

Interim report for 1 January – 30 June 2021

Important milestones achieved in the turnaround execution. Upgrade of 2021 outlook for free cash flow

Highlights

- Organic growth was (0.2)% in H1 2021 (H1 2020: (3.0)%) and 5.8% in Q2 2021 (Q1 2021: (5.6)%), supported by continued solid demand for above-base work, especially deep-cleaning and disinfection. Portfolio revenue continues to be impacted by generally moderate re-opening of global activities with large variations across geographies.
- Operating margin (before other items) was 1.5% in H1 2021 (H1 2020: (2.2)% or around 0% excluding restructuring costs and one-offs).
- Free cash flow was DKK 1.6 billion in H1 2021 driven by improved operating profit and working capital development. A large part of the cash flow from working capital is temporary and will result in a cash outflow in H2 2021. Utilisation of factoring of DKK 1.0 billion at 30 June 2021 was unchanged from 31 December 2020.
- Eight divestments were completed in H1 2021. Total net proceeds amounted to approximately DKK 1 billion.
- The improved operating profit and cash flow, including divestment proceeds, decreased the net debt to DKK 13.5 billion from DKK 15.8 billion at 31 December 2020 reducing the leverage ratio to 5.3x (adjusted) (31 December 2020: 7.3x (adjusted)).
- The execution of the OneISS strategy progressed as planned and important milestones were achieved in the turnaround of the underperforming contracts and countries.
- While turnaround initiatives in France progressed according to plan in H1 2021, increasing interest rates and continued uncertainty around the pace of market recovery from Covid-19 led to an increase in the applied WACC and consequently recognition of a goodwill impairment of DKK 450 million.
- The performance in H1 2021 provides solid support for our 2021 outlook of positive organic growth and operating margin above 2%. Free cash flow is now expected to be above DKK 1.0 billion (previously "slightly positive").

Jacob Aarup-Andersen Group CEO, ISS A/S, says:

"The first half of 2021 was an important period for ISS, where we have built a solid foundation for the new operating model and our short-term turnaround. The business environment continues to be challenged by Covid-19 restrictions, but it is truly inspirational to see the resilience and agility of our frontline employees as they support our customers' health and productivity. I am also pleased to see how the ISS organisation is coming together under the OneISS strategy. The underlying financial performance is developing well, driven by our turnaround initiatives. The opportunities to improve our financial performance are significant, and we are moving in the right direction. At the same time, we acknowledge that we have a lot of hard work in front of us."

Financial overview	Q1 2021	Q2 2021	H1 2021	H1 2020
DKKm (unless otherwise stated)				
Revenue	17,213	17,191	34,404	35,481
Organic growth, %	(5.6)	5.8	(0.2)	(3.0)
Operating profit before other items	-	-	508	(762)
Operating margin (before other items), %	-	-	1.5	(2.2)
Free cash flow	-	-	1,645	(1,730)

Key figures and financial ratios

Financials	H1 2021	H1 2020 ²⁾	2020
Results (DKKm)			
Revenue	34,404	35,481	69,823
Operating profit before other items	508	(762)	(3,226)
Operating profit	468	(2,020)	(4,730)
Pro forma adjusted EBITDA (LTM) ³⁾	2,536	2,747	2,175
Financial expenses, net	(285)	(289)	(542)
Net profit from continuing operations	91	(2,540)	(5,231)
Net profit from discontinued operations	160	(137)	36
Net profit	251	(2,677)	(5,195)
Cash flow (DKKm)			
Cash flow from operating activities	2,195	(1,150)	(361)
Acquisition of intangible assets and property, plant and equipment, net	(303)	(341)	(681)
Free cash flow	1,645	(1,730)	(1,794)
Financial position (DKKm)			
Total assets	44,407	49,368	43,605
Goodwill	19,355	20,546	19,662
Additions to property, plant and equipment	145	235	389
Equity	6,842	9,306	6,545
Net debt	13,480	16,385	15,802
Shares ('000)			
Number of shares issued	185,668	185,668	185,668
Number of treasury shares	970	970	970
Average number of shares (basic)	184,698	184,698	184,698
Average number of shares (diluted)	185,698	185,257	185,136
Ratios	H1 2021	H1 2020 ²⁾	2020
Financial ratios (% , unless otherwise stated)			
Operating margin ¹⁾	1.5	(2.2)	(4.6)
Equity ratio	15.4	18.9	15.0
Organic growth	(0.2)	(3.0)	(6.5)
Acquisitions and divestments, net	(0.5)	(1.7)	(1.8)
Currency adjustments	(2.3)	(0.6)	(1.8)
Total revenue growth	(3.0)	(5.3)	(10.1)
Net debt / Pro forma adjusted EBITDA ⁴⁾	5.3x	5.9x	7.3x
Share ratios (DKK)			
Basic earnings per share (EPS)	1.3	(14.5)	(28.2)
Diluted EPS	1.3	(14.5)	(28.2)
Basic EPS (continuing operations)	0.4	(13.8)	(28.4)
Diluted EPS (continuing operations)	0.4	(13.8)	(28.4)
Non-financials	H1 2021	H1 2020	2020
Social data			
Full-time employees	75%	76%	75%
Employees end of period, number	363,455	439,264	378,946

Definitions, see Annual Report 2020.

¹⁾ Based on Operating profit before other items.

²⁾ Restated due to Portugal, Russia and Taiwan being classified as discontinued operations as of 31 December 2020.

³⁾ Adjusted for restructuring costs and one-offs (LTM). Including the impact of restructuring costs and one-offs, pro forma adjusted EBITDA (LTM) was DKK (143) million and DKK (1,373) million at 30 June 2021 and 31 December 2020, respectively.

⁴⁾ Adjusted for restructuring costs and one-offs (LTM). Including the impact of restructuring costs and one-offs, leverage was (94.1)x and (11.5)x at 30 June 2021 and 31 December 2020, respectively.

Strategic update

The OneISS strategy, announced in December 2020, outlines the current strategic direction with dual priorities of ensuring long-term improvement of the operating model, while simultaneously delivering a short-term turnaround.

The initiatives to enhance the operating model continue to progress, improving execution and developing global scale as a core competitive advantage.

In Q2 2021, the work has been focused on implementation of the organisational design across countries as well as restructuring and strengthening global commercial capabilities. The new commercial structure is now being operated based on the four previously announced globally prioritised industries; Technology, Financial & Professional Services, Industry & Manufacturing and Life Sciences. The dedicated commercial leads of each of the industries are establishing tailor-made, best-in-class operational, commercial and marketing practices to capitalise on global scale and enhance commercial momentum.

Turnaround initiatives

Recovery of the underperforming contracts and countries is progressing well with financial run-rate improvements compared to 2020.

The UK continued the development into a more streamlined and focused business within the prioritised segments as outlined in the OneISS strategy. The organisation is being developed accordingly, including enhanced commercial resources.

In **France**, the large restructuring plan is progressing following the planned FTE reductions. The new country manager is gradually shifting focus from restructuring to operational efficiency and improvement of the commercial performance. The French market is still heavily impacted by Covid-19 restrictions and the pace of market recovery within the most impacted customer segments remains uncertain.

