Interim report for 1 January – 30 June 2024

Robust financial development. Second tranche of the share buyback programme increased by DKK 250 million to DKK 750 million

Highlights

Financial performance update

- Organic growth was 5.8% in Q2 2024 (Q2 2023: 10.9%), and 5.9% in H1 2024 (H1 2023: 11.4%), mainly driven by price increases implemented across the Group and positive volume growth.
- Operating margin before other items (excl. IAS 29) improved to 4.0% in H1 2024 from 3.6% in H1 2023 as a result of continued operational improvements across the Group.
- Free cash flow was DKK (1.1) billion in H1 2024 (H1 2023: DKK (1.1) billion) reflecting normal seasonality with negative effect from changes in working capital, including Deutsche Telekom withholding certain payments.

Business update

- As announced on 8 August 2024, ISS has been awarded a 7-year contract, subject to signing, with the UK Department of Work and Pensions (DWP) with an expected annual revenue of around DKK 1.2 billion.
- ISS extended several key account contracts including the longstanding global IFS partnership with Barclays.
- The contracts with DEFRA in the UK and the Danish Building and Property Agency are now fully operational and performing according to expectations.
- In April 2024, ISS acquired gammaRenax in Switzerland and completed the divestment of ISS France.
- The arbitration process with Deutsche Telekom progressed according to plan.

Capital distribution and outlook

- Credit rating upgraded to BBB from BBB- by S&P Global and financial leverage at 2.6x at 30 June 2024.
- On 9 August 2024, ISS concluded the first DKK 500 million tranche of its share buyback programme. The second tranche has been increased by DKK 250 million to DKK 750 million due to the strong liquidity position and cash flow outlook. The total share buyback programme will thereby amount to DKK 1.25 billion.
- 2024 outlook for organic growth is narrowed to 5 – 6% (previously 4 – 6%) on the back of the performance in H1 2024. Outlook for operating margin above 5% and free cash flow above DKK 1.8 billion are maintained.

Kasper Fangel Group CEO, ISS A/S, says:

"I'm pleased that we continued to meet our financial and operational targets in the first half of 2024. I am especially pleased that our operating margin is improving in line with our expectations. Our growth and robust financial performance are the results of our steadfast focus on managing inflationary pressure, as well as the outstanding, dedicated efforts of our placemakers, who deliver value to our customers every day. We have successfully mobilised new large customer contracts, such as DEFRA and the Danish Building and Property Agency, and we are well on track to deliver on our targets for the full year. Due to the strong liquidity position and cash flow outlook, we are today able to increase our share buyback programme with DKK 250 million for the next six months."

Financial overview	Q1 2024	Q2 2024	H1 2024	H1 2023
DKK million (unless otherwise stated)				
Revenue	20,090	20,591	40,681	38,336
Organic growth, %	6.0	5.8	5.9	11.4
Operating profit before other items			1,580	1,347
Operating profit before other items, excl. IAS 29			1,600	1,403
Operating margin (before other items), %			3.9	3.5
Operating margin (before other items), %, excl. IAS 29			4.0	3.6
Free cash flow			(1,095)	(1,074)

Key figures and financial ratios

Financials	H1 2024	H1 2023	2023
Results (DKK million)			
Revenue	40,681	38,336	78,681
Operating profit before other items	1,580	1,347	3,300
Operating profit before other items, excl. IAS 29	*1,600*	*1,403*	*3,348*
Operating profit	1,517	1,319	3,138
EBITDA before other items	2,314	2,017	4,717
EBITDA	2,291	2,021	4,624
Pro forma adjusted EBITDA, LTM	5,118	4,503	4,789
Financial expenses, net	(288)	(312)	(607)
Net profit from continuing operations	940	798	1,977
Net profit from discontinued operations	(71)	(1,353)	(1,652)
Net profit	869	(555)	325
Net profit adjusted	990	713	2,120
Cash flow (DKK million)			
Cash flow from operating activities	(333)	(322)	3,392
Acquisition of intangible assets and property, plant and equipment, net	(289)	(355)	(703)
Free cash flow	(1,095)	(1,074)	1,775
Free cash flow, excl. IAS 29	*(1,100)*	*(1,072)*	*1,791*
Financial position (DKK million)			
Total assets	50,139	45,132	47,693
Goodwill	20,102	19,205	19,696
Additions to property, plant and equipment and right-of-use assets	637	608	1,302
Equity	10,793	9,456	10,522
Net debt	13,230	12,971	10,548
Shares ('000)			
Number of shares issued	185,668	185,668	185,668
Number of treasury shares	2,545	332	332
Average number of shares (basic)	183,135	185,333	185,334
Average number of shares (diluted)	185,864	188,258	187,954

Ratios	H1 2024	H1 2023	2023
Financial ratios (%, unless otherwise stated)			
Organic growth	5.9	11.4	9.7
Acquisitions and divestments, net	1.0	0.4	0.5
Currency and other adjustment	(0.8)	(4.0)	(3.6)
Total revenue growth	6.1	7.8	6.6
Operating margin	3.9	3.5	4.2
Operating margin, excl. IAS 29	*4.0*	*3.6*	*4.3*
Cash conversion	(69.3)	(79.7)	53.8
Equity ratio	21.5	21.0	22.1
Net debt / Pro forma adjusted EBITDA	2.6x	2.9x	2.2x
Share ratios (DKK)			
Basic earnings per share (EPS)	4.7	(3.1)	1.5
Diluted EPS	4.6	(3.1)	1.5
Basic EPS (continuing operations)	5.1	4.2	10.4
Diluted EPS (continuing operations)	5.0	4.1	10.3

Non-financials	H1 2024	H1 2023	2023
Social data			
Full-time employees	79%	77%	77%
Employees end of period, number	327,704	345,303	352,749

Definitions, see Annual Report 2023.

Business update

In the first half of 2024, execution of the OneISS strategy continued. With enhanced focus on fewer strategic initiatives, execution power to drive value creation has been strengthened.

From a commercial perspective, ISS secured a 5-year extension of the longstanding partnership with Barclays under which ISS provides integrated facility services and great workplace experiences to more than 80,000 Barclays employees across the world. Furthermore, ISS leveraged its strength within focus segments to extend other large key account contracts with several banking customers in Europe and in other industries across the world. As a result, the customer retention rate was above 94%.

On 8 August 2024, ISS announced that ISS Mediclean Limited (a subsidiary of ISS UK Ltd.) was awarded a 7-year contract with the UK Department of Work and Pensions (DWP) subject to final contract with anticipated signing by the end of August 2024. Under the contract ISS will be delivering integrated facility services across more than 800 sites in the UK. Annual revenue of the contract is expected to be around DKK 1.2 billion. Mobilisation is expected to begin in October 2024 with an anticipated go-live date in October 2025.

With the self-delivery model, ISS is actively driving the social sustainability agenda which is becoming an increasingly important element of commercial discussions.

In the US, a contract with a key account customer in the industry and manufacturing segment has been exited. The contract has been margin-dilutive from inception in 2020, from a Group as well as a regional perspective. Dialogue with the customer did not lead to satisfactory terms. As a result, the contract was terminated by mutual agreement effective 30 June 2024. Annual revenue from the contract amounted to around 1% of Group revenue.

Mobilisation of the significant key account contracts with DEFRA in the UK and the Danish Building and Property Agency in Denmark was completed according to plan in Q2 2024, and the contracts are now fully operational. Significant resources and resulting costs have been invested in the mobilisation processes to ensure a quick and safe ramp up of the contracts.

Acquisitions and divestments

In April 2024, ISS completed the bolt-on acquisition of gammaRenax in Switzerland adding around 0.6% to Group annual revenue. The integration process is progressing according to plan and is expected to conclude by the end of 2024.

The divestment of ISS France was completed in April 2024 and financial leverage was broadly unchanged. Net profit generated in the business up until the completion of the divestment was a loss of DKK 71 million and continued to be reported in "Net profit from discontinued operations".

Deutsche Telekom

In December 2022, ISS initiated arbitration proceedings under the German Arbitration Institute (DIS) to decide on certain contractual disagreements on the Deutsche Telekom contract. The arbitration process is progressing according to plan and is expected to complete with a final and binding ruling by mid-2025.

