ANNUAL REPORT 2022

PEOPLE MAKE PLACES

2022 reports

Annual Report

The **2022 Annual Report** is our primary report comprising detailed annual disclosures related to financial performance, our business, governance structure and financial results. In addition, the report provides highlights related to sustainability, executive remuneration and corporate governance. Detailed information on these topics can be found in our separate reports, which are also presented on this page.

Sustainability Report

In our **2022 Sustainability Report** you will find detailed information on our social, environmental and governance activities and targets, and how we contribute to society in those respects. Disclosures required under sections 99a, 99b and 107d of the Danish Financial Statements Act are also included in this report.

Remuneration Report

In our **2022 Remuneration Report** you will find a comprehensive description of the work of our Remuneration Committee in 2022, a transparent and detailed description of our executive remuneration and remuneration policy as well as a specification of remuneration to the members of the Executive Group Management and the Board of Directors.

Corporate Governance Report

In our **2022 Corporate Governance Report** you will find a transparent description of our governance structure and the main elements of our internal controls related to financial reporting as well as a detailed description of our position on the Danish Corporate Governance Recommendations.

ANNUAL REPORT 2022

Content[1]

ISS at a glance

Our performance

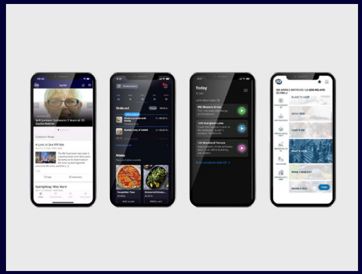
Our business

Our governance

Financial statements

[1] Management review comprises ISS at a glance, Our performance, Our business and Our governance.

ISS case stories



Letter to our stakeholders

2022 marked the end of our financial turnaround and we entered a new chapter of the OneISS strategy execution. With a completed divestment programme, continued financial progress and a solid commercial momentum, ISS is ready to deliver on the ambitious financial targets for the coming years. This will be built on our strengthened operational excellence and our ambitions to champion sustainable workplaces in partnership with our customers and placemakers.

As the world gradually emerged from the global Covid-19 pandemic, 2022 provided the global workplace with new and profound challenges. The devastating war in Ukraine, strained supply chains and soaring inflation were just a few of many issues that business leaders around the world had to address. In addition, new hybrid ways of working required many companies to rethink and redesign their physical workplaces.

For ISS, this bolstered global demand for integrated workplace and facility services and sharpened the focus further on delivering on our purpose of connecting people and places to make the world work better. Looking back at 2022, we can proudly say that once again our more than 350,000 placemakers have gone above and beyond in providing outstanding services to our customers. We thank each and every one of our colleagues for their dedicated support and persistence.

While we have supported our customers in the global workplace, we have also taken a huge step forward on our own OneISS strategy execution. By completing the financial turnaround that we embarked on in late 2020, we are now ready to move into the next phase of our strategy execution and have laid out a solid foundation for future growth at sustainable and attractive margins.

Commercial momentum and organic growth

Throughout the year, we have seen good commercial momentum – both with existing and new customers. Together with all the initiatives from our financial turnaround and strategic execution, this has resulted in improved financial performance. Activity and revenue increased to above pre-Covid levels on all service lines, except within food services.

Our organic growth was 7.8% compared to 2.0% in 2021. The increase was mainly driven by the continued strong return-to-office trends, scope increases as customers increased investments in upgrading workplaces and service offerings, and price increases implemented across the group to offset the higher cost inflation.

Operating margin before other items was 3.8% (excluding the impact of hyperinflation) for 2022 (2021: 2.5%). The development was driven by the improvement of the underperforming countries and contracts.

In 2022, realised cost inflation was higher than seen in many years. ISS has well-embedded processes in place, and inflation was managed tightly through price increases and operational efficiencies. As a result, the operating margin was generally unaffected by inflation.

"While we have supported our customers in the global workplace, we have also taken a huge step forward on our own OneISS strategy execution. By completing the financial turnaround that we embarked on in late 2020, we are now ready to move into the next phase of our strategy execution and have laid out a solid foundation for future growth at sustainable and attractive margins.

Jacob Aarup-Andersen
Group CEO

Niels Smedegaard
Chair

Generally, our commercial momentum benefitted from our strategic focus and initiatives, and we succeeded in extending all global key account contracts up for renewal.

We also extended and expanded several key account contracts and as a result, customer retention for 2022 was historical high reaching 94%, when excluding the planned exit of the Danish Defence contract.

Delivering on our financial turnaround

Since December 2020, we have focused on two areas; delivering the financial turnaround while at the same time investing in our operating model to become a differentiated global leader within Integrated Facility Services and maintaining our position as global number one in cleaning.

During 2022, we could officially mark the financial turnaround as completed. All turnaround targets were achieved, as the operating run-rate margin at the end of 2022 was above 4%, while the net debt was reduced to below 3x pro-forma adjusted EBITDA (LTM).

Furthermore, we completed the strategic divestment programme which as expected yielded net proceeds of approximately DKK 2 billion.

With the enhanced operating model and healthy financial foundation in place, we can now turn to the next phase of our OneISS strategy.

Unfolding the OneISS strategy

At our Capital Markets Day in November 2022, we presented new financial targets and updated capital allocation principles, as well as how we will unfold the full potential of the OneISS strategy.

The growth agenda will be focused on providing Integrated Facility Services to key accounts in three segments (office-based, production-based and healthcare) from a stronghold as global leader in cleaning.

To support this, we have identified three key areas in which we will invest further: operational efficiency, technology and sustainability. These areas will become differentiating factors for performance at our customers' workplaces and will drive stronger commercial momentum.

Operational efficiency is delivered through our enhanced operating model, which is enabling the launch of a portfolio of scalable service products to drive a step-change in global productivity.

The investments in technology are focused on creating an ecosystem of scalable platforms with data and innovation. The first key applications are already launched for customers and placemakers to improve the service across workplaces globally. Through our newly established dedicated software development centre in Porto alongside our Warsaw hub, we can develop differentiating high-quality and scalable digital solutions for both the ISS enterprise and customers globally.

Finally, ISS is determined to become the sustainability leader in the industry.

Championing sustainable workplaces

ISS is a people company and throughout our history, we have always wanted to contribute positively to the societies we are part of. In 2022, we strengthened our sustainability efforts further. We launched the ambition of championing sustainable workplaces, driving true change through both social and environmental sustainability.

The dual focus ensures that we can continue to strengthen our competitiveness and support growth in the next phase of our strategy execution. During 2022, we progressed significantly on our ambitious sustainability journey. Both within our own enterprise and in the way we support our customers in achieving their sustainability efforts.

Within environmental sustainability, we announced our commitment to reach full-scope net zero greenhouse gas emissions by 2040. This was followed by several supporting initiatives throughout the year. Among other things, ISS signed the Cool Food Pledge, committing to reducing greenhouse gas emissions associated with the food we serve globally by 25 percent by 2030, and halve our food waste by 2027. We also committed to reach our fleet net zero target by 2030 using electrification of our fleet of 20,000+ vehicles as a key lever.

The Company of Belonging

Within social sustainability, we launched a new Employee Value Proposition (EVP), developed our Diversity, Inclusion & Belonging agenda further and introduced an ambition to become the Company of Belonging.

Shaping the right culture and creating a safe and inclusive environment is not only important from a social sustainability point of view. It is absolutely crucial in order to deliver on our strategy and our purpose. That was the main reason behind launching our new ambition of becoming the Company of Belonging during the autumn of 2022.

Through building an environment where every employee feels accepted, empowered and can thrive as their authentic selves, we will create better experiences and more sustainable outcomes for our placemakers, customers, partners and their communities. The ambition is backed by three signature objectives focusing on living wages, upskilling and recognition. Together, they are a purposeful and intentional promise that will accelerate our journey towards becoming the Company of Belonging.

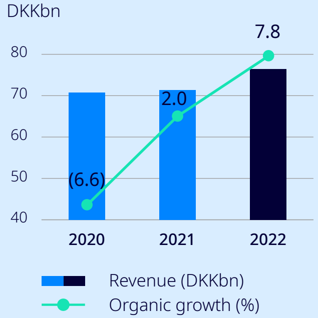
To underpin our commitment to our placemakers, we also launched a new global employee promise and value proposition (EVP): A Place To Be You. It enables us to live up to our promise that every one of our placemakers can achieve their full potential as their authentic selves in an inclusive environment.

Building on our achievements

Having delivered on the turnaround initiatives and our strategic ambitions in the past couple of years, ISS is now poised to enter the next phase of our OneISS strategy. Both operationally, financially and strategically, we are well positioned to deliver growth with attractive and sustainable margins, and to enhance our competitive position in the growing market for integrated facility management services. We will do so while also adding value to all our stakeholders, not least our 350,000+ placemakers and the customers they serve every day. That is our promise and commitment.

Performance highlights

Organic growth



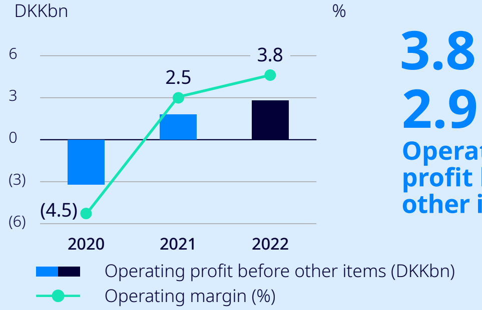
7.8%

76.5 DKKbn

Revenue

Continued return-to-office trend, customers' investments in the workplaces and price increases implemented globally led to strong organic growth in 2022.

Operating margin[1)]



3.8%

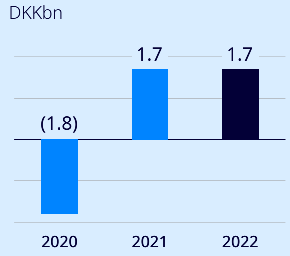
2.9 DKKbn

Operating profit before other items

The improvement in 2022 was driven by the successful execution of the financial turnaround, which improved underperforming countries and contracts, predominately the UK and the Deutsche Telekom contract.

1) Excluding the impact of IAS 29.

Free cash flow

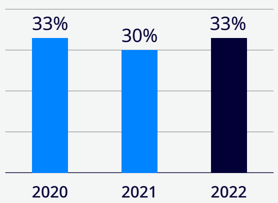


1.7 DKKbn

Free cash flow

Free cash flow in 2022 was driven by improved operating profit and tight management of working capital.

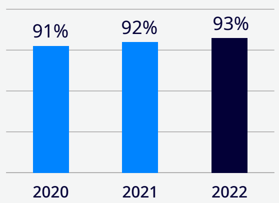
Employee turnover



33%

Despite an increase from 30% in 2021 to 33% in 2022, our employee turnover rates have proven resilient through the cycle of Covid-19.

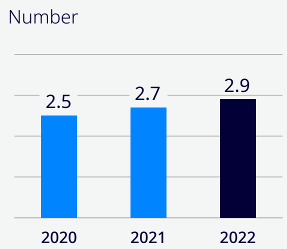
Customer retention



93%

Our strategic focus on strengthening customer retention led to a record high retention rate of 93% (94% excluding the exit of Danish Defence).

Lost Time Injury Frequency



2.9

ISS's divestment programme included business units with lower LTIF than the Group. Combined with increased activity following Covid-19 recovery, this increased LTIF from 2.5 in 2020 to 2.9 in 2022. We continue our focus on training and awareness to drive LTIF below our target of 2.5.

For definitions, see note 8.5, Definitions

Our story

We are placemakers

From strategy through to operations, we partner with customers to deliver places that work, think and give. They choose us because we create, manage and maintain environments that make life easier, more productive and enjoyable.

Our people care about the people they support, always adding a human touch to create places that deliver and delight. Every ISS person at every customer facility is one of us – trained, equipped, motivated and working to high standards.

Working with customers day by day, side by side, we come to understand every aspect of the user experience. We deploy data, insights and knowledge to develop innovative strategies and intelligent solutions to meet the intricate realities of service delivery. This helps us manage risk, reduce cost and ensure consistency.

As a global company, built on a foundation of equity, inclusion, fairness and respect for all individuals, we empower all of our people to deal with problems and opportunities when they arise and to help our customers achieve their purpose.

Whether it is hospitals healing patients, businesses boosting productivity, airports transferring passengers or manufacturing sites producing goods, we are there to help.

People make places and places make people. We know that when we get things right, it enhances lives and makes the world work better – and that is what drives us.

Our purpose

Connecting **people** and **places** to make the world work better

Our promise

A sustainable business model that supports the world we live in

Caring for people, places and the planet

Making the world work better starts with our belief in creating a fair and inclusive society. We have a strong drive to act as social incubators and make a true difference for our placemakers, our customers and the surrounding communities and societies, we operate in. Our ambition is to create a Company of Belonging and to ensure that our placemakers can be who they are, become what they want and be part of something bigger.

At ISS, we believe it is our responsibility to champion a sustainable workplace and planet. ISS helps to protect and maintain places – buildings and the assets inside them. We help our customers minimise their impact on the planet by reducing their consumption of energy, carbon and water, and cutting their production of waste, including food.

We bring all of this to life through a unique combination of data, insights and services.

Strategic update

OneISS

In 2022, we took significant steps in executing the OneISS strategy. The financial turnaround targets were delivered as planned as we addressed the issues in the four defined hot spots and recovered revenue to pre-Covid-19 level.

We continued to strengthen our global operating model with clear customer segment focus, significantly improved cyber security and introduced new service products and tech solutions. Full-scope net zero target by 2040, submission of science-based targets and our ambition of becoming the global Company of Belonging progressed our commitment to environmental and social sustainability.

Next phase of the OneISS journey

With a healthy financial and strategically focused foundation in place, the OneISS journey evolves into the next phase. We will enhance our performance by strengthening our competitiveness in the facility management industry and delivering above market growth at attractive and sustainable margins combined with disciplined acquisitive revenue growth. The growth agenda will focus on providing IFS to key accounts in our three prioritised segments from a stronghold as a global leader in cleaning.

OneISS achievements 2021-2022

Turnaround completed

- The operating run-rate margin above 4%
- Revenue recovered to above pre-Covid-19 level
- Turnaround of UK & Ireland completed
- Danish Defence contract exited
- Continued progress on Deutsche Telekom contract
- Deleverage below 3x EBITDA achieved

Divestment programme completed

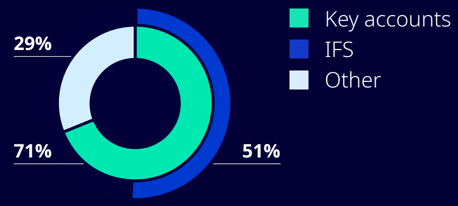
- Programme yielded target net proceeds of approximately DKK 2 billion

Global operating model

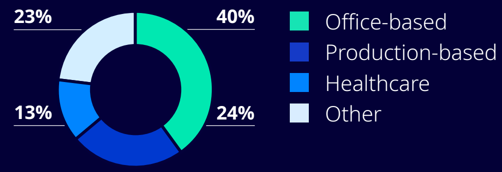
- Strengthened customer segment focus
- Improved cyber security to above industry benchmark
- Scaled service products globally and introduced new tech-solutions to make life easier for customers and placemakers
- Committed to full-scope net zero by 2040 and progressed on our commitments to reduce food waste, reduce emissions from food and electrify our fleet
- Launched our ambition of becoming the global Company of Belonging

Our strategic focus

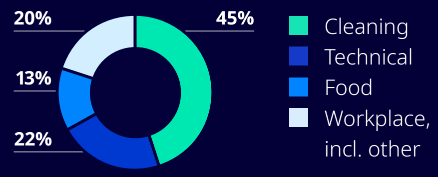
Focus on IFS for key accounts



Three prioritised segments



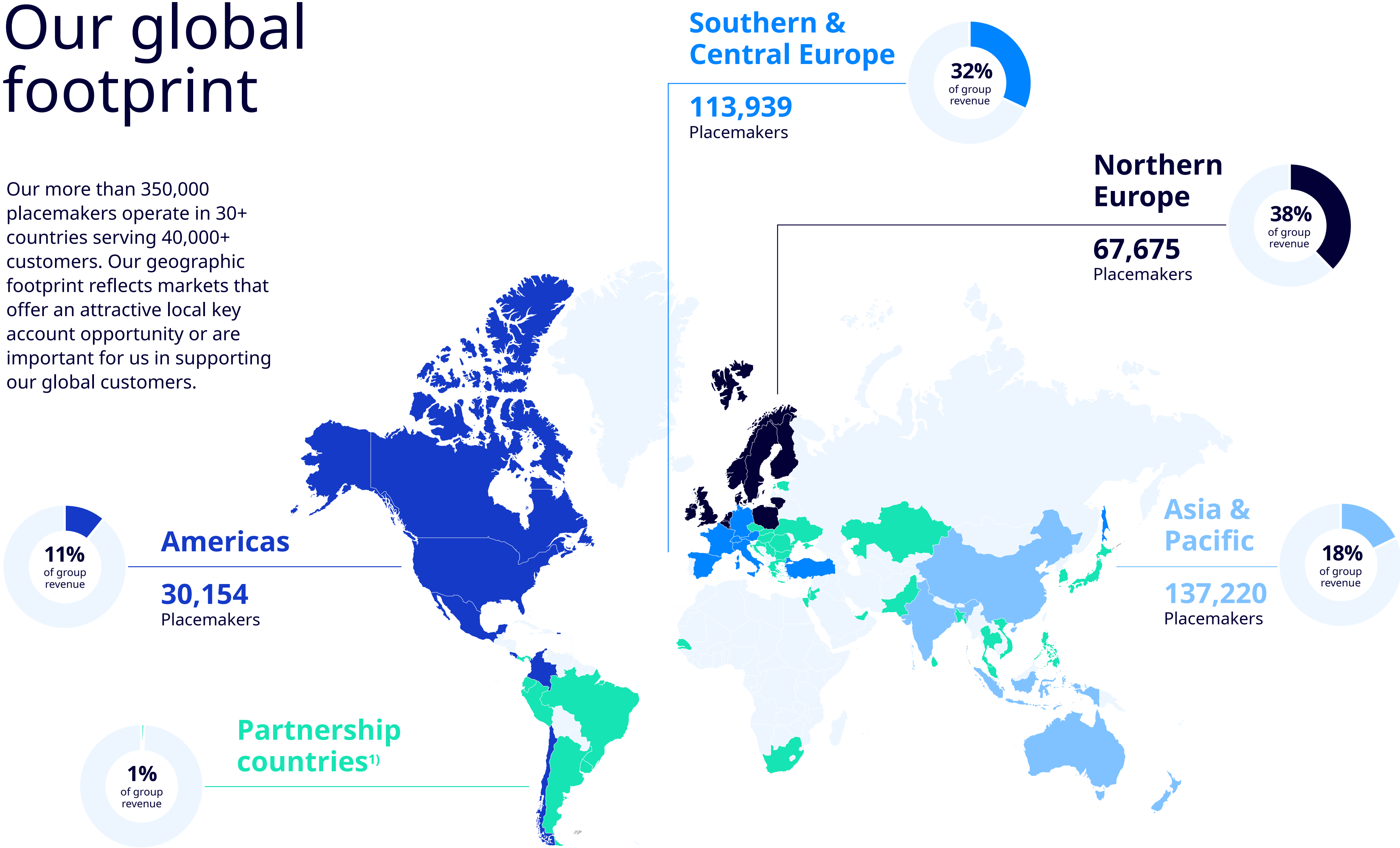
Four core services



Share of Group revenue, DKK 76.5bn

Our global footprint

Our more than 350,000 placemakers operate in 30+ countries serving 40,000+ customers. Our geographic footprint reflects markets that offer an attractive local key account opportunity or are important for us in supporting our global customers.



[1] See p. 119.

The ISS investment case

Our ambition is to become the global leader in Integrated Facility Services for key account customers and the global leader in cleaning. Following the successful execution of our financial turnaround and return to healthy profitability, we have built competitive strength and are now poised to deliver strong organic growth at attractive and sustainable margins.

Attractive market dynamics

The global FM market has an estimated value of USD 800 billion, of which Integrated Facility Services account for around 11%. The market is highly fragmented, holds consolidation potential, and growing outsourcing trends with the focus on workplace experience, operational efficiency, and sustainability to drive continued growth.

There is a convergence towards IFS solutions as customers are consolidating their supply chains and need a strategic partner to manage their workplaces across geographies and service lines. Post Covid-19, companies increasingly focus on creating the workplace of the future, to support the needs of their employees in a hybrid working model.

Resilient business model

We serve customers across the world and our current market position has been established over more than a century. Our business model has shown a high degree of resilience and stability and the investments we have made with the OneISS strategy have further enhanced and improved the operating model. This creates a strong and focused foundation for our future development, where scale advantages and our self-delivery model gives us both commercial and operational benefits. Historically, increased outsourcing trends during periods of recession tend to offset the impact of reduced investments by current customers.

Strengthened competitiveness

Our operating model is focused on three key market segments: Office-based, Production-based and Healthcare. In each of the segments, we have strong capabilities with deep knowledge of the specific needs and demands. This enables us to act as a strategic partner to our customers and it gives us distinct competitive strength. As our customers work to establish the workplace of the future, we see growing demand for our competencies and support in the design of workplace.

As part of executing on the OneISS strategy, we are investing in three key commercial areas: operational efficiency, technology and sustainability. These are all key differentiating factors in the marketplace and important growth enablers for ISS. The ambition is clear: ISS aims to become the industry leader in terms of both technology and sustainability.

Significant growth opportunities and high cash generation

The general FM market is expected to grow steadily over the coming years, as economies recover from the Covid-19 pandemic and the imposed restrictions. IFS is expected to outgrow the general market and ISS expects over the coming years to deliver structurally higher growth rates than seen historically.

At our Capital Markets Day in November 2022, we announced new financial targets for organic growth, operating margins and cash conversion. From 2024 and beyond, ISS aims to deliver strong growth at attractive and sustainable margins:

- **Organic growth of 4-6%.** Historically, ISS has generated around 3% organic growth driven by net price and scope increases. The enablers of our accelerated future growth are increased customer retention and higher win rates as a result of segment leadership including benefits from investments in technology and sustainability as well as a continued strict focus on securing strong pricing discipline.
- **Operating margin above 5%** reflecting continued improvements in the UK, France and in the Deutsche Telekom contract, a positive impact from OneISS efficiencies and cost initiatives, including improvements across the business and operating leverage from revenue growth.
- **Cash conversion above 60%** reflecting underlying cash generation of the operating profit to free cash flow.

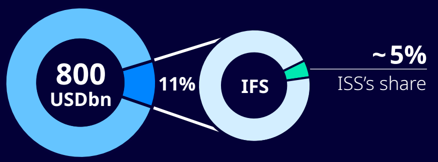
Capital allocation

We will stringently allocate capital by fulfilling four clear ambitions in prioritised order:

1. **Maintaining an investment grade rating**
Adhere to financial leverage target of net debt of 2.0-2.5x pro forma adjusted EBITDA and maintain investment grade rating
2. **Dividends**
Pay dividend with commitment of an annual payout ratio of 20-40% of adjusted net profit for the financial year
3. **Investments**
Value-creating investments in the form of M&A or enhancements of existing business
4. **Share buyback**
Distribute excess cash through share buyback programmes

Global FM market

– with significant room to grow



Outlook

Outlook 2023

In 2022, ISS took significant steps in executing the OneISS strategy. The financial turnaround targets were delivered as planned, the issues in the four defined hotspots were addressed, and revenue was recovered to above pre-Covid-19 level. The operational and financial improvements achieved in 2022 provide a solid foundation for continued progress in 2023, and the financial targets are confirmed.

The outlook for 2023 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

Organic growth is expected to be 4 - 6% for 2023 (2022: 7.8%). Growth will be driven by price increases to offset cost inflation as the tight management of inflation will be maintained. In addition, underlying volume growth from annualisation of the return-to-office trend and continued customer investments in workplaces and services are expected, as well as positive contribution from contract wins and expansions. A negative impact is expected from a lower level of projects and above-base work.

Operating margin

Operating margin is expected to be 4.25 - 4.75% (2022: 3.8%). The main drivers of the year-on-year increase are continued improvement in the previous hotspots; UK, France and on the Deutsche Telekom contract, positive impact from OneISS efficiencies and cost initiatives, as well as operating leverage from higher revenue.

Free cash flow

Free cash flow is expected to be around DKK 2.0 billion (2022: DKK 1.7 billion). The increase will be driven by the expected higher operating profit before other items and the absence of payments related to restructuring projects initiated in 2020. Changes in working capital are expected to be negative driven by revenue growth and customer prepayments made in 2022, while capital expenditures are expected in line with depreciation and amortisation.

Expected revenue impact from divestments, acquisitions and foreign exchange rates in 2023

Acquisitions and divestments completed by 15 February 2023 (including in 2022) are expected to have a positive impact on revenue growth in 2023 of around 0.5%-point.

Based on the current exchange rates, a negative impact on revenue growth of 2 - 3%-points [1] is expected in 2023 from the development of foreign exchange rates, excluding any effects of hyperinflation (IAS 29).

[1] The forecasted average exchange rates for the financial year 2023 are calculated using the realised average exchange rates for the first month of 2023 and the average forward exchange rates (as of 13 February 2023) for the remaining eleven months of 2023.

Outlook 2023 [2]	
Organic growth	4 - 6%
Operating margin [1]	4.25 - 4.75%
Free cash flow	Around DKK 2.0bn

[1] Based on Operating profit before other items.
[2] Excluding any impact from acquisitions and divestments completed subsequent to 15 February 2023 as well as currency translation effects.

The outlook should be read in conjunction with Forward-looking statements, p. 118 and Our business risks, pp. 35-37. For Definitions, see note 8.5, p. 106.

Delivery on 2022 outlook

As a result of the financial progress in 2022, ISS updated the outlook three times and delivered in line with revised outlook as shown in the table below.

Delivery on 2022 outlook	Annual report 2021	Interim report H1 2022	Trading update Q3 2022	Actual 2022
Organic growth	Above 2%	Above 5%	Around 6.5%	7.8%
Operating margin [1]	Above 3.5%	Above 3.75%	Around 3.8%	3.8%
Free cash flow	Above DKK 1.3bn	Above DKK 1.5bn	Around DKK 1.5bn	DKK 1.7bn

[1] Based on Operating profit before other items.

Financial targets 2024	
Organic growth	4 - 6%
Operating margin [1]	Above 5%
Cash conversion	Above 60%

Financial targets

At the Capital Markets Day in 2022, new financial targets from 2024 and beyond were announced. Please find a summary of our new financial targets in The ISS Investment case on p. 10.

Five-year summary

Financials

	2022[1]	2021	2020	2019[2]	2018
Results (DKKm)					
Revenue	76,538	71,363	70,752	77,698	73,592
Operating profit before other items, excl. IAS 29	*2,876*	*1,776*	*(3,203)*	*3,252*	*3,698*
Operating profit before other items	2,847	1,776	(3,203)	3,252	3,698
Operating profit	2,835	1,701	(4,707)	2,522	2,386
EBITDA before other items	4,364	3,536	(1,363)	4,853	4,316
EBITDA	4,421	3,525	(2,778)	4,458	3,467
Pro forma adjusted EBITDA	4,375	3,568	(1,349)	4,838	4,539
Financial expenses, net	(389)	(656)	(549)	(703)	(590)
Net profit from continuing operations	2,005	536	(5,220)	1,153	1,223
Net profit from discontinued operations	131	101	25	218	(932)
Net profit	2,136	637	(5,195)	1,371	291
Net profit (adjusted)	1,940	611	(3,716)	1,883	2,535
Cash flow (DKKm)					
Cash flow from operating activities	3,333	3,221	(361)	2,064	3,347
Acquisition of intangible assets and property, plant and equipment, net	(779)	(586)	(681)	(1,095)	(968)
Free cash flow, excl. IAS 29	*1,726*	*1,735*	*(1,794)*	*366*	*2,359*
Free cash flow	1,734	1,735	(1,794)	366	2,359
Financial position (DKKm)					
Total assets	47,005	43,655	43,605	50,061	49,811
Goodwill	20,450	19,753	19,662	21,257	20,911
Additions to property, plant and equipment	345	335	389	673	882
Equity	10,815	7,789	6,545	12,547	12,472
Net debt	11,540	13,451	15,802	14,730	10,757
Shares ('000)					
Number of shares issued	185,668	185,668	185,668	185,668	185,668
Number of treasury shares	938	970	970	970	1,001
Average number of shares (basic)	184,730	184,698	184,698	184,692	184,558
Average number of shares (diluted)	187,243	186,003	185,136	186,000	185,420

1) Effective 1 January 2022, ISS Turkey was restated for hyperinflation in accordance with IAS 29, cf. 7.2, Hyperinflation in Turkey.
2) As of 1 January 2019, the Group implemented IFRS 16 using the retrospective approach. Comparative figures were not restated.
3) As part of its science-based target submission in 2022 ISS has collected spend and activity data for Scopes 1, 2 and 3 emissions related to its business activities and established a new 2019 baseline. Our 2022 emissions for Scope 1, 2 and 3 have been calculated in accordance with the 2019 baseline methodology. Comparative numbers for 2018, 2020 and 2021 for Scope 2 and 3 have not been recalculated and are not presented in this report. For further information, please refer to the 2022 Sustainability Report.

Ratios

	2022[1]	2021	2020	2019[2]	2018
Financial ratios (%, unless otherwise stated)					
Organic growth	7.8	2.0	(6.6)	7.1	3.9
Acquisitions and divestments, net	(1.7)	(0.5)	(0.2)	(2.2)	(0.5)
Currency adjustments	1.2	(0.6)	(2.1)	0.7	(3.4)
Total revenue growth	7.3	0.9	(8.9)	5.6	0.0
Operating margin, excl. IAS 29	*3.8*	*2.5*	*(4.5)*	*4.2*	*5.0*
Operating margin	3.7	2.5	(4.5)	4.2	5.0
Cash conversion	60.9	97.7	56.0	11.3	63.8
Equity ratio	23.0	17.8	15.0	25.1	25.0
Net debt/Pro forma adjusted EBITDA	2.6x	3.8x	(11.7)x	3.0x	2.4x
Share ratios (DKK)					
Basic earnings per share (EPS)	11.1	3.3	(28.2)	7.3	1.5
Diluted EPS	11.0	3.3	(28.2)	7.3	1.5
Basic EPS (continuing operations)	10.4	2.8	(28.3)	6.1	6.6
Diluted EPS (continuing operations)	10.3	2.8	(28.3)	6.1	6.5
Proposed dividend per share	2.1	-	-	-	7.7

ESG

	2022	2021	2020	2019	2018
Environmental (tonnes CO_2 eq.)[3]					
Scope 1 emissions	69,581	71,726	70,084	88,722	91,199
Scope 2 emissions (market-based)	7,084	-	-	10,556	-
Scope 3 emissions	1,569,421	-	-	1,688,550	-
Social (%, unless otherwise stated)					
Full-time employees	77	76	75	77	76
Employees (end of period), number	351,053	354,636	378,946	471,056	485,908
Employee turnover	33	30	33	35	42
Customer retention	93	92	91	91	90
Lost Time Injury Frequency (LTIF), number	2.9	2.7	2.5	2.8	2.9
Fatalities, number	1	5	3	3	1
Training and development, '000 hours	4,337	4,124	3,750	6,516	7,527
Governance (%)					
Gender diversity, Board	33	43	43	33	33
Board meeting attendance	90	95	96	94	n/a
Speak Up, number	366	337	285	299	234

For definitions, see note 8.5, Definitions

> “Another example is how we have strategically worked on reducing the number of suppliers. During the past years, we have reduced the number of suppliers by around 40%. This helps to reduce complexity and make it easier to mitigate future supplier price increases.”
>
> **Emmanuel Buyse**
> Head of Group Supply Chain & Procurement, ISS Global Operations

BRILLIANT OPERATING BASICS

Managing rising inflation

In many parts of the world, households and societies faced soaring energy prices and generally increasing costs throughout 2022. As a global service provider, ISS has also been challenged by higher cost levels.

At the same time, this challenge showcased what we can achieve when putting our strategic ambitions of working together as OneISS into play. As Head of Group Supply Chain & Procurement, Emmanuel Buyse was deeply involved in ensuring that every part of the organisation worked closely together to reduce the negative effects of inflation, whether driven by salary increases or supply chain cost hikes.

“We quickly realised that inflation would be one of the biggest themes of 2022. ISS merely absorbing cost increases is not an option. We needed to act – and we needed to do it together,” says Emmanuel Buyse.

ISS has dealt with several periods of high inflation throughout the company’s 121-years of history. Managing inflation is a natural part of our operating basics. But with more than 350,000 placemakers and 50,000 suppliers across very different markets, there is always more to do to keep tight cost control.

“Managing inflation is key. We take no chances, and we coordinate our response to this high-inflation environment centrally. We have developed a global inflation management playbook, which not only defines what good inflation management looks like, it also ensures that we executed it in the same way across geographies and accounts. It is continuously updated based on learnings and leading practices gathered from our global network of colleagues. This means that we have a standardised model for how to respond if we are met with cost increases. Throughout 2022, we have clearly been able to harvest good results from this approach,” says Emmanuel Buyse.

As an example, he points to ISS’s food business where measures have been put in place to ensure that ISS is not caught “in the middle”:

“Food is an area where we have experienced inflation to be especially tricky. Our experts in Food Procurement have worked together with our chefs to drive down costs. This means changing portion sizes, reducing food waste and replacing ingredients. We have centralised our chefs’ food purchases around several distributors, making it faster and easier for us to adapt to changes in pricing on certain food items.”

Our performance

Group results

Despite a challenging macroeconomic environment, ISS improved its financial results during 2022. The recovery from Covid-19 continued and revenue was above the pre-Covid-19 level as the business benefited from return-to-office trends, customer's investments in upgrading workplaces and service offerings, and price increases implemented across the portfolio. The financial turnaround targets were achieved with improvements in the underperforming countries and contracts, predominately in the UK and on the Deutsche Telekom contract.

Group revenue

Group revenue in 2022 was DKK 76.5 billion, an increase of 7.3% compared with 2021. Organic growth was 7.8% and the impact from acquisitions and divestments, net was (1.7)%. Currency effects increased revenue by 1.2%, including the impact of hyperinflation in Turkey of 0.2%.

Organic growth accelerated throughout 2022 from 5% in Q1 to 9% in Q4, driven by return-to-office trends as Covid-19 restrictions were lifted, customers' investments in upgrading their workplaces and service offerings, and price increases. As a result, portfolio revenue grew organically by 10%.