The execution programme for the **Deutsche Telekom** contract, including significant tailor-made IT developments, was implemented in July 2021. The implementation will increase compliance and transparency and will support the financial performance. Further enhancements of the IT systems will continue as part of day-to-day business, including upgrades to the Capital Projects system.

ISS entered into an agreement with the **Danish Defence** to exit the partnership agreement gradually from November 2021 to the end of May 2022. The Danish Defence will take over all services and obligations, currently being handled by ISS during the transition period. The onerous contract provision recognised in 2020 will cover the agreed exit fee and costs as well as operation of the contract until the exit date.

Divestment programme

Total net proceeds from the divestment programme amounted to approximately DKK 1 billion in H1 2021 following good momentum in the first half of 2021. The proceeds mainly related to the divestments of four Eastern European businesses and the Swiss sewer maintenance business, Kanal Services.

ISS continues to target approximately DKK 2 billion in total net proceeds from the divestment programme in 2021 and 2022.

Group performance

Operating results January – June 2021

Group revenue in the first six months of 2021 was DKK 34.4 billion, a decrease of 3% compared with the same period last year. Organic growth was slightly negative at (0.2)% as the positive organic growth in Q2 2021 was offset by the negative organic growth of (5.6)% in Q1 2021. The impact from acquisitions and divestments, net was (0.5)%. Currency effects reduced revenue by 2.3%, mainly due to depreciation of TRY and USD against DKK.

Organic growth was (0.2)% in the first six months of 2021 as a result of the continued negative impacts from Covid-19. Organic growth improved in Q2 due to continued high demand for disinfection and deep-cleaning and a low comparison base in Q2 2020, as revenue reductions from Covid-19 restrictions and lockdowns appeared from the second half of March 2020 in most markets.

Revenue from key accounts generated organic growth of 0.9%. Projects and above-base work grew organically by around 17%, especially due to sustained solid demand for deep-cleaning and disinfection.

The adverse impact from Covid-19 on revenue continued to vary across service type, customer segment and geographies. The services suffering the most were those depending on our customers' employees being on site. Consequently, revenue from food services declined approximately 26% to account for around 10% (H1 2020: 13%) of Group revenue. All other service lines were less impacted. From a customer segment perspective, the most significant revenue impact was within Aviation (part of the Transportation segment).

All regions, except Continental Europe, reported negative organic growth in the first six months of 2021, albeit improved compared to Q1 2021. Americas continued to report double-digit negative growth rates, primarily due to the exposure to food services, while our Continental European business grew 5% organically mainly due to strong performance in Spain, Switzerland, Turkey and Italy.

Operating profit before other items amounted to DKK 508 million (H1 2020: DKK (762) million) for an operating margin of 1.5% (H1 2020: (2.2)% or around 0% excluding approximately DKK 800 million restructuring costs and one-offs).

The operating margin has gradually improved as our turnaround initiatives of underperforming contracts (Deutsche Telekom and Danish Defence) and countries (the UK and France) are progressing as expected. Underlying improvement was also driven by Covid-19 restructuring initiatives initiated last year, including contract exits and continued focus on cost control.

All regions reported positive margins with Continental Europe and Northern Europe contributing most to the improvement compared to the same period last year.

In Denmark, ISS and Danish Defence entered into an agreement to phase out and exit the partnership by the end of May 2022. The onerous contract provision recognised in 2020 will cover the agreed exit fee and costs as well as operation of the contract until the exit date. No further provision has been recognised in 2021.

Revenue and growth YTD June 2021

DKK million	2021	2020	Organic growth	Acq./div.	Currency adj.	Growth 2021
Continental Europe	13,767	13,703	5 %	(1)%	(4)%	0 %
Northern Europe	11,398	11,343	(1)%	(0)%	1 %	0 %
Asia & Pacific	6,161	6,414	(1)%	(0)%	(3)%	(4)%
Americas	2,820	3,708	(17)%	-	(7)%	(24)%
Other countries	278	324	18 %	(24)%	(8)%	(14)%
Corporate / eliminations	(20)	(11)	-	-	-	-
Group	34,404	35,481	(0.2)%	(0.5)%	(2.3)%	(3.0)%

In Germany, the execution programme for the Deutsche Telekom contract, including significant tailor-made IT developments, was implemented in July 2021. The implementation will increase compliance and transparency and will support the financial performance. Further enhancements of the IT systems will continue as part of day-to-day business, including upgrades to the Capital Projects system.

Corporate costs amounted to DKK 527 million (H1 2020: DKK 259 million). In line with the OneISS strategy, we are investing in our operating model, including in technology and centralisation of certain functions.

Other income and expenses, net was an income of DKK 441 million (H1 2020: (794) million), predominantly due to gain on divestment of Kanal Services in Switzerland.

Goodwill impairment was DKK 450 million (H1 2020: DKK 416 million) which related to an impairment loss in France. During the first six months of 2021, transparency around the recoverability from Covid-19 and related uncertainties has increased, noting that the pace of market recovery within the most impacted customer segments remains uncertain. Accordingly, the risk reflected in the applied WACC has been increased. Combined with increasing interest rates in H1 2021, this led to a higher applied WACC at 30 June 2021.

Financial expenses, net was DKK 285 million for the first six months of 2021 (H1 2020: DKK 289 million). Interest expenses decreased slightly compared to last year due to lower net debt, which was offset by adverse movements in foreign exchange gains and losses.

The effective tax rate in H1 2021 was 50.0% (H1 2020: (10.0)%) calculated as Income tax of DKK 92 million divided by Profit before tax of DKK 183 million. The effective tax rate was negatively impacted by non-tax deductible impairment in France as well as certain valuation allowances on deferred tax assets. Furthermore, due to the low profit before tax in H1 2021, the impact from non-tax deductible costs had a relatively higher impact on the effective tax rate.

Net profit from discontinued operations was DKK 160 million (H1 2020: DKK (137) million) in the first six months of 2021, including gain on divestment of DKK 130 million from the sale of our businesses in Romania, Hungary, Slovakia and the Czech Republic.

Net profit was DKK 251 million (H1 2020: DKK (2,677) million). The improvement compared to the same period last year was mainly due to improved operating profit before other items and gain on divestments, mainly Kanal Services in Switzerland. Furthermore, H1 2020 was negatively impacted by DKK 778 million related to the IT security incident.

Operating profit ¹⁾ and margin YTD June 2021

DKK million	2021		2020	
Continental Europe	190	1.4 %	(344)	(2.5)%
Northern Europe	306	2.7 %	(535)	(4.7)%
Asia & Pacific	370	6.0 %	247	3.9 %
Americas	160	5.7 %	114	3.1 %
Other countries	9	3.2 %	15	4.5 %
Corporate / eliminations	(527)	-	(259)	-
Group	508	1.5 %	(762)	(2.2)%

¹⁾ Before other items.

Q2 2021

Group revenue in Q2 2021 was DKK 17.2 billion, an increase of 3.6% compared with the same period last year. Organic growth was 5.8% (Q1 2021: (5.6)%), currency effects were negative 1.6%, and acquisitions and divestments, net reduced revenue by 0.6%.

Although revenue development was flat between Q1 and Q2 2021, organic growth accelerated in Q2 in all regions due to a lower comparison base in Q2 2020.

