-	8	8	1,616

(DKKm)	2022 (excl. IAS 29)	Inflation restatement, accumulated	2022 (reported)
Financial position			
Goodwill	15,209	644	15,853
Other intangible assets	1,169	224	1,393
Right-of-use and property, plant and equipment	3,151	85	3,236
Total assets	42,611	953	43,564
Other comprehensive income	12	814	826
Other equity elements	6,123	77	6,200
Total equity	6,135	891	7,026
Deferred tax liabilities	474	62	536
Total equity and liabilities	42,611	953	43,564

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7.2 Hyperinflation in Türkiye (continued)

Accounting policy

Inflation restatement

The financial statements of ISS Türkiye are restated for inflation to reflect the purchasing power at the reporting date using the consumer price index.

Non-monetary items, which are carried at historical cost, such as goodwill, customer contracts, rightof-use assets, property, plant and equipment and deferred tax, have been restated for the effect of inflation based on changes in the price index for the period from initial recognition to 31 December 2023 or to the date of disposal, where relevant. The restatement was made effective from the time, the items were initially recognised, which was no earlier than 2005, when ISS first entered Türkiye through an acquisition.

Management assesses whether the restatement of non-monetary items represents an indication of impairment to ensure that the restated amounts do not exceed the recoverable amounts of the assets, see 3.2, Impairment tests.

Monetary items such as receivables, payables, loans and borrowings are not subject to restatement for the effects of inflation as these items already reflect the purchasing power at the reporting date.

Equity includes the opening effect of restating non-monetary items. Further, the restatement effects of inflation based on changes in the price index for the reporting period is recognised in other comprehensive income with set-off within financial income or expenses in profit or loss.

Profit or loss transactions in the period are restated to reflect changes in the price index from the time of transaction to the end of the reporting period with the exception of depreciation and amortisation, which are recalculated based on the inflation-adjusted carrying value of the relevant non-monetary assets.

The restating gain or loss is recognised in financial income or expenses, except for the tax effect, which is recognised under income tax.

Cash flow statement Operating profit before other items includes a non-cash effect from the inflation restatement, which has been eliminated in the line Non-cash items related to hyperinflation.

Price index

Restatement for hyperinflation of the financial statements of ISS Türkiye is based on the development in the consumer price index provided by the Türkiyish Statistical Institute calculated as an average year to date conversion factor. For 2023, the inflation rate in Türkiye was 64.77% (2022: 64%).

Retranslation from TRY to DKK

The financial statements of ISS Türkiye, including effects of inflation restatement, are translated into DKK applying the TRY/DKK exchange rate at the reporting date as opposed to the Group's normal practice of translating the profit or loss using the exchange rate at the transaction date or an average exchange rate for the month. The TRY/DKK exchange rate decreased from 37.25 at the beginning of 2023 to 22.82 at 31 December 2023. The average rate was 29.80 (2022: 43.00).

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7.3 Related parties

Parent and ultimate controlling party

The sole shareholder of ISS Global A/S, ISS World Services A/S, has controlling influence in the Group and is wholly owned by ISS A/S (the ultimate parent).

Key management personnel

The Board of Directors (Board) and the Executive Group Management (EGM) of ISS A/S are considered the Group's key management personnel as defined in 6.1, Management remuneration.

Apart from remuneration, including share-based incentive programmes, there were no significant transactions with members of the Board and the EGM in 2023.

7.4 Fees to auditors

(DKKm)	2023	2022
Statutory audit	60	61
Other assurance services	1	1
Tax and VAT advisory services	6	7
Other services	8	4
Total	**75**	**73**

Other assurance services comprised work related to the interim financial statements and other assurance services.

Tax and VAT advisory services mainly related to tax compliance services.

Other services comprised among other things work related to acquisitions and divestments, such as financial and tax due diligence.

7.5 Subsequent events

No events have occurred subsequent to 31 December 2023, which could have a significant impact on the consolidated financial statements.

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SECTION 8

Basis of preparation

This section includes general accounting policies relevant for the preparation of the Group's consolidated financial statements. The Group's material accounting policies are described in the relevant notes to the consolidated financial statements.

A list of the notes is presented on p. 33.

Materiality

The consolidated financial statements separately present items or groups of items that are considered material. In addition, information that is considered material, either individually or in combination with other information, is disclosed.

Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the economic decisions made by the primary users on the basis of the consolidated financial statements. In particular circumstances, either the nature or the amount of an item or an aggregate of items could be the determining factor.

8.1 Other material accounting policies

ISS Global A/S's bonds are listed on Luxembourg Stock Exchange. The consolidated financial statements of ISS Global A/S for the year ended 31 December 2022 comprise ISS Global A/S and its subsidiaries (collectively, the Group). Significant subsidiaries are listed in 8.4, Group companies.

The 2023 Annual Report for ISS Global A/S was discussed and approved by the Executive Management and the Board of Directors (the Board) on 12 March 2024 and issued for approval at the subsequent annual general meeting on 10 April 2024.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS © Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act (class D). In addition, the consolidated financial statements have been prepared in compliance with the IFRS © Accounting Standards issued by the IASB.

The consolidated financial statements have been prepared on the basis that the Group will continue to operate as a going concern.

The consolidated financial statements are presented in Danish kroner (DKK), which is ISS Global A/S's functional currency. All amounts have been rounded to nearest DKK million (DKKm), unless otherwise stated.

Fair value measurement and disclosure
Items are measured at historical cost, except for assets and liabilities held for sale and derivatives that are measured at fair value.

Fair value measurements are categorised within the fair value hierarchy and disclosed in the relevant notes.

For the purpose of fair value disclosures, management has assessed that the fair values of cash and cash equivalents, trade receivables, contingent consideration, trade payables and other current and non-current financial assets and liabilities approximates their carrying amount largely due to the short-term nature of these items. The fair value of loans and borrowings, including methods and assumptions used to estimate the fair value, are disclosed in 4.2, Borrowings and interests.

Basis of consolidation

The consolidated financial statements comprise ISS Global A/S and entities controlled by ISS Global A/S.

Consolidation of entities is performed after elimination of intra-group balances, income and expenses. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

By virtue of agreement certain non-controlling shareholders are only eligible of receiving benefits from their non-controlling interest when ISS as controlling shareholder has received their initial investment and compound interest on such. In such instances the subsidiaries' result and equity are fully allocated to ISS until the point in time where ISS has recognised amounts exceeding their investment including compound interest on such.

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8.1 Other material ccounting policies (continued)

Foreign currency

Transactions in currencies other than the functional currency of the respective Group companies are considered transactions denominated in foreign currencies.

