



To The Copenhagen Stock Exchange
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ISS A/S

Interim Report

January – September 2003

Highlights

- Turnover -6% (currency effects -3%, discontinued business -5%)
- Operating margin 5.6% (up 0.2%)
- Ordinary profit before goodwill amort. DKK 907m (up 3%)
- Free cash flow DKK 908m (up 29%)

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Key figures and financial ratios ¹⁾

Amounts in DKKm (unless otherwise stated)	Q3 2003	Q3 2002	9 months 2003	9 months 2002	Year 2002
Key figures					
Turnover	8,931	9,521	26,861	28,504	37,984
Operating profit ²⁾	563	584	1,511	1,528	2,010
Financial income and expenses, net	(53)	(82)	(196)	(279)	(361)
Ordinary profit before goodwill amortisation	354	316	907	883	1,115
Net profit	133	116	250	266	246
Cash flow from operating activities	794	714	1,200	1,044	2,264
Free cash flow	724	598	908	702	1,739
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Total assets	24,793	24,354	24,793	24,354	22,412
Goodwill	12,505	12,909	12,505	12,909	12,669
Interest-bearing debt, net	5,516	6,556	5,516	6,556	5,604
Total equity	7,626	7,373	7,626	7,373	7,331
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Share information					
Number of shares at end of period, thousands	44,310	43,928	44,310	43,928	43,928
Average number of shares, thousands	44,154	43,778	43,942	42,973	43,283
Share price at end of period, DKK	289	226.5	289	226.5	255
Market capitalisation at end of period, DKKm	12,806	9,950	12,806	9,950	11,202
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Financial ratios					
Operating margin, %	6.3	6.1	5.6	5.4	5.3
Interest coverage ³⁾	13.5	9.0	9.9	7.1	7.2
EPS before goodwill amortisation, DKK	8.0	7.2	20.6	20.5	25.8
Free cash flow per share, DKK	16.4	13.6	20.7	16.3	40.2
Equity ratio, %	30.8	30.3	30.8	30.3	32.7
Debt to book equity ratio, %	72.3	88.6	72.3	88.6	76.4
Debt to total enterprise value ratio, %	30.1	27.3	30.1	27.3	33.3

¹⁾ The financial statements for the third quarter and the nine months to 30 September are unaudited and have been prepared in accordance with the same accounting policies as were applied in the 2002 Annual Report. For definitions of key figures and financial ratios, please see the Annual Report 2002.

²⁾ Before other income and expenses.

³⁾ Operating profit before other income and expenses plus Depreciation and amortisation divided by Financial income and expenses, net.

Given the macro-economic environment, ISS' goal is to enhance profitability and to sustain a solid cash flow. Having delivered on these parameters for six consecutive quarters, the Group has now expanded the agenda to again include a stronger focus on organic growth. Consequently, the Group is making investments in order to accelerate organic growth in the years ahead, whilst consolidating the achievements in operating margin and cash conversion.

Turnover in the continuing business grew by 2% in local currencies in the first nine months of 2003. However, divested activities (5%) and negative currency adjustments (3%) held turnover at 6% below the figure for the same period of last year (see box to the right).

The nine-month operating profit before other income and expenses was DKK 1,511 million, a 2% increase over the same period of 2002 at unchanged exchange rates. Currency adjustments cut DKK 41 million (3%) off operating profit. The nine-month operating margin increased from 5.4% to 5.6%.

The efforts to sustain the solid cash conversion resulted in a nine-month cash flow from operating activities of DKK 1,200 million compared with DKK 1,044 million for the same period of 2002. The free cash flow was DKK 908 million and DKK 702 million, respectively. This brought cash conversion to 91% against 87% in the first nine months of 2002. Net debt was DKK 5,516 million as at 30 September 2003 compared with DKK 5,747 million as at 30 June 2003 (DKK 6,556 million as at 30 September 2002).

In the first nine months, gross organic growth was approximately 0%. Net organic growth, which includes the carry-over effect from contract trimming in 2002 in Belgium, Denmark, France, Germany and the Netherlands, was approximately (2)%. Disregarding the five countries in which extraordinary contract trimming was used as a profitability enhancement tool, the aggregate nine-month organic growth for the rest of the Group was approximately 2%.

Net organic growth in Continental Europe improved, moving from (3)% in Q2 to (1)% in Q3. However, the market pressure previously experienced in Continental Europe was increasingly felt in Northern Europe. This was reflected in fewer one-off jobs, which otherwise normally peak during the summer period. In addition, a reduction was seen in businesses with corporate clients, who continued to reduce their floor space requirements in response to the general business climate. Since profitability and preservation of the operating margin continued to be a top priority for the Group, this had an impact on growth.