Organic growth was primarily driven by double-digit growth in Continental Europe. This was mainly due to recovery of portfolio revenue as tight Covid-19 restrictions were eased across the region, key account growth and continued high demand for projects and above-base work. Northern Europe experienced continued high demand for projects and above-base work, predominantly in Denmark. Organic revenue growth in Asia & Pacific and Americas was flat. Across the Group, projects and above-base work grew organically by around 13% in the second quarter of 2021.

Revenue and growth Q2 2021

DKK million	Q2 2021	Q2 2020	Organic growth	Acq./div.	Currency adj.	Growth Q2 2021
Continental Europe	6,863	6,350	13 %	(1)%	(4)%	8 %
Northern Europe	5,705	5,395	3 %	(0)%	3 %	6 %
Asia & Pacific	3,032	3,098	(0)%	0 %	(2)%	(2)%
Americas	1,462	1,593	(1)%	-	(7)%	(8)%
Other countries	139	160	19 %	(20)%	(12)%	(13)%
Corporate / eliminations	(10)	1	-	-	-	-
Group	17,191	16,597	5.8 %	(0.6)%	(1.6)%	3.6 %

Key account development

Revenue from key accounts was 69% of Group revenue in the first six months of 2021 (2020: 67%) and generated organic growth of 0.9%, slightly better than the Group's organic growth. As such, the demand from key accounts continued to show some resilience despite Covid-19 lockdowns and restrictions. This was mainly due to high demand for above-base work related to Covid-19 in Denmark, the commencement of a five-year contract with Iberdrola in Spain, and the launch of a Hospital Authority contract in the healthcare segment in Hong Kong. Additionally, the Americas region gradually started up the five-year IFS contract with a large international manufacturing customer.

Despite the continued suppressed activity in the bidding environment, which is gradually ramping up, ISS secured contract extensions with four major key account customers, one new win as well as one expansion. ISS extended the global contract with Barclays for five years and the Rolls Royce contract across eight countries for two years. Additionally, ISS signed a one-year extension of the contract with Victorian Department of Education and Training in Australia and a five-year extension with DSB in Denmark. In Norway, Equinor and ISS signed a five-year contract, with a possible extension of additional five years. Finally, ISS signed an expansion of a contract with a global manufacturing customer, which is set to launch in Q1 2022.

Major key account developments ¹⁾	Countries	Segment	Term	Effective
Wins				
Equinor	Norway	Energy & Resources	5 years	Q4 2021
Extensions/expansions				
Rolls Royce	8 countries	Industry & Manufacturing	2 years	Q1 2021
Barclays	Global	Business Services & IT	5 years	Q2 2021
Victorian Department of Education and Training	Australia	Public Administration	1 year	Q2 2021
DSB	Denmark	Transportation & Infrastructure	5 years	Q4 2021
Industry & Manufacturing customer	Global	Industry & Manufacturing	5 years	Q1 2022
Exits/losses				
Danish Defence	Denmark	Public Administration	-	Q2 2022

¹⁾ Annual revenue above DKK 100 million.

Free cash flow

Free cash flow in H1 2021 was DKK 1,645 million (H1 2020: DKK (1,730) million), an improvement of DKK 3,375 million compared to the same period last year. Free cash flow in H1 2021 was positively impacted by improvement in operating profit before other items and changes in working capital. The latter was a result of the pick-up in activity, strong focus on working capital management as well as timing with a large part expected to reverse in H2 2021.

Cash flow from operating activities in H1 2021 was DKK 2,195 million (H1 2020: DKK (1,150) million), an increase of DKK 3,345 million compared with the same period last year primarily due to the improvement in operating profit before other items and a positive impact from working capital. This was predominantly due to an increase in employee-related accruals following the pick-up in activity and postponement of holidays due to Covid-19, with a large part expected to reverse in H2 2021 as well as generally strong focus on working capital management. The improvement was further supported by improved payment terms for ISS and increased customer prepayments of DKK 272 million following the extension of a global key account contract. Utilisation of factoring of DKK 1.0 billion at 30 June 2021 was unchanged from 31 December 2020.

Cash flow from investing activities in H1 2021 improved to DKK 579 million (H1 2020: DKK (466) million), mainly driven by cash inflow of DKK 889 million from divestments, primarily Kanal Services in Switzerland. Investments in intangible assets and property, plant and equipment, net, was DKK 303 million (H1 2020: DKK 341 million), which represented 0.9% of Group revenue (H1 2020: 1.0%) and reflected continued strict investment discipline during Covid-19. Cash outflow from acquisitions of DKK 21 million was mainly related to earn-out payments on prior-year acquisitions.

Cash flow from financing activities in H1 2021 was DKK (1,121) million (H1 2020: DKK 2,815 million) mainly stemming from lower utilisation of working capital facilities.

Capital structure

It is our primary capital allocation priority to ensure that we maintain a strong and efficient balance sheet and that our liquidity position supports our operational needs and our continued strategy execution.

On the back of a strong liquidity position and with increased visibility on the Covid-19 impact, ISS cancelled the EUR 700 million backup credit facility in May 2021. The facility was established in Q2 2020 in response to Covid-19-related uncertainties. The Group continues to have undrawn facilities of EUR 1 billion in a revolving credit facility maturing November 2024.

ISS has no material debt maturities until 2024 and no financial covenants in the capital structure. We are committed to our Financial Policy of maintaining an investment grade profile and ISS currently holds corporate credit ratings of BBB-/ Negative outlook assigned by S&P and Baa3/ Stable outlook assigned by Moody's.

Net debt decreased to DKK 13.5 billion at 30 June 2021 from DKK 16.4 billion at 30 June 2020, primarily due to free cash flow as well as the progressing divestment programme, which generated proceeds of approximately DKK 1.5 billion in the 12-month period ending 30 June 2021. Pro forma adjusted EBITDA for the 12-month period ending 30 June 2021, excluding one-offs and non-recurring costs related to restructurings initiated in 2020 in response to Covid-19, was DKK 2,536 million, and consequently financial leverage was 5.3x (2020: 7.3x)¹⁾.

Leverage is expected to reduce during 2021 and 2022 as operating performance and free cash flow is expected to improve. As such, we are on track to meet our turnaround target of deleveraging to below 3.0x to be achieved by 31 December 2022.

No dividend payment or share buyback will be made in 2021 and 2022 as the leverage target is not expected to be met until the end of 2022.

¹⁾ Including the impact of restructuring costs and one-offs (LTM), leverage was (94.1)x and (11.5)x at 30 June 2021 and 31 December 2020, respectively.

Equity

Total equity was DKK 6,842 million at 30 June 2021 equivalent to an equity ratio of 15.4% (30 June 2020: 18.9%). The increase from 31 December 2020 was primarily a result of Net profit of DKK 251 million, and positive currency adjustments relating to investments in foreign subsidiaries of DKK 108 million, partially offset by negative fair value adjustments of net investment hedges, net of DKK 65 million.

Divestment programme

The strategic divestment programme had good momentum in the first six months of 2021. ISS completed the divestment of its activities in the Czech Republic, Romania and Slovakia in March and Hungary in April. Furthermore, ISS divested the Swiss sewer maintenance business, Kanal Services in May. In addition, three minor business units in Sweden and the UK were divested in H1 2021.