On initial recognition, except for companies operating in hyperinflationary environments, foreign currency transactions are translated to the functional currencies of the Group companies at the exchange rates at the transaction date. Translation differences between the exchange rates at the transaction date and the date of payment are recognised in Financial income or *Financial expenses.*

Monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the transaction date or the exchange rate used in the latest financial statements is recognised in Financial income or Financial expenses.

On recognition in the consolidated financial statements of Group companies with a functional currency other than DKK, the statements of profit or loss and statement of cash flows are translated at the average exchange rates for the period and the statements of financial position are translated at the exchange rates at the reporting date. Foreign exchange adjustments arising on translation of the opening balance of equity of foreign entities and on translation of receivables considered part of the net investment in the entity and on translation of the profit or loss statements from the exchange rates at the transaction date to the exchange rates at the reporting date are recognised in other comprehensive income. However, if the foreign entity is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the non-controlling interest.

8.2 Change in accounting policies and disclosures

From 1 January 2023, the Group has adopted the following amendments to standards with no significant impact on recognition and measurement:

- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 12: International Tax Reform — Pillar Two Model Rules
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments below impacted the disclosures of accounting policies:

IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments to IAS 1 and IFRS Practice Statement 2 requires us to disclose the material accounting policies instead of significant accounting policies thereby making the accounting policies more specific and thus more relevant to users.

The amendments impacted the Group's disclosures of accounting policies, but not the measurement, recognition or presentation of any items in the Group's financial statements. From 2023, only the Group's material accounting policies are disclosed.

IAS 12: International Tax Reform — Pillar Two Model Rules

The Group is within the scope of the Pillar Two rules (Pillar II) applying from 1 January 2024. However, since Pillar II was not effective at the reporting date, the Group has no related current tax exposure.

The Group applies the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar II income taxes, as provided in the 2023 amendments to IAS 12.

The Group has prepared a preliminary assessment of the its exposure to Pillar II income taxes using 2023 data. Based on the preliminary assessment, the Group anticipates to be able to apply the transitional Safe Harbour rules for all countries in 2024, which will switch off the normal Pillar II calculation rules and thus no top-up taxes will be payable for 2024. The transitional Safe Harbour rules are more simple than the normal Pillar II calculation rules, and can be applied during the transitional period for 2024-2026 if specific tests can be fulfilled demonstrating that the risk of Pillar II top-up taxes is low.

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8.3 New regulations

IASB issued amended standards and interpretations, which are not yet mandatory for the consolidated financial statements of the Group at 31 December 2023. The Group expects to adopt the new standards and interpretations when they become mandatory.

Based on the current business setup and level of activities, none of these standards and interpretations are expected to have a material impact on the recognition and measurement in the consolidated financial statements.

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8.4 Group companies

Below the Group's significant subsidiaries and joint ventures are presented per region. Together these are referred to as "Companies within the ISS Group".

Northern Europe

Denmark (ISS Global A/S's country of domicile)	
ISS Facility Services A/S	100%
ISS Finance B.V.	100%
ISS Global Management A/S	100%
ISS Holding France A/S	100%
ISS Lending A/S	100% [4]
Belgium & Luxembourg	
ISS Catering N.V.	100%
ISS Facility Services N.V.	100%
ISS Reception & Support Services N.V.	100%
ISS Facility Services S.A.	100%
ISS Luxinterim SARL	100%
Finland	
ISS Palvelut Holding Oy	100%
ISS Palvelut Oy	100%
Suomen Laatutakuu Palvelut Oy	100%
Netherlands	
ISS Building Maintenance Services B.V.	100%
ISS Catering Services B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Integrated Facility Services B.V.	100%
ISS Nederland B.V.	100%
Talentgroep Montaigne Facility Management B.V.	100%
Norway	
ISS Holding AS	100%
ISS Management AS	100%
ISS Facility Services AS	100%
ISS Serveringspartner AS	100%
ISS Service Management AS	100%
Poland	
ISS Facility Services Sp. Z o.o.	100%
ISS World Services Poland Sp. Z.o.o	100%
Sweden	
ISS Facility Services Holding AB	100%
ISS Facility Services AB	100%
ISS Palvelut Holding AB	100%
UK & Ireland	
ISS UK Holding Limited	100%
ISS UK Limited	100%
ISS Facility Services Ltd.	100%
ISS Mediclean Limited	100%
Pegasus Security Holdings Limited	100%
ISS Ireland Ltd.	100%

Central & Southern Europe

Austria	
ISS Austria Holding GmbH	100%
ISS Facility Services GmbH	100%
ISS Ground Services GmbH	100%
Germany	
ISS Automotive Services GmbH	100%
ISS Facility Services Holding GmbH	100%
ISS Integrated Facility Services GmbH	100%
ISS Energy Services GmbH	100%
ISS Communication Services GmbH	100%
ISS Engineering Services GmbH	100%
Italy	
ISS Facility Services S.r.l.	100%
Portugal	
ISS Tech Portugal, Unipessoal Lda.	100%
Spain	
Integrated Service Solutions, S.L.	100%
ISS Facility Services, S.A.	100%
UTE-HOSPITALES S.A.S	65% [1]
Switzerland	
ISS Facility Services AG	100%
ISS Schweiz AG	100%
Livit FM Services AG	100%
Türkiye	
ISS Hazir Yemek Üretim ve Hizmet A.Ş.	50.1% [3]
ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.	50.1% [3]
ISS Tesis Yönetim Hizmetleri A.Ş.	50.1% [3]
ISS İşletme Hizmetleri A.Ş (Rönesans)	50.1% [3]
ISS Bitki Bakim ve Hasere Kontrol Hizmetleeri A.Ş.	50.1% [3]

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8.4 Group companies (continued)

Asia & Pacific

Australia & New Zealand	
ISS Facility Management Pty Limited	100%
ISS Facility Services Australia Limited	100%
ISS Facility Services Pty Ltd.	100%
ISS Health Services Pty Ltd.	100%
ISS Holdings Pty Ltd.	100%
ISS Integrated Services Pty Ltd	100%
ISS Property Services Pty Ltd	100%
ISS Security Pty Ltd	100%
Pacific Invest December 2004 Pty Ltd.	100%
Pacific Service Solutions Pty Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Holdings NZ Ltd.	100%
China	
ISS Facility Services (Shanghai) Ltd.	100%
ISS Hongrun (Shanghai) Cleaning Services Limited	100%
Shanghai B&A Property Management Co., Ltd.	100%
Shanghai B&A Security Co., Ltd.	100%
Shanghai ISS Catering Management Ltd.	100%
Hong Kong	
Hung Fat Cleaning Transportation Co., Ltd.	100%
ISS Adams Secuforce Ltd.	100%
ISS China Holdings Ltd.	100%
ISS China Holdings I Ltd.	100%
ISS EastPoint Properties Ltd.	100%
ISS EastPoint Property Management Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Greater China Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
ISS Pan Asia Security Services Ltd.	100%
JSL Ltd.	100%
Silvertech E&M Engineering Co., Ltd.	100%
India	
Innovative Salary Services and Payroll Advisory Pvt. Ltd.	46% [2]
ISS Facility Services India Pvt. Ltd.	100%
ISS SDB Security Services Pvt. Ltd.	46% [2]
Modern Protection India Pvt. Ltd.	46% [2]
ISS Support Services Pvt. Ltd.	100%
Indonesia	
PT ISS Facility Services	99%
PT ISS Indonesia	100%
PT ISS Jasa Fasilitas	0% [2]
Singapore	
ISS Asia Pacific Pte. Ltd.	100%
ISS Catering Services Pte. Ltd.	100%
ISS Facility Services Pte. Ltd.	100%
ISS M&E Pte. Ltd.	100%