ISS has said that it considers visibility in the current business climate to be low. ISS has not yet seen an

Turnover development

	9m 2003	
	DKKbn	%
Turnover 2002	28.5	108 %
Divested activities	(1.3)	(5)%
Currency adjustments	(0.7)	(3)%
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Turnover in cont. business at current exchange rates	26.5	100 %
Acquisitions	0.9	4 %
Contract trimming in 2002	(0.5)	(2)%
Organic growth, gross	0.0	0 %
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Turnover 2003	26.9	102 %
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Total growth	(1.6)	(6)%

upturn in economic activity. Operating in an industry affected late in the economic cycle, management finds it prudent to assume that current market conditions in Europe will continue for a longer period than generally expected 3-6 months ago.

In order to create room for more organic growth investment, ISS has decided to initiate management and structural changes that allow cost savings to materialise. These changes include significant organisational adjustments in some subsidiaries, disposal of vacated office space and elimination of functions that are made redundant. In total, approximately 30 high-ranking officers are expected to leave ISS.

The estimated costs of carrying out these changes in Q4 of this year and Q1 of next year is approximately DKK 60 million, including an estimated DKK 20 million for termination of office leases. The costs will be expensed under "Other income and expenses, net" in Q4 2003.

COMPETENCE ENHANCEMENT

The Group continues to devote special attention to the development of its facility services concept. This is reflected in various initiatives and investments throughout the Group. These include the organic development of washroom services in Denmark, Norway and Sweden; concept development of pest control and indoor air quality services; training of facility services managers; establishment of a facility services development centre in the UK; and the recruitment of additional sales people together with organisational changes intended to optimise the service delivery.

The development of the integrated facility services concept has led to a number of such integrated contracts, most significantly the pan-European contract with Computer Science Corporation, CSC, signed in May 2003. This contract was followed by another contract win; an integrated facility services

contract with the Danish telecommunications company, Sonofon. In addition, it fuelled the interest of a number of potential customers.

Acquisition activity remained relatively low. From 1 January to 19 November 2003, ISS made 46 bolt-on acquisitions that, going forward, will contribute an annual turnover of approximately DKK 1,174 million, equivalent to approximately 3% of Group turnover. ISS continues to focus on bolt-on acquisitions, defined as acquisitions that do not exceed 5% of Group turnover on an individual basis. Acquisitions strengthening the Group's competencies, enhancing its service offering or establishing critical mass will be targeted. The Group's website: www.issworld.com is updated on an ongoing basis to contain a complete list of acquisitions and divestments.

CORPORATE BOND PROGRAMME

ISS Global A/S, a wholly owned subsidiary of ISS A/S, listed a Euro Medium Term Note (EMTN) programme in September 2003 and subsequently launched its inaugural bond issue. The bond programme was assigned a BBB+ rating with Stable Outlook from Standard & Poor's.

The EUR 850 million bond issue has a maturity of 7 years and an annual coupon of 4.75% (equal to a 0.68% spread to the Euro mid-swap rate). At the same time ISS entered into an EUR 850 million interest rate swap, under which ISS receives a fixed interest rate whilst paying a floating rate. Consequently, the bonds effectively carry a floating interest rate. The purpose of establishing the EMTN programme and launching the bond issue was to gain access to an efficient and flexible method of financing. Accordingly, the proceeds were used to repay existing bank loans.

FINANCIAL REVIEW

Turnover in Q3 was DKK 8,931 million, a decrease of 6% compared with Q3 2002, primarily due to divestments and currency impact. The effect of unfavourable currency adjustments continued to have a significant impact during Q3, particularly because the Pound Sterling and Norwegian kroner had depreciated against Danish kroner relative to Q3 2002. Acquisitions contributed approximately 3%. Gross organic growth in Q3 was (1)%. With a carry-over effect in Q3 2003 of the contract trimming during 2002 of approximately (1.5)%, net organic growth was close to (3)%.

The nine-month turnover was DKK 26,861 million, a decrease of 6% compared with the same period of 2002. Currency adjustments had a negative effect of 3%, particularly due to the depreciation of the Pound Sterling, Norwegian kroner, the Brazilian Real and Asian currencies linked to the US dollar. Whilst divestments accounted for (5)%, acquisitions added

4%. Gross organic growth was approximately 0%, but the carry-over effect of contract trimming during 2002 reduced growth by approximately 2%. Thus, net organic growth was (2)%.

Operating profit before other income and expenses was DKK 563 million in Q3. This was equivalent to an operating margin of 6.3% compared with 6.1% for the same period of last year. The nine-month operating profit before other income and expenses was up by 2% at unchanged exchange rates. Including negative currency adjustments of DKK 41 million, the operating profit of DKK 1,511 million was 1% down on the first nine months of 2002. The 5.6% operating margin was an improvement of 0.2% from 5.4% for the first nine months of 2002.

Other items, net, amounted to DKK 8 million in the first nine months. **Other income and expenses, net**, of DKK (25) million, which primarily included costs related to earlier divestment and closure decisions and provisions and losses on property, were unchanged from the figure for the first six months. **Other financial income, net**, of DKK 33 million consisted of interest compensation in regard to reopening of earlier tax assessments, primarily relating to employee share issues. Following a decision by the Danish Supreme Court ISS stands to receive a tax repayment of DKK 172 million (taken directly to equity since it relates to employee share issues of the period from 1994 onwards). During Q3, the Group received the first part of this tax repayment - DKK 85 million - as well as DKK 19 million in interest compensation.