The divestment of the Group's activities in Slovenia, which was signed in November 2020, has been postponed due to delayed regulatory approval, but is expected to be completed in Q3 2021.

By the end of H1 2021, 11 countries out of the 18 countries in the programme scope had been divested.

Total net proceeds from the above divestments amounted to approximately DKK 1 billion in H1 2021. ISS continues to target approximately DKK 2 billion in total net proceed from the divestment programme in 2021 and 2022.

At 30 June 2021, 9 businesses were classified as held for sale comprising seven countries and two business units; one business in Asia & Pacific and one business in Americas. Assets and liabilities held for sale amounted to DKK 1,372 million and DKK 583 million, respectively.

In H1 2021, divestments and fair value remeasurement of businesses classified as held for sale (including discontinued operations) resulted in a net gain before tax of DKK 576 million (all divestments) (H1 2020: net loss of DKK 130 million), see note 14 to the condensed consolidated interim financial statements.

Management changes

On 13 April 2021 at the Annual General Meeting, Niels Smedegaard was elected as new Chair of the Board of Directors (Board), as Lord Allen of Kensington, previous Chair, did not seek re-election. Furthermore, Kelly Kuhn was elected as new member of the Board, as Claire Chiang did not seek re-election.

On 1 May 2021, Liz Benizon took up the position as Country Manager of ISS UK & Ireland and joined the Executive Group Management.

On 1 June 2021, Markus Sontheimer took up the position as Chief Information and Digital Officer and joined the Executive Group Management.

Subsequent events

Other than as set out elsewhere in this Interim report for H1 2021, we are not aware of events subsequent to 30 June 2021, which are expected to have a material impact on the Group's financial position.

Regional performance

Continental Europe

Revenue in the first six months of 2021 was DKK 13,767 million, which was flat compared to H1 2020, reflecting an organic growth of 5% (H1 2020: 1%).

Acquisitions and divestments, net decreased revenue by 1% and currency effects impacted negatively by 4%.



Organic growth in Continental Europe was mainly driven by strong performance in Turkey, Spain, Switzerland and Italy, albeit with a low comparison base in Q2 2020. In Turkey, the growth was supported by price increases as a result of cost inflation passed on to customers as well as the continued growth from launches of new hospital contracts in the second half of 2020. Spain, Italy and Switzerland experienced continued high demand for projects and above-base work, especially deep-cleaning and disinfection as well as contract expansions. Across the region, projects and above-base work increased around 23% organically. This was partly offset by revenue reductions due to contract exits in Germany and the Netherlands as well as the impact from Covid-19 related lockdowns which continued to negatively impact the region, most significantly in the Netherlands due to high exposure to food services.

Operating profit before other items amounted to DKK 190 million in H1 2021 for an operating margin of 1.4% (H1 2020: (2.5)%). Most countries in the region contributed to the margin increase, led by Spain, Switzerland and Turkey. The ongoing restructuring initiatives, portfolio trimming and continued focus on recovery from Covid-19, together with the high demand for projects and above-base work impacted the margins positively across the region. In Germany the execution programme for the Deutsche Telekom contract continued according to plan and the IT developments were implemented in July 2021.

Q2 2021 Revenue amounted to DKK 6,863 million driven by organic growth of 13% (Q1 2021: (2)%), while currency effects and acquisitions and divestments, net decreased revenue with 1% and 4%, respectively. Organic growth was supported by recovery of portfolio revenue as tight Covid-19 restrictions were eased across the region and continued strong demand for projects and above-base work as well as a low comparison base in Q2 2020. All countries, except the Netherlands, delivered positive organic growth with Turkey, Spain, Switzerland, Belgium, Austria and Italy delivering double-digit growth rates.

Northern Europe

Revenue amounted to DKK 11,398 million in H1 2021, which was flat compared with the same period last year. Organic growth was (1)% (H1 2020: (7)%) and currency effects were positive with 1%.



The continued Covid-19 lockdowns and restrictions across the region were the main drivers behind the negative organic growth, with Norway and the UK being the most significantly impacted. The region has a relatively high exposure to food services, where total revenue decreased by 24% compared to same period last year, albeit with initial signs of recovery towards the end of the period. Norway reported negative organic growth due to high exposure to food services and customers in the Hotels and Aviation segments. The UK was negatively impacted, predominantly by the extended Covid-19 restrictions in most of the first six months of 2021, though partly offset by a pickup within the healthcare segment due to additional above-base work. Organic growth in Finland and Denmark was positive due to high demand for projects and above-base work, mainly deep-cleaning and disinfection. Projects and above-base work for the region increased around 15% organically.

Operating profit before other items amounted to DKK 306 million, resulting in an operating margin of 2.7% (H1 2020: (4.7)%). All countries in the region contributed to the increase in margin with focus on recovery from Covid-19 and continued focus on cost control being the main drivers. Further, the operating margin in H1 2020 was negatively impacted by one-off costs in the UK, following the detailed review of the business platform, as well as the Danish Defence contract in Denmark operating at a loss-making level.

Q2 2021 Revenue amounted to DKK 5,705 million driven by organic growth of 3% (Q1 2021: (4)%), with currency effects increasing revenue by 3%. The organic growth was mainly driven by the continued high demand for projects and above-base work across the region, predominantly in Denmark. All countries in the region contributed to the improvement compared to prior quarters, as initial signs of recovery from Covid-19 appeared towards the end of the quarter.

Asia & Pacific

Revenue decreased 4% to DKK 6,161 million in the first six months of 2021 compared to the same period last year, reflecting a negative organic growth of 1% (H1 2020: 1%), and negative currency effects of 3%.



Covid-19 continued to negatively impact the region, most significantly in India, Indonesia and Singapore. This was partly offset by positive organic growth in Hong Kong, Australia and China, mainly driven by the continued high demand for projects and above-base work, mostly related to deep-cleaning and disinfection. In Australia, this was further driven by the pickup in activity in the domestic Aviation segment. Across the region, projects and above-base work increased around 17% organically.

Operating profit before other items increased to DKK 370 million, resulting in an operating margin of 6.0% (H1 2020: 3.9%). Most countries in the region contributed to the solid operating margin, driven by strong operational performance and the continued demand for higher margin projects and above-base work. This was partially offset by impact from Covid-19 lockdowns, especially in India and Indonesia.

Q2 2021 Revenue was reduced by 2% to DKK 3,032 million, representing an organic growth of (0)% (Q1 2021: (2)%), while currency effects reduced revenue by 2%. The organic growth was driven by Hong Kong, Australia and Singapore, mainly related to Covid-19-related above-base work as well as the Aviation segment in Australia. This was offset by India and Indonesia with continued negative impact from Covid-19.

Americas

Revenue decreased 24% to DKK 2,820 million in H1 2021 compared with the same period last year. Organic growth was (17)% (H1 2020: (11)%), and negative currency effects were 7%.



Due to high exposure to food services and the Aviation segment, the Americas region continued to report the largest revenue decline in the Group. As such, revenue from food services declined by 49% compared to H1 2020 and accounted for around 22% of the region's revenue (2020: 29%) compared to 10% of revenue for the Group (2020: 11%). Initial signs of recovery were seen towards the end of H1 2021. Mexico delivered organic growth of 8.3%, mainly due to solid revenue growth from new sales to key accounts.

