Interim report for 1 January – 30 June 2022

Accelerating growth momentum and upgrade of 2022 outlook

Highlights

- Organic growth was 8.0% in Q2 2022 (Q1 2022: 5.4%) and 6.7% in H1 2022 (H1 2021: (0.2)%). Total revenue of DKK 18.9 billion in Q2 was 3% above pre-pandemic revenue in Q2 2019 adjusted for M&A and FX.
- The growth was driven by continued return-to-office trends, customers' increased investments in the attractiveness of the workplaces and implemented price increases. In Q2 2022, portfolio revenue grew organically by 11%.
- Operating margin before other items was 2.9% in H1 2022 (H1 2021: 1.6%). The improvement was primarily due to the execution of the turnaround initiatives in the underperforming contracts and countries.
- The rising inflation was managed tightly through price increases and cost control with a margin neutral effect.
- Free cash flow in H1 2022 was DKK 0.6 billion (H1 2021: DKK 1.6 billion). As expected, free cash flow was negatively affected by DKK 0.4 billion of one-off payments of provisions accounted for in 2020.
- The progress towards the turnaround targets continued to be driven by the execution of the OneISS strategy. Two out of four hotspots have achieved their turnaround targets, and financial leverage was reduced to 3.0x pro forma adjusted EBITDA (LTM).
- With the divestment of Portugal, the divestment programme is now considered completed. The target of accumulated net proceeds of DKK 2 billion has been achieved.
- IAS 29 (hyperinflation accounting) was implemented in Q2 2022 for Turkey with effect from 1 January 2022. The impact on the Group's key financial KPIs (organic growth, operating margin and free cash flow) was immaterial. The implementation has no influence on ISS's underlying cash flow generation.
- ISS will host a Capital Markets Day on 7 November 2022 in London, where the next phase of the OneISS strategy and new financial targets will be presented.
- Based on the performance in H1 2022, outlook is upgraded for all financial KPIs. Organic growth is now expected to be above 5%, operating margin is expected to be above 3.75% and free cash flow is expected to be above DKK 1.5 billion. All metrics are before any effects of IAS 29.

Jacob Aarup-Andersen Group CEO, ISS A/S, says:
"The results in the first half of 2022 mark another important milestone in our financial turnaround. I am pleased to see how this has been executed in volatile markets, while also establishing a new operating model for future performance. This is a testament to all the hard work from every ISS colleague during this important period. As we are emerging well from the pandemic, the foundation of ISS has substantially improved - we have completed the divestment programme, recovered financial performance and reduced financial leverage faster than targeted. This leaves us well positioned to gain further momentum in the marketplace, manage inflation and support our customers in a continued dynamic business environment".

Financial overview	Q1 2022	Q2 2022	H1 2022	H1 2021 [1)]
DKK million (unless otherwise stated)				
Revenue	18,075	18,868	36,943	34,893
Organic growth, %	5.4	8.0	6.7	(0.2)
Operating profit before other items			1,061	549
Operating profit before other items, excl. IAS 29			1,073	549
Operating margin (before other items), %			2.9	1.6
Operating margin (before other items), %, excl. IAS 29			2.9	1.6
Free cash flow			644	1,645

[1)] Restated due to Chile being reclassified to continuing operations as of 31 December 2021.

Key figures and financial ratios

Financials	H1 2022	H1 2021 [2]	2021
Results (DKKm)			
Revenue	36,943	34,893	71,363
Operating profit before other items, excl. IAS 29	1,073	549	1,776
Operating profit before other items	1,061	549	1,776
Operating profit	1,206	509	1,701
Pro forma adjusted EBITDA (LTM)	4,001	2,591	3,568
Financial expenses, net	(157)	(289)	(656)
Net profit from continuing operations	797	119	536
Net profit from discontinued operations	122	132	101
Net profit	919	251	637
Cash flow (DKKm)			
Cash flow from operating activities	1,354	2,195	3,221
Acquisition of intangible assets and property, plant and equipment, net	(369)	(303)	(586)
Free cash flow	644	1,645	1,735
Financial position (DKKm)			
Total assets	46,220	44,407	43,655
Goodwill	20,465	19,355	19,753
Additions to property, plant and equipment	154	145	335
Equity	9,840	6,842	7,789
Net debt	12,199	13,480	13,451
Shares ('000)			
Number of shares issued	185,668	185,668	185,668
Number of treasury shares	939	970	970
Average number of shares (basic)	184,730	184,698	184,698
Average number of shares (diluted)	185,664	185,698	186,003

Ratios	H1 2022	H1 2021 [2]	2021
Financial ratios (%, unless otherwise stated)			
Organic growth	6.7	(0.2)	2.0
Acquisitions and divestments, net	(2.0)	(0.5)	(0.5)
Currency and other adjustment	1.2	(2.3)	(0.6)
Total revenue growth	5.9	(3.0)	0.9
Operating margin [1], excl. IAS 29	2.9	1.6	2.5
Operating margin [1]	2.9	1.6	2.5
Equity ratio	21.3	15.4	17.8
Net debt / Pro forma adjusted EBITDA	3.0x	5.2x	3.8x
Share ratios (DKK)			
Basic earnings per share (EPS)	4.8	1.3	3.3
Diluted EPS	4.8	1.3	3.3
Basic EPS (continuing operations)	4.1	0.6	2.8
Diluted EPS (continuing operations)	4.1	0.6	2.8

Non-financials	H1 2022	H1 2021 [2]	2021
Social data			
Full-time employees	76%	75%	76%
Employees end of period, number	354,341	363,455	354,636

Definitions, see Annual Report 2021.

[1] Based on Operating profit before other items.

[2] Restated due to Chile being reclassified to continuing operations as of 31 December 2021.

Strategic update

The execution of the OneISS strategy continued in the first half of 2022 with solid improvements of processes and performance across the business. The progress on the turnaround plan continued and ISS is on track to achieve the financial targets.

During the first six months, commercial momentum improved as benefits from the segment-focused commercial organisation started to materialise. Improved commercial processes are positively affecting both retention rates and contract wins. In Q2 2022, retention rate was 92% which was a small decline compared to Q1 2022. Adjusted for the exit of the Danish Defence contract, retention was at the highest level seen in the last five years. The award of the 5-year IFS contract with a major retailer in the US was achieved as a result of the improved process, selected bidding and the investments made.

The strategic focus on creating Brilliant Operating Basics progressed during Q2 2022 as a way to become the most efficient operator in the industry. Using the scale and heritage of the ISS business, 10 key operating fundamentals have proven imperative for operational performance and are now constantly validated and monitored across countries and sites.

In the current high inflationary environment, the initiatives around implementing price increases have priority. The pricing mechanisms that have been in place for decades and embedded in the company culture are further developed, and best practices are shared across the Group. The vast majority of cost increases are passed on to customers as per the agreed contractual terms.

The execution of the IT & Digitalisation strategy continued to progress towards becoming a technology leader in the facility management industry. To further enhance inhouse capabilities, ISS will open a new dedicated software development centre in Porto, Portugal. The new centre will be operational by September 2022.

Turnaround initiatives

Recovery of the underperforming contracts and countries continued to progress in H1 2022, and the Group's operating margin run-rate improved further compared to Q1 2022.

The UK reached the turnaround target of a low single-digit run-rate margin by the end of Q1 2022, nine months ahead of plan. The positive development continued during Q2, and the margin improved further as a result of the improved organisational structure with a more streamlined and centralised organisation leading to better financial visibility at customer and site level.

The restructuring plan and cost optimisation programme in France continued to progress with run-rate margin improving, but the development is slower than originally planned. Costs have been reduced, but the commercial development is muted, and the organic growth was negative, partly due to industry segment exposure, with a corresponding negative effect on profitability.

The execution of the comprehensive restructuring and gap closing programme for the Deutsche Telekom contract continued to develop as planned. The contract is still structurally challenging, and the run-rate operating margin is negative, but it is on track to reach breakeven by the end of 2022.

As planned, ISS successfully exited the last part of the contract with the Danish Defence by the end of May.

Divestment programme

The strategic divestment programme continued the good momentum with three countries being divested in the first half of 2022, i.e. Taiwan, Russia and Portugal. With Brunei being the only country remaining as asset held for sale and discontinued operations, the divestment programme is considered completed by the end of H1 2022. The targeted accumulated net proceeds of DKK 2 billion during 2021 and 2022 have now been secured. The process of divesting Brunei continues, but proceeds are expected to be immaterial.

Group Performance

Operating results

Group revenue in the first six months of 2022 was DKK 36.9 billion, an increase of 5.9% compared with the same period last year. Organic growth in H1 2022 was 6.7% as the organic growth of 5.4% in Q1 2022 accelerated to 8.0% in Q2 2022. The impact from acquisitions and divestments, net was (2.0)%, and currency effects increased revenue by 1.2% whereof the net impact from hyperinflation restatement in Turkey (IAS 29) was 0.3%.