Americas

Chile	
Apunto Servicios de Alimentacion S.A.	100%
ISS Chile S.A.	100%
ISS Facility Services S.A.	100%
ISS Servicios de Limpieza Mecanizada S.A.	100%
ISS Servicios Generales Ltda.	100%
ISS Servicios Integrales Ltda.	100%
Mexico	
ISS Centro América, S. de R.L. de C.V.	100%
ISS Facility Services, S.A. de C.V.	100%
US & Canada	
ISS Facility Services Holding, Inc	100%
ISS Management and Finance Co, Inc	100%
ISS Facility Services, Inc (US)	100%
Guckenheimer Enterprises Inc	100%
ISS C&S Building Maintenance Corporation	100%
ISS Facility Services California, Inc	100%
ISS Holding Inc	100%
ISS TMC Services, Inc	100%
ISS Facility Services Inc. (CA)	100%

Discontinued operations

France	
GIE ISS Services	100%
ISS Facility Services	100%
ISS Holding Paris SAS	100%
ISS Logistique et Production SAS	100%

Notes:

[1] Joint venture

[2] By virtue of the governance structure, the Group has the power to govern the financial and operating policies of the company. Consequently, the company is consolidated as a subsidiary.

[3] Under certain circumstances or events, ISS may be obliged to choose to purchase other shareholders' shareholdings or dispose of its own shareholdings.

[4] ISS Lending A/S applies §78a of the Danish Financial Statements Act. Consequently, their annual report is prepared in accordance with the requirements for Class B companies. ISS Global A/S is liable for all ISS Lendings A/Ss current and future obligations.

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8.5 Definitions

ISS uses various key figures, financial ratios and non-financial ratios, all of which provide our stakeholders with useful and necessary information about the Group's financial position, performance, cash flows and development in a consistent way. In relation to managing the business, achieving our strategic goals and ultimately creating value for our shareholders, these measures are considered essential.

In addition, the Group uses alternative performance measures (APMs) to provide stakeholders with additional measures to evaluate and analyse the Group's performance. The APMs are non-IFRS financial measures defined by the Group and thus may not be comparable with measures provided by peers or other companies' measures.

Alternative performance measures

Free cash flow
Cash flow from operating activities – Acq. of intangible assets and property, plant and equipment, net – Change in financial assets (excl. equity-accounted investees) – Addition of right-of-use assets, net

Organic growth, %

(Revenue current year excl. hyperinflation – Comparable revenue[1)] prior year) x 100 / Comparable revenue [1)] prior year

Acquisitions are treated as having been integrated with ISS at the acquisition date. Consequently, organic growth includes changes in revenue of such acquisitions compared with expectations at the acquisition date.

Operating margin, %
Operating profit before other items x 100 / Revenue

Total revenue growth, %
(Revenue current year – Revenue prior year) x 100 / Revenue prior year

Financial ratios

Acquisitions, %

Revenue from acquisitions [2)] x 100 / Revenue prior year

Currency adjustments

Total revenue growth – Organic growth – Acquisition/divestment growth, net [3)]

Divestments, %

Revenue from divestments [4)] × 100 / Revenue prior year

Equity ratio, %
Total equity × 100 / Total assets

Net debt
Loans and borrowings – Securities – Cash and cash equivalents +/– Fair value of derivatives

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8.5 Definitions (continued)

ESG ratios

CO_2 emmisions

Scope 1, 2 and 3 emissions calculated in accordance with the Greenhouse Gas Protocol. For further information see the 2023 Sustainability Report pp. 56-58.

Employee turnover, %

Number of employees who left in the year × 100 / Average number of employees for the year

Customer retention, %

Portfolio revenue (annual value) retained at 31 December of the portfolio at 1 January / Portfolio revenue (annual value) at 1

Lost Time Injury Frequency (LTIF)

LTI is a work-related injury preventing a person from working, i.e. being unfit for at least a full working day or shift. LTIF is based on 1 million exposure hours including contractors under ISS's operational control

Fatalities

Measures the number of work-related fatalities

Training and development, hours

Hours spent by participants while preparing and participating. All training sponsored by ISS, paid or unpaid as a result of employment within ISS.

Gender diversity, Board, %

Female board members (AGM[5] elected) × 100 / Board members (AGM[5] elected)

Speak Up, number

Number of reports received through Speak Up system or alternative channels

[1] Comparable revenue prior year excludes impacts from changes in exchange rates and acquisitions/divestments, net as well as impact from hyperinflation restatement. To arrive at comparable revenue, prior year's revenue is retranslated by applying current year's exchange rates, divestments and impacts from hyperinflation restatements are excluded and estimated impacts from acquisitions are added.

[2] Expectations at the acquisition date.

[3] Estimated or actual revenue where available at the divestment date.

[4] Incl. the effect from exclusion of currency effects from the calculation of organic growth and acq./div., net.

[5] AGM = Annual General Meeting.

