Annual Report 2023

PEOPLE MAKE PLACES

Our purpose is what drives us

Connecting people and places to make the world work better

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.

2023 reports

Annual Report

The **2023 Annual Report** is our primary report comprising annual disclosures related to performance. Also, it provides highlights related to environmental, social and governmental sustainability, executive remuneration and corporate governance. Detailed information on these topics can be found in our separate reports and cross-references are made where relevant.

Sustainability Report

In our **2023 Sustainability Report** you will find information on our social, environmental and governance performance.

Disclosures required under section 99a of the Danish Financial Statements Act, Task force on Climate-Related Financial Disclosures (TCFD) and disclosures related to the EU Taxonomy are included in this report.

Remuneration Report

In our **2023 Remuneration Report** you will find a description of the work of our Remuneration Committee and our remuneration policy as well as a specification of remuneration to the members of the Executive Group Management Board and the Board of Directors.

The Report is prepared in accordance with section 139b of the Danish Companies Act.

Governance Report

In our **2023 Corporate Governance Report** you will find a description of our governance structure, the main elements of our internal controls related to financial reporting as well as our position on the Danish Corporate Governance Recommendations (the Recommendations).

The report is prepared in accordance with the Recommendations.

ANNUAL REPORT 2023

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PREPARING FOR FUTURE GROWTH

Letter

Building on recent years' operational and financial progress, ISS took several steps in unfolding the full potential of the OneISS strategy during 2023. Following the appointment of Kasper Fangel as Group CEO, a new and streamlined Executive Group Management (EGM) has reviewed and prioritised the strategic initiatives to bolster our operational and financial performance further. We also made good progress on our ambition to become the Company of Belonging and reduce our environmental impact.

Since the peak of the Covid-19 pandemic, office occupancy rates have increased. This reflects a gradual return-to-office trend as well as an increased desire by companies to strike the right balance in providing flexibility for their employees while maintaining the physical workplace as a cultural amplifier.

The hybrid working model means that office occupancy rates are still lower than before the pandemic. However, this has not resulted in a reduced demand for ISS's services and offerings. Customers are in fact reallocating their resources towards employees to create the workplace of the future, with high-quality, productive work environments that support innovation, collaboration, and cultural belonging.

These trends align well with our purpose of connecting people and places to make the world work better. Furthermore, they confirm that our OneISS strategy is the right way to cater for the current and future needs of our customers, as they increasingly focus on consolidating their supply chains and converging towards integrated facility management solutions.

ISS is thus well poised to support key account customers, who seek an integrated facility management partner to drive user experience, efficiency and consistency with solutions that are sustainable and compliant across their portfolio of workplaces.

Solid foundation for continued growth

In 2023, this underlying demand for our services manifested itself through a continued good commercial development and with customer retention rates at historic high levels.

Due to our relentless focus on creating value for our customers, ISS delivered a solid financial performance in line with our guidance for the year.

Organic growth for 2023 was 9.7% compared to 8.4% the year before. The increase was driven by price adjustments implemented across the Group and underlying volume growth due to increased activity levels at customer sites as well as higher office occupancy rates.

"With the new global management team in place and thanks to the combined efforts of our more than 350,000 dedicated and passionate placemakers, we are well underway in releasing the full potential of ISS.

Niels Smedegaard
Chair

Kasper Fangel
Group CEO

Throughout the year, ISS benefitted from increased customer activity levels and engagement. We were awarded several new contracts and extended and expanded a number of other contracts. The customer retention rate was 95%, a historic high level. This is the result of our investments in the commercial model, with increased segment expertise and a strict strategic focus on driving value through building and expanding long-lasting partnerships.

The operating margin before other items was 4.3% excluding the effect from hyperinflation in Türkiye compared to 4.0% in 2022. The margin continued to improve throughout the year driven by OneISS efficiencies and cost initiatives as well as improvements across a number of markets and large contracts. Excluding one-off costs related to the review of the OneISS strategic initiatives, margin was 4.6%.

In 2023, ISS continued to manage cost inflation tightly through price increases and operational efficiencies. As a result, the operating margin was generally unaffected by inflation.

Sharing excess capital with shareholders

Our solid financial results for 2023, means that we are in a favourable position to share our excess capital with our shareholders. According to our capital allocation policy, the Board of Directors will at the annual general meeting propose a dividend for 2023 of 20% of adjusted net profit, corresponding to a dividend per share of DKK 2.3. Additionally, we have decided to initiate a share buyback programme of DKK 1.0 billion to be executed until 20 February 2025.

New CEO and sharpened strategic focus

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

Following the resignation of Jacob Aarup-Andersen, the Board announced Kasper Fangel as new Group CEO effective from 1 September. The appointment of a new CEO had no impact on the strategic direction of ISS. In September, we announced a new and streamlined Executive Group Management (EGM). The EGM was reduced from 13 to 9 members, enhancing agility and execution power to build a stronger, more robust ISS and drive operational and financial performance going forward.

During the autumn, the EGM reviewed the OneISS initiatives, launched in 2020. The review focused on ensuring that our initiatives generate the expected value to further improve execution, accelerate strategic development and continue to build a stronger and value-creating ISS. In 2024, we will continue to embed the OneISS strategy across the organisation, but as a result of the review we will prioritise fewer initiatives to make each remaining initiative more impactful.

Acquisition in Spain and divestment of ISS France

During 2023, we made several decisions to further strengthen our ability to deliver the best service offerings to our customers and to align our geographical footprint to continued future growth.

In Spain, we acquired Grupo Fissa, a reputable cleaning provider operating mainly in southern Spain. With this acquisition, we have strengthened ISS operations in the region and improved the service delivery for local key accounts. The acquired company operates cleaning contracts within healthcare and local prioritised segments. The acquisition has a strong strategic fit with the OneISS strategy and our stated ambition to remain #1 globally in cleaning.

In August, we announced the decision to divest ISS France. Due to inherent strategic challenges, difficult market conditions, and muted commercial development, the French business had not generated the expected financial improvements.

On 22 December 2023, ISS signed an agreement to divest ISS France to Onet SA, a French facility services company. We are comfortable that we have identified the best possible buyer who can drive the business forward to the benefit of the customers and not least our more than 15,000 dedicated placemakers in France. At the same time, we have established a strong partnership with the buyer that will allow us to continue to provide quality service solutions to existing and future global key account customers in France.

Championing sustainable workplaces

Contributing to a fair and more inclusive society as well as a healthy planet is ever more important for businesses in the world of today. At ISS, we focus our overall ambition of championing sustainable workplaces mainly through two important lenses: social and environmental sustainability. In the past couple of years, we have made bold commitments and seen good progress in both focus areas.

On environmental sustainability, we were proud to reach an important milestone when our near-term science-based emissions target was validated by the Science Based Targets initiative (SBTi) in 2023. Additionally, through our own operations, we saw clear results from our efforts in reducing our climate impact.

Among other things, we have electrified around 2,500 of our entire global fleet of approximately 20,000 vehicles. And in our food business, where we serve around one million meals per day, we have managed to reduce the amount of food waste by 30% from a 2019-baseline. These are good steps towards reaching our overall target of delivering full scope net zero carbon emissions by 2040.

On social sustainability, we have a clear ambition to be the Company of Belonging, honouring our heritage as a people company for more than 120 years. Through our ambition, we want to ensure that every placemaker can be who they are, become what they want and be part of something bigger.

A safe working environment is a key part of our people promise and central to the OneISS strategy. Tragically, we experienced five fatalities in 2023. This devastating loss has deeply impacted our organisation, prompting us to intensify our mitigating measures. We have strengthened our root cause analysis processes to make sure we always fully understand why incidents happen and that we know how to remedy the immediate causes. We have also dived deeper into accident causes, made fundamental changes to how we operate and shared lessons across the whole Group.

In 2023, we focused on sharpening the road map towards reaching our bold signature objectives on introducing living wages across our industry, providing certified qualifications and increasing the respect and recognition of our placemakers.

Releasing the full potential of ISS

2023 was a year in which we confirmed our overall strategic direction, aligning how we respond to the global megatrends that we and our customers are facing. Changing customer needs, AI and new technologies as well as a global economy running at a slower pace are all factors that call for a much more agile and robust ISS.

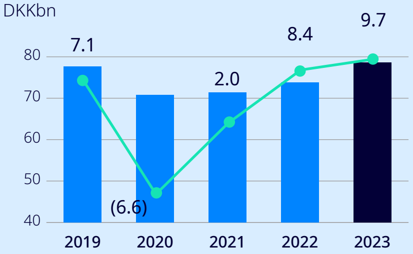
With the new global management team in place and thanks to the combined efforts of more than 350,000 dedicated and passionate placemakers, we are well on our way to releasing the full potential of ISS.

PERFORMANCE, TARGETS AND GUIDANCE

Financial highlights

Organic growth[1)]

9.7%

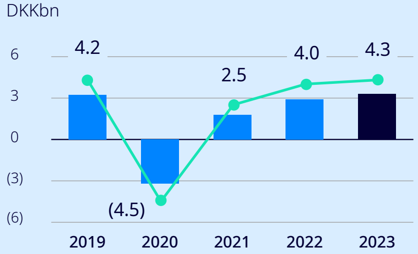


Revenue (DKKbn)
Organic growth (%)

1) Excluding the impact of IAS 29

Operating margin[1)]

4.3%

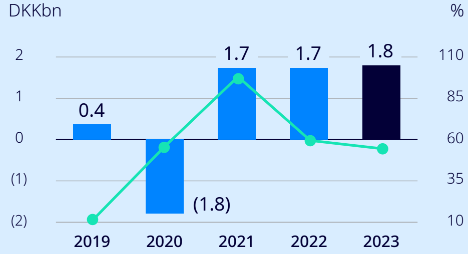


Operating profit before other items (DKKbn)
Operating margin (%)

1) Excluding the impact of IAS 29

Free cash flow[1)]

1.8 DKKbn

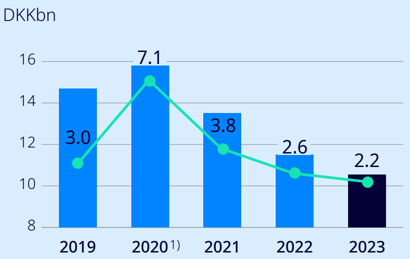


Free cash flow (DKKbn)
Cash conversion (%)[2)]

1) Excluding the impact of IAS 29
2) Free cash flow/Operating profit before other items in %

Financial leverage

2.2x

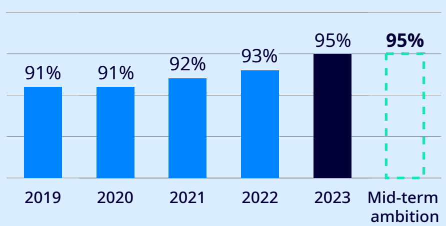


Net debt (DKKbn)
Net debt/Pro forma adjusted EBITDA

1) Excluding restructurings and one-off costs

Customer retention

95%



Performance vs. guidance

	Organic growth[1)]	Operating margin[1), 2)]	Free cash flow
Annual Report 2022	4 - 6%	4.25 - 4.75%	~ DKK 2.0bn
Q1 2023	6 - 8%	Unchanged	Unchanged
H1 2023	7 - 9%	Unchanged	Unchanged
Q3 2023	~ 9%	~ 4.3%	~ DKK 1.8bn
Actual 2023	9.7%	4.3%	DKK 1.8bn

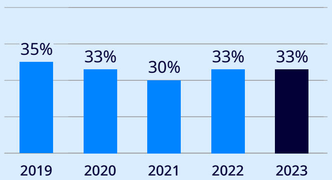
1) Excluding discontinued operations
2) Based on Operating profit before other items, excluding IAS 29

For definitions, see 8.5, Definitions

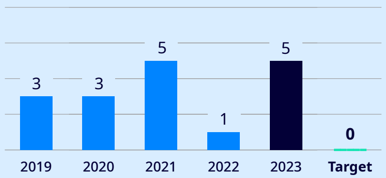
Sustainability highlights

Social
Becoming the Company of Belonging

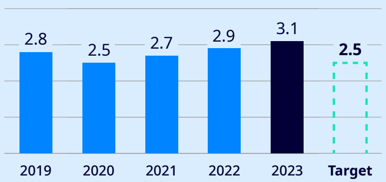
Employee turnover



Fatalities



Lost Time Injury Frequency



Our signature objectives

Focus on:

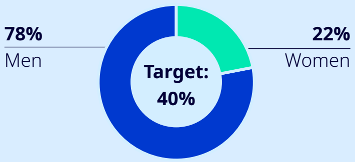
1. **Living wages**
2. **Recognised qualifications**
3. **Recognition and respect**

Baseline
definitions provided for each objective

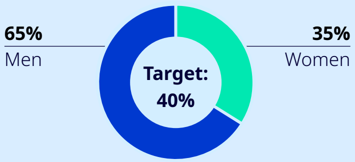
19,000+
qualifications provided in 2023

Gender balance

EGM



Corporate leadership



Read more on p. 32

Environmental
Our journey to net zero

Our net zero commitments

Committed to reach net zero for scope 1 & 2 by 2030 and scope 3 by 2040:

1. **Electrify our fleet**
2. **Reduce emissions from food and waste**

2,500+
vehicles electrified

Target: ~20,000 vehicles by 2030

5%
CO_2 reduced per 1,000 kcal food served

Target: ↓ 25% by 2030

30%
food waste reduction from a 2019-baseline

Target: ↓ 50% by 2027

SBTi validation
near term targets validated by the SBTi

Read more on p. 36

A SUSTAINABLE BUSINESS MODEL

How we create value

We depend on

Our placemakers
Our more than 350,000 trained, motivated and empowered placemakers. Given our self-delivery model they are the core enablers of our strategy

Technology and data
Providing insights and knowledge to develop outstanding customer solutions

Operational assets
An asset-light and cash generative business model with operational assets such as vehicles and cleaning machines, the majority of which are leased, as well as software

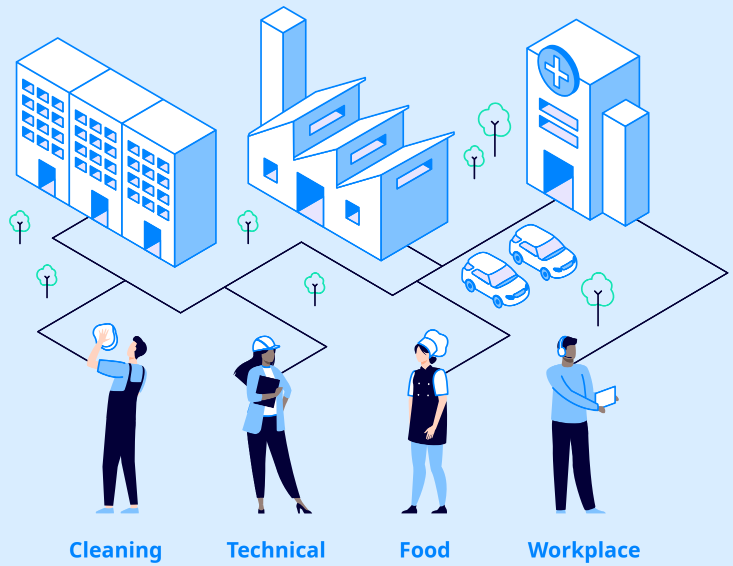
Our relationships
Our business is built on strong partnerships with customers and suppliers as well as unions and governments across the globe

Capital
A strong and efficient balance sheet and liquidity position to support operational needs

The ISS brand
Building on more than 120 years legacy as a people company working with a strong belief that people can and do make a difference

Connecting people and places to make the world work better

We create, manage and maintain environments that make life easier, more productive and enjoyable



We self-deliver integrated solutions both locally and on a global scale

We create value for

Our customers and users
As a strategic partner we provide insights to drive user experience, efficiency and consistency with sustainable and compliant solutions at our customers' sites

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

Our shareholders
We deliver strong growth at attractive and sustainable margins combined with disciplined capital allocation

Society and the planet
We act as social incubators making a difference for peoples lives. We minimise the impact on the planet by reducing energy, carbon, water and waste

Our suppliers
Across a diverse supplier base we engage, develop and enhance mutually beneficial relationships ranging from global strategic partnerships to local micro niche suppliers

Our strategic choices

Focus on three customer segments ...

Office-based
39%
- Financial services
- Technology
- Professional services

Production-based
24%
- Industry & Manufacturing
- Life sciences
- Food & Beverage

Healthcare
14%
- Hospitals

% of Group revenue

... for which we focus on four core services

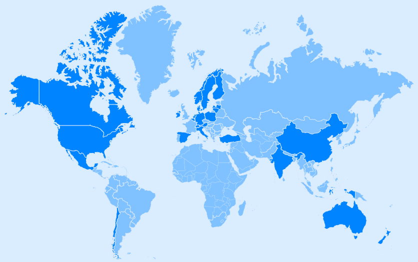
Cleaning
42%
- ISS's heritage
- Global leader

Technical
23%
- Critical for key accounts
- Growth opportunities

Food
15%
- Drives user experience
- Opportunity for new offerings

Workplace
20%
- Increased demand
- Core customer needs

... provided across the globe



Northern Europe
37%

Central & Southern Europe
32%

Asia & Pacific
18%

Americas
12%

excluding partnership countries

Our ambition

Global **leader** in IFS

Globally in **cleaning**

Championing sustainable workplaces

Social
Improve the sense of belonging

Environmental
Reduce carbon emissions

Our platform

350,000+
Placemakers globally

30+
Self-delivery countries

40,000+
Customers

50,000+
Sites

STRATEGIC HIGHLIGHTS

OneISS priorities

In 2023, the OneISS strategy execution continued to drive value. We launched the strategy three years ago and in the second half of 2023, we reviewed and prioritised OneISS initiatives.

The review focused on ensuring that all initiatives generate the expected value and strengthen the strategic execution. In 2024, we will continue to embed the OneISS strategy, but we will prioritise and focus on fewer initiatives.

The review and prioritisation of OneISS initiatives led to one-off costs of DKK 233 million, which were recognised in 2023 with a negative impact on our operating margin of around 0.3%. The enhanced focus on initiatives is expected to generate operational benefits and estimated cost savings of around DKK 250 million annually, with approximately DKK 200 million expected to have effect in 2024.

We also made the strategic decision to divest ISS France and reposition ISS in the French market to only focus on servicing global key account customers as the French business had not generated the expected financial improvements. On 22 December 2023, an agreement was signed to divest the business to Onet SA with expected completion in the first half of 2024.

Our five strategic priorities

2023 achievement highlights

Commercial momentum and segment leadership

Segment expertise in our three prioritised segments to deliver the best outcomes to our customers

Commercial development remained solid and customer retention was maintained at 95%

Read more on p. 31

Brilliant operating basics

Demonstrate operational excellence and compliance whilst exhibiting cost leadership in everything we do

Inflation management and demonstrated cyber security above benchmark

Service products built on leading technology platforms

Embed technology and data in our solutions to optimise financial and sustainability performance

Pure Space Office cleaning service product scaled to more than 14,400 sites

Environmental sustainability

Support our customers and our own journey to minimise the environmental impact on the planet

Food waste reduced by 30% from a 2019-baseline

Safe, diverse and inclusive workplaces

Improve the sense of belonging for our more than 350,000 placemakers around the world

19,000+ qualifications provided

ATTRACTIVE GROWTH, MARGIN AND CASH CONVERSION

The ISS investment case

Our ambition is to become the global leader in IFS for key account customers and the global leader in cleaning. With our sharpened focus on commercial segments, strengthened operating model and accelerated journey towards technology and sustainability leadership in the industry, we are 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 (IFS) account for ~11%. ISS is a leader in the outsourced IFS market with a share of ~5%. 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 service lines and geographies. Our legacy in facility management and our ability to self-deliver both locally and on a global scale give us a keen advantage over most competitors in the market.

While office occupancy rates have risen since the pandemic, they are still lower than pre-Covid levels. This has made some customers reassess their office footprint and we have also seen reductions in office space due to the continued emergence of hybrid working models. Despite reducing office space, customers are reallocating their resources applying more to employees and towards higher quality offerings. This reflects the need to create a workplace of the future, with high-quality, productive working environments that support innovation, collaboration, and cultural belonging in a hybrid working model. We expect this trend to continue over the coming years, but we believe that our service offering can compensate for the anticipated development and capture additional business opportunities.

Resilient business model

Our business model has shown a high degree of resilience and stability and the investments made with the OneISS strategy have further enhanced and improved our model. This creates a strong and focused foundation for our future development, where scale advantages and our self-delivery model lead to both commercial and operational benefits.

Strengthened competitiveness

Our strategy is focused on three segments – Office-based, Production-based and Healthcare – in each we have strong capabilities with in-depth knowledge of specific needs and demands. This enables us to act as a strategic partner to our customers and 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 workplaces.

We continue, as part of executing on the OneISS strategy, to invest in three key commercial areas: operational efficiency, technology and sustainability. These are key differentiating factors in the marketplace and important growth enablers for ISS 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. IFS is expected to outgrow the general market and ISS expects over the coming years to deliver structurally higher growth rates than seen historically.

From 2024 and beyond, ISS aims to deliver strong growth at attractive and sustainable margins with strong cash conversion and a stringent capital allocation policy:

- **Organic growth:** 4-6%
- **Operating margin:** above 5%
- **Cash conversion:** above 60%

Capital allocation

Our policy

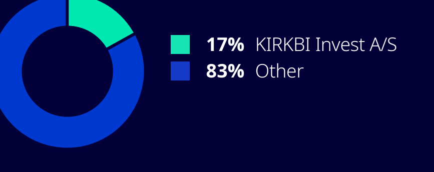
Our capital allocation policy as launched in 2022 remains unchanged. We will stringently allocate capital by fulfilling four clear ambitions in prioritised order:

1. **Maintaining an investment grade rating**
Our first priority which we will adhere to with a financial leverage of 2.0x-2.5x net debt / pro forma adjusted EBITDA
2. **Dividends**
We will commit to an annual dividend pay-out ratio of 20-40% of adjusted net profit for the financial year
3. **Investments**
We will continue to invest in our business to drive long-term sustainable growth. We are committed to value-creating M&A, and will consider and evaluate opportunities to build an M&A pipeline, or enhancements of the existing business
4. **Share buybacks**
We will distribute excess cash to our shareholders by means of share buyback

2023 capital allocation highlights, see p. 22

Major shareholders

Latest reported by investors to ISS



2024

Outlook

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

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

The outlook should be read in conjunction with Forward-looking statements, p. 117 and Our business risks, pp. 37-39.

For Definitions, see 8.5, Definitions on p. 105.

Organic growth
4 – 6%

(2023: 9.7%)

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

Free cash flow
> DKK 1.8 billion

(2023: DKK 1.8 billion)

The expectation for free cash flow is based on an underlying free cash flow of above DKK 2.4 billion, equalling a cash conversion of above 60%. However, in 2024 free cash flow is expected to be above DKK 1.8 billion, adversely impacted by timing effects including certain payments being withheld by Deutsche Telekom as described on p. 18 of this report.

Operating margin[1)]
> 5%

(2023: 4.3%)

Operating margin is expected to be above 5%. Compared to the 2023 underlying margin of 4.6%, the main drivers of the increase are continuing operational improvements and efficiencies across the Group as well as operational benefits and cost savings generated from the review of the OneISS initiatives.