Organic growth was 6.7% in the first six months of 2022 driven by the continued recovery from Covid-19 as customers returned to offices in large markets leading to generally higher activity levels, especially within Retail, Hotels, Leisure and Transportation. ISS also saw an increase in sales to existing customers related to investments in improving the attractiveness of workplaces.

Portfolio revenue was positively affected by price increases implemented globally. Price increases in Turkey contributed by around 1%-point to Group organic growth.

The revenue from projects and above-base services declined organically by 3%, due to reduced demand for ad-hoc disinfection services. Demand for projects and above-base work was, however, maintained at a high level and still above pre-Covid-19 levels.

Revenue from key accounts continued its strong development and organic growth accelerated to 7.9%, driven by increased activity, return-to-office trends and contract wins. As such, key accounts' share of revenue increased in line with the OneISS strategy.

During the pandemic, ISS experienced negative organic growth for services dependent on customers being present at workplaces, mainly food services. In the first half of 2022, these services increased significantly, and revenue from food services increased by approximately 35%, primarily driven by the US. Food services accounted for 13% (H1 2021: 10%) of Group revenue in the first half. Organic growth for food services in the US was more than 75% in H1 2022.

All regions contributed to the positive development in H1 2022. In Americas, the organic growth was 29% due to relatively higher exposure to food services. Growth rates in Europe were strong and improved compared to previous periods. Despite the continued negative impact from Covid-19, the Asia & Pacific region also reported positive organic growth.

Operating profit before other items excluding effect from IAS 29 (Turkey hyperinflation) amounted to DKK 1,073 million (H1 2021: DKK 549 million) corresponding to an operating margin of 2.9% (H1 2021: 1.6%). Including the effect from IAS 29, operating profit before other items was DKK 1,061 million and operating margin was 2.9%.

The increase in operating margin in the first half of 2022 was a result of the continued improvement of the underperforming contracts and countries and

Revenue and growth YTD June 2022

DKK million	2022	2021 [1]	Organic growth	Acq./ div.	Currency & other adj.	Growth 2022
Northern Europe	14,214	13,449	5 %	(0)%	1 %	6 %
Central & Southern Europe	11,871	11,710	5 %	(1)%	(3)%	1 %
Central & Southern Europe, excl IAS 29	*11,743*	*11,710*	*5 %*	*(1)%*	*(4)%*	*0 %*
Asia & Pacific	6,735	6,161	3 %	(1)%	7 %	9 %
Americas	3,873	3,310	29 %	(16)%	4 %	17 %
Other countries	275	285	(5)%	-	1 %	(4)%
Corporate / eliminations	(25)	(22)	-	-	-	14 %
Group [2]	**36,943**	**34,893**	**6.7%**	**(2.0)%**	**1.2%**	**5.9%**

[1] Restated due to Chile being reclassified to continuing operations as of 31 December 2021.

[2] The net impact from hyperinflation restatement in Turkey (IAS 29) was 0.3% on Group-level, that has been included in Currency & other adj.

leverage from the higher revenue. This was partly offset by additional costs related to higher-than-normal sickness rates. Price increases implemented as a result of increased cost inflation are generally estimated to be margin neutral.

The margin improvement was predominantly attributable to the development in the European regions where the effects from improved profitability on the Deutsche Telekom contract and the UK contributed. The margin in the Americas declined compared to last year due to commercial investments in growth, a lower share of margin enhancing deep cleaning and disinfection services and timing effects. Furthermore, the margin in Chile declined due to depreciations being recognized this year, as the country has been reclassified back to continued operations.

Corporate costs amounted to DKK 472 million (H1 2021: DKK 527 million). The decline was mainly a result of H1 2021 being impacted by initial costs related to increased investments in the new operating model.

Other income and expenses, net was an income of DKK 180 million (H1 2021: 441 million), due to gain on divestments, mainly related to the waste handling business in Hong Kong and the restoration business in the UK.

Financial expenses, net was DKK 157 million (H1 2021: DKK 289 million) including a monetary gain of DKK 102 million relating to hyperinflation restatement in Turkey (IAS 29). Excluding the impact from IAS 29, financial expenses, net was DKK 258 million. The slight decrease was mainly due to the partial redemption of EMTNs in December 2021.

The effective tax rate in H1 2022 was 24.0% (H1 2021: 45.6%) and 23% when adjusted for the impact of IAS 29, positively impacted by non-taxable gains from divestments.

Net profit from discontinued operations was DKK 122 million (H1 2021: DKK 132 million) in the first six months of 2022, including DKK 88 million of gain on divestment of the businesses in Portugal, Taiwan and Russia.

Net profit was DKK 919 million (H1 2021: DKK 251 million). The improvement compared to the same period last year was mainly due to improved operating profit before other items and goodwill impairment of DKK 450 million related to France in H1 2021.

Operating profit [1] and margin YTD June 2022

(DKKm)	2022		2021 [2]	
Northern Europe	631	4.4 %	378	2.8%
Central & Southern Europe	366	3.1 %	120	1.0%
Central & Southern Europe, excl IAS 29	*378*	*3.2 %*	*120*	*1.0%*
Asia & Pacific	388	5.8 %	370	6.0%
Americas	137	3.5 %	201	6.1%
Other countries	11	4.0 %	7	2.5%
Corporate / eliminations	(472)	-	(527)	-
Total	**1,061**	**2.9 %**	**549**	**1.6%**

[1] Before other items

[2] Restated due to Chile being reclassified to continuing operations as of 31 December 2021.

Q2 2022

Group revenue in Q2 2022 was DKK 18.9 billion, an increase of 8.2% compared with the same period last year. Organic growth was 8.0% (Q2 2021: 5.4%), acquisitions and divestments, net reduced revenue by 1.9% and currency effects were positive 2.1% whereof the net impact from hyperinflation restatement in Turkey (IAS 29) was 0.7%.

Organic growth was primarily driven by accelerating return-to-office trends, increased customer investments in the attractiveness of the workplace and a positive effect from price increases implemented globally. Portfolio revenue grew organically by 11%, while revenue from projects and above-base work declined organically by 4% but remained at a high level compared to pre-Covid-19.

Growth was most significant in Americas with 30% organic growth, as the region benefitted from strong return-to-office trends especially within food services. The acceleration of growth compared to Q1 2022 was broad-based as all regions saw improving growth rates, except for Central & Southern Europe, where organic growth was unchanged.

Compared to the pre-pandemic activity level in Q2 2019, organic growth was +3%, which was similar to Q1 2022. This was in spite of a lower level of project and above-base revenue. Revenue from the Deutsche Telekom contract had a positive contribution to the growth of 4 percentage points in both Q1 and Q2 compared to 2019. Revenue from food services is still below 2019 but improved to index 82 from index 80 in Q1 2022.

Revenue and growth Q2 2022

DKK million	Q2 2022	Q2 2021 [1]	Organic growth	Acq./ div.	Currency & other adj.	Growth Q2 2022
Northern Europe	7,176	6,734	6 %	(0)%	1 %	7 %
Central & Southern Europe	6,057	5,832	5 %	(0)%	(1)%	4 %
Central & Southern Europe, excl IAS 29	*5,928*	*5,832*	*5 %*	*(0)%*	*(3)%*	*2 %*
Asia & Pacific	3,456	3,032	5 %	(1)%	10 %	14 %
Americas	2,058	1,711	30 %	(15)%	5 %	20 %
Other countries	135	140	(6)%	-	2 %	(4)%
Corporate / eliminations	(14)	(10)	-	-	-	-
Group [2]	**18,868**	**17,439**	**8.0 %**	**(1.9)%**	**2.1 %**	**8.2 %**

[1] Restated due to Chile being reclassified to continuing operations as of 31 December 2021.

[2] The net impact from hyperinflation restatement in Turkey (IAS 29) was 0.7% on Group-level, that has been included in Currency & other adj.

Commercial development

In the first half of 2022, ISS saw improved commercial momentum, which was driven by several factors. First of all, the strict focus on retaining existing customers paid off and adjusted for the exit of the Danish Defence contract, the retention rate in Q2 2022 was at the highest level achieved in the last five years. This is underlined by the successful extensions with global key accounts Hewlett Packard Enterprises, a large undisclosed global pharmaceutical customer and Danske Bank.

In all commercial processes, strong discipline on pricing is enforced, and no uncapped inflation risk is being accepted. During the first half of 2022, ISS has refused a number of potential contracts as terms regarding inflation could not be accepted.

Return-to-office trends across the world accelerated during the period, driving increased activity levels. This development was most pronounced within services, where the development is reliant on people being present in workplaces, especially food services but also cleaning in hotels, airports and retailers. Revenue from food services increased approximately 35%, but it is still 18% below the pre-Covid-19 in Q2 2019, indicating further recovery potential.

Across the portfolio, ISS implemented price increases to offset the rising cost inflation. In the vast majority of contracts, ISS can pass on inflation to customers through contractual terms.

The demand for above-base services remains at a high level as projects and events offset some of the negative effects from lower revenue from deep cleaning and disinfection services. Customers' recognition of establishing the office of the future is driving additional commercial opportunities.