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Statement of profit or loss

1 January – 31 December

(DKKm)	Note	2023	2022
Other operating income and expenses, net	3, 4	31	41
Operating profit before other items		**31**	**41**
Other income and expenses, net	5	(57)	(9)
Operating profit		**(26)**	**32**
Income from subsidiaries and joint ventures	8	(1,320)	21
Financial income	6	800	333
Financial expenses	6	(920)	(583)
Profit before tax		**(1,466)**	**(197)**
Income tax	7	3	16
Net profit		**(1,463)**	**(181)**

Statement of comprehensive income

1 January – 31 December

(DKKm)	2023	2022
Net profit	(1,463)	(181)
Comprehensive income	(1,463)	(181)

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Statement of cash flows

1 January – 31 December

(DKKm)	Note	2023	2022
Operating profit before other items		31	41
Changes in working capital		(10)	27
Interest received from companies within the ISS Group		716	304
Interest received, external		30	18
Interest paid to companies within the ISS Group		(474)	(151)
Interest paid, external		(220)	(223)
Income tax and joint taxation contribution received/(paid), net		(15)	37
Cash flow from operating activities		**58**	**53**
Capital increase in subsidiaries and joint ventures	8	(10)	(2)
Divestment and liquidation of subsidiaries and joint ventures	8	44	163
Dividends received from subsidiaries and joint ventures	8	872	937
Cash flow from investing activities		**906**	**1,098**
Other financial payments, net	10	(48)	(133)
Changes in debt to companies within the ISS Group, net	10	1,162	711
Changes in receivables from companies within the ISS Group, net		(1,529)	(75)
Cash flow from financing activities		**(415)**	**503**
Total cash flow		**549**	**1,654**
Cash and cash equivalents at 1 January		2,569	915
Total cash flow		549	1,654
Cash and cash equivalents at 31 December		**3,118**	**2,569**

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Statement of financial position

At 31 December

(DKKm)	Note	2023	2022
Assets			
Investments in subsidiaries and joint ventures	8	22,482	22,665
Receivables from companies within the ISS Group		8,257	8,075
Other financial assets		8	90
Deferred tax assets	9	18	19
Non-current assets		**30,765**	**30,849**
Receivables from companies within the ISS Group		2,090	2,183
Other receivables		215	208
Cash and cash equivalents		3,118	2,569
Investments in subsidiaries and joint ventures held for sale	8	-	14
Current assets		**5,423**	**4,974**
Total assets		**36,188**	**35,823**
Equity and liability			
Equity		**7,571**	**9,034**
Loans and borrowings	10	11,892	14,194
Non-current liabilities		**11,892**	**14,194**
Loans and borrowings	10	15,712	12,247
Provisions	8	704	-
Other liabilities		309	348
Current liabilities		**16,725**	**12,595**
Total liabilities		**28,617**	**26,789**
Total equity and liabilities		**36,188**	**35,823**

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Statement of changes in equity

1 January – 31 December

(DKKm)	Share capital	Retained earnings	Total
2023			
Equity at 1 January	180	8,854	9,034
Net profit	-	(1,463)	(1,463)
Comprehensive income	**-**	**(1,463)**	**(1,463)**
Changes in equity	**-**	**(1,463)**	**(1,463)**
Equity at 31 December	**180**	**7,391**	**7,571**
2022			
Equity at 1 January	180	9,035	9,215
Net profit	-	(181)	(181)
Comprehensive income	**-**	**(181)**	**(181)**
Changes in equity	**-**	**(181)**	**(181)**
Equity at 31 December	**180**	**8,854**	**9,034**

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1 Accounting policies

Basis of preparation

The financial statements of ISS Global A/S have been prepared in accordance with IFRS© Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act (class D). In addition, the financial statements have been prepared in compliance with the IFRS© Accounting Standards issued by the IASB.

Changes in accounting policies

Changes in accounting policies are described in 8.2 to the consolidated financial statements.

Accounting policies

With the exception of the items described below, the accounting policies for ISS Global A/S are identical to the Group's accounting policies, which are described in the notes to the consolidated financial statements.

Income from subsidiaries and joint ventures comprises dividends, impairment losses, reversal of prior years' impairment losses and gains and losses on divestment and liquidation of subsidiaries and joint ventures. Dividends are recognised in profit or loss in the financial year in which the dividend is declared. If dividends declared exceed the total comprehensive income for the year, an impairment test is performed.

Investments in subsidiaries and joint ventures are measured at cost. If there is indication of impairment, an impairment test is performed as described in the accounting policies in 3.2 to the consolidated financial statements. If the recoverable amount is lower than the cost, investments are written down to this lower value. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the recoverable amount does not exceed the original cost.

Tax As required by Danish legislation, ISS Global A/S is jointly taxed with all Danish resident subsidiaries. Joint taxation contributions to/from jointly taxed companies are recognised in profit or loss in Income tax and in the statement of financial position in Receivables from or Debt to companies within the ISS Group.

Companies which utilise tax losses in other companies pay joint taxation contribution to ISS A/S (the administration company) equivalent to the tax base of the tax losses utilised. Companies whose tax losses are utilised by other companies receive joint taxation contributions from ISS A/S equivalent to the tax base of the tax losses utilised (full absorption).

Derivative financial intruments The Group uses ISS Global A/S as vehicle to enter into derivate financial instruments, i.e. currency swaps and interest rate swaps.

Interest rate swaps qualify as fair value hedges at Group level, but not in ISS Global A/S as the hedged item resides in ISS Finance B.V. (a wholly owned subsidiary of ISS Global A/S). As a result, changes in the fair value are recognised in Financial income or Financial expenses.

The fair value of derivatives is presented in Receivables from companies within the ISS Group when the fair value is positive and in Other liabilities when the fair value is negative.

2 Estimates and judgements

Significant accounting estimates and judgements relating to the applied accounting policies for ISS Global A/S are the same as for the Group to the extent of similar accounting items, see section "Estimates and judgements" in the consolidated financial statements for a description. The specific risks for ISS Global A/S are described in the notes to the financial statements of the parent company.

Investments in subsidiaries and joint ventures are tested for impairment when there is an indication that the investments may be impaired. The assessment of whether there is an indication of impairment is based on both external and internal sources of information such as performance of the subsidiaries and joint ventures, significant decline in market values etc.

3 Other operating income and expenses, net

Other operating income and expenses, net mainly comprise procurement bonuses and revaluation of receivables from companies within the ISS Group.

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4 Fees to auditors

(DKKm)	2023	2022
Statutory audit	1	1
Other assurance services	0	0
Total	**1**	**1**

Other assurance services comprised work related to interim financial statements and other assurance services.

5 Other income and expenses, net

Other expenses comprised a fair value adjustment of a contingent consideration associated with the transaction in Türkiye in

6 Financial income and expenses

(DKKm)	2023	2022
Interest income on cash and cash equivalents	28	26
Fair value adjustments, interest rate swaps	51	-
Interest income from companies within the ISS Group [1)]	721	307
Financial income	**800**	**333**
Interest expenses on loans and borrowings [1)]	(197)	(145)
Forward premiums, currency swaps	(3)	(12)
Fair value adjustments, interest rate swaps	-	(108)
Fair value adjustments, currency swaps	(84)	(43)
Interest expenses to companies within the ISS Group [1)]	(475)	(150)
Amortisation of financing fees (non-cash) [1)]	(22)	(22)
Commitment fees	(16)	(43)
Bank fees	(3)	(2)
Foreign exchange losses	(120)	(58)
Financial expenses	**(920)**	**(583)**

[1)] Measurement basis amortised cost.

Fair value adjustments, interest rate swaps related to instruments used for fair value hedging at Group level, but being ineffective hedges in ISS Global A/S.