[1)] Based on operating profit before other items

Other revenue impacts

Acquisitions and divestments, net

~ 0.5%-point (positive)

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

Foreign exchange rates

~ 2%-points (negative)[1)]

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

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

FIVE-YEAR SUMMARY

Key figures & ratios

Financials

Financials	2023	2022	2021	2020	2019
Results (DKKm)					
Revenue	78,681	73,838	71,363	70,752	77,698
Operating profit before other items	3,300	2,918	1,776	(3,203)	3,252
Operating profit before other items, excl. IAS 29	*3,348*	*2,947*	*1,776*	*(3,203)*	*3,252*
Operating profit	3,138	2,904	1,701	(4,707)	2,522
EBITDA before other items	4,717	4,333	3,536	(1,363)	4,853
EBITDA	4,624	4,388	3,525	(2,778)	4,458
Pro forma adjusted EBITDA	4,789	4,375	3,568	(1,349)	4,838
Financial expenses, net	(607)	(384)	(656)	(549)	(703)
Net profit from continuing operations	1,977	2,115	536	(5,220)	1,153
Net profit from discontinued operations[1]	(1,652)	21	101	25	218
Net profit	325	2,136	637	(5,195)	1,371
Net profit (adjusted)	2,120	1,940	611	(3,716)	1,883
Cash flow (DKKm)					
Cash flow from operating activities	3,392	3,333	3,221	(361)	2,064
Acquisition of intangible assets and property, plant and equipment, net	(703)	(779)	(586)	(681)	(1,095)
Free cash flow	1,775	1,734	1,735	(1,794)	366
Free cash flow, excl. IAS 29	*1,791*	*1,726*	*1,735*	*(1,794)*	*366*
Financial position (DKKm)					
Total assets	47,693	47,005	43,655	43,605	50,061
Goodwill	19,696	20,450	19,753	19,662	21,257
Additions to property, plant and equipment and right-of-use assets	1,302	1,110	1,194	1,173	1,331
Equity	10,522	10,815	7,789	6,545	12,547
Net debt	10,548	11,540	13,451	15,802	14,730
Shares ('000)					
Number of shares issued	185,668	185,668	185,668	185,668	185,668
Number of treasury shares	332	938	970	970	970
Average number of shares (basic)	185,334	184,730	184,698	184,698	184,692
Average number of shares (diluted)	187,954	187,243	186,003	185,136	186,000

1) In 2023, France was presented as discontinued operations. Comparatives for 2022 are restated.
2) 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 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 2023 Sustainability Report.

Ratios

Ratios	2023	2022	2021	2020	2019
Financial ratios (%, unless otherwise stated)					
Organic growth	9.7	8.4	2.0	(6.6)	7.1
Acquisitions and divestments, net	0.5	(5.8)	(0.5)	(0.2)	(2.2)
Currency adjustments	(3.6)	0.9	(0.6)	(2.1)	0.7
Total revenue growth	6.6	3.5	0.9	(8.9)	5.6
Operating margin	4.2	4.0	2.5	(4.5)	4.2
Operating margin, excl. IAS 29	*4.3*	*4.0*	*2.5*	*(4.5)*	*4.2*
Cash conversion	53.8	59.4	97.7	56.0	11.3
Equity ratio	22.1	23.0	17.8	15.0	25.1
Net debt/Pro forma adjusted EBITDA	2.2x	2.6x	3.8x	(11.7)x	3.0x
Share ratios (DKK)					
Basic earnings per share (EPS)	1.5	11.1	3.3	(28.2)	7.3
Diluted EPS	1.5	11.0	3.3	(28.2)	7.3
Basic EPS (continuing operations)	10.4	11.0	2.8	(28.3)	6.1
Diluted EPS (continuing operations)	10.3	10.9	2.8	(28.3)	6.1
Proposed dividend per share	2.3	2.1	-	-	-

ESG

ESG	2023	2022	2021	2020	2019
Environmental (tonnes CO_2 eq.)[2]					
Scope 1 emissions	66,153	69,581	71,726	70,084	88,722
Scope 2 emissions (market-based)	7,594	7,084	-	-	10,556
Scope 3 emissions	1,550,214	1,520,341	-	-	1,631,811
Social (%, unless otherwise stated)					
Full-time employees	77	77	76	75	77
Employees (end of period), number	352,749	351,053	354,636	378,946	471,056
Employee turnover	33	33	30	33	35
Customer retention	95	93	92	91	91
Lost Time Injury Frequency (LTIF), number	3.1	2.9	2.7	2.5	2.8
Fatalities, number	5	1	5	3	3
Training and development, '000 hours	3,578	4,337	4,124	3,750	6,516
Governance (%)					
Gender diversity, Board	33	33	43	43	33
Board meeting attendance	94	90	95	96	94
Speak Up, number	424	366	337	285	299

For definitions, see 8.5, Definitions

"Every individual, every company, and every organisation has the power to make a difference. However, with the severe humanitarian crises we have been facing in recent years, we must collectively accelerate our social efforts to create lasting change for the benefit of people and society. It is within ISS's DNA to do so, and these commitments only reaffirm that we take our responsibility seriously"

Liz Benison
Group Chief People & Transformation Officer, ISS

SOCIAL SUSTAINABILITY

Pledge to hire 2,000 refugees reflects our commitment

For ISS, it has always been important to actively demonstrate our commitment to social responsibility in the societies in which we operate. This commitment transcends merely creating a safe, diverse and inclusive workplace for our placemakers. We also strive to act as a catalysator for social mobility, aiming to provide an opportunity for a decent life and income for those in need.

As part of this ongoing commitment, ISS is dedicated to hiring, training and upskilling immigrants and refugees across all our markets. In 2023, we announced a pledge to hire 1,000 refugees across our European operations, including Ukrainian women. This adds to an existing commitment to hire 1,000 refugees across our US operations.

To achieve these commitments, we are partnering with the Tent Partnership for Refugees, working together to offer a new beginning for the 2,000 refugees over the next three years.

The commitment to hire 1,000 refugees in Europe was made during the Tent Partnership for Refugee's European Business Summit in Paris in June 2023. ISS not only commits to hiring refugees but is also providing training, upskilling and development opportunities to empower them to become valued members of the societies in which they reside.

In our commitment, ISS stands alongside several major employers across Europe, including Amazon, Marriott International and Microsoft, in collectively pledging to provide employment and training to more than 250,000 Ukrainian refugee women and other refugees across Europe. This commitment announced at the business summit marks a historic step in advancing the economic integration of refugees through the business community.

Additionally, we have made a commitment to support the professional development of Hispanic refugees in the US, as they seek to restart or advance their careers. This support includes mentoring 50 or more Hispanic refugees and builds on ISS's existing experience in mentoring Afghan and women refugees.

Our performance

Group results

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

Revenue

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

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

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

Revenue[1)]

(DKKm)	2023	2022	Organic growth	Acq./ div.	Currency & other adj.	Revenue Growth
Northern Europe	29,324	28,694	6%	(0)%	(4)%	2%
Central & Southern Europe	24,805	21,800	16%	2%	(4)%	14%
Central & Southern Europe, excl. IAS 29	*24,807*	*21,646*	*16%*	*2%*	*(3)%*	*15%*
Asia & Pacific	14,229	14,012	7%	(0)%	(5)%	2%
Americas	9,605	8,585	13%	-	(1)%	12%
Other countries	783	795	0%	-	(2)%	(2)%
Corporate / eliminations	(65)	(48)	-	-	-	-
Group	**78,681**	**73,838**	**9.7%**	**0.5%**	**(3.6)%**	**6.6%**

1) Excluding ISS France (presented as discontinued operations).

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

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

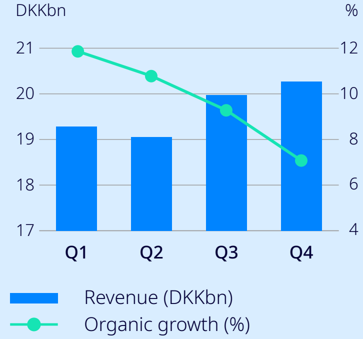
The organic growth contribution from net contract wins was slightly positive as contracts won during 2022 and 2023 and the full-year effect of the contract win with a global retailer in the US that mobilised in H2 2022 more than offset the effects from the exit of the Danish Defence contract in May 2022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

Revenue from key account customers accounted for 71% of Group revenue in 2023 (2022: 73%) and grew organically by 7.9%. Growth was driven by increased activity levels, investments in workplaces and price increases.

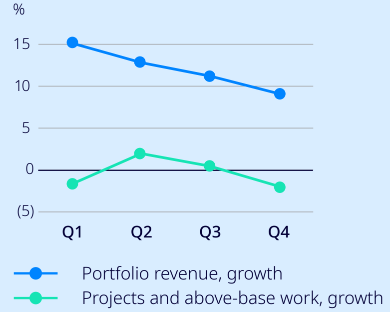
All regions contributed to the positive organic growth in 2023. The highest growth rates were reported in the Central & Southern Europe region mainly driven by Türkiye, where price increases mitigated high cost inflation and underlying volume growth and contract wins provided positive contributions.

Quarters 2023

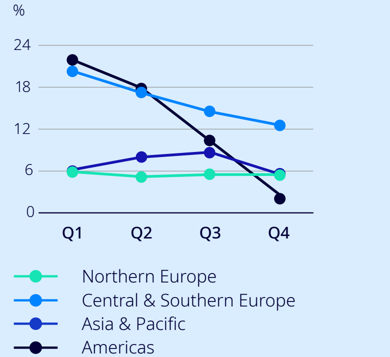
Revenue and growth



Portfolio and above-base



Organic growth per region



Operating profit before other items

Operating profit before other items amounted to DKK 3,300 million corresponding to an operating margin of 4.2% (2022: 4.0%). Excluding the effect from hyperinflation in Türkiye, operating profit before other items was DKK 3,348 million leading to an operating margin of 4.3% (2022: 4.0%).

In the second half of the year, a review and prioritisation of OneISS initiatives, which were launched in 2020, was conducted. As a result of the review, one-off costs of DKK 233 million were recognised, impacting operating margin negatively by around 0.3%-point. The majority of recognised one-off costs have cash flow impact in 2024. One-off costs related mainly to severance payments and general cost adjustments at Group and regional levels, where functions have been slimmed to enhance strategic and operational execution and certain projects have been refocused or terminated. Adjusted for one-off costs, operating margin was approximately 4.6%.

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

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

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

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

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

Operating profit before other items[1)]

(DKKm)	2023		2022	
Northern Europe	1,572	5.4%	1,519	5.3%
Central & Southern Europe	1,439	5.8%	1,117	5.1%
Central & Southern Europe, excl. IAS 29	*1,487*	*6.0%*	*1,146*	*5.3%*
Asia & Pacific	875	6.1%	882	6.3%
Americas	489	5.1%	445	5.2%
Other countries	48	6.1%	60	7.6%
Corporate / eliminations	(1,123)	-	(1,105)	-
Total	**3,300**	**4.2 %**	**2,918**	**4.0%**
Total, excl. hyperinflation (IAS 29)	***3,348***	***4.3 %***	***2,947***	***4.0%***

1) Excluding ISS France (presented as discontinued operations).

Deutsche Telekom AG

Arbitration process

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

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

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

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

Corporate costs amounted to DKK 1,123 million (2022: DKK 1,105 million), which included one-off costs of DKK 78 million resulting from the review of OneISS initiatives. Adjusted for one-off costs, corporate costs amounted to DKK 1,045 million, which was a slight decline compared to 2022.

Other income and expenses, net

Other income and expenses, net was an expense of DKK 93 million (2022: income of DKK 55 million), mainly due to a fair value adjustment of the contingent consideration related to the disposal of the 40% minority stake in ISS Türkiye in 2021 and a loss on the divestment of the security and technical services businesses in Spain. This was partly offset by a gain from the divestment of the Landscaping and Sanitation Services businesses in Singapore.

Operating profit

Operating profit was DKK 3,138 million (2022: DKK 2,904 million).

Financial income and expenses, net

In 2023, financial expenses, net amounted to DKK 607 million (2022: DKK 384 million) including a non-monetary gain of DKK 87 million relating to hyperinflation restatement (IAS 29) in Türkiye (2022: DKK 138 million). Excluding the impact from IAS 29, financial expenses, net were DKK 694 million (2022: DKK 522 million). The increase was primarily due to interest expenses being adversely impacted by an increase in interest rates. Further, foreign exchange losses of DKK 100 million (2022: DKK 49 million), primarily on intercompany loans denominated in TRY and EUR, had a negative effect.

Income tax

Income tax was DKK 554 million (2022: DKK 405 million) for an effective tax rate of 21.9% (2022: 16.1%). The effective tax rate was positively impacted by the release of valuation allowances on deferred tax assets in Germany, whereas the impact from hyperinflation adjustments in Türkiye and non-tax-deductible expenses impacted negatively.

Net profit from discontinued operations

Net profit from discontinued operations related mainly to France and was a loss of DKK 1,652 million (2022: profit of DKK 21 million). The loss in 2023 included the impairment loss of DKK 1,257 million recognised at 30 June 2023 and subsequent impairment losses and fair value adjustments of DKK 201 million. In addition, the operational performance of the business was slightly loss-making and one-off costs related to the divestment process have been incurred.

Net profit

Net profit was DKK 325 million (2022: DKK 2,136 million).

Divestment of our French business

Discontinued operations

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

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

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

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

Commercial development

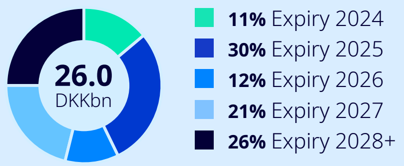
The commercial development remained solid in 2023, and we benefitted from increased activity levels and engagement. Customers continued to reallocate their resources applying more to employees. This reflects the need to create workplaces of the future, with high-quality, productive work environments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

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

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

Maturity

– large key accounts (>200 DKKm)



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

Contract maturity

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

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

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

[1] Annual revenue above DKK 100 million.

Cash generation and free cash flow

Cash flow from operating activities

Cash flow from operating activities was DKK 3,392 million (2022: DKK 3,333 million), same level as in 2022. Operating profit before other items improved in 2023 and outflow from changes in provisions was lower than last year. The positive impact was, however, offset by lower inflow from changes in working capital and higher interest paid, net.

Changes in working capital was an inflow of DKK 196 million (2022: DKK 444 million). An increase in trade receivables from high revenue growth, particularly in Türkiye where payment cycles are longer than the Group average, and adverse timing effects of certain payments relating to contractual disputes was mitigated by strong collections and further offset by an increase in trade payables. The increase in trade payables was mainly a result of general optimisation of supplier payment terms and a positive contribution from growth in food services where suppliers typically have longer payment terms. Utilisation of factoring increased slightly to DKK 1.4 billion (2022: DKK 1.3 billion) as a result of increasing revenue from key account customers, where invoices, in accordance with Group policy, are eligible for factoring.

Changes in provisions, pensions and similar obligations were an outflow of DKK 468 million (2022: DKK 665 million), primarily due to payments related to restructuring projects initiated in prior years as well as defined benefit obligations and other provisions.

Interest paid, net was an outflow of DKK 458 million DKK (2022: DKK 399 million), mainly due to increased interest rate levels and utilisation of factoring.

Income tax paid was an outflow of DKK 428 million (2022: DKK 422 million) equal to a cash tax rate of 16.9% (2022: 16.7%).

Cash flow from investing activities

Cash flow from investing activities was an outflow of DKK 1,042 million (2022: outflow of DKK 546 million). The increase was the result of a reduced inflow from divestments as the divestment programme was completed in 2022.

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

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

Investments in intangible assets and property, plant and equipment, net, of DKK 703 million (2022: DKK 779 million) was equal to 0.9% (2022: 1.0%) of total revenue (including discontinued operations).

Cash flow from financing activities

Cash flow from financing activities was an outflow of DKK 1,334 million (2022: outflow of DKK 930 million).

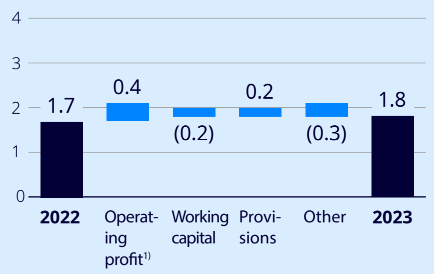
Repayment of lease liabilities was DKK 791 million (2022: DKK 865 million).

Dividend payments were reinitiated in 2023 and amounted to DKK 390 million (2022: DKK 0 million).

Free cash flow

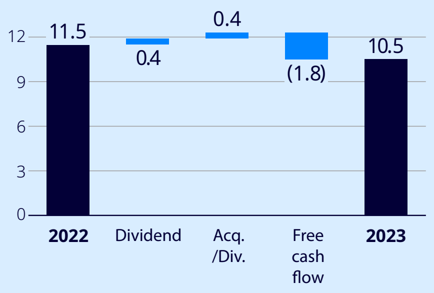
Free cash flow amounted to DKK 1,775 million (2022: DKK 1,734 million). The increase was mainly driven by the positive operating profit performance stemming from the general margin improvement. The tight management of working capital was maintained and despite the high revenue growth, changes in working capital were an inflow, although still slightly less than in 2022. Furthermore, reduced investments in intangible assets and property, plant and equipment were largely offset by an increase in additions of right-of-use assets compared to 2022.

Free cash flow



[1)] From continuing operations

Net debt



STRONG AND EFFICIENT

Capital structure

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

In 2023, the Group's liquidity position remained strong, driven by the solid free cash flow generation. Despite reinstatement of dividend payments, which amounted to DKK 390 million, the Group's liquidity reserves at 31 December 2023 increased to DKK 12.1 billion (2022: DKK 11.4 billion), see note 4.5 to the consolidated financial statements.

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

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

At 31 December 2023, net debt amounted to DKK 10.5 billion (2022: DKK 11.5 billion), a decrease of DKK 1.0 billion mainly due to free cash flow generation. Financial leverage at the end of 2023 was 2.2x (2022: 2.6x) and was within the targeted range of 2.0x – 2.5x.

As a result, and in accordance with the capital allocation policy, the Board of Directors will at the annual general meeting propose a dividend for 2023 of 20% of adjusted net profit, corresponding to a total dividend of DKK 427 million (DKK 2.3 per share). Furthermore, we are today launching a share buyback programme to redistribute additional excess cash to our shareholders.

Share buyback programme initiated

The Board of Directors has decided to initiate a share buyback programme under which ISS will buy back own shares for a maximum consideration of DKK 1.0 billion over a 12-month period from 22 February 2024 to 19 February 2025 at the latest, both days inclusive. Through the programme, ISS wishes to redistribute excess cash to shareholders. The purpose of the share buyback programme is to 1) reduce the share capital; and 2) to meet obligations arising from ISS's share-based incentive programme (LTIP).

The programme is expected to be completed in two separate tranches. The first tranche of up to DKK 500 million will commence 22 February 2024 and complete no later than 9 August 2024. The second tranche of up to DKK 500 million is expected to commence upon conclusion of the first tranche and complete 19 February 2025 at the latest.

The share buyback programme is based on an authorisation to acquire treasury shares granted to the Board by the annual general meeting allowing for acquisition of treasury shares with a total nominal value of up to 10% of ISS's share capital.

Capital allocation

2023 highlights

1 Maintaining an investment grade rating

At the end of 2023, our financial leverage was 2.2x (2022: 2.6x), well within the target range.

ISS currently holds the following corporate credit ratings assigned by:

- S&P: BBB- / Positive outlook
- Moody's: Baa3 / Stable outlook

2 Dividends

At the annual general meeting on 11 April 2024, the Board of Directors will propose a dividend payout for 2023 of 20% of adjusted net profit, corresponding to a total dividend of DKK 427 million (DKK 2.3 per share).

3 Investments

In September 2023, we acquired Grupo Fissa, strengthening our market position in Spain. This bolt-on acquisition will enable us to expand and develop our cleaning service offering to Healthcare and local prioritised customers segments.

4 Share buybacks

To distribute excess cash to our shareholders, we are today launching a share buyback programme of up to DKK 1.0 billion.

The share buyback programme is implemented in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 (the "Market Abuse Regulation") and the Commission Delegated Regulation (EU) 2016/1052 of 8 March 2016, also referred to as the Safe Harbour Regulation. ISS has appointed Nordea as lead manager of the first tranche to execute the share buyback programme independently and without influence from ISS.

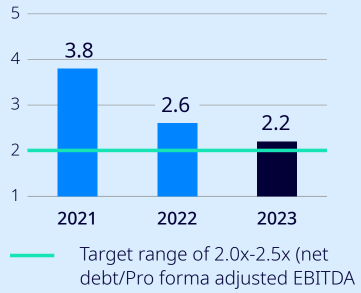
Equity

At 31 December 2023, equity was DKK 10,522 million (2022: DKK 10,815 million), equivalent to an equity ratio of 22.1% (2022: 23.0%).

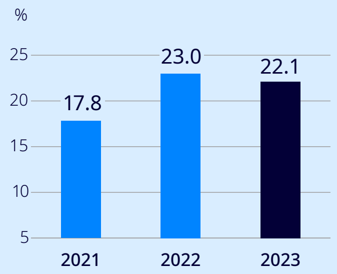
The positive contribution from net profit of DKK 325 million and hyperinflation restatement of equity in Türkiye at 1 January 2023 of DKK 467 million was more than offset by foreign exchange adjustments of foreign entities of DKK 478 million, remeasurement losses on defined benefit obligations (net of impact from asset ceiling) of DKK 163 million and dividends paid to shareholders of DKK 390 million. For a detailed overview of the development, see 4.1.7, Other comprehensive income.

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

Financial leverage



Equity ratio



ISS Türkiye

Partnership with Actera

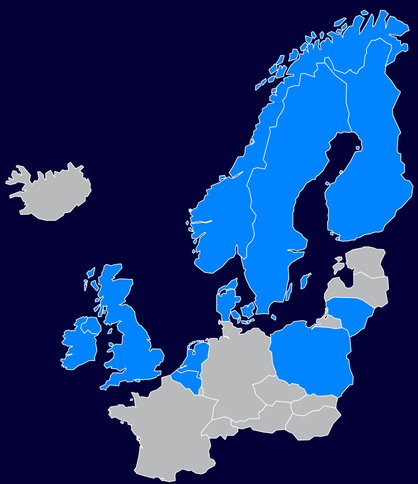
As part of the acquisition of Rönesans in September 2021, ISS agreed to partner with Actera, a leading Türkiyish private equity company, to support and partly fund the acquisition. Actera brought in-depth expertise in the Türkiyish market, a strong operational track record and became minority shareholder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

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

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

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

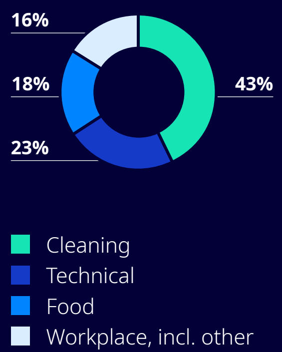
Northern Europe



37%
of Group revenue

70%
Key accounts

Core services



The market

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

Financial update

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

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

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

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

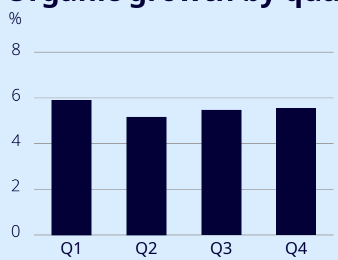
Operating profit before other items was DKK 1,572 million (2022: DKK 1,519 million), corresponding to an operating margin of 5.4% (2022: 5.3%). Adjusted for one-off costs related to the OneISS review, operating margin was 5.5%.