As previously described, Deutsche Telekom is withholding certain payments to ISS related to services delivered. This impacted free cash flow in the first half of 2024 negatively in line with expectations.

Group Performance

Operating results

Group revenue in the first six months of 2024 was DKK 40.7 billion, an increase of 6.1% compared with the same period last year. Organic growth was 5.9% as the development from Q1 was sustained. Acquisitions and divestments, net contributed 1.0% which was more than offset by adverse currency effects of 2.4%. The net impact from hyperinflation restatement in Türkiye (IAS 29) was positive 1.6%.

Organic growth was 5.9% in the first half of 2024 (H1 2023: 11.4%), primarily driven by implementation of price increases and volume growth as a result of increased activity levels at customer sites and contract expansions across the Group. Portfolio revenue benefitted positively from this development and grew by 8.1% organically.

ISS continued to implement price increases in line with contractual agreements to mitigate the effects of wage increases and general cost inflation. This had a positive effect on organic growth of around 6.5%-points of which around half related to Türkiye.

Volume growth contributed around 1%-point to organic growth. This was driven by a combination of increased activity levels at customer sites and expansion of contracts with existing customers mainly in Northern Europe and Asia & Pacific.

Net contract wins were negative by around 1%-point, primarily driven by contracts lost and exited during 2023. This was partially offset by the start-up of the contracts with DEFRA in the UK and the Danish Building and Property Agency during Q2 2024.
Revenue from projects and above-base work showed negative organic growth of 5%, and thereby had a negative contribution of just below 1%-point to organic growth for the Group. The decline was driven by lower demand for deep cleaning and disinfection work, projects related to customers' refurbishment programmes and a negative contribution from exits and losses of certain contracts. Projects and above-base work accounted for 15% of Group revenue and remained well above the pre-pandemic revenue level.

Revenue from key account customers continued its solid development and organic growth was 5%, driven by price increases, increased activity levels and investments in the workplace. Key accounts' share of Group revenue was 71% (H1 2023: 72%).

From a regional perspective, organic growth was mainly driven by Central & Southern Europe and Northern Europe, due to price increases and volume growth. This was partly offset by negative organic growth in Americas, where contracts lost and exited during 2023 had full revenue impact in the first six months of 2024. Organic growth in Asia & Pacific was 3%, as the positive effect from price increases and volume was partly offset mainly by lower demand for projects and above-base work.

Operating profit before other items was DKK 1,580 million (H1 2023: DKK 1,347 million) and operating margin was 3.9% (H1 2023: 3.5%). Excluding the effect from IAS 29 (Türkiye hyperinflation) operating profit before other items amounted to DKK 1,600 million (H1 2023: DKK 1,403 million) corresponding to an operating margin of 4.0% (H1 2023: 3.6%).

The increase in operating margin in the first half of 2024 was mainly a result of continued operational improvements and efficiencies realised across the Group. Margin on the Deutsche Telekom contract improved due to continued operational

Revenue and growth

DKK million	H1 2024	H1 2023	Organic growth	Acq./ div.	Currency & other adj.	Revenue Growth
Northern Europe	15,376	14,428	6%	(0)%	1%	7%
Central & Southern Europe	13,397	11,721	12%	4%	(2)%	14%
Central & Southern Europe, excl. IAS 29	*13,212*	*12,171*	*12%*	*4%*	*(7)%*	*9%*
Asia & Pacific	7,049	7,037	3%	(1)%	(2)%	0%
Americas	4,535	4,773	(3)%	-	(2)%	(5)%
Other countries	349	400	(15)%	-	2%	(13)%
Corporate / eliminations	(25)	(23)	-	-	-	-
Group [1)]	40,681	38,336	5.9%	1.0%	(0.8)%	6.1%

[1)] The net impact from hyperinflation restatement in Türkiye (IAS 29) was 1.6% on Group- level, that has been included in Currency & other adj.

improvements, the run rate margin in the UK improved as expected and cost savings from last year's review of the OneISS initiatives were realised. In addition, the margin benefitted from certain one-off income in Asia & Pacific, partly offset by non-recurring costs at corporate level.

ISS has established a shared services centre in Gdansk, Poland, which focuses on driving cost efficiency in transactional services. The transition of services from primarily European country organisations to the shared services centre was initiated in 2023 and continued in 2024 driving additional costs in H1.

All regions contributed to the margin improvement. In Northern Europe, operational improvements were partly offset by mobilisation costs incurred leading to a margin improvement. In Central & Southern Europe, the margin increase was primarily a result of continued improvements on the Deutsche Telekom contract. In Americas, margin improved due to a combination of operational improvements and exit of less profitable contracts. In Asia & Pacific, margin was positively impacted by margin improvements across the region and non-recurring income which, however, on a Group level was offset by non-recurring costs.

Corporate costs amounted to DKK 481 million (H1 2023: DKK 471 million) corresponding to 1.2% of Group revenue (H1 2023: 1.2%). Benefits from last years' review of the OneISS initiatives reduced corporate costs, although the majority of savings is expected in the second half of the year. The positive effect in H1 2024 was, however, offset by non-recurring costs, leaving reported corporate costs broadly unchanged.

Financial expenses, net was DKK 288 million (H1 2023: DKK 312 million) including a monetary gain of DKK 63 million relating to hyperinflation restatement in Türkiye (IAS 29). Excluding the impact from IAS 29, financial expenses, net was DKK 351 million (H1 2023: DKK 352 million), as the negative effect from higher interest expenses was offset by increased interest income and a lower contribution from foreign exchange losses.

The effective tax rate in H1 2024 was 23.5% (H1 2023: 20.8%) and 21.8% (H1 2023: 21.1 %) when adjusted for the impact of IAS 29. The effective tax rate was positively impacted by the release of valuation allowances on deferred tax assets in Germany similar to last year, whereas the impact from hyperinflation adjustments in Türkiye impacted negatively.

Net profit from discontinued operations in H1 2024 was a loss of DKK 71 million (H1 2023: loss of DKK 1,353 million) related to the loss generated in ISS France up until the divestment on 9 April 2024. In H1 2023, the net profit was negatively impacted by impairment of goodwill and other non-monetary items of DKK 1,257 million as a result of the decision to divest ISS France.

Net profit was DKK 869 million (H1 2023: DKK (555) million).

Operating profit before other items

DKK million	H1 2024		H1 2023	
Northern Europe	680	4.4%	626	4.3%
Central & Southern Europe	677	5.1%	564	4.8%
Central & Southern Europe, excl. IAS 29	*697*	*5.3%*	*620*	*5.1%*
Asia & Pacific	481	6.8%	414	5.9%
Americas	209	4.6%	189	4.0%
Other countries	14	4.0%	25	6.3%
Corporate / eliminations	(481)	-	(471)	-
Total	1,580	3.9 %	1,347	3.5%
Total, excl. IAS 29	1,600	4.0 %	1,403	3.6%

Q2 2024

Group revenue in Q2 2024 was DKK 20.6 billion, an increase of 8.1% compared with the same period last year. Organic growth was 5.8% (Q2 2023: 10.9%), acquisitions and divestments, net increased revenue by 1.2% and currency effects were negative 2.1%, while the net impact from hyperinflation restatement in Türkiye (IAS 29) was positive with 3.2%.

The organic growth development from Q1 2024 was sustained driven by price increases implemented across the Group and volume growth. Price increases contributed around 6.5%-points, of which around half came from Türkiye, both unchanged from Q1.

Volume growth was driven by a combination of increased activity levels at customer sites and expansion of contracts with existing customers and contributed around 0.5%-points to organic growth. Portfolio revenue benefitted from this development and grew organically by 7.6% in the quarter.

In the second quarter, the contribution from net new contract wins was negative, around 0.5%-point, as the positive effect from the startup of the contracts with Defra in the UK and the Danish Building and Property Agency was offset by contracts lost and exited during 2023.

Revenue from projects and above-base work showed negative organic growth of 3% and thereby contributed negatively with around 0.5%-points to organic growth mainly as a result of a negative contribution from exits and losses of certain contracts.