Interest expenses on loans and borrowings comprised mainly interest on issued bonds. The increase compared to 2022 was driven by increased interest rates throughout 2023 of which DKK 43 million related to the interest rate swap.

Fair value adjustments, currency swaps related to instruments used for net investment hedging at Group level, but being ineffective hedges in ISS Global A/S.

Foreign exchange losses mainly related to exchange rate movements on intercompany loans to foreign subsidiaries as well as on external loans and borrowings denominated in currencies other than DKK.

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7 Income tax

(DKKm)	2023	2022
Current tax	(20)	(2)
Deferred tax	1	(5)
Other taxes	5	2
Prior year adjustments, net	11	(11)
Income tax	**(3)**	**(16)**

Effective tax rate

In %	2023	2022
Statutory income tax rate in Denmark	22.0 %	22.0 %
Income from subsidiaries and joint ventures	13.1 %	104.0 %
Non-tax deductible expenses less non-taxable income	(33.7)%	(122.5)%
Other taxes	(0.4)%	(1.0)%
Prior year adjustments, net	(0.8)%	5.6 %
Effective tax rate	**0.2 %**	**8.1 %**

8 Investments in subsidiaries and joint ventures

	2023		2022	
(DKKm)	Continuing operations	Assets held for sale	Continuing operations	Assets held for sale
Cost at 1 January	32,304	14	31,402	207
Additions [1]	1,341	-	902	-
Disposals	-	(14)	-	(193)
Cost at 31 December	**33,645**	**-**	**32,304**	**14**
Revaluation at 1 January	(9,639)	-	(8,726)	(57)
Impairment losses	(1,959)	-	(1,174)	-
Reversal of prior years' impairment losses	435	-	261	-
Disposals	-	-	-	57
Revaluation at 31 December	**(11,163)**	**-**	**(9,639)**	**-**
Carrying amount at 31 December	**22,482**	**-**	**22,665**	**14**

[1] In 2023, DKK 1,331 million related to non-cash transactions (2022: DKK 900 million).

Additions In 2023, ISS Global A/S made a capital increase in ISS Holding France A/S of DKK 1,331 million, in Japan of DKK 7 million and in Signal Arkitekter ApS of DKK 3 million.

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8 Investments in subsidiaries and joint ventures (continued)

Disposals In 2023, ISS Global A/S sold their subsidiary (assets held for sale) in Brunei after which no directly owned subidiaries are classified as assets held sale.

Impairment losses The recoverable amount of investments in subsidiaries and joint ventures is determined on the basis of the value-in-use adjusted for net debt. Value-in-use applied in the impairment test is equal to value-in-use established for the Group, see 3.2 to the consolidated financial statements. Subsidiaries classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses recognised in 2023, see below.

(DKKm)	Impairment losses 2023	Recoverable amount	Applied discount rate, net of tax
Investments in subsidiaries and joint ventures (continuing operations)			
France [1]	1,331	(665)	-
Germany	625	1,829	9.0%
Signal	3	1	-
Impairment losses	**1,959**		

[1] The French activities are owned through a holding company, ISS Holding France A/S. The recoverable amount is based on the equity at 31 December 2023 in this holding company.

On 9 August 2023, ISS announced the intention to divest the French business, excluding key account customers. As a result, ISS France was classified as held for sale in ISS Holding France A/S. On 22 December 2023, ISS signed a binding agreement to divest the business to Onet SA, a French facility services company, with expected closing in the first half of 2024. The classification as held for sale and subsequent fair value adjustments resulted in losses in ISS Holding France A/S of DKK 1,923 million and consequently the recoverable amount (equity) amounted to DKK 665 million (negative) at 31 December 2023. During 2023, ISS Global A/S made a capital increase of DKK 1,331 million, which is considered fully impaired and has been recognised as an impairment loss. In addition, a provision of DKK 704 million has been recognised to cover recapitalisation of the negative equity in ISS Holding France A/S at 31 December 2023 and certain transaction costs.

In Germany, the impairment loss was driven by a decrease in the recoverable amount mainly due to a decrease in the net cash position following the payment of restructuring costs related to the Deutsche Telekom contract and funds being tied up in working capital.

Income from subsidiaries and joint ventures

(DKKm)	2023	2022
Received dividends	872	937
Proceeds from divestment and liquidation of subsidiaries and joint ventures	50	133
Carrying amount of disposed subsidiaries and joint ventures	(14)	(136)
Impairment losses	(1,959)	(1,174)
Reversal of prior years' impairment losses	435	261
Recapitalisation of equity in ISS Holding France A/S	(704)	-
Income from subsidiaries and joint ventures	**(1,320)**	**21**

Reversal of prior years' impairment losses In 2023, losses of DKK 306 million on the investment in the Netherlands were reversed. The Dutch operation continued to deliver in line with the business case and it has been assessed that the increase in the recoverable amount is sustainable. Furthermore, losses of DKK 129 million in ISS Lending A/S were reversed as equity continued to increase in 2023. In 2022, losses of DKK 232 million in the Netherlands and DKK 29 million in ISS Lending A/S were reversed.

Subsidiaries and joint ventures

For a list of significant directly owned subsidiaries and joint ventures, see note 19, Subsidiaries and joint ventures.

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9 Deferred tax

Development in deferred tax

(DKKm)	2023	2022
Deferred tax assets/(liabilities) at 1 January	19	12
Prior year adjustments, net	0	2
Tax on profit before tax	(1)	5
Deferred tax assets at 31 December	**18**	**19**

ISS Global A/S has no recognised or unrecognised deferred tax assets regarding tax losses carried forward.

10 Loans and borrowings

(DKKm)	2023	2022
Issued bonds	10,413	10,379
Bank loans	15	(9)
Debt to companies within the ISS Group	17,176	16,071
Total	**27,604**	**26,441**
Non-current liabilities	11,892	14,194
Current liabilities	15,712	12,247
Loans and borrowings	**27,604**	**26,441**
Cash and cash equivalents	(3,118)	(2,569)
Receivables from companies within the ISS Group	(10,347)	(10,258)
Derivatives, net	45	58
Net debt	**14,184**	**13,672**

Refinancing

On 26 June 2023, ISS Global A/S entered into a new senior unsecured Revolving Credit Facility of EUR 900 million with a syndicate of 12 banks. The facility matures in June 2028 with a two-year extension option and replaces the EUR 1 billion Revolving Credit Facility maturing in 2024. The new Revolving Credit Facility is not subject to financial covenants and the margin is determined semi-annually based on a margin grid.

Furthermore, EUR 300 million of EMTN bonds will mature in December 2024. In the first half of 2024, ISS Global A/S will evaluate different refinancing options.