Net financial expenses decreased to DKK 53 million in Q3 from DKK 82 million in Q3 2002. Financial expenses in the first nine months of 2003 amounted to DKK 196 million, a decrease of DKK 83 million over the same period of 2002. This was due to a combination of the effect of a lower level of interest rates and lower net debt. The interest coverage was 9.9 compared with 7.1 for the first nine months of 2002. Net financial expenses and interest coverage does not include Other financial income, net, (the afore-mentioned interest on the reopened tax matter) since ISS believes that doing so would not provide a true and fair view.

Tax on ordinary profit before goodwill amortisation was DKK 165 million in Q3 and DKK 420 million in the first nine months. This was equivalent to an effective tax rate of approximately 32%.

Ordinary profit before goodwill amortisation increased by 12% to DKK 354 million in Q3. In the first nine months, ordinary profit before goodwill amortisation was DKK 907 million compared with DKK 883 million for the same period of 2002.

Goodwill amortisation amounted to DKK 219 million in Q3 and DKK 660 million in the first nine

months compared with DKK 203 million and DKK 619 million, respectively, for the corresponding periods of last year.

Net profit in Q3 was DKK 133 million compared with DKK 116 million for the same period of 2002. The nine-month net profit was DKK 250 million compared with DKK 266 million in 2002, a decrease of DKK 16 million due to an increase in goodwill amortisation and minorities.

Earnings per share (before goodwill amortisation) increased to DKK 8.0 in Q3, up 11% from the same period of 2002. In the first nine months, earnings per share (before goodwill amortisation) were DKK 20.6 against DKK 20.5 for the same period of 2002.

The Q3 **free cash flow** was DKK 724 million compared with DKK 598 million in Q3 2002. The **Cash flow from operating activities** was DKK 794 million, lifted in part by the tax repayment relating to employee shares of DKK 85 million (Corporation tax paid) and DKK 19 million (Interest paid). However, a one-off tax payment reduced the cash flow from operating activities by DKK 68 million. In Q3, Investments in intangible and tangible assets included an inflow of approximately DKK 50 million in regard to CSC's takeover of IT-related assets as part of the Group-wide outsourcing-contract established in May 2003.

In the first nine months, the cash flow from operating activities was DKK 1,200 million. The free cash flow amounted to DKK 908 million as against DKK 702 million for the same period of 2002. Investments in intangible and tangible assets relative to turnover amounted to 1.0%. Depreciation was 1.6% of turnover. The cash conversion was 91% compared with 87% for the same period of 2002.

Total assets amounted to DKK 24,793 million as at 30 September 2003 compared with DKK 23,353 million as at 30 June 2003. The increase was attributable to liquid funds, which increased by approximately DKK 1.3 billion. Following the bond issue, ISS Global had intended to repay existing bank loans. However, for tax reasons two loans were still outstanding as at 30 September 2003. Consequently, ISS Global held cash offsetting these loans amounting to approximately DKK 1.1 billion. Following approval from the tax authorities, the loans were repaid in October and effective netting was established.

Goodwill was DKK 12,505 million, an increase of DKK 134 million relative to 30 June 2003 due to acquisitions.

Shareholders' equity amounted to DKK 7,626 million as at 30 September 2003. The equity ratio was 30.8%, impacted by the unusually high level of liquid funds. Currency adjustments relating to investments in foreign subsidiaries, net of hedges,

reduced equity by DKK 66 million as at 30 September 2003. The net proceeds from the issue of employee shares in June 2003 added DKK 25 million to equity. Retained earnings included the tax claim relating to the issue of employee shares in the period from 1994 onwards of DKK 172 million as well as the dividend payment of DKK 88 million in respect of the 2002 financial year.

Provisions of DKK 1,006 million were on a level with 30 June 2003. **Net interest-bearing debt** was DKK 5,516 million against DKK 5,747 million at the end of June 2003.

REVIEW OF OPERATIONS

The operating margin in **Facility Services** rose from 5.7% in the first nine months of 2002 to 6.1% for the same period of 2003. The improvement was particularly attributable to higher operating margins in Northern Europe, especially in Denmark, Finland and the UK. A number of countries in Continental Europe reported improvements in Q3 and thus contributed to increasing the nine-month operating margin of this region from 5.9% in 2002 to 6.1%. Following the discontinuation of airside aviation activities in 2002, the remaining aviation activities were transferred to Facility Services on 1 January 2003 and comparative figures have been restated accordingly. The restated nine-month turnover of 2002 includes discontinued airside aviation activities of DKK 430 million. Excluding these activities, the nine-month turnover of DKK 24,203 million fell 3% short of the 2002 level.