From a regional perspective, organic growth was driven by the European regions. In Northern Europe organic growth improved to 7% driven by startup of new contracts and robust development across the region. Central & Southern Europe reported 12% organic growth mainly as a result of implementation of price increases in Türkiye. Organic growth in Americas was negative 5% due to contracts lost and exited during 2023 which had full revenue impact in the quarter, while Asia & Pacific reported 1% organic growth, as the positive effect from price increases and volume growth was partly offset by contract exits and negative organic growth from projects and above-base services.

Revenue and growth

DKK million	Q2 2024	Q2 2023	Organic growth	Acq./ div.	Currency & other adj.	Revenue Growth
Northern Europe	7,848	7,278	7%	(0)%	1%	8%
Central & Southern Europe	6,755	5,594	12%	4%	5%	21%
Central & Southern Europe, excl IAS 29	*6,657*	*6,065*	*12%*	*4%*	*(6)%*	*10%*
Asia & Pacific	3,528	3,548	1%	(1)%	(1)%	(1)%
Americas	2,293	2,438	(5)%	-	(1)%	(6)%
Other countries	181	208	(15)%	-	2%	(13)%
Corporate / eliminations	(14)	(14)	-	-	-	-
Group [1]	20,591	19,052	5.8%	1.2%	1.1%	8.1%

[1] The net impact from hyperinflation restatement in Türkiye (IAS 29) was 3.2% on Group- level, that has been included in Currency & other adj.

Commercial development

In the first six months of 2024, ISS successfully extended the long-standing partnership with Barclays for an additional 5 years as well as a number of other significant key accounts across the Group.

Furthermore, ISS won a new 7-year contract with North London Mental Health Hospital in the UK and secured several smaller and mid-sized local IFS contracts in the first half of 2024. ISS also ended a few large key account contracts in the first six months of 2024.

In addition, as announced on 8 August 2024, ISS has been awarded a 7-year contract (subject to signing) with the UK Department of Work and Pensions (DWP) with an expected annual revenue of around DKK 1.2 billion. Under the contract, ISS will be delivering integrated facility services across more than 800 sites in the UK with expected go-live in October 2025.

The commercial pipeline within our prioritised customer segments remains attractive, predominately in relation to local and regional opportunities, where the activity level has been high. In general, the commercial landscape is beginning to open up, with commercial processes stabilising after longer cycles post-pandemic when customers' future real estate needs were more uncertain.

ISS has a legacy of driving social mobility in local markets and with our signature objectives on living wages, recognised qualifications and recognition and respect, ISS offers strong support to customers on driving their social sustainability agenda. These commitments are integrated in our partnership with Barclays and social sustainability is generally becoming an increasingly important parameter for customers and with our self-delivery operating model, ISS is strongly positioned.

Major key account developments [1]	Countries	Segment	Term	Effective
Wins				
Healthcare customer	UK	Healthcare	5 years	Q2 2024
North London Mental Health Hospital	UK	Healthcare	7 years	Q3 2024
Aviation customer	Finland	Transportation & Infrastructure	4 years	Q4 2024
Extensions/expansions				
Professional Services Customer	UK	Business Services & IT	1 year	Q1 2024
Industry & Manufacturing Customer	Global	Industry & Manufacturing	2 years	Q1 2024
Energy & Resources Customer	Sweden	Energy & Ressources	2 years	Q1 2024
Nordea	Nordics	Business Services & IT	5 years	Q1 2024
Healthcare Customer	Singapore	Healthcare	5 years	Q1 2024
Banking Customer	Spain	Business Services & IT	3 years	Q1 2024
Healthcare Customer	Türkiye	Healthcare	3 years	Q1 2024
Banking Customer	Switzerland	Business Services & IT	5 years	Q2 2024
Barclays	Global	Business Services & IT	5 years	Q2 2024
Nestlé	Australia	Food & Beverage	2 years	Q2 2024
Tan Tock Seng Hospital Pte Ltd	Singapore	Healthcare	1 year	Q3 2024
Healthcare Customer	UK	Healthcare	5 years	Q3 2024
Energy & Resources Customer	Australia	Energy & Ressources	5 years	Q3 2024
Swisscom AG	Switzerland	Information and Communication	7 years	Q2 2025
Exits/losses				
Healthcare Customer	Türkiye	Healthcare		Q1 2024
Professional Services Customer	UK	Business Services & IT		Q2 2024
Industry & Manufacturing Customer	US & Canada	Industry & Manufacturing		Q2 2024
Banking Customer	Mexico	Business Services & IT		Q4 2024

[1] Annual revenue above DKK 100 million.

Free cash flow

Free cash flow in H1 2024 was DKK (1,095) million (H1 2023: DKK (1,074) million), a decrease of DKK 21 million compared to the same period last year. Free cash flow in H1 2024 was negatively impacted by changes in working capital including Deutsche Telekom withholding payments to ISS. This was partly offset by improved operating profit before other items.

Cash flow from operating activities in H1 2024 amounted to DKK (333) million (H1 2023: DKK (322) million), a decrease of DKK 11 million due to negative contribution from changes in working capital and increased interest and tax payments partly offset by improved operating profit before other items.

Changes in working capital in H1 2024 was DKK (1,854) million (H1 2023: DKK (1,620) million) mainly due to an increase in receivables of DKK 1,453 million reflecting normal seasonality and including withholding of payments from Deutsche Telekom and reduction in payables of DKK 389 million (H1 2023: increase of DKK 183 million). Utilisation of factoring increased by DKK 157 million to DKK 1.6 billion on 30 June 2024. The development was in line with higher revenue from key account customers, where invoices are eligible for factoring, as per the factoring policy.

Cash flow from investing activities in H1 2024 amounted to DKK (1,669) million (H1 2023: DKK (277) million), an increased outflow of DKK 1,392 million, primarily due to acquisitions and divestments. Acquisitions amounted to DKK 302 million (H1 2023: DKK 0m) related to gammaRenax in Switzerland and divestments was an outflow of DKK 330 million (H1 2023: inflow of DKK 59 million) driven by France.

Fixed-term deposit investments of DKK 745 million related to placement of excess liquidity until bond repayment in December 2024.

Investments in intangible assets and property, plant and equipment, net, was DKK 297 million (H1 2023: DKK 364 million), which represented 0.7% of Group revenue (H1 2023: 0.9%) and reflected continued strict investment discipline.

Cash flow from financing activities in H1 2024 amounted to DKK 2,066 million (H1 2023: DKK (688) million), an increase of DKK 2,754 million, related to issue of EUR 500 million bond, partly offset by dividends paid and purchase of treasury shares.

Capital structure

On 9 August 2024, ISS completed the first tranche of the DKK 1 billion share buyback programme. 3,973,248 ISS shares have been acquired with a total value of DKK 500 million. On the back of the capital position on 30 June 2024 and the outlook for the rest of the year, the next tranche of the programme has been increased by DKK 250 million to DKK 750 million taking the total value of the programme to DKK 1.25 billion.

In line with ISS's capital allocation policy, a key objective is to maintain an investment grade rating as it is important from both a financial and commercial perspective. To adhere to the investment grade rating, ISS targets a net debt to pro-forma adjusted EBITDA (LTM) of 2.0x-2.5x. The robust capital structure and the Group's financial strength were recognised by S&P Global resulting in an upgraded credit rating of ISS A/S to BBB from BBB-.

On 30 June 2024, net debt was DKK 13.2 billion, an increase of DKK 2.7 billion compared to 31 December 2023. The increase was driven by negative free cash flow in H1 2024, dividends paid to shareholders and the execution of the share buyback programme. Despite EBITDA growth, the higher net debt resulted in an increase in financial leverage to 2.6x as of 30 June 2024 based on pro forma EBITDA (LTM) compared to 2.2x at year-end 2023. Due to seasonality, financial level was temporarily above the targeted range.

In June 2024, ISS successfully issued a EUR 500 million bond with a coupon of 3.875%. The bond has maturity in June 2029 and the net proceeds will be used for general corporate purposes.