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

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

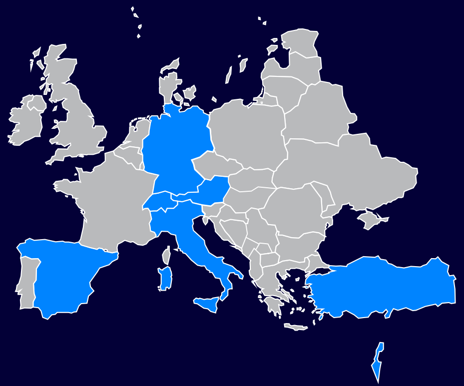
Organic growth

Organic growth by quarter



Operating margin

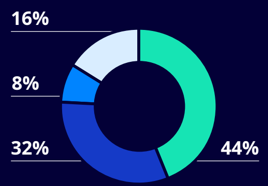
Central & Southern Europe



32%
of Group revenue

69%
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, Spain, Austria and Türkiye. With the decision to divest ISS France, France is no longer part of the region, but is instead presented as a discontinued operation. Most of the markets are developed, but with significant differences in IFS market maturity and macroeconomic environment. Key customer segments include Office-based customers in Information & Communication and Financial Services; and Production-based customers in Industry & Manufacturing and Pharmaceuticals; and Healthcare.

Financial update

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

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

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

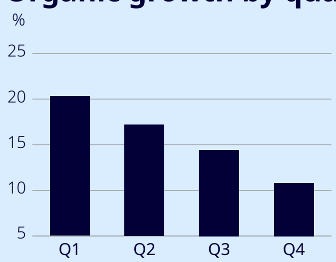
In addition, the region benefitted from increased demand for traditional projects and above-base work from key account customers. Organic growth for projects and above-base work was 6.1% and accounted for 18% (2022: 19%) of revenue in the region and thus remained above pre-Covid levels.

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

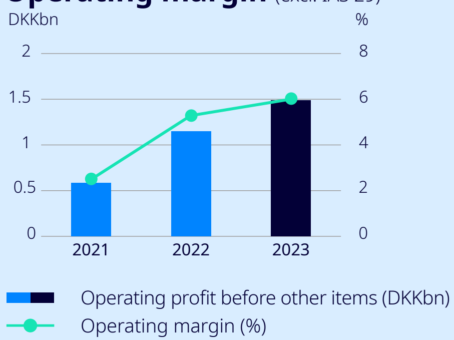
Operating profit before other items excluding the impact of hyperinflation was DKK 1,487 million (2022: DKK 1,146 million) corresponding to an operating margin before other items of 6.0% (2022: 5.3%). Adjusted for one-off costs related to the OneISS review, operating margin was 6.4%. The positive development was a result of OneISS efficiencies and cost initiatives, most significantly in Spain and Switzerland, and operating leverage from higher revenue. In addition, the continued profitability improvement on the Deutsche Telekom contract impacted positively, but still remained dilutive to the Group operating margin, and management continues to plan and implement further initiatives to strengthen operational and financial performance. See p. 18 for an update on the ongoing arbitration process. Including the effect of hyperinflation (IAS 29), operating profit before other items amounted to DKK 1,439 million, corresponding to a margin of 5.8%.

Organic growth

Organic growth by quarter



Operating margin (excl. IAS 29)

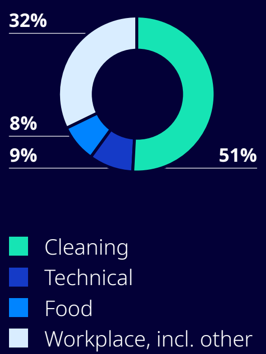


Asia & Pacific

18%
of Group revenue

72%
Key accounts

Core services



The market

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

Financial update

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

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

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

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

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

Organic growth

Organic growth by quarter

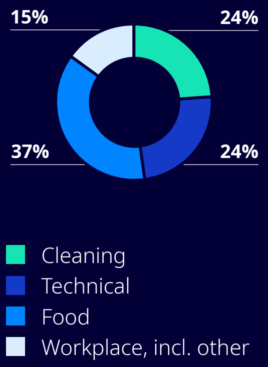
Operating margin

Americas

12% of Group revenue

80% Key accounts

Core services



The market

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

Financial update

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

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

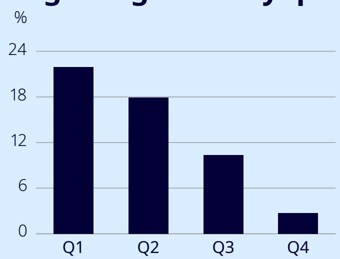
Developments were strong across the region with all countries reporting double-digit organic growth and the highest growth rates seen in the US and Mexico. The US, in particular, benefitted from the full-year revenue effect from the contract with a global retailer, which mobilised during H2 2022, increased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

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

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

Organic growth

Organic growth by quarter



Operating margin

"The biggest challenge and frustration is that you understand when you are reading or listening, but when you have to answer, you have difficulty finding the right words. ISS and the Lingio language tool have helped me develop my Swedish and made it easier to find the right words. Now we speak a lot of Swedish both with each other and in larger groups, which is great fun."

Zeynep Kale
Placemaker, ISS

COMPANY OF BELONGING

How ISS is helping to transform placemaker integration

As a major employer, ISS not only understands how important it is to have a job but also how important it is to be able to contribute skills and language proficiency for societal inclusion. ISS has implemented certified language training in several markets, including Sweden and the US.

This initiative aligns with our ambitions to become the Company of Belonging, where one of the commitments is to provide 100,000+ placemakers or their family members a recognised qualification by the end of 2025.

In 2023, the inaugural group of employees enrolled in ISS US's English language training programme and successfully graduated. The programme was developed in collaboration with the National Immigration Forum and its "English at Work" initiative, designated to assist organisations develop and facilitate industry-contextualised English language training for their employees.

The pilot programme, offered on a volunteer basis, delivered more than 30 hours of live instruction during work hours for a period of 15 weeks, at no costs to the participants. Additionally, participants were granted 7-month access to an online learning platform with digital modules to reinforce classroom learning.

In Sweden, ISS has partnered with Lingio, which offers language courses tailored to different professional roles.

"In Sweden, we employ over 100 different nationalities. Our most important asset is our placemakers. Recognising that diverse backgrounds and life experiences foster optimal conditions for running, renewing and developing ISS, we systematically support our placemakers' development. Our agreement with Lingio has proven to be highly successful so far" says Paolo Pelacchi Björkman, HR Director at ISS Sweden.

The ISS placemakers Zeynep Kale and Zekiye Arslan initially faced challenges passing the language proficiency test. After using Lingio for a few weeks, Zeynep and Zekiye successfully passed the test, bringing relief and joy not only to them but also to their colleagues.

Our business

PROGRESS ON EXECUTION

OneISS strategy

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

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

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

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

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

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

Sharpened focus

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

On 22 December 2023, ISS signed a binding agreement to divest ISS France to Onet SA, a French facility services company, see p. 19 for further details.

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

Our operating model enables a portfolio of scalable service products to drive a step-change in productivity. Our products are designed to address key customer needs in our prioritised segments, e.g. our innovative cleaning product "Pure Space Office" (see "Our Commitment to deliver sustainable cleaning solutions, p. 49), our food waste reduction service product "Winnow" and our Energy Management service to carry out onsite optimisation to reduce electricity and gas consumption across a customer facility.

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

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

The review and prioritisation of OneISS initiatives led to one-off costs of DKK 233 million, which were recognised in 2023 with a negative impact on our operating margin of around 0.3%. The majority of recognised one-off costs have cash flow impact in 2024. The enhanced focus on initiatives is expected to generate operational benefits and estimated cost savings of around DKK 250 million annually, with approximately DKK 200 million expected to have effect in 2024.

Driving outcomes

We evaluate the success of our strategy and creation of shareholder value by using the financial and sustainability KPIs illustrated on pp. 7-8. These KPIs enable us to systematically measure our progress in achieving strong growth at attractive and sustainable margins.

Our strategic priorities

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

Commercial momentum and segment leadership

Brilliant operating basics

Service products built on leading technology platforms

Environmental sustainability

Safe, diverse and inclusive workplaces

Strategic priority #1

Commercial momentum and segment leadership

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

What we will achieve

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

2023 outcome

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

Strategic priority #2

Brilliant operating basics

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

What we will achieve

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

2023 outcome

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

Strategic priority #3

Service products built on leading technology platforms

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

What we will achieve

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

2023 outcome

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

Strategic priority #4

Environmental sustainability

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

What we will achieve and 2023 outcome

See Our journey to net zero on p. 36

Strategic priority #5

Safe, diverse and inclusive workplaces

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

What we will achieve and 2023 outcome

See The Company of Belonging p. 32

OUR JOURNEY TO BECOME

The Company of Belonging

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

Our placemakers

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

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

Financial value of belonging

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

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

Progress on our signature objectives

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

1 Living wage

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

2 Recognised qualification

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

3 Recognition and respect

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

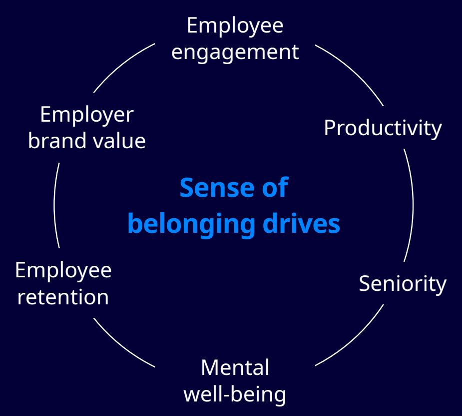
In 2023, we defined a new baseline definition and launched our new ISS Inspire Awards programme comprising various awards across service culture, health and safety, sustainability, and leadership. This is an example of how we celebrate the exceptional work of our placemakers and it completes our initial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

Our cultural ambition

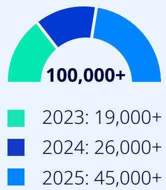
We aim to create places where every single individual is welcomed, embraced and valued for being exactly who they are.

We are on a journey to become the Company of Belonging

Financial value of belonging



... which in turn leads to better outcomes for our customers and value creation for ISS and our shareholders

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

Development opportunities

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

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

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

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

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

Digitalisation

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

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

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

Diversity, inclusion and belonging

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

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

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

A status on diversity for the Executive Group Management, Corporate leadership and the Board of Directors is provided on p. 35.

Health and safety

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

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

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

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

Measuring our success

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

Employee engagement

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

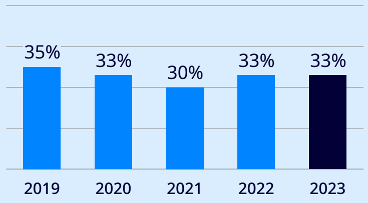
Employee turnover

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

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

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

Employee turnover



ERG initiatives 2023

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

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

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

FOCUS ON

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, EGM and Corporate leadership nominations according to which we are committed to selecting the best candidate.

Emphasis is placed on:

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

Gender

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

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

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

Executive Group Management

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

Corporate leadership

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

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

Board

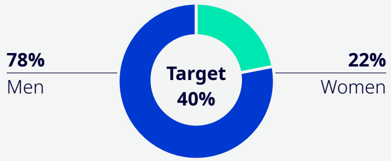
The current gender representation among Board members (elected by the general meeting) is 33.3% women and 66.7% men, which is considered equal according to the Danish Business Authority's applicable guidelines[1].

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

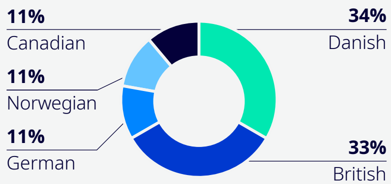
The Group's Diversity, Inclusion & Belonging policy is available **here**

EGM

Gender

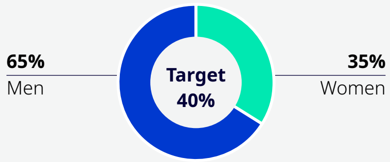


Nationalities

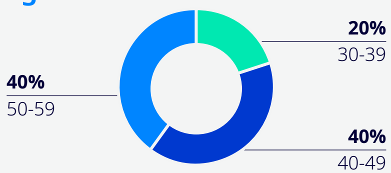


Corporate leadership

Gender

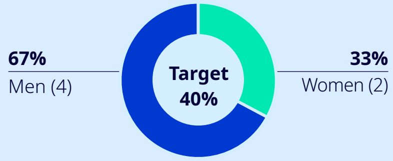


Age

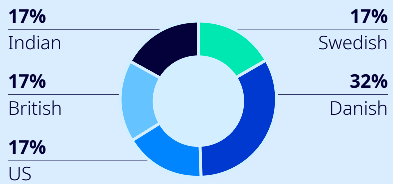


Board

Gender



Nationalities



Special competencies

ENVIRONMENTAL SUSTAINABILITY

Our journey to net zero

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

Commitments

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

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

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

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

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

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

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

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

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

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

Read more in our 2023 Sustainability report **here**

MANAGING

Our business risks

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

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

2023 risk agenda

Technology

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

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

Environmental sustainability

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

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

Market developments

Office working

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

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

Inflation

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

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

Annual group risk review

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

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

Group key risks

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

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

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

Double materiality

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

For the outcome of the assessment, see our 2023 Sustainability Report

Strategic transformation (new)	Emerging technology (new)	Data collection and analysis (new)	Health and Safety	Contract management
Failure to execute the ongoing OneISS strategic transformation, aimed at enhancing the operating model and strengthening competitiveness, within desired timeframes could negatively impact future financial results.	Risk that ISS will not be able to sufficiently leverage rapidly emerging, new technologies (e.g. AI), leading to missed opportunities related to potential productivity gains and/or deployment of new services.	Risk that ISS will not be able to leverage quality data, related both to internal processes and delivered services, to obtain meaningful insights enabling new or improve existing service offerings may not meet future market demands and requirements.	Failure to design and implement, within our internal processes and service delivery, sufficient health and safety mechanisms increase risk of health and safety incidents affecting our placemakers and customers.	Failure to fully identify, assess and manage key risks and opportunities in customer contracts thus adversely impacting profitability, leading to operational or regulatory non-compliance or suffering financial loss or reputational damage.
Risk drivers The OneISS strategic transformation plan spans across the global organisation with significant scale, including multiple cross-functional projects, impacting wide range of processes, IT systems, frameworks and operating models	**Risk drivers** Complex and unknown nature of technology could result in insufficient speed of adoption	**Risk drivers** The volume, complexity and variety of customer demand of data related to rendering of services and supporting processes. Inconsistent demand for data across industries and customers	**Risk drivers** Our placemakers provide a range of services in customer workplaces across the globe, including high risk environments and services	**Risk drivers** Diversity of ISS services portfolio translates to variety of contractual arrangements with the customers. As the complexity of delivered services grows, so does the complexity of contractual requirements and ultimately – inherent risk of failure in contract management
Mitigation actions • Set-up of dedicated Transformation Office in the EGM structure • Refocus and reprioritisation of key project initiatives • Continued execution of priority projects, incl. clear road maps for implementation • Continuous monitoring and management of risks within the transformation projects	**Mitigation actions** • Strengthened organisational and governance structures and collaboration framework between IT and Commercial functions • Strengthening of internal technology development capabilities (incl. Tech Centre in Porto) • Collaboration with well-established global technology partners	**Mitigation actions** • Strengthened governance structures and collaboration framework between functions • Embed data insights in the service and product development process	**Mitigation actions** • Our Health and Safety framework, independently certified against ISO 45001, 14001 and 9001, promotes strong processes and procedures. It is supported by a robust training program for our placemakers and we actively promote a strong, positive safety culture across our organisation	**Mitigation actions** • Standardised commercial bid process, incl. governance structure and procedures that involve variety of subject matter experts across the organisation • Standardised contract transition model, incl. internal certification programme • Standardised service delivery policies, incl. contractual obligations management • Governance and cross country cooperation for global key accounts

People management	Regulatory compliance	IT Security	Sustainability	Macroeconomic and political environment
Risk that ISS will not be able to attract and retain the right people in order to maintain operations and meet our customer obligations.	Failure to comply with applicable laws and regulations, incl. labour law, data protection and cyber security regulations and required licenses and permits which may lead to regulatory, operational, and reputational losses.	ISS being target of cyber attacks leading to business disruption and/or disclosure of ISS and/or our business data.	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.	Unstable and/or unfavourable economic, financial and/or currency conditions, as well as political environment and instability that might have adverse impact on achieving ISS business goals.
Risk drivers Rising wage inflation in certain geographies. Increased expectations towards employers, beyond simple remuneration and encompass wider social responsibility requirements. Demographic changes, fuelled by aging society and mass migration, will further limit availability of key talent in certain regions in the mid-term perspective	**Risk drivers** Wide variety of provided services and industries that ISS operates in. Multitude of geographies in which ISS is present, as well as growing complexity and volatility of various regulatory regimes globally	**Risk drivers** • State sponsored attacks due to geopolitical tensions • Double extortion attacks, where criminals not only compromise the infrastructure with ransomware, but also demand payment for not selling or publishing acquired data	**Risk drivers** • Environmental impact is driven primarily by carbon emissions, 95% of which sits within Scope 3 • Social impact is inherent to the ISS business model, that relies on over 350,000 placemakers to deliver the services • Governance dimension is driven by the complexity of international, multi-cultural markets ISS operates in	**Risk drivers** ISS delivers services in dozens of countries across the globe. This requires us to consider political and macroeconomic environment both on global international market, as well as local ones. Persistent geopolitical tensions, supply chain disruptions, inflationary pressures and economic slowdown are primary external drivers that might directly or indirectly impact service delivery and its profitability
Mitigation actions • Development of Target Operating Model for people processes to enhance employee experience (incl. onboarding), supported by dedicated tools and internal platforms • Company of Belonging signature objectives • Development of tailor-made recruitment plans for specific countries and/or regions	**Mitigation actions** • Strengthening of functional expertise to build compliance focused culture and further develop regulatory compliance maturity • Implementation of robust compliance framework and standardised, global approach towards monitoring and ensuring compliance with laws and regulations • Compliance-related projects targeting specific future regulatory requirements impacting ISS business	**Mitigation actions** • Building of maturity of security operations and proactive vulnerability & threat discovery capabilities • Significant investments in continuous improvements • 24/7 SOC team with detect and response capabilities • Cyber risk function driving ownership on identified cyber risks • Cyber awareness campaigns • Involvement of IT security in business processes, incl. commercial and operations, to support driving security agendas of our customers	**Mitigation actions** • Clear governance and ownership structure for sustainability agenda • Science-based targets with near term carbon goals • Sustainability reporting framework • Carbon management tool allowing for tracking, monitoring and reporting • Living wage pledge • Code of conduct and speak-up policy • Integrating carbon management into our service products, including reduction of GHG emissions from-food and reduction of food waste	**Mitigation actions** • Enhancing macroeconomic and political risk analysis in the commercial bid process when considering involvement in new markets • Monitoring of macroeconomic indicators and political environment in existing markets • Standards governing inflation approach in our contracts • Crisis management structures both on group and local levels

“The validation of our near-term science-based emissions reduction target by the SBTi affirms that our decarbonisation goals submitted are based on the latest science and is in line with the Paris agreement. It is also a declaration that we proudly support the SBTi in its global mission to drive ambitious corporate decarbonisation.”

Jason van Zuydam
Head of Climate Impact, ISS

ENVIRONMENTAL SUSTAINABILITY

ISS reaches important milestone on net zero journey

ISS is fully committed to playing an active role in the global effort to reduce carbon emissions and contribute to limiting the global temperature rise to 1.5 °C. This commitment is reflected in our conscious actions, strategies and initiatives to actively limit and reduce the carbon footprint of our customers, of ISS and the planet.

In January 2022, we launched our new and overarching net zero targets to fulfil our ambitions within environmental sustainability. Through several specific initiatives within ISS’s own business and by partnering with customers and suppliers, we have set ambitious goals of reaching net zero for scopes 1 and 2 in 2030, and full scope by 2040.

In 2023, ISS reached an important milestone on our sustainability journey as ISS’s near-term science-based emissions reduction target was validated by the Science Based Targets initiative (SBTi). The validation focuses on specific decarbonisation objectives relating to ISS’s supply chain and service delivery.

The near-term science-based emissions reduction target outlines the percentage of emissions of each of the individual categories identified within ISS’s scope 3 targets. The categories include purchased goods and services, capital goods, business travel, employee commuting and use of sold products and services.

Since the announcement of ISS’s overall sustainability targets in 2022, we have launched several initiatives to reduce carbon emissions in the coming years. Among other things through an electrification of our fleet of approximately 20,000 vehicles by 2030. Furthermore, we have committed to reduce food waste significantly from the more than 1 million meals, we serve globally every day.

Further, the commitments related to ISS’s food business also reached an important milestone during 2023. Through optimised food procurement, strategically planned menus, and an increased focus on changing consumer behaviour patterns, ISS has delivered a collective 30% food waste reduction from our 2019 baseline. This achievement puts ISS well on track to reach our target of 50% food waste reduction by 2027.

Our governance

TRANSPARENT

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

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

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**

Governance structure

Shareholders

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

Management

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

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

In the review of our governance structure on p. 44, we have outlined the primary responsibilities of the Board and the EGM as well as 2023 activity by Board committees.

New Group CEO and EGM

On 1 September 2023, Kasper Fangel was appointed Group CEO, replacing Jacob Aarup-Andersen, who resigned in March. On 7 September 2023, ISS announced changes to the EGM, see p. 47.

Board composition

The Board currently consists of nine members, six elected by the general meeting and three elected by and among the employees. Board members elected by the general meeting stand for election each year. Changes to the Board following the annual general meeting on 13 April 2023 and Board bios are described on pp. 45-46.

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

Board evaluation

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

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

Governance report

The report includes a description of our governance structure, the main elements of our internal controls related to financial reporting and 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.

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

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

Assurance

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

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

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

Speak Up (whistleblower)

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

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

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

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

Data ethics

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

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

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

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

The Data Ethics policy as per section 99d in the Danish Financial Statements Act, adopted by the EGM and the Board and subject to annual review, is available **here**

Key Board matters

Purpose

The Board has a strong focus on the ISS's purpose and worked continuously on promoting a good culture and sound values in 2023. To support an even stronger focus, the Board included ESG targets as separate objectives in the Short-Term-Incentive Programme, see the 2023 Remuneration Report.

2023 specific matters

- Appointment of new Group CEO
- OneISS strategy execution
- Environmental and social sustainability, including ESG double materiality assessment
- Activating our cultural ambition
- Technology development
- Embedding brilliant operating basics
- Development of segments strategies
- Regional business review
- Deutsche Telekom – performance and contractual disagreements
- Strategic positioning in France
- M&A opportunities
- Inflation management

Recurring matters

The Board transacted various recurring, financial 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 monthly financial reporting and is briefed on important matters in between board meetings.

The Board held 15 meetings in 2023.