The operating margin in **Damage Control** recovered to 6.4% in Q3. This was a result of improvements in the three large operations: Denmark, Germany and the UK, compared with Q2. For the nine-month period, the reorganisation and downsizing followed by a strengthening of the management systems in Damage Control, Norway, in the first half of the year continued to impact the margin. Excluding Norway, the operating margin in Damage Control was 6.3%. Turnover of DKK 1,364 million was an increase of 8%, with organic growth accounting for 3%. Organic growth was impacted by the unusually dry weather conditions that continued in Northern Europe as well as the macro-economic environment that, in particular, reduced activity in the industrial sector. An increase in partnerships with insurance companies and customers in the industrial sector and expansion of activities in Germany could not fully compensate for these factors.

The operational improvements seen in **Food Hygiene** during the first half of the year were sustained, leading to an increase in the nine-month operating margin from 6.4% in 2002 to 6.7%. Turnover of DKK 789 million was a 1% increase over the same period of last year, derived from organic growth. The consolidation of the abattoir industry in Denmark and the outbreak of avian influenza in the Netherlands in March 2003 reduced growth. In

response, Food Hygiene implemented initiatives to strengthen the sales organisations.

The **Health Care** business (exclusively in Sweden following the divestments in 2002) suffered from the downsizing of the Swedish public health care sector. This meant fewer incoming patients, mainly in radiology and local hospitals and thereby negative organic growth. With the majority of costs being fixed, this also had a deteriorating effect on the operating margin, which fell during Q3 and led to a nine-month operating margin of 11.5%. Cost-cutting measures and corrective actions to improve efficiency are being implemented.

In **Innovation**, the results primarily reflected the costs related to the investments made to develop washroom services.

OPERATIONS BY GEOGRAPHY

Northern Europe

Turnover in Northern Europe, comprising the **UK, Sweden, Denmark, Norway, Finland, Ireland, Iceland** and **Greenland**, was DKK 12,377 million. This was a decrease of 10% from the first nine months of 2002, resulting primarily from the divestments in 2002, which reduced turnover by more than DKK 1 billion. In addition, currency adjustments had a (3)% impact on turnover. The region's organic growth was (1)%. The operating margin was 6.1% compared with 5.9% for the same period of 2002 after improvements in all countries of the region, except for Norway, which was impacted by the afore-mentioned reorganisation of the damage control business.

The positive development in the operating margin continued in Q3 in ISS **UK's** Facility Services. Consequently, ISS UK showed an overall margin

increase compared with the first nine months of 2002. Turnover was DKK 3,362 million. Currency adjustments continued to impact negatively and lowered turnover by 9% for the first nine months. Organic growth in the hospital segment remained at close to 10%, exceeding the impact from reductions and losses earlier in the year in the landside aviation business and the generally difficult market conditions in the cleaning segment. ISS UK continued the development of its facility services concept aimed at the commercial sector. To support these efforts, ISS UK acquired Waterers Landscape in August 2003, thereby becoming a nationwide landscape maintenance provider.

The nine-month operating margin of ISS **Sweden's** Facility Services advanced on the first nine months of 2002, despite the ongoing restructuring of Ecuro, the facility management company. For Sweden overall, the operating margin decreased during Q3 compared with Q2 due to the afore-mentioned shortfall in Health Care. The nine-month turnover was DKK 2,767 million with organic growth of (2)%, in particular due to weaker demand for one-off jobs caused by the general economic conditions. This also led to reductions in the portfolio business, particularly from customers in the manufacturing sector. The contract signed with the head office of Posten, the national post, was a breakthrough in the market for canteen services with the concept "Mat och Människor" (Food and People).

ISS **Denmark's** Facility Services continued the positive operating margin performance from Q2 by focusing on operational improvements and cost cuts. Together with improvements in Food Hygiene and Damage Control during Q3, this led to an overall nine-month operating margin increase compared with the same period of 2002. Turnover was DKK 2,685 million, marking a fall compared with the same period of last year due to divestments and contract trimming during 2002, and the revised strategic

Operating results by business area ¹⁾

	Turnover DKKm			Operating profit ²⁾ DKKm			Operating margin	
	9 months 2003	9 months 2002	Change	9 months 2003	9 months 2002	Change	9 months 2003	9 months 2002
Facility Services	24,203	25,273	(4)%	1,483	1,444	3 %	6.1 %	5.7 %
Damage Control	1,364	1,268	8 %	49	82	(40)%	3.6 %	6.5 %
Food Hygiene	789	780	1 %	53	50	6 %	6.7 %	6.4 %
Health Care	408	1,062	(62)%	47	71	(34)%	11.5 %	6.7 %
Innovation	97	121	(20)%	(15)	9	(267)%	(15.5)%	7.4 %
Corporate	-	-	0 %	(106)	(128)	17 %	(0.4)%	(0.5)%
Group	26,861	28,504	(6)%	1,511	1,528	(1)%	5.6 %	5.4 %

¹⁾ A reclassification between segments has been made compared with the first nine months of 2002. Comparative figures have been restated. Please refer to page 15 of this report for further details.