Equity

On 30 June 2024, equity was DKK 10,793 million (31 December 2023: DKK 10,522 million), equivalent to an equity ratio of 21.5% (31 December 2023: 22.1%). The increase in equity from year-end 2023 was mainly a result of Net profit of DKK 869 million being partly offset by dividends paid to shareholders of DKK 425 million and purchase of treasury shares of DKK 378 million. Hyperinflation (IAS 29) restatement of equity in Türkiye as of 1 January 2024 was DKK 242 million (1 January 2023: DKK 164 million).

Management changes

On 11 April 2024 at the Annual General Meeting, Henriette Hallberg Thygesen was elected as new member of the Board of Directors.

On 3 June 2024, Mads Holm took up the position as Group CFO and member of the Executive Group Management Board of ISS A/S registered with the Danish Business Authority, which now consists of Group CEO Kasper Fangel and Group CFO Mads Holm.

On 12 August 2024, Nada Elboayadi stepped down as an employee-elected member of the Board of Directors.

Events after the reporting period

No events have occurred subsequent to 30 June 2024, which are expected to have a material impact on the Group's financial position.

Regional Performance

Northern Europe

Revenue amounted to DKK 15,376 million in the first six months of 2024, which was an increase of 7% compared with the same period last year. Organic growth was 6% (H1 2023: 6%). The effect from acquisitions and divestments, net was neutral, while currency effects impacted growth positively by 1%.

Organic growth was mainly driven by price increases implemented across the region and volume growth from increased activity levels at customer sites. Portfolio revenue and revenue from projects and above-base work both grew by around 6% organically. The positive organic growth was mainly driven by the UK and Denmark supported by startup of large contracts in both countries. All countries in the region reported positive organic growth with the Netherlands showing the highest growth rates driven by contract start-ups, continued growth in food services and strong demand for above-base services.

Operating profit before other items amounted to DKK 680 million in H1 2024 (H1 2023: DKK 626 million) corresponding to an operating margin of 4.4% (H1 2023: 4.3%). During the first half of the year, strong operational execution and efficiencies drove margin improvement across the region, and in the UK, the run rate margin improved in line with expectations. The margin improvements were, however, partly diluted by mobilisation costs related to startup of larger contracts.

Q2 2024 revenue amounted to DKK 7,848 million driven by organic growth of 7% (Q2 2023: 5%). The effect from acquisitions and divestments, net, was neutral and currency effects increased revenue by 1%. Organic growth was driven by a combination of price increases, positive contribution from startup of new contracts predominately in the UK and Denmark and continued volume growth. The positive development benefitted both portfolio revenue and revenue from projects and above-base work which grew organically by 7% and 9%, respectively. All countries in the region reported positive organic growth, with the UK, Denmark and the Netherlands all growing double digit.

Central & Southern Europe

Revenue amounted to DKK 13,397 million in the first six months of 2024, which was an increase of 14% compared with the same period last year. Organic growth was 12% (H1 2023: 19%) and the effect from acquisitions and divestments, net increased revenue of 4% related to the acquisition of Grupo Fissa in Spain and gammaRenax in Switzerland. Currency effects impacted growth negatively by 7%, while the net impact from hyperinflation restatement in Türkiye (IAS 29) was positive with 5%.

The organic growth was primarily driven by Türkiye where price increases were successfully passed on to customers to offset the continued high cost inflation, and in the beginning of 2024 another round of price increases was successfully implemented. Across the region, the development was robust, and as a result portfolio revenue grew by 16% organically, while revenue from projects and above-base work showed negative organic growth driven by reduced demand for refurbishment projects as well as deep cleaning and disinfection services.

Operating profit before other items excluding IAS 29 amounted to DKK 697 million in H1 2024 (H1 2023: DKK 620 million) corresponding to an operating margin of 5.3% (H1 2023: 5.1%). The positive margin development was primarily driven by continued operational improvement and efficiencies on the Deutsche Telekom contract. Across the region, the strong operational performance was maintained, which also supported the margin development. Including the effect of IAS 29, operating profit before other items amounted to DKK 677 million, corresponding to a margin of 5.1% (H1 2023: 4.8%).

Q2 2024 revenue amounted to DKK 6,755 million driven by organic growth of 12% (Q2 2023: 17%), and acquisitions and divestments, net which increased revenue by 4%. Currency effects reduced revenue with 6%, while the net impact from hyperinflation restatement in Türkiye (IAS 29) was positive with 11%. Organic growth was predominately driven by implemented price increases in Türkiye and a robust development across the regions. Organic growth for portfolio revenue was 16%, while revenue from projects and above-base work was negative.

Ownership of ISS Türkiye

ISS Türkiye is jointly owned by private equity fund Actera (39.9%), management of ISS Türkiye (10%) and ISS (50.1%) being the controlling shareholder. The shareholders' agreement between ISS, Actera and management establishes the rights and obligations of the parties, including rights and restrictions on transferring shares, such as right of first refusal, drag along rights from Q4 2024 and right to explore a potential Initial Public Offering (IPO). In line with the terms of the shareholders' agreement, Actera has initiated a dialogue to explore their potential exit options. Please refer to page 23 in the Annual Report 2023.

Operating profit before other items amounted to DKK 481 million in H1 2024 (H1 2023: DKK 414 million) corresponding to an operating margin of 6.8% (H1 2023: 5.9%). The development reflected operational improvements and efficiencies being executed across the region. In addition, the margin benefitted from certain one-off income related to employee tax refunds in Australia and government grants in Singapore. All countries in the region reported improved margins compared to the same period last year.

Q2 2024 revenue amounted to DKK 3,528 million driven by organic growth of 1% (Q2 2023: 8%), while acquisitions and divestments, net and currency effects both reduced revenue by 1%, respectively. Organic growth was driven by price increases implemented across the region and volume growth from higher activity level at customer sites. This development was, however, partly offset by a number of smaller contracts exits across the region and negative organic growth for projects and above-base work.

Asia & Pacific

Revenue amounted to DKK 7,049 million in the first six months of 2024, which was flat compared to the same period last year. Organic growth was 3% (H1 2023: 7%). The effect from acquisitions and divestments, net was negative 1%, and currency effects impacted revenue negatively by 2%.

The positive organic growth was driven by price increases implemented across the region and volume growth as a result of increased activity level at customer sites. This development was, however, partly offset by exits of contracts and resulted in 7% organic growth in portfolio revenue. Revenue from projects and above base work showed negative organic growth due to lower demand for deep cleaning and disinfection services, especially in Hong Kong, Singapore and Australia and negative effects from contract exits. All countries in the region reported positive organic growth, except for Hong Kong due to the negative development for projects and above-base services.

Americas

Revenue amounted to DKK 4,535 million in the first six months of 2024, which was a decrease of 5% compared to the same period last year. Organic growth was negative 3% (H1 2023: 20%). The effect from acquisitions and divestments, net was neutral, while currency effects impacted revenue negatively by 2%.

The negative organic growth was primarily driven by contracts exits and losses from 2023, including deliberate exits, having a full effect in the period and a volume reduction with existing customers. This was only partly offset by price increases implemented across the region to offset cost inflation. This had a negative effect on portfolio revenue which declined by 3% organically. The US was the main driver behind the development, as both Mexico and Chile reported positive organic growth. Revenue from projects and above-base work declined organically by 7%, negatively impacted by the mentioned contract exits and losses.

Operating profit before other items amounted to DKK 209 million in H1 2024 (H1 2023: DKK 189 million) corresponding to an operating margin of 4.6% (H1 2023: 4.0%). The positive development was a result of operational improvements and efficiencies across the region. In addition, the margin benefitted from deliberate contract exits in the US.

Q2 2024 revenue amounted to DKK 2,293 million driven by negative organic growth of 5% (Q2 2023: 18%). The effect from acquisitions and divestments, net was neutral and currency effects reduced revenue by 1%. The negative organic growth was driven by contract exits and losses from 2023, including deliberate exists and negative volume growth with existing customers. The development was only partly offset by implementation of price increases leading to negative 5% organic growth for portfolio revenue. The contract losses and exits also had a negative effect on revenue from projects and above-base work, which reported negative organic growth of 8%.