Revenue

(DKKm)	2022	2021	Organic growth	Acq./ div.	Currency & other adj.	Revenue Growth
Northern Europe	28,694	27,675	4 %	(0)%	0 %	4 %
Central & Southern Europe	24,692	23,585	8 %	(0)%	(3)%	5 %
Central & Southern Europe, excl. IAS 29	*24,538*	*23,585*	*8 %*	*(0)%*	*(4)%*	*4 %*
Asia & Pacific	14,012	12,381	6 %	(1)%	8 %	13 %
Americas	8,585	7,141	27 %	(14)%	7 %	20 %
Other countries	606	626	(3)%	-	(0)%	(3)%
Corporate / eliminations	(51)	(45)	-	-	-	-
Group	**76,538**	**71,363**	**7.8 %**	**(1.7)%**	**1.2 %**	**7.3 %**

Portfolio revenue development was positively impacted by return-to-office trends, particularly for the services that depend on workplace occupancy and especially food services. These service lines were also the ones being negatively affected by the Covid-19 pandemic. Revenue from food services increased by around 35%, mainly driven by more than 70% growth in the US where our food services offerings are predominantly office-based. Food services accounted for 13% of Group revenue in 2022 (2021: 11%). Furthermore, employees increasingly demanded flexibility and opportunities for remote working and customers responded by investing in upgrading workplaces and service offerings to create an environment suitable for the post-Covid-19 ways of working. In 2022, revenue was 3% higher than before the pandemic in 2019, excluding the impact of currency effects and acquisitions and divestments despite customers not being fully back to the offices.

Across the Group, price increases were implemented to mitigate impact of increasing cost inflation in line with the terms of contractual agreements with our customers. This had a positive contribution to organic growth of just below 3%-points, of which around 1.5%-points related to Turkey. This was partially offset by slightly negative organic growth impact from projects and above-base work of around 0.3%-points. The demand for projects and above-base revenue changed during the year, as declining revenue from Covid-19 related deep cleaning and disinfection services was almost offset by increased revenue related to traditional above-base services and project work.

All regions contributed positively to organic growth in 2022. The Americas region reported the highest organic growth at 27%, driven by new contract wins and the combined impact of return-to-office trends and the region's relatively higher exposure to office-based food services. During the year, the organic growth in the Asia-Pacific region improved due to higher activity level and new contracts wins, while the European regions reported solid organic growth.

Hyperinflation in Turkey

Effective 1 January 2022, the Group has implemented IAS 29, Financial Reporting in Hyperinflationary Economies for its subsidiary in Turkey, as the cumulative three-year inflation rate in the country exceeded the threshold of 100% in February 2022.

The implementation of IAS 29 did not have a material impact on the Group's statement of profit or loss and cash flows, and consequently the impact on our three key KPIs was immaterial, i.e. organic growth (non-IFRS GAAP measure) and free cash flow were unchanged and operating margin decreased slightly by 5 bps.

Throughout this Annual Report, commentary on revenue and operating profit before other items is provided including and excluding the impact from IAS 29. However, commentary on items below Operating profit before other items, are only provided including the impact of IAS 29, unless otherwise stated. Outlook continues to be presented excluding the impact from IAS 29.

Please refer to 7.2, Hyperinflation in Turkey, for an overview of the implementation of IAS 29 and the impact on the consolidated financial statements.

Operating profit before other items

Operating profit before other items excluding the effect from hyperinflation amounted to DKK 2,876 million corresponding to an operating margin of 3.8% (2021: 2.5%). Including hyperinflation, operating profit before other items was DKK 2,847 million for an operating margin of 3.7%. The improvement of the operating margin in 2022 was driven by the successful execution of the financial turnaround, which improved underperforming countries and contracts, predominately the UK and the Deutsche Telekom contract. Furthermore, leverage from higher revenue impacted the operating margin positively. This was, however, partly offset by additional costs related to mobilisation of new contract wins and commercial investments, mainly in the US, and a higher-than-normal sickness rate in the year.

The cost base was adversely impacted by the increasing rates of inflation in 2022. ISS has strong and well-embedded processes in place, and inflation is managed tightly through price increases and operational efficiencies. As a result, the operating margin was generally unaffected by inflation. From a regional perspective, the margin improvement was most significant in the European regions. In Northern Europe, the improvement was fuelled by the turnaround in the UK, while the improvement on the Deutsche Telekom contract was the primary driver in the Central & Southern European region. The Asia & Pacific region also improved the operating margin, while the operating margin decreased slightly in Americas. Solid underlying operational improvements and leverage from higher revenue drove the development in Asia & Pacific, while additional mobilisation costs related to new contract wins and commercial investments were the main reasons for the slight margin decline in the Americas region.

Operating profit before other items

(DKKm)	2022		2021	
Northern Europe	1,519	5.3%	1,290	4.7%
Central & Southern Europe	1,079	4.4%	584	2.5%
Central & Southern Europe, excl. IAS 29	*1,108*	*4.5%*	*584*	*2.5%*
Asia & Pacific	882	6.3%	735	5.9%
Americas	445	5.2%	393	5.5%
Other countries	27	4.5%	16	2.6%
Corporate / eliminations	(1,105)	-	(1,242)	-
Total	**2,847**	**3.7%**	**1,776**	**2.5%**
Total, excl. hyperinflation (IAS 29)	***2,876***	***3.8%***	***1,776***	***2.5%***

As part of the OneISS strategy announcement in December 2020, we identified operational hotspots, i.e. the UK, France, and the contracts with Deutsche Telekom and Danish Defence. Together with general efficiencies, Covid-19 revenue recovery and execution of the financial turnaround related to the operational hotspots brought the run-rate operating margin above 4% at the end of 2022, as targeted.

In the UK, the strong strategic execution continued following country management changes in 2021, and the country's turnaround target of a low single-digit run-rate operating margin was achieved in Q1 2022. The simplification and streamlining of the organisational structure in line with the OneISS blueprint had a positive impact on productivity and financial performance at both contract and country levels.

In France, the implementation of the planned restructuring programme was completed in 2022. However, the run-rate profitability was lower than anticipated, in part due to exposure to certain industry segments with slower than expected Covid-19 recovery and muted commercial momentum. In the second half of 2022, the organisation was strengthened with a new country manager who has recruited commercial and operational resources to execute an updated business improvement plan.

The execution of the comprehensive restructuring and gap closing programme for the Deutsche Telekom contract continued and the operational and financial performance improved accordingly. The operating margin improved throughout 2022 and reached the turnaround target of a breakeven level at the end of the year. The contract continues to be structurally challenging. Following an agreed dispute resolution mechanism, certain contractual disagreements are subject to arbitration proceedings initiated by ISS.

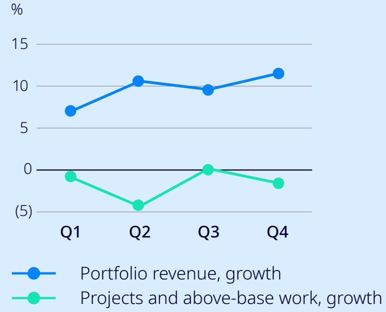
In Denmark, the contract with the Danish Defence was successfully exited during the first half of the year according to the agreement with the Danish Ministry of Defence Estate Agency. The transition was executed gradually with the last part of the contract being exited in May 2022.

Corporate costs amounted to DKK 1,105 million (2021: DKK 1,242 million), a decrease of 11% relating to investments in our operating model, including in technology, where certain investments were accelerated in 2021. We continued to invest in commercial resources and centralisation of functions.

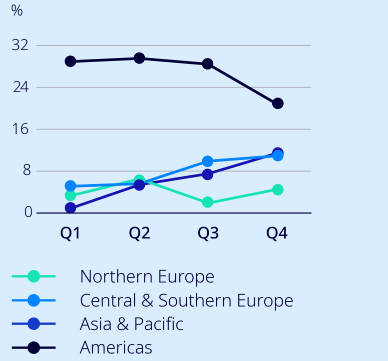
Quarters 2022

Revenue and growth

Portfolio and above-base



Organic growth per region



Other income and expenses, net

Other income and expenses, net was an income of DKK 57 million (2021: income of DKK 439 million), mainly due to a gain on the divestment of a waste management business in Hong Kong and partly offset by recognition of a pension withdrawal liability arising from the divestment of Specialized Service in the US. In 2021, the net income was mainly due to a gain on the divestment of Kanal Services in Switzerland and Specialized Service in the US.

Operating profit

Operating profit was DKK 2,835 million (2021: DKK 1,701 million).

Financial income and expenses, net

Financial income and expenses, net was in 2022 an expense of DKK 389 million (2021: DKK 656 million) including adjustments from hyperinflation of DKK 148 million. The decrease was mainly a result of the hyperinflation adjustments in Turkey, and the premium in 2021 of DKK 90 million related to the repurchase of EUR 200 million of the total of EUR 500 million outstanding EMTN bonds maturing in 2024.

Income tax

Income tax was DKK 441 million (2021: DKK 509 million) for an effective tax rate of 18.0% (2021: 48.7%). The effective tax rate was impacted by release of valuation allowances on deferred tax assets and non-taxable gains on divestments.

Net profit from discontinued operations

Net profit from discontinued operations was DKK 131 million (2021: DKK 101 million), including a net gain of DKK 119 million mainly relating to the three countries divested in 2022, most significantly Taiwan and Portugal.

Net profit

Net profit was DKK 2,136 million (2021: DKK 637 million).

Subsequent events

On 6 February 2023, two earthquakes caused large scale devastation and loss of thousands of lives in Turkey and Syria. ISS is one of the largest private employers in Turkey and approximately 4,500 of our placemakers service workplaces for around 100 of our customers, including two hospitals, in the impacted areas of Turkey. Tragically, three of our placemakers were fatally injured, several are in medical treatment and even more suffered loss of immediate family members and housing. Our teams on the ground in Turkey have since the earthquakes focused on ensuring the safety and welfare of our people and customers who are facing unimaginable challenges and devastation.

ISS has not suffered material damage to its assets in Turkey. Furthermore, the impacted areas account for less than 1% of ISS's global activities and the vast majority of our customers' operations continue or will continue after repairs. Consequently, it is management's assessment that the earthquakes will not have a material impact on the results of the Group's operations and financial position in 2023.

Other than set out above or elsewhere in this Annual Report, we are not aware of events subsequent to 31 December 2022, which are expected to have a material impact on the Group's financial position.

Cash generation and free cash flow

Cash flow from operating activities

Cash flow from operating activities was DKK 3,333 million (2021: DKK 3,221 million), an increase of DKK 112 million driven by improvements in operating profit before other items.

Changes in working capital were an inflow of DKK 444 million (2021: DKK 1,056 million). Despite the higher revenue, changes in working capital were positive as the tight management of working capital was maintained. Increases in trade receivables were more than offset by prepayments from customers relating to 2023 and higher levels of trade payables, mainly related to the growth in food services where suppliers typically have longer payment terms. Utilisation of factoring increased slightly to DKK 1.3 billion (2021: DKK 1.1 billion) as a result of the higher revenue from key account customers, where invoices are eligible for factoring as per group policy.

Depreciation and amortisation was DKK 1,517 million (2021: DKK 1,760 million). Due to the pandemic, capital investments in 2021 and 2020 were lower reflecting the lower activity levels and therefore, in combination with optimisation of property needs, depreciation and amortisation was lower in 2022.

Changes in provisions, pensions and similar obligations were an outflow of DKK 665 million (2021: DKK 435 million), mainly due to payments related to restructuring projects initiated in 2020, defined benefit obligations and other provisions.

Income tax paid was an outflow of DKK 422 million (2021: DKK 528 million) equal to a cash tax rate of 17.3%.

Cash flow from investing activities

Cash flow from investing activities was a net outflow of DKK 546 million (2021: net inflow of DKK 73 million).

The divestment programme was successfully completed in 2022 and generated an inflow of DKK 587 million (2021: DKK 1,191 million) primarily related to divestment of the waste management business in Hong Kong and operations in Portugal.

Acquisition of businesses was an outflow of DKK 325 million (2021: DKK 526 million), primarily related to the acquisition of Livit FM Services AG in Switzerland. The acquisition enables ISS to expand and develop its service delivery to the real estate segment. Investments in intangible assets and property, plant and equipment, net, of DKK 779 million (2021: DKK 586 million) was equal to 1.0% (2021: 0.8%) of total revenue (including discontinued operations) and mainly reflected the increased activity level compared to the period during Covid-19.

Cash flow from financing activities

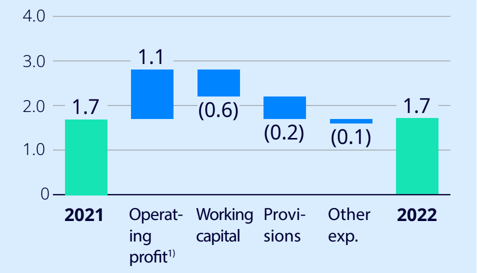
Cash flow from financing activities was a net outflow of DKK 930 million (2021: net outflow of DKK 2,832 million due to early redemption of outstanding bonds).

The cash outflow was predominately related to repayment of lease liabilities of DKK 865 million which was a slight decline compared with last year (2021: DKK 947 million).

Free cash flow

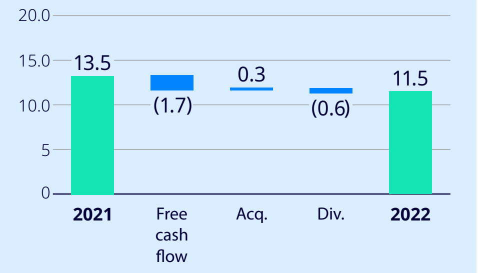
Free cash flow amounted to DKK 1,734 million (2021: DKK 1,735 million). The operating profit before other items improved, but the positive effect was largely offset by lower working capital inflow and additional outflow related to other provisions. Furthermore, the net effect of depreciation, amortisation and investments in intangible assets and property, plant and equipment and additions to right-of-use assets was neutral compared to an inflow in 2021.

Free cash flow



[1] Before other items

Net debt



Capital structure

The primary priority for our capital structure is to ensure a strong and efficient balance sheet and liquidity position to support operational needs and financial flexibility for execution of our strategic objectives, while maintaining investment grade rating.

In 2022, ISS achieved its financial turnaround targets and the divestment programme was completed. This led to an improvement of the capital structure and liquidity reserves. The Group's liquidity reserves at 31 December 2022 of more than DKK 11 billion (2021: DKK 9.6 billion) are described in note 4.6 to the consolidated financial statements.

ISS has no material debt maturities until 2024 onwards. As part of our capital allocation policy, we are committed to maintaining an investment grade profile and ISS currently holds corporate credit ratings of BBB-/ Stable outlook assigned by S&P and Baa3/ Stable outlook assigned by Moody's.

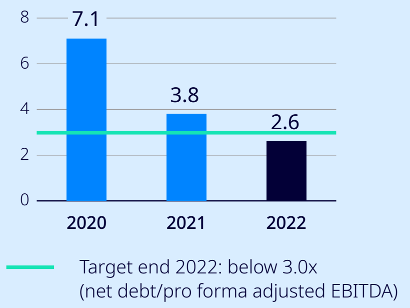
At 31 December 2022, net debt amounted to DKK 11.5 billion (2021: DKK 13.5 billion), a decrease of DKK 2.0 billion due to the strong free cash flow generation and proceeds from the divestment programme. Financial leverage at the end of 2022 was 2.6x (2021: 3.8x).

The Board of Directors will at the annual general meeting propose a dividend for 2022 of 20% of adjusted net profit, corresponding to a total dividend of DKK 390 million (DKK 2.1 per share). The pay-out is in line with the capital allocation policy of an annual dividend pay-out ratio of 20-40%.

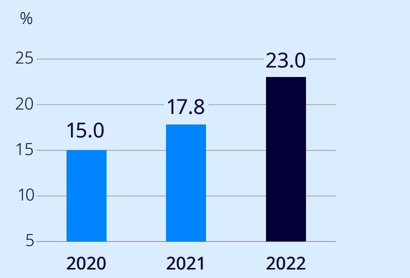
Equity

At 31 December 2022, equity was DKK 10,815 million (2021: DKK 7,789 million), equivalent to an equity ratio of 23.0% (2021: 17.8%). The increase was mainly a result of net profit of DKK 2,136 million and hyperinflation restatement of equity in Turkey at 1 January 2022 of DKK 814 million.

Financial leverage



Equity ratio



Commercial development

In 2022, the commercial momentum improved, and we benefitted from our strategic focus on engaging deeply with our customers. As such, we successfully extended all global key account contracts up for renewal, HPE, a large global pharmaceutical customer, and Danske Bank. We also extended and expanded several key account contracts and as a result, customer retention for 2022 was historical high reaching 94%, excluding the exit of the Danish Defence contract (93% incl. exit).

The pipeline of new businesses within our prioritised segments showed solid progress in 2022, and our enhanced and strengthened commercial process yielded results. This was exemplified by the win of a 5-year IFS contract with a major retailer in the US with revenue of around 1% of Group revenue, and the award of a new contract with a regional bank in Australia. In the beginning of 2023, we extended the contract with a major technology customer in the US and signed new partnership with a healthcare company. In 2022, commercial processes were more complex than pre-Covid-19, likely as the geopolitical and macroeconomic uncertainties delayed customer's long-term decisions. In the commercial processes, we are maintaining strong pricing discipline and are not accepting any uncapped inflation risk.

An important driver of the revenue development in 2022, was the gradual return-to-office seen globally due to Covid-19 restrictions being lifted. This mainly had a positive effect on services that were most severely affected by the pandemic, predominately food services. In parallel, customers increased investments in their workplaces to create an environment suitable for the post-Covid-19 way of working.

In 2022, revenue from key account customers comprised 71% of Group revenue (2021: 69%) and grew organically by 8.4%, which was better than the Group's organic growth, and thereby this segment contributed positively to the overall development.

Contract maturity

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

In 2022, revenue from large key accounts was DKK 23.7 billion, or 31% of Group revenue. Going into 2023, no large key accounts have been lost, but contracts revenue of DKK 3.1 billion (4% of Group) are up for renewal in 2023 (excl. signed renewals up until February 2023).

Maturity

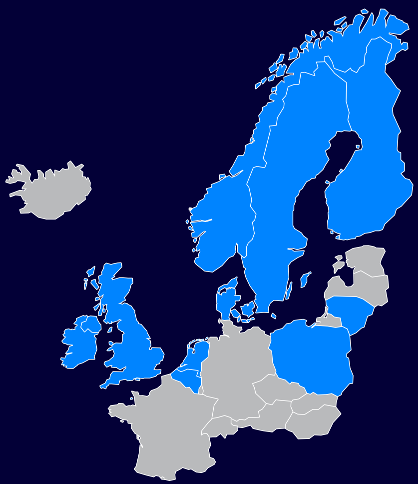
– large key accounts (> 200 DKKm)

- **15%** Expiry 2023
- **16%** Expiry 2024
- **27%** Expiry 2025
- **9%** Expiry 2026
- **33%** Expiry 2027+

Developments in 2022[1]	Countries	Segment	Term	Effective
Wins				
Aviation Customer	Austria	Transportation & Infrastruct.	5.5 years	Q2 2022
Manufacturing Customer	Sweden/Belgium	Industry & Manufacturing	5 years	Q2 2022
Retail and Wholesale Customer	US & Canada	Retail and Wholesale	5 years	Q3 2022
PT Amman Mineral Nusa Tenggara	Indonesia	Energy & Resources	3 years	Q4 2022
Banking Customer	Australia	Business Services & IT	5 years	Q2 2023
Extensions/expansions				
Technology Customer	UK	Business Services & IT	1 year	Q1 2022
Pharmaceutical Customer	Spain	Pharmaceuticals	2 years	Q1 2022
Salling Group	Denmark	Retail and Wholesale	3 years	Q1 2022
Government Customer	UK	Public Administration	1.5 years	Q2 2022
Pharmaceutical Customer	Global	Pharmaceuticals	5 years	Q2 2022
Aviation Customer	Australia	Transportation & Infrastruct.	4 years	Q2 2022
Pharmeceutical Customer	Denmark	Pharmaceuticals	4 years	Q2 2022
Healthcare Customer	Singapore	Healthcare	5 years	Q2 2022
South London and Maudsley NHS Fdn. Trust	UK	Healthcare	2 years	Q2 2022
SingHealth Cluster	Singapore	Healthcare	3 years	Q2 2022
Victorian Dpt of Education and Training	Australia	Public Administration	1.5 years	Q3 2022
Danske Bank	Northern Europe	Business Services & IT	5 years	Q3 2022
Mining Service Customer	Australia	Energy & Resources	2 years	Q3 2022
National University Hospital	Singapore	Healthcare	3 years	Q3 2022
Banking Customer	UK	Business Services & IT	5 years	Q3 2022
Professional Services Customer	UK	Business Services & IT	1 year	Q4 2022
Public Administration Customer	Finland	Public Administration	5.5 years	Q4 2022
TSB Bank PLC	UK	Business Services & IT	7.5 years	Q4 2022
Energy Customer	Germany	Energy & Resources	5 years	Q1 2023
Healthcare Customer	UK	Healthcare	2 years	Q1 2023
Danish Crown A/S	Denmark	Food & Beverage	5 years	Q1 2023
Virgin Media 02	UK	Business Services & IT	5 years	Q1 2023
Technology Customer	US	Business Services & IT	3 years	Q1 2023
Pharmaceutical Customer	US	Pharmaceuticals	3 years	Q1 2023
Industry & Manufacturing Customer	APAC	Industry & Manufacturing	4 years	Q1 2023
Banking Customer	Mexico	Business Services & IT	3 years	Q1 2023
Exits/losses				
Aviation Customer	US	Transportation & Infrastruct.		Q1 2022
Retail and Wholesale Customer (Partly lost)	Chile	Retail and Wholesale		Q2 2022
Ministry of Defence	Singapore	Public Administration		Q4 2022

[1] Annual revenue above DKK 100 million.

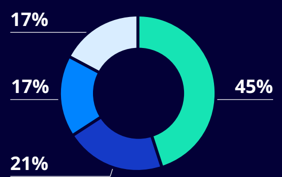
Northern Europe



38%
of Group revenue

73%
Key accounts

Core services



- Cleaning
- Technical
- Food
- Workplace, incl. other

The market

ISS holds a market-leading position across the region where markets are generally mature, competitive and with a relatively high outsourcing rate. The largest country in the region is the UK, contributing around 34% of revenue. Key segments are Business Services & IT, Healthcare and Public Administration.

Financial update

Revenue increased to DKK 28,694 million in 2022 (2021: DKK 27,675 million). Organic growth was 4.0% and the effect from currency was neutral.

In 2022, the region was positively impacted by increased activity levels due to strong return-to-office trends, among others within food services where the region has a relatively large exposure. In addition, price increases implemented across the portfolio to offset the increasing cost inflation supported the growth, while the revenue from projects and above-base work declined mainly due to reduced demand for Covid-19 related deep cleaning and disinfection services.

The majority of countries generated positive growth, with several countries reporting double digit organic growth. Norway contributed significantly to the organic growth due to contract wins, customers returning to offices and increasing activity levels, especially within the Hotels segment. Belgium & Luxembourg and The Netherlands both delivered double digit organic growth, primarily driven by strong effects from return-to-office, high customer retention levels and a high level of project and above-base work in Belgium & Luxembourg. Organic growth was negative in Denmark due to the exit of the contract with the Danish Defence in May 2022 and in the UK mainly as a result of reduced above-base work.

Portfolio revenue grew organically by 6.7%, positively impacted by the continued return-to-office trends, price increases and contract wins, however partly offset by exit of the Danish Defence contract. Revenue from projects and above-base work declined by 5.4% and accounted for 20% (2021: 22%) of revenue for the region in 2022, due to the above-mentioned lower demand for Covid-19 services.

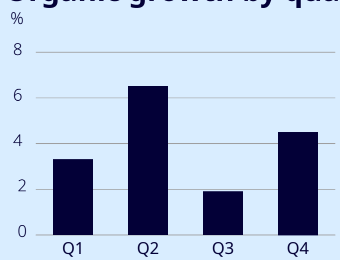
Commercially, our strategic focus on IFS and key account customers secured both new sales and extensions resulting in a continued improved customer retention rate. The majority of the large key accounts with expiry dates in 2022 were successfully extended and expanded. In addition, ISS was awarded and mobilised a new key account contract with a large manufacturing customer in Sweden. The commercial pipeline continues to be solid across the region.

Operating profit before other items was DKK 1,519 million (2021: DKK 1,290 million), for an operating margin of 5.3% (2021: 4.7%).

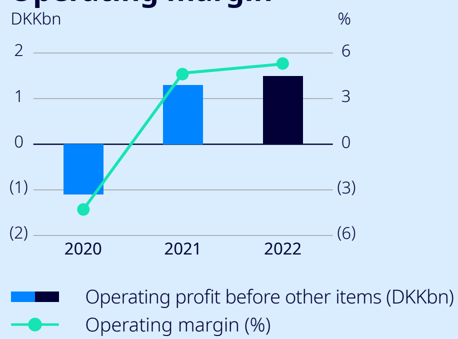
Across the region the leverage from higher revenue and solid cost control impacted the operating margin positively, while costs related to a higher than-normal sickness rate in the first half of the year and a lower level of projects and above-base work partly offset the positive margin development. The margin improvement was primarily driven by the UK, where strong execution of the financial turnaround improved the operating margin, and the turnaround target of a low-single digit run-rate margin was achieved already by the end of Q1 2022.

Organic growth

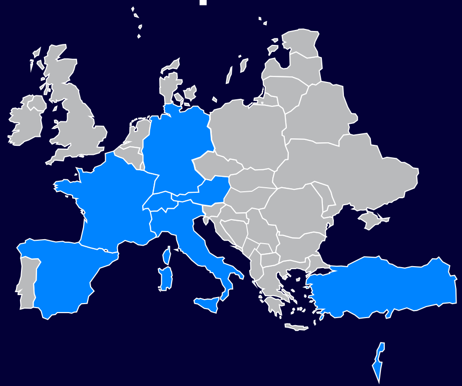
Organic growth by quarter



Operating margin



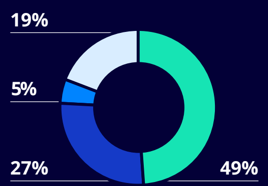
Central & Southern Europe



32% of Group revenue

66% Key accounts

Core services



- Cleaning
- Technical
- Food
- Workplace, incl. other

The market

Central and Southern Europe comprises a number of key markets, where we hold leading market positions, including Switzerland, Germany and Spain. Most of the markets are developed, but with significant differences in IFS market maturity and macroeconomic environment. Key customer segments are Business Services & IT, Industry & Manufacturing, Public Administration, Healthcare and Pharmaceuticals.

Financial update

Revenue increased to DKK 24,538 million in 2022 (2021: DKK 23,585 million). Organic growth was 7.9%, while currency effects impacted revenue negatively by 3.8%. The net impact from hyperinflation was 0.5%. Including the impact of hyperinflation, revenue amounted to DKK 24,692 million.

Organic growth for the region was positive throughout the year driven by price increases and contract wins and, to a limited extent, effects from return-to-office trends as the region has relatively lower exposure to food services.

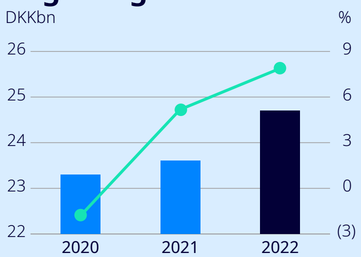
The organic growth in the region was mainly driven by strong growth in Turkey both as result of price increases successfully implemented to offset the effects from high cost inflation and underlying growth in the healthcare segment. Austria, which accounts for 9% of the regions' revenue, reported double digit organic growth driven by start-up of contracts, primarily with Vienna Airport and additional key account customers.

Portfolio revenue grew organically by 9.3% and organic growth for projects and above-base work was 2.1% and accounted for 18% of the revenue in the region (2021: 24%). Demand for Covid-19 related disinfection and deep cleaning services declined throughout the year, but this development was more than offset by an increase in traditional project work.

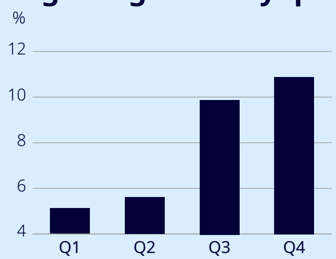
Switzerland strengthened their market position with the acquisition of Livit FM Services AG. The acquisition will enable ISS to expand and develop its service delivery to the real estate industry segment, as Livit FM Services AG provides services for a large portfolio of Swiss Life properties in Switzerland. As part of the transaction, ISS Switzerland took over 670 employees and key account contracts within cleaning and technical services, representing around 0.5% of ISS Group revenue.

Operating profit before other items excluding the impact of hyperinflation was DKK 1,108 million (2021: DKK 584 million) corresponding to an operating margin before other items of 4.5% (2021: 2.5%). The main contribution to the improvement came from the execution of the comprehensive restructuring and gap closing programme for the Deutsche Telekom contract in Germany. At the end of 2022, the contract reached the turnaround target with a break-even run-rate margin. In France, the implementation of the planned restructuring programme was completed in 2022. However, the run-rate profitability was lower than anticipated, in part due to exposure to certain industry segments with slower than expected Covid-19 recovery and muted commercial momentum. In the second half of 2022, the organisation was strengthened with a new country manager who has recruited commercial and operational resources to execute an updated business improvement plan. Across the region, focus remained on return-to-office and the implementation of efficiency and cost reduction measures following Covid-19 which together with continued strong demand for projects and above-base work, impacted the operating margin positively. Including the effect of hyperinflation, operating profit before other items amounted to DKK 1,079 million, corresponding to a margin of 4.4%.

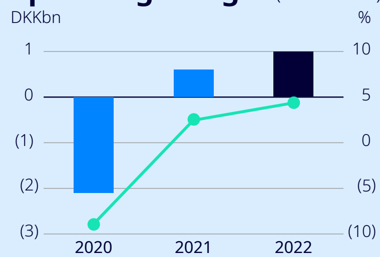
Organic growth



Organic growth by quarter



Operating margin (excl. IAS 29)

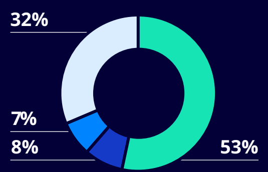


Asia & Pacific

18%
of Group revenue

71%
Key accounts

Core services



Cleaning
Technical
Food
Workplace, incl. other

The market

The region comprises a mix of developed markets such as Australia, Hong Kong and Singapore and developing markets, such as China, India and Indonesia. ISS has a strong presence in the region and holds a market-leading position in several countries. Key customer segments are Business Services & IT, Industry & Manufacturing, Transportation & Infrastructure, Healthcare, and Public Administration.

Financial update

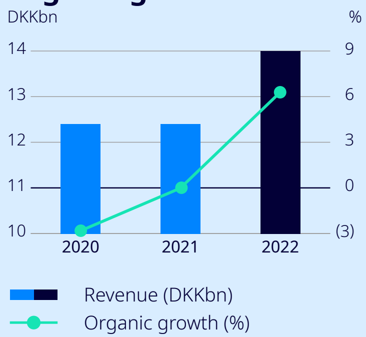
Revenue increased to DKK 14,012 million in 2022 (2021: DKK 12,381 million). Organic growth was 6.3% (2021: 0.0%) and the effect from acquisitions and divestments, net was (1.0)%, while currency effects contributed positively by 7.9%.

Across the region, Covid-19 impacted the countries differently. Overall, organic growth was driven by increased activity levels from return-to-office trends as Covid-19 restrictions were gradually lifted during the year. The strongest growth was seen in India and in Australia due to customers returning to office and start up of new contract wins. The growth was particularly strong within the Transport and Infrastructure segment as air traffic picked up. In Hong Kong which saw much stricter Covid-19 restrictions, organic growth was driven by strong demand for deep cleaning and disinfection services and other above base projects. However, the market for new business in these countries was generally slow due to market uncertainties. Price increases were implemented to offset the effects of cost inflation and had a positive impact across the region. Portfolio business grew organically by 8.5% while organic growth for projects and above-base work was negative at (4.0)%, and accounted for 16% (2021: 18%) of the revenue in the region.

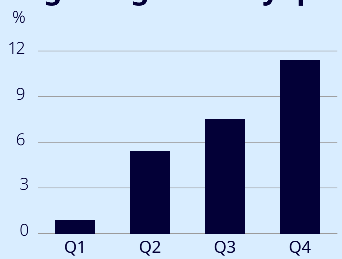
During the year, the execution of the OneISS strategy made solid progress with continuing improvements in our commercial processes and the operating model. Improved commercial processes drove both contract wins and retention of contracts with existing customers. As such, despite the delays in some new business, we won a number of contracts in 2022. We also saw robust and improving customer retention rates, and we successfully retained and further expanded a number of key account contracts.

Operating profit before other items increased to DKK 882 million (2021: DKK 735 million), corresponding to an operating margin of 6.3% (2021: 5.9%). The improvement was driven by the general lifting of Covid-19 restrictions and solid underlying operational improvements across the region. Australia in particular benefitted from the higher activity level and operating leverage. The positive impact was partly offset by lower margin in Singapore due to contract losses and reduced government support schemes.

Organic growth



Organic growth by quarter



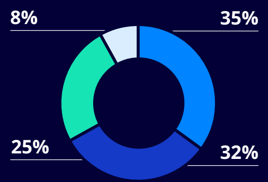
Operating margin

Americas

11%
of Group revenue

81%
Key accounts

Core services



- Food
- Technical
- Cleaning
- Workplace, incl. other

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 than in other regions. Key customer segments are Business Services & IT, Industry & Manufacturing, Pharmaceuticals, Transportation & Infrastructure and Food & Beverage.

Financial update

Revenue increased to DKK 8,585 million in 2022 (2021: DKK 7,141 million). Organic growth was 26.5%, the effect from acquisitions and divestments, net was (13.8)%, while currency effects impacted growth positively by 7.0%.

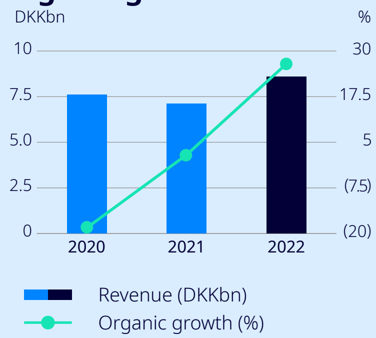
In 2022, the organic growth was mainly driven by food services as customers returned to the offices. Revenue from food services increased more than 70% and accounted for around 35% of the region's revenue (2021: 23%) compared to 13% for the Group (2021: 11%). In addition, the mobilisation of contracts won during 2021 and 2022 contributed positively. Across the region, price increases were implemented to offset the effects of increasing cost inflation. Organic growth was highly positive in all quarters but slowed slightly down in Q4 reaching 21%, as Q4 2021 also benefitted from accelerated return-to-office activity.