²⁾ Before other income and expenses.

approach towards customers in the public sector. In addition, the market was characterised by fierce price competition. To support the transformation to Facility Services, office support was established as an independent business unit. The signing of a contract in Q3 to service eight offices of Sonofon, a Danish telecommunications company, was a step forward for Facility Services. Under the contract, ISS will provide several integrated services in areas like property management, internal services and cleaning. This contract and the contract to provide a full range of integrated facility services to CSC in Denmark both took effect on 1 October.

A turnover in ISS **Norway** of DKK 2,245 million marked a decrease compared with the same period of last year. This was caused by divestments and a 4% adverse effect from the depreciation of Norwegian kroner, which accelerated during Q3. In addition, the activities were impacted by a downturn in the economic environment and keen price competition. This led to negative organic growth. The tight focus on costs enabled Facility Services to keep the nine-month operating margin ahead of last year's figure. However, Norway's overall operating margin decreased due to the impact from the damage control business.

In ISS **Finland**, the nine-month turnover grew by 10% to DKK 1,126 million. Organic growth accounted for 6%, resulting from new contracts for a range of facility services as well as increased sales of new services to existing customers. Despite increasingly difficult market conditions, the operating margin grew relative to the first nine months of 2002, due to the customer oriented facility services organisation. Thus, Finland once again delivered the Group's highest operating margin among the larger operations while, at the same time, achieving solid organic growth.

ISS **Ireland**'s turnover increased by 19% to DKK 192 million, driven by 15% organic growth, most of which originated in key accounts. The operating margin continued its positive trend in Q3, leading to a nine-month margin ahead of the same period of 2002. The focus on pest control continued with a

small acquisition in Q3, thereby adding to the platform established during Q2.

Continental Europe

Continental Europe includes **France, the Netherlands, Belgium, Germany, Switzerland, Spain, Austria, the Czech Republic, Italy, Greece, Portugal, Slovenia, Slovakia, Poland, Hungary, Romania, Luxembourg, and Croatia**. The region's turnover was DKK 13,097 million, a 2% decrease relative to the same period of last year. Organic growth was (3)%. The nine-month operating margin increased from 5.8% to 6.0% after improvements in all larger countries during Q3.

ISS France reported a nine-month turnover of DKK 5,072 million. The difficult competitive situation in France continued in Q3. Along with the carry-over effect of contract trimming during 2002, this had an impact on turnover growth since profitability remained management's top priority. However, added focus on top-line growth has led to a stabilisation of the portfolio development, which has now become positive. The operating margin of Q3 improved compared with Q2, but the nine-month operating margin remained below the level for the same period of 2002. This was due both to the difficult French market situation and the price competition. A 5.5% increase in the minimum wage taking effect on 1 July was generally compensated for by a combination of productivity gains and price increases. The development of ISS Hygiene Services (Eurogestion, the pest control company acquired in April 2002) was as planned.

Operational improvement by ISS **Netherlands** continued in Q3, and the nine-month operating margin advanced further compared with the same period of 2002. Market conditions remained tough, resulting in lower-than-expected turnover of DKK 2,285 million. Sales to both new and existing customers were as anticipated but some significant contracts were lost on the grounds of price. ISS Netherlands continues to develop the facility services concept, which is attracting increasing attention and interest from customers. In this

Operating results by geography								
	Turnover DKKm			Operating profit ¹⁾ DKKm			Operating margin	
	9 months 2003	9 months 2002	Change	9 months 2003	9 months 2002	Change	9 months 2003	9 months 2002
	Northern Europe	12,377	13,717	(10)%	749	813	(8)%	6.1 %
Continental Europe	13,097	13,309	(2)%	789	772	2 %	6.0 %	5.8 %
Overseas	1,387	1,478	(6)%	79	71	11 %	5.7 %	4.8 %
Corporate	-	-	0 %	(106)	(128)	17 %	(0.4)%	(0.5)%
Group	26,861	28,504	(6)%	1,511	1,528	(1)%	5.6 %	5.4 %

¹⁾ Before other income and expenses.

process, landscaping services were added to the service range in July 2003 through the acquisition of Drielanden Groep, a company with an annual turnover of approximately DKK 134 million.

ISS **Belgium** sustained progress, and the nine-month operating margin improved relative to the same period of 2002. This was the result of a continued focus on contract profitability. Turnover was DKK 1,340 million, which was down from the same period of last year, because the contract

trimming carried out during 2002 led to negative organic growth.