Financing fees

At 31 December 2023, accumulated financing fees recognised in loans and borrowings amounted to DKK 44 million (2022: DKK 41 million). The increase compared to last year was due to ordinary amortisation of DKK 22 million (2022: DKK 22 million) recognised in financial expenses, offset by financing fees of DKK 25 million being capitalised in relation to the new Revolving Credit Facility.

Fair value

At 31 December 2023, the fair value of bonds was DKK 9,879 million (2022: DKK 9,319 million). The fair value of bonds was based on the quoted market price on the Luxembourg Stock Exchange and measurement is categorised as Level 1 in the fair value hierarchy. For the remaining loans and borrowings, the fair values are not materially different from their carrying amounts due to their short-term nature.

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10 Loans and borrowings (continued)

Cash flow impact from changes in loans and borrowings

(DKKm)	Issued bonds	Debt to companies within the ISS Group	Bank loans and other	Total
2023				
At 1 January	10,379	16,071	(9)	26,441
Foreign exchange adjustments	23	(57)	-	(34)
Cash flows	-	1,162	(48)	1,114
Other	11	-	72	83
At 31 December	**10,413**	**17,176**	**15**	**27,604**
2022				
At 1 January	10,369	15,389	(14)	25,744
Foreign exchange adjustments	-	(29)	-	(29)
Cash flows	-	711	(133)	578
Fair value adjustments	-	-	43	43
Other	10	-	95	105
At 31 December	**10,379**	**16,071**	**(9)**	**26,441**

11 Management remuneration

Key management personnel of the Group as defined in 6.1 to the consolidated financial statements are also considered key management personnel of the parent.

Remuneration to key management personnel is specified in 6.1 to the consolidated financial statements.

12 Contingent liabilities

Senior facility agreement

ISS Global A/S guarantees the borrowings under the unsecured senior facility agreement.

EMTNs (EUR 500 million) maturing in 2025

ISS Global A/S guarantees the EMTN bonds for a principal amount of EUR 500 million maturing in 2025 issued by ISS Finance B.V., a 100% owned subsidiary.

Guarantee related to the revolving credit facility

ISS Global A/S has issued a guarantee related to ISS companies' possible draw on the revolving credit facility of EUR 900 million. The facility was unused at 31 December 2023.

Parent company guarantees

ISS Global A/S has issued parent guarantees and performance bonds for various subsidiaries' current and future financial liabilities and obligations under customer contracts and pension liabilities amounting to DKK 8.1 billion (2022: DKK 6.0 billion). Furthermore, ISS Global A/S has issued parent guarantees for various subsidiaries' current and future financial liabilities towards the Group's main car fleet provider. The increase compared to 2022 related mainly to a new customer contract in the UK.

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12 Contingent liabilities (continued)

Withholding taxes

ISS Global A/S is jointly taxed with all Danish resident subsidiaries. ISS Global A/S and the companies within the joint taxation have a joint and unlimited liability of Danish corporate and withholding taxes related to dividends, interests and royalties. As per 31 December 2023 Danish corporate and withholding taxes within the joint taxation amounted to DKK 0 million (2022: DKK 0 million). Any subsequent adjustments to Danish withholding taxes may change this joint and unlimited liability.

VAT

ISS Global A/S and certain Danish Group companies are jointly registered for VAT and are jointly liable for the payment hereof.

13 Financial risk management

ISS Global A/S's financial risks are managed centrally by Group Treasury based on the treasury policy approved by the Board of Directors of ISS A/S. The objectives and policies for measuring and managing exposure to financial risks is described in 4.3 to the consolidated financial statements. The risks specific to ISS Global A/S related to interest rate risk, liquidity risk and currency risks are described below in note 14, 15 and 16, respectively.

Credit risk

At 31 December 2023, the exposure to credit risk related to cash and cash equivalents, loans to companies within the ISS Group and other financial items was DKK 13,489 million (2022: DKK 12,877 million), see note 10, Loans and borrowings. Exposure to credit risk on loans to companies within the ISS Group is managed at Group level. As these loans are controlled by the Group and part of the Group's capital management, expected credit losses are considered to be insignificant.

14 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. Exposure relates to bank loans, bonds or interest rate swaps with floating interest rates.

ISS Global A/S's exposure towards interest rates is illustrated below, where a breakdown of ISS Global A/S's loans and borrowings in floating and fixed rates is provided. The interest rate exposure to floating interest rates is primarily in EUR.

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14 Interest rate risk (continued)

(DKKm)	Maturity	Nominal interest rate	Nominal value	2023 Carrying amount	2022 Carrying amount
Issued bonds (fixed interest rate)					
EMTNs (EUR 300 million)	2024	2.13%	2,237	2,237	2,229
EMTNs (EUR 500 million)	2026	0.88%	3,727	3,713	3,700
EMTNs (EUR 600 million)	2027	1.50%	4,471	4,463	4,450
			10,435	**10,413**	**10,379**
Bank loans (floating interest rate)					
Bank loans			37	15	(9)
			37	**15**	**(9)**
Intra-group (floating interest rate)					
Debt to companies within the ISS Group			17,176	17,176	16,071
			17,176	**17,176**	**16,071**

Fair value hedge

(DKKm)	Nominal amount	Carrying amount	Change in FV	Maturity
Interest rate swap	EUR 300 million	(57)	51	2025

At 31 December2023, ISS Global A/S had an interest rate swap agreement with a nominal amount of EUR 300 million whereby ISS Global A/S receives a fixed rate interest and pays a variable interest rate on the nominal amount. On Group level, the interest rate swap qualifies as a fair value hedge, and hedge accounting is applied. However, as the fixed rate bond resides in ISS Finance B.V., the hedge is not effective in ISS Global A/S and the fair value adjustments are recognised in profit or loss.

Interest rate sensitivity

The interest rate risk is measured by the duration of the gross debt (fixed-rate period). As at 31 December 2023, the duration of gross debt was approximately 1.0 years (2022: 1.3 years).

An increase in relevant interest rates of 1%-point, with all other variables held constant, would have decreased net profit by DKK 90 million (2022: decreased by DKK 79 million).

The estimate was based on the Group's floating rate loans and borrowings and receivable from companies within the ISS Group, i.e. disregarding cash and cash equivalents, as the level at 31 December is typically the highest in the year and thus not representative for the purpose of this analysis.

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15 Liquidity risk

Liquidity risk results from ISS Global A/S's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity.

Liquidity reserves

ISS Global A/S's liquidity reserves mainly consist of funds (cash and cash equivalents less not readily available or restricted cash) and unused credit facilities. The level of cash and cash equivalents is typically highest at 31 December and not a representative level for the rest of the year. At 31 December 2023, ISS Global A/S's liquidity reserves consisted of readily available liquid funds of DKK 3,118 million (2022: DKK 2,569 million) and an unused revolving credit facilities of DKK 6,708 million (2022: DKK 7,276 million) maturing in June 2028 with a two years extension option.