The development across the region was strong with all countries reporting solid positive organic growth. Portfolio revenue increased organically by 29.2% driven by return-to-office within food services. Despite lower demand for deep cleaning and disinfection services, organic growth for projects and above-base work was 9.2%, due to generally higher levels of activity and was 12% of total revenue in the region.

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 good commercial momentum. In June we were awarded a new five-year IFS contract with a large international retail customer, and the contract was gradually ramped-up in second half of 2022. In addition, several contract wins were recorded across the countries in the region.

Operating profit before other items was DKK 445 million (2021: 393 DKK million) for an operating margin of 5.2% (2021: 5.5%). The decrease in operating margin was mainly driven by investments in the commercial model to support the strong development, additional costs related to start-up and mobilisation of contract wins in the US and a lower revenue from margin enhancing Covid-19 related deep cleaning and disinfection services. The negative effects were partly offset by employee tax credits under the US Employee Retention Credit scheme and timing effects in the second half of the year. The strong revenue recovery in food delivered broadly the same margin compared to last year as most contracts were renegotiated to cost plus commercial models during Covid-19. Besides the US, Mexico and Chile delivered solid operating margins supported by contract wins and non-portfolio revenue.

Organic growth



Organic growth by quarter

Operating margin

"As global workplace teams evolve, we at ISS, have to become the guardians of connection, collaboration and culture for our organisations. We have to consider how we can evolve if office spaces are not going away but are being repurposed. How do we make sure we can stay in front of that curve? And how do we figure out the next wave of value for our customers?"

Mike Feeman
Global Account Director

CUSTOMER

How ISS helped a customer adapt to the changing global workplace

When a partnership has been in place for more than 15 years, change can come as a surprise – but it can also be liberating. So, when a customer requested a new type of contract, the ISS account team tackled the challenge with relish.

The result? A five-year contract extension designed around a future-proof and complex new commercial model.

"Currently, the customer has around 170 locations in 51 countries across the globe, equalling some eight million square feet of property," explains Global Account Director Mike Feeman, who is based in New York, US. "Within that, we perform a broad spectrum of facility management services – from cleaning, engineering and food services to workplace experience and security infrastructure."

It was crucial for ISS to work closely with the customer, overhauling its approach and processes to match the new commercial model. "It required a lot of IT work to create new types of reporting and new dashboards, as well as briefing our finance team in great detail," Mike says. "Now, the new system relies on processing a large amount of data very quickly – and getting that over to the customer within strict timelines."

Another key development in the contract was an increased emphasis on Workplace Experience – a timely response to global post-pandemic changes. Many companies are investing in reinforcing the physical workplace to ensure a strong company culture and sense of belonging.

"Effectively, we had two transformations happening at once," says Mike. "One was this huge contractual change. But at the same time, we're all operating in a world where the workplace is being radically transformed."

To tackle this challenge, Mike sat down with the customer's senior leaders to discuss how the workplace would stay relevant to their organisation.

Mike considers ISS's insight into the global industry a key strength in its partnership with the customer. "The account really turned a corner when the customer started making new, experience-based spaces. In fact, its new headquarters is now a flagship service location for ISS in the US – so it's been a huge change."

The results are already impressive. Workplace Experience, as a service concept, is now in place at 20 key sites, while 20 new Workplace Experience managers have been hired. Nearly 1,900 ISS employees have completed placemaker training – and the new financial model has been implemented wherever the customer operates.

Our business

OneISS strategy

In 2022, we delivered on our turnaround targets and our strategic journey is progressing to a new phase of strong growth at sustainable and attractive margins.

Our strategic ambition is to become the global leader in Integrated Facility Services (IFS) and to drive our bespoke value propositions towards key accounts in three prioritised segments, i.e. Office-based, Production-based and Healthcare, and to maintain our stronghold as #1 globally in cleaning. Our IFS offering is focused on four core services, i.e. Cleaning, Technical, Food and Workplace, that are critical to IFS contracts.

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 portfolio of workplaces. Consequently, we expect demand for integrated service contracts will continue to outgrow the general FM market.

To address this growth opportunity and become the global leader in IFS for key accounts, we are building the best customer offering based on our global and scalable operating model.

Our ambition

Global **leader** in IFS

Globally in **cleaning**

#1

Focus on three prioritised segments …

Office-Based
- Financial services
- Technology
- Professional services

Production-based
- Industry & Manufacturing
- Life sciences
- Food & Beverage

Healthcare

… for which we will focus on four core services

Cleaning
- ISS's heritage
- Global leader

Technical
- Critical for key accounts
- Growth opportunities

Food
- Supports IFS experience
- Opportunity for new offerings

Workplace
- Increased demand
- Addressing core customer needs

Customers' needs

- Account and site ownership, flexibility and agility
- Outcome-based contracting models
- Focus on experience, efficiency and sustainability
- Global consistency and compliance

OneISS

operating model enables us to drive customer outcomes and create synergies by scaling investments and applications of service products, technology and sustainability

Our platform

350,000+ Placemakers globally

30 Core countries

40,000+ Customers

50,000+ Sites

Strengthening the global operating model

Our global operating model gains strength through the execution of five strategic priorities:

1. Commercial momentum and segment leadership
2. Brilliant operating basics
3. Service products built on leading technology platforms
4. Environmental sustainability
5. Safe, diverse and inclusive workplaces

Our five strategic priorities will enable us to operate efficiently and offer market leading service products built on leading technology platforms. Our service products are designed to address key customer needs and build on knowledge developed from years of serving customers in our prioritised segments. We understand the importance of providing our customers with a market-leading workplace experience at competitive cost while at the same time contributing to an environmentally and socially sustainable world.

As part of the commercial momentum priority, and to further enhance our focus on customer retention, ISS is launching the Customer for life programme. The objective of the programme is to increase value creation for all parties throughout the lifetime of the contract and we will restructure and strengthen our commercial mindset and methodology to drive continued retention in our chosen customer segments, based on right terms and behaviours. The programme is launched in 2023 in five countries and across our global key accounts.

OneISS priorities	Objectives	Progress 2022
Commercial momentum and segment leadership	• Focus on developing service products that meet the needs of prioritised customer segments • A global commercial operating model to leverage our segment expertise across the enterprise • Strong commercial governance	• Large inflow of commercial talent, globally • Structured approach delivering record high retention rate of 94% (93% incl. the exit of the Danish Defence contract) • Improved global collaboration, e.g., integrated Asia & Pacific bid management team into the Group and launched training programme enabling cross-country collaboration
Brilliant operating basics	• Focus on the processes and actions that deliver strong performance – with high productivity, quality and compliance • Leverage technology-enabled and scalable processes to drive efficiencies	• Sharp focus on ten operating fundamentals, including inflation management • Improved cybersecurity above-industry benchmark
Service products built on leading technology platforms	• Innovate our service lines, sharing and scaling best practices across places • Embed technology in service products, i.e. develop once and deploy widely • Enable consistent, and efficient service delivery	• Scaled new daily office cleaning service product, "PureSpace – Office", to drive productivity improvements on 4,000+ sites globally • Scaled food waste reduction service product to 290+ sites saving more than 1.5 million meals in annualised values • Piloted "ISS Takeaway" app at 11 sites across 8 customers showing significant B2C sales uplift • Launched pilot on Asset Management service product with two global key accounts
Environmental sustainability	• Become the global industry leader in environmental sustainability • Ambitious targets, tracked and embedded into the business • Advise and support our customers on their journey to reduce carbon emissions	• Announced commitment to full-scope net-zero emissions by 2040 and submitted science-based targets • Entered vested partnership with LeasePlan with strong incentives to rapidly reduce emissions through electrification our global fleet • Deployed technology to drive food waste reduction
Safe, diverse and inclusive workplaces	• Safety First, always • Leading promoter of social value and mobility • Build stronger teams on diversity, inclusion and belonging	• Announced ambition to become the global Company of Belonging, see p. 32 • Global recertification of our HSEQ Management system in line with ISO Standards 9001, 14001 and 45001

Next phase of the OneISS journey

As we turn to the next phase of the OneISS strategy, we continue to execute on our strategic priorities. We intend to further strengthen our global platform through investments in technology-enabled service products and commercial capabilities and culture to support the execution of our strategy. We will drive performance and competitiveness and aim to deliver strong organic growth at attractive and sustainable margins combined with disciplined acquisitive revenue.

Market development

In the wake of the Covid-19 pandemic, workplace experience has become increasingly important in the office-based segment. The purpose of the office is changing in response to employees' increased demand and expectation for flexibility and opportunities to work remotely. While some companies choose to reduce their real-estate footprint, we see that the majority of companies are investing in and upgrading their workplaces and service offerings. They invest to attract people to the office and foster a culture that enhances a sense of belonging and enables innovation and collaboration.

Operational efficiency remains a key sourcing criteria of facility management across all customer segments – especially in periods of economic recession where pressure on costs forces companies to focus on their core activities. Furthermore, demand for sustainable service solutions is increasing as customers look to their service partners for support to their journey to net zero.

To accommodate those needs, we are investing in three key commercial areas which will become differentiating factors for performance at our current customers' workplaces and in future customer bids, i.e.:

- operational efficiency
- technology
- sustainability

Operational efficiency is delivered through the enhanced operating model, which enables the launch of a portfolio of scalable service products to drive a step-change in global productivity.

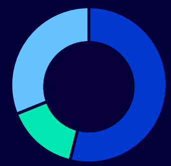
The investments in **technology** are focused on creating value from an ecosystem of scalable platforms with data and innovation. The first key applications have already been launched for customers and placemakers to improve the service we provide across workplaces globally, e.g. MyISS, ISS Takeaway, the Outdoor app and the ISS Workplace app. See p. 117 for more information.

Finally, ISS is determined to become an industry-leader in championing **sustainable workplaces.** Through this agenda, ISS is launching an ambition to become the global Company of Belonging. At the same time, ISS is progressing on its own environmental commitments while supporting our customers' journeys to reduce carbon emissions, waste and the consumption of energy and materials. For further details, see Company of Belonging on p. 32 and Sustainability on p. 30.

Workplace experience is increasingly important

The office is here to stay...

– What companies plan to do with the office



A significant part of our business is outside the office-based segments where the opportunity to reduce footprint is less pronounced

...but the purpose is changing...

9/10 employees want flexibility in where and when they work

2-3 days of expected weekly remote work

54% probability of employees choosing to find other employment if they do not have the flexibility of working from home

...and customers are upgrading...

62% are investing in their workplace offerings

Increased spend on food services per m²:

- To enable innovation and collaboration
- To attract people to the office
- To enhance sense of belonging

Source: ISS pulse survey and EY Work Reimagined Survey

Sustainability

Making the world work better starts with our contribution to a fair and inclusive society and a healthy planet. This has always been a determining factor in the way we operate our business and it remains a critical part of our current strategy execution. This is also why we carry out our sustainability efforts through two equally important lenses: social and environmental sustainability.

In 2022, we launched the ambition of championing sustainable workplaces, driving true sustainable change through both social and environmental sustainability. The dual focus ensures that we can continue to strengthen our competitiveness and support growth in our next phase of strategy execution.

During the year, we progressed significantly on our ambitious sustainability journey. Both within our own enterprise and in the way we support our customers in achieving their sustainability targets.

Within social sustainability, we launched a new Employee Value Proposition (EVP), further developed our Diversity, Inclusion & Belonging agenda and introduced an ambition to become the Company of Belonging. For further details, see p. 32.

Within environmental sustainability, we announced our commitment to reach **full-scope net-zero** greenhouse gas emissions by 2040. Furthermore, we have been deploying monitoring and tracking technology and integrating carbon management in our service products. We have also **committed to the science-based Targets** initiative (SBTi) and have launched specific initiatives within food waste reductions and electrification of our fleet globally.

Leveraging our enterprise and integrating environmental sustainability initiatives into everything we do, allows us to identify and drive initiatives to reduce customer emissions through our 350,000+ onsite placemakers across the globe. Our operating model enables us to share our best practices, ensuring that what works somewhere, we will do everywhere. Enabling and engaging our site teams is key for us in having an impact today – we should not wait to have all our future solutions finalised – we can make a real difference for our customers today.

Materiality assessment

In 2022, we conducted a materiality assessment across our various stakeholders. The purpose of the assessment was to anchor the sustainability topics that are most material to our business. The findings confirmed the importance of our people and governance and showed that insights and data must be at the core of ISS and integrated across the business. The priorities include:

- **environmental:** carbon, energy, and waste
- **social:** occupational health, safety and wellbeing, decent working conditions and a diverse and inclusive workplace
- **governance:** ethical business practices and anti-corruption, human rights and labour standards in the supply chain and responsible procurement practices and supplier conduct

Governance

Our commitment to sustainability is anchored in the Board of Directors and the Executive Group Management. See Our governance structure on p. 43.

Our approach is based on the foundation of our vision, core values, dynamic stakeholder engagement, as well as existing and emerging sustainability trends, risks and opportunities.

The Group's Sustainability and Corporate Strategy Departments are responsible for updating and executing our sustainability efforts, with support from in-country sustainability resources.

Corporate sustainability starts with our value system and a principles-based approach to doing business. This means operating in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption. That is why ISS has been a signatory to and an active member of the UN Global Compact since 2001 and why we have incorporated the Ten Principles of the UN Global Compact into our strategies, policies and procedures, and thereby establishing a culture of integrity that not only upholds our basic responsibilities to people and planet, but also sets the stage for long-term success.

We want to become the sustainability leader in our industry

– executed through social and environmental sustainability

Social

Improve belonging

- Diversity
- Social mobility
- Health & Safety

Environmental

Reduce carbon

- Energy
- Waste
- Materials

2022 sustainability ratings

MSCI	AA
Morningstar Sustainalytics	14.1
S&P Dow Jones Indices	56
ecovadis	67 (Silver)
CDP	C (2022)

Environmental sustainability

At ISS, we recognise the full scope of the climate and environmental crisis, and we are fully committed to operating our business and delivering our services in a sustainable way. We believe that it is our societal responsibility and inherent our licence to operate.

Reducing our impact on the environment is fundamental to our success and future growth. We aim to create long-term value for our business and the world around us by addressing our main environmental challenges and reporting our performance regularly and transparently.

The world is changing rapidly. With the impacts of climate change, energy crisis, resource scarcity and waste overload affecting all of us, ISS wants to become the sustainability leader of our industry.

Progress on commitments

ISS's impact on the environment primarily comes from our supply chain, including purchased goods and services. Therefore, collaboration with our suppliers is key to reducing our environmental footprint. That is why we have committed to ambitious science-based and net-zero targets across our full scopes 1, 2 and 3 emissions by 2040.

In 2022, ISS collected data regarding the level of scopes 1, 2 and 3 emissions related to our business activities. We used 2019 as the baseline year, and data show that our scopes 1 and 2 emissions account for 5% while our biggest opportunity lies in Scope 3, which represents 95% of our total emissions.

Our Pure Space Office product is an example of how we systematically standardise the cleaning methodology in office environments. The global programme is based on best practices across ISS and is designed to provide a workplace environment free from microorganisms with verified hygiene standards to minimise the risk of infection. The methodology and choice of chemicals delivers significant sustainability outcomes in terms of water and chemical reductions. In 2022, the programme reduced water consumption by 11 million litres of water and 450 thousand litres of chemicals. The effort is supported by global training programmes and dedicated product ownership.

Another example is the energy management service we provide across customer portfolios. A team of ISS energy managers working in collaboration with key account stakeholders and local delivery teams to carry out onsite optimisation to reduce electricity and gas consumption across an estate. With consumption data for the sites supplied, ongoing savings are calculated to quantify the benefits being delivered. This successful service product has provided 10%+ evidenced savings in total addressed energy consumption.

TCFD

We remain committed to implementing the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). In 2022, we strengthened governance by building additional sustainability capabilities across the organisation and sharpened our strategic offering and value proposition. Importantly, through our intensive work on setting and submitting our science-based targets for validation by the SBTi, we gained significant insights into our climate-related risks and opportunities that will form part of the basis for further implementing climate-related financial disclosures in 2023.

Emission impact	Business activity
Scope 1 (direct) 69,581 tonnes CO_2 eq.	Arising from sources under our control, e.g., company vehicles, gas emissions and refrigerants
Scope 2 (indirect) 7,084 tonnes CO_2 eq.	Arising from the consumption of purchased electrical energy, heating and cooling and district heating
Scope 3 (indirect) 1,569,421 tonnes CO_2 eq.	Arising from business travel and our supply chain, including purchased goods and services

Commitments	Progress 2022
Science-based target in line with the Paris Agreement goals	• Submitted science-based targets in December 2022 that support an ambitious decarbonisation journey in line with the Paris agreement and our own net zero commitments
Net Zero targets Scope 1 and 2 by 2030 Full Scope 3 by 2040	• Implemented technology solutions for monitoring and tracking • Integrated carbon management in our service products • Engaged our account and site teams to take ownership of net-zero journey
Electrify our fleet ~20,000 vehicles by 2030	• Entered a vested partnership with Lease Plan with joint incentive to rapidly reduce emissions • Progress towards 1,500+ vehicles by end 2022
Greenhouse gases ↓ 25% by 2030 **Food waste** ↓ 50% by 2027	The Cool Food Pledge and innovative menu planning helps us commit to and achieve a science-based target to reduce the climate impact of the food we serve: • Reduced food waste by 527 tonnes, 1.3 million meals and 2,269 tonnes CO_2 (annualised value), in partnership with Winnow food waste reduction system

Company of Belonging

Continuous training and development as well as creating an environment where our placemakers can feel safe and thrive as their authentic selves are not only important from a social sustainability point of view. They are key to delivering on our strategy and our purpose of connecting people and places to make the world work better.

For more than 121 years, we have been centered around our employees. We call them our placemakers. Every day they go above and beyond in delivering outstanding services to our customers. To ensure we continue to deliver on our strategic ambitions and our purpose, we launched a new and bold cultural ambition in 2022: to become the global Company of Belonging.

As an employer of 350,000+ placemakers, with more than 40,000 customers in more than 30 countries worldwide, ISS has an ever more significant impact on people and societies. Through building an environment where every employee feels accepted, empowered and able to thrive as their authentic selves, we will create better experiences and more sustainable outcomes for our placemakers, partners and their communities.

Our cultural ambition is based on a set of fundamental commitments, which combine in service of our ambition, including our three signature objectives, our Diversity, Inclusion & Belonging agenda and our Employee Value Proposition (EVP) and People standards.

In addition, we have set out three core areas to measure success in achieving our ambition, which are employee engagement, employee retention and customer retention.

Our signature objectives

Our three signature objectives will accelerate us on the journey towards becoming the Global Company of Belonging.

Together, our signature objectives are a purposeful and intentional promise to deliver better outcomes for our placemakers, their families, our partners and the communities in which we operate.

1 We pledge, working together with policy makers, our customers and suppliers, to increase the implementation of living wages across our industry

By paying a living wage, we ensure that our placemakers earn a wage that meets their everyday needs and enables them to afford a decent standard of living for themselves and their families. In addition to supporting the lives of our placemakers, paying a living wage has many benefits for our customers, as greater financial recognition for the dedicated work being performed by our placemakers improves employee engagement and enhances retention, leading to higher quality service outcomes.

2 We commit to giving 100,000+ placemakers or their family members a recognised qualification by end 2025

We take pride in investing in our placemakers and currently offer multiple qualifications from courses in competencies for frontliners to academic qualifications for leaders. In addition to the formal qualifications we currently offer, our core development programmes serve to equip all placemakers with opportunities to grow.

Offering 100,000+ placemakers or their families a formal qualification by end 2025, is our pledge to be even more intentional with the development opportunities that are available to our placemakers. Offering leading career development opportunities will create happy and purpose-led placemakers who feel motivated to provide better outcomes for our customers and facilitate social mobility.

3 We partner with all stakeholders to demonstrate the value that all placemakers bring to our workplaces, striving for continued recognition and respect

We will play a leading role in combining the efforts of all our stakeholders to ensure greater recognition and respect for the work that our placemakers perform every day. This is our commitment to all our placemakers. Through partnering with our stakeholders globally, we can hugely impact the way we recognise and show respect for those who make the world work better.

Our strategic approach to belonging creates value for all

Placemakers
Living wage and opportunities to grow

Partners
Fair and lasting relationships built on collaboration and trust

Investors
Positive brand impact attracting talented and diverse leaders, leading to better outcomes

Customers
More innovation, better service experiences and aligned values with ISS

Society
Sustainable growth and social mobility

Employee value proposition and people standards

To underpin our commitment to our placemakers, we launched a global employee promise and value proposition (EVP) in September 2022: A Place To Be You. This is closely linked to our cultural ambition of becoming the Company of Belonging.

A Place To Be You embodies our values and culture and articulates our promise to our placemakers, globally. We see you, we hear you, we believe in you and we support you. Our commitment to fostering a culture of belonging is a great example of our values and purpose going hand in hand with our business needs leading us to become recognised as an employer of choice.

Maintaining and ensuring compliance with our Global People Standards is a cornerstone in the way we operate as a business, but to truly make people feel they can belong, entails safeguarding people safety as well.

Our diversity, inclusion & belonging agenda

ISS is built on a foundation of equity, fairness, and respect for all individuals. Diversity, inclusion and belonging are inherent to our DNA.

Only through intentionally nurturing a diverse and inclusive workplace can we build and strengthen this sense of belonging and a culture where every placemaker feels that they can bring their best selves to work.

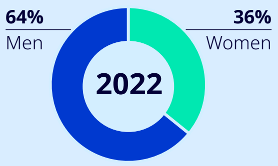
Our strategic approach

Our global Diversity, Inclusion & Belonging (DIB) strategy is driven through five dimensions of diversity: pride, gender, generations & age, abilities and cultures, race & ethnicity. Through our strategy we commit to taking a proactive responsibility towards our surrounding communities and local societies by reflecting diversity and promoting inclusivity.

In 2022, we took significant steps to advance this. We defined three DIB actions in all countries, aiming to drive inclusion. In addition, we finalised the launch of five global Employee Resource Groups (ERG) – voluntary groups of ISS employees for each strategic dimension who work on concrete initiatives to promote inclusion and belonging.

Gender balance

– corporate leadership: target 40%



Status on gender balance

Ensuring the right gender balance will lead to greater innovation, improved organisational performance and better service to our customers. To progress sustainably in this area, we focus on two wider goals: getting more women into leadership roles and retaining our female leaders, and building an inclusive environment where they feel they belong.

We have defined a target to achieve 40% gender balance across corporate leadership roles by the end of 2025. As of 2022, the representation of women in corporate leadership roles stood at 36% (2021: 35%). Progress in reaching gender balance at ISS 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.

For a status on gender balance for the Board of Directors and the Executive Group Management, see p. 41.

Diversity, inclusion and belonging activities in 2022

- Gender Balance Month, globally
- Cultures, Race & Ethnicity Month
- 2nd Year Pride webinar
- Partnership with Nestlé Youth Foundation as Part of our Age and Generations
- 1st global Diversity, Inclusion & Belonging Award at Global Leadership Conference
- International Day of People with Disabilities

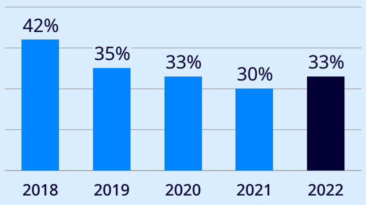
Developing and improving the people experience

We take pride in the way we train our placemakers. Continuous upskilling and development are absolutely key in ensuring that we meet the expectations of our customers. Throughout 2022, we continued to strengthen the way we train and develop both frontliners and leaders.

In 2022, our Country Leadership Teams completed leadership workshops in our leadership model. Furthermore, our mid-level managers started to participate in our flagship leadership development programme – Leading OneISS – which supports further embedding of the right culture across the organisation. The programme facilitates clear and structured feedback allowing leaders to gain insights into their personal leadership style, strengths, and development areas – in line with the core behaviours central to delivering OneISS. We also continued to deploy the Placemaker's Path – our career-long learning and development programme – towards all global key accounts and more than 450 local key accounts. The programme (beyond equipping our people with the right capabilities) drives the right leadership behaviours across our sites – helping us to become a Company of Belonging. We invested in strengthening our operational capabilities with deployment of renewed Key Account Manager Certification programme and launching Site Manager Certification programme through which we build capabilities enabling cohesive application of our scalable operating model.

To retain and engage our 350,000+ placemakers, we focus on offering superior people journeys and create an employee experience where people feel respected, valued and empowered to make positive changes to their working environment. Our ability to listen and respond to our placemakers is key and the use of leading technology is a pre-requisite to achieve it.

Employee turnover



Our global employee platform – MyISS – serves to digitally connect all placemakers and provides a unified access point and self-service functionalities to make their working lives easier. The opportunity for all placemakers to provide feedback will be enabled and embedded into the platform.

Listening to our placemakers consistently not only enables a culture whereby we can proactively respond to our placemakers but can measure the sense of belonging they feel within ISS. We aim to baseline our engagement score through a global listening survey.

Employee retention

We operate in a marketplace where levels of employee churn are inherently high. To measure success, we are targeting a structural improvement in our employee retention. Higher employee retention underpins a more consistent, higher quality of service and reduces the costs associated with attracting, recruiting and onboarding new colleagues.

Despite an increase from 30% in 2021 to 33% in 2022, our employee turnover rates have proven resilient through the cycle of Covid-19. We continued to focus on retention initiatives, including improved labour conditions relative to market norms in certain countries, and we sustained the improved retention levels compared to the pre-Covid 19 levels.

Health & Safety – a key priority

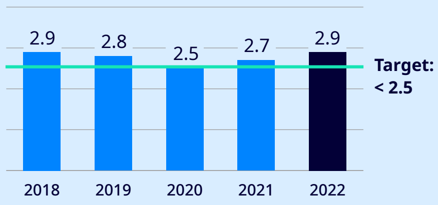
In line with being a diverse and inclusive workplace and as a vital part of living up to our people promise, our entire health and safety agenda is pivotal for us to make our placemakers feel they belong to a company where respect and protection of their mental and psychological wellbeing is a key essential for everyone.

Health & Safety initiatives remain a key focus and help us keep the wellbeing of all stakeholders, from our placemakers to customers, suppliers, and partners, top of minds. Safety is our highest priority and collectively we work tirelessly to ensure that our placemakers go home safe to their families after a productive working day.

Tragically in 2022, we suffered one work-related fatality, involving a placemaker working in an industrial environment. A working group of SMEs from across our business has been working with the management team involved in the incident to ensure lessons learned from the tragedy are captured in detail. The review has driven a global action plan which will further strengthen our safety framework.

We also have ambitious plans that will strengthen our Health and Safety framework from 2023. They focus on creating even safer working environments for all placemakers and stakeholders within our business.

Lost Time Injury Frequency



Lost Time Injury Frequency

LTIF differ and reflect diverse maturity levels towards safety across the various cultures and geographies in which we operate. In 2020 and 2021, ISS have completed most of its divestment programme, which included divestment of business units that had an aggregated lower level of LTIF compared to the Group. This increased the Group's underlying LTIF by approximately 0.2 %-points. As a consequence and also due to increased Loss Time Incidents following the higher activity levels linked to Covid-19 recovery, our LTIF increased to 2.9 in 2022, a slight increase over 2021. The most frequent cause of Loss Time Incidents relates to slips, trips and falls, and we are launching updated campaigns and training for managers and placemakers in 2023 to drive further awareness on these types on incidents. We are committed to reinforcing safety behaviour across all sites that we operate and drive LTIF below 2.5.

Our business risks

In 2022, we continued to strengthen our risk management organisation and capabilities to further build business resilience to both existing operational risks and external events. Our teams responded effectively to mitigate the impacts of war in Ukraine as well as step changes in inflation rates.

Risk management in 2022

Our focus in 2021 was on strengthening governance, simplifying risk assessment processes, and bringing the risk management community closer together. Building on those foundations, the key initiatives for 2022 were focused on developing risk management maturity within the organisation.

Organisation

Having strengthened our risk management foundation, we are revisiting the operational risk management framework. In September 2022, ISS established a new Operational Risk function anchored in our Global Operations team to further develop and manage workplace-related risks for our customers. As a key business partner to the majority of our customers, we play a significant role in their overall risk management framework. Thus, we believe that through our services, we can continue to proactively support our customers in enhancing their risk management agenda and capabilities.

Technology

Our efforts to leverage technology in enhancing our risk management and compliance capabilities continued in key areas such as cybersecurity and data privacy. Our risk assessment processes are now well anchored within the organisation, and we take steps to transition to a digital platform, which is a key step towards realising our longer-term ambition of real-time risk information tracking.

Business Continuity Management

Business Continuity Management (BCM) is an important factor in supporting ISS's organisational resilience (reducing legal and financial exposure; protecting life, property, environment; safeguarding reputation and credibility). This was emphasised by recent significant events, including a cybersecurity incident in 2020, the impact of the Covid-19 pandemic, and most recently the impact of the war in Ukraine. As a result, we have sharpened our focus on a transparent and standardised BCM approach across ISS.

The solutions developed for business continuity and recovery address several scenarios, including:

- Loss or unavailability of premises, including the inability of people to commute to their normal work location
- Mass people absence or the unavailability of key people
- IT system incidents; and
- Loss of a critical vendor (e.g., incident at the provider of an outsourced service/activity)

Group risk review

As part of our bi-annual process, we reviewed the Group's key risks to reflect the main exposures in achieving our strategic objectives. The key risks and mitigation measures identified in 2022 are described on the following pages. Compared to 2021, our assessment of the Group Key Risks reflects that the turnaround plan has been successfully executed. Further, we have included Macroeconomics and Health and Safety in our assessment of Group Key Risks, reflecting in particular the need to manage the step change in inflation and enhanced focus on occupational safety.

Market developments 2022

The facility management industry experienced unprecedented disruption in 2020 and 2021, as the Covid-19 pandemic impacted ways of working and workplace environments globally. The impact on our business was material, albeit with a high degree of stability in cleaning services and a material impact on other services, especially food services. In 2022, we saw continued recovery from the pandemic and increasing levels of activity as customers returned to offices in large markets. In certain markets, the recovery resulted in increased demand for labour.

Following the outbreak of war in Ukraine in 2022, we activated our crisis management processes and established a Group Emergency Response Organisation for real-time decision making. ISS provided support to customers and colleagues in countries affected by the war, both directly and indirectly. These events fuelled a step change in inflation and ISS stepped up its processes to manage and mitigate price increases in our supply chain, while also activating commercial mechanisms in our customer contract portfolio in response to increasing operating costs.

Group Key Risks 2022

- Macroeconomics
- People management
- Environmental sustainability
- Health and Safety
- Regulatory compliance
- Contract management
- Subcontractors
- IT transformation
- Information security and cyber risk
- Finance and reporting

Our exposure to financial risks is disclosed in note 4.4 to the consolidated financial statements.

Sustainability

The sustainability agenda, in particular when it comes to climate change and the journey to net-zero carbon emissions, is moving fast and is increasingly linked to our license to operate in the market.

ISS has integrated sustainability as a core strategic priority and committed to science-based and net-zero targets. The ability to attract talent to lead and deliver on ISS's and our customers' progression towards these targets is a top priority and key to commercial success in the short and medium term. For details on our commitments to the science-based targets and net zero, see p. 31.

Macroeconomics	People management	Environmental sustainability	Health and Safety	Regulatory compliance
Unstable and/or unfavourable economic, financial and/or currency conditions that might have adverse impact on achieving ISS business goals.	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 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.	Failure to design and implement, within our internal processes and service delivery, sufficient health and safety mechanisms, that would prevent incidents from materialising and affecting our placemakers and customers.	Failure to comply with applicable laws and regulations, including labour law and required licenses and permits which may lead to regulatory, operational, and reputational losses.
Risk drivers Persistent geopolitical tensions, supply chain disruptions, inflationary pressures and economic slowdown may directly or indirectly impact service delivery and its profitability.	**Risk drivers** Current labour market conditions indicate increasing wage inflation in certain geographies. Pressure on the availability of labour and "war for talent" is contributing to increased employee expectations towards employers.	**Risk drivers** Ability to deliver on sustainability goals and targets is key to maintain the license to operate in our markets. Approximately 95% of ISS's carbon emission footprint sits within Scope 3 and our ability to reduce indirect emissions from our supply chain is key to achieving net zero target.	**Risk drivers** Our placemakers execute a range of services in workplaces around the globe, including high risk environments and services	**Risk drivers** Growing complexity and volatility of various regulatory regimes across the multitude of geographies and services in which ISS operates.
Mitigation actions • Defined methodology for managing inflationary pressure in our supply chain and implementation of price increases across the customer contract portfolio • Strengthened contract governance for customer, supplier and subcontractor agreements • Adjustment mechanisms in our customer contracts allowing for inflationary impacts to be managed through price adjustments, scope adjustments or similar	**Mitigation actions** • Focus on our cultural ambition to become the global Company of Belonging, incl. our new Employee Value Proposition and Diversity, Inclusion & Belonging strategy • Signature objectives to attract and retain talent and drive sustainable change in the communities where we operate • Improvement and standardisation of people processes to enhance employee experience, supported by dedicated tools and internal platforms	**Mitigation actions** • Sustainability governance structure in place • Integration of carbon management into our service products • Science-based targets with near-term carbon goals • Developing carbon management tool for tracking, monitoring and reporting • Closer cooperation across supply chain aiming to incentivise emissions reduction	**Mitigation actions** • ISO 45001, 14001 and 9001 certified Health and Safety framework promotes strong processes and procedures • Robust training program for our placemakers • Active promotion of a strong, positive safety culture • Zero tolerance for serious injuries	**Mitigation actions** • Strengthening of functional expertise in countries and Group • Cooperation between countries and Group to build compliance focused culture and further develop regulatory compliance maturity • Robust compliance frameworks and standardised, global approach towards monitoring and ensuring compliance with laws and regulations

Contract management	Subcontractors	IT transformation	Information security and cyber risk	Finance and reporting
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 that ISS will not be able to properly service its customers as a result of failure of its subcontractors, including subcontractor vetting and performance monitoring.	Failure to execute our IT strategy envisioning a global IT approach with more streamlined software and globally managed infrastructure, better data quality and products that will address our customers' expectations and needs.	ISS being target of cyberattacks leading to business disruption and/or disclosure of ISS's and/or our customer's data.	Failure to execute the ongoing finance transformation aiming for stronger, more consistent finance processes, improved data quality and controls.
Risk drivers Diversity of ISS services portfolio translates to variety of contractual models with customers. The complexity of delivered services drives the complexity of contractual obligations and inherent risk of failure in contract management.	**Risk drivers** Increasing complexity and scope of contracted work require ISS to subcontract where we do not have capabilities to self-deliver. Furthermore, policies of key account customers place increasing demands on supply chain compliance.	**Risk drivers** Changing the key elements of ISS IT landscape such as onboarding new processes, teams, tools and modernising existing platforms bears inherent transformation risk.	**Risk drivers** Two most common scenarios include: • state sponsored attacks due to geopolitical tensions • double extortion ransomware attacks	**Risk drivers** Scale of the transformation which covers financial processes, IT systems, frameworks and control environments bears inherent risk of culture change and adaptation to new ways of working.
Mitigation actions • Standardised commercial bid process, including governance structure and procedures involving subject matter experts • Avoid uncapped inflation risk • Standardised contract transition model, including internal certification program for transition experts • Standardised service delivery policies • Further strengthening of cross-country cooperation for global key accounts	**Mitigation actions** • Supplier Code of Conduct • Risk-based supplier vetting and verification procedures, supported by governance structure and a dedicated team • Supplier assurance program with customer flow-down terms, management and performance monitoring process • On-site training for subcontractors • Implementing Scope 3 – Environmental sustainability initiatives and supplier diversity focus	**Mitigation actions** • Policy setting out key principles for IT governance • Communication and governance structure • Organisational change management team • Increased transparency by redesigned reporting lines • Projects funnel model includes IT security by design, security vetting embedded in the processes • Management and constant monitoring of risks within the transformation journey • Tech roadmap to support transformation	**Mitigation actions** • Improvement of overall security posture • Significant investments in continuous improvements • >50 cyber security experts • Fully operational 24/7 SOC team with detect and response capabilities • Dedicated cyber awareness campaigns • Involvement of IT security in business processes	**Mitigation actions** • Clear road map, milestones, and success measures for implementation of global standard processes with adequate oversight and assigned responsibilities • Prioritisation of initiatives and successful rollout to pilot countries • Robust change management process

PARTNERSHIP

Shaping the next generation of Facility Management

Investing in education and the training of our more than 350,000 placemakers is a fundamental part of the ISS organisation. We have an opportunity – and an obligation as one of the world's largest employers – to improve the lives of our people and help them achieve their full potential. The ISS employee value proposition is one of the ways we live our values: Be who you are. Become what you want. Be part of something bigger.