Operating profit before other items was DKK 160 million for an operating margin of 5.7% in the first six months of 2021 (H1 2020: 3.1%). Despite the revenue decline, the region continued to generate a solid operating margin mainly as a result of renegotiation of contracts and portfolio trimming last year and continued focus on cost control. Mexico delivered a margin of 5.9% supported by new sales to key accounts.

Q2 2021 Revenue decreased 8% to DKK 1,462 million compared with the same period last year, reflecting negative organic growth of 1% (Q1 2021: (30)%), and negative currency effects of 7%. The negative organic growth was mainly driven by continued Covid-19 closures in food services. This was partly offset by growth in other segments of the business and Mexico. Initial signs of recovery were seen towards the end of the quarter for food services and the Aviation segment.

Outlook

Outlook 2021

This section should be read in conjunction with “Forward-looking statements” as shown in the table on page 12.

Based on the development in H1 2021, the outlook for free cash flow is upgraded. Outlook for organic growth and operating margin remains unchanged.

The execution of the OneISS strategy is progressing in line with plan, including the recovery of the underperforming contracts and countries.

Global uncertainties remain significant as governments across the globe continue to change Covid-19 restrictions and lockdowns. Although the global vaccination programmes are progressing, the impact on the activity levels within ISS's core services remain uncertain.

Organic growth is expected to be positive in 2021 (2020: (6.5)%). Both portfolio revenue and above-base revenue are subject to high uncertainty due to the continued impact of Covid-19. The revenue lost in 2020 from Covid-19 lockdowns and restrictions is expected to be recovered over some years.

Operating margin is expected to be above 2% in 2021 (2020: (4.6)%). The main drivers of the improvement are the progress on the underperforming contracts and countries as well as successful restructuring initiatives in response to Covid-19. These initiatives include contract exits, trimming and renegotiation of especially food services contracts to ensure a healthy profitability at reduced volumes.

Free cash flow is expected to be above DKK 1 billion in 2021 compared to previously expected “slightly positive” (2020: DKK (1.8) billion). The upgrade of the outlook is mainly a result of working capital improvement. The factoring level is expected to slightly increase in 2021 compared to 2020.

Outlook 2021

	Annual Report 2020	Interim report H1 2021
Organic growth	Positive	Positive
Operating margin ¹⁾	Above 2%	Above 2%
Free cash flow	Slightly positive	Above DKK 1bn

¹⁾ Based on operating profit before other items

Turnaround targets

ISS confirms the turnaround targets announced as part of the launch of the OneISS strategy in December 2020. The expectation for free cash flow in 2022 is unchanged but due to the changed outlook for 2021, the wording has been amended from “strongly improving in 2022” to “solid positive free cash flow in 2022”.

The turnaround targets focus on the short-term recovery of the business and are outlining a healthy recovery with focus on profitability and cash generation:

- 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
- Above DKK 1 billion free cash flow in 2021 and solid positive free cash flow in 2022

Expected revenue impact from divestments, acquisitions and foreign exchange rates in 2021

Divestments and acquisitions completed by 31 July 2021 (including in 2020) are expected to have a negative impact on revenue growth in 2021 of approximately 0-1%-point. In the absence of acquisitions, the negative revenue impact is likely to increase during the year as we execute on the strategic divestment programme. Business units to be divested are included in Group revenue until the time of divestment. Countries to be divested continue to be reported as discontinued operations. Consequently, only business units will impact revenue growth upon divestment. Based on the current exchange rates, a negative impact on revenue growth of 0-2%-points is expected in 2021 from the development of foreign exchange rates.

¹⁾ The forecasted average exchange rates for the financial year 2021 are calculated using the realised average exchange rates for the first seven months of 2021 and the average forward exchange rates (as of 1 August 2021) for the remaining five months of 2021.

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, except to the extent required by law.

The Annual Report 2020 of ISS A/S is available at the Group's website, www.issworld.com.

Management statement

Copenhagen, 11 August 2021

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 2021.

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 2021 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 30 June 2021.

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

Pierre-François Riolacci
CEO Europe

Board of Directors

Niels Smedegaard
Chairman

Henrik Poulsen
Deputy Chairman

Valerie Beaulieu

Kelly Lynn Kuhn

Ben Stevens

Søren Thorup Sørensen

Cynthia Mary Trudell

Nada Elboayadi (E)

Joseph Nazareth (E)

Elsie Yiu (E)

E = Employee representative

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Condensed consolidated statement of profit or loss

1 January – 30 June

DKK million	Note	YTD 2021	YTD 2020
Revenue	4, 5	34,404	35,481
Staff costs	17	(22,876)	(23,794)
Consumables		(2,226)	(3,070)
Other operating expenses		(8,016)	(8,571)
Depreciation and amortisation ¹⁾		(778)	(808)
Operating profit before other items		508	(762)
Other income and expenses, net	7	441	(794)
Goodwill impairment	8	(450)	(416)
Amortisation/impairment of brands and customer contracts		(31)	(48)
Operating profit		468	(2,020)
Financial income	9	14	28
Financial expenses	9	(299)	(317)
Profit before tax		183	(2,309)
Income tax		(92)	(231)
Net profit from continuing operations		91	(2,540)
Net profit from discontinued operations	10	160	(137)
Net profit		251	(2,677)
Attributable to:			
Owners of ISS A/S		245	(2,682)
Non-controlling interests		6	5
Net profit		251	(2,677)
Earnings per share, DKK			
Basic earnings per share (EPS)		1.3	(14.5)
Diluted earnings per share		1.3	(14.5)
Earnings per share for continuing operations, DKK			
Basic earnings per share (EPS)		0.4	(13.8)
Diluted earnings per share		0.4	(13.8)

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

Condensed consolidated statement of comprehensive income

1 January – 30 June

DKK million	Note	YTD 2021	YTD 2020
Net profit		251	(2,677)
Other comprehensive income			
Actuarial gains/(losses)	15	650	(359)
Impact from asset ceiling regarding pensions		(638)	102
Tax		(3)	48
Net total, that will not be reclassified to profit or loss in subsequent periods		9	(209)
Foreign exchange adjustments of subsidiaries and non-controlling interests		108	(455)
Fair value adjustments of net investment hedges		(83)	125
Recycling of accumulated foreign exchange adjustments on country exits		(26)	-
Tax		18	(27)
Net total, that may be reclassified to profit or loss in subsequent periods		17	(357)
Other comprehensive income		26	(566)
Comprehensive income		277	(3,243)
Attributable to:			
Owners of ISS A/S		274	(3,246)
Non-controlling interests		3	3
Comprehensive income		277	(3,243)