The pipeline of opportunities continues to be strong, and the quality is increasing. The decision process is typically longer than before Covid-19, as the continued global uncertainties delay long-term decisions, and several additional factors are included in the tender processes.

Revenue from key accounts was 72% (H1 2021: 69%) of Group revenue in the first six months of 2022 and grew 7.9% organically. This was 120bp better than the Group's organic growth.

In addition to the extension of a long list of existing contracts, ISS was awarded a new 5-year IFS contract with a major retailer in the US in June 2022. Annual revenue from the contract will account for around 1% of Group revenue, and it will be fully operational during Q4 2022.

Major key account developments [1]	Countries	Segment	Term	Effective
Wins				
Aviation Customer	Austria	Transportation & Infrastructure	5.5 years	Q2 2022
Manufacturing Customer	Sweden & Belgium	Industry & Manufacturing	5 years	Q2 2022
Retail and Wholesale Customer	US & Canada	Retail and Wholesale	5 years	Q3 2022
Extensions/expansions				
Technology Customer	United Kingdom	Business Services & IT	1 year	Q1 2022
Pharmaceutical Customer	Spain	Pharmaceuticals	2 years	Q1 2022
Government Customer	United Kingdom	Public Administration	1.5 years	Q2 2022
Pharmaceutical Customer	Global	Pharmaceuticals	5 years	Q2 2022
Aviation Customer	Australia	Transportation & Infrastructure	4 years	Q2 2022
Pharmeceutical Customer	Denmark	Pharmaceuticals	4 years	Q2 2022
Salling Group	Denmark	Retail and Wholesale	3 years	Q1 2022
Healthcare Customer	Singapore	Healthcare	5 years	Q2 2022
South London and Maudsley NHS Foundation Trust	United Kingdom	Healthcare	2 years	Q2 2022
SingHealth Cluster	Singapore	Healthcare	3 years	Q2 2022
Victorian Department of Education and Training	Australia	Public Administration	1.5 years	Q3 2022
Danske Bank	Northern Europe (5 countries)	Business Services & IT	5 years	Q3 2022
Mining Service Customer	Australia	Energy & Resources	2 years	Q3 2022
Professional Services Customer	United Kingdom	Business Services & IT	1 year	Q4 2022
Public Administration Customer	Finland	Public Administration	5.5 years	Q4 2022
Energy Customer	Germany	Energy & Resources	5 years	Q1 2023
Healthcare Customer	United Kingdom	Healthcare	2 years	Q1 2023
Exits/losses				
Aviation Customer	United States	Transportation & Infrastructure		Q1 2022
Retail and Wholesale Customer (Partly lost)	Chile	Retail and Wholesale		Q2 2022

[1] Annual revenue above DKK 100 million.

Free cash flow

Free cash flow in H1 2022 was DKK 644 million (H1 2021: DKK 1,645 million), a reduction of DKK 1,001 million compared to the same period last year. Free cash flow in H1 2022 was positively impacted by the improvement in operating profit before other items, whereas changes in working capital was less positive. In H1 2021, Covid-19 disrupted and delayed the holiday plans for a large number of staff across the business and thereby created a temporary positive effect on working capital. Generally, the strong focus on working capital management continued during 2022.

Cash flow from operating activities in H1 2022 amounted to 1,354 million (H1 2021: DKK 2,195 million), a decrease of DKK 841 million due to less positive contribution from changes in working capital, and partly offset by improved operating profit before other items.

Changes in working capital in H1 2022 was positive mainly due to an increase in payables following the higher activity levels, primarily within food services with typically longer payment terms, as well as continued strong focus on working capital management. Receivables increased due to the higher activity levels. Utilisation of factoring of DKK 1.1 billion at 30 June 2022 was unchanged from 31 December 2021.

Cash outflow related to restructurings accounted for in 2020 amounted to DKK 0.4 billion (H1 2021: DKK 0.2 billion).

Cash flow from investing activities in H1 2022 amounted to DKK 196 million (H1 2021: DKK 579 million), a reduction of DKK 383 million, primarily due to lower cash inflow from divestments compared to the same period last year.

Cash flow from divestments of DKK 599 million mainly related to the waste management business in Hong Kong and Portugal. Investments in intangible assets and property, plant and equipment, net, was DKK 390 million (H1 2021: DKK 312 million), which represented 1.1% of Group revenue (H1 2021: 0.9%). The increase was a result of the higher activity level.

Cash flow from financing activities in H1 2022 amounted to DKK (568) million (H1 2021: DKK (1,121) million), a decrease of DKK 553 million.

Capital structure

ISS has strengthened the financial foundation through profitability improvement, strong cash generation and execution of the divestment programme.

At 30 June 2022, net debt was DKK 12.2 billion, a reduction of DKK 1.3 billion compared to 31 December 2021. The reduction was driven by the positive free cash flow and proceeds from divestments. With the lower net debt and improved profitability due to execution of the turnaround as part of the OneISS strategy, leverage was reduced to 3.0x at 30 June 2022 based on pro-forma EBITDA (LTM) compared to 3.8x at year-end 2021.

With the leverage ratio at 3.0x by the end of H1 2022, ISS has almost reached the turnaround target of below 3x by the end of 2022 six months earlier than targeted.

Equity

At 30 June 2022, equity was DKK 9,840 million, equivalent to an equity ratio of 21.3% (30 June 2021: 15.4%). The increase from 31 December 2021 was mainly a result of Net profit of DKK 919 million and hyperinflation (IAS 29) restatement of equity in Turkey at 1 January 2022 of DKK 768 million.

Russia-Ukraine conflict

In February 2022, a war in Ukraine broke out following Russia's invasion of the country. ISS is monitoring the developing humanitarian crisis, and the priority is the safety and well-being of people and customers.

ISS has no material activities in Ukraine. Furthermore, the business in Russia, which has been part of the strategic divestment programme since December 2020, was divested in March 2022. Consequently, it is management's assessment that the outbreak of the war will not have a material impact on the results of the Group's operations and financial position in 2022.

Hyperinflation in Turkey

Countries, where the cumulative three-year inflation exceeds 100%, are generally considered highly inflationary, and application of IAS 29 "Financial Reporting in Hyperinflationary Economies" must be considered. Based on monthly inflation data from the Turkey Statistical Institute, Turkey exceeded this threshold for the first time in February 2022. For the first six months of 2022, the inflation rate in Turkey was 42%. Consequently, ISS has implemented IAS 29 for the first time in this interim report with effect from 1 January 2022.

The aim of IAS 29 is to ensure that consolidated financial statements reflect the current purchasing power by restating reported numbers based on changes in the general price index and by applying end-of-period exchange rates.

Overall, the implementation of IAS 29 did not have a material impact on the Group's profit or loss and cash flow statements, and consequently the effect on our three key KPIs in H1 2022 was immaterial, i.e. organic growth and free cash flow were unchanged and operating margin decreased 4 bps.

As the restatement for hyperinflation has no direct influence on the underlying operations or financial performance, including cash flow generation, selected accounting figures are presented before restatement to provide the best possible transparency. This also ensures consistency between the external reporting and the internal management reporting and business reviews.

Throughout this interim report, commentary is provided including and excluding the impact from IAS 29, though for operating profit before other items the development is explained before restatement for hyperinflation. Likewise, our outlook continues to be presented excluding the impact from IAS 29.

Please refer to note 18, Hyperinflation in Turkey, for an overview of the implementation of IAS 29 and impact on the Group's financial statements.

Management changes

On 7 April 2022 at the Annual General Meeting, Lars Petersson was elected as new member of the Board of Directors and subsequently constituted as Deputy Chair, as Henrik Poulsen, previous Deputy Chair, did not seek re-election.

On 1 June 2022, Sam Hockman took up the position as CEO Global Key Accounts and joined the Executive Group Management.

On 30 June 2022, Valerie Beaulieu stepped down as a member of the Board of Directors.

On 1 July 2022, Joseph Nazareth resigned as an employee elected member of the Board of Directors and was succeeded by alternate, Signe Adamsen, who is Group Workplace Development Director.

On 1 July 2022, Susanne Jorgensen took up the position as CEO Americas and joined the Executive Group Management.

On 31 July 2022, Dan Ryan retired and stepped down as Chief Group Commercial Officer, and member of the Executive Group Management.

Subsequent events

Other than as set out elsewhere in this Interim report, we are not aware of events subsequent to 30 June 2022, which are expected to have a material impact on the Group's financial position.

Regional Performance

Northern Europe

Revenue amounted to DKK 14,214 million in the first six months of 2022, which was an increase of 6% compared with the same period last year. Organic growth was 5% (H1 2021: (1)%). The effect from acquisitions and divestments, net was neutral, while currency effects impacted growth positively by 1%.

Organic growth was mainly driven by increased activity levels and return-to-office trends. Price increases implemented across the portfolio also contributed positively. Portfolio revenue grew by around 8%, while non-portfolio revenue declined due to lower demand for Covid-19 related deep cleaning and disinfection. Norway saw the strongest growth due to the start-up of the Equinor contract and strong recovery in the Hotels segment. Organic growth in Denmark was negative due to the exit of the contract with the Danish Defence by the end of May 2022. Organic growth in the UK was broadly flat.