Outlook

Outlook 2024

This section should be read in conjunction with “Forward-looking statements” as shown in the table on page 13.

In the first half of 2024, the organic growth was robust, driven by price increases and volume growth, while the contribution from net contract wins and project and above-base work was negative. The operating margin developed in line with plan. Free cash flow was, as expected, negatively impacted by changes in working capital, including Deutsche Telekom withholding certain payments to ISS.

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

Organic growth is narrowed to the higher end of the previous range and is now expected to be 5 – 6% (previously “4 – 6”%) (2023: 9.7%) as a result of successful implementation of price increases across the Group and solid customer activity levels. Net contract wins are now expected to be slightly negative, compared to previously slightly positive due to contract exits. Revenue from projects and above-base work is inherently subject to high uncertainty, particularly towards the end of the year and is expected to contribute slightly negative to organic growth for the full year.

Operating margin is still expected to be above 5% (2023: 4.3%). Compared to the 2023 underlying margin of 4.6%, the main drivers of the increase are continuing operational improvements and efficiencies across the Group as well as operational benefits and cost savings generated from the review of the OneISS initiatives.

The expectation for free cash flow is still based on an underlying free cash flow of above DKK 2.4 billion, equalling a cash conversion of above 60%. However, in 2024 free cash flow is expected to be above DKK 1.8 billion (2023: DKK 1.8 billion), adversely impacted by timing effects including certain payments being withheld by Deutsche Telekom.

Outlook 2024	Annual Report 2023	Interim Report H1 2024
Organic growth	4 - 6%	5 - 6%
Operating margin[1)]	Above 5%	Above 5%
Free cash flow	Above DKK 1.8 bn[2)]	Above DKK 1.8 bn[2)]

1) Based on operating profit before other items
2) Underlying free cash flow: Above DKK 2.4bn

Financial targets

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

- Organic growth of 4 – 6%
- Operating margin above 5%
- Cash conversion above 60%

Expected revenue impact from divestments, acquisitions and foreign exchange rates in 2024

Acquisitions and divestments completed by 31 July 2024 (including in 2023) are expected to have a positive impact on revenue growth in 2024 of around 1%-point.

Based on the current exchange rates, a negative impact on revenue growth of around 2%-points[1)] is expected in 2024 from the development of foreign exchange rates, excluding any effects of hyperinflation (IAS 29).

[1)] The forecasted average exchange rates for the financial year 2024 are calculated using the realised average exchange rates for the first seven month of 2024 and the average forward exchange rates (as of 1 August 2024) for the remaining five months of 2024.

Forward-looking statements

The Annual Report of 2023 of ISS A/S is available at the Group's website, www.issworld.com.

Management statement

Copenhagen, 13 August 2024

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 2024.

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 2024 and of the results of the Group's operations and consolidated cash flows for the financial period 1 January – 30 June 2024.

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 faces.

Executive Group Management Board

Kasper Fangel
Group CEO

Mads Holm
Group CFO

Board of Directors

Niels Smedegaard
Chair

Lars Petersson
Deputy Chair

Kelly Kuhn

Ben Stevens

Søren Thorup Sørensen

Henriette Hallberg Thygesen

Reshma Ramachandran

Signe Adamsen (E)

Rune Christensen (E)

E = Employee representative

Condensed consolidated interim financial statements

Statement of profit or loss

1 January – 30 June

(DKKm)	Note	YTD 2024	YTD 2023
Revenue	3, 4, 17	40,681	38,336
Employee costs	5	(26,365)	(24,589)
Consumables		(3,799)	(3,514)
Other operating expenses		(8,203)	(8,216)
Depreciation and amortisation		(734)	(670)
Operating profit before other items	17	1,580	1,347
Other income and expenses, net	6	(23)	4
Amortisation/impairment of customer contracts		(40)	(32)
Operating profit	3, 17	1,517	1,319
Financial income	7	144	79
Financial expenses	7	(432)	(391)
Profit before tax		1,229	1,007
Income tax		(289)	(209)
Net profit from continuing operations		940	798
Net profit from discontinued operations	8	(71)	(1,353)
Net profit	17	869	(555)
Attributable to:			
Owners of ISS A/S		864	(582)
Non-controlling interests		5	27
Net profit		869	(555)
Earnings per share, DKK			
Basic earnings per share (EPS)		4.7	(3.1)
Diluted earnings per share		4.6	(3.1)
Earnings per share for continuing operations, DKK			
Basic earnings per share (EPS)		5.1	4.2
Diluted earnings per share		5.0	4.1

Statement of comprehensive income

1 January – 30 June

(DKKm)	Note	YTD 2024	YTD 2023
Net profit		869	(555)
Items that will not be reclassified to profit or loss:			
Remeasurement gain/(loss), defined benefit plans	15	240	(86)
Asset ceiling, defined benefit plans	15	(332)	(18)
Tax		21	22
Items that may be reclassified to profit or loss:			
Foreign exchange adjustments of foreign entities		(11)	(439)
Recycling of accumulated foreign exchange adjustments on country exits		0	(18)
Hyperinflation restatement of equity at 1 January	17	242	164
Fair value adjustments of net investment hedges		-	(22)
Tax		-	5
Other comprehensive income		160	(392)
Comprehensive income		1,029	(947)
Attributable to:			
Owners of ISS A/S		960	(867)
Non-controlling interests		69	(80)
Comprehensive income		1,029	(947)

Statement of cash flows

1 January – 30 June

(DKKm)	Note	YTD 2024	YTD 2023
Operating profit before other items		1,580	1,347
Operating profit before other items from discontinued operations	8	(42)	(96)
Depreciation and amortisation		734	717
Non-cash items related to hyperinflation	17	(20)	(12)
Share-based payments		45	35
Changes in working capital	9	(1,854)	(1,620)
Changes in provisions, pensions and similar obligations		(204)	(251)
Other expenses paid, net		(15)	(9)
Interest received		68	40
Interest paid		(296)	(204)
Income tax paid		(329)	(269)
Cash flow from operating activities	17	(333)	(322)
Acquisitions	10	(302)	-
Divestments	11	(330)	59
Acquisition of intangible assets and property, plant and equipment		(297)	(364)
Disposal of intangible assets and property, plant and equipment		8	9
Changes in financial assets		(3)	19
Fixed-term deposit investments	14	(745)	-
Cash flow from investing activities	17	(1,669)	(277)
Proceeds from issued bonds	14	3,696	-
Repayment of lease liabilities		(531)	(423)
Other financial payments, net		(290)	125
Transactions with non-controlling interests		(6)	-
Dividends paid to shareholders		(425)	(390)
Purchase of treasury shares		(378)	-
Cash flow from financing activities	17	2,066	(688)
Total cash flow		64	(1,287)
Cash and cash equivalents at 1 January		6,093	5,214
Total cash flow		64	(1,287)
Foreign exchange adjustments		(32)	(227)
Cash and cash equivalents at 30 June		6,125	3,700
Free cash flow	12, 17	(1,095)	(1,074)

Statement of financial position

(DKKm)	Note	30 June 2024	30 June 2023	31 December 2023
Assets				
Intangible assets	17	23,852	22,558	23,272
Right-of-use assets	17	2,246	2,115	2,200
Property, plant and equipment	17	939	890	926
Deferred tax assets		1,084	895	962
Financial assets		197	412	195
Non-current assets		28,318	26,870	27,555
Inventories		251	244	239
Trade receivables		12,488	12,142	11,354
Tax receivables		151	161	126
Other receivables		2,061	2,015	1,628
Fixed-term deposit investments	14	745	-	-
Cash and cash equivalents	14	6,125	3,700	6,093
Assets held for sale	8	-	-	698
Current assets		21,821	18,262	20,138
Total assets		50,139	45,132	47,693
Equity and liabilities				
Equity attributable to owners of ISS A/S		10,095	8,934	9,893
Non-controlling interests		698	522	629
Total equity	17	10,793	9,456	10,522
Loans and borrowings	14	17,165	15,885	13,427
Pensions and similar obligations	15	1,029	1,203	1,135
Deferred tax liabilities	17	1,446	1,145	1,320
Provisions	16	405	471	387
Non-current liabilities		20,045	18,704	16,269
Loans and borrowings	14	3,028	907	3,292
Trade and other payables		6,830	6,711	7,259
Tax payables		131	102	155
Other liabilities		9,018	8,812	8,482
Provisions	16	294	440	365
Liabilities held for sale	8	-	-	1,349
Current liabilities		19,301	16,972	20,902
Total liabilities		39,346	35,676	37,171
Total equity and liabilities		50,139	45,132	47,693