Condensed consolidated statement of cash flows

1 January – 30 June

DKK million	Note	YTD 2021	YTD 2020
Operating profit before other items		508	(762)
Operating profit before other items from discontinued operations	10	45	26
Depreciation and amortisation		778	816
Share-based payments		35	2
Changes in working capital	11	1,614	(730)
Changes in provisions, pensions and similar obligations		(378)	81
Other expenses paid		(32)	(136)
Interest received		14	40
Interest paid		(165)	(233)
Income tax paid		(224)	(254)
Cash flow from operating activities		2,195	(1,150)
Acquisition of businesses		(21)	(103)
Divestment of businesses	13	889	(5)
Acquisition of intangible assets and property, plant and equipment		(312)	(382)
Disposal of intangible assets and property, plant and equipment		9	41
Acquisition of financial assets, net		14	(17)
Cash flow from investing activities		579	(466)
Other financial payments, net		(638)	3,319
Repayment of lease liabilities		(468)	(504)
Acquisition of non-controlling interests		(15)	-
Cash flow from financing activities		(1,121)	2,815
Total cash flow		1,653	1,199
Cash and cash equivalents at 1 January		2,742	2,670
Total cash flow		1,653	1,199
Foreign exchange adjustments		93	(281)
Cash and cash equivalents at 30 June		4,488	3,588
Free cash flow	12	1,645	(1,730)

Condensed consolidated statement of financial position

DKK million	Note	30 June 2021	30 June 2020	31 December 2020
Assets				
Intangible assets		22,189	23,574	22,518
Property, plant and equipment and leases		3,276	4,001	3,546
Deferred tax assets		899	825	818
Other financial assets		323	331	354
Non-current assets		26,687	28,731	27,236
Inventories		167	274	175
Trade receivables		9,828	11,928	9,861
Tax receivables		171	111	163
Other receivables		1,694	3,239	1,567
Cash and cash equivalents		4,488	3,588	2,742
Assets held for sale	14	1,372	1,497	1,861
Current assets		17,720	20,637	16,369
Total assets		44,407	49,368	43,605
Equity and liabilities				
Equity attributable to owners of ISS A/S		6,817	9,279	6,516
Non-controlling interests		25	27	29
Total equity		6,842	9,306	6,545
Loans and borrowings		17,194	13,806	17,345
Pensions and similar obligations	15	1,467	1,653	1,507
Deferred tax liabilities		975	1,455	1,022
Provisions	16	294	313	624
Non-current liabilities		19,930	17,227	20,498
Loans and borrowings		870	6,286	1,298
Trade and other payables		5,537	5,180	5,083
Tax payables		124	283	142
Other liabilities		9,014	10,127	7,899
Provisions	16	1,507	183	1,302
Liabilities held for sale	14	583	776	838
Current liabilities		17,635	22,835	16,562
Total equity and liabilities		44,407	49,368	43,605

Condensed consolidated statement of changes in equity

1 January – 30 June

		Attributable to owners of ISS A/S						
DKK million	Note	Share capital	Retained earnings	Translation reserve ¹⁾	Treasury shares	Total	Non-controlling interests	Total equity
2021								
Equity at 1 January		185	8,124	(1,602)	(191)	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	6	-	35	-	-	35	-	35
Acquisition of 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	8,405	(1,582)	(191)	6,817	25	6,842
2020								
Equity at 1 January		185	13,421	(892)	(191)	12,523	24	12,547
Net profit		-	(2,682)	-	-	(2,682)	5	(2,677)
Other comprehensive income		-	(209)	(355)	-	(564)	(2)	(566)
Comprehensive income		-	(2,891)	(355)	-	(3,246)	3	(3,243)
Share-based payments		-	2	-	-	2	-	2
Transactions with owners		-	2	-	-	2	-	2
Changes in equity		-	(2,889)	(355)	-	(3,244)	3	(3,241)
Equity at 30 June		185	10,532	(1,247)	(191)	9,279	27	9,306

¹⁾ At 30 June 2021, accumulated foreign exchange losses of DKK 17 million related to discontinued operations (30 June 2020: gain of DKK 139 million).

1 General accounting policies

The condensed consolidated interim financial statements of ISS A/S for the period 1 January - 30 June 2021 comprise ISS A/S and its subsidiaries (collectively, the Group).

Basis of preparation

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 Group has prepared the condensed consolidated interim financial statements on the basis that it will continue to operate as a going concern. The Board of Directors and the Executive Group Management Board consider that there are no material uncertainties that may cast significant doubt over this assumption and have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The condensed consolidated interim financial statements do not include all the information and 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 2020.

2 Changes in accounting policies

The accounting policies adopted in these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2020, except for the adoption of a number of new or 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 standards.

3 Significant accounting estimates and judgements

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

Except for the judgements and estimates commented upon in the notes of these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

4 Segment information

ISS is a leading, global provider of workplace and facility service solutions operating in 60 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".

DKK million	Continental Europe	Northern Europe	Asia & Pacific	Americas	Other countries	Total segments
YTD 2021						
Revenue ¹⁾	13,767	11,398	6,161	2,820	278	34,424
Operating profit before other items	190	306	370	160	9	1,035
Operating profit	176	297	365	148	9	995
Total assets	16,011	17,109	7,489	4,261	1,454	46,324
Hereof assets held for sale	-	-	167	315	890	1,372
Total liabilities	9,609	10,160	3,181	3,221	773	26,944
Hereof liabilities held for sale	-	-	35	74	474	583

YTD 2020						
Revenue ¹⁾	13,703	11,343	6,414	3,708	324	35,492
Operating profit before other items	(344)	(535)	247	114	15	(503)
Operating profit	(1,084)	(683)	204	100	14	(1,449)
Total assets	18,213	17,453	7,900	4,868	2,839	51,273
Hereof assets held for sale	-	-	121	-	1,376	1,497
Total liabilities	11,091	10,436	3,791	3,861	1,603	30,782
Hereof liabilities held for sale	-	-	36	-	740	776

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

Reconciliation of operating profit

DKK million	YTD 2021	YTD 2020
Operating profit for reportable segments	995	(1,449)
Unallocated corporate costs	(527)	(259)
Unallocated other income and expenses, net	-	(312)
Operating profit	468	(2,020)

5 Revenue

DKK million	YTD 2021	YTD 2020
Key accounts	23,578	23,628
Large and medium	8,730	9,887
Small and route-based	2,096	1,966
Revenue	34,404	35,481

6 Share-based payments

LTIP 2021

On 1 March 2021, new performance-based share units (PSUs) were granted under the LTIP to members of the EGM (EGMB and Corporate Senior Officers of the Group) and other senior officers of the Group. The programme is described in the consolidated financial statements for 2020. The number of PSUs granted was 1,349,527. 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 2021

Total PSUs granted	1,349,527
Number of participants	129
Number of PSUs expected to vest at grant date	685,249
Fair value of PSUs expected to vest at grant date, DKK million	80

LTIP 2018 (vested)

In March 2021, the LTIP 2018 programme vested. Based on the annual EPS and TSR performances for 2018, 2019 and 2020, 0% of the granted PSUs vested. After this vesting, no further PSUs are outstanding under the LTIP 2018 and the programme has lapsed.

7 Other income and expenses, net

DKK million	YTD 2021	YTD 2020
Gain on divestments	456	19
Other income	456	19
Loss on divestments	(10)	(16)
Acquisition and integration costs	(5)	(1)
IT security incident	-	(778)
Winding up of businesses	-	(18)
Other expenses	(15)	(813)
Other income and expenses, net	441	(794)

Gain on divestments mainly related to the divestment of Kanal Services in Switzerland. In 2020, the gain related mainly to the divestment of the Pest control business in Singapore.