Operating profit before other items amounted to DKK 631 million in H1 2022 (H1 2021: DKK 378 million) corresponding to an operating margin of 4.4% (H1 2021: 2.8%). The improvement was primarily driven by the UK, where strong execution of the financial turnaround improved the operating margin, and the turnaround target of a low-single digit run-rate margin was achieved by the end of Q1 2022. All countries in the region, except for Denmark due to lower revenue, improved margins as a result of leverage from higher revenue and solid cost control. Across the region, costs related to a higher-than-normal sickness rate partly offset the positive margin development.

Q2 2022 revenue amounted to DKK 7,176 million driven by organic growth of 6% (Q1 2022: 3%), while acquisitions and divestments, net, were neutral and currency effects increased revenue with 1%. Organic growth was driven by the increased return-to-office trends, contract wins, and price increases implemented across the region. Portfolio revenue grew 11% organically as a result of the increased activity level. Several countries reported double-digit organic growth with the strongest growth seen in Norway. The development in the UK was broadly flat, while organic growth in Denmark was negative, as the contract with the Danish Defence was exited by the end of May 2022.

Central & Southern Europe

Revenue amounted to DKK 11,871 million in the first six months of 2022, which was flat compared with the same period last year. Organic growth was 5% (H1 2021: 6%). The effect from acquisitions and divestments, net was negative 1%, while currency effects impacted growth negatively by 4% whereof the net impact from hyperinflation restatement in Turkey (IAS 29) was 1%.

Organic growth development was primarily driven by Turkey where price increases were successfully passed on to customers to offset underlying cost inflation as well as solid growth in the healthcare segment. Austria also delivered double-digit organic growth due to the start-up of the contract with Vienna Airport. In Germany, organic growth improved during the period and was only slightly negative in the first half of the year. In France, organic growth continued to be negative as commercial momentum is still subdued, among others due to ISS' industry segment exposure. Portfolio revenue grew organically by 6% for the region. Except for Turkey, the Central & Southern Europe region has relatively low exposure to food services, and therefore positive benefits from return-to-office trends are not as pronounced.

Operating profit before other items excluding IAS 29 amounted to DKK 378 million in H1 2022 (H1 2021: DKK 120 million) corresponding to an operating margin of 3.2% (H1 2021: 1.0%). The improved margin was primarily a result of the improved profitability on the Deutsche Telekom contract, though run-rate margin remained negative. Most countries in the region reported margin improvement from better operations despite additional costs due to a higher-than-normal sickness rate. Including the effect of IAS 29, operating profit before other items amounted to DKK 366 million, corresponding to a margin of 3.1%.

Q2 2022 revenue amounted to DKK 6,057 million driven by organic growth of 5% (Q1 2022: 5%), while acquisitions and divestments, net were neutral and currency effects reduced revenue with 3%. Organic growth was primarily driven by Turkey and contract win in Austria. Portfolio revenue showed an improved organic growth compared to the previous quarter and grew by 7%. The net impact from hyperinflation restatement in Turkey (IAS 29) was 2%.

Asia & Pacific

Revenue amounted to DKK 6,735 million in the first six months of 2022, which was an increase of 9% compared to the same period last year. Organic growth was 3% (H1 2021: (1)%). The effect from acquisitions and divestments, net was (1)%, while currency effects were 7%.

Organic growth was driven by increased activity levels from return-to-office trends improving during the period with many countries in the region reopening as Covid-19 restrictions were lifted during Q2. Price increases contributed positively, and portfolio revenue grew organically by 5% in H1 2022, while above-base revenue declined as a result of lower demand for deep cleaning and disinfection. The strongest growth was seen in India and Australia within the transportation and infrastructure segment as flight traffic resumed. Organic growth in Hong Kong was slightly negative due to reinforced restrictions, which was largely offset by additional above-base revenue.

Operating profit before other items amounted to DKK 388 million in H1 2022 (H1 2021: DKK 370 million) corresponding to an operating margin of 5.8% (H1 2021: 6.0%). The stable development reflects the solid underlying growth and cost discipline despite lower demand for higher margin deep cleaning and disinfection services.

Q2 2022 revenue amounted to DKK 3,455 million driven by organic growth of 5% (Q1 2022: 1%), while acquisitions and divestments, net were (1)% and currency effects were 10%. Organic growth was driven by an acceleration in the return-to-office trends and increased activity levels, mainly in Australia and India.

Americas

Revenue amounted to DKK 3,873 million in the first six months of 2022, which was an increase of 17% compared to the same period last year. Organic growth was 29% (H1 2021: (15)%). The effect from acquisitions and divestments, net was (16)% due the divestment of US Specialized Services, while currency effects impacted growth positively by 4%.

Organic growth in the Americas was primarily driven by food services as customers returned to the offices, supported by technology customers on the US West Coast commencing mandatory return-to-office programmes from the beginning of April. Food services in the US grew organically by more than 75% in H1 2022, and revenue was at index 76 compared to pre-Covid-19 levels in Q2 2019. Growth in the region was further supported by price increases implemented to offset rising cost inflation and both portfolio and above-base revenue showed double-digit organic growth. The ramp-up of contracts had a minor positive effect while the contract awarded with a major retailer will ramp-up during the second half.

Operating profit before other items amounted to DKK 137 million in H1 2022 (H1 2021: DKK 201 million) corresponding to an operating margin of 3.5% (H1 2021: 6.1%). The decline was driven by commercial investments in growth, including strengthening of the organisation and mobilisation of contract wins, a lower share of margin enhancing deep cleaning and disinfection services and timing effects which are expected to reverse in H2 2022. A part of that was due to the margin in Chile being lower as a result of recognition of depreciations this year, as the country was reclassified back to continued operations. The strong revenue recovery in food delivered broadly the same margin compared to last year as most contracts were renegotiated to cost plus commercial models.

Q2 2022 revenue amounted to DKK 2,058 million driven by organic growth of 30% (Q1 2022: 29%), while acquisitions and divestments, net were (15)%, and currency effects increased revenue with 5%. Organic growth was driven by the US and Chile as increased return-to-office trends almost doubled revenue within Food services.

Outlook

Outlook 2022

This section should be read in conjunction with "Forward-looking statements" as shown in the table on page 14. The outlook is excluding any effects of IAS 29.

Based on the financial performance in the first six months, the outlook for 2022 is upgraded for all financial KPIs. The organic growth accelerated in Q2 with stronger than expected return-to-office trends and continued positive effects from the implemented price increases. The execution of the OneISS strategy continued and the operating margin increased as benefits from the turnaround of the underperforming contracts and countries were realised. With the improved operating profit and solid working capital management, free cash flow improved accordingly.

While activity level and financial performance developed positively in H1 2022, global macro uncertainties remain high. In general, Covid-19 restrictions were lifted during the first half, and the outlook for 2022 assumes continued gradual return-to-office, but the pace is subject to uncertainty.

Organic growth is now expected to be above 5% compared to previously "above 4%" (2021: 2.0%), as a result of the increased activity level from accelerating return-to-office trends and customers' increased investments in workplaces. The continued implementation of price increases will affect organic growth positively and projects and above-base revenue is still expected to be slightly lower than in 2021.

Operating margin is now expected to be above 3.75% compared to previously "above 3.5%" (2021: 2.5%). The change of outlook is a result of the continued progress on the turnaround of the underperforming contracts and countries as well as leverage from the higher revenue. Cost inflation is managed tightly through price increases and cost reductions and the operating margin is therefore expected to be unaffected from this.

Free cash flow is now expected to be above DKK 1.5 billion compared to previously "above DKK 1.3 billion" (2021: DKK 1.7 billion). The expected higher operating profit before other items will have a positive effect on free cash flow, and changes in working capital are still expected to have a neutral to slightly positive impact. Payments related to restructuring projects initiated in 2020 are still expected to reduce free cash flow by around DKK 0.5 billion.

Outlook 2022	Annual Report 2021	Trading update Q1 2022	Interim report H1 2022
Organic growth	>2%	>4%	>5%
Operating margin*	>3.5%	>3.5%	>3.75%
Free cash flow	>DKK 1.3bn	>DKK 1.3bn	>DKK 1.5bn

* Based on operating profit before other items

Turnaround targets

As part of the launch of the OneISS strategy in December 2020, ISS announced turnaround targets to focus on the short-term recovery of the business. The turnaround targets – which are outlining a healthy recovery with a focus on profitability and cash generation – are confirmed. At the end of H1 2022, the run-rate margin was above 3.5% and financial leverage was 3.0x. Thereby the turnaround targets are close to being achieved.

- Operating margin above 4% as run-rate when entering 2023
- Net debt / Pro forma adjusted EBITDA to be reduced to below 3x by the end of 2022

Expected revenue impact from divestments, acquisitions and foreign exchange rates in 2022

Divestments and acquisitions completed by 31 July 2022 (including in 2021) are expected to have a negative impact on revenue growth in 2022 of around 2%-point. Countries to be divested continue to be reported as discontinued operations and will not impact revenue growth upon divestment.