Board bios, pp. 45-46

2023 committee activity

Audit and Risk Committee
Held 7 meetings in 2023 and continued its focus on:
- Evaluating the external financial and ESG reporting, material accounting policies and significant accounting estimates and judgements related to e.g. impairment tests, divestments, deferred tax and revenue and related customer receivables
- Reviewing and monitoring the Group's risk management, internal controls, Speak Up (whistleblower) system and business integrity matters
- Monitoring the Group Internal Audit Function
- Evaluating the Financial Policy, the Dividend Policy and the Group Tax Policy
- Monitoring and considering the relationship with the external auditor and the independent external assurance partner in respect of ESG reporting, reviewing the audit process and the long-form audit report, and recommending on appointment of external auditor and assurance partner on ESG

Remuneration Committee
Held 6 meetings in 2023 and continued its focus on:
- Reviewing the remuneration policy and guidelines on incentive pay
- Recommending the remuneration of Board and EGMB members and approving remuneration of EGM

Nomination Committee
Held 4 meetings in 2023 and continued its focus on:
- Assisting in ensuring that appropriate plans and processes are in place for the nomination of candidates to the Board and the EGMB
- Evaluating the composition of the Board and the EGMB
- Recommending nomination or appointment of Board, EGMB and board committee members

Transaction Committee
Held 6 meetings in 2023 and continued its focus on:
- Reviewing new M&A strategy
- Reviewing and making recommendations on certain large acquisitions, divestments and customer contracts
- Following and considering large transactions, including reviewing pipeline and ISS's procedures
- Reviewing material new financing, refinancing or material variation of existing financing and proposals for equity or debt issuance

Executive Group Management

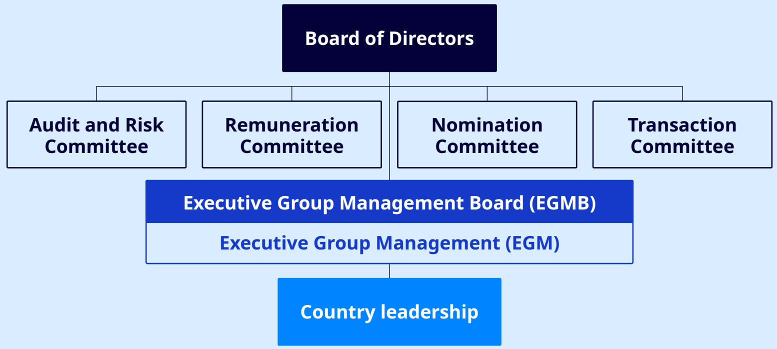
Responsible for the day-to-day management of the Group, including:
- developing and implementing strategic initiatives and Group policies
- designing and developing the organisational structure
- monitoring Group performance
- evaluating and executing investments, acquisitions, divestments and large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

EGM bios, p. 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 (2024)

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

Board and management positions
- Nordic Ferry Infrastructure Holding AS (C, C of 1 subsidiary, BM of 1 affiliated company)
- Bikubenfonden (C)
- Abacus Medicine A/S (C, RCM)
- Falck A/S (C, NRCC)
- DSV A/S (BM, ACM)
- Through Transport Mutual Insurance Associated Ltd. (BM, BM of 1 subsidiary)
- UK P&I Club (BM)
- Frederiksbergfonden (BM)

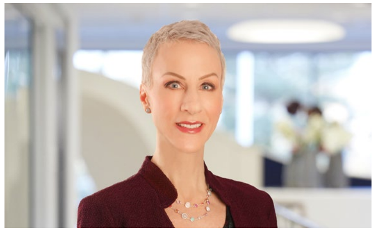
Special competencies
- International service industry
- Strategy and value creation
- Leadership of large international, multicultural companies
- Transformational change and operational alignment
- IT, technology and digitisation
- Finance, accounting and tax
- Investors and capital markets

Lars Petersson (1969)
Deputy Chair
Gender: Male
First elected (until): April 2022 (2024)

ISS committees
- Transaction committee

Board and management positions
- CEO of VELUX Group

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 (2024)

ISS committees
- Nomination committee
- Remuneration committee (C)

Board and management positions
- CWT (Special advisor)
- McChrystal Group LCC (Strategic advisor)
- WNS Global Services (Senior 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 (2024)

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)
- Koldingvej 2, Billund A/S (BM)
- Merlin Entertainments Limited (BM, ACC, RCM (and BM of 4 affiliated companies))
- Ole Kirk´s Foundation (BM)
- ATTA Fonden (BM)
- K2 Fonden af 2023 (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 13 April 2023:

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

C:	Chair, Board of Directors
DC:	Deputy Chair, Board of Directors
BM:	Member, Board of Directors
ACC:	Audit Committee Chair
ACM:	Audit Committee Member
NCM:	Nomination Committee Member
RCM:	Remuneration Committee Member
SCM:	Sustainability Committee Member
NRCC:	Nomination and Remuneration Committee Chair

Full bios are available **here**

Ben Stevens (1959)
Board member
Gender: Male
First elected (until): April 2016 (2024)

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

Reshma Ramachandran (1978)
Board member
Gender: Female
First elected (until): April 2023 (2024)

ISS committees
- Remuneration committee
- Nomination committee

Board and management positions
- Oxford Instruments Plc (BM, ACM, NCM, RCM, SCM)
- Boston Consulting Group LLC (senior advisor)

Special competencies
- Strategy and value creation
- Leadership of large international, multicultural companies
- Transformational change and operational alignment
- IT, technology and digitisation
- People development, succession planning, diversity and remuneration
- International service industry

Signe Adamsen (1967)
Employee representative
Gender: Female
First joined (until): July 2022 (2027)

ISS position
Group Workplace Development Director

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

Nada Elboayadi (1982)
Employee representative
Gender: Female
First joined (until): April 2019 (2027)

ISS position
Head of Global Big Data & Services

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

Rune Christensen (1972)
Employee representative
Gender: Male
First joined (until): November 2023 (2027)

ISS position
Head of Legal Affairs and M&A Support

Special competencies
- International service industry
- Strategy and value creation
- Risk management

Meeting attendance	Board	Audit and risk	Remuneration	Transaction	Nomination[5]
Niels Smedegaard, Chair	15/15		6/6	6/6	4/4
Lars Petersson, Deputy Chair	15/15			6/6	
Kelly Kuhn	15/15		6/6		4/4
Søren Thorup Sørensen	15/15	6/7			
Ben Stevens	12/15	6/7		6/6	
Reshma Ramachandran [1]	10/11		4/4		2/2
Signe Adamsen (E)	15/15				
Nada Elboayadi (E)	12/15				
Rune Christensen (E) [2]	1/1				
Left the Board in 2023:					
Cynthia Mary Trudell [1]	4/4		2/2		2/2
Elsie Yiu [1]	4/4				
Gloria Diana Glang [3]	6/7	3/3		1/1	
Kadir Ünver (E) [4]	10/10				

All board members are independent, except for the employee representatives

1) Joined/Left the Board of Directors/Committee on 13 April 2023
2) Joined the Board of Directors on 20 November 2023
3) Joined the Board of Directors/Committees on 13 April 2023 and left on 31 August 2023
4) Joined the Board of Directors on 13 April 2023 and left the Board on 20 November 2023
5) In addition, an extended Nomination Committee held numerous meetings related to the search process for the appointment of a new Group CEO

MEET THE

Executive Group Management

Kasper Fangel
Group CEO
– since September 2023
Joined ISS: 2009

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

Carsten Højlund
Group CFO (interim)
– since September 2023
Joined ISS: 2001

Liz Benison
Group Chief People & Transformation Officer
– since September 2023
Joined ISS: 2021

Troels Bjerg
CEO Rest of World
– since September 2023
Joined ISS: 2009

Management changes

As of 1 September 2023, Kasper Fangel was appointed Group CEO. The EGM was reduced from 13 to 9 members enhancing agility and execution power to build a stronger, more robust ISS and drive financial performance going forward.

Carsten Højlund was appointed interim Group CFO. On 9 January 2024, ISS announced that Mads Holm is appointed new Group CFO, joining ISS no later than 1 August 2024.

Sam Hockman
Group COO
– since September 2023
Joined ISS: 2022

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

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

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

Markus Sontheimer
Group Chief Information & Digital Officer
– since June 2021
Joined ISS: 2021

Full bios are available **here**

PARENT COMPANY

ISS A/S

ISS A/S is the ultimate parent in the ISS Group.

The members of the EGMB of the ISS Group comprise the Group CEO and the Group CFO, both employed in ISS A/S. On 1 September 2023, Jacob Aarup-Andersen stepped down as Group CEO and was succeeded by former Group CFO Kasper Fangel. In the period until 31 December 2023, the EGMB comprised only one member, the Group CEO. On 9 January 2024, ISS announced that Mads Holm is appointed new Group CFO, joining ISS no later than 1 August 2024.

Financial review

Net profit for 2023 was DKK (251) million (2022: DKK (152) million). The decrease was mainly due to increased financial expenses related to companies within the ISS Group.

Cash flow from operating activities was DKK (171) million (2022: DKK (242) million). The improvement was mainly due to higher joint taxation contribution received partly offset by increased interest paid to companies within the ISS Group.

Cash flow from financing activities was DKK 123 million (2022: DKK 290 million). The decrease related mainly to dividends paid to shareholders of DKK 390 million (2022: DKK 0 million) partly offset by increased payments received from companies within the ISS Group.

Equity was DKK 23,599 million (2022: DKK 24,168 million) mainly driven by net profit and settlement of vested PSUs and RSUs related to the Group's share-based payment programmes.

Outlook 2024

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

Diversity reporting

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

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

The Board and the EGMB recognise the importance of promoting diversity 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.

When considering qualifications, experience and competencies of Board or EGMB candidates, emphasis is placed on:

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

ISS A/S's "Competencies and diversity policy for the Board of Directors and Other management levels of ISS A/S" is available **here**

Gender representation

Board

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

The Board aims to maintain an equal gender representation of 40/60% among elected board members in accordance with the Danish Business Authority's guidelines. With the inclusion of employee representatives, 44.4% of our Board is women.

Other management levels

Other management levels of ISS A/S comprise the EGMB. As ISS A/S has less than 50 employees and the EGMB consists of less than three people, ISS A/S has not adopted a company specific gender target or policy promoting gender diversity at other management levels.

Underrepresented gender

§99b-reporting

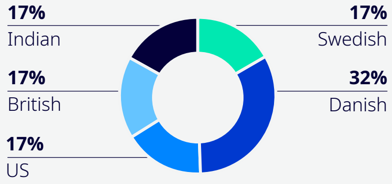
2023	Board	Other management levels
2025 Target	40%/60%	n/a
Total members	6	1
Female/male:		
Number	2/4 [2]	0/1
%	33/67 [2]	0/100

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

[2] Equal representations according to the Danish Business Authority's guidelines on target figures, policies and reporting on the gender composition of management.

Nationalities

Board[1]



Special competencies

Board[1]

- **100%** Strategy and value creation
- **83%** Leadership of large international multicultural companies
- **67%** Transformational change and operational alignment
- **50%** Corporate responsibility and sustainability
- **50%** Finance, accounting and tax
- **50%** IT, technology and digitalisation
- **50%** Investors and capital markets
- **50%** Risk management
- **50%** People development, succession planning, diversity and remuneration
- **50%** International service industry
- **17%** Sales and marketing, incl. complex, large-scale sales processes

[1] Board members elected at the annual general meeting.

"This is a game-changer within our sustainability ambitions in cleaning. These numbers speak for themselves. Considering that we have only just started the rollout and introduced Pure Space Office to a small proportion of our global customers, the scale and impact of this has tremendous potential."

Trine Lops
Product Director, Cleaning, ISS

SUSTAINABLE SERVICE PRODUCTS

Our commitment to deliver sustainable cleaning solutions

From a stronghold as a global leader in cleaning, we consistently optimise our cleaning methods and solutions to enhance sustainability and impact on the environment. In 2023, ISS collaborated with one of our global banking customers to significantly reduce water and chemicals usage by introducing the innovative cleaning product, Pure Space Office.

Moving from traditional to advanced cleaning methods and introducing super concentrates rather than ready-to-use standard concentrates not only provides tangible cost savings but also has a significant positive impact on the environment. These are key takeaways from the ongoing rollout of ISS's Pure Space Office product with a large global banking customer.

"Pure Space Cleaning products are designed to optimise cleaning services by using methods that minimise chemicals and water to an absolute minimum. The adoption of super concentrates, coupled with the right dosing and dilution platforms, reduces the need for plastic containers and logistics intensity, creating a positive sustainable impact," says Anders Dedenroth Høj, Director of Cleaning Methods and Technologies at ISS.

Through the case study, ISS has observed a 55% reduction of water usage. Additionally, when comparing Pure Space with traditional cleaning methods, there has been a 95% or more reduction in chemical usage, plastic waste, cardboard waste, and carbon emissions.

With more than 100 years of experience in delivering unrivalled consistency and compliance in our cleaning services, made possible by people who care, ISS works diligently to make cleaning more sustainable. Through advanced cleaning methods and plant-based cleaning products, we help reduce chemical consumption.

There is a clear sustainability ambition embedded in our cleaning strategy, which includes the following commitments:

- increase use of sustainable products and materials
- reduce use of water consumption
- reduce use of chemical consumption
- recycle products using microfiber; and
- waste measurement and reduction programmes

Financial statements

Consolidated financial statements

Statement of profit or loss

1 January – 31 December

(DKKm)	Note	2023	2022
Revenue	1.1, 1.2	**78,681**	**73,838**
Employee costs	1.3	(49,607)	(46,276)
Consumables		(7,481)	(6,485)
Other operating expenses		(16,876)	(16,744)
Depreciation and amortisation	2.6, 3.1	(1,417)	(1,415)
Operating profit before other items		**3,300**	**2,918**
Other income and expenses, net	1.4	(93)	55
Amortisation/impairment of customer contracts	3.1	(69)	(69)
Operating profit	1.1	**3,138**	**2,904**
Financial income	4.2	185	205
Financial expenses	4.2	(792)	(589)
Profit before tax		**2,531**	**2,520**
Income tax	5.1	(554)	(405)
Net profit from continuing operations		**1,977**	**2,115**
Net profit from discontinued operations	3.4	**(1,652)**	**21**
Net profit		**325**	**2,136**
Attributable to:			
Owners of ISS A/S		279	2,058
Non-controlling interests		46	78
Net profit		**325**	**2,136**
Earnings per share, DKK			
Basic earnings per share (EPS)	4.1	1.5	11.1
Diluted earnings per share	4.1	1.5	11.0
Earnings per share for continuing operations, DKK			
Basic earnings per share (EPS)	4.1	10.4	11.0
Diluted earnings per share	4.1	10.3	10.9

Statement of comprehensive income

1 January – 31 December

(DKKm)	Note	2023	2022
Net profit		**325**	**2,136**
Items that will not be reclassified to profit or loss:			
Remeasurement gain/(loss), defined benefit plans	7.1	(462)	208
Asset ceiling, defined benefit plans	7.1	299	(43)
Tax	5.2	33	(53)
Items that may be reclassified to profit or loss:			
Foreign exchange adjustments of foreign entities	4.1	(478)	(102)
Recycling of accumulated foreign exchange adjustments on country exits	4.1	(18)	(33)
Hyperinflation restatement of equity at 1 January	7.2	467	814
Fair value adjustments of net investment hedges	4.1	(84)	(43)
Tax	4.1	-	10
Other comprehensive income		**(243)**	**758**
Comprehensive income		**82**	**2,894**
Attributable to:			
Owners of ISS A/S		55	2,498
Non-controlling interests		27	396
Comprehensive income		**82**	**2,894**

Statement of cash flows

At 31 December

(DKKm)	Note	2023	2022
Operating profit before other items		3,300	2,918
Operating profit before other items from discontinued operations	3.4	(154)	(58)
Depreciation and amortisation	2.6, 3.1	1,464	1,517
Non-cash items related to hyperinflation	7.2	(90)	(51)
Share-based payments		72	80
Changes in working capital	2.4	196	444
Changes in provisions, pensions and similar obligations		(468)	(665)
Other expenses paid		(42)	(31)
Interest received		120	87
Interest paid		(578)	(486)
Income tax paid		(428)	(422)
Cash flow from operating activities		**3,392**	**3,333**
Acquisitions	3.3	(373)	(325)
Divestments	3.4	25	587
Acquisition of intangible assets and property, plant and equipment		(719)	(809)
Disposal of intangible assets and property, plant and equipment		16	30
Change in financial assets		9	(29)
Cash flow from investing activities		**(1,042)**	**(546)**
Repayment of lease liabilities	4.2	(791)	(865)
Other financial payments, net	4.2	(147)	(58)
Transactions with non-controlling interests		(6)	(7)
Dividends paid to shareholders	4.1	(390)	-
Cash flow from financing activities		**(1,334)**	**(930)**
Total cash flow		**1,016**	**1,857**
Cash and cash equivalents at 1 January		5,214	3,428
Total cash flow		1,016	1,857
Foreign exchange adjustments		(137)	(71)
Cash and cash equivalents at 31 December	4.2, 4.5	**6,093**	**5,214**
Free cash flow	2.7	**1,775**	**1,734**

Statement of financial position

At 31 December

(DKKm)	Note	2023	2022
Assets			
Intangible assets	3.1, 3.2	23,272	23,920
Right-of-use assets	2.6	2,200	2,403
Property, plant and equipment	2.6	926	917
Deferred tax assets	5.2	962	912
Other financial assets		195	512
Non-current assets		**27,555**	**28,664**
Inventories		239	231
Trade receivables	2.1	11,354	10,996
Tax receivables		126	173
Other receivables	2.2	1,628	1,695
Cash and cash equivalents	4.2, 4.5	6,093	5,214
Assets held for sale	3.4	698	32
Current assets		**20,138**	**18,341**
Total assets		**47,693**	**47,005**
Equity and liability			
Equity attributable to owners of ISS A/S	4.1	9,893	10,156
Non-controlling interests	4.1	629	659
Total equity		**10,522**	**10,815**
Loans and borrowings	4.2	13,427	15,945
Pensions and similar obligations	7.1	1,135	1,185
Deferred tax liabilities	5.2	1,320	1,178
Provisions	2.5	387	465
Non-current liabilities		**16,269**	**18,773**
Loans and borrowings	4.2	3,292	855
Trade and other payables	4.5	7,259	6,952
Tax payables		155	172
Other liabilities	2.3	8,482	8,822
Provisions	2.5	365	606
Liabilities held for sale	3.4	1,349	10
Current liabilities		**20,902**	**17,417**
Total liabilities		**37,171**	**36,190**
Total equity and liabilities		**47,693**	**47,005**

Statement of changes in equity

1 January – 31 December

(DKKm)	Note	Share capital	Treasury shares	Retained earnings	Proposed dividends	Translation reserve	Total	Non-controlling interests	Total equity
		Attributable to owners of ISS A/S							
2023									
Equity at 1 January		**185**	**(185)**	**10,920**	**390**	**(1,154)**	**10,156**	**659**	**10,815**
Net profit		-	-	(148)	427	-	279	46	325
Other comprehensive income	4.1	-	-	(101)	-	(123)	(224)	(19)	(243)
Comprehensive income		**-**	**-**	**(249)**	**427**	**(123)**	**55**	**27**	**82**
Dividends paid to shareholders	4.1	-	-	-	(390)	-	(390)	-	(390)
Share-based payments	6.2	-	-	72	-	-	72	-	72
Settlement of vested PSUs/RSUs	4.1	-	119	(119)	-	-	-	-	-
Non-controlling interests	4.1	-	-	-	-	-	-	(57)	(57)
Transactions with owners		**-**	**119**	**(47)**	**(390)**	**-**	**(318)**	**(57)**	**(375)**
Changes in equity		**-**	**119**	**(296)**	**37**	**(123)**	**(263)**	**(30)**	**(293)**
Equity at 31 December		**185**	**(66)**	**10,624**	**427**	**(1,277)**	**9,893**	**629**	**10,522**
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	4.1	-	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**

Significant changes and events

In 2023, the Group's performance and financial position was affected by the significant changes and events highlighted below. A detailed review of the Group's performance is provided in the Management's Review on pp. 17-27.

France

Discontinued operations

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

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

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

Deutsche Telekom contract

Arbitration process

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

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

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

Macroeconomic and geopolitical environment

Continued uncertainty

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

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

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

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

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

Estimates and judgements

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

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

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

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

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

Climate-related matters

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

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

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

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

1 Operating profit

ISS is a leading, global provider of integrated facility services 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.

Our prioritised segments are Office-based, Production-based and Healthcare and our core service offering consists of cleaning, food, technical and workplace services.

As our business model is based on self-delivery of our core services, our placemakers are our most important resource. As a result, we incur a significant amount of employee costs to generate revenue. In 2023, employee costs comprised 66% of total operating costs, and remained at the level of 2022.

In 2023, revenue was DKK 78,681 million with an organic growth of 9.7%. Revenue from key account customers comprised 71% (2022: 73%) of Group revenue and grew organically by 7.9% driven by price increases, increased activity levels at customers' sites and office occupancy rates.

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 benefitted from the positive development and grew organically by 12%.

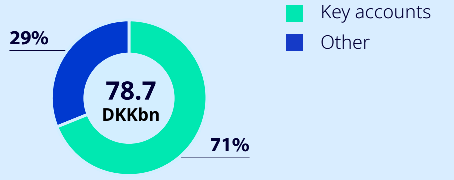
Operating profit before other items was DKK 3,300 million for an operating margin of 4.2%. Excluding impact from hyperinflation in Türkiye, operating margin was 4.3% (2022: 4.0%).

In the second half of the year, a review and prioritisation of OneISS initiatives, which were launched in 2020, was conducted. As a result, one-off costs of DKK 233 million were recognised, impacting operating margin negatively by around 0.3%-point. One-off costs related mainly to severance payments and general cost adjustments at Group and regional levels, where functions have been slimmed to enhance strategic and operational execution and certain projects have been refocused or terminated.

In this section:

Our strategic focus

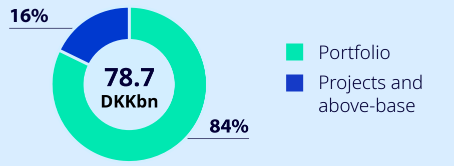
– IFS for key accounts



% of Group revenue

Our revenue base

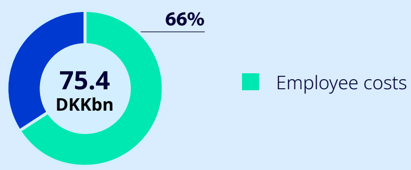
– high level of recurring revenue



% of Group revenue

Our cost base

– self-delivery by our placemakers



% of 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 (partnership countries) are combined in a separate segment "Other countries".

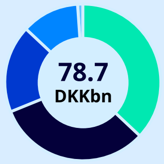
An overview of the grouping of countries into regions is presented in 8.4, Group companies.