Turnover of ISS **Germany** was DKK 1,318 million, a decrease over the same period of last year due to the economic climate and contract trimming during 2002. The tough trading conditions with fierce price competition did not improve in Q3 but continued to put the operating margin in Facility Services under pressure. In response to the economic climate, it was decided earlier in the year to accelerate goodwill

Sales by business area and country

Business area ²⁾	Turnover	Turnover	% of total	Organic growth ¹⁾		Currency impact
	Q3 2003	9m 2003		Q3 2003	9m 2003	9m 2003
	DKKm	DKKm		%	%	%
Facility Services	8,014	24,203	90 %	(3)%	(2)%	(3)%
Damage Control	497	1,364	5 %	(4)%	3 %	(1)%
Food Hygiene	262	789	3 %	(1)%	1 %	(2)%
Health Care	130	408	2 %	0 %	(1)%	(0)%
Innovation	28	97	0 %	(1)%	(13)%	(0)%
Total Group	8,931	26,861	100 %	(3)%	(2)%	(3)%
Country						
UK	1,127	3,362	13 %	(1)%	2 %	(9)%
Sweden	889	2,767	10 %	(5)%	(2)%	0 %
Denmark	877	2,685	10 %	(11)%	(6)%	-
Norway	707	2,245	8 %	(9)%	(3)%	(4)%
Finland	377	1,126	4 %	7 %	6 %	(0)%
Ireland	68	192	1 %	21 %	15 %	(0)%
Northern Europe	4,045	12,377	46 %	(5)%	(1)%	(3)%
France	1,675	5,072	19 %	(0)%	(2)%	(0)%
The Netherlands	757	2,285	9 %	(10)%	(9)%	(0)%
Belgium	443	1,340	5 %	3 %	(2)%	(0)%
Germany	451	1,318	5 %	(5)%	(9)%	(0)%
Central Europe	415	1,241	5 %	10 %	9 %	(3)%
Switzerland	290	866	3 %	(2)%	(3)%	(3)%
Spain	261	700	3 %	8 %	6 %	(0)%
Italy	52	141	0 %	8 %	2 %	(0)%
Portugal	45	134	0 %	9 %	9 %	(0)%
Continental Europe	4,389	13,097	49 %	(1)%	(3)%	(0)%
Overseas	497	1,387	5 %	4 %	4 %	(17)%
Total Group	8,931	26,861	100 %	(3)%	(2)%	(3)%

¹⁾ Including the carry-over effect of contract trimming.

²⁾ A reclassification between segments has been made compared with the first nine months of 2002. Comparative figures have been restated. Please refer to page 15 of this report for further details.

amortisation in regard to Facility Services in Germany. Contrary to this, Damage Control continued its solid performance in terms of both turnover and operating margin.

In **Central Europe**, turnover increased by 7% to DKK 1,241 million. Organic growth was 9% after a strong performance in Austria. Whilst the operating margin of the region improved during Q3, the nine-month margin was slightly below that of the same period of last year. Wages are approaching EU levels in the Eastern European countries, and in some cases this could not be fully compensated for through price increases. In Facility Services, the automotive business, a segment particularly in focus in Central Europe, was established as an independent business unit in order to strengthen customer relations.

In ISS **Switzerland**, turnover of DKK 866 million grew by 3% from the same period of 2002, primarily due to the acquisition of a landscaping company in 2002. Despite a pick-up of the operating margin in Q3, the nine-month level was below that of the same period of last year mainly due to an adverse effect from the landscaping business.

ISS **Spain** continued the geographical expansion of its facility services with acquisitions in the areas of Navarra, Catalonia and the Balearic Islands. In addition, the initial position gained in the pest control business in June was strengthened by a second acquisition. The acquisitions allowed ISS Spain to better utilise fixed costs and thus to enhance the operating margin. Turnover increased by 23% to DKK 700 million with organic growth accounting for 6%.

In **Italy**, the nine-month turnover grew to DKK 141 million from DKK 99 million for the same period of 2002. This expansion was a result of the acquisition of ISS Hygiene Services (Eurogestion) in April 2002. The operating margin developed as planned.

In **Portugal**, turnover was DKK 134 million, an increase of 9% over the same period of 2002, attributable exclusively to organic growth. The operating margin in the first nine months of 2003 increased, lifted by one-off jobs with higher operating margins. The organic development of landscaping services continued.

Overseas

Overseas, consisting of **Asia, South America, Australia** and **Israel**, represents approximately 5% of Group turnover. Negative currency adjustments of 17% caused turnover to decline to DKK 1,387 million. Organic growth was 4%, while the operating margin increased from 4.8% to 5.7%, lifted by Australia and Brazil, in particular.

In **Asia**, turnover decreased by 11% to DKK 772 million after an adverse currency effect of 15%. Singapore improved its operating margin during Q3,

but the outbreak of SARS earlier in the year continued to have a negative impact on the nine-month level. Hong Kong and the other Asian operations performed in line with or above expectations. Consequently, Asia's nine-month operating margin of 5.7% was slightly above the nine-month level of 2002.

After completing the review of the contract portfolio and the restructuring of the business in **Brazil** during the first six months, the progress in operating margin was sustained in Q3. The negative currency development stabilised during Q3, but nonetheless caused the nine-month turnover to drop by 28% to DKK 262 million. Even though there was intense focus on the portfolio and on the margin performance, ISS Brazil achieved organic growth of 2%. In August, after restructuring was completed, the COO, who has 27 years' seniority, was appointed new country manager. In **Argentina**, the business developed as expected.