Based on the relevant exchange rates, a positive impact on revenue growth of around 1%-point is expected in 2022 from the development of foreign exchange rates.

[1)] The forecasted average exchange rates for the financial year 2022 are calculated using the realised average exchange rates for the first seven months of 2022 and the average forward exchange rates (as of 1 August 2022) for the remaining five months of 2022.

Forward-looking statements

This report contains forward-looking statements, including, but not limited to, the guidance and expectations in Outlook. Statements herein, other than statements of historical fact, regarding future event 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 could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of ISS.

Although ISS believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the facility service industry in general or ISS in particular including those described in 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, expect to the extent required by law.

The Annual Report of 2021 of ISS A/S is available at the Group's website, www.issworld.com.

Management statement

Copenhagen, 10 August 2022

The Board of Directors and the Executive Group Management Board have today discussed and approved the interim report of ISS A/S for the period 1 January – 30 June 2022.

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional requirements of the Danish Financial Statements Act. The interim report has not been reviewed or audited.

In our opinion, the condensed consolidated interim financial statements give a true and fair view of the Group's assets, liabilities and financial position at 30 June 2022 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 30 June 2022.

In our opinion, the Management review includes a fair review of the development in the Group's operations and financial conditions, the results for the period, cash flows and financial position as well as a description of the most significant risks and uncertainty factors that the Group face.

Executive Group Management Board

Jacob Aarup-Andersen
Group CEO

Kasper Fangel
Group CFO

Board of Directors

Niels Smedegaard
Chair

Lars Petersson
Deputy Chair

Kelly Lynn Kuhn

Ben Stevens

Søren Thorup Sørensen

Cynthia Mary Trudell

Nada Elboayadi (E)

Signe Adamsen (E)

Elsie Yiu (E)

E = Employee representative

Condensed consolidated interim financial statements

Consolidated statement of profit or loss

1 January – 30 June

(DKKm)	Note	YTD 2022	YTD 2021
Revenue	3, 4, 18	36,943	34,893
Staff costs	5, 17	(23,890)	(23,219)
Consumables		(3,008)	(2,267)
Other operating expenses		(8,204)	(8,080)
Depreciation and amortisation [1)]	18	(780)	(778)
Operating profit before other items	18	1,061	549
Other income and expenses, net	6	180	441
Goodwill impairment	7	-	(450)
Amortisation/impairment of brands and customer contracts		(35)	(31)
Operating profit	3	1,206	509
Financial income	8, 18	135	14
Financial expenses	8, 18	(292)	(303)
Profit before tax		1,049	220
Income tax	18	(252)	(101)
Net profit from continuing operations		797	119
Net profit from discontinued operations	9	122	132
Net profit	18	919	251
Attributable to:			
Owners of ISS A/S		883	245
Non-controlling interests		36	6
Net profit		919	251
Earnings per share, DKK			
Basic earnings per share (EPS)		4.8	1.3
Diluted earnings per share		4.8	1.3
Earnings per share for continuing operations, DKK			
Basic earnings per share (EPS)		4.1	0.6
Diluted earnings per share		4.1	0.6

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

Consolidated statement of comprehensive income

1 January – 30 June

(DKKm)	Note	YTD 2022	YTD 2021
Net profit		919	251
Other comprehensive income			
Remeasurement gain/(loss) on defined benefit plans	14	365	650
Impact from asset ceiling	14	(210)	(638)
Tax		(40)	(3)
Net total, that will not be reclassified to profit or loss in subsequent periods		115	9
Foreign exchange adjustments of foreign entities		252	108
Fair value adjustments of net investment hedges		(84)	(83)
Recycling of accumulated foreign exchange adjustments on country exits		(33)	(26)
Hyperinflation restatement of equity at 1 January	18	768	-
Tax		18	18
Net total, that may be reclassified to profit or loss in subsequent periods		921	17
Other comprehensive income		1,036	26
Comprehensive income		1,955	277
Attributable to:			
Owners of ISS A/S		1,563	274
Non-controlling interests		392	3
Comprehensive income		1,955	277

Consolidated statement of cash flows

1 January – 30 June

(DKKm)	Note	YTD 2022	YTD 2021
Operating profit before other items		1,061	549
Operating profit before other items from discontinued operations	9	11	4
Depreciation and amortisation		780	778
Non-cash items related to Hyperinflation	18	(21)	-
Share-based payments	5	44	35
Changes in working capital	10	283	1,614
Changes in provisions, pensions and similar obligations		(436)	(378)
Other expenses paid		(3)	(32)
Interest received		35	14
Interest paid		(167)	(165)
Income tax paid		(233)	(224)
Cash flow from operating activities	18	1,354	2,195
Acquisition of businesses		(24)	(21)
Divestment of businesses	12	599	889
Acquisition of intangible assets and property, plant and equipment		(390)	(312)
Disposal of intangible assets and property, plant and equipment		21	9
Acquisition of financial assets, net		(10)	14
Cash flow from investing activities	18	196	579
Other financial payments, net		(128)	(638)
Repayment of lease liabilities		(434)	(468)
Transactions with non-controlling interest		(6)	(15)
Cash flow from financing activities	18	(568)	(1,121)
Total cash flow		982	1,653
Cash and cash equivalents at 1 January		3,428	2,742
Total cash flow		982	1,653
Foreign exchange adjustments		96	93
Cash and cash equivalents at 30 June		4,506	4,488
Free cash flow	11, 18	644	1,645

Consolidated statement of financial position

(DKKm)	Note	30 June 2022	30 June 2021	31 December 2021
Assets				
Intangible assets	18	23,696	22,189	22,739
Property, plant and equipment and leases	18	3,257	3,276	3,376
Deferred tax assets		936	899	790
Other financial assets		508	323	457
Non-current assets		28,397	26,687	27,362
Inventories		200	167	177
Trade receivables		11,068	9,828	10,406
Tax receivables		142	171	185
Other receivables		1,875	1,694	1,582
Cash and cash equivalents		4,506	4,488	3,428
Assets held for sale	13	32	1,372	515
Current assets		17,823	17,720	16,293
Total assets		46,220	44,407	43,655
Equity and liabilities				
Equity attributable to owners of ISS A/S		9,185	6,817	7,583
Non-controlling interests		655	25	206
Total equity	18	9,840	6,842	7,789
Loans and borrowings		15,959	17,194	16,094
Pensions and similar obligations	14	1,214	1,467	1,351
Deferred tax liabilities	18	1,150	975	976
Provisions	15	591	294	755
Non-current liabilities		18,914	19,930	19,176
Loans and borrowings		853	870	888
Trade and other payables		6,827	5,537	5,657
Tax payables		133	124	174
Other liabilities		8,941	9,014	8,730
Provisions	15	700	1,507	961
Liabilities held for sale	13	12	583	280
Current liabilities		17,466	17,635	16,690
Total liabilities		36,380	37,565	35,866
Total equity and liabilities		46,220	44,407	43,655

Consolidated statement of changes in equity

1 January – 30 June

(DKKm)	Note	Share capital	Treasury shares	Retained earnings	Translation reserve [1]	Total	Non-controlling interests	Total equity
		Attributable to owners of ISS A/S						
2022								
Equity at 1 January		185	(191)	9,035	(1,446)	7,583	206	7,789
Net profit		-	-	883	-	883	36	919
Other comprehensive income		-	-	115	565	680	356	1,036
Comprehensive income		-	-	998	565	1,563	392	1,955
Share-based payments	5	-	-	44	-	44	-	44
Transactions with non-controlling interests		-	-	(5)	-	(5)	57	52
Transactions with owners		-	-	39	-	39	57	96
Changes in equity		-	-	1,037	565	1,602	449	2,051
Equity at 30 June		185	(191)	10,072	(881)	9,185	655	9,840
2021								
Equity at 1 January		185	(191)	8,124	(1,602)	6,516	29	6,545
Net profit		-	-	245	-	245	6	251
Other comprehensive income		-	-	9	20	29	(3)	26
Comprehensive income		-	-	254	20	274	3	277
Share-based payments		-	-	35	-	35	-	35
Transactions with non-controlling interests		-	-	(8)	-	(8)	(7)	(15)
Transactions with owners		-	-	27	-	27	(7)	20
Changes in equity		-	-	281	20	301	(4)	297
Equity at 30 June		185	(191)	8,405	(1,582)	6,817	25	6,842

[1] At 30 June 2022, accumulated foreign exchange losses of DKK 17 million related to discontinued operations (30 June 2021: exchange losses of DKK 17 million). In addition, at 30 June 2022, DKK 381 million under the translation reserve relates to hyperinflation restatement of non-monetary items at 1 January 2022.

1 Basis of preparation

The condensed consolidated interim financial statements of ISS A/S for the period 1 January - 30 June 2022 comprise ISS A/S and its subsidiaries (collectively, the Group) and have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and additional requirements of the Danish Financial Statements Act.

The report does not include all the information and note disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's consolidated financial statements as at 31 December 2021.