Loss on divestments mainly related to the divestment of the Fruit Baskets business in Sweden and the Restoration business in the UK. In 2020, the loss comprised additional divestment and settlement costs mainly related to prior-year divestments in Denmark and Germany.

IT security incident in 2020 comprised unavoidable incremental costs incurred as a consequence of the IT security incident, including writedown of impaired assets, non-chargeable costs due to lack of documentation and certain customer claims and penalties.

Winding up of businesses in 2020 related to the Open Space business in Australia.

8 Goodwill impairment

DKK million	YTD 2021	YTD 2020
Identified in impairment tests	450	400
Loss on divestments	-	16
Goodwill impairment	450	416

Identified in impairment tests in 2021 and 2020, the losses related to goodwill impairment in France.

Loss on divestments in 2020 related to the Parking Management business in Indonesia.

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 2021, the Group performed a review for indications of impairment of the carrying amount of intangibles. Except for France, it is management's opinion, based on the review performed, that excess values 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 2020.

France At 30 June 2021, the impairment test for France resulted in recognition of an impairment loss on goodwill of DKK 450 million.

During the first six months of 2021, management has gained more insights and increased transparency around the recoverability from Covid-19 and related uncertainties, noting that the pace of market recovery within the most impacted customer segments remains uncertain. Accordingly, the risk reflected in the applied WACC has been increased. Combined with increasing interest rates in H1 2021, this led to a higher applied WACC at 30 June 2021. Furthermore, compared to previous assessments, management expects a more moderate growth and margin improvement in 2023-2025, especially within the most impacted customer segments. Assumptions for the terminal period are maintained.

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

	Goodwill	Forecasting period				Terminal period				Discount rate, net of tax	
		Growth		Margin		Growth		Margin			
	Carrying amount (DKK million)	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease	Applied avg. rate	Allowed decrease
30 June 2021	937	0.9%	0.0%	2.4%	0.0%	2.0%	0.0%	5.0%	0.0%	8.9%	0.0%
31 Dec 2020	1,387	3.1%	2.1%	3.1%	2.0%	2.0%	0.7%	5.0%	0.6%	7.3%	0.6%

9 Financial income and expenses

DKK million	YTD 2021	YTD 2020
Interest income on cash and cash equivalents	14	16
Foreign exchange gains	-	12
Financial income	14	28
Interest expenses on loans and borrowings	(189)	(223)
Interest expenses on lease liabilities	(35)	(40)
Bank fees	(23)	(24)
Foreign exchange losses	(12)	-
Net interest on defined benefit obligations	(9)	(8)
Forward premiums, currency swaps	(9)	(2)
Other ¹⁾	(22)	(20)
Financial expenses	(299)	(317)

¹⁾ Including interest expenses related to non-recourse factoring with certain large blue-chip customers.

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

Interest expenses on loans and borrowings decreased during 2021, mainly driven by lower utilisation of Group credit facilities. This was partly offset by higher interest expenses on bonds as the EUR 300 million 2021 bond was refinanced by a new 5-year EUR 500 million bond in H2 2020 as well as increased commitment fees on Group credit facilities.

Forward premiums on currency swaps ISS uses currency swaps to hedge the exposure to currency risk on intercompany loans. The cost of hedging increased slightly in H1 2021 due to higher interest rate spreads compared to H1 2020.

10 Discontinued operations

Our strategic divestment programme (announced in December 2018 and updated in December 2020) has progressed well. In the first half of 2021, we completed the divestment of the Czech Republic, Romania and Slovakia in March and Hungary in April. At 30 June 2021, seven countries out of the total 18 countries in the programme scope continued to be classified as discontinued operations and assets held for sale.

The divestment of the Group's activities in Slovenia, which was signed in November 2020, has been postponed due to delayed regulatory approval but is expected to be completed during Q3 2021. Management remains committed to finalising the divestment programme while focusing on executing divestments at adequate valuations.

Net profit/(loss) from discontinued operations

DKK million	YTD 2021	YTD 2020
Revenue	1,185	2,257
Expenses ¹⁾	(1,140)	(2,231)
Operating profit before other items	45	26
Other income and expenses, net ²⁾	130	(118)
Operating profit	175	(92)
Financial income/(expenses), net	(2)	(16)
Net profit before tax	173	(108)
Income tax	(13)	(29)
Net profit from discontinued operations	160	(137)
Earnings per share from discontinued operations, DKK		
Basic earnings per share (EPS)	0.9	(0.7)
Diluted earnings per share	0.9	(0.7)

¹⁾ Including depreciation and amortisation of DKK 0 million (2020: DKK 8 million).

²⁾ Related to net gain from divestments, including recycling of accumulated foreign exchange adjustments (2020: including impairment loss of DKK 114 million due to remeasurement of the fair value of Brazil).

Cash flow from discontinued operations

DKK million	YTD 2021	YTD 2020
Cash flow from operating activities	46	66
Cash flow from investing activities	(15)	(1)
Cash flow from financing activities	(18)	(38)

11 Changes in working capital

DKK million	YTD 2021	YTD 2020
Changes in inventories	11	(3)
Changes in receivables	(32)	(452)
Changes in payables	1,635	(275)
Total	1,614	(730)

12 Free cash flow

Free cash flow as defined by management, cf. the 2020 Annual Report p. 94, 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. 17.

DKK million	YTD 2021	YTD 2020
Cash flow from operating activities	2,195	(1,150)
Acquisition of intangible assets and property, plant and equipment	(312)	(382)
Disposal of intangible assets and property, plant and equipment	9	41
Acquisition of financial assets, net ¹⁾	(4)	(7)
Addition of right-of-use assets, net	(243)	(232)
Total	1,645	(1,730)

¹⁾ Excluding investments in equity-accounted investees of DKK (18) million (2020: DKK 10 million). The negative investments in 2021 related to dividends and disposals of equity-accounted investees.

13 Divestments

The Group completed eight divestments during 1 January - 30 June 2021 (three during 1 January - 30 June 2020):

Company/activity	Country	Service type	Excluded from profit or loss	Interest	Annual revenue ¹⁾ (DKK million)	Number of employees ¹⁾
Fruit Baskets	Sweden	Food	February	Activities	17	19
Indoor Plants	Sweden	Technical	February	Activities	23	35
ISS Slovakia	Slovakia	Country exit	April	100%	102	831
ISS Czech Republic	Czech Republic	Country exit	April	100%	262	1,698
ISS Romania	Romania	Country exit	April	100%	88	934
ISS Hungary	Hungary	Country exit	May	100%	55	439
Kanal Services	Switzerland	Technical	May	100%	339	280
Restoration business	UK	Technical	June	100%	23	36
Total					909	4,272

¹⁾ Unaudited.

Divestment impact

DKK million	YTD 2021	YTD 2020
Goodwill	191	31
Other non-current assets	289	10
Current assets	224	38
Non-current liabilities	(36)	(1)
Loans and borrowings	(121)	(6)
Current liabilities	(153)	(18)
Net assets disposed	394	54
Gain/(loss) on divestment, net	550	1
Divestment costs	71	27
Consideration received	1,015	82
Cash in divested businesses	(60)	(20)
Cash consideration received	955	62
Contingent and deferred consideration	-	5
Divestment costs paid	(66)	(72)
Divestment of businesses (cash flow)	889	(5)

Divestments subsequent to 30 June 2021

The Group completed no divestments from 1 July to 31 July 2021.