In August 2022, in conjunction with ISS Facilities India Private Limited, ISS announced a new partnership with Delhi Skill and Entrepreneurship University (DSEU) to train students enrolled in the Facilities & Hygiene Management Program, the first fully global graduate degree in Facilities Management (FM).

It was a pleasure for Group CEO Jacob Aarup-Andersen to officially open the FM Lab at the DSEU campus, powered by ISS, which will complement the skills development process with tools and technology. As part of the initiative, ISS has committed to provide DSEU with curriculum advisory, faculty & staff development workshops, internships, and placement support along with six scholarships to prepare the next generation in FM.

At ISS, we have ambitious goals for positively impacting as many people as possible, and this commitment is visible at every level of our customer service, environmental goals, community initiatives, and dedication to diverse, inclusive, and belonging workplaces.

Our company provides its employees with the safety, recognition, and support necessary to thrive, excel at their jobs, and make a difference either by themselves or as part of the greater ISS organisation. ISS never limits its people to who or what they were in the past; instead promoting exploration of what they can be in — and give to — the future.

ISS is proud to provide targeted support to the training of students who have chosen a career in FM, and we look forward to welcoming them as our future colleagues.

ISS trains students enrolled in the first fully global graduate degree in Facilities Management

Our governance

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.

Framework

The Board of Directors (the Board) regularly reviews the Group's corporate governance framework and policies in relation to the Group's activities, business environment, corporate governance recommendations and statutory requirements; and continuously assesses the need for adjustments.

The rules on the governance of ISS A/S, including share capital, general meetings, shareholder decisions, election of members to the Board, etc., is described in the Articles of Association which are available **here**

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 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 of these 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.

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 eleven 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. 43, we have outlined the primary responsibilities of the Board and the EGM as well as 2022 activity by Board committees.

Strengthening the EGM

In 2022, our EGM was further strengthened to support our execution of the OneISS strategy. EGM changes and bios are described on p. 46.

Composition of the Board

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. Changes to the Board following the annual general meeting on 7 April 2022 are described on p. 44.

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, and the current term expires in April 2023. A new election was held early 2023, and the elected candidates will join our Board after the annual general meeting in April 2023.

Board evaluation

In 2022, the Board evaluation was conducted as a self-assessment. The assessment included input of nine board members and the EGMB based on an 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.

Governance report

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.

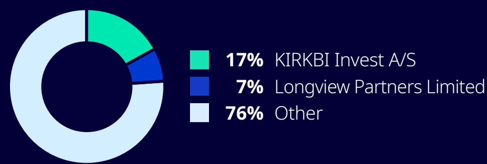
Recommendations not fulfilled

- **1.1.3 Publication of quarterly reports**

We publish full- and half-year financial results and Q1 and Q3 trading updates in line with international industry practice. This reporting format is selected to balance focus between short-term performance and long-term value creation. Investor presentations are held quarterly via live webcast/telephone conference.

Major shareholders

Latest major shareholdings reported by investors to ISS



The result was reviewed by the Nomination Committee and discussed at a Board meeting. The individual member's contribution was subsequently reviewed as part of individual meetings held between the Chair and each member. The outcome of the 2022 Board evaluation was a continued high level of performance and improvement across the areas covered by the questionnaire. Especially, strategy development and implementation and cooperation with management had improved. 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 value-add during 2023: i) separate sessions on strategic and operational risks, ii) reviewing onboarding procedure for employee elected board members and iii) continue board visits to operations.

For further details, please see response to recommendation 3.5.1 of the 2022 Statutory report on Corporate Governance.

Competencies and diversity

The Board and the EGM recognise the importance of promoting diversity at management levels and have implemented policies regarding competencies and diversity in respect of Board and EGMB nominations according to which we are committed to selecting the best candidate. Emphasis is placed on:

- experience and expertise;
- diversity of gender and in broader terms; and
- personal characteristics matching ISS's values and leadership principles.

As part of our Diversity & Inclusion strategy, we have defined a target of achieving at least 40% gender balance at all corporate leadership levels by 2025. The strategy and our initiatives to improve gender balance is further described on p. 33. Gender balance at all leadership levels remains a focus area in 2023.

To meet the new reporting requirements on gender representation for the Board and other management levels according to Danish legislation as of 1 January 2023, the Group has updated its "Competencies and diversity policy for the Board of Directors and other management levels of ISS A/S". The policy is available **here**

Board gender balance

The current gender representation among Board members (elected by the general meeting) is 33% women and 67% men, which is considered equal according to the Danish Business Authority's applicable guidelines[1]. With the inclusion of employee representatives, 56% of our Board is women. The Board aims to maintain an equal gender representation of 40/60% among elected board members in accordance with the Danish Business Authority's applicable guidelines.

EGM gender balance

In our EGM, the female representation increased to 31% in 2022 (2021: 25%) following changes to the management team to support the execution of our strategy.

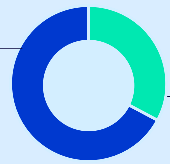
[1] According to the Danish Business Authority's guidelines on target figures, policies and reporting on the gender composition of management, a gender distribution of 40/60% or the closest number under 40% is considered equal.

Board diversity

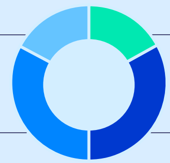
– members elected at the annual general meeting

Gender balance

– target: 40%



Nationalities



Special competencies

100% Strategy and value creation

83% Leadership of large international multicultural companies

67% Corporate responsibility and sustainability

67% Transformational change and operational alignement

50% Finance, accounting and tax

50% IT, technology and digitalisation

50% Investors and capital markets

50% Risk management

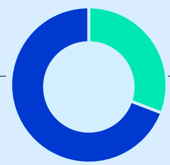
33% Sales and marketing, incl. complex, large-scale sales processes

50% People development, succession planning, diversity and remuneration

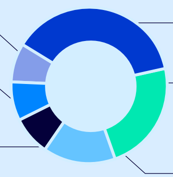
33% International service industry

EGM diversity

Gender balance



Nationalities



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 in accordance with the internal audit plan approved by the Audit and Risk Committee (ARC). GIA operates under a charter approved by the Board.

Following the limited travel ability of GIA in 2021 due to Covid-19 restrictions, for 2022 on-site audits have been prioritised although in limited circumstances assurance activities continue to be performed through remote testing.

In 2022, focus has been on:

- Continued strengthening of the GIA team through recruitment of new members;
- Implementation of a new cloud-based audit management solution to monitor and reduce the number of open audit recommendations;
- Execution of our 2022 audit plan providing broad country level assurance through the Baseline audit programme and contract level assurance on our global key accounts through our Key Account audit programme.

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 system enables employees of ISS, business partners and other stakeholders to report concerns 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 People and Culture Officer and the Head of Group Internal Audit. The BIC reports to the Audit and Risk Committee on all matters that have been subject to investigation. In 2022, the BIC charter was expanded to cover compliance-related topics along with all business integrity and ethics issues.

In 2022, the awareness of the Speak Up has been strengthened through a global communication plan executed following an update of the Speak Up policy to align with the requirements of the EU whistleblower directive. In addition, the accessibility of the Speak Up system has been strengthened through the implementation of a manned phone hotline providing local land line and toll-free numbers across 35 countries giving reporters the opportunity to report to an independent third-party in their native language.

Data ethics

ISS executed a Group Data Ethics Policy (the policy) in 2021, to ensure compliance with Danish legislation and ISS's commitment to secure and proper management of data. The policy describes ISS's approach to data ethics and aims to encourage our employees and partners, involved in the use of data, to have a positive and active involvement in data ethical questions and to raise concerns ensuring continuous development of the guiding principles for data ethics.

ISS process data for the purpose of providing our services, managing our workforce and properly documenting compliance and delivery to customers and public authorities. In order 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, addressing self-determination, human dignity, responsibility, equality and fairness, progressiveness, diversity and inclusion, and accountability. The policy is mandatory for all ISS employees and ISS partners worldwide.

Throughout 2022, ISS worked 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 all relevant initiatives and are included in applicable approval processes. Awareness and training efforts will be conducted to generate awareness. Finally, the policy also establishes governing principles for the application of data ethics when developing and deploying data processing technologies based on AI solutions. These principles are implemented in order to ensure safe, accountable, transparent and non-discriminative use of AI technology in ISS.

The policy as per section 99d in the Danish Financial Statements Act has been adopted by the EGM and the Board and is subject to annual review in line with ISS's policy standards. The policy is available **here**

Key matters transacted by the Board

Purpose

The Board has a strong focus on the ISS's purpose and has worked continuously on promoting a good culture and sound values in 2022. To support an even stronger focus, the Board has included ESG targets as separate objectives in the Short-Term-Incentive Programme, cf. 2022 Remuneration Report. For purpose and values see also p. 31.

2022 specific matters

- OneISS strategy execution
- Environmental sustainability
- Activating our cultural ambition
- Technology development
- Embedding brilliant operating basics
- Development of segments strategies
- Regional business development
- Turnaround of Deutsche Telekom and France
- Divestment programme execution
- New financial targets and new capital allocation
- Inflation management
- Covid-19 impact on the business

Recurring matters

The Board transacted various recurring matters such as: Overall strategy plan Financial projections, Financial and Dividend Policy, Remuneration and Sustainability reports, Group key risks, Internal controls, IT and information security, Corporate governance, Diversity, Sustainability, Speak Up Policy, Remuneration policy, Recommendation of auditors for election.

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 a monthly financial reporting package and is briefed on important matters in between board meetings.

The Board held 11 meetings in 2022.

Board bios, pp. 44-45

2022 committee activity

Audit and Risk Committee

Held 7 meetings in 2022 and continued its focus on:
- Evaluating the external financial reporting, significant accounting policies as well as significant accounting estimates and judgements related to items such as impairment tests, divestments, deferred tax as well as 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 independent auditors, reviewing the audit process and the auditors' long-form audit report, and recommending on appointment of auditors

Remuneration Committee

Held 7 meetings in 2022 and continued its focus on:
- Assisting in 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 8 meetings in 2022 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 3 meetings in 2022 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

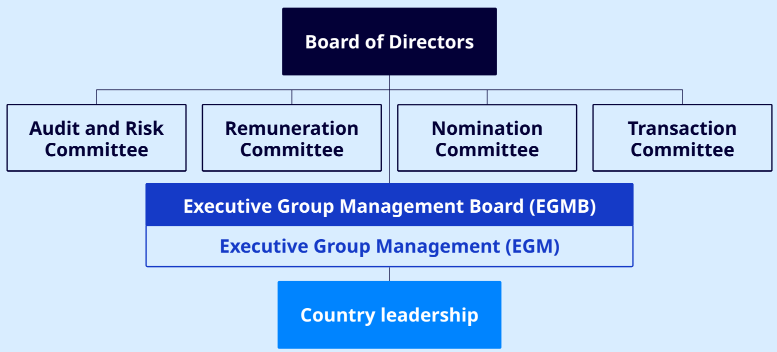
Responsible for the day-to-day management of the Group, including:
- developing and implementing strategic initiatives and Group policies
- designing and developing the organisational structure
- monitoring Group performance
- evaluating and executing investments, acquisitions, divestments and large 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.

EGM bios, pp. 46-47

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



MEET THE

Board of Directors

Niels Smedegaard (1962)
Chair
Gender: Male
First elected (until): April 2021 (2023)

ISS committees
- Nomination committee (C)
- Remuneration committee
- Transaction committee

Board and management positions
- Molslinjen A/S (C)
- Bikubenfonden (C)
- Abacus Medicine A/S (C, RCM, NCM)
- Falck A/S (C, NRCC)
- DSV Panalpina A/S (BM, ACM)
- TT Club Mutual Insurance Ltd. (BM)
- UK P&I Club (BM)
- Frederiksbergfonden (BM)

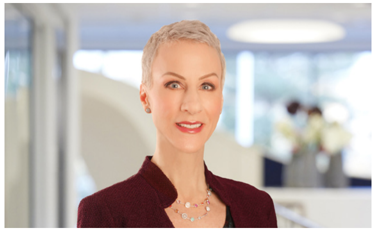
Special competencies
- International service industry
- Strategy and value creation
- Leadership of large international multicultural companies
- Transformational change and operational alignment
- IT, technology and digitisation
- Finance, accounting and tax
- Investors and capital markets

Lars Petersson (1969)
Deputy Chair
Gender: Male
First elected (until): April 2022 (2023)

ISS committees
- Transaction committee

Board and management positions
- CEO of VELUX Group
- Dovista A/S (BM)

Special competencies
- Strategy and value creation
- Leadership of large international multicultural companies
- Transformational change and operational alignment
- Risk management
- Corporate responsibility and sustainability



Kelly Kuhn (1965)
Board member
Gender: Female
First elected (until): April 2021 (2023)

ISS committees
- Nomination committee
- Remuneration committee

Board and management positions
- CWT (Special advisor)
- McChrystal Group (Strategic advisor)
- SSP Group plc (BM, ACM, NCM)

Special competencies
- International service industry
- Strategy and value creation
- Leadership of large international multicultural companies
- Transformational change and operational alignment
- People development, succession planning, diversity and remuneration
- Sales and marketing, including complex large-scale sales processes
- Corporate responsibility and sustainability

Søren Thorup Sørensen (1965)
Board member
Gender: Male
First elected (until): April 2020 (2023)

ISS committees
- Audit and risk committee

Board and management positions
- KIRKBI A/S, (CEO, BM and/or management in 6 subsidiaries)
- LEGO A/S (DC, ACC)
- Landis+Gyr AG (BM)
- Koldingvej 2, Billund A/S (BM)
- Merlin Entertainments Limited (BM, ACC, RCM (and BM of 4 affiliated companies))
- Ole Kirk´s Foundation (BM)
- ATTA Foundation (BM)

Special competencies
- Strategy and value creation
- People development, succession planning, diversity and remuneration
- Finance, accounting and tax
- Investors and capital markets
- Risk management
- Corporate responsibility and sustainability

Board changes

At the annual general meeting on 7 April 2022:

- Lars Petersson was appointed as new Board member
- Previous Deputy Chair Henrik Poulsen stepped down
- The Board constituted itself by electing Niels Smedegaard as Chair and Lars Petersson as Deputy Chair
- As of end June 2022, Valerie Beaulieu stepped down as a member of the Board

C:	Chair, Board of Directors
DC:	Deputy Chair, Board of Directors
BM:	Member, Board of Directors
SBM:	Supervisory Board Member
ACC:	Audit Committee Chair
ACM:	Audit Committee Member
NCM:	Nomination Committee Member
RCM:	Remuneration Committee Member
NRCC:	Nomination and Remuneration Committee Chair
CCGCM:	Compensation and Corporate Governance Committee Member
GCM:	Governance Committee Member

Full bios are available **here**

Ben Stevens (1959)
Board member
Gender: Male
First elected (until): April 2016 (2023)

ISS committees
- Audit and risk committee (C)
- Transaction committee (C)

Board and management positions
- PageGroup plc. (ACC, NCM, RCM)

Special competencies
- Strategy and value creation
- Leadership of large international multicultural companies
- IT, technology and digitisation
- Finance, accounting and tax
- Investors and capital markets
- Risk management

Cynthia Mary Trudell (1953)
Board member
Gender: Female
First elected (until): April 2015 (2023)

ISS committees
- Nomination committee
- Remuneration committee (C)

Board and management positions
- Canadian Tire Corporation Limited (BM and chair of the management resources and compensation Committee, GCM)
- RenaissanceRe Holdings Ltd. (BM, CCGCM)

Special competencies
- Strategy and value creation
- Leadership of large international multicultural companies
- Transformational change and operational alignment
- People development, succession planning, diversity and remuneration
- Sales and marketing, including complex, large-scale sales processes
- IT, technology and digitisation
- Corporate responsibility and sustainability

Nada Elboayadi (1982)
Employee representative
Gender: Female
First joined (until): April 2019 (2023)
Joined ISS: 2006

Head of Global Big Data, Global Support Solutions since 2018

Special competencies
- International service industry
- IT, technology and digitisation

Signe Adamsen (1967)
Employee representative
Gender: Female
First joined (until): July 2022 (2023)
Joined ISS: 2011

Group Workplace Development Director

Special competencies
- International service industry
- Sales & Marketing, including complex, large-scale sales processes

Elsie Yiu (1975)
Employee representative
Gender: Female
First joined (until): April 2019 (2023)
Joined ISS: 2015

Group Vice President and APAC Head of Legal since 2018

Special competencies
- International service industry
- Risk management

Meeting attendance	Board	Audit and Risk	Remuneration	Transaction	Nomination
Niels Smedegaard, Chair	11/11		6/7	3/3	7/8
Lars Petersson, Deputy chair[1]	8/10			2/2	
Cynthia Mary Trudell	11/11		7/7		8/8
Kelly Kuhn	11/11		7/7		8/8
Søren Thorup Sørensen	8/11	7/7			
Ben Stevens	11/11	7/7		3/3	
Elsie Yiu (E)	9/11				
Nada Elboayadi (E)	11/11				
Signe Adamsen (E)[2]	6/6				
Left the Board in 2022:					
Joseph Nazareth (E)[2]	3/5				
Valerie Beaulieu[3]	4/5	2/3		1/1	
Henrik Poulsen[1]	1/1			1/1	

All board members are independent, except for the employee representatives

1) Joined/left the Board of Directors/Committee on 7 April 2022
2) Joined/Left the Board of Directors on 1 July 2022
3) Left the Board of Directors/Committee on 30 June 2022

MEET THE

Executive Group Management

Jacob Aarup-Andersen
Group CEO
– since September 2020
Joined ISS: 2020

Member of the Executive Group Management Board of ISS A/S registered with the Danish Business Authority.

Board positions
- Skandinaviska Enskilda Banken AB (publ) (member)

Kasper Fangel
Group CFO
– since December 2020
Joined ISS: 2009

Member of the Executive Group Management Board of ISS A/S registered with the Danish Business Authority.

Corinna Refsgaard
Group Chief People & Culture Officer
– since December 2018
Joined ISS: 2017

Troels Bjerg
Group COO
– since March 2018
Joined ISS: 2009

Celia Liu
CEO Central & Southern Europe
– since January 2022
Joined ISS: 2019

Liz Benison
CEO UK&I
– since May 2021
Joined ISS: 2021

Full bios are available **here**

Strengthening the EGM

We have a strong management team with industry and ISS experience in place to deliver the next phase of the OneISS journey.

In 2022, the following changes were made to the EGM:

- On 1 January 2022, Celia Liu took up the position as CEO Central & Southern Europe
- On 1 January 2022, Carl-Fredrik Langard-Bjor took up the position as CEO Northern Europe and joined the EGM
- On 1 June 2022, Sam Hockman took up the position as CEO Global Key Accounts and joined the EGM
- On 1 July 2022, Susanne Jørgensen succeeded Dan Ryan as CEO Americas, who left ISS end of July 2022, and joined the EGM
- On 31 December 2022, Andrew Price stepped down from the EGM
- On 1 January 2023, Agostino Renna took up the position as Chief Commercial Officer and joined the EGM

Carl-Fredrik Langard-Bjor
CEO Northern Europe
– since January 2022
Joined ISS: 2011

Susanne Jørgensen
CEO Americas
– since July 2022
Joined ISS: 2017

Scott Davies
CEO Asia Pacific
– since January 2021
Joined ISS: 2012

Markus Sontheimer
Chief Information and Digital Officer (CIDO)
– since June 2021
Joined ISS: 2021

Bjørn Raasteen
Group General Counsel
– since January 2005
Joined ISS: 1999

Sam Hockman
CEO Global Key Accounts
– since June 2022
Joined ISS: June 2022

Agostino Renna
Group CCO
– since January 2023
Joined ISS: January 2023

Full bios are available **here**

ISS has invested in technology to identify and display the CO_2 emissions of menu items

ENVIRONMENTAL SUSTAINABILITY

Accelerating our food waste efforts

ISS serves over one million meals a day in hospitals, schools, and business restaurants around the world. With rising prices on many food items, we believe that the current situation represents a watershed moment where we can both handle inflationary pressure and fast track sustainable change.

In the immediate term, ISS has taken a range of measures to mitigate the impacts of food cost inflation, avoid disruptions for our customers, and ensure that we continue to provide high quality and safe food services.

In ISS food operations, our on-site chefs and teams are focused on re-engineering menus and recipes by using fresh, local, and best value items whilst guaranteeing that our dishes are as delicious and nutritious as the originals.

We are also working with our supply partners to conduct deep dive reviews of our supply chain, eliminating costs and bottlenecks across sourcing, production, packaging, and logistics, whilst maintaining our high food safety standards.

Circular micro-initiatives can play an increasingly important role

A circular mindset should not only encompass what we eat, but also how we produce. In our conversations with customers around their workspace, we always focus on the benefits of sustainability initiatives.

ISS has sites around the world where customers grow their own vegetables, host beehives, grew mushrooms using used coffee granules, or even keep sheep. These may be micro-initiatives, but with supply chains under pressure, along with the increased market volatility, they can play an increasingly important role towards climate-smart food production.

Innovation as a game changer

In today's world, digital innovation is key to accelerating sustainability, and the food service sector is certainly no exception. Technology helps overcome challenges linked to production, supply, waste, and cost management. While our business is firmly reliant on our exceptional people, digital solutions have been – and will increasingly be – a way to drive efficiency and quality.

Our food waste reduction ambitions are supported by our global partnership with Winnow, a commercial food waste solution provider that uses AI technology to manage food waste. ISS have deployed solutions rolled out in over 290 of our locations, globally and based on current run rate are on track to save:

- 2,645 tonnes CO_2
- 1.5 million meals
- 615 tonnes food waste

Financial statements

Consolidated financial statements

Statement of profit or loss

1 January – 31 December

(DKKm)	Note	2022	2021
Revenue	1.1, 1.2	**76,538**	**71,363**
Employee costs	1.3	(48,329)	(46,369)
Consumables		(6,598)	(5,020)
Other operating expenses		(17,247)	(16,438)
Depreciation and amortisation	2.6, 3.1	(1,517)	(1,760)
Operating profit before other items		**2,847**	**1,776**
Other income and expenses, net	1.4	57	439
Goodwill impairment	3.2	-	(450)
Amortisation/impairment of brands and customer contracts	3.1	(69)	(64)
Operating profit	1.1	**2,835**	**1,701**
Financial income	4.3	207	41
Financial expenses	4.3	(596)	(697)
Profit before tax		**2,446**	**1,045**
Income tax	5.1, 5.2	(441)	(509)
Net profit from continuing operations		**2,005**	**536**
Net profit from discontinued operations	3.4	**131**	**101**
Net profit		**2,136**	**637**
Attributable to:			
Owners of ISS A/S		2,058	615
Non-controlling interests		78	22
Net profit		**2,136**	**637**
Earnings per share, DKK			
Basic earnings per share (EPS)	4.1	11.1	3.3
Diluted earnings per share	4.1	11.0	3.3
Earnings per share for continuing operations, DKK			
Basic earnings per share (EPS)	4.1	10.4	2.8
Diluted earnings per share	4.1	10.3	2.8

Statement of comprehensive income

1 January – 31 December

(DKKm)	Note	2022	2021
Net profit		**2,136**	**637**
Items that will not be reclassified to profit or loss:			
Remeasurement gain/(loss), defined benefit plans	7.1	208	1,145
Asset ceiling, defined benefit plans	7.1	(43)	(1,080)
Tax	5.2	(53)	(11)
Items that may be reclassified to profit or loss:			
Foreign exchange adjustments of foreign entities	4.1	(102)	297
Fair value adjustments of net investment hedges	4.1, 4.7	(43)	(191)
Recycling of accumulated foreign exchange adjustments on country exits	4.1	(33)	(7)
Hyperinflation restatement of equity at 1 January	7.2	814	-
Tax	4.1	10	42
Other comprehensive income		**758**	**195**
Comprehensive income		**2,894**	**832**
Attributable to:			
Owners of ISS A/S		2,498	825
Non-controlling interests		396	7
Comprehensive income		**2,894**	**832**

Statement of cash flows

At 31 December

(DKKm)	Note	2022	2021
Operating profit before other items		2,847	1,776
Operating profit before other items from discontinued operations	3.4	13	37
Depreciation and amortisation	2.6, 3.1	1,517	1,760
Non-cash items related to hyperinflation	7.2	(51)	-
Share-based payments		80	62
Changes in working capital	2.4	444	1,056
Changes in provisions, pensions and similar obligations		(665)	(435)
Other expenses paid		(31)	(74)
Interest received		87	40
Interest paid		(486)	(473)
Income tax paid	5.1	(422)	(528)
Cash flow from operating activities		**3,333**	**3,221**
Acquisition of businesses	3.3	(325)	(526)
Divestment of businesses	3.4	587	1,191
Acquisition of intangible assets and property, plant and equipment		(809)	(628)
Disposal of intangible assets and property, plant and equipment		30	42
Acquisition of financial assets, net		(29)	(6)
Cash flow from investing activities		**(546)**	**73**
Repayment of bonds	4.2	-	(1,577)
Repayment of lease liabilities	4.2	(865)	(947)
Other financial payments, net	4.2	(58)	(472)
Transactions with non-controlling interests		(7)	164
Cash flow from financing activities		**(930)**	**(2,832)**
Total cash flow		**1,857**	**462**
Cash and cash equivalents at 1 January		3,428	2,742
Total cash flow		1,857	462
Foreign exchange adjustments		(71)	224
Cash and cash equivalents at 31 December	4.6	**5,214**	**3,428**
Free cash flow	2.7	**1,734**	**1,735**

Statement of financial position

At 31 December

(DKKm)	Note	2022	2021
Assets			
Intangible assets	3.1, 3.2	23,920	22,739
Right-of-use assets	2.6	2,403	2,445
Property, plant and equipment	2.6	917	931
Deferred tax assets	5.2	912	790
Other financial assets		512	457
Non-current assets		**28,664**	**27,362**
Inventories		231	177
Trade receivables	2.1	10,996	10,406
Tax receivables		173	185
Other receivables	2.2	1,695	1,582
Cash and cash equivalents	4.6	5,214	3,428
Assets held for sale	3.4	32	515
Current assets		**18,341**	**16,293**
Total assets		**47,005**	**43,655**
Equity and liability			
Equity attributable to owners of ISS A/S		10,156	7,583
Non-controlling interests		659	206
Total equity	4.1	**10,815**	**7,789**
Loans and borrowings	4.2	15,945	16,094
Pensions and similar obligations	7.1	1,185	1,351
Deferred tax liabilities	5.2	1,178	976
Provisions	2.5	465	755
Non-current liabilities		**18,773**	**19,176**
Loans and borrowings	4.2	963	888
Trade and other payables		6,952	5,657
Tax payables		172	174
Other liabilities	2.3	8,714	8,730
Provisions	2.5	606	961
Liabilities held for sale	3.4	10	280
Current liabilities		**17,417**	**16,690**
Total liabilities		**36,190**	**35,866**
Total equity and liabilities		**47,005**	**43,655**

Statement of changes in equity

1 January – 31 December

		Attributable to owners of ISS A/S							
(DKKm)	Note	Share capital	Treasury shares	Retained earnings	Proposed dividends	Translation reserve [1]	Total	Non-controlling interests	Total equity
2022									
Equity at 1 January		**185**	**(191)**	**9,035**	**-**	**(1,446)**	**7,583**	**206**	**7,789**
Net profit		-	-	1,668	390	-	2,058	78	2,136
Other comprehensive income	4.1	-	-	148	-	292	440	318	758
Comprehensive income		**-**	**-**	**1,816**	**390**	**292**	**2,498**	**396**	**2,894**
Share-based payments	6.2	-	-	80	-	-	80	-	80
Settlement of vested PSUs		-	6	(6)	-	-	-	-	-
Non-controlling interests	4.1	-	-	(5)	-	-	(5)	57	52
Transactions with owners		**-**	**6**	**69**	**-**	**-**	**75**	**57**	**132**
Changes in equity		**-**	**6**	**1,885**	**390**	**292**	**2,573**	**453**	**3,026**
Equity at 31 December		**185**	**(185)**	**10,920**	**390**	**(1,154)**	**10,156**	**659**	**10,815**
2021									
Equity at 1 January		**185**	**(191)**	**8,124**	-	**(1,602)**	**6,516**	**29**	**6,545**
Net profit		-	-	615	-	-	615	22	637
Other comprehensive income	4.1	-	-	54	-	156	210	(15)	195
Comprehensive income		-	-	**669**	-	**156**	**825**	**7**	**832**
Share-based payments	6.2	-	-	62	-	-	62	-	62
Non-controlling interests	4.1	-	-	180	-	-	180	170	350
Transactions with owners		-	-	**242**	-	-	**242**	**170**	**412**
Changes in equity		-	-	**911**	-	**156**	**1,067**	**177**	**1,244**
Equity at 31 December		**185**	**(191)**	**9,035**	-	**(1,446)**	**7,583**	**206**	**7,789**

[1] At 31 December 2022, DKK 17 million (2021: DKK 52 million) of accumulated foreign exchange gains related to discontinued operations.

Significant changes and events

In 2022, 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. 15-19.

Macroeconomic environment

In 2022, we saw significant macroeconomic uncertainties (among others due to the Russia-Ukraine war) leading to increased interest and inflation rates. These developments have impacted certain accounting estimates and judgements, including assumptions made by management, most significantly in relation to:

- Impairment tests, note 3.2
- Pensions and similar obligations, note 7.1
- Onerous contracts, note 2.5

Russia-Ukraine war

In March 2022, we divested our business in Russia as part of the strategic divestment programme. In addition, ISS has no material activities in Ukraine. Consequently, the Russia-Ukraine war did not have a material impact on the results of the Group's operations and financial position in 2022. However, the impact of the war led to increased operating costs due to generally increased inflation rates which were in all material respects mitigated through price increases in our customer contract portfolio.

Divestment programme

In 2022, the strategic divestment programme was successfully completed as we divested Taiwan, Russia and Portugal as well as two business units in Hong Kong and the UK. As a result, a net gain of DKK 201 million was recognised in profit or loss in 2022.

See 3.4, Divestments, assets held for sale and discontinued operations for further details.

Hyperinflation in Turkey

Effective 1 January 2022, the Group implemented IAS 29, Financial Reporting in Hyperinflationary Economies as the cumulative three-year inflation in Turkey exceeded 100%.

As a result, the financial statements of ISS Turkey for 2022 have been restated based on changes in the general price index and by applying end-of period exchange rates. Comparative figures were not restated.

The implementation did not have a material impact on the Group's key financial KPIs. Impact and applied accounting policies are disclosed in 7.2, Hyperinflation in Turkey.

Estimates and judgements

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 developments into consideration, 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 table to the right provides an overview of the Group's significant accounting estimates and judgements and the significance of impact on the consolidated financial statements.

Note		Significant estimates and judgements	Estimate/Judgement	Impact
1.2	**Revenue**	• Revenue recognition – impact from contract modifications and variable consideration	Estimate/Judgement	• •
		• Gross or net presentation	Judgement	•
2.2	**Other receivables**	• Capitalisation of transition and mobilisation costs	Judgement	•
2.5	**Provisions**	• Onerous contracts – future profitability	Estimate/Judgement	• • •
		• Assumptions for claims, disputes and legal proceedings	Judgements	• • •
2.6	**Right-of-use assets**	• Lease term, including extension options mainly related to buildings	Judgements	• •
3.1	**Intangible assets**	• Cloud-based arragements – assessment of control	Judgements	•
		• Capitalisation of configuration and customisation costs for software	Judgements	•
3.2	**Impairment tests**	• Key assumptions in impairment test of goodwill and other intangible assets	Estimate	• • •
5.2	**Deferred tax**	• Recognition of deferred tax assets – future taxable profit available	Estimate	•
		• Uncertain tax positions – estimate of the amount required to settle the obligation	Estimate/Judgement	•
7.1	**Pensions and similar obligations**	• Assumptions for actuarial gains and losses, e.g. inflation and discount rates, future salary and pension increases	Estimate	•

• Low
•• Medium
••• High

1 Operating profit

ISS is a leading, global provider of integrated facility service (IFS) to key account customers and the absolute leader in cleaning. With operations in 60+ countries of which 30+ are core self-delivery countries, we have a strong global footprint.

In recent years, we have successfully trimmed our business. Today, we have a global platform, and the growth agenda will be focused on providing IFS to key accounts in three prioritised segments; office-based, production-based and healthcare. Our core service offering to customers consists of cleaning, food, technical and workplace services.