Statement of changes in equity

1 January – 30 June

(DKKm)	Note	Share capital	Treasury shares	Retained earnings	Proposed dividends	Translation reserve	Total	Non-controlling interests	Total equity
		Attributable to owners of ISS A/S							
2024									
Equity at 1 January		185	(66)	10,624	427	(1,277)	9,893	629	10,522
Net profit		-	-	864	-	-	864	5	869
Other comprehensive income		-	-	(71)	-	167	96	64	160
Comprehensive income		-	-	793	-	167	960	69	1,029
Dividends paid to shareholders		-	-	-	(425)	-	(425)	-	(425)
Dividends, treasury shares		-	-	2	(2)	-	-	-	-
Share-based payments	5	-	-	45	-	-	45	-	45
Settlement of vested PSUs/RSUs		-	79	(79)	-	-	-	-	-
Purchase of treasury shares		-	(378)	-	-	-	(378)	-	(378)
Transactions with owners		-	(299)	(32)	(427)	-	(758)	-	(758)
Changes in equity		-	(299)	761	(427)	167	202	69	271
Equity at 30 June		185	(365)	11,385	-	(1,110)	10,095	698	10,793
2023									
Equity at 1 January		185	(185)	10,920	390	(1,154)	10,156	659	10,815
Net profit		-	-	(582)	-	-	(582)	27	(555)
Other comprehensive income		-	-	(2)	-	(283)	(285)	(107)	(392)
Comprehensive income		-	-	(584)	-	(283)	(867)	(80)	(947)
Dividends paid to shareholders		-	-	-	(390)	-	(390)	-	(390)
Share-based payments		-	-	35	-	-	35	-	35
Settlement of vested PSUs/RSUs		-	119	(119)	-	-	-	-	-
Transactions with non-controlling interests		-	-	-	-	-	-	(57)	(57)
Transactions with owners		-	119	(84)	(390)	-	(355)	(57)	(412)
Changes in equity		-	119	(668)	(390)	(283)	(1,222)	(137)	(1,359)
Equity at 30 June		185	(66)	10,252	-	(1,437)	8,934	522	9,456

1 Basis of preparation

The condensed consolidated interim financial statements of ISS A/S for the period 1 January - 30 June 2024 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 2023.

The accounting policies applied are consistent with those applied in the preparation of the Group's consolidated financial statements for the year ended 31 December 2023, except for the adoption of a number of new and amended standards, which became applicable for the current reporting period. None of these amendments have had a material impact on the Group's financial statements, including notes.

New regulation not yet mandatory

IASB issued amended standards and interpretations, which are not yet mandatory for the condensed consolidated interim financial statements.

Based on the current business setup and level of activities, except for IFRS 18, none of these standards and interpretations are expected to have a material impact on the recognition and measurement in the condensed consolidated interim financial statements.

IFRS 18 "Primary financial statements", effective on or after 1 January 2027, sets out requirements for presentation and disclosure of financial statement aiming to improve the structure and content of the primary financial statements. IFRS 18 will not impact the recognition or measurement of items in the financial statements, but might change the presentation of certain items, including definitions of certain required subtotals.

ISS has not yet analysed the impact of the new standard, but will do so in due course.

2 Significant accounting estimates and judgements

The preparation of condensed consolidated interim financial statements required management to make judgements, estimates and assumptions that affected the application of policies and reported amounts of assets and liabilities, income and expenses as well as the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

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 2023, cf. Estimates and judgements on p. 56 in the consolidated financial statements for 2023.

3 Segments

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

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

(DKKm)	Northern Europe	Central & Southern Europe	Asia & Pacific	Americas	Other countries	Total segments
YTD 2024						
Revenue, excl. IAS 29	15,376	13,212	7,049	4,535	349	**40,521**
Revenue	**15,376**	**13,397**	**7,049**	**4,535**	**349**	**40,706**
Depreciation and amortisation	272	255	67	56	2	652
Operating profit before other items, excl. IAS 29	680	697	481	209	14	2,081
Operating profit before other items	**680**	**677**	**481**	**209**	**14**	**2,061**
Operating profit	**679**	**632**	**478**	**200**	**14**	**2,003**
YTD 2023						
Revenue, excl. IAS 29	14,428	12,171	7,037	4,773	400	38,809
Revenue	**14,428**	**11,721**	**7,037**	**4,773**	**400**	**38,359**
Depreciation and amortisation	252	237	65	57	2	613
Operating profit before other items, excl. IAS 29	626	620	414	189	25	1,874
Operating profit before other items	**626**	**564**	**414**	**189**	**25**	**1,818**
Operating profit	**619**	**539**	**427**	**180**	**25**	**1,790**

Reconciliation of operating profit

(DKKm)	YTD 2024	YTD 2023
Operating profit for reportable segments	2,003	1,790
Unallocated corporate costs	(486)	(471)
Operating profit	**1,517**	**1,319**

4 Revenue

(DKKm)	YTD 2024	YTD 2023
Customer category		
Key accounts	28,773	27,519
Large and medium	9,854	8,917
Small and route-based	2,054	1,900
Total	40,681	38,336
Customer segments		
Office-based	15,902	15,243
Production-based	9,481	9,155
Healthcare	6,012	5,081
Other	9,286	8,857
Total	40,681	38,336
Core services		
Cleaning	17,204	16,245
Technical	8,926	8,935
Food	6,386	5,761
Workplace and Other	8,165	7,395
Total	40,681	38,336

5 Share-based payments

Long-Term Incentive Programme (LTIP)

In March 2024, a new annual LTIP programme (LTIP 2024) was established, and a total of 1,059,044 performance-based share units (PSUs) were granted to members of the EGM and other senior officers of the Group. Upon vesting, each PSU entitles the holder to receive one share at no cost. Subject to certain criteria, the PSUs will vest after three years. The programme and vesting criteria are further described in note 6.2 in the consolidated financial statements for 2023.

	LTIP 2024
Fair value (DKKm)	
At grant date	104
PSUs and participants (number)	
Participants	130
PSUs granted	1,059,044
Maximum PSUs at initial grant date	1,185,302

Vested programmes

In March 2024, the LTIP 2021 programme vested. Based on the annual EPS and TSR performance for 2021, 2022 and 2023, 64% of the granted PSUs vested. After this vesting, no further PSUs are outstanding under the LTIP 2021, and the programme has lapsed.

6 Other income and expenses, net

(DKKm)	YTD 2024	YTD 2023
Gain on divestments	6	14
Other income	**6**	**14**
Loss on divestments	(3)	(5)
Integration costs	(9)	(5)
Acquisition costs	(7)	-
Other	(10)	-
Other expenses	**(29)**	**(10)**
Other income and expenses, net	**(23)**	**4**

Gain on divestments related to the divestment of the travel management business in Sweden. In 2023, the gain related to the divestment of the Landscaping business and Sanitation Services in Singapore.

Loss on divestments in 2024 related to the divestment of the Ground Service business in Austria. In 2023 mainly related to the divestment of the security business in Spain.

Integration costs mainly related to Grupo Fissa in Spain (acquired in 2023).

Acquisition costs mainly related to the acquisition of gammaRenax in Switzerland in 2024.