France classified as held for sale and discontinued operations

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

(DKKm)	Northern Europe	Central & Southern Europe	Asia & Pacific	Americas	Other countries	Total segments	Unallocated/ elimination	Total Group
2023								
Revenue, excl. IAS 29	29,324	24,807	14,229	9,605	783	78,748	(65)	78,683
Hyperinflation restatement	-	(2)	-	-	-	(2)	-	(2)
Revenue	**29,324**	**24,805**	**14,229**	**9,605**	**783**	**78,746**	**(65)**	**78,681**
Depreciation and amortisation	(543)	(493)	(132)	(121)	(4)	(1,293)	(124)	(1,417)
Operating profit before other items, excl. IAS 29	1,572	1,487	875	489	48	4,471	(1,123)	3,348
Hyperinflation restatement	-	(48)	-	-	-	(48)	-	(48)
Operating profit before other items	**1,572**	**1,439**	**875**	**489**	**48**	**4,423**	**(1,123)**	**3,300**
Operating margin	***5.4%***	***5.8%***	***6.1%***	***5.1%***	***6.1%***	***5.6%***	-	***4.2%***
Operating margin, excl. IAS 29	***5.4%***	***6.0%***	***6.1%***	***5.1%***	***6.1%***	***5.7%***	-	***4.3%***
Other income and expenses, net	-	(43)	13	(4)	-	(34)	(59)	(93)
Amortisation/impairment of customer contracts	(13)	(37)	(2)	(17)	-	(69)	-	(69)
Operating profit	**1,559**	**1,359**	**886**	**468**	**48**	**4,320**	**(1,182)**	**3,138**
2022								
Revenue, excl. IAS 29	28,694	21,646	14,012	8,585	795	73,732	(48)	73,684
Hyperinflation restatement	-	154	-	-	-	154	-	154
Revenue	**28,694**	**21,800**	**14,012**	**8,585**	**795**	**73,886**	**(48)**	**73,838**
Depreciation and amortisation	(557)	(473)	(147)	(97)	(4)	(1,278)	(137)	(1,415)
Operating profit before other items, excl. IAS 29	1,519	1,146	882	445	60	4,052	(1,105)	2,947
Hyperinflation restatement	-	(29)	-	-	-	(29)	-	(29)
Operating profit before other items	**1,519**	**1,117**	**882**	**445**	**60**	**4,023**	**(1,105)**	**2,918**
Operating margin	***5.3%***	***5.1%***	***6.3%***	***5.2%***	***7.6%***	***5.4%***	-	***4.0%***
Operating margin, excl. IAS 29	***5.3%***	***5.3%***	***6.3%***	***5.2%***	***7.6%***	***5.5%***	-	***4.0%***
Other income and expenses, net	45	(15)	156	(124)	-	62	(7)	55
Amortisation/impairment of customer contracts	(16)	(27)	(4)	(22)	-	(69)	-	(69)
Operating profit	**1,548**	**1,075**	**1,034**	**299**	**60**	**4,016**	**(1,112)**	**2,904**

Revenue
– by region



- **37%** Northern
- **32%** Central & Southern
- **18%** Asia & Pacific
- **12%** Americas
- **1%** Other

Operating profit [1]
– by region

- **36%** Northern
- **31%** Central & Southern
- **21%** Asia & Pacific
- **11%** Americas
- **1%** Other

[1] Based on total segments

1.1 Segments (continued)

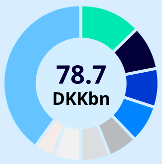
1.1.2 Geographical distribution

(DKKm)	Revenue 2023	Revenue 2022	Non-current assets [1] 2023	Non-current assets [1] 2022
UK & Ireland	10,611	10,396	3,117	3,052
US & Canada	7,004	6,387	2,368	2,492
Switzerland	6,383	5,729	2,206	2,134
Germany	5,864	5,556	974	997
Australia & New Zealand	5,102	4,868	1,343	1,396
Türkiye	4,833	3,341	1,525	1,517
Spain	4,460	4,130	1,576	1,196
Denmark (country of domicile)	2,994	3,169	1,730	1,737
Other countries [2]	31,430	30,262	11,754	13,231
Total	**78,681**	**73,838**	**26,593**	**27,752**

1) Excluding deferred tax assets.
2) Including unallocated items and eliminations.

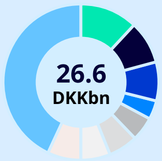
Group revenue per country is disclosed on p. 118.

Revenue
– by country



- **13%** UK & Ireland
- **9%** US & Canada
- **8%** Switzerland
- **8%** Germany
- **6%** Australia & NZ
- **6%** Türkiye
- **6%** Spain
- **4%** Denmark
- **40%** Other countries

Non-current assets
– by country



- **12%** UK & Ireland
- **9%** US & Canada
- **8%** Switzerland
- **4%** Germany
- **5%** Australia & NZ
- **6%** Türkiye
- **6%** Spain
- **7%** Denmark
- **43%** Other countries

§ Accounting policy

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

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

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

1.2 Revenue

1.2.1 Performance obligations

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

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

(DKKm)	2023	2022
Portfolio revenue	65,710	60,532
Projects and above-base work	12,971	13,306
Total	**78,681**	**73,838**

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

1.2.2 Disaggregation of revenue

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

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

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

(DKKm)	2023	2022
Customer category		
Key accounts	56,253	53,807
Large and medium	18,645	16,406
Small and route-based	3,783	3,625
Total	**78,681**	**73,838**
Customer segments		
Office-based	30,669	29,849
Production-based	18,906	16,985
Healthcare	10,951	9,994
Other	18,155	17,010
Total	**78,681**	**73,838**
Core services		
Cleaning	33,165	32,801
Technical	18,285	16,574
Food	11,991	10,161
Workplace and other	15,240	14,302
Total	**78,681**	**73,838**

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

1.2.3 Costs to fulfil a contract

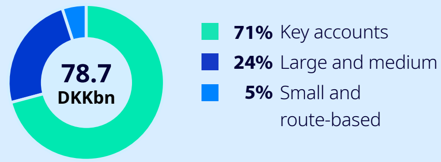
The size and complexity of key account contracts often requires ISS to incur significant transition and mobilisation costs before service delivery commences in order to be able to fulfil the performance obligations under the contracts.

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

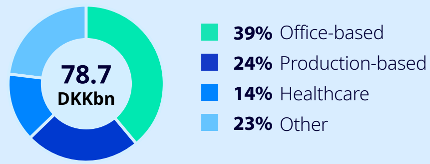
At 31 December 2023, capitalised transition and mobilisation costs amounted to DKK 42 million (2022: DKK 36 million). The increase in 2023 was due to ongoing mobilisation activities for a new contract in the UK, partly offset by ordinary amortisation, mainly in Denmark, Sweden and the UK.

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

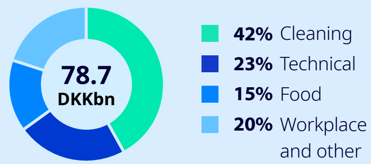
Customer category



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 95%, both for key accounts and overall, supporting that these options are rarely exercised.

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

As a result, the amounts disclosed in the maturity table is significantly lower than reported revenue and will likely not reflect the degree of certainty in future revenue (and cash inflows) to the Group. As a supplement, in the management review, p. 20, a maturity overview for our largest key accounts (> DKK 200 million of annual revenue) is presented.

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

Accounting policy

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

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

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

Significant accounting estimates and judgements

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

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

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

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

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

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

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

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

1.3 Employee costs

(DKKm)	Note	2023	2022
Wages and salaries		39,992	36,756
Social security costs		8,141	7,995
Pensions	7.1	1,402	1,445
Share-based payments	6.2	72	80
Total		**49,607**	**46,276**
Average number of employees		**334,962**	**337,924**

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

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

Number of employees

At 31 December 2023, total number of employees was 352,749 (2022: 351,053). The number of employees includes both the continuing and discontinued operations. Once the divestment of France is completed, the number of employees will be reduced with around 15,000 employees.

Average number of employees was 334,962 (2022: 337,924). Including France, average number of employees was 349,086 (2022: 352,795).

Government grants

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

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

1.4 Other income and expenses, net

(DKKm)	2023	2022
Gain on divestments	14	204
Other income	**14**	**204**
Loss on divestments	(32)	(124)
Integration costs	(8)	(7)
Acquisition costs	(8)	(4)
Other	(59)	(14)
Other expenses	**(107)**	**(149)**
Other income and expenses, net	**(93)**	**55**

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

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

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

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

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

§ Accounting policy

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

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

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 2023.

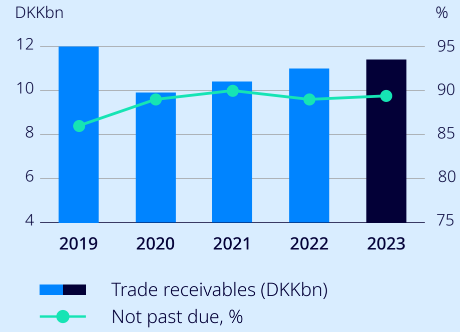
In 2023, we generated nominal free cash flow (non-IFRS) of DKK 1.8 billion (2022: DKK 1.7 billion) driven by solid operating profit. Changes in working capital was positive despite an increase in trade receivables from high revenue growth particularly in Türkiye where payment cycles are longer than Group average, and adverse timing effects of certain payments related to contractual disputes. This was mitigated by strong collections and further offset by an increase in payables.

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 (2022: 89%).

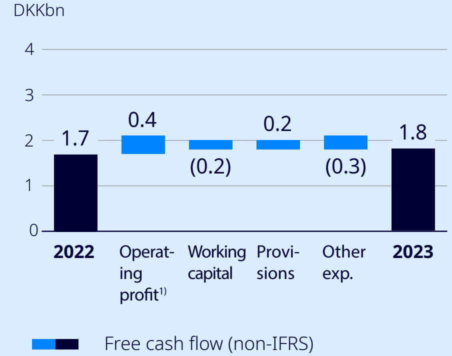
Investments in property, plant and equipment (including right-of-use assets) remained low and comprised 1.7% of Group revenue (2022: 1.5%) reflecting our asset-light business model.

In this section:

Trade receivables

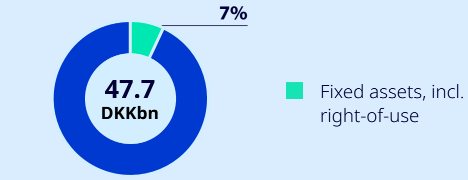


Free cash flow



1) Before other items

Asset-light business model



% of total assets

2.1 Trade receivables and credit risk

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

Expected credit losses

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

Development in 2023

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

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

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

Exposure to credit risk – low exposure

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

Risk management

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

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

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

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

§ Accounting policy

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

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

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

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

2.2 Other receivables

(DKKm)	2023	2022
Supplier rebates and bonuses	434	424
Prepayments to suppliers	379	392
Securities	117	104
Receivable divestment proceeds	114	114
Sign-on fees	98	110
Transition and mobilisation costs	42	36
Government grants	23	103
Derivatives	24	50
Other	397	362
Total	**1,628**	**1,695**

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

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

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

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

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

Significant accounting judgements

Transition and mobilisation costs (costs to fulfil 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.

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

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

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

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

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

§ Accounting policy

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

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

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

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

2.3 Other liabilities

(DKKm)	2023	2022
Accrued wages, pensions and holiday allowances	5,181	5,589
Tax withholdings, VAT etc.	1,778	1,671
Prepayments from customers	989	805
Savings plan	117	104
Derivatives	63	108
Contingent consideration and deferred payments	29	12
Other	325	533
Total	**8,482**	**8,822**

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

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

Other comprised customer discounts, accrued interests, etc.

2.4 Changes in working capital

(DKKm)	2023	2022
Changes in inventories	(24)	(61)
Changes in receivables	(800)	(882)
Changes in payables	1,020	1,387
Total	**196**	**444**

2.5 Provisions, contingencies, guarantees and commitments

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

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

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

2.5.1 Provisions

Legal claims and disputes

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

Self-insurance

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

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

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

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

Restructurings

The provision mainly relates to restructuring projects in several countries. Such projects are conducted in the ordinary course of our business to ensure continuous optimisation and adjustment of our cost base involving mainly overhead reductions, including termination of employees. In 2023, projects were initiated and executed in several countries and at Group level mainly as part of the OneISS strategic review, which resulted in additions of DKK 160 million and payments of DKK 150 million. The latter was mainly in relation to severance payments in Germany.

(DKKm)	Legal claims and disputes	Self-insurance	Restructurings	Onerous contracts	Other	Total
2023						
At 1 January	268	245	71	77	410	1,071
Foreign exchange adjustments	-	(8)	-	(1)	(2)	(11)
Additions	70	198	160	14	10	452
Used during the year	(140)	(203)	(150)	(28)	(41)	(562)
Unused amounts reversed	(76)	(32)	-	(19)	(138)	(265)
Acquisitions	-	3	-	4	-	7
Reclass to Liabilities held for sale	(48)	-	-	-	-	(48)
Reclass (to)/from other liabilities	88	60	(5)	(21)	(14)	108
At 31 December	**162**	**263**	**76**	**26**	**225**	**752**
Non-current	78	154	1	5	149	387
Current	84	109	75	21	76	365
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

2.5 Provisions, contingencies, guarantees and commitments (continued)

Onerous contracts

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

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

Other

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

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

2.5.2 Contingencies

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

Contractual disagreements

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

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

Labour-related risks

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

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

Divestments

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

Restructurings

Restructuring projects are being undertaken on an ongoing basis across different geographies and service areas, currently mainly in Germany, France and Spain. Labour laws especially in Europe include restrictions on dismissals and procedural rules to be followed. The procedures applied by ISS could be challenged in certain jurisdictions resulting in disputes and possibly liabilities. Management believes that this would not have a material impact on the Group's financial position beyond the assets and liabilities already recognised at 31 December 2023.

Sales and consumption tax disputes

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

2.5 Provisions, contingencies, guarantees and commitments (continued)

2.5.3 Guarantees

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

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

Performance guarantees

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

Indemnity and guarantee commitments

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

2.5.4 Commitments

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

(DKKm)	2023
License agreements	792
Leases	60
Purchase obligations, suppliers and subcontractors	44
Total not recognised	**896**
Non-current	673
Current	223

The Group entered into multi-year software license agreements with non-cancellable obligations to pay future license fees. The majority relates to an enterprise agreement of a suite of office-related productivity and security software.

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

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

Significant accounting estimates and judgements

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

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

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

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

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

2.5 Provisions, contingencies, guarantees and commitments (continued)

Accounting policy

Provisions

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

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

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

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

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

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

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

Contingencies and commitments

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

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

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

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 2023 (2022: 7%). Our model is mainly based on leasing, rather than owning, property, vehicles and equipment.

2.6.1 Right-of-use assets

At 31 December 2023, ISS was party to around 17,500 (2022: 18,500) lease agreements of which the majority related to vehicles. In terms of asset value, the main part related to property. Additions was DKK 908 million in 2023 (2022: DKK 765 million). The increase was mainly driven by new production equipment and vehicle leases in Belgium related to a new contract whereas other countries were broadly in line with 2022.

Lease-related costs

(DKKm)	2023	2022
Depreciation of right-of-use assets	879	830
Interest expenses on lease liabilities	121	78
Leases of low-value assets	138	182
Short-term leases	49	67
Variable lease payments	7	11
Recognised in profit or loss	**1,194**	**1,168**
Hereof cash outflow	**315**	**338**

	2023					2022				
	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	2,657	1,412	707	4,776	3,275	2,582	1,307	577	4,466	3,455
Foreign exchange adjustments	19	(2)	(78)	(61)	(84)	4	(9)	(35)	(40)	(39)
Hyperinflation restatement	2	20	70	92	104	-	20	57	77	183
Additions	258	440	210	908	394	264	312	189	765	345
Acquisitions	(5)	-	-	(5)	4	5	34	-	39	7
Divestments	-	(6)	-	(6)	(6)	-	-	-	-	(16)
Disposals	(236)	(326)	(88)	(650)	(395)	(198)	(252)	(81)	(531)	(654)
Reclass to Assets held for sale	(180)	(87)	(71)	(338)	(159)	-	-	-	-	-
Reclass	-	-	(15)	(15)	15	-	-	-	-	(6)
Cost at 31 December	**2,515**	**1,451**	**735**	**4,701**	**3,148**	**2,657**	**1,412**	**707**	**4,776**	**3,275**
Depreciation at 1 January	(1,272)	(773)	(328)	(2,373)	(2,358)	(1,071)	(669)	(281)	(2,021)	(2,524)
Foreign exchange adjustments	(10)	1	32	23	51	(1)	7	19	25	30
Hyperinflation restatement	-	(7)	(17)	(24)	(57)	-	(7)	(13)	(20)	(107)
Impairment	(141)	(36)	(33)	(210)	(38)	-	-	-	-	(22)
Depreciation	(392)	(355)	(159)	(906)	(347)	(398)	(356)	(134)	(888)	(376)
Divestments	-	2	-	2	4	-	-	-	-	15
Disposals	236	326	88	650	379	198	252	81	531	626
Reclass to Assets held for sale	180	82	60	322	159	-	-	-	-	-
Reclass	-	-	15	15	(15)	-	-	-	-	-
Depreciation at 31 December	**(1,399)**	**(760)**	**(342)**	**(2,501)**	**(2,222)**	**(1,272)**	**(773)**	**(328)**	**(2,373)**	**(2,358)**
Carrying amount at 31 December	**1,116**	**691**	**393**	**2,200**	**926**	**1,385**	**639**	**379**	**2,403**	**917**

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

2.6.2 Property, plant and equipment

Consists mainly of production equipment and leasehold improvements. In 2023, additions of DKK 394 million (2022: DKK 345 million) primarily related to equipment for new and existing contracts, and leasehold improvements.

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

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

Accounting policy

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

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

Right-of-use assets are depreciated on a 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
Vehicles	3-5 years
Other equipment	2-5 years

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

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

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

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

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

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

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

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

2.7 Free cash flow

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

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

(DKKm)	2023	2022
Cash flow from operating activities	3,392	3,333
Acquisition of intangible assets and property, plant and equipment	(719)	(809)
Disposal of intangible assets and property, plant and equipment	16	30
Change in financial assets [1]	(6)	(51)
Addition of right-of-use assets, net	(908)	(769)
Free cash flow	**1,775**	**1,734**

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

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 evaluate opportunities to build an M&A pipeline and continue over the next years to initiate selective acquisitions to scale our OneISS platform in a disciplined and controlled manner.

Adhering to that, we acquired Grupo Fissa in Spain in September 2023. The acquisition supports the OneISS strategy by expanding and developing our cleaning service offering to public sector customers and within healthcare.

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

Total impairment losses and fair value adjustments recognised in the profit or loss in 2023 as a result of the decision to divest ISS France was DKK 1,458 million.

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

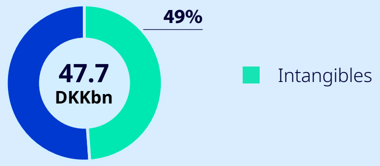
1) the right digital applications for our customers and placemakers;
2) scalable and cybersecure "cloud-first" infrastructure; and
3) managed by inhouse global technology teams

In recent years, we have therefore invested more in IT, and will continue to make focused investments in the coming years while still ensuring satisfactory value and outcomes. Our software development centre in Portugal, established in 2022, will play an important role in supporting our strategy by developing and operating apps, platforms and data analytics among others.

In 2023, we continued to develop own software and added DKK 315 million to the balance of capitalised software.

In this section:

Intangible assets
– our largest asset category

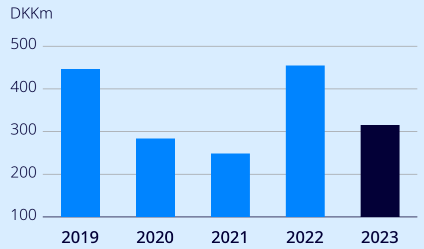


% of total assets

France
– discontinued operation

1,458 DKKm
Impairment losses and fair value adjustments

Investing in technology
– software additions



3.1 Intangible assets

	2023					2022				
(DKKm)	Goodwill	Brands	Customer contracts	Software	Total	Goodwill	Brands	Customer contracts	Software	Total
Cost at 1 January	23,867	1,671	9,293	2,925	37,756	23,178	1,666	9,098	2,589	36,531
Foreign exchange adjustments	(357)	(2)	(182)	(4)	(545)	(112)	5	(107)	(9)	(223)
Hyperinflation restatement	337	-	183	4	524	644	-	235	5	884
Additions	-	-	-	315	315	-	-	-	454	454
Acquisitions	221	-	136	-	357	203	-	161	-	364
Divestments	(6)	-	(12)	-	(18)	(46)	-	(1)	(2)	(49)
Disposals	-	-	-	(105)	(105)	-	-	(93)	(118)	(211)
Reclass to Assets held for sale	(3,119)	-	(690)	(192)	(4,001)	-	-	-	-	-
Reclass	-	-	-	-	-	-	-	-	6	6
Cost at 31 December	**20,943**	**1,669**	**8,728**	**2,943**	**34,283**	**23,867**	**1,671**	**9,293**	**2,925**	**37,756**
Amortisation/impairment at 1 January	(3,417)	(82)	(8,436)	(1,901)	(13,836)	(3,425)	(74)	(8,501)	(1,792)	(13,792)
Foreign exchange adjustments	(12)	2	19	0	9	8	(4)	38	8	50
Hyperinflation restatement	-	-	(10)	(2)	(12)	-	-	(2)	(3)	(5)
Amortisation	-	-	(69)	(211)	(280)	-	(4)	(65)	(207)	(276)
Impairment	(937)	-	-	(72)	(1,009)	-	-	-	(24)	(24)
Divestments	-	-	12	-	12	-	-	1	2	3
Disposals	-	-	-	104	104	-	-	93	115	208
Reclass to Assets held for sale	3,119	-	690	192	4,001	-	-	-	-	-
Amortisation/impairment at 31 December	**(1,247)**	**(80)**	**(7,794)**	**(1,890)**	**(11,011)**	**(3,417)**	**(82)**	**(8,436)**	**(1,901)**	**(13,836)**
Carrying amount at 31 December	**19,696**	**1,589**	**934**	**1,053**	**23,272**	**20,450**	**1,589**	**857**	**1,024**	**23,920**

Goodwill and customer contracts

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

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

Brands

The carrying amount of brands relates to the ISS brand, which is considered to have an indefinite useful life. Thus, the ISS brand is not amortised but tested for impairment annually, see 3.2, Impairment tests.

Software

In line with the Group's strategic ambition of becoming the technology leader in the industry, we continued investing in software, e.g. digital applications for our customers and employees as well as cybersecure infrastructure. In 2023, additions amounted to DKK 315 million (2022: DKK 454 million), the majority related to Group-wide systems and applications.

In 2023, software included DKK 175 million related to assets under development at Group level (2022: DKK 133 million).

3.1 Intangible assets (continued)

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

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

Accounting policy

Goodwill and brands with indefinite useful lives (i.e. the ISS brand) are not amortised but recognised at cost less accumulated impairment losses.

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

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

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

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

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

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

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

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

3.2 Impairment tests

3.2.1 Impairment test results

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

France

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

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

Türkiye

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

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

Significant accounting estimates

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

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

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

§ Accounting policy

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

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

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

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

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

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.

3.2 Impairment tests (continued)

3.2.2 Goodwill and customer contracts

The carrying amounts of intangibles for CGUs representing more than 5% of intangibles are disclosed in the table to the right together with a sensitivity analysis on the key assumptions in the impairment testing.