Contractual maturities of financial liabilities

The contractual maturities of financial liabilities below are based on the undiscounted contractual cash flows, i.e. including interest payments estimated based on market expectations at 31 December. The risk implied from the values reflects the one-sided scenario of cash outflows only.

(DKKm)	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-3 years	3-4 years	4-5 years	> 5 years
2023								
Bonds and bank loans	10,428	10,842	2,417	100	3,809	4,516	-	-
Debt to companies within the ISS Group	17,176	17,825	14,085	3,740	-	-	-	-
Other financial liabilities	135	135	135	-	-	-	-	-
Derivatives	70	70	70	-	-	-	-	-
Total financial liabilities	**27,809**	**28,872**	**16,707**	**3,840**	**3,809**	**4,516**	**-**	**-**
2022								
Bonds and bank loans	10,370	10,926	147	2,374	99	3,800	4,506	-
Debt to companies within the ISS Group	16,071	16,241	12,464	46	3,731	-	-	-
Other financial liabilities	141	141	141	-	-	-	-	-
Derivatives	108	108	108	-	-	-	-	-
Total financial liabilities	**26,690**	**27,416**	**12,860**	**2,420**	**3,830**	**3,800**	**4,506**	**-**

16 Currency risk

Currency risk arises from changes in exchange rates, and affects ISS Global A/S's result, investments or value of financial instruments.

To a limited extent ISS Global A/S is exposed to currency risk on loans and borrowings (external) that are denominated in currencies other than DKK as well as intercompany loans to foreign subsidiaries as these are typically denominated in the functional currency of the subsidiary.

At 31 December 2023, 83.8% (2022: 84.3%) of ISS Global A/S's loans and borrowings were denominated in EUR or DKK.

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16 Currency risk (continued)

Loans and borrowings – foreign currency sensitivity

A change in relevant currencies, with all other variables held constant, would have impacted profit or loss with the amounts below. The analysis is based on the Group's internal monitoring of currency exposure on loans and borrowings, intercompany loans, external long-term receivables, as well as cash and cash equivalents.

				Sensitivity	
(DKKm)	Currency exposure (nominal)	Currency swaps (contractual)	Exposure, net	Increase in FX	Profit or loss
2023					
EUR/DKK	(12,583)	8,104	(4,479)	1%	(45)
TRY/DKK [1)]	16	244	260	30%	78
USD/DKK	972	(1,089)	(117)	10%	(12)
Other/DKK	(1,197)	1,416	219	10%	22
Total	**(12,792)**	**8,675**	**(4,117)**		
2022					
EUR/DKK	(12,469)	7,333	(5,136)	1%	(51)
GBP/DKK	(391)	(857)	(1,248)	10%	(125)
USD/DKK	1,349	(2,226)	(877)	10%	(88)
CHF/DKK	(451)	(302)	(753)	10%	(75)
Other/DKK	(651)	1,029	378	10%	38
Total	**(12,613)**	**4,977**	**(7,636)**		

[1)] TRY is not hedged due to high costs of hedging. Currency swaps comprise internal derivatives.

In 2022, currency swaps included certain swaps designated as net investment hedges at Group level related to investments in subsidiaries in the UK (GBP), the US (USD) and Switzerland (CHF). In 2023, the Group decided to cease net investment hedging of investments in subsidiaries, and consequently no currency swaps are designated as such.

17 Related parties

In addition to the description in note 7.3 to the consolidated financial statements of related parties and transactions with these, related parties of ISS Global A/S comprise ISS World Services A/S and its subsidiaries, associates and joint ventures, see 8.4 to the consolidated financial statements.

In 2023, ISS Global A/S had the following transactions with other related parties, which were all made on market terms:

- received/paid interest from/to companies within the ISS Group, see 6, Financial income and expenses.
- debt to companies within the ISS Group is disclosed in 10, Loans and borrowings.
- short-term receivable from subsidiaries was DKK 2,090 million (2022: DKK 2,183 million).
- paid joint taxation contribution equal to 22% of taxable income to jointly taxed Danish resident subsidiaries.
- received dividends in total of DKK 872 million (2022: DKK 937 million) from companies within the ISS Group, see note 8, Investments in subsidiaries and joint ventures.
- made a capital increase in ISS Holding France A/S of DKK 1,331 million, in Japan of DKK 7 million and in Signal Arkitekter ApS of DKK 3 million (2022: DKK 902 million in two subsidiaries), see 8, Investments in subsidiaries and joint ventures.

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18 New regulations

New standards and interpretations not yet implemented are described in 8.3 to the consolidated financial statements.

19 Subsidiaries and joint ventures

Directly owned subsidiaries and joint ventures

ISS Facility Services Australia Ltd.	Australia	100%
Pacific Invest December 2004 Pty Ltd.	Australia	100%
ISS Austria Holding GmbH	Austria	100%
ISS N.V.	Belgium	100%
ISS Chile S.A.	Chile	100%
ISS Greater China Ltd.	China	100%
ISS International Czech Republic s.r.o.	Czech Republic	100%
ISS Facility Services A/S	Denmark	100%
ISS Global Management A/S	Denmark	100%
ISS Holding France A/S	Denmark	100%
ISS Lending A/S	Denmark	100%
Signal Arkitekter ApS	Denmark	100%
ISS Palvelut Holding Oy	Finland	100%
ISS Facility Services GmbH	Germany	100%
ISS International Hungary Kft.	Hungary	100%
ISS Facility Services India Pvt. Ltd.	India	100%
PT ISS Indonesia	Indonesia	100%
PT ISS Catering Services	Indonesia	49%
ISS Ireland Holding Limited.	Ireland	100%
ISS Facility Services S.r.l.	Italy	100%
Nihon ISS KK	Japan	100%
ISS Lietuva UAB	Lithuania	100%
ISS Centro América, S de RL de CV	Mexico	100%
ISS Holding Nederland B.V.	Netherlands	100%
ISS Finance B.V.	Netherlands	100%
ISS Holdings NZ Ltd.	New Zealand	100%
ISS Holding AS	Norway	100%
ISS Facility Services Sp. Z.o.o.	Poland	100%
ISS Tech Portugal	Portugal	100%
ISS Romania Group SRL	Romania	100%
ISS Asia Pacific Pte. Ltd.	Singapore	100%
ISS Facility Services Pte. Ltd.	Singapore	100%
ISS Facility Services (Pty) Limited	South Africa	100%
Integrated Service Solutions S.L.	Spain	100%
ISS Facility Services Holding AB	Sweden	100%
ISS Holding AG	Switzerland	100%
ISS Tesis Yönetim Hizmetleri A.Ş.	Turkey	50%
ISS UK Holding Limited.	United Kingdom	100%

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Management statement

Copenhagen, 12 March 2024

The Board of Directors and the Executive Management have today discussed and approved the annual report of ISS Global A/S for the financial year 2023.