The accounting policies adopted are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2021, except for the adoption of IAS 29 "Financial Reporting in Hyperinflation Economies" and a number of new and amended standards, which became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these new and amended standards, except as set out below for IAS 29.

IAS 29 "Financial Reporting in Hyperinflation Economies"

Effective 1 January 2022, the Group has implemented IAS 29 "Financial Reporting in Hyperinflationary Economies", as management has considered Turkey as a hyperinflationary environment. Management has based its assessment on the cumulative inflation, which has exceeded more than 100% over three years. As a result, the financial statements of ISS Turkey for H1 2022 have been restated for hyperinflation before the reported amounts were translated to the Group's functional currency, DKK. Comparative figures have not been restated. The implementation impact and the applied accounting policies are disclosed in note 18, Hyperinflation in Turkey.

2 Significant accounting estimates and judgements

The preparation of condensed consolidated interim financial statements requires management to make estimates, judgements and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In H1 2022, global macroeconomic uncertainties remained at a high level, which among others led to increasing interest rates and rising cost and labour inflation. These developments and uncertainties have impacted certain accounting estimates and judgements, including assumptions made by management, most significantly in relation to:

• Goodwill impairment (see note 7)
• Pensions and similar obligations (see note 14)
• Onerous contracts (see note 15)
• Hyperinflation in Turkey (IAS 29) (see note 18)

Except for the above, and the judgements and estimates commented upon in other notes of these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021, cf. 7.1 to the consolidated financial statements for 2021.

3 Segment information

ISS is a leading, global provider of workplace and facility service solutions operating in more than 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 support structure, which are managed by Global Operations, are combined in a separate segment "Other countries".

Effective 1 January 2022, the Group reorganised its European business into the regions Northern Europe and Central & Southern Europe consistent with the Group's internal management and reporting structure. As a result, the Netherlands, Belgium, Poland and Lithuania were moved from Continental Europe to Northern Europe. Asia & Pacific and Americas remained unchanged. Comparative figures for 2021 were restated accordingly.

(DKKm)	Central & Southern Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total segments
YTD 2022						
Revenue [1]	11,743	14,214	6,735	3,873	275	36,840
Hyperinflation restatement of revenue[2]	128	-	-	-	-	128
Total revenue	11,871	14,214	6,735	3,873	275	36,968
Operating profit before other items	378	631	388	137	11	1,545
Hyperinflation restatement of operating profit before other items [2]	(12)	-	-	-	-	(12)
Operating profit before other items	366	631	388	137	11	1,533
Operating profit	355	659	536	117	11	1,678
YTD 2021						
Revenue [1]	11,710	13,449	6,161	3,310	285	34,915
Operating profit before other items	120	378	370	201	7	1,076
Operating profit	107	368	365	189	7	1,036

[1] Including internal revenue which due to the nature of the business is insignificant and therefore not disclosed.

[2] ISS Turkey was restated for hyperinflation in accordance with IAS 29, see note 18, Hyperinflation in Turkey.

Reconciliation of operating profit

(DKKm)	YTD 2022	YTD 2021
Operating profit for reportable segments	1,678	1,036
Unallocated corporate costs	(472)	(527)
Operating profit	1,206	509

4 Revenue

(DKKm)	YTD 2022	YTD 2021
Key accounts	26,381	23,899
Large and medium	8,394	8,890
Small and route-based	2,168	2,104
Revenue	36,943	34,893

5 Share-based payments

LTIP 2022

At 30 June 2022, a total of 1,303,211 new performance-based share units (PSUs) were granted to members of the EGM (EGMB and Corporate Senior Officers of the Group) and other senior officers of the Group. The programme is described in the consolidated financial statements for 2021. Like previous grants under the LTIP, the PSUs will vest on the date of the third anniversary of the grant, subject to achievement of certain performance targets and service criteria. Upon vesting, each PSU entitles the holder to receive one share at no cost.

	LTIP 2022
PSUs and participants (number)	
Maximum PSUs under the programme at grant date	1,509,951
Total PSUs granted	1,303,211
Participants	144
Fair value (DKKm)	
Grant date fair value of PSUs expected to vest	107

LTIP 2019 (vested)

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

6 Other income and expenses, net

(DKKm)	YTD 2022	YTD 2021
Gain on divestments	181	456
Other income	**181**	**456**
Loss on divestments	-	(10)
Acquisition costs	(1)	(5)
Other expenses	**(1)**	**(15)**
Other income and expenses, net	**180**	**441**

Gain on divestments mainly related to the divestment of waste management in Hong Kong and the damage control business in the UK. In 2021, the gain related mainly to the divestment of Kanal Services in Switzerland.

Loss on divestments in 2021, was mainly related to the divestment of the fruit baskets business in Sweden and the restoration business in the UK.

7 Goodwill impairment

(DKKm)	YTD 2022	YTD 2021
Identified in impairment tests	-	450
Goodwill impairment	**-**	**450**

Identified in impairment tests The loss recognised in 2021 related to goodwill impairment in France.

Impairment tests

The Group performs impairment tests on intangibles, i.e. goodwill, brands and customer contracts, annually and whenever there is an indication that intangibles may be impaired. The annual impairment test is performed as per 31 December based on financial budgets approved by management covering the following financial year.

At 30 June 2022, the Group performed a review for indications of impairment of the carrying amount of intangibles. The implementation of IAS 29 in Turkey as well as the increasing interest rates and the delayed realisation of business plans in France were considered impairment indications. Consequently, these CGUs have been tested for impairment at 30 June 2022.

Except for Turkey and France, no impairment indications were identified. It is management's opinion that excess values for all other CGUs are fairly resilient to any likely and reasonable deteriorations in the key assumptions applied and presented in note 3.7 in the consolidated financial statements for 2021.

Turkey

The implementation of IAS 29 resulted in an increase in the carrying amount of goodwill and customer contracts of DKK 0.8 billion. The impairment test at 30 June 2022 based on the updated business plan reflecting the current inflationary environment, did not result in recognition of an impairment loss.

France

During the first six months of 2022, the restructuring plan continued to progress, though slower than anticipated, in part due to exposure to certain industry segments with slow Covid-19 recovery. At the same time, interest rates and inflation rates increased significantly. As a result, management updated the business plans to reflect the current market development. The impairment test at 30 June 2022 based on the updated business plan did not result in recognition of an impairment loss. However, the excess value continues to be limited.

Applied assumptions, sensitivities and carrying amounts for France are illustrated below.

	Goodwill	Forecasting period Growth		Forecasting period Margin [1]		Terminal period Growth		Terminal period Margin [1]		Discount rate, net of tax	
	Carrying amount (DKKm)	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed increase
30 June 2022	937	1.0%	0.6%	2.9%	0.5%	2.5%	0.3%	5.0%	0.2%	9.5%	0.2%
31 Dec 2021	936	1.4%	0.2%	3.3%	0.2%	2.0%	0.1%	5.0%	0.1%	8.9%	0.1%

[1] Excl. allocated corporate costs

8 Financial income and expenses

(DKKm)	YTD 2022	YTD 2021
Interest income on cash and cash equivalents	33	14
Monetary gain on hyperinflation restatement	102	-
Financial income	135	14
Interest expenses on loans and borrowings	(169)	(179)
Interest expenses on lease liabilities	(34)	(36)
Amortisation of financing fees (non-cash)	(11)	(11)
Bank fees	(25)	(25)
Foreign exchange losses	(20)	(12)
Net interest on defined benefit obligations	(11)	(9)
Forward premiums, currency swaps	(8)	(9)
Other	(14)	(22)
Financial expenses	(292)	(303)

Monetary gain on hyperinflation restatement related to restatement of non-monetary items of the financial position and offsetting of the inflation restatement of profit or loss items. See note 18, Hyperinflation in Turkey.

Interest expenses on loans and borrowings decreased slightly in the first six months of 2022 compared with the same period in 2021, mainly due to the partial redemption of EMTNs in December 2021 and lower interest expenses due to an interest rate swap entered into in May 2022, see note 16, Financial instruments. This was partly offset by increased interest expenses in Turkey following the acquisition in 2021.

Foreign exchange gains and losses mainly related to gains and losses on intercompany loans from the parent company.

Forward premiums on currency swaps ISS uses currency swaps to hedge the exposure to currency risk on intercompany loans. The cost of hedging is in line with H1 2021.

9 Discontinued operations

Our strategic divestment programme continued the good momentum with three countries being divested in the first half of 2022, i.e. Taiwan, Russia and Portugal. With Brunei being the only country remaining as asset held for sale and discontinued operations, the divestment programme is now considered completed.

Net profit/(loss) from discontinued operations

(DKKm)	YTD 2022	YTD 2021
Revenue	363	696
Expenses	(352)	(692)
Operating profit before other items	**11**	**4**
Other income and expenses, net [1]	112	130
Operating profit	**123**	**134**
Financial income/(expenses), net	-	1
Net profit before tax	**123**	**135**
Income tax	(1)	(3)
Net profit from discontinued operations	**122**	**132**
Earnings per share from discontinued operations, DKK		
Basic earnings per share (EPS)	0.7	0.7
Diluted earnings per share	0.7	0.7

[1] Related to net gain from the three divestments in H1 2022, including recycling of accumulated foreign exchange adjustments.