Sensitivity analysis

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

3.2.3 Cash-generating units (CGUs)

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

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

				Forecasting period				Terminal period						
	Carrying amount			Growth		Margin [1]		Growth		Margin [2]		Discount rate		
(DKKm)	Goodwill	Customer contracts	Total	Avg.	Allowed decrease	Avg.	Allowed decrease	Rate	Allowed decrease	Rate	Allowed decrease	Net of tax	Allowed increase	Pre-tax
2023														
UK & Ireland	2,617	88	2,705	3.0%	>3.0%	5.4%	>5.4%	2.5%	>2.5%	6.0%	3.5%	10.4%	6.5%	13.7%
US & Canada	2,125	134	2,259	4.3%	>4.3%	6.0%	>6.0%	3.0%	>3.0%	6.0%	3.4%	10.9%	7.1%	14.1%
Finland	2,102	-	2,102	2.6%	>2.6%	6.2%	>6.2%	2.5%	2.5%	6.2%	1.8%	8.6%	1.9%	10.4%
Switzerland	1,708	156	1,864	1.9%	>1.9%	7.8%	>7.8%	2.0%	>2.0%	7.8%	7.4%	6.9%	>6.9%	8.1%
Denmark	1,620	-	1,620	2.1%	>2.1%	5.3%	>5.3%	2.0%	>2.0%	6.0%	2.0%	9.3%	2.6%	11.6%
Belgium & Lux.	1,322	-	1,322	2.9%	>2.9%	6.5%	>6.5%	2.5%	>2.5%	6.5%	4.0%	9.2%	6.5%	11.8%
Spain	1,157	132	1,289	4.5%	>4.5%	6.4%	>6.4%	2.5%	>2.5%	6.5%	4.6%	9.0%	8.7%	11.5%
Australia & NZ	1,283	-	1,283	2.0%	>2.0%	7.5%	>7.5%	3.0%	>3.0%	7.5%	7.5%	9.7%	>9.7%	13.3%
Türkiye [2]	857	417	1,274	31.7%	11.5%	7.8%	6.9%	10.0%	8.4%	8.0%	3.6%	36.2%	5.3%	43.7%
Norway	1,151	-	1,151	3.1%	>3.1%	7.9%	>7.9%	3.0%	>3.0%	7.9%	>7.9%	9.2%	>9.2%	11.2%
Other	3,754	7	3,761	-	-	-	-	-	-	-	-	-	-	-
Total	**19,696**	**934**	**20,630**											
2022														
UK & Ireland	2,562	99	2,661	4.8%	>4.8%	5.1%	>5.1%	3.0%	>3.0%	6.0%	4.1%	10.2%	8.7%	12.9%
US & Canada	2,197	155	2,352	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	-	2,098	1.9%	>1.9%	6.2%	5.3%	2.5%	2.5%	6.2%	1.8%	8.6%	1.9%	10.5%
Switzerland	1,598	157	1,755	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	-	1,620	1.6%	>1.6%	6.0%	>6.0%	2.5%	>2.5%	6.5%	2.3%	8.7%	2.6%	10.8%
Australia & NZ	1,327	2	1,329	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	-	1,319	2.5%	>2.5%	6.2%	>6.2%	2.5%	>2.5%	6.2%	2.5%	9.0%	3.3%	11.6%
Türkiye	848	434	1,282	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	-	1,228	2.8%	>2.8%	7.8%	>7.8%	3.0%	>3.0%	7.8%	>7.8%	9.6%	>9.6%	11.8%
Spain	938	1	939	4.4%	>4.4%	6.3%	>6.3%	2.5%	>2.5%	6.5%	4.4%	9.0%	8.0%	11.5%
France [3]	936	-	936	1.8%	1.8%	0.2%	1.2%	2.5%	0.7%	5.0%	0.4%	9.4%	0.6%	11.4%
Other	3,779	9	3,788	-	-	-	-	-	-	-	-	-	-	-
Total	**20,450**	**857**	**21,307**											

[1] Excluding allocated corporate costs.
[2] Discount rate applied in the terminal period was 20.5%.
[3] In June 2023, goodwill in France was fully impaired and the entity was subsequently reclassified as held for sale and discontinued operations.

3.2 Impairment tests (continued)

3.2.4 Determining value in use

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

Forecasting period

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

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

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

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

Terminal period

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

Corporate costs

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

3.2.5 The ISS brand

The carrying amount of brands relates to the ISS brand and was DKK 1,589 million at 31 December 2023 (2022: DKK 1,589 million). In 2023, no impairment of the ISS brand was identified.

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 2023 of approximately DKK 24 billion exceeding the carrying amount of equity, which amounted to DKK 11 billion.

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

[1] The key assumptions applied are used for accounting purposes and should not be considered a forward-looking statement within the meaning of the US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations to the future development.
[2] For Türkiye a country specific risk premium of 9.0% is added (2022: 6.0%).

3.3 Acquisitions

3.3.1 Acquisition impact

Grupo Fissa

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

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

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

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

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

Net assets and cash flow impact

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

§ Accounting policy

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

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

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

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

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

Prior years adjustments

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

3.3.2 Subsequent acquisitions

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

3.3.3 Pro forma revenue and operating profit

Assuming acquisitions/divestments in the year were included/excluded in profit or loss from 1 January 2023, revenue on a pro forma basis would have been DKK 79,073 million compared to reported revenue of DKK 78,681 million. Likewise, operating profit before other items on a pro forma basis would have been DKK 3,318 million compared to reported operating profit before other items of DKK 3,300 million.

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

3.4 Discontinued operations, assets held for sale and divestments

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

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

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

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

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

3.4.1 Discontinued operations

Profit or loss

(DKKm)	Note	2023	2022
Revenue		2,662	3,085
Expenses [1]		(2,816)	(3,143)
Operating profit before other items		**(154)**	**(58)**
Other income and expenses, net		(489)	121
Goodwill impairment	3.2	(937)	-
Operating profit		**(1,580)**	**63**
Financial income/ (expenses), net		(55)	(5)
Net profit before tax		**(1,635)**	**58**
Income tax		(17)	(37)
Net profit from discontinued operations [2]		**(1,652)**	**21**

[1] Including depreciation and amortisation of DKK 47 million (2022: DKK 102 million).
[2] Including Net profit of DKK 33 million related to Brunei.

Impact on profit or loss

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

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

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

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

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

Earnings per share, DKK

(DKKm)	2023	2022
Basic earnings per share	(8.9)	0.1
Diluted earnings per share	(8.8)	0.1

Cash flows

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

Discontinued operations
– presented in separate profit or loss line

2023	2022
Brunei	Brunei
France	Portugal
	Russia
	Taiwan

3.4.2 Assets held for sale

Major classes

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

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

3.4.3 Divestment impact

Divestments completed in 2023

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

[1] Unaudited.

Net assets and cash flow impact

(DKKm)	2023	2022
Goodwill	17	190
Other non-current assets	18	165
Current assets	59	325
Non-current liabilities	-	(24)
Loans and borrowings	(5)	(24)
Current liabilities	(27)	(251)
Net assets disposed	**62**	**381**
Gain/(loss) on divestment, net [1]	(5)	168
Divestment costs	42	128
Consideration received	**99**	**677**
Cash in divested businesses	(23)	(87)
Consideration received, net	**76**	**590**
Contingent and deferred consideration	(4)	49
Divestment costs paid	(47)	(52)
Divestments (cash flow)	**25**	**587**

[1] In addition, DKK 18 million (2022: DKK 33 million) was recognised in Other income and expenses, net related to recycling of accumulated foreign exchange adjustments on country exits.

3.4.4 Subsequent divestments

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

Significant accounting estimates

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

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

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

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

Accounting policy

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

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

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

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

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

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

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

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

4 Capital structure

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

In 2023, the Group's liquidity position remained strong as a result of the solid free cash flow generation. At 31 December 2023, the Group's liquidity reserves amounted to DKK 12.1 billion (2022: DKK 11.4 billion).

At 31 December 2023, net debt amounted to DKK 10.5 billion (2022: DKK 11.5 billion) and financial leverage at the end of 2023 was 2.2x (2022: 2.6x).

Sharing excess capital with shareholders

As a result of the strong liquidity position and achieving our financial leverage target, the Board of Directors will – in accordance with the capital allocation policy – at the annual general meeting propose a dividend for 2023 of 20% of adjusted net profit, corresponding to a total dividend of DKK 427 million (DKK 2.3 per share).

Furthermore, we are today launching a share buyback programme to redistribute additional excess cash to our shareholders.

Debt maturities and refinancing

In June 2023, ISS entered into a new senior unsecured Revolving Credit Facility of EUR 900 million with a syndicate of 12 banks. The facility matures in June 2028 with a two-year extension option and replaces the EUR 1 billion Revolving Credit Facility maturing in 2024.

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

Financial risk exposure

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.

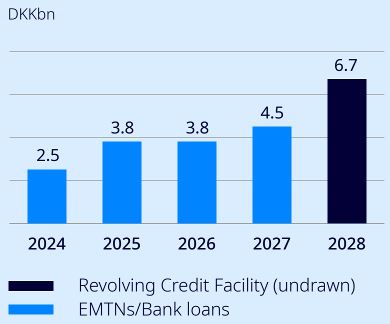
In 2023, we continued to develop own software and added DKK 315 million to the balance of capitalised software.

In this section:

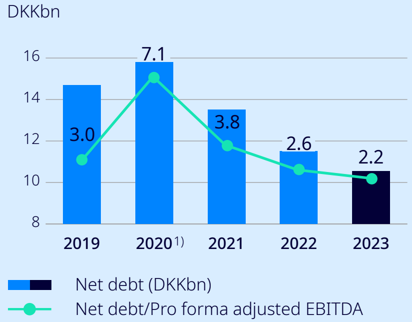
Financial risk exposure

Low

Debt maturity profile



Net debt and financial leverage[1]



[1] Excluding restructurings and one-off costs

Proposed dividends 2023

20% of adjusted net profit[1]

[1] See 8.5, Definitions p. 105

4.1 Equity

4.1.1 Share capital

At 31 December 2023, ISS's share capital comprised a total of DKK 185,668,226 shares (2022: 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.

4.1.2 Treasury shares

(DKKm)	Purchase price	Number
2023		
At 1 January	185	938,343
Settlement of vested PSUs/RSUs	(122)	(623,773)
Purchased	3	17,337
At 31 December	**66**	**331,907**
2022		
At 1 January	191	970,082
Settlement of vested RSUs	(6)	(31,739)
At 31 December	**185**	**938,343**

Share buyback programme initiated

The Board of Directors has decided to initiate a share buyback programme under which ISS will buy back own shares for a maximum consideration of DKK 1.0 billion over a 12-month period from 22 February 2024 to 19 February 2025 at the latest, both days inclusive. The purpose of the share buyback programme is to reduce the share capital and to meet obligations arising from the share-based incentive programme (LTIP).

4.1.3 Translation reserve

(DKKm)	Hedging	Subsidiaries	Total
2023			
At 1 January	(185)	(969)	(1,154)
Foreign exchange adjustments of subsidiaries (ISS's share)	-	(330)	(330)
Recycling of accumulated foreign exchange adj. on country exits	-	(18)	(18)
Hyperinflation, Türkiye	-	309	309
Fair value adjustment of net investment hedges, net of tax	(84)	-	(84)
At 31 December	**(269)**	**(1,008)**	**(1,277)**
2022			
At 1 January	(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, Türkiye	-	403	403
Fair value adjustment of net investment hedges, net of tax	(33)	-	(33)
At 31 December	**(185)**	**(969)**	**(1,154)**

Hedging reserve

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

4.1.4 Earnings per share

(in '000)	2023	2022
Average number of shares	185,668	185,668
Average number of treasury shares	(334)	(938)
Average number of shares (basic)	185,334	184,730
Average number of PSUs and RSUs expected to vest	2,620	2,513
Average number of shares (diluted)	**187,954**	**187,243**

The table reflects the share data used in the basic and diluted EPS calculations, see 8.5, Definitions.

The calculation of average number of diluted shares excluded a total of 847,574 PSUs and RSUs (2022: 1,244,928) which are not expected to vest.

4.1.5 Proposed dividends

At the annual general meeting to be held on 11 April 2024, the Board of Directors will propose a dividend for 2023 of DKK 2.3 per share of DKK 1 (2022: DKK 2.1 per share), equivalent to DKK 427 million and a pay-out ratio of 20% (2022: DKK 390 million/pay-out ratio: 20%). There are no tax consequences of proposed dividends for the Group.

In 2023, dividends paid to shareholders amounted to DKK 390 million (2022: DKK 0 million).

4.1.6 Non-controlling interests

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

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

4.1 Equity (continued)

4.1.7 Other comprehensive income

(DKKm)	Note	2023 Attributable to owners of ISS A/S Retained earnings	2023 Attributable to owners of ISS A/S Translation reserve	2023 Attributable to owners of ISS A/S Total	2023 Non-controlling interest	2023 Total equity	2022 Attributable to owners of ISS A/S Retained earnings	2022 Attributable to owners of ISS A/S Translation reserve	2022 Attributable to owners of ISS A/S Total	2022 Non-controlling interest	2022 Total equity
Defined benefit plans											
Remeasurement gain/(loss)	7.1	(423)	-	(423)	(39)	(462)	253	-	253	(45)	208
Asset ceiling	7.1	299	-	299	-	299	(43)	-	(43)	-	(43)
Foreign exchange adjustments											
Foreign exchange adjustments of foreign entities		-	(330)	(330)	(148)	(478)	-	(45)	(45)	(57)	(102)
Recycling of accumulated foreign exchange adj. on country exits		-	(18)	(18)	-	(18)	-	(33)	(33)	-	(33)
Hyperinflation restatement of equity at 1 January		-	309	309	158	467	-	403	403	411	814
Hedging											
Fair value adjustments of net investment hedges		-	(84)	(84)	-	(84)	-	(43)	(43)	-	(43)
Tax											
Tax related to the items above		23	-	23	10	33	(62)	10	(52)	9	(43)
Total		**(101)**	**(123)**	**(224)**	**(19)**	**(243)**	**148**	**292**	**440**	**318**	**758**

Development in 2023

In 2023, other comprehensive income was DKK (243) million, a decrease of DKK 1,001 million compared to 2022. The decrease mainly related to an increased negative impact from translation of foreign entities primarily Türkiye, Switzerland and the UK as well as remeasurement gain/losses on defined benefit plans partly offset by a positive impact from changes in asset ceiling. In addition, the positive impact from hyperinflation restatement in Türkiye decreased by DKK 347 million compared to 2022.

§ 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.

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.

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

4.2 Borrowings and interests

4.2.1 Loans and borrowings

(DKKm)	Note	2023	2022
Issued bonds		14,073	13,973
Lease liabilities		2,335	2,464
Bank loans		311	363
Loans and borrowings		**16,719**	**16,800**
Non-current liabilities		13,427	15,945
Current liabilities		3,292	855
Loans and borrowings		**16,719**	**16,800**
Cash and cash equivalents		(6,093)	(5,214)
Derivatives, net	2.2, 2.3	39	58
Securities	2.2	(117)	(104)
Net debt		**10,548**	**11,540**

Refinancing

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

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

Financing fees

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

Fair value

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

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

4.2.2 Financial income and expenses

(DKKm)	2023	2022
Interest income on cash and cash equivalents	98	67
Monetary gain on hyperinflation restatement	87	138
Financial income	**185**	**205**
Interest expenses on loans and borrowings [1]	(356)	(299)
Interest expenses on lease liabilities [1]	(121)	(78)
Interest expenses on factoring [1]	(71)	(22)
Bank fees	(62)	(49)
Amortisation of financing fees (non-cash) [1]	(29)	(22)
Net interest on defined benefit obligations	(24)	(17)
Commitment fees	(16)	(43)
Other	(13)	(10)
Foreign exchange losses	(100)	(49)
Financial expenses	**(792)**	**(589)**

[1] Measurement basis amortised cost.

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

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

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

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

4.2 Borrowings and interests (continued)

4.2.3 Cash flow impact from changes in loans and borrowings

(DKKm)	Note	Issued bonds	Lease liabilities	Bank loans	Total
2023					
At 1 January		13,973	2,464	363	16,800
Foreign exchange adjustments		31	(16)	(118)	(103)
Cash flows		-	(791)	(147)	(938)
Acquisitions/divestments, net		-	(9)	207	198
Lease additions	2.6	-	908	-	908
Fair value adjustments	4.4	51	-	-	51
Reclass to Liabilities held for sale		-	(243)	(11)	(254)
Other		18	22	17	57
At 31 December		**14,073**	**2,335**	**311**	**16,719**
2022					
At 1 January		14,064	2,539	340	16,943
Foreign exchange adjustments		-	(14)	(86)	(100)
Cash flows		-	(865)	(58)	(923)
Acquisitions		-	40	-	40
Lease additions	2.6	-	765	-	765
Fair value adjustments	4.4	(108)	-	43	(65)
Other		17	(1)	124	140
At 31 December		**13,973**	**2,464**	**363**	**16,800**

§ Accounting policy

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

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

4.3 Financial risk management

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

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

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

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

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

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

Financial risks	Risk	Basis for assessment at 31 December	Note
Credit risk	Low	• Not past due on trade receivables is around 90% (aging analysis) • Expected credit losses on trade receivables are less than 2% of gross receivables (credit ratings) • The Group transacts only with financial institutions with a credit rating of at least A- (cash and cash equivalents)	2.1
Interest rate risk	Low	• 82% of the Group's bank loans and bonds carried fixed rates (2022: 82%) • Duration of gross debt (fixed-rate period) 2.1 years (2022: 2.9)	4.4
Liquidity risk	Low	• Diversified funding portfolio of debt (bonds and bank loans) • No financial covenants in our main Group facilities (certain covenants apply to the local loan facility in Türkiye) • New revolving credit facility of EUR 900 million (established in 2023) maturing in 2028 • Uncommitted facilities in place to ensure flexible and efficient liquidity management	4.5
Currency risk	Low	• The Group benefits from a natural hedge in having income, costs and investments in the same functional currency, country-by-country • 97.7% of the Group's loans and borrowings (external) denominated in EUR (2022: 97.6%)	4.6

4.4 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

4.4.1 Interest-bearing loans and borrowings

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

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

Interest rate sensitivity

An increase in relevant interest rates of 1%-point, with all other variables held constant, would have decreased net profit by DKK 26 million (2022: DKK 26 million).

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 representative for the purpose of this analysis.

4.4.2 Fair value hedge

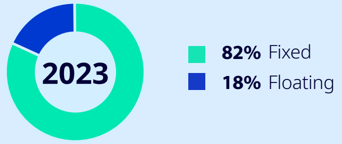
(DKKm)	Nominal amount	Carrying amount	Accumulated fair value adj.	Change in FV
Interest rate swap	EUR 300 million	(57)	(57)	51
Bond (fixed-rate borrowing), maturing 2025	EUR 500 million	3,660	57	(51)

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

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

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

Loan portfolio
– fixed vs. floating interest rates



§ Accounting policy

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

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

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

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

4.5 Liquidity risk

Liquidity risk
– low exposure

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

Risk management policy

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

Mitigation

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

4.5.1 Financial liabilities

Contractual maturities

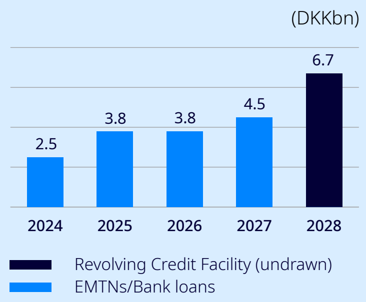
(DKKm)	Carrying amount	Contractual cash flows	< 1 year	1–2 years	2–3 years	3–4 years	4–5 years	> 5 years
2023								
Bonds and bank loans	14,384	14,998	2,725	3,905	3,852	4,516	-	-
Lease liabilities	2,335	2,572	1,028	564	382	235	126	237
Trade payables and other	4,979	4,979	4,979	-	-	-	-	-
Derivatives	63	63	63	-	-	-	-	-
Total financial liabilities	**21,761**	**22,612**	**8,795**	**4,469**	**4,234**	**4,751**	**126**	**237**
2022								
Bonds and bank loans	14,336	15,224	431	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	-	-	-	-	-
Derivatives	108	108	108	-	-	-	-	-
Total financial liabilities	**20,654**	**21,678**	**5,050**	**3,090**	**4,350**	**4,132**	**4,686**	**370**

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

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

Maturity profile
– nominal values

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



4.5.2 Liquidity reserves

(DKKm)	2023	2022
Cash and cash equivalents	6,093	5,214
Restricted cash	(46)	(35)
Unused revolving credit facilities	6,708	7,276
Liquidity reserves	**12,755**	**12,455**
Not readily available	(686)	(1,078)
Readily available liquidity	**12,069**	**11,377**

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

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

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

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

4.6 Currency risk

Currency risk
– low exposure

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

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

Risk management policy

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

Mitigation

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

4.6.1 Loans and borrowings

				Sensitivity		
(DKKm)	**Currency exposure (nominal)**	**Currency swaps (contractual)**	**Exposure, net**	**Increase in FX**	**Profit or loss**	**Comprehensive income**
2023						
EUR/DKK	(17,593)	8,104	(9,489)	1%	(95)	(95)
TRY/DKK [1]	322	-	322	30%	71	97
USD/DKK	1,043	(1,200)	(157)	10%	(16)	(16)
Other/DKK	(957)	1.352	395	10%	40	40
Total	**(17,185)**	**8,256**	**(8,929)**			
2022						
EUR/DKK	(17,212)	7,333	(9,879)	1%	(99)	(99)
USD/DKK	1,431	(1,575)	(144)	10%	(14)	(14)
Other/DKK	(1,176)	1,774	598	10%	60	60
Total	**(16,957)**	**7,532**	**(9,425)**			

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

Foreign currency sensitivity

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

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

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

( ) = Weakened against DKK.

4.6.2 Translation risk

Impact on profit or loss

In 2023, changes in average FX rates resulted in a decrease in Group revenue of DKK 2,476 million or 3.4% (2022: increase of DKK 843 million or 1.2%) and a decrease of the Group's operating profit before other items of DKK 175 million or 5.9% (2022: decrease of DKK 45 million or 2.5%), including the impact of hyperinflation in Türkiye.

Excluding hyperinflation impact in Türkiye, changes in average exchange rates resulted in a decrease in Group revenue of DKK 2,320 million or 3.1% (2022: increase of DKK 688 million or 1.0%) and a decrease of the Group's operating profit before other items of DKK 157 million or 5.3% (2022: decrease of DKK 16 million or 0.9%).

Foreign currency sensitivity

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

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

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 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.

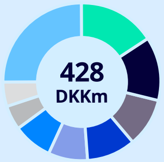
Tax payments in 2023
In 2023, income tax paid amounted to DKK 428 million (2022: DKK 422 million) equal to a cash tax rate of 16.9% (2022: 16.7%).

Tax payments included corporate income tax payments due in 2023 including 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



16% Australia
13% Denmark
10% Switzerland
10% Norway
8% Belgium
8% Finland
5% Spain
5% Austria
25% Other

5.1 Income tax

5.1.1 Tax in profit or loss

(DKKm)	2023	2022
Current tax	487	525
Deferred tax	66	(110)
Prior year adjustments, net	1	(10)
Income tax	**554**	**405**

In 2023, income tax was DKK 554 million (2022: DKK 405 million). The increase was mainly driven by changes in deferred tax which due to a lower amount of temporary differences as well as utilisation of deferred tax losses resulted in a tax expense of DKK 66 million (2022: tax income of DKK 110 million from recognition of additional deferred tax assets on tax losses).

5.1.2 Effective tax rate

	2023	2022
Statutory income tax rate, Denmark	22.0%	22.0 %
Foreign tax rate differential, net	0.0%	(0.2)%
Total	**22.0%**	**21.8 %**
Non-tax-deductible expenses less non-taxable income	1.0 %	(1.9)%
Prior year adjustments, net	0.0 %	(0.4)%
Changes in valuation of tax assets, net	(3.9)%	(3.8)%
Changes in tax rates	0.4 %	0.4 %
Hyperinflation	1.1 %	(1.6)%
Other taxes	1.3 %	1.6 %
Effective tax rate	**21.9%**	**16.1 %**

Development in 2023

In 2023, the Group's effective tax rate increased to 21.9% (2022: 16.1%), mainly driven by non-recurring non-taxable gains on divestments in 2022 and the impact from hyperinflation restatement in Türkiye.