7 Financial income and expenses

(DKKm)	YTD 2024	YTD 2023
Interest income on cash and cash equivalents	81	39
Monetary gain on hyperinflation restatement in Türkiye (IAS 29)	63	40
Financial income	144	79
Interest expenses on loans and borrowings [1)]	(228)	(150)
Interest expenses on lease liabilities [1)]	(72)	(52)
Interest expenses on factoring [1)]	(41)	(29)
Bank fees	(31)	(31)
Amortisation of financing fees (non-cash) [1)]	(12)	(18)
Net interest on defined benefit obligations	(19)	(9)
Commitment fees	(2)	(10)
Other	(12)	(6)
Foreign exchange losses	(15)	(86)
Financial expenses	(432)	(391)

[1)] Measurement basis amortised cost.

Interest income on cash and cash equivalents increased due to higher interest levels in 2024 as well as higher cash positions.

Interest expenses on loans and borrowings comprised mainly interests on issued bonds. The increase compared to H1 2023 was driven by higher interest rates throughout 2024 of which DKK 32 million related to the interest rate swap on part of the bonds.

Interest expenses on factoring increased due to higher interest rates throughout 2024.

Foreign exchange losses were mainly related to the unhedged TRY and EUR positions. The highest contributor was TRY, which remained unhedged due to high costs. TRY depreciated 7% against DKK in the first half of 2024 (2023: depreciated 29%).

8 Discontinued operations and assets held for sale

On 22 December 2023, ISS signed an agreement to divest ISS France to Onet SA, a French facility services company. The divestment was completed on 9 April 2024 and consequently, at 30 June 2024 no businesses were classified as held for sale.

Profit or loss

(DKKm)	YTD 2024	YTD 2023
Revenue	662	1,328
Expenses	(704)	(1,424)
Operating profit before other items	**(42)**	**(96)**
Other income and expenses, net	(25)	(289)
Goodwill impairment	-	(937)
Operating profit	**(67)**	**(1,322)**
Financial income/(expenses), net	(3)	(6)
Net profit before tax	**(70)**	**(1,328)**
Income tax	(1)	(25)
Net profit from discontinued operations	**(71)**	**(1,353)**
Earnings per share, DKK		
Basic earnings per share (EPS)	(0.4)	(7.3)
Diluted earnings per share	(0.4)	(7.2)

In 2024, net profit from discontinued operations related to France (2023: France and Brunei) and comprised net profit generated in the business up until the completion of the divestment on 9 April 2024. In addition, the preliminary divestment loss recognised in 2023 was reassessed on the basis of the final closing balance in the business. This led to a negative adjustment of DKK 25 million, which was recognised in H1 2024 as presented in the table above in Other income and expenses, net.

Cash flows

(DKKm)	YTD 2024	YTD 2023
Operating activities	(92)	(105)
Investing activities	(259)	(30)
Financing activities	(48)	(39)

9 Changes in working capital

(DKKm)	YTD 2024	YTD 2023
Changes in inventories	(12)	(25)
Changes in receivables	(1,453)	(1,778)
Changes in payables	(389)	183
Total	**(1,854)**	**(1,620)**

10 Acquisitions

The Group completed two acquisitions in the period 1 January - 30 June 2024:

gammaRenax

On 25 April 2024, ISS acquired 100% of the shares in gammaRenax AG in Switzerland. The acquisition will strengthen our market position in Switzerland even further by adding scale within our existing core service offerings (IFS, cleaning, technical and janitorial), as well as creating better density across the country and growth in our prioritised customer segments.

The acquisition adds annual revenue of approximately DKK 510 million and more than 2,000 employees (estimated based on unaudited financial information). Since completion of the acquisition, gammaRenax contributed revenue of DKK 102 million to the ISS Group.

The purchase consideration amounted to DKK 364 million.

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

Goodwill amounted to DKK 190 million (preliminary assessment) and is attributable mainly to: 1) strengthened platform for growth, 2) synergies and scale benefits and 3) assembled workforce. Goodwill is not deductible for tax purposes.

Med-Serv

On 29 February 2024, ISS acquired 100% of the shares in Med-Serv in Austria. The acquisition will strengthen our market position in Austria, enhancing our cleaning and technical services, increasing our presence in the province of Lower Austria, and supports growth in the healthcare segment.

The acquisition adds annual revenue of approximately DKK 97 million, and more than 226 employees (estimated based on unaudited financial information). Since completion of the acquisition, Med-Serv contributed revenue of DKK 21 million to the ISS Group.

Net assets and cash flow impact

(DKKm)	gamma-Renax	Med-Serv	Prior year adj.	YTD 2024	YTD 2023
Customer contracts	125	-	-	125	-
Other non-current assets	20	-	-	20	(7)
Trade receivables	87	10	-	97	-
Other current assets	77	11	-	88	-
Non-current liabilities	(44)	(2)	-	(46)	4
Current liabilities	(91)	(21)	(4)	(116)	(1)
Fair value of net assets	**174**	**(2)**	**(4)**	**168**	**(4)**
Goodwill	190	13	4	207	4
Consideration transferred	**364**	**11**	**-**	375	-
Cash in acquired business	(48)	(11)	-	(59)	-
Consideration transferred, net	**316**	**-**	**-**	**316**	**-**
Deferred consideration	(15)	-	1	(14)	-
Acquisitions (cash flow)	**301**	**-**	**1**	**302**	**-**

Acquisitions after the reporting period

No acquisitions were completed in the period 1 July - 31 July 2024.

11 Divestments

Divestments completed in H1 2024

The Group completed three divestments in the period 1 January – 30 June 2024, most significantly the divestment of ISS France, which was completed on 9 April 2024.

Company/activity	Country	Service type	Excluded from P/L	Interest	Annual revenue (DKKm)	Employees (number)
ISS France	France	Country exit	April	100%	2,658	15,000
Travel Management	Sweden	Technical	April	100%	46	5
Ground Service	Austria	Technical	April	100%	35	78
Total					2,739	15,083

Net assets and cash flow impact

(DKKm)	YTD 2024	YTD 2023
Goodwill	2	17
Other non-current assets	11	18
Current assets	862	59
Non-current liabilities	(110)	-
Loans and borrowings	(260)	(5)
Current liabilities	(846)	(27)
Net assets disposed	(341)	62
Gain/(loss) on divestment, net	3	23
Divestment costs	165	15
Consideration received/(paid)	(173)	100
Cash in divested businesses	(255)	(23)
Consideration received, net	(428)	77
Deferred consideration	183	(4)
Divestment costs paid	(85)	(14)
Divestment (cash flow)	(330)	59

Deferred consideration related to the divestment of ISS France, where part of the consideration is deferred up to three years from the date of divestment.

Divestments after the reporting period

No divestments were completed in the period 1 July - 31 July 2024.

12 Free cash flow

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

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

(DKKm)	YTD 2024	YTD 2023
Cash flow from operating activities	(333)	(322)
Acquisition of intangible assets and property, plant and equipment	(297)	(364)
Disposal of intangible assets and property, plant and equipment	8	9
Changes in financial assets [1)]	6	9
Addition of right-of-use assets, net	(479)	(406)
Total	(1,095)	(1,074)

[1)] Excluding changes in equity-accounted investments of DKK (9) million (2023: DKK 10 million).

13 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 forecasts approved by management covering the following financial year.

At 30 June 2024, the review performed did not indicate impairment of the carrying amount of intangibles. Based on the review performed, it is management's opinion, that excess values are fairly resilient to any likely and reasonable deteriorations in the key assumptions applied and presented in note 3.2 in the consolidated financial statements for 2023.

14 Loans and borrowings

Refinancing of bonds

On 29 May 2024, ISS issued a 5-year bond with a principal amount of EUR 500 million and a coupon of 3.875%. The bond was issued under the Group's EUR 3 billion European Medium Term Note (EMTN) programme, which is listed on the Luxembourg Stock Exchange. The net proceeds will be used for refinancing the Group's EUR 300 million EMTNs maturing in December 2024 as well as for general corporate purposes.

As part of the Group's ordinary liquidity management, excess liquidity from the bond issue of DKK 2,533 million (EUR 340 million) has been placed as fixed-term deposits maturing in Q4 2024 in alignment with the bonds maturing. Deposits amounting to DKK 745 million have been classified as Securities and reported within Fixed-term deposit investments, whereas the remaining deposits of DKK 1,788 million have been classified as Cash and cash equivalents.