In 2022, revenue was DKK 76,538 million. Revenue from key accounts increased to 71% (2021: 69%) of Group revenue and generated higher organic growth than non-key accounts. IFS share of revenue has consistently increased over the last decade and comprised 51% in 2022.

The majority of revenue comprises portfolio revenue which is contractually committed at the inception of the contract and recurring. The remaining revenue is demanded on a non-recurring basis and agreed as separate transactions.

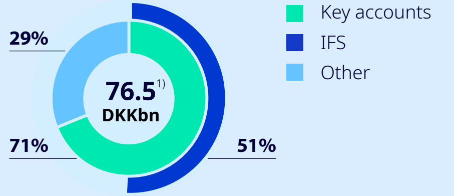
Portfolio revenue grew organically by 10%, positively impacted by price increases to offset the rising cost inflation. Revenue from projects and above-base work was in line with 2021 despite a decline in deep-cleaning and disinfection services.

Operating profit before other items was DKK 2,876 million for an operating margin of 3.8% excluding impact from IAS 29 (2021: 2.5%).

Our business model is based on self-delivery of our core services by our placemakers – our most important resource. As a result, we incur a significant amount of employee costs to generate revenue. In 2022, employee costs comprised 66% of total operating costs, and remained at the level of 2021.

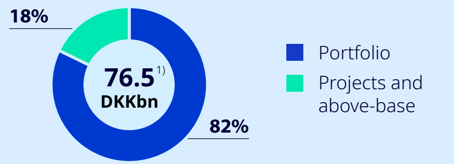
In this section:

Our strategic focus
– IFS for key accounts



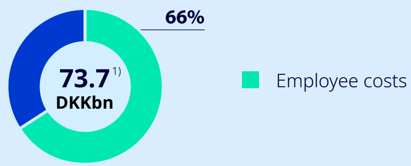
[1] Group revenue

Our revenue base
– high level of recurring revenue



[1] Group revenue

Our cost base
– self-delivery by our placemakers



[1] Total operating costs

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.

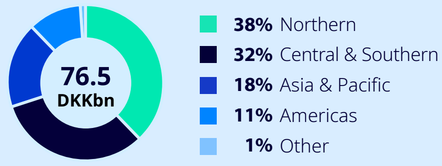
The regions have been identified based on a key principle of grouping countries that share market conditions and cultures. Countries where we do not have a full country-based support structure, which are managed by our Global Key Account Organisation, are combined in a separate segment "Other countries".

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

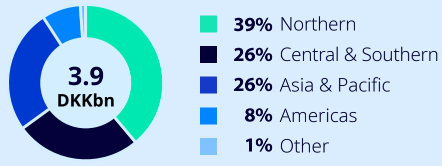
(DKKm)	Northern Europe	Central & Southern Europe	Asia & Pacific	Americas	Other countries	Total segments	Unallocated/ elimination	Total Group
2022 [1]								
Revenue, excl. IAS 29 [2]	28,694	24,538	14,012	8,585	606	76,435	(51)	76,384
Revenue	**28,694**	**24,692**	**14,012**	**8,585**	**606**	**76,589**	**(51)**	**76,538**
Depreciation and amortisation	(557)	(575)	(147)	(97)	(4)	(1,380)	(137)	(1,517)
Operating profit before other items, excl. IAS 29 [2]	1,519	1,108	882	445	27	3,981	(1,105)	2,876
Operating profit before other items	**1,519**	**1,079**	**882**	**445**	**27**	**3,952**	**(1,105)**	**2,847**
Operating margin	***5.3%***	***4.4%***	***6.3%***	***5.2%***	***4.5%***	***5.2%***	-	***3.7%***
Operating margin, excl. IAS 29	***5.3%***	***4.5%***	***6.3%***	***5.2%***	***4.5%***	***5.2%***	-	***3.8%***
Other income and expenses, net	45	(13)	156	(124)	-	64	(7)	57
Amortisation/impairment of brands and customer contracts	(16)	(27)	(4)	(22)	-	(69)	-	(69)
Operating profit	**1,548**	**1,039**	**1,034**	**299**	**27**	**3,947**	**(1,112)**	**2,835**
2021								
Revenue	**27,675**	**23,585**	**12,381**	**7,141**	**626**	**71,408**	**(45)**	**71,363**
Depreciation and amortisation	(659)	(581)	(212)	(109)	(3)	(1,564)	(196)	(1,760)
Operating profit before other items	**1,290**	**584**	**735**	**393**	**16**	**3,018**	**(1,242)**	**1,776**
Operating margin	***4.7%***	***2.5%***	***5.9%***	***5.5%***	***2.6%***	***4.2%***	-	***2.5%***
Other income and expenses, net	(2)	431	(2)	78	-	505	(66)	439
Goodwill impairment	-	(450)	-	-	-	(450)	-	(450)
Amortisation/impairment of brands and customer contracts	(21)	(11)	(6)	(26)	-	(64)	-	(64)
Operating profit	**1,267**	**554**	**727**	**445**	**16**	**3,009**	**(1,308)**	**1,701**

[1] Effective 1 January 2022, the Group reorganised its European business into the regions Northern Europe and Central & Southern Europe consistent with the Group's internal management and reporting structure. As a result, the Netherlands, Belgium & Luxembourg, Poland and Lithuania were moved from Central & Southern Europe (previously Continental Europe) to Northern Europe. Asia & Pacific and Americas remained unchanged. Comparative figures for 2021 were restated accordingly.
[2] Effective 1 January 2022, ISS Turkey was restated for hyperinflation in accordance with IAS 29, cf. 7.2, Hyperinflation in Turkey.

Revenue



Operating profit [1]



[1] Based on total segments

1.1 Segments (continued)

1.1.2 Geographical distribution

Revenue

(DKKm)	2022	2021
UK & Ireland	10,396	10,634
US & Canada	6,387	5,298
Switzerland	5,729	5,212
Germany	5,556	5,429
Australia & New Zealand	4,868	4,349
Spain	4,122	4,420
Norway	4,016	3,181
Denmark (country of domicile)	3,169	3,661
Other countries [1]	32,295	29,179
Total	**76,538**	**71,363**

[1] Including unallocated items and eliminations.

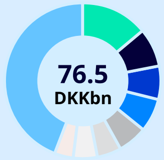
Group revenue per country is disclosed on p. 119.

Non-current assets [2]

(DKKm)	2022	2021
UK & Ireland	3,052	3,275
US & Canada	2,492	2,362
Switzerland	2,134	1,723
Denmark (country of domicile)	1,737	1,804
Norway	1,434	1,501
Australia & New Zealand	1,396	1,411
Spain	1,196	1,178
Germany	997	989
Other countries [1]	13,314	12,329
Total	**27,752**	**26,572**

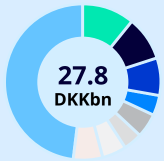
[2] Excluding deferred tax assets.

Revenue



14% UK & Ireland
8% US & Canada
7% Switzerland
7% Germany
6% Australia & NZ
5% Spain
5% Norway
4% Denmark
44% Other countries

Non-current assets



11% UK & Ireland
9% US & Canada
8% Switzerland
6% Denmark
5% Norway
5% Australia & NZ
4% Spain
4% Germany
48% Other countries

§ Accounting policy

The segmentation is consistent with the Group's strategic management and reporting structure applied by the Executive Group Management, and excludes discontinued operations. 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. Transactions between operating segments are made on market terms.

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 comprise more than 10% of Group revenue.

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, approx. 82% (2021: 81%).

(DKKm)	2022	2021
Portfolio revenue	62,872	57,479
Projects and above-base work	13,666	13,884
Total	**76,538**	**71,363**

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) 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;
- 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)	2022	2021
Customer category		
Key accounts	54,666	49,238
Large and medium	17,387	17,958
Small and route-based	4,485	4,167
Total	**76,538**	**71,363**
Customer segments		
Office-based	30,647	n/a
Production-based	18,094	n/a
Healthcare	10,046	n/a
Other	17,751	n/a
Total	**76,538**	**n/a**
Core services		
Cleaning	34,693	34,416
Technical	16,640	16,226
Food	10,170	7,535
Workplace, incl. Other	15,035	13,186
Total	**76,538**	**71,363**

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

1.2.3 Costs to fulfill a contract

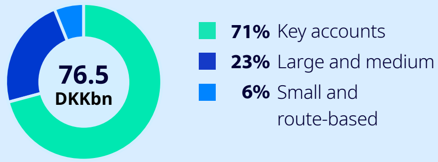
The size and complexity of key account contracts often requires ISS to incur significant transition and mobilisation costs before service delivery commences in order to be able to fulfill the performance obligations under the contracts.

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.

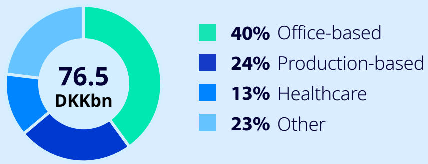
At 31 December 2022, capitalised transition and mobilisation costs amounted to DKK 36 million (2021: DKK 62 million). No significant additional costs were capitalised in 2022.

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

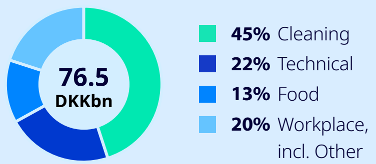
Customer category



Customer segments



Core services



1.2 Revenue (continued)

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 94% (excl. the planned exit of the Danish Defence contract), both for key accounts and overall, supporting that these options are rarely exercised.

As described in 1.2.1, Performance obligations, the vast majority of our revenue is portfolio revenue and the remaining part is non-recurring in the form of projects and above-base work. Projects and above-base work is not committed as part of the main customer contract and is therefore excluded from the transaction price to be allocated to the remaining performance obligation (revenue backlog). In addition, the Group has applied the exemptions of IFRS 15, and excluded the following from the backlog:

- 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 are 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. 20, a maturity overview for our largest key accounts (> DKK 200 million of annual revenue) is presented.

(DKKm)		2022		2021
< 1 year	34%	21,413	33%	20,310
1-5 years	54%	34,407	50%	30,586
> 5 years	12%	7,352	17%	10,148
Total	**100%**	**63,172**	**100%**	**61,044**

§ Accounting policy

Revenue from contracts with customers is recognised when control of the services is transferred to the customer at an amount that reflects the expected consideration for those services. Control is transferred over time as the customer simultaneously receives and consumes the benefits provided by the Group.

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

Revenue excludes amounts collected on behalf of third parties, e.g. VAT and duties.

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.

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 it 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.

1.3 Employee costs

(DKKm)	Note	2022	2021
Wages and salaries		38,803	37,214
Social security costs		5,950	5,581
Pensions	7.1	1,448	1,376
Share-based payments	6.2	80	62
Other		2,048	2,136
Total		**48,329**	**46,369**
Average number of employees		**352,792**	**362,789**

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 2022, employee costs comprised 66% of the total operating costs (2021: 67%) and were positively impacted by a refund of collective insurance premiums paid in prior years in Sweden of DKK 23 million (2021: DKK 78 million).

Government grants

In 2022, the Group recognised government grants of DKK 159 million (2021: DKK 135 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 2022, the Group recognised Covid-19 related grants of DKK 122 million (2021: DKK 432 million), mainly in the US, Hong Kong and Sweden.

1.4 Other income and expenses, net

(DKKm)	2022	2021
Gain on divestments	206	604
IT security incident	-	7
Other income	**206**	**611**
Loss on divestments	(124)	(34)
Integration costs	(7)	-
Acquisition costs	(4)	(77)
Ceased held for sale classification	-	(59)
Other	(14)	(2)
Other expenses	**(149)**	**(172)**
Other income and expenses, net	**57**	**439**

Gain on divestments mainly related to the Waste Management business in Hong Kong and the damage control business in the UK. In 2021, gain on divestments mainly related to Kanal Services in Switzerland and Specialized Services in the US.

Loss on divestments mainly comprised to a withdrawal liability on a multiemployer plan in the US related to the divestment of the Specialized Services business in December 2021. In 2021, the loss mainly related to adjustments to prior years' divestments and the divestment of the Fruit Baskets business in Sweden.

Acquisition costs mainly related to the acquisition of Livit FM Services AG in Switzerland (2021: Rönesans Facility Management Company).

§ 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, carrying amount adjustments regarding ceased held for sale classification, 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.

Integration costs related to the acquisition of Livit FM Services AG in Switzerland.

Ceased held for sale classification comprised depreciation and amortisation for the years 2019 to 2020 due to the ceased held for sale classification of Chile in 2021.

Other comprised mainly costs related to winding-up of a minor business in Germany.

2 Operating assets, liabilities and free cash flow

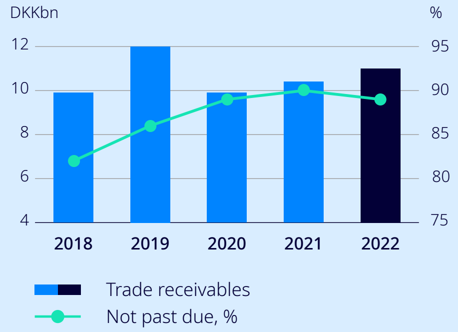
Our ability to manage our working capital and secure the liquidity required to operate, grow and improve our business is paramount, and driving strong cash flow remained a key priority for ISS in 2022.

In 2022, we generated nominal free cash flow (non-IFRS) of DKK 1.7 billion (2021: DKK 1.7 billion) driven by solid operating profit and continued tight management of working capital. Investments in property, plant and equipment (including right-of-use assets) remained low and comprised 1.5% of Group revenue (2021: 1.7%) reflecting our asset-light business model.

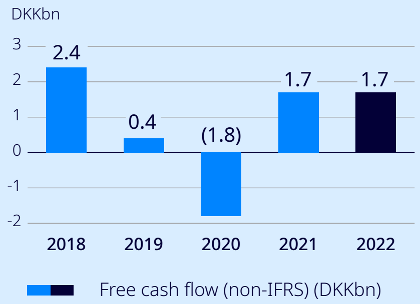
To improve capital efficiency, we continued to focus on the development in trade receivables, especially overdue receivables and unbilled receivables. As a result, the ageing profile of our trade receivables remained strong with 89% of receivables in the not past due category (2021: 90%).

In this section:

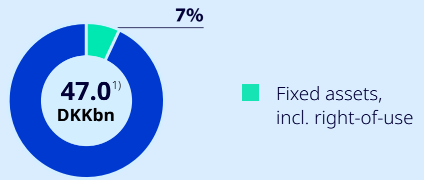
Trade receivables



Free cash flow



Asset-light business model



[1] Total assets

2.1 Trade receivables and credit risk

(DKKm)	2022 Gross	2022 Expected credit losses	2022 Carrying amount	2021 Gross	2021 Expected credit losses	2021 Carrying amount
Central & Southern Europe	4,553	(50)	4,503	4,355	(64)	4,291
Northern Europe	3,218	(24)	3,194	3,303	(37)	3,266
Asia & Pacific	2,072	(38)	2,034	1,852	(49)	1,803
Americas	1,171	(12)	1,159	964	(12)	952
Other countries	106	-	106	94	-	94
Total	**11,120**	**(124)**	**10,996**	**10,568**	**(162)**	**10,406**
Not past due	9,762	(6)	9,756	9,418	(4)	9,414
Past due 1 to 60 days	1,073	(4)	1,069	866	(6)	860
Past due 61 to 180 days	179	(14)	165	138	(12)	126
Past due 181 to 360 days	22	(20)	2	37	(34)	3
More than 360 days	84	(80)	4	109	(106)	3
Total	**11,120**	**(124)**	**10,996**	**10,568**	**(162)**	**10,406**

Expected credit losses

(DKKm)	2022	2021
At 1 January	(162)	(299)
Foreign exchange adjustments	6	1
Divestments	2	0
Additions	(59)	(45)
Unused amounts reversed	74	120
Unrecoverable amounts written off	15	64
Reclassification to Assets held for sale	-	(3)
At 31 December	**(124)**	**(162)**

Development in 2022

In 2022, trade receivables increased to DKK 10,996 million (2021: DKK 10,406 million) mainly as a result of organic growth driven by return-to-office trends and food service recovery.

At 31 December 2022, commercial use of factoring with certain large key account customers and participation in certain customers' supply chain finance arrangements was DKK 1.3 billion (31 December 2021: DKK 1.1 billion).

At 31 December 2022, expected credit losses were 1.1% (2021: 1.5%) of trade receivables (gross) and trade receivables not past due was 89% of trade receivables, net (2021: 90%).

Credit risk
– low exposure

The Group's exposure to credit risk is inherently relatively 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. Also, the completion of our divestment programme has contributed to the low risk assessment as higher-risk countries and business units have been divested.

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 2022, the increased inflation rates were managed 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 initially at the transaction price and subsequently measured at amortised cost. Due to its short-term nature, amortised cost will equal the invoiced amount less expected credit losses.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for grouping of customer segments with similar loss patterns, e.g. by geographical region, customer type and rating. The calculation reflects the probability-weighted outcome, the time value of money, 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.

2.2 Other receivables

(DKKm)	2022	2021
Supplier rebates and bonuses	424	352
Prepayments to suppliers	392	359
Receivable divestment proceeds	114	155
Sign-on fees	110	134
Securities	104	103
Government grants	103	27
Derivatives	50	-
Transition and mobilisation costs	36	62
Other	362	390
Total	**1,695**	**1,582**

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. The increase in 2022 was due to the general pick-up in activity, especially driven by the return-to-office trends and recovery of food services.

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

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

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

Significant accounting judgements

Capitalisation of transition and mobilisation costs involves management's judgement to assess if the criteria for capitalisation are fulfilled. Management uses judgement to determine if the costs relate directly to the contract and are incurred in order for ISS to be able to fulfill 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.

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

Government grants related to various receivables, including Covid-19 related, mainly in the US, Spain and Denmark.

Transition and mobilisation costs comprised directly related costs incurred to fulfill the performance obligations under certain large contracts, cf. 1.2, Revenue. The decrease in 2022 was due to ordinary amortisation, mainly in Denmark, Sweden and the UK.

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

§ 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.

Transition and mobilisation costs (costs to fulfill a contract) comprise costs directly related to start-up 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.

Transition and mobilisation costs are capitalised and amortised over the initially secured contract term consistent with ISS's transfer of the related services to the customer. Bid-related costs, including costs relating to sales work and securing contracts, are expensed as incurred.

Sign-on fees comprise upfront discounts to certain large customers incurred in the ordinary course of business. Sign-on fees 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 recognised at fair value.

2.3 Other liabilities

(DKKm)	2022	2021
Accrued wages, pensions and holiday allowances	5,589	5,514
Tax withholdings, VAT etc.	1,671	1,503
Prepayments from customers	805	868
Savings plan	104	103
Contingent consideration and deferred payments	12	31
Other	533	711
Total	**8,714**	**8,730**

Savings plan related to a plan in the US which is administered by ISS on behalf of certain senior employees.

Other comprised customer discounts, accrued interests, etc.

2.4 Changes in working capital

(DKKm)	2022	2021
Changes in inventories	(61)	4
Changes in receivables	(882)	(110)
Changes in payables	1,387	1,162
Total	**444**	**1,056**

2.5 Provisions, contingent assets and liabilities, and guarantees

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 the following areas:

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

Provisions have been recognised in relation to such obligations for probable losses, that management deems reasonable and appropriate at 31 December 2022 as reflected in the table to the right.

In addition, ISS is exposed to possible obligations in relation hereto as described below under 2.5.2 Contingent assets and liabilities.

2.5.1 Provisions

Legal claims and disputes

The provision primarily relates to labour-related claims and disputes regarding wages, overtime, holiday, severance etc. as well as claims and disputes in relation to contractual disagreements with customers and suppliers. 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. At 31 December 2022, the majority related to the UK, the US, France and Spain.

Self-insurance

The provision for self-insurance 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:** DKK 26.8m (2021: DKK 25.2m) yearly
- **UK:** DKK 25.2m (2021: DKK 26.6m) yearly aggregated limit and DKK 4.2m (2021: DKK 4.4m) per claim
- **Australia:** DKK 4.7m (2021: DKK 3.6m) per claim
- **US:** DKK 3.5m (2021: DKK 3.3m) 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 7.4 million (EUR 1 million per claim).

Restructuring projects

The provision mainly covers restructuring projects initiated in 2020 in several countries. The purpose was to adjust our cost base on the back of Covid-19 and involved overhead reductions, including termination of employees and contract exits.

In 2022, execution of the projects continued, which led to a decrease of DKK 303 million mainly due to severance payments in Germany, France and Spain.

Onerous contracts

The provision covers the unavoidable costs for certain loss-making contracts. The increased inflation during 2022, and resulting cost increases, was generally managed through price increases and cost reductions. Consequenly, inflation did not lead to identification of any significant new onerous contracts or increased provision for contracts already recognised as onerous.

(DKKm)	Legal claims and disputes	Self-insurance	Restructurings	Onerous contracts	Other	Total
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
2021						
At 1 January	133	261	787	285	460	1,926
Foreign exchange adjustments	(6)	15	4	6	7	26
Additions	141	225	7	73	45	491
Used during the year	(62)	(232)	(373)	(21)	(11)	(699)
Unused amounts reversed	(55)	(2)	(52)	(16)	(10)	(135)
Reclass (to)/from other liabilities	84	(5)	1	3	24	107
At 31 December	**235**	**262**	**374**	**330**	**515**	**1,716**
Non-current	121	127	142	78	287	755
Current	114	135	232	252	228	961

In 2022, the decrease of DKK 253 million was mainly related to the exit from the Danish Defence contract, including payment of an exit fee, termination of lease obligations and disposal of equipment as well as utilisation of the provision for a key account contract in Hong Kong. Furthermore, in France and the UK improvement initiatives on a few minor loss-making contracts led to reversal of amounts provided in prior years.

At 31 December 2022, the remaining provision related to a key account contract in Hong Kong and a few minor contracts in a few countries.

Other provisions

Other provisions comprise various other risks and obligations incidental to our business, most significantly related to divestments and customer and contract-related risks and disputes and decommissioning liabilities.

In 2022, the addition was mainly due to recognition of a withdrawal liability on a multiemployer plan in the US related to the divestment of Specialized Services in 2021.

At 31 December 2022, the provision mainly related to Germany, the US, UK and France.

2.5 Provisions, contingent assets and liabilities, and guarantees (continued)

2.5.2 Contingent assets and liabilities

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 2022. 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 and financial position 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. The contract continues to be structurally challenging. Following an agreed dispute resolution mechanism, certain contractual disagreements are subject to arbitration proceedings initiated by ISS.

Labour-related risks

Being a people company operating across different geographies and service areas exposes us to varying and changing labour laws, 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. 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 2022.

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.

Restructuring projects

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 2022.

2.5.3 Guarantees

ISS has issued certain guarantees in the normal course of business. Guarantees do not represent legal or constructive obligations and are not recognised in the statement of financial position at 31 December 2022.

(DKKm)	2022	2021
Bank-guaranteed performance bonds	1,755	1,761
Other performance bonds	1,831	1,819
Performance guarantees (service contracts)	**3,586**	**3,580**
Indemnity and guarantee commitments	**472**	**479**

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.

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.

2.5 Provisions, contingent assets and liabilities, and guarantees (continued)

Significant accounting estimates and judgements

Our strategic choice to focus on key accounts increasingly leads to a customer case comprising large, more 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 fulfillment 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, tax disputes, 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.

Accounting policy

Provisions

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

Legal disputes and claims, 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 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 liabilities, if the Group has a legal obligation to dismantle or remove an asset or restore a site or leased facilities when vacated. The provision corresponds to the present value of expected costs to settle the obligation.

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.

Contingent assets and liabilities

Contingent liabilities comprise:

1) possible obligations that arise from a past event and whose existence will only be confirmed by the occurrence or non-occurrence of future events; and

2) obligations that are not recognised as the amount cannot be measured sufficiently reliable or it is not probable that economic benefits will be required to settle the obligation.

Contingent assets are possible assets whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events that are not wholly within the control of the entity.

Contingent assets and liabilities are not recognised, but disclosed in the notes.

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

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 2022. Our model is based on leasing, rather than owning, property, vehicles and equipment.

Right-of-use assets

At 31 December 2022, ISS was party to around 18,500 lease agreement of which the majority related to vehicles, whereas in terms of asset value, the main part related to property.

Additions amounted to DKK 765 million in 2022, which was impacted by new country head office leases in Austria and Singapore and extensions in a few other countries. This was slightly lower than 2021 where additions of DKK 859 million included new head office leases in France and Norway and additional new vehicle leases due to contract wins in the UK, Germany, Norway, Mexico and Finland.

Property plant and equipment

Additions of DKK 345 million in 2022 primarily related to equipment for new and existing contracts and was broadly in line with 2021.

	2022					2021				
	Right-of-use assets				Property, plant and equipment	Right-of-use assets				Property, plant and equipment
(DKKm)	Properties	Vehicles	Other	Total		Properties	Vehicles	Other	Total	
Cost at 1 January	2,582	1,307	577	4,466	3,455	2,411	1,313	673	4,397	3,615
Prior year adjustments	-	-	-	-	-	(117)	(203)	(94)	(414)	-
Foreign exchange adjustments	4	(9)	(35)	(40)	(39)	51	17	(46)	22	45
Hyperinflation restatement	-	20	57	77	183	-	-	-	-	-
Additions	264	312	189	765	345	347	372	140	859	335
Acquisitions	5	34	-	39	7	-	-	6	6	27
Divestments	-	-	-	-	(16)	-	-	-	-	(122)
Disposals	(198)	(252)	(81)	(531)	(654)	(127)	(199)	(96)	(422)	(489)
Reclass	-	-	-	-	(6)	17	7	(6)	18	44
Cost at 31 December	**2,657**	**1,412**	**707**	**4,776**	**3,275**	**2,582**	**1,307**	**577**	**4,466**	**3,455**
Depreciation at 1 January	(1,071)	(669)	(281)	(2,021)	(2,524)	(842)	(689)	(354)	(1,885)	(2,581)
Prior year adjustments	-	-	-	-	-	117	203	94	414	-
Foreign exchange adjustments	(1)	7	19	25	30	(18)	(12)	21	(9)	(57)
Hyperinflation restatement	-	(7)	(13)	(20)	(107)	-	-	-	-	-
Impairment	-	-	-	-	(22)	(32)	-	-	(32)	(5)
Depreciation	(398)	(356)	(134)	(888)	(376)	(412)	(368)	(142)	(922)	(422)
Divestments	-	-	-	-	15	-	-	-	-	109
Disposals	198	252	81	531	626	126	199	95	420	456
Reclass	-	-	-	-	-	(10)	(2)	5	(7)	(24)
Depreciation at 31 December	**(1,272)**	**(773)**	**(328)**	**(2,373)**	**(2,358)**	**(1,071)**	**(669)**	**(281)**	**(2,021)**	**(2,524)**
Carrying amount at 31 December	**1,385**	**639**	**379**	**2,403**	**917**	**1,511**	**638**	**296**	**2,445**	**931**

Significant accounting judgements

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 set to ten years for head office and accessory buildings, whereas all other leases with no definite end date are set to five years.

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

Lease liability

The carrying amount of lease liabilities and the movements in the year are disclosed in 4.2, Loans and borrowings. The maturity profile is disclosed in 4.6, Liquidity risk.

Lease-related costs in profit or loss

(DKKm)	2022	2021
Depreciation of right-of-use assets	888	922
Interest expenses on lease liabilities	82	69
Leases of low-value assets	203	168
Short-term leases	88	88
Variable lease payments	11	13
Recognised in profit or loss	**1,272**	**1,260**
Hereof cash outflow	**384**	**338**

§ 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.

Cost comprises the amount of lease liabilities recognised, initial direct costs, dismantling and restoration costs incurred and lease payments made at or before the commencement date less any lease incentives received.

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

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

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 equipment is measured at cost, less accumulated depreciation and impairment losses.

Cost comprises the purchase price and costs directly attributable to the acquisition until the date when the asset is ready for use. The net present value of estimated liabilities related to dismantling and removing the asset and restoring the site on which the asset is located is added to the cost.

Subsequent costs, e.g. for replacing parts of an item, are recognised in the cost of the asset if it is probable that the future economic benefits embodied by the item will flow to the Group. The carrying amount of the item is derecognised when replaced and transferred to profit or loss. All other costs for common repairs and maintenance are recognised in profit or loss when incurred.

Depreciation is based on the cost of an asset less its residual value. When parts of an item of property, plant and equipment have different useful lives, they are accounted for separately. The estimated useful life and residual value are determined at the acquisition date. If the residual value exceeds the carrying amount depreciation is discontinued.

Depreciation is calculated 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 is not depreciated.

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted prospectively, if appropriate.

Gains and losses arising on the disposal or retirement of property, plant and equipment are measured as the difference between the selling price less direct sales costs and the carrying amount, and 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.

2.7 Free cash flow

Free cash flow as defined by management, cf. 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)	2022	2021
Cash flow from operating activities	3,333	3,221
Acquisition of intangible assets and property, plant and equipment	(809)	(628)
Disposal of intangible assets and property, plant and equipment	30	42
Acquisition of financial assets, net [1)]	(51)	(30)
Addition of right-of-use assets, net [2)]	(769)	(870)
Free cash flow	**1,734**	**1,735**

1) Excluding investments in equity-accounted investees which in 2022 was DKK (22) million (2021: DKK (24) million).

2) Including DKK 4 million (2021: DKK 13 million) related to discontinued operations, cf. 2.6, Right-of-use assets and property, plant and equipment.

3 Strategic investments and divestments

Acquisition agenda
Our asset base is the result of our expansion strategy in the 00s, where acquisitions were used to scale and rapidly expand the business across services and geographies.

Learning from history – and a decade of divestments of non-strategic businesses – we will over the next years initiate selective acquisition assessments to scale our OneISS platform in a disciplined and controlled manner.

With that in mind, we acquired the facility management company Livit FM in Switzerland in October 2022. The acquisition supports the OneISS strategy by expanding and developing our services to the prioritised real estate industry segment.

Divestment programme completed
In 2022, we divested our businesses in Taiwan, Russia and Portugal as well as two business units in the UK and Hong Kong. Furthermore, the business in Brunei was divested in February 2023. Our strategic divestment programme was therefore completed and the targeted proceeds of DKK 2.0 billion were secured. The total impact on profit or loss from divestments in 2022 was a net gain of DKK 201 million (2021: DKK 591 million).

Investing in technology
We have a strategic ambition of becoming technology leader in our industry by focusing on three strategic pillars:

1) the right digital applications for our customers and placemakers;

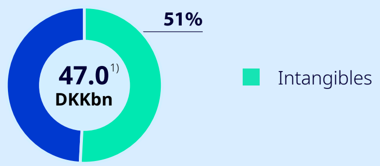
2) scalable and cybersecure “cloud-first” infrastructure; and

3) managed by inhouse global technology teams.

In recent year, we have therefore invested more in IT, and will continue to do so in the coming years. Our newly established software development centre in Portugal will play an important role in supporting our strategy by developing and operating apps, platforms and data analytics among others.

In this section:

Intangible assets
– our largest asset category



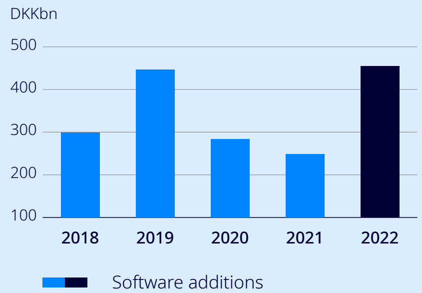
1) Total assets

Divestment programme completed
5 businesses divested

201 DKKm net gain realised

Acquisition agenda initiated
Livit FM acquired in Switzerland

Investing in technology
– software additions



3.1 Intangible assets

(DKKm)	2022 Goodwill	2022 Brands	2022 Customer contracts	2022 Software and other [1]	2022 Total	2021 Goodwill [2]	2021 Brands	2021 Customer contracts	2021 Software and other [1]	2021 Total
Cost at 1 January	23,178	1,666	9,098	2,589	36,531	22,643	1,663	8,626	2,505	35,437
Foreign exchange adjustments	(112)	5	(107)	(9)	(223)	402	3	112	19	536
Hyperinflation restatement	644	-	235	5	884	-	-	-	-	-
Additions	-	-	-	454	454	-	-	-	248	248
Acquisitions	203	-	161	-	364	97	-	428	7	532
Divestments	(46)	-	(1)	(2)	(49)	(20)	-	(106)	(1)	(127)
Disposals	-	-	(93)	(118)	(211)	-	-	(12)	(174)	(186)
Reclass (to)/from Property, plant and equipment	-	-	-	6	6	-	-	-	-	-
Reclass to Assets held for sale	-	-	-	-	-	56	-	50	(15)	91
Cost at 31 December	**23,867**	**1,671**	**9,293**	**2,925**	**37,756**	**23,178**	**1,666**	**9,098**	**2,589**	**36,531**
Amortisation and impairment losses at 1 January	(3,425)	(74)	(8,501)	(1,792)	(13,792)	(2,981)	(61)	(8,302)	(1,575)	(12,919)
Foreign exchange adjustments	8	(4)	38	8	50	6	(3)	(218)	(15)	(230)
Hyperinflation restatement	-	-	(2)	(3)	(5)	-	-	-	-	-
Amortisation	-	(4)	(65)	(207)	(276)	-	(10)	(54)	(289)	(353)
Impairment	-	-	-	(24)	(24)	(450)	-	-	(92)	(542)
Divestments	-	-	1	2	3	-	-	101	1	102
Disposals	-	-	93	115	208	-	-	12	169	181
Reclass to Assets held for sale	-	-	-	-	-	-	-	(40)	9	(31)
Amortisation and impairment losses at 31 December	**(3,417)**	**(82)**	**(8,436)**	**(1,901)**	**(13,836)**	**(3,425)**	**(74)**	**(8,501)**	**(1,792)**	**(13,792)**
Carrying amount at 31 December	**20,450**	**1,589**	**857**	**1,024**	**23,920**	**19,753**	**1,592**	**597**	**797**	**22,739**

[1] Of which DKK 133 million related to software under development at Group level (2021: DKK 93 million).
[2] The impairment loss in 2021 of DKK 450 million related to France.

Hyperinflation restatement Implementation of IAS 29 in Turkey led to a significant increase of the Group's intangible assets, in total DKK 879 million, net. The increase related to goodwill (DKK 644 million), customer contracts (DKK 233 million) and software (DKK 2 million). Further details are provided in 7.2, Hyperinflation in Turkey.

Livit FM, Switzerland The acquisition in October 2022 added DKK 347 million to the Group's intangibles relating to goodwill (DKK 191 million) and customer contracts (DKK 156 million). Further details are provided in 3.3, Acquisitions.