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

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

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

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

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

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

Country effective tax rate

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

Countries	Statutory income tax	2023	2022
Australia	30.0%	29.9%	30.3 %
Denmark (incl. HQ)	22.0%	66.7%	27.0 %
Finland	20.0%	28.2%	24.5 %
Germany	30.3%	102.3 %	40.4 %
Norway	22.0%	22.0%	20.2 %
Spain	25.0%	26.8%	(18.9)%
Switzerland	18.0%	17.9%	18.1 %
Türkiye	25.0%	37.4%	(6.1)%
UK	23.5%	7.5%	17.1 %
US	21.0%	36.2%	(104.2)%

5.2 Deferred tax

5.2.1 Recognised deferred tax

(DKKm)	Assets 2023	Assets 2022	Liabilities 2023	Liabilities 2022
Tax losses carried forward	561	482	-	-
Goodwill	4	4	423	387
Brands	-	-	350	350
Customer contracts	7	7	187	150
Property, plant and equipment	176	220	487	425
Provisions and other liabilities	981	977	692	685
Pensions	157	126	82	62
Tax losses in foreign subsidiaries under Danish joint taxation	-	-	23	23
Set-off within legal tax units and jurisdictions	(924)	(904)	(924)	(904)
Total	**962**	**912**	**1,320**	**1,178**

Development in deferred tax

(DKKm)	2023	2022
Deferred tax liabilities, net at 1 January	266	186
Prior year adjustments, net	18	32
Foreign exchange adjustments	26	(22)
Hyperinflation restatement	(4)	62
Acquisitions and divestments, net	(2)	20
Other comprehensive income	(33)	53
Reclass to Assets/ (Liabilities) held for sale	21	24
Tax on profit before tax	66	(89)
Deferred tax liabilities, net at 31 December	**358**	**266**

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

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

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

5.2.2 Unrecognised deferred tax assets

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

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

Accounting policy

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

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

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

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

5.2.3 Uncertain tax positions

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

Significant accounting estimates and judgements

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

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

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[1] consists of an annual base salary (fixed) and certain variable elements. The annual base salary primarily serves the purpose of being able to attract and retain high-performing leaders.

In addition to the annual base salary, the members of the EGM may receive variable remuneration, which shall be 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.

The Group's short-term incentive programme (STIP) allowing members the opportunity to earn a cash bonus subject to achieving certain financial and non-financial KPIs, measured annually and is designed to drive performance and the OneISS strategy, including progression on the ESG agenda.

The Group's long-term incentive programme (LTIP) is described to the right.

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

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

Long-term incentive programme

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

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

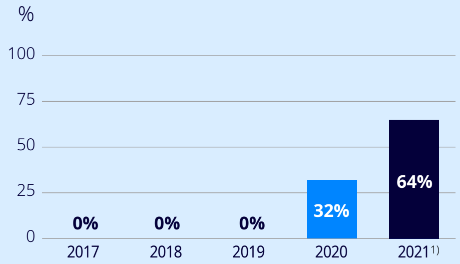
Under the annual LTIP, performance share units (PSUs) are granted to members of the EGM and other senior officers of the Group. Each PSU entitles the holder to receive one share at no cost after three years, subject to achievement of certain performance criteria and service-based objectives. Performance criteria for LTIP 2020, were achieved and vested 32% in March 2023. Based on annual EPS and TSR performances for 2021, 2022 and 2023, 64% of the PSUs under the LTIP 2021 will vest on 1 March 2024.

Under the SIP, restricted share units (RSUs) are granted to certain Corporate Senior Officers and other senior officers. Each RSU entitles the holder to receive one share at no cost, subject to achievement of individual service criteria upon vesting. In March 2023, the SIP 2020-2023 vested 100%. Based on individual service criteria, 100% of the RSUs under the SIP 2023 will vest on 1 March 2025.

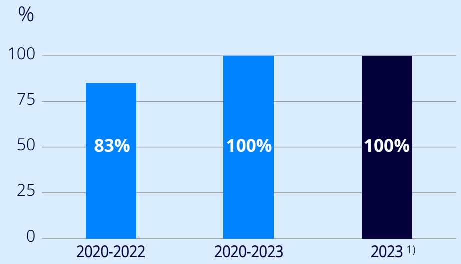
In this section:

Incentive programmes

Vesting of LTIP



Vesting of SIP



1) Will vest in March 2025

Remuneration report

Our **2023 Remuneration Report** includes a description of the work of our Remuneration committee and our remuneration policy. In addition, a specification of remuneration to the members of the Executive Group Management Board and the Board of Directors is included.

6.1 Management remuneration

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

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

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.

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

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

6.2 Share-based payments

6.2.1 Long-term incentive programme

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

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

In 2023, the Group recognised a cost of DKK 72 million (2022: DKK 80 million) related to share-based payment programmes (see overview below for PSUs and overview in 6.2.2, Special incentive programmes (SIP) for RSUs) with a corresponding increase in equity.

Fair value and profit or loss impact	LTIP 2020 [1]	LTIP 2021	LTIP 2022	LTIP 2023
Fair value (DKKm)				
At grant date	102	116	129	116
At 31 December 2023	-	83	98	102
Profit or loss impact (DKKm)				
Recognised in 2023	3	17	27	23
Not yet recognised	-	4	34	65
PSUs and participants (number)				
Participants	109	122	142	151
PSUs granted	1,461,173	1,362,540	1,428,980	994,916
PSUs expected to vest, %	32%	64%	68%	62%

1) Vested in March 2023.

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

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

6.2 Share-based payments (continued)

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

For LTIP 2021, LTIP 2022 and LTIP 2023 the weight of the individual criteria are:
- TSR: 40%
- EPS: 40%
- Service-based objective: 20%

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

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

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

TSR performance criteria

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

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

Outstanding PSUs

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

6.2 Share-based payments (continued)

6.2.2 Special incentive programmes (SIP)

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

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

Vested programmes

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

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

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

[1] Vested in March 2023.

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

Outstanding RSUs

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

§ Accounting policy

The value of services received in exchange for granted performance-based share units (PSUs) and restricted share units (RSUs) are measured at fair value at the grant date and recognised in employee costs over the vesting period with a corresponding increase in equity, as both 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)).

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.

7 Other required disclosures

In this section:

7.1 Pensions and similar obligations

7.1.1 Pension schemes

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

Defined contribution plans

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

In 2023, contributions amounted to DKK 1,161 million (2022: DKK 1,223 million), or 83% of the Group's pension costs (2022: 84%).

Defined benefit plans

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

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

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

Multiemployer pension plans

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

7.1.2 Major defined benefit plans

Switzerland

Participants are insured against the financial consequences of:
- retirement;
- disability; and
- death

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

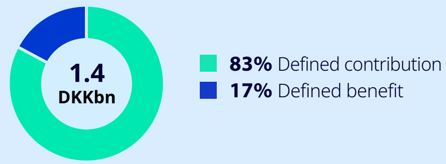
Contributions are paid by both ISS and the employees and the plans must be fully funded. In case of underfunding, recovery measures must be taken, such as additional financing from ISS or from ISS and the employees, reduction of benefits or a combination of both.

The UK

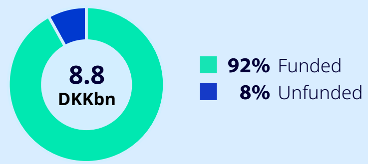
Participants are insured against the financial consequences of:
- retirement; and
- death

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

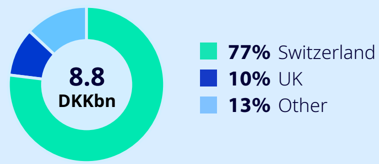
Pension costs



Pension obligation, gross
– funded vs. unfunded



Pension obligation, gross
– by country



7.1 Pensions and similar obligations (continued)

7.1.3 Defined benefit plans (carrying amounts)

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

Recognised in the statement of financial position

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

[1] Including a foreign exchange adjustment on the opening balance of DKK 119 million (2022: DKK 56 million).
[2] Including an asset of DKK 326 million (2022: DKK 247 million) related to defined benefit plans in the UK.

Development in 2023

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

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

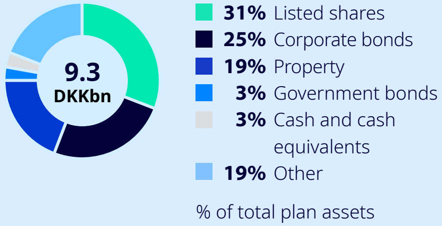
In 2023, market conditions for our plan assets including listed shares, bonds, and real estate improved compared to 2022, resulting in a gain on plan assets in Switzerland and the UK. Due to a larger increase in the pension obligation (gross) the asset ceiling decreased by DKK 299 million. As such, by the end of 2023, the accumulated impact from the asset ceiling was DKK 1,172 million (2022: DKK 1,352 million).

Contributions in 2023

In 2023, the Group contributed DKK 353 million to defined benefit plans (2022: DKK 283 million). The Group expects to contribute DKK 352 million in 2024.

Plan assets

– major categories



7.1 Pensions and similar obligations (continued)

7.1.4 Actuarial assumptions

	2023				2022			
	CHF	GBP	EUR	Other currencies	CHF	GBP	EUR	Other currencies
Discount rates	1.5%	4.5%	3.3-4.3%	5.7-26.6%	2.3%	4.8 %	3.7-3.8%	1.0-10.7%
Salary increase	1.1%	0.0-3.1%	0.0-3.6%	3.0-24.3%	1.3%	0.0-2.7%	2.6-3.2%	0.0-12.0%
Pension increase	0.0%	2.6-3.0%	0.0-2.8%	0.0-1.8%	0.0%	2.7-3.2%	0.0-2.2%	0.0-2.2%

Sensitivity analysis

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

The analysis is based on changes in assumptions, with all other variables held constant, that the Group considered to be reasonably possible at the reporting date.

	2023		2022	
(DKKm)	+0.5%	(0.5)%	+0.5%	(0.5)%
Discount rate	(376)	409	(334)	363
Price inflation	64	(55)	74	(65)
Salary increase	76	(76)	93	(74)
Pension increase	241	(236)	248	(248)
	+1 year	-1 year	+1 year	-1 year
Life expectancy	147	(144)	136	(133)

Duration

The estimated weighted average duration of the defined benefit obligation was 9 years (2022: 9 years) and is split into:

(Years)	2023	2022
Active employees	8	6
Retired employees	12	11
Deferred vested[1]	15	7
Total employees	9	9

[1] The impact from deferred vested on total estimated weighted average duration is minor due to the fact that deferred vested make up less than 2% of the participants, and do not exist in many of the shorter duration plans.

Significant accounting estimates

Actuarial calculations and valuations are performed annually for all major plans. The present value of defined benefit obligations is determined based on assumptions about the future development in variables such as salary levels, interest rates, inflation and mortality. Applied assumptions vary from country to country due to local conditions. All assumptions are assessed at the reporting date.

The discount rates used for calculating the present value of expected future cash flows are based on the market yield of high-quality corporate bonds or government bonds with a maturity approximating to the terms of the defined benefit obligations.

When the Group participates in multi-employer pension plans being accounted for as defined contribution plans due to unavailability of information, there is a risk that the plans are not sufficiently funded. However, information on surplus or deficit in the schemes is not available.

Accounting policy

Contributions to defined contribution plans are recognised in Employee costs when the related service is provided.

Defined benefit plans The Group's net obligation is calculated by a qualified actuary using the projected unit credit method, separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The present value less the fair value of plan assets is recognised in Pensions and similar obligations. When the calculation results in a potential asset, recognition is limited to the present value of economic benefits available in the form of future refunds from or reductions in future contributions to the plan. To calculate the present value, consideration is given to applicable minimum funding requirements.

Pension costs are calculated based on actuarial estimates and financial expectations at the beginning of the year. Service costs are recognised in Employee costs and net interest is recognised in Financial expenses.

Remeasurements (actuarial gains/losses), comprising the differences between the expected development in pension assets and liabilities and the realised amounts at the reporting date as well as the effect of asset ceiling are recognised in other comprehensive income.

When the benefits are changed or a plan is curtailed, the resulting change in benefits that relates to past service or the gain or loss on curtailment is recognised in Employee costs. Gains and losses on settlement are recognised when incurred.

The aggregated value of unfunded plans is presented as a net liability and the aggregated value of funded plans are presented as a net asset.

Other long-term employee benefits are calculated as defined pension plans, except that actuarial gains and losses are recognised in Employee costs. Other long-term employee benefits comprise jubilee benefits, long-service or sabbatical leave, etc.

7.2 Hyperinflation in Türkiye

Impact on the consolidated financial statements

(DKKm)	2023 (excl. IAS 29)	Inflation restatement, in year: Non-monetary items	Inflation restatement, in year: Profit or loss items	Retrans-lation (YE FX)	Total adjust-ments	2023 (re-ported)	2022 (excl. IAS 29)	Inflation restatement, in year: Non-monetary items	Inflation restatement, in year: Profit or loss items	Retrans-lation (YE FX)	Total adjust-ments	2022 (re-ported)
Profit or loss												
Revenue	78,683	-	1,130	(1,132)	(2)	78,681	73,684	-	580	(426)	154	73,838
Operating profit before other items	3,348	(58)	90	(80)	(48)	3,300	2,947	(48)	51	(32)	(29)	2,918
Operating profit	3,199	(73)	90	(78)	(61)	3,138	2,944	(60)	50	(30)	(40)	2,904
Net profit	319	22	-	(16)	6	325	2,070	77	-	(11)	66	2,136
Financial ratios												
Organic growth (non-IFRS)	9.7%	-	-	-	-	9.7%	8.4%	-	-	-	-	8.4%
Operating margin (non-IFRS)	4.3%	(0.1)%	0.1%	(0.1)%	(0.1)%	4.2%	4.0%	(0.1)%	0.1%	(0.0)%	(0.0)%	4.0%
Cash flows												
Cash flow from operating activities	3,433	-	-	(41)	(41)	3,392	3,340	-	-	(7)	(7)	3,333
Cash flow from investing activities	(1,051)	-	-	9	9	(1,042)	(553)	-	-	7	7	(546)
Cash flow from financing activities	(1,317)	-	-	(17)	(17)	(1,334)	(928)	-	-	(2)	(2)	(930)
Free cash flow (non-IFRS)	1,791	-	-	(16)	(16)	1,775	1,726	-	-	8	8	1,734

(DKKm)	2023 (excl. IAS 29)	Inflation restatement, accumulated	2023 (re-ported)	2022 (excl. IAS 29)	Inflation restatement, accumulated	2022 (re-ported)
Financial position						
Goodwill	18,964	732	19,696	19,806	644	20,450
Other intangible assets	3,281	295	3,576	3,246	224	3,470
Right-of-use assets and property, plant and equipment	3,017	109	3,126	3,235	85	3,320
Total assets	46,557	1,136	47,693	46,052	953	47,005
Other comprehensive income [1)]	(1,179)	936	(243)	(56)	814	758
Other equity elements	10,666	99	10,765	9,980	77	10,057
Total equity	9,487	1,035	10,522	9,924	891	10,815
Deferred tax liabilities	1,219	101	1,320	1,116	62	1,178
Total equity and liabilities	46,557	1,136	47,693	46,052	953	47,005

1) In year impact of restatement amounted to DKK 467 million (2022: DKK 814 million).

Development in 2023

In 2023, the impact of hyperinflation restatement on our three key KPIs, i.e. organic growth (non-IFRS), operating margin (non-IFRS) and free cash flow (non-IFRS) continued to be immaterial. However, the Group's statement of financial position was significantly impacted, mainly by increasing the carrying amount of goodwill, customer contracts and equity.

Financial position Accumulated goodwill increased by DKK 732 million (2022: DKK 644 million) and Other intangible assets (customer contracts) by DKK 295 million (2022: DKK 224 million), mainly due to restatement of fair values carried from the acquisition of Rönesans in 2021 and the original acquisition of ISS Türkiye in 2005. Thus, by the end of 2023, intangible assets included accumulated hyperinflation adjustments of DKK 1,027 million.

Likewise, total accumulated equity increased DKK 1,035 million (2022: DKK 891 million) mainly due to opening restatement of non-monetary items of DKK 467 million (2022: DKK 814 million) and restatement effect from changes in the price index during the year.

Profit or loss Net impact on revenue was DKK (2) million (2022: DKK 154 million) of which DKK 1,130 million (2022: DKK 580 million) related to increase in price index of 31% during the year (2022: 21%). This was offset by the impact from retranslation to exchange rates at 31 December of DKK 1,132 million (2022: DKK 426 million) as the TRY/DKK exchange rate decreased from 37.25 in the beginning of 2023 to 22.82 at 31 December 2023.

7.2 Hyperinflation in Türkiye (continued)

§ Accounting policy

Inflation restatement

The financial statements of ISS Türkiye are restated for inflation to reflect the purchasing power at the reporting date using the consumer price index.

Non-monetary items, which are carried at historical cost, such as goodwill, customer contracts, 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 2023 or to the date of disposal, where relevant. The restatement was made effective from the time, the items were initially recognised, which was no earlier than 2005, when ISS first entered Türkiye through an acquisition.

Management assesses whether the restatement of non-monetary items represents an indication of impairment to ensure that the restated amounts do not exceed the recoverable amounts of the assets, see 3.2, Impairment tests.

Monetary items such as receivables, payables, loans and borrowings are not subject to restatement for the effects of inflation as these items already reflect the purchasing power at the reporting date.

Equity includes the opening effect of restating non-monetary items. Further, the restatement effects of inflation based on changes in the price index for the reporting period is recognised in other comprehensive income with set-off within financial income or expenses in profit or loss.

Profit or loss transactions in the period are restated to reflect changes in the price index from the time of transaction to the end of the reporting period with the exception of depreciation and amortisation, which are recalculated based on the inflation-adjusted carrying value of the relevant non-monetary assets.

The restating gain or loss is recognised in financial income or expenses, except for the tax effect, which is recognised under income tax.

Cash flow statement Operating profit before other items includes a non-cash effect from the inflation restatement, which has been eliminated in the line Non-cash items related to hyperinflation.

Price index

Restatement for hyperinflation of the financial statements of ISS Türkiye is based on the development in the consumer price index provided by the Türkiyish Statistical Institute calculated as an average year to date conversion factor. For 2023, the inflation rate in Türkiye was 64.77% (2022: 64%).

Retranslation from TRY to DKK

The financial statements of ISS Türkiye, including effects of inflation restatement, are translated into DKK applying the TRY/DKK exchange rate at the reporting date as opposed to the Group's normal practice of translating the profit or loss using the exchange rate at the transaction date or an average exchange rate for the month. The TRY/DKK exchange rate decreased from 37.25 at the beginning of 2023 to 22.82 at 31 December 2023. The average rate was 29.80 (2022: 43.00).

7.3 Related parties

7.3.1 Parent and ultimate controlling party

The Group's parent, ISS A/S, is the ultimate controlling party. At 31 December 2023, ISS had no related parties with either control of the Group or significant influence in the Group.

7.3.2 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 2023.

7.4 Fees to auditors

(DKKm)	2023	2022
Statutory audit	70	73
Other assurance services	2	2
Tax and VAT advisory services	6	7
Other services	8	4
Total	**86**	**86**

Other assurance services comprised work related to the interim financial statements and other assurance services.

Tax and VAT advisory services mainly related to tax compliance services.

Other services comprised among other things work related to acquisitions and divestments, such as financial and tax due diligence.

7.5 Subsequent events

No events have occurred subsequent to 31 December 2023, which could have a significant impact on the consolidated financial statements.

8 Basis of preparation

This section includes general accounting policies relevant for the preparation of the Group's consolidated financial statements. The Group's material accounting policies are described in the relevant notes to the consolidated financial statements.

A list of the notes is presented on p. 51.

Changes in accounting policies

No changes with material effect on recognition and measurement were implemented in 2023.

The amendments to IAS 1 impacted the Group's disclosures of accounting policies. From 2023, only the Group's material accounting policies in accordance with our definition are disclosed, see the box to the right.

In this section:

8.1 Other material accounting policies

ISS A/S is listed on Nasdaq Copenhagen. The consolidated financial statements of ISS A/S for the year ended 31 December 2023 comprise ISS A/S and its subsidiaries (collectively, the Group). Significant subsidiaries are listed in 8.4, Group companies.

The 2023 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 22 February 2024 and issued for approval at the subsequent annual general meeting on 11 April 2024.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act (class D). In addition, the consolidated financial statements have been prepared in compliance with the IFRS Accounting Standards issued by the IASB.

The consolidated financial statements have been prepared on the basis that the Group will continue to operate as a going concern.

The consolidated financial statements are presented in Danish kroner (DKK), which is ISS A/S's functional currency. All amounts have been rounded to nearest DKK million (DKKm), unless otherwise stated.

Fair value measurement and disclosure

Items are measured at historical cost, except for assets and liabilities held for sale and derivatives that are measured at fair value.

Fair value measurements are categorised within the fair value hierarchy and disclosed in the relevant notes.

For the purpose of fair value disclosures, management has assessed that the fair values of cash and cash equivalents, trade receivables, contingent consideration, trade payables and other current and non-current financial assets and liabilities approximates their carrying amount largely due to the short-term nature of these items. The fair value of loans and borrowings, including methods and assumptions used to estimate the fair value, are disclosed in 4.2, Borrowings and interests.

Basis of consolidation

The consolidated financial statements comprise ISS A/S and entities controlled by ISS A/S.

Consolidation of entities is performed after elimination of intra-group balances, income and expenses. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

By virtue of agreement certain non-controlling shareholders are only eligible of receiving benefits from their non-controlling interest when ISS as controlling shareholder has received their initial investment and compound interest on such. In such instances the subsidiaries' result and equity are fully allocated to ISS until the point in time where ISS has recognised amounts exceeding their investment including compound interest on such.

Materiality

The consolidated financial statements separately present items or groups of items that are considered material. In addition, information that is considered material, either individually or in combination with other information, is disclosed.

Materiality is judged by reference to the size and nature of the item. The deciding factor is whether the omission or misstatement could, individually or collectively, influence the economic decisions made by the primary users on the basis of the consolidated financial statements. In particular circumstances, either the nature or the amount of an item or an aggregate of items could be the determining factor.

Foreign currency

Transactions in currencies other than the functional currency of the respective Group companies are considered transactions denominated in foreign currencies.

On initial recognition, except for companies operating in hyperinflationary environments, foreign currency transactions are translated to the functional currencies of the Group companies at the exchange rates at the transaction date. Translation differences between the exchange rates at the transaction date and the date of payment are recognised in Financial income or Financial expenses.

Foreign currency (continued)
Monetary items denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the transaction date or the exchange rate used in the latest financial statements is recognised in Financial income or Financial expenses.

On recognition in the consolidated financial statements of Group companies with a functional currency other than DKK, the statements of profit or loss and statement of cash flows are translated at the average exchange rates for the period and the statements of financial position are translated at the exchange rates at the reporting date. Foreign exchange adjustments arising on translation of the opening balance of equity of foreign entities and on translation of receivables considered part of the net investment in the entity and on translation of the profit or loss statements from the exchange rates at the transaction date to the exchange rates at the reporting date are recognised in other comprehensive income. However, if the foreign entity is a non-wholly owned subsidiary, the relevant proportion of the translation difference is allocated to the non-controlling interest.

8.2 Change in accounting policies and disclosures

From 1 January 2023, the Group has adopted the following amendments to standards with no significant impact on recognition and measurement:

- Amendments to IAS 8: Definition of Accounting Estimates
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendments to IAS 12: International Tax Reform — Pillar Two Model Rules
- Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments below impacted the disclosures of accounting policies:

IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
The amendments to IAS 1 and IFRS Practice Statement 2 requires us to disclose the material accounting policies instead of significant accounting policies thereby making the accounting policies more specific and thus more relevant to users.

The amendments impacted the Group's disclosures of accounting policies, but not the measurement, recognition or presentation of any items in the Group's financial statements. From 2023, only the Group's material accounting policies are disclosed.