Cash flow from discontinued operations

(DKKm)	YTD 2022	YTD 2021
Cash flow from operating activities	18	19
Cash flow from investing activities	(69)	(82)
Cash flow from financing activities	9	(5)

10 Changes in working capital

(DKKm)	YTD 2022	YTD 2021
Changes in inventories	(24)	11
Changes in receivables	(935)	(32)
Changes in payables	1,242	1,635
Total	283	1,614

11 Free cash flow

Free cash flow as defined by management, cf. the 2021 Annual Report p. 108, is summarised below. Free cash flow is not a financial performance measure established by IFRS. Accordingly, the measure and its calculation is solely 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 condensed consolidated statement of cash flows on p. 19.

(DKKm)	YTD 2022	YTD 2021
Cash flow from operating activities	1,354	2,195
Acquisition of intangible assets and property, plant and equipment	(390)	(312)
Disposal of intangible assets and property, plant and equipment	21	9
Acquisition of financial assets, net [1)]	(49)	(4)
Addition of right-of-use assets, net	(292)	(243)
Total	644	1,645

[1)] Excluding investments in equity-accounted investees of DKK 39 million (positive) (2021: DKK (18) million). The negative investments in 2021 related to dividends and disposals of equity-accounted investees.

12 Divestments

The Group completed five divestments during 1 January - 30 June 2022 (eight during 1 January - 30 June 2021):

Company/activity	Country	Service type	Excluded from profit or loss	Interest	Annual revenue (DKKm)	Employees (number)
Waste management business	Hong Kong	Technical	February	100%	134	232
ISS Russia	Russia	Country exit	April	100%	112	864
ISS Taiwan	Taiwan	Country exit	April	100%	441	3,092
Damage control	UK	Technical	May	100%	84	91
ISS Portugal	Portugal	Country exit	July	100%	386	3,843
Total					1,157	8,122

Divestment impact

(DKKm)	YTD 2022	YTD 2021
Goodwill	188	191
Other non-current assets	162	289
Current assets	320	224
Non-current liabilities	(24)	(36)
Loans and borrowings	(23)	(121)
Current liabilities	(246)	(153)
Net assets disposed	377	394
Gain/(loss) on divestment, net	261	550
Divestment costs	46	71
Consideration received	684	1,015
Cash in divested businesses	(86)	(60)
Cash consideration received	598	955
Contingent and deferred consideration	38	-
Divestment costs paid	(37)	(66)
Divestment of businesses (cash flow)	599	889

Divestments subsequent to 30 June 2022

The Group completed no divestments from 1 July to 31 July 2022.

13 Assets and liabilities held for sale

Businesses classified as held for sale

At 31 December 2021, five businesses were classified as held for sale comprising four countries (discontinued operations) and the waste management business in Hong Kong.

In H1 2022, we completed the divestment of three countries (Taiwan, Russia and Portugal) and the waste management business in Hong Kong. As a result, only Brunei remained classified as held for sale at 30 June 2022.

Profit or loss effect

In H1 2022, divestment of businesses classified as held for sale at 31 December 2021 resulted in recognition of a net gain of DKK 293 million in profit or loss. The net gain was recognised in Other income and expenses, net (DKK 181 million (gain)) and Net profit from discontinued operations (DKK 112 million (gain)). Recycling of accumulated foreign exchange adjustments recognised in equity had a positive impact on the net gain of DKK 32 million, mainly related to Taiwan.

14 Pensions and similar obligations

For interim periods, the Group's defined benefit obligations are based on valuations from external actuaries carried out at the end of the prior financial year taking into account any subsequent movements in the obligation due to pension costs, contributions etc. up until the reporting date. For interim periods, actuarial calculations are only updated to the extent that significant changes in applied assumptions have occurred. Based on an overall analysis carried out by management, it is determined whether updated actuarial calculations should be obtained for interim periods.

At 30 June 2022, the overall evaluation carried out by management resulted in updated actuarial calculations being obtained for Switzerland, the UK and Germany, due to market fluctuations, which had impacted interest rates, inflation rates and asset values. The updated calculations led to recognition of actuarial gains of DKK 1,233 million, which were largely offset by impact from loss on plan assets of DKK 868 million and asset ceiling of DKK 210 million. The net gain of DKK 155 million was recognised in other comprehensive income with a resulting decrease in the defined benefit obligation.

15 Provisions

(DKKm)	Legal and labour-related cases	Self-insurance	Restruc-turings	Onerous contracts	Other	YTD 2022	YTD 2021
Provisions at 1 January	237	261	375	330	513	1,716	1,926
Foreign exchange adjustments	(3)	13	-	6	10	26	13
Additions	11	74	-	-	-	85	133
Used during the year	(25)	(79)	(163)	(167)	(49)	(483)	(407)
Unused amounts reversed	(10)	(2)	(5)	(19)	(9)	(45)	(90)
Reclass (to)/from other liabilities	-	(1)	(7)	-	-	(8)	226
Provisions at 30 June	**210**	**266**	**200**	**150**	**465**	**1,291**	**1,801**
Non-current	36	129	94	71	261	591	294
Current	174	137	106	79	204	700	1,507

Restructurings Execution of restructuring projects initiated following Covid-19 continued in the first six months of 2022 and resulted in payments of DKK 163 million mainly in Germany, France and Spain.

Onerous contracts In H1 2022, the provision decreased DKK 180 million mainly due to the exit from the Danish Defence contract, which was completed by the end of May 2022.

16 Financial instruments

Fair value hedge

In May 2022, ISS entered into an interest rate swap in order to reduce the fixed/floating split on our gross debt. A principal amount of EUR 300 million has been swapped from a fixed interest rate of 1.25% to a floating rate of currently (0.48)%. At 30 June 2022, fair value of the interest rate swap was DKK 10 million (negative).

The hedge qualifies as a fair value hedge as the risk being hedged is the possible change in the fair value of a recognised liability. The carrying amount of the hedged item is adjusted for fair value changes attributable to the risk being hedged, and those fair value changes are recognised in profit or loss. At 30 June 2022, fair value adjustments of DKK 16 million were recognised in profit or loss.

17 Government grants

Covid-19 related grants

In the first six months of 2022, the Group received Covid-19 related grants to compensate costs related to e.g. employees on furlough, social security contribution and sick pay compensation mainly in Denmark, Hong Kong and Sweden. As the grants compensate costs already incurred, they are recognised as a reduction of staff costs.

(DKKm)	YTD 2022	YTD 2021
Wage subvention	22	309
Sick pay compensation	13	9
Social security contribution	-	5
Other	-	1
Recognised in Staff costs	35	324
Hereof included in Other receivables as of 30 June	13	56

18 Hyperinflation in Turkey

Countries, where the cumulative three-year inflation exceeds 100%, are generally considered highly inflationary, and application of IAS 29 "Financial Reporting in Hyperinflationary Economies" must be considered. Based on monthly inflation data from the Turkey Statistical Institute, Turkey exceeded this threshold for the first time in February 2022. For the first six months of 2022, the inflation rate in Turkey was 42%. Consequently, ISS has implemented IAS 29 for the first time in this interim report with effect from 1 January 2022.

Under IAS 29, ISS is required to restate the accounting figures of the Group's subsidiary in Turkey to reflect the purchasing power at the end of the reporting period. This means that the income statement, equity and non-monetary items of the financial position are restated to reflect the purchasing power as at 30 June 2022. Monetary items such as receivables, payables, loans and borrowings are not subject to restatement as these items already reflect the purchasing power on 30 June 2022.

Furthermore, IAS 29 requires (in combination with IAS 21 "The Effects of Changes in Foreign Exchange Rates") that transactions of the Turkish subsidiary in Turkish lira for the reporting period shall be translated into DKK by using the exchange rate at 30 June 2022.

In accordance with the requirements of IAS 29, comparative figures have not been restated.