Software and other In line with the Group's strategic ambition of becoming the technology leader in the industry, we are investing more in software, e.g. digital applications for our customers and employees as well as cybersecure infrastructure. In 2022, additions amounted to DKK 454 million (2021: DKK 248 million), the majority related to Group-wide systems and applications.

Significant accounting judgements

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 arrangements, where the provider controls the application software, 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.

3.1 Intangible assets (continued)

Accounting policy

Goodwill is initially recognised at cost and subsequently at cost less accumulated impairment losses. Goodwill is not amortised. Goodwill relates mainly to assembled workforce, technical expertise and technological knowhow.

Acquisition-related brands and customer contracts are recognised at fair value at the acquisition date. Subsequently, brands with indefinite useful lives are measured at cost less accumulated impairment losses. Brands with finite useful lives and customer contracts are measured at cost less accumulated amortisation and impairment losses.

Acquired software and other intangible assets are 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 and indirect 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 as and when incurred.

Amortisation of intangible assets with finite useful lives 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
Brands (finite useful life)	2-5 years
Customer contracts	10-24 years
Software and other	5-10 years

Amortisation methods and useful lives are reassessed at the reporting date and adjusted prospectively, if appropriate.

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 contact 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 period.

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 as incurred in Other operating expenses.

In some arrangements, certain 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 are recognised as intangible assets if they are identifiable and meet the recognition criteria and amortised over the useful life of the software similar to other intangible assets.

3.2 Impairment tests

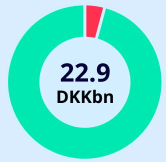
3.2.1 Impairment test results 2022

The impairment tests of goodwill, customer contracts and brands performed at 31 December 2022 did not result in recognition of impairment losses (2021: DKK 450 million in France).

Except for France, it is management's opinion that excess values in the Group's CGUs are fairly resilient to any likely and reasonable deteriorations in the key assumptions applied.

France is further described on p. 74.

Acquisition-related intangibles [1]
– by risk category [2]



1) Comprise goodwill, customer contracts and brands.
2) Internal assessment of likelihood of incurring a material impairment loss.

3.2.2 Goodwill and customer contracts

The carrying amounts of intangibles for CGUs representing more than 5% of intangibles, or CGUs considered to be at high risk of impairment are disclosed below.

	2022			2021		
(DKKm)	Goodwill	Customer contracts	Total	Goodwill	Customer contracts	Total
UK & Ireland	2,562	99	2,661	2,748	121	2,869
US & Canada	2,197	155	2,352	2,068	161	2,229
Finland	2,098	-	2,098	2,098	-	2,098
Switzerland	1,598	157	1,755	1,334	-	1,334
Denmark	1,620	-	1,620	1,652	-	1,652
Australia & NZ	1,327	2	1,329	1,336	4	1,340
Belgium & Lux.	1,319	-	1,319	1,319	-	1,319
Turkey	848	434	1,282	260	295	555
Norway	1,228	-	1,228	1,295	-	1,295
France	936	-	936	936	-	936
Other	4,717	10	4,727	4,707	16	4,723
Total	**20,450**	**857**	**21,307**	**19,753**	**597**	**20,350**

3.2 Impairment tests (continued)

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.

Calculating recoverable amounts

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 as shown in the table to the right.

Value-in-use 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.

In 2022, the Group reached its turnaround target following improved financial performance in the UK, on the Deutsche Telekom contract and with the exit from the Danish Defence contract. Management carefully considered the expected continued improvement to ensure that it is properly reflected in determining the key assumptions for the specific CGUs.

Management also ensured that financial forecasts and assumptions applied reflect the expected macroeconomic developments, which in 2022 primarily related to the impact from increased interest and inflation rates. During the year, the Group demonstrated its 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. Furthermore, the impact from Covid-19 recovery in 2022 has been considered.

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 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.

Key assumptions [1]	Basis for assumption
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 IMF "World Economic Outlook" • 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 and other 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) • 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% (2021: 6.5%) • Debt/equity target ratio (market values): 25/75 (2021: 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.

3.2 Impairment tests (continued)

Sensitivity analysis

A sensitivity analysis on the key assumptions in the impairment testing is presented to the right. 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.

Management's assessment of risk of incurring an impairment loss is based on the estimated excess value for the specific CGU.

France During 2022, the original restructuring and cost optimisation programme was finalised, though with a lower impact than initially anticipated, in part due to exposure to certain industry segments with slow Covid-19 recovery and muted commercial momentum. At the same time, interest rates and inflation rates increased significantly during the year. Thus, organic growth and operating margin for the year were realised below target.

In the late part of 2022, the country leadership team was strengthened with a new country manager and enhanced commercial and operational resources to execute an updated business improvement plan. In addition, in December 2022 the French parliament announced a gradual abolition of the CVAE (value-added tax of 1.5% of revenue) with partial effect in 2023 and full effect from 2024.

As a result of these significant internal and external circumstances and developments in 2022, management updated the business plan, which in general reflects a slower pace in reaching a sustainable operating margin of 5.0%.

			Forecasting period				Terminal period						
			Growth		Margin [1]		Growth		Margin [1]		Discount rate, net of tax		
(DKKm)	Carrying amount	Risk [2]	Avg.	Allowed decrease	Avg.	Allowed decrease	Rate	Allowed decrease	Rate	Allowed decrease	Rate	Allowed increase	Pre-tax
2022													
UK & Ireland	2,661	**Low**	4.8 %	>4.8 %	5.1 %	>5.1 %	3.0 %	>3.0 %	6.0 %	4.1 %	10.2 %	8.7 %	12.9 %
US & Canada	2,352	**Low**	6.1 %	>6.1 %	5.8 %	>5.8 %	3.0 %	>3.0 %	6.0 %	2.7 %	10.7 %	4.8 %	13.9 %
Finland	2,098	**Low**	1.9 %	>1.9 %	6.2 %	5.3 %	2.5 %	2.5 %	6.2 %	1.8 %	8.6 %	1.9 %	10.5 %
Switzerland	1,755	**Low**	2.3 %	>2.3 %	7.5 %	>7.5 %	2.0 %	>2.0 %	7.5 %	6.9 %	7.0 %	>7.0 %	8.3 %
Denmark	1,620	**Low**	1.6 %	>1.6 %	6.0 %	>6.0 %	2.5 %	>2.5 %	6.5 %	2.3 %	8.7 %	2.6 %	10.8 %
Australia & NZ	1,329	**Low**	2.8 %	>2.8 %	5.6 %	>5.6 %	2.5 %	>2.5 %	5.6 %	3.7 %	9.9 %	9.6 %	14.1 %
Belgium & Lux.	1,319	**Low**	2.5 %	>2.5 %	6.2 %	>6.2 %	2.5 %	>2.5 %	6.2 %	2.5 %	9.0 %	3.3 %	11.6 %
Turkey	1,282	**Low**	36.0 %	17.6 %	8.4 %	>8.4 %	10.0 %	>10.0 %	8.0 %	5.4 %	21.9 %	10.7 %	27.3 %
Norway	1,228	**Low**	2.8 %	>2.8 %	7.8 %	>7.8 %	3.0 %	>3.0 %	7.8 %	>7.8 %	9.6 %	>9.6 %	11.8 %
France	936	**High**	1.8 %	1.8 %	0.2 %	1.2 %	2.5 %	0.7 %	5.0 %	0.4 %	9.4 %	0.6 %	11.4 %
2021													
UK & Ireland	2,869	Low	3.9 %	>3.9 %	4.6 %	>4.6 %	2.5 %	>2.5 %	6.0 %	3.8 %	8.7 %	7.9 %	11.3 %
US & Canada	2,229	Low	13.1 %	>13.1 %	6.8 %	>6.8 %	3.0 %	>3.0 %	6.8 %	4.6 %	9.0 %	8.7 %	11.6 %
Finland	2,098	Low	1.7 %	>1.7 %	6.4 %	5.3 %	2.0 %	1.8 %	6.5 %	1.5 %	7.3 %	1.4 %	9.1 %
Denmark	1,652	Low	(1.8) %	3.0 %	6.2 %	3.0 %	2.0 %	1.3 %	6.5 %	1.1 %	7.7 %	1.0 %	9.8 %
Australia & NZ	1,340	Low	2.2 %	>2.2 %	6.1 %	>6.1 %	2.5 %	>2.5 %	6.1 %	4.1 %	8.7 %	8.7 %	12.3 %
Switzerland	1,334	Low	1.5 %	>1.5 %	7.1 %	>7.1 %	1.5 %	>1.5 %	7.1 %	5.9 %	6.3 %	>6.3 %	7.6 %
Belgium & Lux.	1,319	Low	3.6 %	>3.6 %	5.7 %	>5.7 %	2.0 %	>2.0 %	6.0 %	1.7 %	7.3 %	1.9 %	9.8 %
Norway	1,295	Low	6.0 %	>6.0 %	7.9 %	>7.9 %	2.5 %	>2.5 %	8.0 %	7.2 %	8.7 %	>8.7 %	11.0 %
Sweden	1,010	Low	3.3 %	>3.3 %	5.5 %	>5.5 %	2.0 %	>2.0 %	6.2 %	4.8 %	8.0 %	>8.0 %	10.0 %
France	936	High	1.4 %	0.2 %	3.3 %	0.2 %	2.0 %	0.1 %	5.0 %	0.1 %	8.9 %	0.1 %	13.7 %

[1] Excluding allocated corporate costs.
[2] Risk is assessed based on the estimated excess value for the specific CGU.

The impairment test at 31 December 2022 based on the updated business plan did not result in recognition of an impairment loss. The excess value continues to be limited though slightly improved as a result of the gradual abolition of the CVAE tax.

Turkey The implementation of IAS 29 resulted in an increase in the carrying amount of goodwill and customer contracts of DKK 0.9 billion. The impairment test at 31 December 2022 based on the updated business plan reflecting the current inflationary environment, did not result in recognition of an impairment loss.

3.2 Impairment test (continued)

3.2.3 Brands

The carrying amount of brands relates mainly to the ISS brand and amounted to DKK 1,589 million at 31 December 2022 (2021: DKK 1,592 million). Management believes that the value of the ISS brand supports the ISS Group in its entirety rather than any individual CGU. Accordingly, the ISS brand is tested for impairment at Group level. The impairment test is based on group-wide cash flows adjusted for the Group's total goodwill and other non-current assets. In 2022, no impairment of the ISS brand has been identified.

Sensitivity analysis

No sensitivity is shown for the ISS brand, as the group-wide cash flows adjusted for the Group's total goodwill and other non-current assets significantly exceed the carrying amount.

This is additionally supported by ISS's market capitalisation at 31 December 2022 of approximately DKK 27 billion exceeding the carrying amount of equity, which amounted to DKK 10,815 million.

Significant accounting estimates

In performing the impairment test, management assesses whether the CGU to which the intangibles relate will be able to generate positive net cash flows sufficient to support the value of intangibles and other net 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 made using 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) generally reflect management's expectations considering all relevant factors, including estimated optimisations and efficiency gains from improvement initiatives, past experience and external sources of information, where possible and relevant.

Terminal growth rates and margins applied reflects management's long-term expectations for revenue growth for the individual CGUs, including inflation, and normalised earnings, respectively.

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.

§ Accounting policy

Intangible assets with an indefinite useful life, i.e. goodwill and the ISS brand, are subject to impairment testing annually or when circumstances indicate that the carrying amount may not be recoverable. Other non-current assets are tested annually for indications of impairment.

If an indication of impairment exists, 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.

The carrying amount of goodwill is tested for impairment together with the other non-current assets in the CGU to which goodwill is allocated. Management believes that the value of the ISS brand supports the ISS Group in its entirety rather than any individual CGU. Accordingly, the ISS brand is tested for impairment at Group level. The impairment test is based on group-wide cash flows adjusted for the Group's total goodwill and other non-current assets.

An impairment loss 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.

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.

3.3 Acquisitions

3.3.1 Acquisition impact

Livit FM, Switzerland

On 27 October 2022, ISS acquired 100% of the shares in Livit FM Services AG (Livit FM), a Swiss facility management company. The acquisition will enable us to expand and develop our service delivery to the real estate industry segment in the Swiss market, as Livit FM services a large part of Swiss Life's properties in Switzerland.

The acquisition will add annual revenue of DKK 402 million and 670 employees (estimated based on unaudited financial information).

During the period 27 October to 31 December 2022, Livit FM contributed revenue of DKK 66 million to the ISS Group.

The purchase consideration amounted to DKK 337 million. Based on provisionally determined fair values of net assets, goodwill amounted to DKK 191 million. Goodwill is attributable mainly to: 1) expertise and know-how in the real estate industry segment, 2) synergies, 3) platform for growth, and 4) assembled work force, and is not deductible for tax purposes.

Prior years adjustments

The adjustments related to the acquisition of Rönesans Facility Management Company in Turkey in 2021. The purchase price allocation of the identified assets, liabilities and contingent liabilities was completed within 12 months of the acquisition date.

Subsequent acquisitions

The Group completed no acquisitions from 1 January to 15 February 2023.

(DKKm)	Livit FM	Prior year adj.	2022	2021
Customer contracts	156	5	161	428
Other non-current assets	48	-	48	26
Trade receivables	10	(13)	(3)	184
Other current assets	50	-	50	105
Non-current liabilities	(76)	8	(68)	(112)
Current liabilities	(42)	(6)	(48)	(194)
Fair value of net assets	**146**	**(6)**	**140**	**437**
Goodwill	191	12	203	97
Consideration transferred	**337**	**6**	**343**	**534**
Cash in acquired business	(33)	-	(33)	(97)
Consideration transferred, net	**304**	**6**	**310**	**437**
Contingent and deferred consideration	-	15	15	89
Acquisition of businesses (cash flow)	**304**	**21**	**325**	**526**

§ 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.

Any 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 and comparative figures are restated accordingly. Thereafter no adjustments are made to goodwill, and changes in fair values are recognised in Other income and expenses, net.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held 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, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3.3.2 Pro forma revenue and operating profit

Assuming acquisitions and divestments in the year were included/excluded in profit or loss from 1 January 2022, revenue on a pro forma basis would have been DKK 76,825 million compared to reported revenue of DKK 76,538 million. Likewise, operating profit before other items on a pro forma basis would have been DKK 2,858 million compared to reported operating profit before other items of DKK 2,847 million.

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

3.4 Divestments, assets held for sale and discontinued operations

3.4.1 Divestments

In 2022, the strategic divestment programme was successfully completed as we divested our activities in three countries in the first half of the year, i.e. Taiwan, Russia and Portugal, as well as two non-core business units, i.e. Waste Management in Hong Kong and Damage Control in the UK.

In November 2022, we also signed an agreement to divest our activities in Brunei – the last country included in the programme. At 31 December 2022, Brunei was therefore the only remaining country classified as held for sale and discontinued operations. The divestment was subsequently completed on 9 February 2023.

Going forward, we will assess the strategic rationale and fit of our business activities on an ongoing basis as part of the Group's ordinary performance reviews. As a result, we may identify new non-core activities to be divested from time to time.

Profit or loss impact

In 2022, our divestment programme resulted in recognition of a net gain in the profit or loss of DKK 201 million (2021: DKK 591 million) of which DKK 82 million were presented in Other income and expenses (see note 1.4) and DKK 119 million were recognised in Net profit from discontinued operations.

Company/activity	Country	Service type	Excluded from P/L	Interest	Annual revenue (DKKm) [1]	Employees (number) [1]
Waste Management	Hong Kong	Technical	February	100%	134	232
ISS Russia	Russia	Country exit [2]	April	100%	112	864
ISS Taiwan	Taiwan	Country exit [2]	April	100%	441	3,092
Damage Control	UK	Technical	May	100%	84	91
ISS Portugal	Portugal	Country exit [2]	July	100%	386	3,843
Total					**1,157**	**8,122**

1) Unaudited
2) Presented as discontinued operations

Divestment impact

(DKKm)	2022	2021
Goodwill	190	377
Customer contracts	-	5
Other non-current assets	165	337
Current assets	325	504
Non-current liabilities	(24)	(43)
Loans and borrowings	(24)	(134)
Current liabilities	(251)	(239)
Net assets disposed	**381**	**807**
Gain/(loss) on divestment, net [1]	168	666
Divestment costs	128	175
Consideration received	**677**	**1,648**
Cash in divested businesses	(87)	(130)
Consideration received, net	**590**	**1,518**
Contingent and deferred consideration	49	(130)
Divestment costs paid	(52)	(197)
Divestment of businesses (cash flow)	**587**	**1,191**

1) In addition, DKK 33 million was recognised in Other comprehensive income related to recycling of accumulated foreign exchange adjustments on country exits

Subsequent divestments

On 9 February 2023, the Group completed the divestment of our activities in Brunei (presented as assets held for sale and discontinued operations) with an annual revenue of approximately DKK 44 million and 548 employees.

Apart from the divestment described above, the Group signed or completed no divestments from 1 January to 15 February 2023.

3.4.2 Assets held for sale

(DKKm)	2022 [1]	2021 [2]
Goodwill	11	148
Other non-current assets	12	165
Current assets	9	202
Assets held for sale	**32**	**515**
Non-current liabilities	-	36
Current liabilities	10	244
Liabilities held for sale	**10**	**280**

1) Includes Brunei.
2) Includes Brunei, Portugal, Russia and Taiwan.

3.4 Divestments, assets held for sale and discontinued operations (continued)

3.4.3 Discontinued operations

Profit or loss

(DKKm)	2022	2021
Revenue	385	1,231
Expenses	(372)	(1,194)
Operating profit before other items	**13**	**37**
Other income and expenses, net	119	116
Goodwill impairment	-	(36)
Operating profit	**132**	**117**
Financial income/ (expenses), net	-	1
Net profit before tax	**132**	**118**
Income tax	(1)	(17)
Net profit from discontinued operations	**131**	**101**
Earnings per share, DKK		
Basic earnings per share	0.7	0.6
Diluted earnings per share	0.7	0.5

Cash flows

(DKKm)	2022	2021
Operating activities	23	86
Investing activities	(70)	(156)
Financing activities	8	(16)

The total net divestment gain of DKK 119 million was mainly related to Taiwan and Portugal. Recycling of accumulated foreign exchange adjustments previously recognised in equity had a positive impact on the net gain of DKK 33 million (2021: DKK 7 million).

Discontinued operations

– presented in separate profit or loss line

2022	2021
Brunei	Brunei
Portugal	Portugal
Russia	Russia
Taiwan	Taiwan
	Czech Republic
	Hungary
	Philippines
	Romania
	Slovenia
	Slovakia

§ Accounting policy

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.

Assets held for sale comprise non-current assets and disposal groups held for sale. Liabilities held for sale are those directly associated with the assets held for sale and disposal groups. Immediately before classification as held for sale, they are remeasured in accordance with the Group's accounting policies. Thereafter, they are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss is first allocated to goodwill, and then pro rata to remaining assets, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. 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 this note.

4 Capital structure

In 2022, we achieved our financial turnaround target, completed our strategic divestment programme and secured strong free cash flow and cash generation. Our financial foundation was strengthened and financial leverage ended at 2.6x – well below the target of below 3x by the end of 2022.

At our Capital Markets Day in November 2022, updated capital allocation priorities were announced. ISS will stringently allocate capital by fulfilling four clear ambitions in prioritised order:

1. Maintaining investment grade rating and financial leverage target of 2.0-2.5x pro forma EBITDA
2. Annual dividend pay-out ratio of 20-40% of adjusted net profit
3. Value-creating investments in the form of acquisitions
4. Distributing excess cash through share buyback programmes

The Board of Directors will at the annual general meeting propose a dividend for 2022 of 20% of adjusted net profit corresponding to a total of DKK 390 million or DKK 2.1 per share.

Financial risks

We are exposed to financial risks, mainly liquidity and currency risk. Risk is a natural part of our business activities and a condition for being able to create value. However, through effective risk management, risks are monitored and mitigated to an acceptable level with a remaining low impact on the consolidated financial statements.

Debt maturities

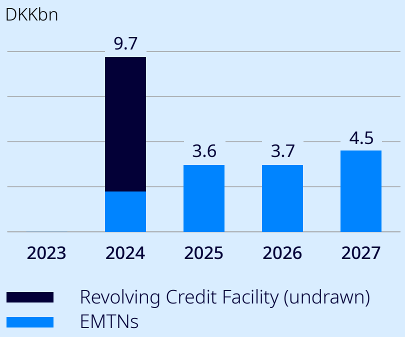
We have no unaddressed material debt maturities until 2024 onwards and no financial covenants in our capital structure (except for certain covenants applying to the local Turkish loan facility).

In this section:

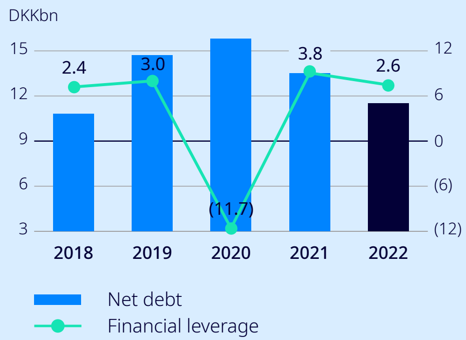
Financial risk exposure

Low

Debt maturity profile



Net debt and financial leverage[1]



Proposed dividends 2022

20% of adjusted net profit[1]

[1] See 8.5, Definitions, p. 106

4.1 Equity

4.1.1 Share capital

At 31 December 2022, ISS's share capital comprised a total of DKK 185,668,226 shares (2021: 185,668,226) with a nominal value of DKK 1 each. All shares were fully paid and freely transferable.

ISS 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.

Average number of shares

('000)	2022	2021
Average number of shares	185,668	185,668
Average number of treasury shares	(938)	(970)
Average number of shares (basic)	184,730	184,698
Average number of PSUs and RSUs expected to vest	2,513	1,305
Average number of shares (diluted)	**187,243**	**186,003**

Average number of shares is calculated for the purpose of the calculation of EPSs. The calculation of average number of diluted shares excludes a total of 1,244,928 (2021: 1,714,684) PSUs and RSUs which are not expected to vest.

Definitions, cf. 8.5, Definitions.

4.1.2 Translation reserve

(DKKm)	Hedging	Subsidiaries	Total
At 1 January 2022	(152)	(1,294)	(1,446)
Foreign exchange adjustments of subsidiaries (ISS's share)	-	(45)	(45)
Recycling of accumulated foreign exchange adj. on country exits	-	(33)	(33)
Hyperinflation in Turkey	-	403	403
Fair value adjustments of net investment hedges, net of tax	(33)	-	(33)
At 31 December 2022	**(185)**	**(969)**	**(1,154)**

4.1.3 Treasury shares

	2022		2021
	Purchase price (DKKm)	**Number**	**Number**
At 1 January	191	970,082	970,082
Settlement of vested PSUs	(6)	(31,739)	-
At 31 December	**185**	**938,343**	**970,082**

ISS holds treasury shares for the purpose of covering obligations under existing share-based incentive programmes. At 31 December 2022, treasury shares equaled 0.5% of the share capital.

4.1.4 Proposed dividends

In 2022, we reached our financial leverage target of below 3x, which was the prerequisite for reinstating dividend payments. At our Capital Markets Day in November 2022, we announced our intention to pay stable and increasing dividends to shareholders over time. Our new dividend policy targets a pay-out ratio of approximately 20-40% of adjusted net profit (cf. 8.5, Definitions).

At the annual general meeting to be held on 13 April 2023, the Board of Directors will propose a dividend for 2022 of 2.1 per share of DKK 1 (2021: DKK 0.0 per share), equivalent to DKK 390 million (2021: none) and a pay-out ratio of 20%.

§ 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 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 and fair value adjustments of net investment hedges.

On full realisation of a foreign entity where control is lost the accumulated foreign exchange adjustments are transferred to profit or loss in the same line item as the gain or loss.

Treasury shares The cost of acquisition and proceeds from sale of treasury shares are recognised in reserve for treasury shares. Dividends received in relation to treasury shares are recognised in retained earnings.

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). Dividends proposed for the year are shown in a separate reserve under Equity.

4.1 Equity (continued)

4.1.5 Other comprehensive income

(DKKm)	Note	Attributable to owners of ISS A/S Retained earnings	Translation reserve	Total	Non-controlling interest	Total equity
2022						
Defined benefit plans						
Remeasurement gain/(loss), defined benefit plans	7.1	253	-	253	(45)	208
Asset ceiling	7.1	(43)	-	(43)	-	(43)
Foreign exchange adjustments						
Foreign exchange adjustments of foreign entities		-	(45)	(45)	(57)	(102)
Recycling of accumulated foreign exchange adj. on country exits		-	(33)	(33)	-	(33)
Hyperinflation restatement of equity at 1 January		-	403	403	411	814
Hedging						
Fair value adjustments of net investment hedges	4.7	-	(43)	(43)	-	(43)
Tax						
Tax related to the items above		(62)	10	(52)	9	(43)
Total		**148**	**292**	**440**	**318**	**758**
2021						
Defined benefit plans						
Remeasurement gain/(loss), defined benefit plans	7.1	1,145	-	1,145	-	1,145
Asset ceiling	7.1	(1,080)	-	(1,080)	-	(1,080)
Foreign exchange adjustments						
Foreign exchange adjustments of foreign entities		-	312	312	(15)	297
Recycling of accumulated foreign exchange adj. on country exits		-	(7)	(7)	-	(7)
Hedging						
Fair value adjustments of net investment hedges	4.7	-	(191)	(191)	-	(191)
Tax						
Tax related to the items above		(11)	42	31	-	31
Total		**54**	**156**	**210**	**(15)**	**195**

Development in 2022

In 2022, other comprehensive income increased by DKK 563 million mainly as a result of hyperinflation restatement in Turkey and remeasurement gain/losses on defined benefit plans. This was partly offset by foreign exchange adjustments of foreign entities.

4.2 Loans and borrowings

(DKKm)	2022	2021
Issued bonds	13,973	14,064
Lease liabilities	2,464	2,539
Bank loans	363	340
Derivatives	108	39
Total	**16,908**	**16,982**
Non-current liabilities	15,945	16,094
Current liabilities	963	888
Loans and borrowings	**16,908**	**16,982**
Cash and cash equivalents and other financial items[1]	(5,368)	(3,531)
Net debt	**11,540**	**13,451**

[1] Includes securities of DKK 104 million (2021: DKK 103 million) and the net positive fair value of derivatives of DKK 50 million.

Changes in loans and borrowings

(DKKm)	Issued bonds	Lease liabilities	Bank loans	Deriva-tives	Other	Total
2022						
At 1 January	14,064	2,539	340	39	-	16,982
Foreign exchange adjustments	-	(14)	(86)	-	-	(100)
Cash flows	-	(865)	(58)	-	-	(923)
Acquisitions	-	40	-	-	-	40
Lease additions	-	765	-	-	-	765
Fair value adjustments	(108)	-	43	69	-	4
Other	17	(1)	124	-	-	140
At 31 December	**13,973**	**2,464**	**363**	**108**	**-**	**16,908**
2021						
At 1 January	15,537	2,565	535	6	61	18,643
Foreign exchange adjustments	(6)	27	(131)	-	-	(110)
Cash flows	(1,577)	(947)	(472)	-	(61)	(2,996)
Lease additions	-	859	-	-	-	859
Fair value adjustments	-	-	169	33	-	202
Other	110	35	239	-	-	384
At 31 December	**14,064**	**2,539**	**340**	**39**	**-**	**16,982**

Financing fees

At 31 December 2022, accumulated financing fees amounted to DKK 57 million (2021: DKK 79 million). The decrease compared to last year was due to ordinary amortisation, which was recognised in financial expenses, amounting to DKK 22 million (2021: DKK 28 million). No new financing fees were capitalised in 2022.

Fair value

At 31 December 2022, the fair value of loans and borrowings was DKK 15,751 million (2021: DKK 17,441 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, fair value is in all material respects equal to the nominal value as illustrated in 4.5, Interest rate risk.

§ Accounting policy

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

At the date of borrowing, financing fees are recognised as part of loans and borrowings and subsequently amortised over the term of the loan and recognised in Financial expenses.

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

Subsequently, the lease liability is measured at amortised cost using the effective interest method. The liability is remeasured due to a modification, a change in lease term or a change in the assessment to purchase the underlying asset. Also, the liability is remeasured due to a change in future lease payments (e.g. a change in an index or rate) or due to a change in the Group's estimate of the amount expected to be payable under a residual guarantee.

4.3 Financial income and expenses

(DKKm)	2022	2021
Interest income on cash and cash equivalents	69	41
Monetary gain on hyperinflation restatement	138	-
Financial income	**207**	**41**
Interest expenses on loans and borrowings [1]	(301)	(299)
Interest expenses on lease liabilities [1]	(82)	(69)
Bank fees	(50)	(52)
Commitment fee	(43)	(61)
Amortisation of financing fees (non-cash) [1]	(22)	(28)
Net interest on defined benefit obligations	(17)	(17)
Other	(32)	(30)
Foreign exchange losses	(49)	(51)
Redemption premium, bonds	-	(90)
Financial expenses	**(596)**	**(697)**

[1] Measurement basis amortised cost.

Monetary gain on hyperinflation restatement related to the implementation of IAS 29 "Financial Reporting in Hyperinflationary Economies", cf. 7.2, Hyperinflation in Turkey.

Interest expenses on loans and borrowings comprised mainly interest on issued bonds and was in line with 2021. Repurchase of EMTNs in December 2021 and lower interest expenses due to an interest rate swap entered into in May 2022, cf. 4.5, Interest rate risk, were offset by increased interest expenses related to a local Turkish facility following the acquisition in 2021.

Redemption premium, bonds in 2021 related to the repurchase of EUR 200 million of the total outstanding EUR 500 million EMTNs maturing 2024.

4.4 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 2022 compared to 2021.

Financial risks are managed centrally by Group Treasury based on the Financial Policy, which is reviewed and approved annually by the Board of Directors. Exposure to credit risk on trade receivables and expected credit losses is however managed locally in the operating entities, cf. 2.1, Trade receivables and credit risk. 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.

Through our risk management procedures, financial risks are monitored and reduced to an acceptable level.

An overview of financial risks and impact assessment at 31 December 2022 is provided to the right. The Group's objectives and policies for measuring and managing risk exposure are explained in the respective notes.

Type	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 (2021: 98%) • Duration of gross debt (fixed-rate period) 2.9 years (2021: 4.3)	4.5
Liquidity risk	Low	• No short-term maturities of debt • 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 Turkey)	4.6
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 (2021: 97.7%) • 78.4% (2021: 78.8%) of the Group's external borrowings were denominated in EUR, including net investment hedges	4.7

4.5 Interest rate risk

Interest rate risk
– 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

Loans and borrowings

(DKKm)	Nominal interest rate	Currency	Maturity	Nominal value	2022 Carrying amount	2021 Carrying amount
Issued bonds (fixed interest rate)						
EMTNs (EUR 300 million)	2.125%	EUR	2024	2,231	2,229	2,226
EMTNs (EUR 500 million)	1.250%	EUR	2025	3,718	3,594	3,695
EMTNs (EUR 500 million)	0.875%	EUR	2026	3,718	3,700	3,695
EMTNs (EUR 600 million)	1.500%	EUR	2027	4,462	4,450	4,448
				14,129	**13,973**	**14,064**
Bank loans (floating interest rate)						
Loan facility Turkey	TLFREF	TRY	2026	192	201	300
Bank loans and overdrafts	-	Multi	-	180	162	40
				372	**363**	**340**

(DKKm)	Negative fair value	Fair value, net	Recognised in profit or loss	Maturity
Fair value hedge				
Interest rate swap	(108)	(108)	7	2025

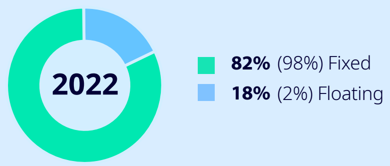
In May 2022, ISS entered into an interest rate swap in order to reduce the fixed/floating ratio on our gross debt. A principal amount of EUR 300 million has been swapped from a fixed interest rate to a floating rate. The fair value adjustments recognised in profit or loss at 31 December is disclosed above.

Interest rate sensitivity

An increase in relevant interest rates of 1%-point, with all other variables held constant, would have decreased net profit by DKK 26 million (2021: decreased by DKK 4 million). The increase in interest rate sensitivity is a result of the interest rate swap entered into in May 2022.

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

Loan portfolio
– fixed vs. floating interest rates



§ Accounting policy

The interest rate swap qualifies as a fair value hedge as the risk being hedged is the possible change in the fair value of a recognised liability.

The carrying amount of the hedged item is adjusted for fair value changes attributable to the risk being hedged and changes are recognised in profit or loss.

4.6 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 in 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

4.6.1 Contractual maturities

Financial liabilities

(DKKm)	Carrying amount	Contractual cash flows	< 1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years
2022								
Loans and borrowings, excl. lease	14,444	15,332	539	2,512	3,914	3,861	4,506	-
Lease liabilities	2,464	2,600	765	578	436	271	180	370
Trade payables and other	3,746	3,746	3,746	-	-	-	-	-
Total financial liabilities	**20,654**	**21,678**	**5,050**	**3,090**	**4,350**	**4,132**	**4,686**	**370**
2021								
Loans and borrowings, excl. lease	14,443	15,489	326	311	2,537	3,930	3,879	4,506
Lease liabilities	2,539	2,658	786	561	418	289	197	407
Trade payables and other	2,402	2,402	2,402	-	-	-	-	-
Total financial liabilities	**19,384**	**20,549**	**3,514**	**872**	**2,955**	**4,219**	**4,076**	**4,913**

The contractual maturities of financial liabilities, based on undiscounted contractual cash flows, are shown in the table. The undiscounted contractual cash flows include expected interest payments, estimated based on market expectations at 31 December.

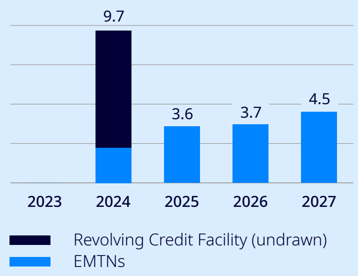
The risk implied from the values reflects the one-sided scenario of cash outflows only. Trade payables and other financial liabilities are mainly used to finance assets such as trade receivables and property, plant and equipment.

Current financing

The maturity profile of the Group's current financing, i.e. issued bonds and bank loans, based on nominal values including any undrawn amounts and excluding interest payments, is illustrated in the chart to the right.