Business in **Australia**, which was added with the takeover of ISS Hygiene Services (Eurogestion), continued to perform in line with plans, both in terms of turnover and operating margin. From 1 July, the Group fully consolidates the results from the joint venture in **Israel**, because ISS now has a controlling interest. The operating margin was maintained at the same level as for the first nine months of 2002.

DE-LISTING FROM THE LONDON STOCK EXCHANGE

ISS' shares have been listed on the Copenhagen Stock Exchange since 1977, and in 1989 the company obtained a secondary listing of its shares on the London Stock Exchange.

On 15 August 2003, following a request from the company, the UK Listing Authority cancelled the listing of ISS shares on the Official List of the UK Listing Authority and the admission to trading on the market for listed securities on the London Stock Exchange. This step was taken as the Group wished to capitalise on the benefits of consolidating its listing on the Copenhagen Stock Exchange in terms of trading volume and liquidity.

ISS has maintained its primary listing on the Copenhagen Stock Exchange where the shares are trading under ISIN code DK0010267046.

OUTLOOK

The outlook should be read in conjunction with "Forward-looking statements" on page 11.

In its last interim report (August 2003), ISS said that it expected an operating margin of approximately 5.6-5.7% and an increase in ordinary profit before tax and goodwill amortisation of 9-11% in 2003 from DKK 1,643 million in 2002.

ISS maintains this outlook. However, the costs associated with the organisational changes described on page 3 will reduce ordinary profit before tax and goodwill amortisation by an estimated DKK 60 million.

ISS' current forecast of how the exchange rate fluctuations and divestments will impact on consolidated turnover of the continuing business in Danish kroner is shown below:

Turnover, continuing business	
Approximate numbers, DKKbn	
Turnover 2002	38.0
Divested activities	(1.6)
Estimated 2003 currency effect	(1.0)
<hr/>	
Adjusted turnover base for the continuing business, end of 2002	35.4

Following these effects, turnover for 2003 is expected to be approximately DKK 36 billion (gross organic growth of approximately 0% before the full-year effect of last year's contract trimming of just under (2)%).

Goodwill amortisation is still expected to be approximately DKK 890 million.

APPENDICES

ISS' consolidated profit and loss account, consolidated cash flow statement, consolidated balance sheet, consolidated statement of movements in equity and a specification of minorities are appended to this report.

CONFERENCE CALL AND WEBCAST

A combined webcast and telephone conference hosted by Eric S. Rylberg, CEO, and Karsten Poulsen, CFO, will be held on Wednesday, 20 November 2003 at 14:00 CET (13:00 UK time). The webcast will be available from the Group's website: www.issworld.com.

Subsequently, a replay of the webcast will be available from the Group's website. The conference will also be available in digital audio replay until Wednesday, 27 November 2003.

The telephone numbers for the conference are:

+45 70 26 50 40 (Denmark)
+353 1 439 0432 (Ireland)
+44 207 769 6432 (UK)
+1 847 619 6546 (US)

To access the recording, please dial:

+353 1 2400 041 (Ireland),
Access code: 287869#.

FINANCIAL CALENDAR 2004

Annual Results 2003:
Annual General Meeting:
Interim Report, January-March 2004:
Interim Report, January-June 2004:
Interim Report, January-September 2004:

Thursday, 11 March 2004
Wednesday, 31 March 2004
Tuesday, 18 May 2004
Thursday, 26 August 2004
Thursday, 18 November 2004

FORWARD-LOOKING STATEMENTS

This Interim Report contains forward-looking statements within the meaning of the US Private Securities Litigation Act of 1995 and similar laws in other countries regarding expectations to the future development, in particular future sales, operating efficiencies and business expansion. Such statements are subject to risks and uncertainties as various factors, many of which are beyond ISS' control, may cause the actual development and results to differ materially from the expectations expressed in the Financial Report. Factors that might affect such

expectations include, among others, overall economic and business conditions, fluctuations in currencies, the demand for ISS' services, competitive factors in the service industry, operational problems in one or more of the Group's business units and uncertainties concerning possible acquisitions and divestments. Reference is also made to the description of risk factors on pages 34-39 of the Annual Report 2002.

GOVERNING TEXT

This Interim Report has been translated from Danish into English. The Danish text shall be the governing text for all purposes and in case of any discrepancy the Danish version shall prevail.