Accounting impact of hyperinflation restatement in Turkey

The table below shows the accounting impact of the hyperinflation restatements for the period 1 January - 30 June 2022:

		Inflation restatement				
(DKKm)	YTD 2022 (excl. IAS 29)	Non-monetary items	Profit or loss	Re-translation (end rates)	Total adjustments	YTD 2022 (reported)
Statement of profit or loss						
Revenue	36,815	-	223	(95)	128	36,943
Depreciation and amortisation	(756)	(26)	-	2	(24)	(780)
Other costs	(34,986)	-	(202)	86	(116)	(35,102)
Operating profit before other items	1,073	(26)	21	(7)	(12)	1,061
Other income and expenses, net	180	-	-	-	-	180
Amortisation of customer contracts	(31)	(4)	-	-	(4)	(35)
Operating profit	1,222	(30)	21	(7)	(16)	1,206
Financial income	33	115	(13)	-	102	135
Financial expenses	(291)	-	(7)	6	(1)	(292)
Profit before tax	964	85	1	(1)	85	1,049
Income tax	(216)	(35)	(1)	-	(36)	(252)
Net profit from continuing operations	748	50	-	(1)	49	797
Net profit from discontinued operations	122	-	-	-	-	122
Net profit	870	50	-	(1)	49	919
Statement of cash flows						
Operating profit before other items	1,073	(26)	21	(7)	(12)	1,061
Depreciation and amortisation	756	26	-	(2)	24	780
Non-cash items related to hyperinflation	-	-	(21)	-	(21)	(21)
Other cash flow items	(474)	-	-	8	8	(466)
Cash flow from operating activities	1,355	-	-	(1)	(1)	1,354
Cash flow from investing activities	194	-	-	2	2	196
Cash flow from financing activities	(568)	-	-	-	-	(568)
Free cash flow (non-IFRS)	643	-	-	1	1	644
Financial ratios (%)						
Organic growth (non-IFRS)	6.72	-	-	-	-	6.72
Operating margin	2.91	(0.07)	0.06	(0.03)	(0.04)	2.87

18 Hyperinflation in Turkey (continued)

(DKKm)	YTD 2022 (excl. IAS 29)	Inflation restatement: Non-monetary items	Inflation restatement: Profit or loss	Re-translation (end rates)	Total adjustments	YTD 2022 (reported)
Statement of financial position						
Goodwill	19,869	596	-	-	596	20,465
Customer contracts	544	194	-	-	194	738
Capitalised software	883	2	-	-	2	885
Property, plant and equipment and leases	3,173	84	-	-	84	3,257
Other assets	20,875	-	-	-	-	20,875
Total assets	**45,344**	**876**	**-**	**-**	**876**	**46,220**
Other comprehensive income	268	768	-	-	768	1,036
Other equity elements	8,755	49	-	-	49	8,804
Total equity	**9,023**	**817**	**-**	**-**	**817**	**9,840**
Deferred tax liabilities	1,091	59	-	-	59	1,150
Other liabilities	35,230	-	-	-	-	35,230
Total equity and liabilities	**45,344**	**876**	**-**	**-**	**876**	**46,220**

Overall, the implementation of IAS 29 did not have a material impact on the Group's statement of profit or loss and cash flows, and consequently the effect on our three key KPIs was immaterial, i.e. organic growth (non-IFRS) and free cash flow (non-IFRS) were unchanged and operating margin decreased 4 bps.

Financial position

On the other hand, the restatement for inflation significantly increased the Group's goodwill (DKK 596 million) and customer contracts (DKK 194 million) due to values carried from the acquisition of Rönesans in 2021 and the original acquisition in Turkey in 2005.

Furthermore, the Group's value of property, plant and equipment and leases increased moderately (DKK 84 million) due to the inflation restatement, which was based on assumed average useful lives of 3-5 years. As a result, depreciation and amortisation were recalculated, which led to higher costs in the profit or loss.

Equity increased DKK 817 million mainly as a result of the opening restatement of non-monetary items of DKK 768 million and the restatement effect from changes in the price index in the first six months of 2022.

Profit or loss

The restatement of the Group's revenue had a net positive impact of DKK 128 million due to DKK 223 million stemming from the increase in the price index of 17% in the first six months of 2022, partly offset by the impact from re-translation to exchange rates at 30 June 2022 of DKK (95) million.

Operating profit before other items was negatively affected with DKK 12 million, as the inflation restatement of property, plant and equipment and leases led to higher depreciation and amortisation for the period (DKK 24 million). This more than offset the net positive impact from inflation restatement and re-translation.

Financial expenses, net was positively impacted by DKK 102 million reflecting the restatement of non-monetary items for the inflation development in the first six months and the offset of inflation restatement of profit or loss items in the same period.

Based on the above, and the resulting negative impact on Income tax of DKK 36 million, Net profit increased DKK 49 million for the first six months of 2022 as a result of the implementation of IAS 29.

Cash flows

The impact on the Group's cash flow statement of the restatement for IAS 29 was insignificant.

18 Hyperinflation in Turkey (continued)

§ Accounting policy

Inflation restatement

Non-monetary items, which are carried at historical cost, such as goodwill, customer contracts and property, plant and equipment, including right-of-use assets 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 30 June 2022 or to the date of disposal, where relevant. The restatement of non-monetary assets was made effective from the time, the items were initially recognised, which was no earlier than 2005, when ISS first entered Turkey through an acquisition.

When restating the non-monetary items, a monetary gain or loss occurred. The effect relating to the change in the price index for the reporting period has been recognised in the profit or loss under financial income except for the tax effect, which has been recognised under income tax. The effect relating to the period prior to 1 January 2022 has been recognised in other comprehensive income under equity.

Management has assessed whether the restatement of goodwill, customer contracts and property, plant and equipment, including right-of-use assets, represents an indication of impairment to ensure that the restated amounts do not exceed the recoverable amounts of the assets, see note 7, Goodwill impairment.

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 Turkish subsidiary has been restated for the effects of inflation based on the changes in the price index for the reporting period and recognised in other comprehensive income with set-off within financial income in the profit or loss.

Profit or loss All transactions in the period have been restated to reflect changes in the price index from the time of transaction to the end of the reporting period, with the exception of depreciation and amortisation. The latter have been recalculated based on the inflation-adjusted costs of intangible assets and property, plant and equipment, including right-of-use assets. The recalculation has been made based on the normal useful lives of the relevant assets based on the Group's accounting policy, cf. note 2.1 in the consolidated financial statements for 2021.

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.

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

Price index

Restatement for hyperinflation of the accounting figures of the Turkish subsidiary has been based on the development in the consumer price index provided by the Turkish Statistical Institute.

Retranslation from TRY to DKK

The financial statements of the Turkish subsidiary, including effects of inflation restatement, have been translated into DKK applying the TRY/DKK exchange rate at the reporting date as opposed to the Group's normal practice of translating the profit or loss using the exchange rate at the transaction date or an average exchange rate for the month. The TRY/DKK exchange rate decreased from 50.53 at the beginning of 2022 to 42.95 at 30 June 2022. The average TRY/DKK exchange for the reporting period was 45.99.

19 Subsequent events

Other than set out elsewhere in these condensed consolidated interim financial statements, we are not aware of events subsequent to 30 June 2022, which are expected to have a material impact on the Group's financial position.

Other

Conference Call

A conference call will be held on 11 August 2022 at 10:00 am CEST. Presentation material will be available online prior to the conference call.

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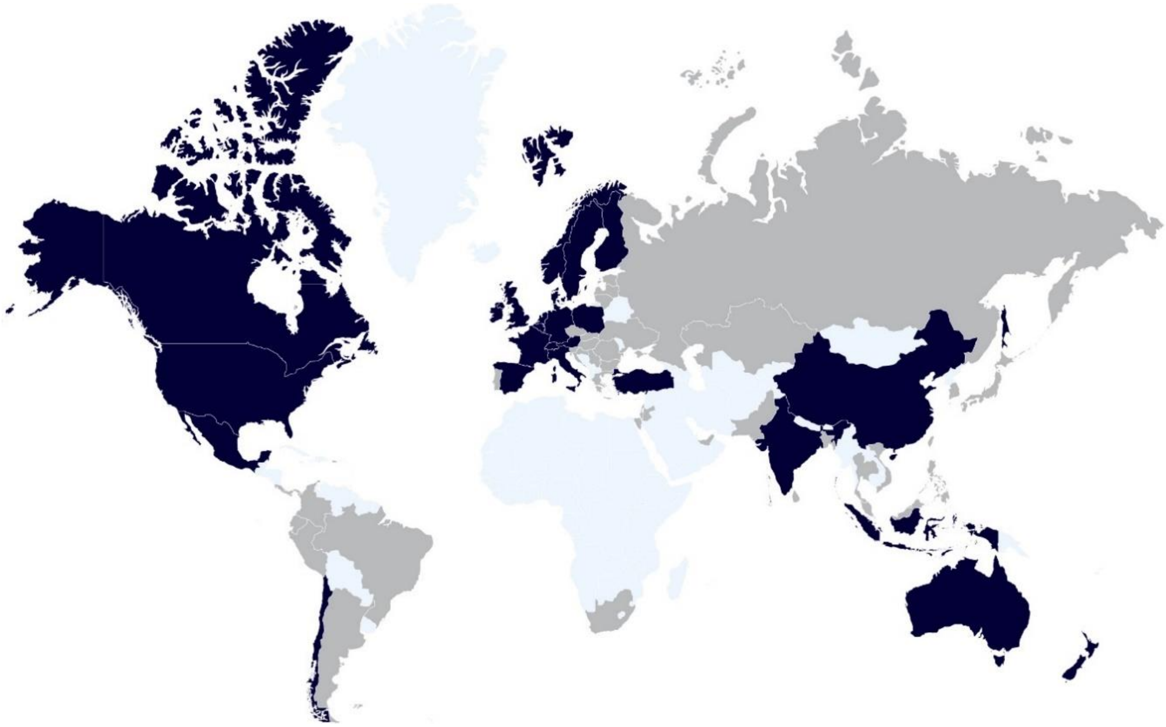

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