Debt maturity profile

(DKKbn)



4.6.2 Liquidity reserve

(DKKm)	2022	2021
Cash and cash equivalents	5,214	3,428
Restricted cash	(35)	(31)
Unused revolving credit facilities	7,276	7,312
Liquidity reserves	**12,455**	**10,709**
Not readily available	1,078	1,061
Readily available liquidity	**11,377**	**9,648**

Cash and cash equivalent of DKK 5,214 million 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 35 million of the total cash and cash equivalents at 31 December 2022 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 1 billion revolving credit facility maturing in November 2024. In addition to the unused revolving credit facilities at Group level, local uncommitted credit facilities are available in countries, which are not considered part of the readily available liquidity. At 31 December 2022, these amounted to DKK 0.9 billion of which DKK 0.2 billion was drawn (2021: DKK 1.1 billion of which all were unused).

Not readily available Cash is considered readily available for upstreaming to the parent company (ISS A/S) 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 is not deemed readily available.

4.7 Currency risk

Currency risk
– low exposure

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

The Group generally benefits from a natural hedge in having income, costs and investments 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 as a main policy hedged against DKK or EUR when exposure exceeds DKK 5 million. Some currencies cannot be hedged within a reasonable price range in which case correlation to a proxy currency is considered and, if deemed appropriate, proxy hedging is applied
- Currency risk on net investments are as a main policy hedged against DKK or EUR when annual EBITDA of the relevant functional currency corresponds to 5% or more of Group EBITDA up to an amount of 3-5x EBITDA in the relevant functional currency and adjusted as appropriate to relevant market entry and exit risk
- Exposure to EUR is monitored but not hedged due to the fixed rate exchange policy between DKK/EUR

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
- Currency swaps (net investment hedges) or debt are used to hedge the currency exposure to investments in subsidiaries (other than EUR).

4.7.1 Loans and borrowings

				Sensitivity	
(DKKm)	**Currency exposure** (nominal)	**Currency swaps** (contractual)	**Exposure, net**	**Increase in FX**	**Profit or loss**
2022					
EUR/DKK	(17,212)	7,333	(9,879)	1%	(99)
USD/DKK	1,431	(1,575)	(144)	10%	(14)
Other/DKK	(1,176)	1,774	598	10%	60
Total	**(16,957)**	**7,532**	**(9,425)**		
2021					
EUR/DKK	(17,375)	6,864	(10,511)	1%	(105)
USD/DKK	1,505	(1,639)	(134)	10%	(13)
Other/DKK	(1,173)	1,365	192	10%	19
Total	**(17,043)**	**6,590**	**(10,453)**		

Foreign currency sensitivity (loans and borrowings)

A change in relevant currencies, with all other variables held constant, would have impacted profit or loss 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, cash and cash equivalents as well as accrued royalties (Group internal).

4.7 Currency risk (continued)

4.7.2 Net investment hedges

(DKKm)	Net investment	Hedging of investment	Exposure, net	Average price	Change in fair value	Fair value	Maturity
2022							
GBP	1,699	1,216	483	9	53	24	March 2023
USD	1,146	767	379	7	(57)	27	March 2023
CHF	1,673	755	918	8	(39)	19	March 2023
Total	**4,518**	**2,738**	**1,780**	**-**	**(43)**	**70**	
2021							
GBP	1,492	1,285	207	9	(100)	(18)	March 2022
USD	1,093	722	371	7	(60)	3	March 2022
CHF	1,847	718	1,129	7	(31)	(4)	March 2022
Total	**4,432**	**2,725**	**1,707**	**-**	**(191)**	**(19)**	

Foreign currency sensitivity (net investments)

A 10% change in the mentioned currencies, with all other variables held constant, would have changed the fair value recognised in Other comprehensive income by DKK 48 million for GBP, by DKK 38 million for USD and by DKK 92 million for CHF.

Impact on equity

The effect of translation of net assets in foreign subsidiaries before the effect of net investment hedges decreased equity by DKK 102 million (2021: an increase of DKK 297 million) primarily related to Turkey, Switzerland and the UK.

§ Accounting policy

Derivative financial intruments are initially recognised at fair value at the trade date and subsequently remeasured at fair value at the reporting date. 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.

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 not based on observable market data.

Currency swaps are used to hedge the exposure to currency risk on loans and borrowings (external) and intercompany balances. As changes in the fair value of both the hedged item and the currency swap are recognised in profit or loss, hedge accounting is not applied.

Currency swaps (net investment hedges) or debt is used to hedge the currency exposure to investments in subsidiaries (other than for EUR).

Net investment hedges Changes in the fair value of the hedging instrument relating to the effective portion of the hedge are recognised in other comprehensive income while fair value changes relating to the ineffective portion are recognised in financial income or financial expenses. On disposal of the foreign operation, the cumulative fair value recognised in equity is recognised in the statement of profit or loss when the gain or loss on disposal is recognised.

4.7 Currency risk (continued)

4.7.3 Translation risk

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.

Impact on profit or loss

In 2022, changes in weighted average exchange rates resulted in an increase in Group revenue of DKK 689 million or 0.9% (2021: decrease of 0.6%) and a decrease of the Group's operating profit before other items of DKK 16 million or 1.0% (2021: decrease of 1.2%).

Change in avg. FX rates	2021 to 2022	2020 to 2021
GBP	0.8%	3.2%
CHF	7.7%	(1.2)%
USD	12.6%	(3.8)%
AUD	3.9%	4.8%
NOK	0.7%	5.1%
SEK	(4.5)%	3.1%
TRY	(40.8)%	(22.9)%
EUR	0.0%	(0.2)%

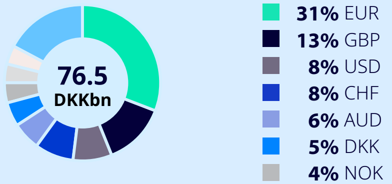
( ) = Weakened against DKK.

Foreign currency sensitivity

A 10% change (EUR: 1% change) in relevant currencies, with all other variables held constant, would have impacted revenue and operating profit before other items with the amounts below.

(DKKm)	Revenue	Operating profit before other items
GBP	984	40
USD	625	31
CHF	573	42
AUD	462	33
NOK	402	31
TRY	319	24
SEK	298	16
EUR	240	9
Other	1,264	60
Total	**5,167**	**286**

Revenue by currency



% of Group revenue

5 Tax

Our commitment
ISS is committed to comply with applicable rules and regulations in the countries where we operate and to paying applicable taxes accurately and in a timely manner. We take a compliant and transparent approach to tax and tax planning, and we do not tolerate evasion of income taxes, payroll taxes, social charges etc.

For the benefit of society, our placemakers and customers, we support governmental and industry specific initiatives that introduce tighter controls and sanctions to ensure that companies in our industry play by the rules.

The right balance
We acknowledge that we have an obligation to protect the interests of our shareholders. By managing and planning tax payments effectively, we ensure a consolidated competitive effective tax rate and strive to limit double taxation to the extent possible.

Our approach to tax risks
ISS has a very low tolerance for tax risks. We continuously monitor and mitigate tax risks to the extent possible. No aggressive tax models are, or will be, used to optimise our tax position.

Transfer pricing
Transactions between Group companies are conducted on market terms (arms' length principles) and in accordance with current OECD guidelines for setting internal transfer prices. Cross-border transactions mainly comprise royalty payments, management fees and financing. In general, transfer pricing is assessed to be the tax area with highest exposure to the ISS Group and transfer pricing may be subject to very complex tax audits.

Tax payments in 2022
In 2022, tax paid amounted to DKK 422 million (2021: DKK 528 million) equal to a cash tax rate of 17.2%. Payments were positively impacted by timing of prepayments.

Tax payments included corporate income tax payments due in 2022 including CVAE (France), state taxes, and withholding taxes. Withholding taxes are reported as paid tax in the country bearing the cost.

In addition to payment of corporate income taxes, ISS contributes with payroll taxes (including social charges) and VAT in the countries where we operate.

In this section:

Tax payments

- **15%** Australia
- **12%** Switzerland
- **8%** US
- **8%** Norway
- **8%** Belgium
- **7%** Mexico
- **6%** Chile
- **6%** Sweden
- **5%** Denmark
- **25%** Other

Tax policy

The ISS tax policy can be found **here**

5.1 Income tax

Income tax in profit or loss

(DKKm)	2022	2021
Current tax	538	486
Deferred tax	(89)	46
Prior year adjustments, net	(8)	(23)
Income tax	**441**	**509**

Development in effective tax rate

In 2022, the Group's effective tax rate decreased to 18.0% from 48.7% in 2021. Compared to the statutory income tax rate of 22% in Denmark, the effective tax rate was mainly reduced by the following three factors; release of valuation allowance on deferred tax assets, divestment gains (non-taxable) and hyperinflation restatement in Turkey.

In 2021, the effective tax rate was negatively impacted by recognised valuation allowances on deferred tax assets, goodwill impairment in France (non-tax deductible) and other non-tax-deductible costs, mainly interest limitation.

Effective tax rate (ETR)

Group	2022	2021
Statutory income tax rate, Denmark	22.0 %	22.0 %
Foreign tax rate differential, net	(0.3)%	(14.4)%
Total	**21.7 %**	**7.6 %**
Non-tax-deductible expenses less non-taxable income	(2.1)%	8.5 %
Non-tax-deductible impairment	(0.0)%	12.1 %
Prior year adjustments, net	(0.3)%	(2.2)%
Change in valuation of tax assets, net	(2.2)%	17.4 %
Changes in tax rates	0.4 %	(0.7)%
Hyperinflation	(1.6)%	0.0 %
Other taxes	2.1 %	6.0 %
Effective tax rate	**18.0 %**	**48.7 %**

Main countries	Statutory income tax	2022	2021
Australia	30.0%	30.3 %	30.2 %
Denmark (incl. HQ) [2]	22.0%	27.0 %	(7.1)%
Finland	20.0%	24.5 %	25.9 %
France [1,2]	25.0%	(46.0)%	(10.9)%
Germany [1,2]	30.3%	40.4 %	0.0 %
Norway	22.0%	20.2 %	22.6 %
Spain	25.0%	(18.9)%	21.9 %
Switzerland	18.0%	18.1 %	7.5 %
UK	19.0%	17.1 %	122.7 %
US [3]	21.0%	(104.2)%	21.4 %

1) Profit before tax was negative in 2022.
2) Profit before tax was negative in 2021.
3) Based on low profit before tax in 2022.

Foreign tax rate differential, net was negligible in 2022, whereas 2021 was impacted by tax losses in countries with a higher corporate income tax rate than in Denmark, most significantly France and Germany.

Non-tax deductible expenses less not-taxable income comprised various income and expenses across the Group. In 2022, non-taxable divestment gains in Hong Kong and the UK impacted positively, partly offset by the recurring negative impacts from Denmark due to interest limitation and withholding taxes without credit relief as well as the tax credit CICE in France.

Non-tax-deductible impairment in 2021 related to goodwill impairment in France.

Prior year adjustments, net related to adjustment in the final tax returns and were insignificant in 2022. In 2021, the adjustment mainly related to the UK.

Change in valuation of tax assets, net in 2022 related to release of valuation allowances on tax losses in Spain, the Netherlands and Germany partly offset by an increase in France. In 2021, the change mainly related to Germany and France.

Changes in tax rates in 2022 was driven by changed income tax rates in Turkey from 23% to 20% (effective from 2023) and in the UK from 19% to 25% (effective from April 2023). In 2021, the change was mainly driven by a reduction of the corporate tax rate in France from 33% to 25% over the period 2018-2022.

§ Accounting policy

Income tax comprises current tax and changes in deferred tax, including effects from changes in tax rate, and is recognised in profit or loss or other comprehensive income.

Tax receivables and payables are recognised in the statement of financial position as tax computed on taxable income for the year, adjusted for tax on taxable income prior years and tax paid on account.

Hyperinflation related to implementation of IAS 29 "Financial Reporting in Hyperinflationary Economies", cf. 7.2, Hyperinflation in Turkey, 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, and Cotisation sur la Valeur Ajoutée des Entreprises (CVAE) in France.

5.2 Deferred tax

(DKKm)	Deferred tax assets 2022	Deferred tax assets 2021	Deferred tax liabilities 2022	Deferred tax liabilities 2021
Tax losses carried forward	482	336	-	-
Goodwill	4	4	387	413
Brands	-	-	350	350
Customer contracts	7	8	150	141
Property, plant and equipment	220	139	425	381
Provisions and other liabilities	977	1,062	685	563
Pensions	126	158	62	22
Tax losses in foreign subsidiaries under Danish joint taxation	-	-	23	23
Set-off within legal tax units and jurisdictions	(904)	(917)	(904)	(917)
Total	**912**	**790**	**1,178**	**976**

Development in deferred tax

(DKKm)	2022	2021
Liabilities, net at 1 January	186	204
Prior year adjustments, net	32	(96)
Foreign exchange adjustments	(22)	(24)
Hyperinflation restatement	62	-
Acquisitions and divestments, net	20	72
Other comprehensive income	53	11
Reclassification to Assets/ (Liabilities) held for sale	24	(27)
Tax on profit before tax	(89)	46
Liabilities, net at 31 December	**266**	**186**

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

Acquisitions and divestments, net in 2022 related to the acquisition of Livit FM Services AG in Switzerland (2021: Rönesans Facility Management Company in Turkey).

Other comprehensive income comprised tax on actuarial gains on pensions.

Unrecognised deferred tax assets

At 31 December 2022, the Group had unrecognised deferred tax assets which comprised tax losses carried forward and other deductible temporary differences of DKK 1,814 million (2021: DKK 1,871 million) primarily relating to Germany, France and the Netherlands. 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.

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 2023-2024.

§ Accounting policy

Deferred tax is provided using the liability method on temporary differences between tax bases of assets and liabilities and their carrying amounts. Deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and other items where temporary differences, apart from in business combinations, arose at the time of acquisition without affecting either Net profit or taxable income. 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.

Deferred tax assets and liabilities are offset if the Group has a legal right to offset these, intends to settle these on a net basis or to realise the assets and settle the liabilities, simultaneously.

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. The assessment of future taxable income is based on financial forecasts approved by management and expectations on the operational development, mainly in terms of organic growth and operating margin.

Management made a reassessment of the probability that future taxable profit will be available in the foreseeable future against which the Group can utilise tax losses (i.e for current year and those carried forward from prior years (valuation allowances). The assessment is based on the cash flow projections made for the purpose of the Group's impairment tests, see 3.2, Impairment tests, and represents management's best estimate, but is 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 in which 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 are 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.

6 Remuneration

Executive remuneration objective

At ISS, remuneration is based on responsibilities, competencies and performance and is designed to be competitive, affordable and in line with market practice of comparable listed companies.

Remuneration elements

Remuneration of the members of the EGM consists of a fixed element and certain variable elements.

The annual base salary (fixed element) shall be in line with market practice of comparable listed companies and is based on the individual members experience, qualifications, responsibilities and performance.

In addition to the annual base salary, the members of the EGM receive variable remuneration, which is based on performance and accountability in relation to established objectives, both short and long-term, as well as the overall performance of ISS in alignment with the shareholders.

In addition, the members of the EGM are granted customary non-monetary benefits such as a company car, insurances, communication and IT equipment, etc., and certain members participate in pension plans.

Share-based payments

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

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

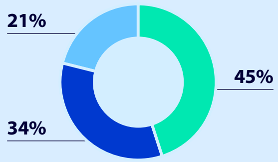
Under the LTIP, which has been in place since 2014, performance share units (PSUs) are granted annually to plan participants consisting of around 120-150 senior leaders. Each PSU entitles the holder to receive one share at no cost after three years, subject to achievement of certain performance criteria (EPS and TSR) and service objectives. Performance criteria of the latest two vested programmes, LTIP 2018 and LTIP 2019, were not achieved and they vested at 0%. In March 2023, the LTIP 2020 will vest at 32% following the achievement of the turnaround targets in 2022.

Under the SIP, restricted share units (RSUs) are granted to the participants consisting of 43 senior leaders. Each RSU entitles the holder to receive one share at no cost, subject to achievement of individual service or performance criteria upon vesting in either 2022 or 2023. In 2022, based on achievement of individual performance criteria, the SIP 2020-2022 vested at 83%. In March 2023, the SIP 2020-2023 will vest at 100%. After these vestings, no further RSUs are outstanding, and the programmes will lapse.

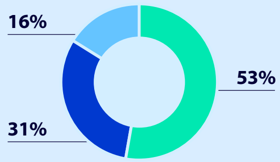
In this section:

Remuneration elements 2022

EGMB



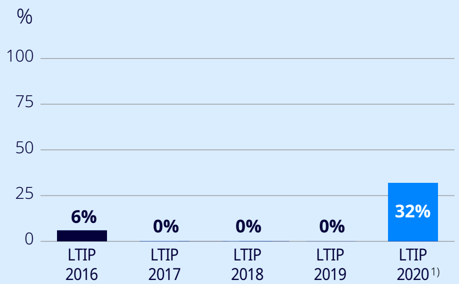
Corporate senior officers



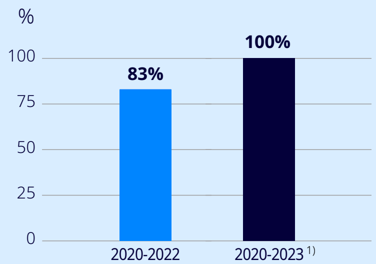
Base salary
Bonus
Share-based payments (LTIP and SIP)

Incentive programmes

Vesting of LTIP



Vesting of SIP



1) Will vest in March 2023

Remuneration report

Our **2022 Remuneration Report** is prepared pursuant to the Shareholder Rights Directive and includes a description of our remuneration policy and remuneration to the Board and the EGMB.

6.1 Management remuneration

The Executive Group Management (EGM) comprises the Executive Group Management Board (EGMB) and Corporate Senior Officers of the Group. Members of the EGM have authority and responsibility for planning, implementing and controlling the Group's activities and are together with the Board of Directors (Board) considered as the Group's key management personnel.

	2022			2021		
		EGM			EGM	
(DKK '000)	Board	EGMB	Corporate Senior Officers	Board	EGMB	Corporate Senior Officers
Base salary and non-monetary benefits	8,587	15,269	49,073	8,724	21,842	39,172
Bonus programmes	-	11,572	28,885	-	12,007	18,739
Share-based payments[1)]	-	7,310	14,381	-	(3,794)	11,695
Severance pay	-	-	-	-	14,280	-
Total remuneration	**8,587**	**34,151**	**92,339**	**8,724**	**44,335**	**69,606**

1) In 2021, share-based payments to the EGMB included an income of DKK 8 million due to forfeited PSUs and RSUs under the incentive programmes as the CEO Europe left ISS.

Remuneration policy is described in the Remuneration report which is available **here**.

6.2 Share-based payments

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

- a long-term incentive programme (LTIP); and
- a 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.

Upon vesting, each PSU entitles the holder to receive one share at no cost. Participants are compensated for any dividend distributed between time of grant and time of vesting.

Subject to certain criteria, the PSUs will vest after three years. The vesting criteria are total shareholder return (TSR), measured relative to peer group performance, and earnings per share (EPS). For LTIP 2021 and LTIP 2022, TSR and EPS weighted 40%, respectively, and the remaining 20% related to service-based objectives. For LTIP 2020 and LTIP 2019, TSR and EPS were equally weighted. TSR peers are the Nasdaq Copenhagen OMX C25 and a peer group of comparable international service companies.

§ 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 equity, as both of the schemes are equity-settled.

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) condition).

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.

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

6.2 Share-based payments (continued)

Fair value and profit or loss impact	LTIP 2019	LTIP 2020	LTIP 2021	LTIP 2022
PSUs and participants (number)				
Maximum PSUs at initial grant date	928,367	1,785,896	1,349,527	1,509,951
Total PSUs granted	813,090	1,473,659	1,316,818	1,353,855
Participants	142	120	145	161
Fair value (DKKm)				
PSUs expected to vest at initial grant date	101	74	94	98
PSUs expected to vest at 31 December	-	53	77	75
Profit or loss impact (DKKm)				
Recognised in the year	1	22	25	24
Not yet recognised (PSUs expected to vest)	-	4	30	57
Assumptions at the time of grant				
Share price, DKK [1]	207	98	111	117
Expected volatility [2]	26.6%	29.1%	47.2%	47.5%
Expected life of grant, years	3	3	3	3
Risk-free interest rate [2]	(0.3)%-2.7%	(0.4)%-1.9%	(0.6)%-0.9%	(0.1%)-1.5%

1) Based on five-day average.
2) Based on observable market data for peer groups.

Vested programmes

In March 2022, the LTIP 2019 programme vested. Based on the annual EPS and TSR performances for 2019, 2020 and 2021, 0% of the granted PSUs vested. After this vesting, no further PSUs are outstanding under the LTIP 2019 and the programme has lapsed.

Furthermore, in March 2023, the PSUs granted under LTIP 2020 will vest with 32% based on the annual EPS and TSR performances for 2020, 2021 and 2022.

Outstanding PSUs

	EGM			
LTIP 2019 (vested in 2022)	**EGMB**	**Corporate Senior Officers**	**Other Senior Officers**	**Total**
Outstanding at 1 January 2021	42,583	83,015	560,451	686,049
Cancelled	(35,686)	(6,370)	(23,034)	(65,090)
Outstanding at 31 December 2021	**6,897**	**76,645**	**537,417**	**620,959**
Transferred	-	6,643	(6,643)	-
Forfeited	(6,897)	(83,288)	(530,774)	(620,959)
Outstanding at 31 December 2022	**-**	**-**	**-**	**-**
LTIP 2020 (vesting in 2023)				
Outstanding at 1 January 2021	132,633	177,999	1,129,354	1,439,986
Cancelled	(72,864)	-	(104,144)	(177,008)
Outstanding at 31 December 2021	**59,769**	**177,999**	**1,025,210**	**1,262,978**
Transferred	-	(10,382)	10,382	-
Cancelled	-	-	(31,586)	(31,586)
Outstanding at 31 December 2022	**59,769**	**167,617**	**1,004,006**	**1,231,392**
LTIP 2021 (vesting in 2024)				
Granted	201,828	176,746	862,373	1,240,947
Cancelled	(53,531)	-	(89,652)	(143,183)
Outstanding at 31 December 2021	**148,297**	**176,746**	**772,721**	**1,097,764**
Granted	-	11,015	64,856	75,871
Transferred	-	9,107	(9,107)	-
Cancelled	-	(8,583)	(71,403)	(79,986)
Outstanding at 31 December 2022	**148,297**	**188,285**	**757,067**	**1,093,649**
LTIP 2022 (vesting in 2025)				
Granted	139,713	265,208	948,934	1,353,855
Transferred	-	8,710	(8,710)	-
Cancelled	-	(18,233)	(115,516)	(133,749)
Outstanding at 31 December 2022	**139,713**	**255,685**	**824,708**	**1,220,106**

6.2 Share-based payments (continued)

6.2.2 Special incentive programmes

The Group has currently one Special Incentive Programme (SIP). Corporate Senior Officers (EMG members) and other senior officers of the Group are granted a number of Restricted Share Units (RSUs).

Upon vesting, each RSU entitles the holder to receive one share at no cost.

Subject to individual service criteria, the RSUs will vest after three years.

Fair value and profit or loss impact	SIP 2020-2022	SIP 2020-2023
RSU and participants (number)		
Maximum RSUs at initial grant date	64,159	246,767
Total RSUs granted	55,263	238,489
Participants	9	37
Fair value (DKKm)		
RSUs expected to vest at initial grant date	6	24
RSUs expected to vest at 31 December	-	23
Profit or loss impact (DKKm)		
Recognised in the year	0	8
Not yet recognised (RSUs expected to vest)	-	2
Assumptions at the time of grant		
Share price, DKK	101	101
Expected life of grant, years	2	3

Vested programmes

In March 2022, the SIP 2020-2022 programme vested. Based on individual service criteria, 83% of the granted RSUs vested. After this vesting, no further RSUs are outstanding under the SIP 2020-2022 and the programme has lapsed.

Furthermore, in March 2023, the RSUs granted under the SIP 2020-2023 programme will vest 100% subject to achievement of individual service criteria.

Outstanding RSUs

SIP 2020-2022 (vested in 2022)	Corporate Senior Officers (EMG)	Other Senior Officers	Total
Outstanding at 1 January 2021	-	22,296	22,296
Granted	26,619	1,783	28,402
Cancelled	-	(6,513)	(6,513)
Outstanding at 31 December 2021	**26,619**	**17,566**	**44,185**
Granted	-	4,565	4,565
Forfeited	-	(2,696)	(2,696)
Cancelled	(26,619)	(19,435)	(46,054)
Outstanding at 31 December 2022	**-**	**-**	**-**

SIP 2020-2023 (vesting in 2023)	Corporate Senior Officers (EMG)	Other Senior Officers	Total
Outstanding at 1 January 2021	-	204,223	204,223
Granted	26,619	1,888	28,507
Cancelled	-	(12,853)	(12,853)
Outstanding at 31 December 2021	**26,619**	**193,258**	**219,877**
Granted	-	5,759	5,759
Transferred	10,432	(10,432)	-
Cancelled	-	(1,462)	(1,462)
Outstanding at 31 December 2022	**37,051**	**187,123**	**224,174**

7 Other

In this section:

7.1 Pensions and similar obligations

7.1.1 Pension schemes

Defined contribution plans

The majority of the Group's pension schemes are defined contribution plans 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 2022, contributions amounted to DKK 1,223 million (2021: DKK 1,140 million), corresponding to 84% of the Group's pension costs (2021: 83%).

Defined benefit plans

The Group has a number of defined benefit plans where the responsibility for the obligation towards the employees rests with the Group. The largest plans are in Switzerland and the UK accounting for 86% (2021: 86%) of the Group's obligation (gross) and 97% (2021: 97%) of its plan assets.

The plans are primarily based on years of service, and benefits are determined on the basis of salary and position. The Group assumes the risk associated with future developments in salary, interest rates, inflation, mortality and disability, etc.

The majority of the obligations are funded with assets placed in independent pension funds. In some countries, primarily Sweden, France, Turkey, Hong Kong and Mexico, the obligation is unfunded. For these unfunded plans, obligation amounted to DKK 633 million or 8% of the present value of the gross obligation (2021: DKK 788 million or 9%).

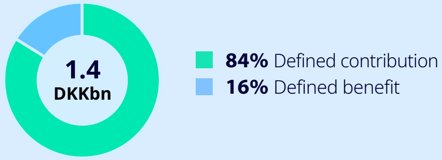
Switzerland Participants are insured against the financial consequences of retirement, disability and death. The pension plans guarantee a minimum interest credit and fixed conversion rates at retirement and include a risk-sharing element between ISS and the plan participants. Contributions are paid by both the employee and the employer. The plans must be fully funded. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, reduction of benefits or a combination of both.

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

Multiemployer pension plans

The Group participates in multiemployer pension schemes that by nature are defined benefit plans in a few countries. 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.

Pension costs



Significant accounting estimates

Actuarial calculations and valuations are performed annually for all major plans. The present value of defined benefit obligations is determined on the basis of assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. Applied actuarial assumptions vary from country to country due to local conditions. All assumptions are assessed at the reporting date. Changes in these assumptions may significantly affect the liabilities and pension costs under defined benefit plans. The range and weighted average of these assumptions as well as sensitivities on key assumptions are disclosed in this note.

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.

7.1 Pensions and similar obligations (continued)

7.1.2 Defined benefit obligation

(DKKm)	2022 Present value of obligation	2022 Fair value of plan assets	2022 Carrying amount	2021 Present value of obligation	2021 Fair value of plan assets	2021 Carrying amount
At 1 January	**8,625**	**8,997**	**(372)**	**8,684**	**7,796**	**888**
Current service costs	197	-	197	219	-	219
Interest on obligation/plan assets	72	55	17	45	28	17
Past service costs	11	-	11	-	-	-
Recognised in profit or loss	**280**	**55**	**225**	**264**	**28**	**236**
Actuarial (gain)/loss:						
Demographic assumptions	7	-	7	(256)	-	(256)
Financial assumptions	(1,702)	-	(1,702)	(209)	-	(209)
Experience adjustments	490	-	490	67	-	67
Return on plan assets	-	(997)	997	-	747	(747)
Asset ceiling	-	(43)	43	-	(1,080)	1,080
Recognised in other comprehensive income	**(1,205)**	**(1,040)**	**(165)**	**(398)**	**(333)**	**(65)**
Foreign exchange adjustments	214	295	(81)	386	414	(28)
Acquisitions and divestments, net	227	219	8	-	0	(0)
Employee contributions	154	154	-	141	141	-
Employer contributions	-	207	(207)	-	199	(199)
Benefits paid	(342)	(267)	(75)	(266)	(174)	(92)
Asset ceiling	-	43	(43)	-	1,080	(1,080)
Reclass. to Liabilities held for sale	-	-	-	(186)	(154)	(32)
Other changes	**253**	**651**	**(398)**	**75**	**1,506**	**(1,431)**
At 31 December	**7,953**	**8,663**	**(710)**	**8,625**	**8,997**	**(372)**

Recognised in the statement of financial position

(DKKm)	2022	2021
Carrying amount of defined benefit plans	(710)	(372)
Accumulated impact from asset ceiling [1]	1,352	1,253
Defined benefit obligation, net [2]	**642**	**881**
Other long-term employee benefits	543	470
Pensions and similar obligations	**1,185**	**1,351**

[1] Including a foreign exchange adjustment on the opening balance of DKK 56 million.
[2] Including an asset of DKK 247 million (2021: DKK 86 million) related to defined benefit plans in the UK.

Developments in 2022

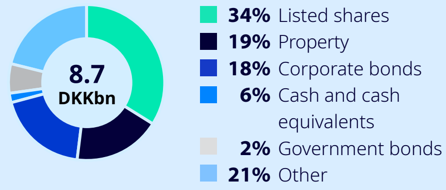
Actuarial calculations for 2022 have been obtained for all major plans. The actuarial calculations led to recognition of actuarial gains due to increased discount rates (financial assumptions) of DKK 1,702 million, mainly in Switzerland and the UK. This was largely offset by actuarial losses of DKK 490 million due to increased salary and inflation expectations (experience adjustments) and loss on plan assets of DKK 997 million, both primarily related to Switzerland and the UK. The net impact on the pension obligation was a gain of DKK 165 million recognised in other comprehensive income.

In 2021, we saw strong asset returns and an actuarial gain, which led to a significant increase in the surplus on the major plans in Switzerland. Due to surplus restrictions (ISS does not have access to the overfunding), an increase in the asset ceiling was recognised. In 2022, market conditions for listed shares and real estate deteriorated resulting in significant losses on plan assets in Switzerland and the UK. However, due to a larger decrease in the pension obligation the asset ceiling has further increased. As such, by the end of 2022, the accumulated impact from the asset ceiling was DKK 1,352 million (2021: DKK 1,253 million).

Contributions in 2023

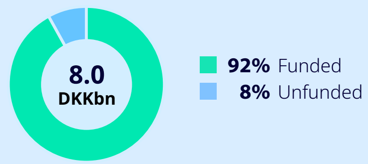
The Group expects to contribute DKK 322 million in 2023 (2022: DKK 261 million).

Plan assets
– major categories

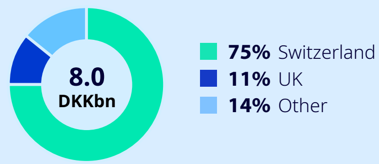


% of total plan assets

Pension obligation, gross
– funded vs. unfunded



Pension obligation, gross
– by country



7.1 Pensions and similar obligations (continued)

7.1.3 Actuarial assumptions

	2022				2021			
	CHF	GBP	EUR	Other currencies	CHF	GBP	EUR	Other currencies
Discount rates	2.3%	4.8 %	3.70-3.75%	1.0-10.7%	0.3%	2.0%	0.35-1.0%	0.2-19.3%
Salary increase	1.3%	0.0-2.65%	2.56-3.2%	0.0-12.0%	1.0%	0.0-2.65%	0.0-3.5%	0.0-15.0%
Pension increase	0.0%	2.65-3.15%	0.0-2.15%	0.0-2.2%	0.0%	2.65-3.20%	0.0-0.64%	0.0-2.0%

Sensitivity analysis

Below the sensitivities related to significant actuarial assumptions used in the calculation of the defined benefit obligation are illustrated in terms of estimated increase/(decrease) in the obligation.

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.

	2022		2021	
(DKKm)	+0.5%	(0.5)%	+0.5%	(0.5)%
Discount rate	(334)	363	(490)	545
Price inflation	74	(65)	165	(51)
Salary increase	93	(74)	132	(4)
Pension increase	248	(248)	302	(85)
	+1 year	-1 year	+1 year	-1 year
Life expectancy	136	(133)	212	(182)

Duration

The estimated weighted average duration of the defined benefit obligation was 9 years (2021: 12 years) and is split into:

(Years)	2022	2021
Active employees	6	8
Retired employees	11	15
Deferred vested [1]	7	6
Total employees	9	12

[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.

Accounting policy

Contributions to defined contribution plans are recognised in Employee costs when the related service is provided. Any contributions outstanding are recognised in Other liabilities.

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 any 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.

Differences between the expected development in pension assets and liabilities and the realised amounts at the reporting date are designated actuarial gains or losses and 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 is 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 recognised 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.

7.2 Hyperinflation in Turkey

Effective 1 January 2022, the Group has implemented IAS 29 "Financial Reporting in Hyperinflationary Economies" for its subsidiary in Turkey, as the cumulative three-year inflation rate in the country exceeded the threshold of 100% in February.

The aim of IAS 29 is to ensure that consolidated financial statements reflect the current purchasing power by:

- restating reported numbers based on changes in the general price index; and
- applying end-of-period exchange rates.

The translation method as well as recognition and measurement are described under accounting policies below.

Impact on the consolidated financial statements

The implementation of IAS 29 did not have a material impact on the Group's profit or loss and cash flow statements and consequently the effect on our three KPIs was immaterial, i.e. organic growth (non-IFRS), operating margin (non-IFRS) and free cash flow (non-IFRS). However, the restatement for inflation significantly impacted the Group's statement of financial position, mainly by increasing the value of goodwill and customer contracts.

Profit or loss

The restatement of revenue had a net positive impact of DKK 154 million of which DKK 580 million related to the increase in the price index of 21% in 2022. This was partly offset by the impact from retranslation to exchange rates at 31 December of DKK 426 million.

Operating profit before other items was negatively impacted by DKK 29 million, as the inflation restatement of right-of-use assets and property, plant and equipment led to higher depreciation and amortisation of DKK 42 million. This more than offset the net positive impact from inflation restatement and retranslation.

Financial expenses, net was positively impacted by DKK 148 million reflecting the restatement of non-monetary items for the inflation development in 2022 and the offset of inflation restatement of profit or loss items in the same period.

Based on the above, and the resulting negative impact on Income tax of DKK 42 million, Net profit increased DKK 66 million for 2022.

Cash flows

The impact on consolidated statement of cash flows was insignificant.