New interest rate swaps

To partially hedge the exposure to changes in fair value of the new bond, the Group entered into interest rate swap agreements with a nominal amount of EUR 250 million in June 2024, whereby the Group receives a fixed rate interest and pays a variable interest rate on the nominal amount. Changes in the fair value of the interest rate swaps (the hedging instruments) are recognised in profit or loss under Financial income or Financial expenses. Changes in the fair value of the hedged items (the bonds) attributable to the risk being hedged are recognised as part of the carrying amount of the bonds and recognised in profit or loss under Financial income or Financial expenses. In H1 2024, no ineffectiveness was recognised in profit or loss (2023: no ineffectiveness).

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. Actuarial calculations are only updated to the extent that significant changes in applied assumptions have occurred since 1 January. 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 2024, the overall evaluation carried out by management resulted in updated actuarial calculations being obtained for Switzerland, the UK and Türkiye due to market fluctuations, which had impacted interest rates, inflation rates and asset values. The updated calculations led to recognition of actuarial losses of DKK 25 million and gain on plan assets of DKK 265 million, which was more than offset by impairment from asset ceiling of DKK 332 million due to surplus restrictions. The net loss of DKK 92 million was recognised in other comprehensive income with a resulting increase in the Group's defined benefit obligations.

16 Provisions

(DKKm)	Legal claims and disputes	Self-insurance	Restruc-turings	Onerous contracts	Other	YTD 2024	YTD 2023
At 1 January	162	263	76	26	225	752	1,071
Foreign exchange adjustments	(0)	9	-	-	6	15	(5)
Additions	22	133	-	-	10	165	139
Used during the year	(35)	(136)	(63)	(3)	(39)	(276)	(275)
Unused amounts reversed	(26)	(4)	-	(4)	-	(34)	(77)
Reclass (to)/from other liabilities	-	-	-	-	77	77	58
At 30 June	123	265	13	19	279	699	911
Non-current	29	155	1	3	217	405	471
Current	94	110	12	16	62	294	440

At 30 June 2024, provisions amounted to DKK 699 million, a decrease of DKK 53 million compared to 31 December 2023. The decrease was mainly due to utilisation of restructuring provisions established as part of the OneISS review in 2023, most significantly related to Germany.

17 Hyperinflation in Türkiye

The table below shows the accounting impact of the hyperinflation restatements for the period 1 January - 30 June 2024:

(DKKm)	YTD 2024 (excl. IAS 29)	Inflation restatement, in year effect: Non-monetary items	Inflation restatement, in year effect: Profit or loss	Retrans-lation (end rates)	Total adjust-ments	YTD 2024 (reported)
Profit or loss						
Revenue	40,496	-	264	(79)	185	40,681
Operating profit before other items	1,600	(35)	20	(5)	(20)	1,580
Operating profit	1,546	(44)	20	(5)	(29)	1,517
Net profit	865	4	-	-	4	869
Financial ratios (%)						
Organic growth (non-IFRS)	5.9%	-	-	-	-	5.9%
Operating margin (non-IFRS)	4.0%	(0.1%)	0.0%	0.0%	(0.1%)	3.9%
Cash flows						
Cash flow from operating activities	(337)	-	-	4	4	(333)
Cash flow from investing activities	(1,669)	-	-	-	-	(1,669)
Cash flow from financing activities	2,066	-	-	-	-	2,066
Free cash flow (non-IFRS)	(1,100)	-	-	5	5	(1,095)

	YTD 2024 (excl. IAS 29)	Inflation re-statement, accumu-lated	YTD 2024 (reported)
Financial position			
Goodwill	19,223	879	20,102
Other intangible assets	3,390	360	3,750
Right-of-use assets and property, plant and equipment	3,058	127	3,185
Total assets	48,773	1,366	50,139
Other comprehensive income [1)]	(980)	1,140	160
Other equity elements	10,530	103	10,633
Total equity	9,550	1,243	10,793
Deferred tax liabilities	1,323	123	1,446
Total equity and liabilities	48,773	1,366	50,139

[1)] In year impact of restatement amounted to DKK 242 million (2023: DKK 164 million).

18 Events after the reporting period

No events have occurred subsequent to 30 June 2024, which are expected to have a material impact on the Group's financial position.

Other

Conference Call

A conference call will be held on 13 August 2024 at 10:00 am CEST. Presentation material will be available online prior to the conference call.

Dial-in details

DK: +45 7876 8490
SE: +46 4 0682 0620
UK: +44 203 7696 819
US: +1 646 787 0157

PIN Code for all countries: 283234

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For investor enquiries

Michael Vitfell-Rasmussen, Head of Group Investor Relations
Phone: +45 53 53 87 25
E-mail: michael.vitfell@group.issworld.com

For media enquiries

Charlotte Holm, Head of External Communications
Phone: +45 41 76 19 89
E-mail: charlotte.holm@group.issworld.com

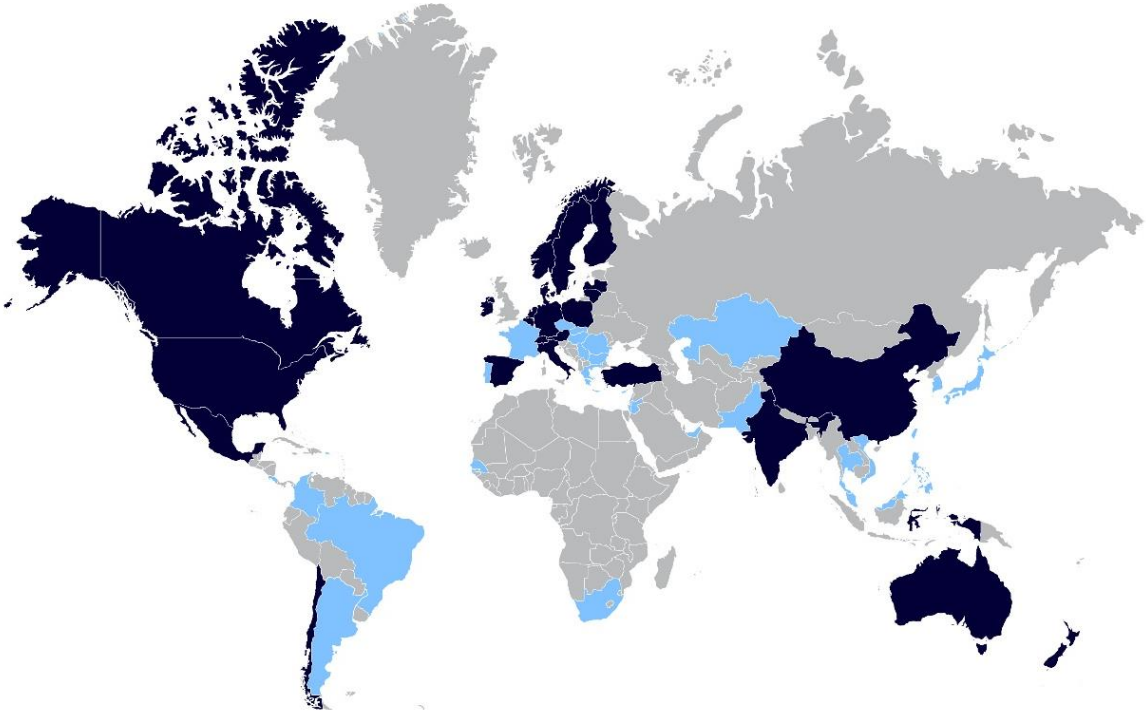
Contact information

ISS A/S
Buddingevej 197
DK-2860 Søborg
Tel.: +45 38 17 00 00
Fax.: +45 38 17 00 11
www.issworld.com
CVR 28 50 47 99

ESEF data

Name of reporting entity: ISS A/S
Domicile of entity: Denmark
Legal form of entity: A/S
Country of incorporation: Denmark
Address: Buddingevej 197, DK-2860 Søborg
Principal place of business: Global
Principal activities: Workplace and facility service solutions
Name of the parent entity: ISS A/S
Name of the ultimate parent and Group: ISS A/S

Our global footprint



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