The annual report has been prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent company's financial position at 31 December 2023 and of the results of the Group's and the Parent company's operations and cash flows for the financial year 1 January – 31 December 2023.

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

We recommend that the annual report be approved at the annual general meeting.

Executive Management

Kristoffer Lykke-Olesen

Board of Directors

Kasper Fangel
Chair

Carsten Højlund

Liz Benison

Bjørn Raasteen

Fotokopians överensstämmelse med originalet intygas:

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Independent auditor's report

To the shareholder of ISS Global A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of ISS Global A/S for the financial year 1 January – 31 December 2023, pp. 33–131, which comprise statement of profit or loss, statement of comprehensive income, statement of cash flows, statement of financial position, statement of changes in equity and notes, including accounting policies for the Group and the Parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent company at 31 December 2023 and of the results of the Group's and the Parent company's operations and cash flows for the financial year 1 January – 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit and Risk Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014

Appointment of auditor

We were initially appointed as auditor of ISS Global A/S on 1 April 2003. We have been reappointed annually by resolution of the general meeting for a total consecutive period of nineteen years up until the financial year 2023.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2023. These matters were addressed during our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

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Revenue from contracts with customers, including cut-off and accrual of revenue and onerous contracts

Revenue from contracts is recognised as the services are rendered to the customers. Some contracts require the Group to incur significant transition and mobilisation costs at contract inception which are capitalised and amortised over a multi-annual contract term. Accordingly, appropriate cut-off and accrual of revenue and capitalisation and amortisation of transition and mobilisation costs is critical and involve management judgement, especially in relation to the more integrated and complex facility service contracts. Further, the assessment of whether a contract may be considered onerous involves management judgement in making accounting estimates about future contract profitability, including the determination of the total contract revenue, contract period and the unavoidable costs of meeting the obligations under the contract.

Due to the inherent uncertainty involved in the cut off and accrual of revenue, the assessment of whether transition and mobilisation costs meet the criteria to be capitalised and the determination of the contract period and the future contract profitability, we considered the accounting for revenue from contracts with customers, including cut-off and accrual of revenue and onerous contracts, to be a key audit matter.

For details on revenue from contracts with customers, transition and mobilisation costs and provisions for onerous contracts, reference is made to notes 1.2, 2.1, 2.2 and 2.5 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others:

- Test on a sample basis of accrued revenue (unbilled receivables) to supporting documentation, including procedures such as: Inspection of proof of work done, review of contracts with customers, comparison of amounts accrued to subsequent invoices and cash receipts.
- Test on a sample basis of capitalised transition and mobilisation costs, including procedures such as: Inspection of proof of costs incurred, review of contracts with customers, evaluation of management's assessment of costs meeting the criteria to be recognised.
- Evaluation of management's process to identify and quantify onerous contracts. Our evaluation included inquiries to local management responsible for carrying out the identification process at country level, review of documentation of management's analysis as well as our own analytical procedures over contract margins.
- Test on a sample of provisions for onerous contracts, including procedures such as: Review of the relevant contract and management's estimate of the future contract revenue and unavoidable cost, assessment of the assumptions applied by management to estimate the future contract revenue including termination and extension options and unavoidable cost, comparison of the revenue assumptions used to the services and fees specified in the contract, comparison of unavoidable cost assumptions used to underlying cost projections and actual costs incurred historically as well as testing the completeness and accuracy of the underlying cost projections.

Valuation of investments in and receivables from subsidiaries

The carrying amounts of goodwill and customer contracts related to prior years' business combinations comprise a significant part of the consolidated statement of financial position. The cash-generating units in which goodwill and customer contracts are included are impairment tested by Management on an annual basis. The impairment tests are based on Management's estimates of among others future profitability, long-term growth and discount rate. Due to the inherent uncertainty involved in determining the net present value of future cash flows, we considered these impairment tests to be a key audit matter.

For details on the impairment tests performed by Management reference is made to notes 3.1 and 3.2 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others, testing the mathematical accuracy of the discounted cash flow model and comparing forecasted profitability to board approved financial forecasts. We evaluated the assumptions and methodologies used in the discounted cash flow model, in particular those relating to the forecasted revenue growth and operating margin, including comparing with historical growth rates. We compared the assumptions applied to ex-

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ternally derived data as well as our own assessments in relation to key inputs such as projected economic growth and discount rates.

Further, we evaluated the sensitivity analysis on the key assumptions applied. Our audit procedures primarily focused on cash generating units where likely changes in key assumptions could result in impairment. We further evaluated the adequacy of disclosures provided by Management in the financial statements compared to applicable accounting standards.

Income tax and deferred tax balances
The Group's operations are subject to income taxes in various jurisdictions having different tax legislation. Management makes judgements and estimates in determining the recognition of income taxes and deferred taxes. Given the inherent uncertainty involved in assessing and estimating the income tax and deferred tax balances, including tax exposures and writedown of deferred tax assets, we considered these balances as a key audit matter.

For details on the income tax and deferred tax balances reference is made to notes 5.1 and 5.2 in the consolidated financial statements and notes 9 and 10 in the parent company financial statements.

In response to the identified risks, our audit procedures included review of tax computations in order to assess the completeness and accuracy of the amounts recognised as income taxes and deferred taxes, as well as assessment of correspondence with tax authorities and evaluation of tax exposures as well as writedown of deferred tax assets. In respect of the deferred tax assets recognised in the statement of financial position, we assessed management's assumptions as to the probability of recovering the assets through taxable income in future years and available tax planning strategies. We further evaluated the adequacy of disclosures provided by management compared to applicable accounting standards.

Statement on the Management's review
Management is responsible for the Management's review, pp. 2-32.

Our opinion on the financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated. Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of relevant law and regulation. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the Group or the Parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on

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the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Copenhagen, 12 March 2024

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CVR no. 30 70 02 28

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Forward looking statement

This Annual Report contains forward-looking statements, including, but not limited to, the guidance and expectations provided in Outlook on p. 4. 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 such words, and other statements on matters that are not historical fact or regarding future events or prospects, are forward-looking statements. ISS has based these statements on its current views with respect to future events and financial performance. These views involve risks and uncertainties that may 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. Actual results may differ materially. For example as a result of risks related to the facility service industry in general or to ISS in particular, including those described in this report and other information made available by ISS. As a result, you should not rely on these forward-looking statements.

ISS undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.