		Inflation restatement				
(DKKm)	YTD (excl. IAS 29)	Non-monetary items	Profit or loss	Retrans-lation (YE FX)	Total adjust-ments	YTD (reported)
Profit or loss						
Revenue	76,384	-	580	(426)	154	76,538
Depreciation and amortisation	(1,475)	(48)	-	6	(42)	(1,517)
Other costs	(72,033)	-	(529)	388	(141)	(72,174)
Operating profit before other items	**2,876**	**(48)**	**51**	**(32)**	**(29)**	**2,847**
Other income and expenses, net	58	-	(1)	-	(1)	57
Amortisation of customer contracts	(59)	(12)	-	2	(10)	(69)
Operating profit	**2,875**	**(60)**	**50**	**(30)**	**(40)**	**2,835**
Financial income	68	180	(40)	(1)	139	207
Financial expenses	(605)	-	(18)	27	9	(596)
Operating profit before tax	**2,338**	**120**	**(8)**	**(4)**	**108**	**2,446**
Income tax	(399)	(43)	8	(7)	(42)	(441)
Net profit from continuing operations	**1,939**	**77**	**-**	**(11)**	**66**	**2,005**
Net profit from discontinued operations	**131**	**-**	**-**	**-**	**-**	**131**
Net profit	**2,070**	**77**	**-**	**(11)**	**66**	**2,136**
Cash flows						
Operating profit before other items	2,889	(48)	51	(32)	(29)	2,860
Depreciation and amortisation	1,475	48	-	(6)	42	1,517
Non-cash items related to hyperinflation	-	-	(51)	-	(51)	(51)
Other cash flow items	(1,024)	-	-	31	31	(993)
Cash flow from operating activities	**3,340**	**-**	**-**	**(7)**	**(7)**	**3,333**
Cash flow from investing activities	**(553)**	**-**	**-**	**7**	**7**	**(546)**
Cash flow from financing activities	**(928)**	**-**	**-**	**(2)**	**(2)**	**(930)**
Free cash flow (non-IFRS)	**1,726**	**-**	**-**	**8**	**8**	**1,734**
Financial ratios						
Organic growth (non-IFRS)	**7.78%**	**-**	**-**	**-**	**-**	**7.78%**
Operating margin	**3.77%**	**(0.07)%**	**0.07%**	**(0.05)%**	**(0.05)%**	**3.72%**

7.2 Hyperinflation in Turkey (continued)

(DKKm)	YTD (excl. IAS 29)	Inflation restatement: Non-monetary items	Profit or loss	Retrans-lation (YE FX)	Total adjust-ments	YTD (reported)
Financial position						
Goodwill	19,806	644	-	-	644	20,450
Other intangible assets	3,246	224	-	-	224	3,470
Right-of-use assets and Property, plant and equipment	3,235	85	-	-	85	3,320
Other assets	19,765	-	-	-	-	19,765
Total assets	**46,052**	**953**	**-**	**-**	**953**	**47,005**
Other comprehensive income	(56)	814	-	-	814	758
Other equity elements	9,980	77	-	-	77	10,057
Total equity	**9,924**	**891**	**-**	**-**	**891**	**10,815**
Deferred tax liabilities	1,116	62	-	-	62	1,178
Other liabilities	35,012	-	-	-	-	35,012
Total equity and liabilities	**46,052**	**953**	**-**	**-**	**953**	**47,005**

Financial position

The restatement for inflation increased goodwill by DKK 644 million and Other intangible assets (customer contracts) by DKK 224 million mainly due to restatement of the fair values carried from the acquisition of Rönesans in 2021 and the original acquisition when entering Turkey in 2005.

Right-of-use assets and property, plant and equipment increased (DKK 85 million) based on assumed average useful lives of 3-5 years. As a result, depreciation and amortisation were recalculated, which led to higher costs in profit or loss.

Equity increased by DKK 891 million mainly as a result of the opening restatement of non-monetary items of DKK 814 million and the restatement effect from changes in the price index in 2022.

§ Accounting policy

Inflation restatement

Non-monetary items, which are carried at historical cost, such as goodwill, customer contracts, right-of-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 2022 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 Turkey through an acquisition.

The restating gain or loss relating to the change in the price index for the reporting period has been recognised in profit or loss under financial income or expenses, except for the tax effect, which has been recognised under income tax. The gain or loss relating to the prior periods has been recognised in other comprehensive income.

Management has assessed 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 have been recognised in other comprehensive income with set-off within financial income or expenses in profit or loss.

Profit or loss transactions in the period have been 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. The latter have been recalculated based on the inflation-adjusted costs of intangible assets and right-of-use assets and property, plant and equipment. The recalculation has been based on the useful lives of the relevant assets based on the Group's accounting policy, cf. 2.6, Right-of-use assets and property, plant and equipment.

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 the Turkish subsidiary was based on the development in the consumer price index provided by the Turkish Statistical Institute. For 2022, the inflation rate in Turkey was 64%.

Retranslation from TRY to DKK

The financial statements of the Turkish subsidiary, including effects of inflation restatement, have been 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 50.53 at the beginning of 2022 to 37.25 at 31 December 2022. The average TRY/DKK exchange for the reporting period was 43.00.

7.3 Related parties

Parent and ultimate controlling party

The Group's parent ISS A/S is the ultimate controlling party. At 31 December 2022, ISS had no related parties with either control of the Group or significant influence in the Group.

Key management personnel

The Board of Directors (Board) and the Executive Group Management (EGM) 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 2022.

7.4 Fees to auditors

(DKKm)	**2022**	**2021**
Statutory audit	73	71
Other assurance services	2	1
Tax and VAT advisory services	7	6
Other services	4	9
Total	**86**	**87**

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

On 6 February 2023, two earthquakes caused large scale devastation and loss of thousands of lives in Turkey and Syria. ISS is one of the largest private employers in Turkey and approximately 4,500 of our placemakers service workplaces for around 100 of our customers, including two hospitals, in the impacted areas of Turkey. Tragically, three of our placemakers were fatally injured, several are in medical treatment and even more suffered loss of immediate family members and housing. Our teams on the ground in Turkey have since the earthquakes focused on ensuring the safety and welfare of our people and customers who are facing unimaginable challenges and devastation.

ISS has not suffered material damage to its assets in Turkey. Furthermore, the impacted areas account for less than 1% of ISS's global activities and the vast majority of our customers' operations continue or will continue after repairs. Consequently, it is management's assessment that the earthquakes will not have a material impact on the results of the Group's operations and financial position in 2023.

Other than set out above or elsewhere in these consolidated financial statements, we are not aware of events subsequent to 31 December 2022, which are expected to have a material impact on the Group's financial position.

8 Basis of preparation

In this section:

8.1 General accounting policies

ISS A/S is listed on Nasdaq Copenhagen. The consolidated financial statements of ISS A/S for the year ended 31 December 2022 comprise ISS A/S and its subsidiaries (collectively, the Group). Significant subsidiaries are listed in 8.4, Group companies.

The 2022 Annual Report for ISS A/S was discussed and approved by the Executive Group Management Board (the EGMB) and the Board of Directors (the Board) on 23 February 2023 and issued for approval at the subsequent annual general meeting on 13 April 2023.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS as adopted by the EU and additional requirements of the Danish Financial Statements Act. In addition, the consolidated financial statements have been prepared in compliance with the IFRSs 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 Group's significant accounting policies and accounting policies related to IAS 1 minimum presentation items are described in the relevant notes to the consolidated financial statements. A list of the notes is shown on p. 50.

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, derivative financial instruments and contingent consideration that have been measured at fair value. Assets and liabilities measured at fair value 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 maturities of these instruments. The fair value of loans and borrowings, including methods and assumptions used to estimate the fair value, are disclosed in 4.2, Loans and borrowings.

Climate-related risks

Management has considered the impact of climate-related risks which did not have a material impact on the estimates and judgements in these consolidated financial statements, including impairment. In addition, it is management's assessment that climate change is not expected to have a significant impact on the Group's going concern assessment, or in the long-term (next five years).

Defining materiality

The consolidated financial statements separately present items that are considered individually significant, or are required under the minimum presentation requirements of IAS 1. In addition, information that is considered material, either individually or in combination with other information, is disclosed.

In determining whether an item is individually significant, or information is material, ISS considers both quantitative and qualitative factors. If the presentation or disclosure could reasonably be expected to influence economic decisions made by primary users, the information is considered material.

Explanatory disclosure notes related to the consolidated financial statements are presented for individually significant items. Where separate presentation of a line item is made solely due to the minimum presentation requirements in IAS 1, no further disclosures are provided in respect of that line item.

Basis of consolidation

The consolidated financial statements comprise ISS A/S and entities controlled by ISS A/S. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances, income, expenses and cash flow relating to transactions between members of the Group are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The non-controlling interest's share of net profit and equity of subsidiaries, which are not wholly-owned, are included in the Group's net profit and equity, respectively, but disclosed separately. 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.

8.1 General accounting policies (continued)

A change in ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in Other income and expenses, net. Any investment retained is recognised at fair value on initial recognition.

Foreign currency

The consolidated financial statements are presented in Danish kroner (DKK), which is ISS A/S's functional 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, these are translated to the respective functional currencies of the Group companies at the exchange rates at the transaction date. Foreign exchange adjustments arising between the exchange rates at the transaction date and at the date of payment are recognised in Financial income or Financial expenses.

Receivables, payables and other 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 date of transaction or the exchange rate 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 statements of cash flows are translated at the exchange rates at the transaction date and the statements of financial position are translated at the exchange rates at the reporting date. An average exchange rate for the month is used as the exchange rate at the transaction date to the extent that this does not significantly deviate from the exchange rate at the transaction date. Foreign exchange adjustments arising on translation of the opening balance of equity of foreign entities at the exchange rates at the reporting date 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 and presented in equity under a separate translation reserve. 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.

Foreign exchange adjustments of balances with foreign entities which are considered part of the investment in the entity are recognised in other comprehensive income and presented in equity under a separate translation reserve.

8.2 Change in accounting policies

From 1 January 2022, the Group has adopted the below standards and interpretations with no significant impact on recognition and measurement:

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts – Costs of Fulfilling a Contract.
- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework

IAS 29 Financial Reporting in Hyperinflation Economies

Effective 1 January 2022, the Group implemented IAS 29, Financial Reporting in Hyperinflationary Economies, as management considered Turkey as a hyperinflationary environment. Management based its assessment on the cumulative three-year inflation, which exceeded the threshold of 100% in February 2022. As a result, the financial statements of ISS Turkey for 2022 were restated for hyperinflation before the reported amounts were translated to the Group's functional currency, DKK, applying the exchange rate at the reporting date.

Since the Group's functional currency, DKK, is a non-hyperinflationary currency, IAS 29 does not require restatement of comparative figures in the year of implementation. Consequently, comparative figures have not been restated.

The implementation impact and the applied accounting policies are disclosed in 7.2, Hyperinflation in Turkey.

8.3 New accounting regulations

IASB issued amended standards and interpretations, which are not yet mandatory for the consolidated financial statements of the Group at 31 December 2022.

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.

8.4 Group companies

Northern Europe

Denmark (ISS A/S's country of domicile)

ISS Facility Services A/S	100%
ISS Finance B.V.	100%
ISS World Services A/S	100%
ISS Global A/S	100%
ISS Global Management A/S	100%
ISS Holding France A/S	100%
ISS Lending A/S	100%

Belgium & Luxembourg

ISS Catering N.V.	100%
ISS Facility Services N.V.	100%
ISS Facility Services S.A.	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	51%

France

GIE ISS Services	100%
ISS Facility Management SAS	100%
ISS Holding Paris SAS	100%
ISS Logistique et Production SAS	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%

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%
ISS Soluciones De Seguridad, S.L.	100%
UTE-HOSPITALES S.A.S	65% [1]

Switzerland

ISS Facility Services AG	100%
ISS Schweiz AG	100%
Livit FM Services AG	100%

Turkey

ISS Hazir Yemek Üretim ve Hizmet A.Ş.	50.1% [4]
ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.	50.1% [4]
ISS Tesis Yönetim Hizmetleri A.Ş.	50.1% [4]
ISS İşletme Hizmetleri A.Ş (Rönesans)	50.1% [4]
ISS Bitki Bakim ve Hasere Kontrol Hizmetleeri A.Ş.	50.1% [4]

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%

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%
ISS Property Management (Beijing) Co.,Ltd	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 Hygiene Services (HK) 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 and Payroll Advisory Services Pvt. Ltd.	46% [2]
ISS Facility Services India Pvt. Ltd.	100%
ISS SDB Security Services Pvt. Ltd.	46% [2]
Modern Protection & Investigations 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 Hydroculture Pte. Ltd.	100%
ISS M&E Pte. Ltd.	100%

Discontinued operations

Brunei

ISS Facility Services Sdn. Bhd.	50% [3]

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) Divested on 9 February 2023.
4) Under certain circumstances or events, ISS may be obliged to choose to purchase other shareholders' shareholdings or dispose of its own shareholdings.

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

Net profit (adjusted)

Net profit excluding Other income and expenses, net, Goodwill impairment, Amortisation/impairment of brands and customer contracts, impact from hyperinflation (IAS 29) and Net profit from discontinued operations

EBITDA

Operating profit + Depreciation and amortisation + Amortisation/impairment of brands and customer contracts

EBITDA before other items (adjusted EBITDA)

Operating profit before other items + Depreciation and amortisation

Pro forma adjusted EBITDA

EBITDA before other items, including EBITDA before other items in discontinued operations, and adjusted as if all acquisitions and divestments had occurred on 1 January of the respective year

Free cash flow

Cash flow from operating activities – Acq. of intangible assets and property, plant and equipment, net – Acq. of financial assets, net (excl. equity-accounted investees) – Addition of right-of-use assets, net

Organic growth, %

$$\frac{\text{(Revenue current year excl. hyperinflation – Comparable revenue[1] prior year) x 100}}{\text{Comparable revenue[1] prior year}}$$

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, %

$$\frac{\text{Operating profit before other items x 100}}{\text{Revenue}}$$

Total revenue growth, %

$$\frac{\text{(Revenue current year – Revenue prior year) x 100}}{\text{Revenue prior year}}$$

Financial ratios

Acquisitions, %

$$\frac{\text{Revenue from acquisitions[2] x 100}}{\text{Revenue prior year}}$$

Cash conversion, %

$$\frac{\text{Free cash flow x 100}}{\text{Operating profit before other items}}$$

Currency adjustments

Total revenue growth – Organic growth – Acquisition/divestment growth, net[3]

Divestments, %

$$\frac{\text{Revenue from divestments[4] × 100}}{\text{Revenue prior year}}$$

Equity ratio, %

$$\frac{\text{Total equity × 100}}{\text{Total assets}}$$

Net debt

Loans and borrowings – Securities – Cash and cash equivalents – Positive fair value of derivatives

Share ratios

Basic earnings per share (EPS)

$$\frac{\text{Net profit attributable to owners of ISS A/S}}{\text{Average number of shares (basic)}}$$

Diluted earnings per share (EPS)

$$\frac{\text{Net profit attributable to owners of ISS A/S}}{\text{Average number of shares (diluted)}}$$

Average number of shares (basic)

Average number of issued shares, excluding treasury shares, for the year

Average number of shares (diluted)

Average number of shares (basic) + Average number of outstanding PSUs and RSUs expected to vest

ESG ratios

CO_2 emissions

Scope 1, 2 and 3 emissions calculated in accordance with the Greenhouse Gas Protocol. For further information see the 2022 Sustainability Report pp. 42-43.

Employee turnover, %

$$\frac{\text{Number of employees who left in the year × 100}}{\text{Average number of employees for the year}}$$

Customer retention, %

$$\frac{\text{Portfolio revenue (annual value) retained at 31 December of the portfolio at 1 January}}{\text{Portfolio revenue (annual value) at 1 January}}$$

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 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, %

$$\frac{\text{Female board members (AGM[5] elected) × 100}}{\text{Board members (AGM [5] elected)}}$$

Board meeting attendance, %

$$\frac{\text{Accumulated number of attended board meetings for all board members x 100}}{\text{Number of board meetings possible to attend for all board members}}$$

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] Management's expectations at the acquisition date.
[3] Incl. the effect from exclusion of currency effects from the calculation of organic growth and acq./div., net.
[4] Estimated or actual revenue where available at the divestment date.
[5] AGM = Annual General Meeting

Parent company financial statements

Statement of profit or loss

1 January – 31 December

(DKKm)	Note	2022	2021
Employee costs		(35)	(41)
Other operating expenses	3	(76)	(91)
Operating profit		**(111)**	**(132)**
Financial expenses	4	(82)	(63)
Profit before tax		**(193)**	**(195)**
Income tax	5	41	57
Net profit		**(152)**	**(138)**

Statement of comprehensive income

1 January – 31 December

(DKKm)	2022	2021
Net profit	**(152)**	**(138)**
Comprehensive income	**(152)**	**(138)**

Statement of cash flows

1 January – 31 December

(DKKm)	2022	2021
Operating profit	(111)	(132)
Share-based payments	9	2
Changes in working capital	(1)	(5)
Interest (paid)/received to/from companies within the ISS Group	(82)	(62)
Income tax (paid)/received	27	(70)
Joint taxation contribution (paid)/received, net	(84)	165
Cash flow from operating activities	**(242)**	**(102)**
Cash flow from investing activities	**-**	**-**
Other financial payments, net	(1)	(1)
Payments (to)/from companies within the ISS Group, net	291	103
Cash flow from financing activities	**290**	**102**
Total cash flow	**48**	**0**
Cash and cash equivalents at 1 January	0	0
Total cash flow	48	0
Cash and cash equivalents at 31 December	**48**	**0**

Statement of financial position

At 31 December

(DKKm)	Note	2022	2021
Assets			
Investment in subsidiary	6	27,674	27,674
Non-current assets		**27,674**	**27,674**
Receivables from companies within the ISS Group		114	3
Tax receivables		28	31
Cash and cash equivalents		48	0
Current assets		**190**	**34**
Total assets		**27,864**	**27,708**
Equity and liability			
Total equity		**24,168**	**24,240**
Debt to companies within the ISS Group		3,386	3,164
Deferred tax liabilities	7	291	237
Non-current liabilities		**3,677**	**3,401**
Debt to companies within the ISS Group		3	52
Trade payables and other liabilities		16	15
Current liabilities		**19**	**67**
Total liabilities		**3,696**	**3,468**
Total equity and liabilities		**27,864**	**27,708**

Statement of changes in equity

1 January – 31 December

(DKKm)	Share capital	Treasury shares	Retained earnings	Proposed dividends	Total
2022					
Equity at 1 January	**185**	**(191)**	**24,246**	**-**	**24,240**
Net profit	-	-	(542)	390	(152)
Comprehensive income	**-**	**-**	**(542)**	**390**	**(152)**
Share-based payments	-	-	80	-	80
Settlement of vested PSUs	-	6	(6)	-	-
Transactions with owners	**-**	**6**	**74**	**-**	**80**
Changes in equity	**-**	**6**	**(468)**	**390**	**(72)**
Equity at 31 December	**185**	**(185)**	**23,778**	**390**	**24,168**
2021					
Equity at 1 January	**185**	**(191)**	**24,322**	**-**	**24,316**
Net profit	-	-	(138)	-	(138)
Comprehensive income	**-**	**-**	**(138)**	**-**	**(138)**
Share-based payments	-	-	62	-	62
Transactions with owners	**-**	**-**	**62**	**-**	**62**
Changes in equity	**-**	**-**	**(76)**	**-**	**(76)**
Equity at 31 December	**185**	**(191)**	**24,246**	**-**	**24,240**

1 Accounting policies

Basis of preparation

The financial statements of ISS A/S have been prepared in accordance with IFRS as adopted by the EU and additional requirements of the Danish Financial Statements Act. In addition, the financial statements have been prepared in compliance with the IFRSs 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 A/S are identical to the Group's accounting policies, which are described in the notes to the consolidated financial statements.

Statement of financial position

Investment in subsidiary is measured at cost, which comprises consideration transferred measured at fair value and directly attributable transaction costs. 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. Where the recoverable amount is lower than the cost, the investment is 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 A/S is jointly taxed with all Danish resident subsidiaries. ISS A/S acts as administration company for the joint taxation and consequently settles all payments of corporation tax with the tax authorities. Joint taxation contributions to/from jointly taxed companies are recognised in profit or loss and 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 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).

2 Significant accounting estimates and judgements

Significant accounting estimates and judgements relating to the applied accounting policies for ISS A/S are the same as for the Group to the extent of similar accounting items, cf. Estimates and judgements on p. 55 for a description. The specific risks for ISS A/S are described in the notes to the financial statements of the parent company.

Investment in subsidiary is tested for impairment when there is an indication that the investment 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 subsidiary, significant decline in market values etc.

3 Fees to auditors

(DKKm)	2022	2021
Statutory audit	1	1
Other assurance services	0	0
Total	**1**	**1**

4 Financial expenses

(DKKm)	2022	2021
Interest expenses to companies within the ISS Group	(81)	(62)
Bank fees	(1)	(1)
Financial expenses	**(82)**	**(63)**

5 Income tax

(DKKm)	2022	2021
Current tax	96	39
Deferred tax	(54)	-
Prior year adjustments, net	(1)	18
Income tax	**41**	**57**

Effective tax rate (ETR)

	2022	2021
Statutory income tax rate, Denmark	22.0 %	22.0 %
Non-tax-deductible expenses less non-taxable income	(0.2)%	(1.8)%
Prior year adjustments, net	(0.5)%	9.1 %
Effective tax rate	**21.3 %**	**29.3 %**

6 Investment in subsidiary

(DKKm)	2022	2021
Cost at 1 January	27,674	27,674
Cost at 31 December	**27,674**	**27,674**
Carrying amount at 31 December	**27,674**	**27,674**

Subsidiary

ISS World Services A/S, Søborg, Denmark, 100%.

7 Deferred tax

(DKKm)	2022	2021
Deferred tax liability at 1 January	237	203
Prior year adjustments, net	(1)	34
Tax on profit before tax	55	-
Deferred tax liability at 31 December	**291**	**237**

Deferred tax liability at 31 December 2022 and at 31 December 2021 related to deferred taxation of foreign exchange gains/losses.

ISS A/S has no unrecognised deferred tax assets regarding tax losses carried forward (2021: None).

8 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 the Board of Directors and the Executive Group Management is specified in 6.1 to the consolidated financial statements.

9 Contingent liabilities

Withholding taxes

ISS A/S is jointly taxed with all Danish resident subsidiaries. As administration company ISS A/S and 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 2022, Danish corporate tax and Danish withholding taxes amounted to DKK 0 million (2021: DKK 0 million). Any subsequent adjustments to Danish withholding taxes may change this joint and unlimited liability.

VAT

ISS A/S and certain Danish Group companies are jointly registered for VAT and are jointly liable for the payment hereof.

10 Financial risk management

ISS A/S's financial risks are managed centrally by Group Treasury based on the Financial Policy approved by the Board of Directors. The objectives, policies and processes for measuring and managing the exposure to financial risks is described in 4.4 to the consolidated financial statements. The risks specific to ISS A/S are described below.

11 Currency risk

At 31 December 2022 and at 31 December 2021, ISS A/S was not exposed to currency risk as no assets or liabilities were denominated in currencies other than DKK.

12 Liquidity risk

Liquidity risk results from ISS A/S's potential inability or difficulty in meeting the contractual obligations associated with its financial liabilities due to insufficient liquidity. ISS A/S is a holding company and its primary assets consist of shares in ISS World Services A/S and receivables from companies within the ISS Group. ISS A/S has no revenue generating activities of its own, and therefore ISS A/S's cash flows and ability to service its indebtedness and other obligations, will depend primarily on the operating performance and financial condition of ISS World Services A/S and its operating subsidiaries, and the receipt by ISS A/S of funds from ISS World Services A/S and its subsidiaries in the form of dividends or otherwise.

At 31 December 2022, ISS A/S carried no significant financial liablities. Thus the liquidity risk was primarily related to ISS A/S's obligations under the Danish joint taxation where ISS A/S acts as the administration company.

13 Credit risk

ISS A/S has no revenue generating activities and therefore no trade receivables. Consequently, credit risk is limited to an insignificant amount of cash and cash equivalents and an insignificant intercompany receivable with various indirectly owned subsidiaries in relation to joint taxation.

14 Related parties

In addition to the description in 7.3 to the consolidated financial statements of related parties and transactions with these, related parties of ISS A/S comprise ISS World Services A/S and its subsidiaries, associates and joint ventures, see 8.4 to the consolidated financial statements.

In 2022, ISS A/S had the following transactions with other related parties, which were all made on market terms:

- ISS A/S had a debt against ISS Global A/S of DKK 3,386 million (2021: DKK 3,164 million)
- ISS A/S paid interests to ISS Global A/S, see note 4, Financial expenses
- ISS A/S received/paid joint taxation contribution equal to 22% of taxable income from/to jointly taxed Danish resident subsidiaries

15 New accounting regulations

New accounting regulations are described in 8.3 to the consolidated financial statements.

Management statement

Copenhagen, 23 February 2023
The Board of Directors and the Executive Group Management Board have today discussed and approved the annual report of ISS A/S for the financial year 2022.

The annual report has been prepared in accordance with International Financial Reporting 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 2022 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 2022.

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.

In our opinion, the annual report of ISS A/S for the financial year 2022 identified as ISS-2022-12-31-en.zip has been prepared, in all material respects, in compliance with the ESEF-regulation.

We recommend that the annual report be approved at the annual general meeting.

Executive Group Management Board

Jacob Aarup-Andersen
Group CEO

Kasper Fangel
Group CFO

Board of Directors

Niels Smedegaard
Chair

Lars Petersson
Deputy Chair

Kelly Kuhn

Søren Thorup Sørensen

Ben Stevens

Cynthia Mary Trudell

Nada Elboayadi (E)

Signe Adamsen (E)

Elsie Yiu (E)

E = Employee representative

Independent auditor's report

To the shareholders of ISS A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of ISS A/S for the financial year 1 January – 31 December 2022, pp. 49-112, 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 International Financial Reporting 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 2022 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 2022 in accordance with International Financial Reporting 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 A/S on 15 April 2015 for the financial year 2015. We have been reappointed annually by resolution of the general meeting for a total consecutive period of eight years up until the financial year 2022.

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 2022. 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.

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, including the uncertainty relating to estimating the impact from Covid-19, 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 the expected Covid-19 impact, contract term 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 intangible assets

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, including the uncertainty relating to estimating the impact from Covid-19, 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 and assessed impact of Covid-19. We compared the assumptions applied to externally 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 write-down of deferred tax assets and given the uncertainty estimating the impact from Covid-19 on future taxable income, 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 5 and 7 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 write-down 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. 1-48.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of 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 the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. 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 International Financial Reporting 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 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 a 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.

Report on compliance with the ESEF Regulation

As part of our audit of the Consolidated Financial Statements and Parent Company Financial Statements of ISS A/S, we performed procedures to express an opinion on whether the annual report of ISS A/S for the financial year 1 January – 31 December 2022 with the file name ISS-2022-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements, including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of ISS A/S for the financial year 1 January – 31 December 2022 with the file name ISS-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 23 february 2023

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender	**Claus Kronbak**
State Authorised	State Authorised
Public Accountant	Public Accountant
mne21332	mne28675

TECHNOLOGY

The right technology foundation to support our customers

ISS builds on a solid IT strategy and executes it through our in-house tech teams which design the right digital applications and platforms for our customers and placemakers. These efforts are founded on a scalable and cybersecure "Cloud First" infrastructure, all developed and managed by integrated and experienced ISS global technology teams.

Creating customised and powerful software requires an agile and fully integrated approach. At ISS, we rely on our experienced placemakers and the power of cross-functional teams to develop innovative in-house solutions for our customers' changing needs and the challenges of today's modern workplaces.

A dedicated software development centre

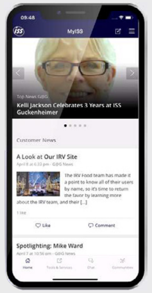
As a mark of our commitment to innovation in this area, this year ISS opened a dedicated software development centre in Porto, Portugal. This marks yet another major milestone in ISS's digital business transformation journey towards becoming the technology leader of the facility management industry. The new "ISS Tech Portugal" centre complements ISS's already established technology headquarters in two major locations – Copenhagen and Warsaw.

The key focus of the centre is to create and harness in house capabilities to develop high-quality and scalable digital solutions both for the ISS enterprise and for our customers, globally. The location in Portugal was chosen due to its thriving technology scene and access to a growing talent pool. ISS welcomed its first employees in September 2022.

The power of technology self-delivery

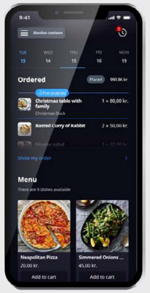
Self-delivery remains a differentiator and key to success for ISS, and this includes technology. By acquiring and capitalising on intellectual property rights of our customer-facing applications for food and workplace experience, we are able to take full control of our IoT Platform and apps.

We create value for ISS and for our customers by being flexible and adaptable, offering standalone products for each of our services – food, technical, cleaning, and workplace. They are integrated through an ISS-managed global data and integration layer, providing customers with a full line of sight at site, country, or global level.



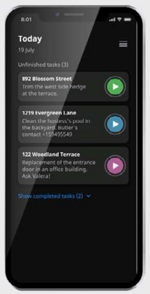
MyISS
Strengthening connection and collaboration in a hybrid workplace

ISS + partner
8,000 users
Ambition to connect to all our more than 350,000 placemakers



ISS Takeaway
Balancing full-time jobs with maintaining a household

ISS Owned IP
3,000 users
6 customers across 9 customer workplaces (DK) + 120% in revenue



Outdoor App
Supporting placemakers to evidence task completion and compliance

ISS Owned IP
Target:
20,000 work tasks

ISS Workplace
App Promoting wellbeing, engagement, community and productivity

ISS Owned IP
60,000+ users on Global Key Accounts

Forward-looking statements and ESEF

Forward-looking statements

This Annual Report contains forward-looking statements, including, but not limited to, the guidance and expectations provided in Outlook on p. 11. 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.

Reporting under the ESEF Regulation

The Group is required to file the Annual Report in the European Single Electronic Format (ESEF) using a combination of the XHTML format and to tag the primary consolidated financial statements using iXBRL (Inline eXtensible Business Language).

The Group's iXBRL tags comply with the ESEF taxonomy, which has been developed on the basis of IFRS taxonomy published by the IFRS Foundation. The line items in the consolidated financial statements are tagged to elements in the ESEF taxonomy. For financial line items that are not directly defined in the ESEF taxonomy, an extension to the taxonomy has been created.

ISS has considered the accounting meaning of a taxonomy element when selecting the appropriate block tag for marking up such disclosure, particularly where multiple block tags match a disclosure. As a minimum, ISS has marked-up disclosures included in the consolidated financial statements (including headers) with the elements required (Annex II of the Regulatory Technical Standard on ESEF). If disclosures or information corresponds to more than one element of different levels of details, ISS has used each of them and multi-tagged the disclosure to the extent that corresponds with the underlying accounting meaning of the disclosures.

The Annual Report submitted to the Danish Financial Supervisory Authority (the Officially Appointed Mechanism) is included in the zip file ISS-2022-12-31-en.zip.

ESEF data

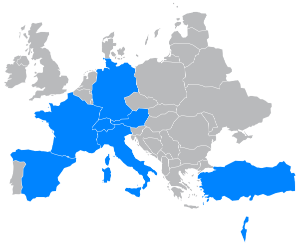
Name of reporting entity:	ISS A/S
Domicile of entity:	Denmark
Legal form of entity:	A/S
Country of incorporation:	Denmark
Address:	Buddingevej 197, DK-2860 Søborg
Principal place of business:	Global
Principal activities:	Workplace and facility service solutions
Name of the parent entity:	ISS A/S
Name of ultimate parent og Group:	ISS A/S

Country revenue

Northern Europe

(DKKm)	of Group	2022	2021
UK & Ireland	14%	10,396	10,634
Norway	5%	4,016	3,181
Finland	4%	3,292	3,151
Denmark	4%	3,169	3,661
Belgium & Lux.	4%	3,044	2,695
Sweden	4%	2,984	2,787
Netherlands	2%	1,400	1,216
Poland	1%	315	286
Lithuania	0%	78	62
Latvia	0%	0	2
Total	**38%**	**28,694**	**27,675**

Central & Southern Europe



(DKKm)	of Group	2022	2021
Switzerland	8%	5,729	5,212
Germany	7%	5,556	5,429
Spain	5%	4,122	4,420
Turkey	4%	3,341	2,719
France	4%	2,900	3,075
Austria	3%	2,285	2,031
Italy	1%	759	699
Total	**32%**	**24,692**	**23,585**

Asia & Pacific

(DKKm)	of Group	2022	2021
Australia & New Zealand	6%	4,868	4,349
Hong Kong	4%	2,652	2,403
Singapore	3%	2,240	2,035
Indonesia	2%	1,830	1,635
India	2%	1,422	1,076
China	1%	1,000	880
Other	0%	0	3
Total	**18%**	**14,012**	**12,381**

Americas

(DKKm)	of Group	2022	2021
US & Canada	8%	6,387	5,298
Chile	2%	1,177	1,003
Mexico	1%	990	810
Other	0%	31	30
Total	**11%**	**8,585**	**7,141**

Partnership countries

Revenue in countries where we render services to global key accounts but do not have a full country support structure comprises 1% of Group revenue or DKK 606 million (2021: DKK 626 million).

Partnership countries comprise: Argentina, Bangladesh, Brazil, Bulgaria, Czech Republic, Colombia, Costa Rica, Croatia, Cyprus, Greece, Hungary, Israel, Japan, Jordan, Kazakhstan, Malaysia, Pakistan, Philippines, Portugal, Puerto Rico, Romania, Serbia, Senegal, Slovakia, Sri Lanka, South Africa, South Korea, Taiwan, Thailand, United Arab Emirates and Vietnam.

Discontinued operations

(DKKm)	2022	2021
Brunei	44	40
Czech Republic	0	64
Hungary	0	18
Philippines	0	127
Romania	0	23
Slovakia	0	26
Slovenia	0	65
Portugal	201	350
Russia	22	87
Taiwan	118	431
Total	**385**	**1,231**

Contact information

ISS A/S
Buddingevej 197
DK-2860 Søborg
Denmark
Tel.: +45 38 17 00 00
Fax: +45 38 17 00 11
www.issworld.com
CVR 28 50 47 99

Investor relations
Jacob Johansen
Head of Group Investor Relations
Tel. +45 38 17 00 00

Edited by
Group Controlling
ISS A/S

Design & production
KIRK & HOLM
Stibo Complete