14 Assets and liabilities held for sale

Businesses classified as held for sale

At 31 December 2020, 14 businesses were classified as held for sale comprising 11 countries (discontinued operations) and three business units in Continental Europe, Asia & Pacific and Americas, respectively.

In H1 2021, we completed the divestment of four countries and the Kanal Services business in Switzerland. As a result 9 businesses were classified as held for sale at 30 June 2021.

Profit or loss effect

In H1 2021, divestment of businesses classified as held for sale at 31 December 2020 resulted in recognition of a net gain of DKK 576 million in the profit or loss. The net gain was recognised in Other income and expenses, net (DKK 446 million (gain)) and Net profit from discontinued operations (DKK 130 million (gain)).

Recycling of accumulated foreign exchange adjustments recognised in equity had a positive impact on the net gain of DKK 26 million, mainly related to the Czech Republic, Slovakia and Romania.

15 Pensions and similar obligations

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

At 30 June 2021, the overall evaluation carried out by management resulted in updated actuarial calculations being obtained for Switzerland and the UK, due to market fluctuations, which had impacted interest rates and asset values. The updated calculations led to recognition of actuarial gains of DKK 650 million, which were largely offset by impact from asset ceiling of DKK 638 million. The net gain of DKK 12 million (DKK 9 million net of tax) was recognised in other comprehensive income with a resulting decrease in the defined benefit obligation.

16 Provisions

At 30 June 2021, the carrying amount of provisions was DKK 1,801 million (31 December 2020: DKK 1,926 million). The decrease was primarily due to payments related to restructuring provisions recognised in 2020 on the back of Covid-19 in a number of countries.

As announced 24 June 2021, ISS and Danish Defence agreed to exit their partnership in Denmark by the end of May 2022. The provision recognised in 2020 in relation to the contract will cover the agreed exit fee and exit costs as well as operation of the contract until the exit date. No further provision has been recognised in 2021.

A dispute has arisen under a PFI (Private Finance Initiative) contract between ISS's end-customer and the project company. The dispute does not relate to the services delivered by ISS, but as a subcontractor to the project company, the dispute creates uncertainty as to ISS's received remuneration. ISS has engaged in constructive dialogue with the parties to ensure unaffected services and payments. However, as a consequence of the uncertainty following the ongoing dispute, remuneration received in relation to the services delivered has not been recognised as income.

17 Government grants and assistance

Covid-19 related grants and assistance

Governments in several countries, most significantly Hong Kong, Switzerland, the UK, Australia, Germany, Austria and France have offered support schemes in the form of wage compensation. The schemes are temporary, subject to certain conditions, and compensate costs related to e.g. employees on furlough, social security contribution and sick pay compensation.

During the first six months of 2021, the Group was entitled to receive DKK 324 million in employee-related grants, which is specified below. As the grants compensate costs already incurred they are recognised in profit or loss as a reduction of staff costs. Depending on the specific commercial model, customers were appropriately and accordingly compensated.

DKK million	YTD 2021	YTD 2020
Wage subvention	309	605
Sick pay compensation	9	8
Social security contribution	5	12
Other	1	4
Recognised in Staff costs	324	629
Hereof included in Other receivables as of 30 June	56	109

18 Subsequent events

Other than set out elsewhere in these condensed consolidated interim financial statements, we are not aware of events subsequent to 30 June 2021, 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 2021 at 10:00 am CEST. Presentation material will be available online prior to the conference call.

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Link: <https://streams.eventcdn.net/iss/interim-report-for-h1-2021/>

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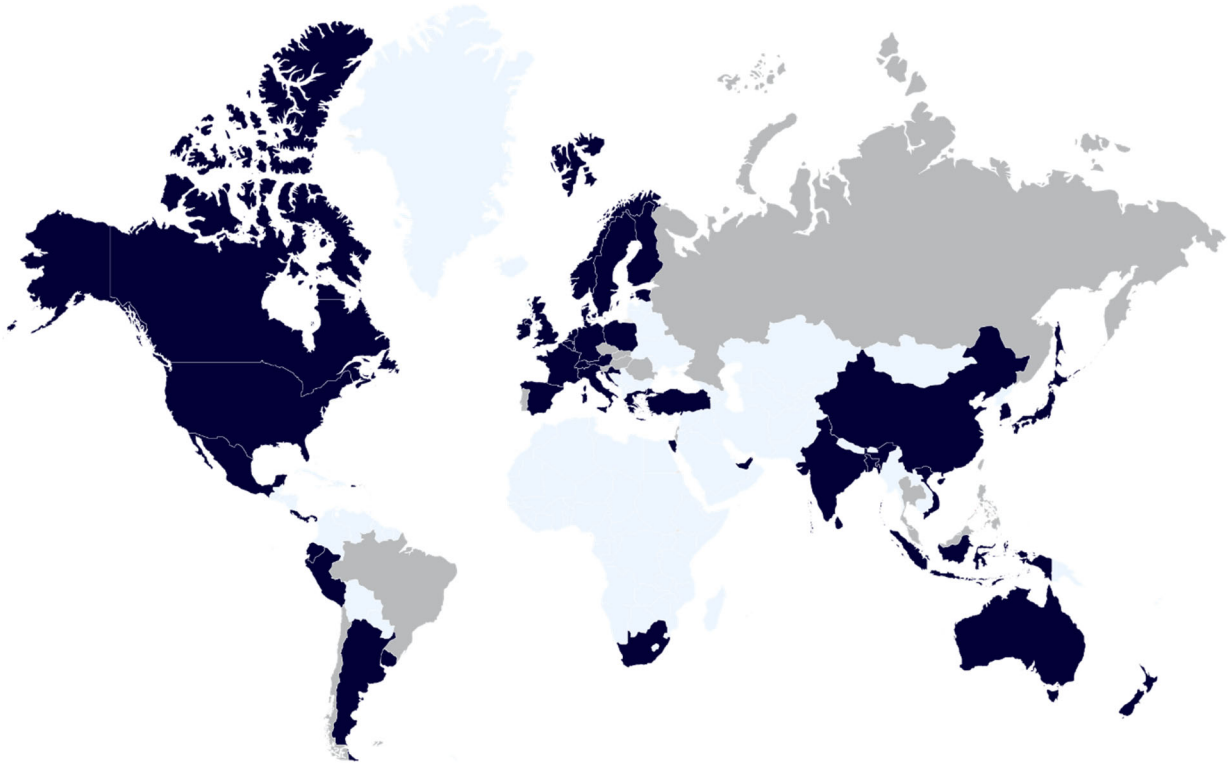
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Our global footprint



ISS is a leading, global provider of workplace and facility service solutions. In partnership with customers, ISS drives the engagement and well-being of people, minimises the impact on the environment, and protects and maintains property. ISS brings all of this to life through a unique combination of data, insight and service excellence at offices, factories, airports, hospitals and other locations across the globe. In 2020, Group revenue was DKK 69.8 billion.