IAS 12: International Tax Reform — Pillar Two Model Rules
The Group is within the scope of the Pillar Two rules (Pillar II) applying from 1 January 2024. However, since Pillar II was not effective at the reporting date, the Group has no related current tax exposure.

The Group applies the mandatory exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar II income taxes, as provided in the 2023 amendments to IAS 12.

The Group has prepared a preliminary assessment of the its exposure to Pillar II income taxes using 2023 data. Based on the preliminary assessment, the Group anticipates to be able to apply the transitional Safe Harbour rules for all countries in 2024, which will switch off the normal Pillar II calculation rules and thus no top-up taxes will be payable for 2024. The transitional Safe Harbour rules are more simple than the normal Pillar II calculation rules, and can be applied during the transitional period for 2024-2026 if specific tests can be fulfilled demonstrating that the risk of Pillar II top-up taxes is low.

8.3 New regulations

IASB issued amended standards and interpretations, which are not yet mandatory for the consolidated financial statements of the Group at 31 December 2023. The Group expects to adopt the new standards and interpretations when they become mandatory.

Based on the current business setup and level of activities, none of these standards and interpretations are expected to have a material impact on the recognition and measurement in the consolidated financial statements.

Sustainability reporting
As of first January 2024, the reporting requirements set out in the Corporate Sustainability Reporting Directive (CSRD) will become applicable for the annual report published in 2025.

The Group has initiated a project to assess the impact of the related European Sustainability Reporting Standards (ESRS) and how to implement the new requirements in a single Annual Report. In addition, the Group considers the process of production, collection and consolidation of sustainability-related data to ensure an effective, consistent and sound reporting process from 2024.

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 Reception & Support Services N.V.	100%
ISS Facility Services S.A.	100%
ISS Luxinterim SARL	100%

Finland

ISS Palvelut Holding Oy	100%
ISS Palvelut Oy	100%
Suomen Laatutakuu Palvelut Oy	100%

Netherlands

ISS Building Maintenance Services B.V.	100%
ISS Catering Services B.V.	100%
ISS Holding Nederland B.V.	100%
ISS Integrated Facility Services B.V.	100%
ISS Nederland B.V.	100%
Talentgroep Montaigne Facility Management B.V.	100%

Norway

ISS Holding AS	100%
ISS Management AS	100%
ISS Facility Services AS	100%
ISS Serveringspartner AS	100%
ISS Service Management AS	100%

Poland

ISS Facility Services Sp. Z o.o.	100%
ISS World Services Poland Sp. Z o.o.	100%

Sweden

ISS Facility Services Holding AB	100%
ISS Facility Services AB	100%
ISS Palvelut Holding AB	100%

UK & Ireland

ISS UK Holding Limited	100%
ISS UK Limited	100%
ISS Facility Services Ltd.	100%
ISS Mediclean Limited	100%
Pegasus Security Holdings Limited	100%
ISS Ireland Ltd.	100%

Central & Southern Europe

Austria

ISS Austria Holding GmbH	100%
ISS Facility Services GmbH	100%
ISS Ground Services GmbH	100%

Germany

ISS Automotive Services GmbH	100%
ISS Facility Services Holding GmbH	100%
ISS Integrated Facility Services GmbH	100%
ISS Energy Services GmbH	100%
ISS Communication Services GmbH	100%
ISS Engineering Services GmbH	100%

Italy

ISS Facility Services S.r.l.	100%

Portugal

ISS Tech Portugal, Unipessoal Lda.	100%

Spain

Integrated Service Solutions, S.L.	100%
ISS Facility Services, S.A.	100%
UTE-HOSPITALES S.A.S	65% [1]

Switzerland

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

Türkiye

ISS Hazir Yemek Üretim ve Hizmet A.Ş.	50.1% [3]
ISS Proser Koruma ve Güvenlik Hizmetleri A.Ş.	50.1% [3]
ISS Tesis Yönetim Hizmetleri A.Ş.	50.1% [3]
ISS İşletme Hizmetleri A.Ş (Rönesans)	50.1% [3]
ISS Bitki Bakim ve Hasere Kontrol Hizmetleeri A.Ş.	50.1% [3]

Asia & Pacific

Australia & New Zealand

ISS Facility Management Pty Limited	100%
ISS Facility Services Australia Limited	100%
ISS Facility Services Pty Ltd.	100%
ISS Health Services Pty Ltd.	100%
ISS Holdings Pty Ltd.	100%
ISS Integrated Services Pty Ltd	100%
ISS Property Services Pty Ltd	100%
ISS Security Pty Ltd	100%
Pacific Invest December 2004 Pty Ltd.	100%
Pacific Service Solutions Pty Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Holdings NZ Ltd.	100%

China

ISS Facility Services (Shanghai) Ltd.	100%
ISS Hongrun (Shanghai) Cleaning Services Limited	100%
Shanghai B&A Property Management Co., Ltd.	100%
Shanghai B&A Security Co., Ltd.	100%
Shanghai ISS Catering Management Ltd.	100%

Hong Kong

Hung Fat Cleaning Transportation Co., Ltd.	100%
ISS Adams Secuforce Ltd.	100%
ISS China Holdings Ltd.	100%
ISS China Holdings I Ltd.	100%
ISS EastPoint Properties Ltd.	100%
ISS EastPoint Property Management Ltd.	100%
ISS Facility Services Ltd.	100%
ISS Greater China Ltd.	100%
ISS Mediclean (HK) Ltd.	100%
ISS Pan Asia Security Services Ltd.	100%
JSL Ltd.	100%
Silvertech E&M Engineering Co., Ltd.	100%

India

Innovative Salary Services and Payroll Advisory Pvt. Ltd.	46% [2]
ISS Facility Services India Pvt. Ltd.	100%
ISS SDB Security Services Pvt. Ltd.	46% [2]
Modern Protection India Pvt. Ltd.	46% [2]
ISS Support Services Pvt. Ltd.	100%

Indonesia

PT ISS Facility Services	99%
PT ISS Indonesia	100%
PT ISS Jasa Fasilitas	0% [2]

Singapore

ISS Asia Pacific Pte. Ltd.	100%
ISS Catering Services Pte. Ltd.	100%
ISS Facility Services Pte. Ltd.	100%
ISS M&E Pte. Ltd.	100%

Americas

Chile

Apunto Servicios de Alimentacion S.A.	100%
ISS Chile S.A.	100%
ISS Facility Services S.A.	100%
ISS Servicios de Limpieza Mecanizada S.A.	100%
ISS Servicios Generales Ltda.	100%
ISS Servicios Integrales Ltda.	100%

Mexico

ISS Centro América, S. de R.L. de C.V.	100%
ISS Facility Services, S.A. de C.V.	100%

US & Canada

ISS Facility Services Holding, Inc	100%
ISS Management and Finance Co, Inc	100%
ISS Facility Services, Inc (US)	100%
Guckenheimer Enterprises Inc	100%
ISS C&S Building Maintenance Corporation	100%
ISS Facility Services California, Inc	100%
ISS Holding Inc	100%
ISS TMC Services, Inc	100%
ISS Facility Services Inc. (CA)	100%

Discontinued operations

France

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

On this page, the Group's significant subsidiaries and joint ventures are presented per region.

Together these are referred to as "Companies within the ISS Group".

1) Joint venture.
2) By virtue of the governance structure, the Group has the power to govern the financial and operating policies of the company. Consequently, the company is consolidated as a subsidiary.
3) Under certain circumstances or events, ISS may be obliged to choose to purchase other shareholders' shareholdings or dispose of its own shareholdings.

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

EBITDA
Operating profit + Depreciation and amortisation + Amortisation/impairment of customer contracts

EBITDA before other items
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

Net profit (adjusted)
Net profit excluding Other income and expenses, net, Goodwill impairment, Amortisation/impairment of customer contracts, impact from hyperinflation (IAS 29) and Net profit from discontinued operations (comparatives are not restated)

Free cash flow
Cash flow from operating activities – Acq. of intangible assets and property, plant and equipment, net – Change in financial assets (excl. equity-accounted investees) – Addition of right-of-use assets, net

Organic growth, %
$$\frac{\text{(Revenue current year excl. hyperinflation – Comparable revenue}^{1)}\text{ prior year) x 100}}{\text{Comparable revenue}^{1)}\text{ prior year}}$$

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, %
$$\frac{\text{Revenue from acquisitions}^{2)}\text{ x 100}}{\text{Revenue prior year}}$$

Cash conversion, %
$$\frac{\text{Free cash flow x 100}}{\text{Operating profit before other items}}$$

Currency adjustments[3)]
Total revenue growth – Organic growth – Acquisition/divestment growth, net

Divestments, %
$$\frac{\text{Revenue from divestments}^{4)} \times 100}{\text{Revenue prior year}}$$

Equity ratio, %
$$\frac{\text{Total equity} \times 100}{\text{Total assets}}$$

Net debt
Loans and borrowings – Securities – Cash and cash equivalents +/– 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 in the year

ESG ratios

CO_2 emissions
Scope 1, 2 and 3 emissions calculated in accordance with the Greenhouse Gas Protocol. For further information see the 2023 Sustainability Report p. 55.

Employee turnover, %
$$\frac{\text{Number of employees who left in the year} \times 100}{\text{Average number of employees for the year}}$$

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 and development, hours
Hours spent by participants while preparing and participating. All training sponsored by ISS, paid or unpaid as a result of employment within ISS.

Gender diversity, Board, %
$$\frac{\text{Female board members (AGM}^{5)}\text{ elected)} \times 100}{\text{Board members (AGM}^{5)}\text{ elected)}}$$

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) 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	2023	2022
Employee costs		(21)	(35)
Other operating expenses		(70)	(76)
Operating profit		**(91)**	**(111)**
Financial expenses	4	(197)	(82)
Profit before tax		**(288)**	**(193)**
Income tax	5	37	41
Net profit		**(251)**	**(152)**

Statement of comprehensive income

1 January – 31 December

(DKKm)	2023	2022
Net profit	**(251)**	**(152)**
Comprehensive income	**(251)**	**(152)**

Statement of cash flows

1 January – 31 December

(DKKm)	2023	2022
Operating profit	(91)	(111)
Share-based payments	(5)	9
Changes in working capital	(4)	(1)
Interest (paid)/received to/from companies within the ISS Group	(197)	(82)
Income tax (paid)/received	1	27
Joint taxation contribution (paid)/received, net	125	(84)
Cash flow from operating activities	**(171)**	**(242)**
Cash flow from investing activities	**-**	**-**
Other financial payments, net	(1)	(1)
Payments (to)/from companies within the ISS Group, net	514	291
Dividends paid to shareholders	(390)	-
Cash flow from financing activities	**123**	**290**
Total cash flow	**(48)**	**48**
Cash and cash equivalents at 1 January	48	0
Total cash flow	(48)	48
Cash and cash equivalents at 31 December	**0**	**48**

Statement of financial position

At 31 December

(DKKm)	Note	2023	2022
Assets			
Investment in subsidiary	6	27,674	27,674
Non-current assets		**27,674**	**27,674**
Receivables from companies within the ISS Group		149	114
Tax receivables		8	28
Cash and cash equivalents		0	48
Current assets		**157**	**190**
Total assets		**27,831**	**27,864**
Equity and liability			
Total equity		**23,599**	**24,168**
Debt to companies within the ISS Group		3,821	3,386
Deferred tax liabilities	7	366	291
Non-current liabilities		**4,187**	**3,677**
Debt to companies within the ISS Group		31	3
Trade payables and other liabilities		14	16
Current liabilities		**45**	**19**
Total liabilities		**4,232**	**3,696**
Total equity and liabilities		**27,831**	**27,864**

Statement of changes in equity

1 January – 31 December

(DKKm)	Share capital	Treasury shares	Retained earnings	Proposed dividends	Total
2023					
Equity at 1 January	**185**	**(185)**	**23,778**	**390**	**24,168**
Net profit	-	-	(678)	427	(251)
Comprehensive income	**-**	**-**	**(678)**	**427**	**(251)**
Dividends paid to shareholders	-	-	-	(390)	(390)
Share-based payments	-	-	72	-	72
Settlement of vested PSUs/RSUs	-	119	(119)	-	-
Transactions with owners	**-**	**119**	**(47)**	**(390)**	**(318)**
Changes in equity	**-**	**119**	**(725)**	**(390)**	**(569)**
Equity at 31 December	**185**	**(66)**	**23,053**	**427**	**23,599**
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**

1 Accounting policies

Basis of preparation

The financial statements of ISS A/S have been prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act (class D). In addition, the financial statements have been prepared in compliance with the IFRS Accounting Standards issued by the IASB.

Changes in accounting policies

Changes in accounting policies are described in 8.2 to the consolidated financial statements.

Accounting policies

With the exception of the items described below, the accounting policies for ISS 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 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. 56 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 If there is identification of impairment, an impairment test is performed as described in the accounting policies in 3.2 to the consolidated financial statements. 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)	2023	2022
Statutory audit	1	1
Other assurance services	0	0
Total	**1**	**1**

4 Financial expenses

(DKKm)	2023	2022
Interest expenses to companies within the ISS Group	(196)	(81)
Bank fees	(1)	(1)
Financial expenses	**(197)**	**(82)**

5 Income tax

(DKKm)	2023	2022
Current tax	114	96
Deferred tax	(75)	(54)
Prior year adjustments, net	(2)	(1)
Income tax	**37**	**41**

Effective tax rate (ETR)

	2023	2022
Statutory income tax rate, Denmark	22.0 %	22.0 %
Non-tax-deductible expenses less non-taxable income	(8.5)%	(0.2)%
Prior year adjustments, net	(0.7)%	(0.5)%
Effective tax rate	**12.8 %**	**21.3 %**

6 Investment in subsidiary

(DKKm)	2023	2022
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)	2023	2022
Deferred tax liability at 1 January	291	237
Prior year adjustments, net	0	(1)
Tax on profit before tax	75	55
Deferred tax liability at 31 December	**366**	**291**

Deferred tax liability at 31 December 2023 and at 31 December 2022 related to deferred re-taxation of foreign exchange gains/losses.

ISS A/S has no unrecognised deferred tax assets regarding tax losses carried forward (2022: 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 2023, Danish corporate tax and Danish withholding taxes amounted to DKK 0 million (2022: DKK 0 million). Any subsequent adjustments to Danish withholding taxes may change this joint and unlimited liability.

VAT

ISS 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 4.3 to the consolidated financial statements. The risks specific to ISS A/S are described below.

11 Currency risk

At 31 December 2023 and at 31 December 2022, 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 2023, ISS A/S carried no significant financial liabilities outside of the Group. 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 2023, 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 3,821 million (2022: DKK 3,386 million)
- ISS A/S paid interests to ISS Global A/S, see 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, 22 February 2024
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 2023.

The annual report has been prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent company's financial position at 31 December 2023 and of the results of the Group's and the Parent company's operations and cash flows for the financial year 1 January – 31 December 2023.

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

In our opinion, the annual report of ISS A/S for the financial year 2023 identified as ISS-2023-12-31-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

Kasper Fangel
Group CEO

Board of Directors

Niels Smedegaard
Chair

Lars Petersson
Deputy Chair

Kelly Kuhn

Søren Thorup Sørensen

Ben Stevens

Reshma Ramachandran

Signe Adamsen (E)

Nada Elboayadi (E)

Rune Christensen (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 2023, pp. 51-111, which comprise statement of profit or loss, statement of comprehensive income, statement of cash flows, statement of financial position, statement of changes in equity and notes, including accounting policies for the Group and the Parent company. The consolidated financial statements and the parent company financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent company at 31 December 2023 and of the results of the Group's and the Parent company's operations and cash flows for the financial year 1 January – 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Audit and Risk Committee and the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of ISS 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 nine years up until the financial year 2023.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2023. These matters were addressed during our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Accordingly, our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Revenue from contracts with customers, including cut-off and accrual of revenue and onerous contracts

Revenue from contracts is recognised as the services are rendered to the customers. Some contracts require the Group to incur significant transition and mobilisation costs at contract inception which are capitalised and amortised over a multi-annual contract term. Accordingly, appropriate cut-off and accrual of revenue and capitalisation and amortisation of transition and mobilisation costs is critical and involve management judgement, especially in relation to the more integrated and complex facility service contracts. Further, the assessment of whether a contract may be considered onerous involves management judgement in making accounting estimates about future contract profitability, including the determination of the total contract revenue, contract period and the unavoidable costs of meeting the obligations under the contract.

Due to the inherent uncertainty involved in the cut off and accrual of revenue, the assessment of whether transition and mobilisation costs meet the criteria to be capitalised and the determination of the contract period and the future contract profitability, we considered the accounting for revenue from contracts with customers, including cut-off and accrual of revenue and onerous contracts, to be a key audit matter.

For details on revenue from contracts with customers, transition and mobilisation costs and provisions for onerous contracts, reference is made to notes 1.2, 2.1, 2.2 and 2.5 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others:

- Test on a sample basis of accrued revenue (unbilled receivables) to supporting documentation, including procedures such as: Inspection of proof of work done, review of contracts with customers, comparison of amounts accrued to subsequent invoices and cash receipts.
- Test on a sample basis of capitalised transition and mobilisation costs, including procedures such as: Inspection of proof of costs incurred, review of contracts with customers, evaluation of management's assessment of costs meeting the criteria to be recognised.
- Evaluation of management's process to identify and quantify onerous contracts. Our evaluation included inquiries to local management responsible for carrying out the

identification process at country level, review of documentation of management's analysis as well as our own analytical procedures over contract margins.
- Test on a sample of provisions for onerous contracts, including procedures such as: Review of the relevant contract and management's estimate of the future contract revenue and unavoidable cost, assessment of the assumptions applied by management to estimate the future revenue 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, we considered these impairment tests to be a key audit matter.

For details on the impairment tests performed by management reference is made to notes 3.1 and 3.2 in the consolidated financial statements.

In response to the identified risks, our audit procedures included, among others, testing the mathematical accuracy of the discounted cash flow model and comparing forecasted profitability to board approved financial forecasts. We evaluated the assumptions and methodologies used in the discounted cash flow model, in particular those relating to the forecasted revenue growth and operating margin, including comparing with historical growth rates. We compared the assumptions applied to 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, 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 assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of relevant law and regulation. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Group's and the Parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless management either intends to liquidate the Group or the Parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on 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 2023 with the file name ISS-2023-12-31-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 2023 with the file name ISS-2023-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 22 February 2024

EY Godkendt Revisionspartnerselskab
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> "As a cornerstone of our ambition to become the technology leader in our industry, we are firmly dedicated to establishing an 'ecosystem' of strategic partnerships and collaborations with innovative startups and suppliers that are pioneers in their respective fields."
>
> **Markus Sontheimer**
> Group Chief Information and Digital Officer, ISS

TECHNOLOGY & INNOVATION

Forging an industry-leading partnership for advanced FM

In 2023, ISS took another significant step towards becoming a technology leader in the Facilities Management industry. Through a new global strategic partnership with the tech startup ToolSense, ISS aims to enhance its operational efficiency by harnessing cutting-edge Internet of Things (IoT) solutions that can be integrated into ISS's management of the company's assets of movable machines across the globe.

Every day, more than 300,000 ISS on-site placemakers diligently take care of more than 500,000 movable machines, such as vacuum cleaners, kitchenware and healthcare equipment, across more than 30 countries worldwide. Tracking, maintaining and utilising these assets have often involved manual and time-consuming processes. Through the strategic partnership with Toolsense, these processes can now be optimised using ToolSense's innovative Asset Operations platform, IoT solutions and QR codes.

Markus Sontheimer, ISS Group Chief Information and Digital Officer, embraces the new global partnership and emphasises its pivotal role. Marcus underscores that the digitisation of ISS's global asset management will enhance the entire life cycle management of its movable assets and boost operational efficiency.

"We will gain a comprehensive overview of all our on-site tools and machines, including their utilisation, maintenance needs and potential upgrades. These data-driven insights will ensure that we always have the right equipment on hand at our customers' sites, enabling a consistent workflow" says Markus.

ISS and ToolSense initiated a local collaboration in Austria two years ago, successfully piloting the integration of ToolSense's solutions into ISS Austria's asset management processes. This collaborative effort has now culminated in the global strategic partnership, enabling the scaling of these solutions and approaches to a global level.

An essential aspect of integrating ToolSense's solutions is the digitisation of work processes that would typically be carried out manually by ISS's on-site placemakers. Rather than maintaining an overview of local machines through laborious processes involving pen and paper or Excel spreadsheets, our placemakers will have access to all relevant information and will manage assets through a single digital platform. This optimised life cycle management of ISS's tools, and the better utilisation of existing resources, will also contribute positively to reducing CO_2 emissions.

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. 13. 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 prepare and file the Annual Report in the European Single Electronic Format (ESEF) using a combination of the XHTML format and to tag the primary statements and the notes to the 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.

The Annual Report submitted to the Danish Financial Supervisory Authority (the Officially Appointed Mechanism) consists of the XHTML document together with the technical files, all of which are included in the zip file ISS-2023-12-31-en.zip.

ESEF data

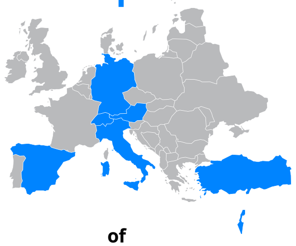
Name of reporting entity:	ISS A/S
Domicile of entity:	Denmark
Legal form of entity:	A/S
Country of incorporation:	Denmark
Address:	Buddingevej 197, DK-2860 Søborg
Principal place of business:	Global
Principal activities:	Workplace and facility service solutions
Name of the parent entity:	ISS A/S
Name of ultimate parent and Group:	ISS A/S

Country revenue

Northern Europe

(DKKm)	of Group	2023	2022
UK & Ireland	13%	10,611	10,396
Norway	5%	3,810	4,016
Finland	4%	3,313	3,292
Denmark	4%	2,994	3,169
Belgium & Lux.	4%	3,438	3,044
Sweden	4%	3,044	2,984
Netherlands	2%	1,611	1,400
Poland	1%	410	315
Lithuania	0%	93	78
Total	**37%**	**29,324**	**28,694**

Central & Southern Europe



(DKKm)	of Group	2023	2022
Switzerland	8%	6,383	5,729
Germany	8%	5,864	5,556
Türkiye	6%	4,833	3,341
Spain	6%	4,460	4,130
Austria	3%	2,517	2,285
Italy	1%	748	759
Total	**32%**	**24,805**	**21,800**

Asia & Pacific

(DKKm)	of Group	2023	2022
Australia & New Zealand	6%	5,102	4,868
Hong Kong	3%	2,500	2,652
Singapore	3%	2,214	2,240
Indonesia	3%	1,986	1,830
India	2%	1,489	1,422
China	1%	938	1,000
Total	**18%**	**14,229**	**14,012**

Americas

(DKKm)	of Group	2023	2022
US & Canada	9%	7,004	6,387
Mexico	2%	1,316	990
Chile	1%	1,245	1,177
Other	0%	40	31
Total	**12%**	**9,605**	**8,585**

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 783 million (2022: DKK 795 million).

Partnership countries comprise: Argentina, Brazil, Bulgaria, Czech Republic, Cyprus, France, Greece, Hungary, Israel, Japan, Jordan, Kazakhstan, Malaysia, Pakistan, Philippines, Portugal, Romania, Serbia, Senegal, Slovakia, South Africa, South Korea, Taiwan, Thailand, United Arab Emirates and Vietnam.

Discontinued operations

(DKKm)	2023	2022
France	2,658	2,700
Brunei	4	44
Portugal	-	201
Russia	-	22
Taiwan	-	118
Total	**2,662**	**3,085**

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