Consolidated Profit and Loss Account

Amounts in DKKm

	Q3 2003	Q3 2002	9 months 2003	9 months 2002
Turnover	8,931	9,521	26,861	28,504
Operating expenses	(8,222)	(8,790)	(24,920)	(26,525)
Depreciation and amortisation	(146)	(147)	(430)	(451)
Operating profit before other income and expenses	563	584	1,511	1,528
Other income and expenses, net	0	(66)	(25)	11
Operating profit	563	518	1,486	1,539
Income from associates	4	0	4	0
Financial income and expenses, net	(53)	(82)	(196)	(279)
Other financial income, net	5	-	33	-
Ordinary profit before tax and goodwill amortisation	519	436	1,327	1,260
Tax on ordinary profit before goodwill amortisation	(165)	(120)	(420)	(377)
Ordinary profit before goodwill amortisation	354	316	907	883
Goodwill amortisation	(219)	(203)	(660)	(619)
Tax effect of goodwill amortisation	6	6	21	13
Minority interests	(8)	(3)	(18)	(11)
Net profit for the period	133	116	250	266
Earnings per share before goodwill amortisation (DKK)	8.0	7.2	20.6	20.5

Consolidated Statement of Cash Flows

Amounts in DKKm

	Q3 2003	Q3 2002	9 months 2003	9 months 2002
Operating profit before other income and expenses	563	584	1,511	1,528
Depreciation and amortisation	146	147	430	451
Changes in working capital ¹⁾	174	190	(355)	(318)
Changes in other provisions ¹⁾	(1)	(13)	(11)	(47)
Interest paid ¹⁾	(35)	(78)	(172)	(256)
Corporation tax paid ¹⁾	(47)	(82)	(195)	(248)
Payments related to other income and expenses	(6)	(34)	(8)	(66)
Cash flow from operating activities	794	714	1,200	1,044
Acquisition of businesses, net	(303)	(129)	(678)	(1,715)
Divestment of businesses, net	6	5	23	5
Investments in intangible and tangible assets, net ¹⁾	(70)	(116)	(292)	(342)
Investments in financial assets, net ¹⁾	2	(5)	11	272
Cash flow from investing activities	(365)	(245)	(936)	(1,780)
Financial payments, net ²⁾	856	274	2,222	910
Proceeds from issuance of share capital	-	-	25	568
Dividends paid to shareholders	-	-	(88)	-
Minority interests	(1)	(2)	(4)	(2)
Cash flow from financing activities	855	272	2,155	1,476
Total cash flow	1,284	741	2,419	740
Cash and cash equivalents at beginning of period	1,987	1,006	891	1,023
Total cash flow	1,284	741	2,419	740
Foreign exchange adjustments	4	(14)	(35)	(30)
Cash and cash equivalents at end of period	3,275	1,733	3,275	1,733

¹⁾ Net of effects of acquisitions and divestments.

²⁾ Proceeds from bank debt and bond issue less repayment of bank debt.

Consolidated Balance Sheet

Amounts in DKKm

Assets	30.9.2003	30.6.2003	31.12.2002	30.9.2002
Goodwill	12,505	12,371	12,669	12,909
Software and other intangible assets	169	170	194	160
Total tangible assets	1,447	1,410	1,509	1,553
Total financial assets	617	646	625	582
Accounts receivable and other current assets	6,780	6,769	6,524	7,417
Liquid funds and securities	3,275	1,987	891	1,733
Total assets	24,793	23,353	22,412	24,354

Equity and liabilities	30.9.2003	30.6.2003	31.12.2002	30.9.2002
Total equity	7,626	7,485	7,331	7,373
Minority interests	119	74	88	87
Total provisions	1,006	988	1,097	1,094
Long-term debt, including bonds	8,044	6,908	5,642	7,157
Short-term interest bearing loans and borrowings	747	826	853	1,132
Other current liabilities	7,251	7,072	7,401	7,511
Total equity and liabilities	24,793	23,353	22,412	24,354

Consolidated Statement of Equity

Amounts in DKKm

Equity	Share capital	Share premium	Retained earnings	Own shares	Foreign exch. adj.	Total equity
Equity at 1 January 2003	878	583	6,008	(28)	(110)	7,331
Foreign exch. adj. of foreign subsidiaries etc.	-	-	-	-	(66)	(66)
Deferred gains/losses on hedging derivatives	-	-	2	-	-	2
Dividends	-	-	(88)	-	-	(88)
Employee shares	8	17	-	-	-	25
Tax regarding employee shares	-	-	172	-	-	172
Net profit for the period	-	-	250	-	-	250
Equity at 30 September 2003	886	600	6,344	(28)	(176)	7,626
Equity at 1 January 2002	844	48	5,795	(62)	(4)	6,621
Foreign exch. adj. of foreign subsidiaries etc.	-	-	-	-	(117)	(117)
Deferred gains/losses on hedging derivatives	-	-	34	-	-	34
Share issue	26	492	-	-	-	518
Employee shares	8	43	-	-	-	51
Net profit for the period	-	-	266	-	-	266
Equity at 30 September 2002	878	583	6,095	(62)	(121)	7,373
Equity at 1 January 2002	844	48	5,795	(62)	(4)	6,621
Foreign exch. adj. of foreign subsidiaries etc.	-	-	-	-	(106)	(106)
Deferred gains/losses on hedging derivatives	-	-	6	-	-	6
Share issue	26	492	-	-	-	518
Employee shares	8	43	-	-	-	51
Purchase/disposal of own shares, net ¹⁾	-	-	(39)	34	-	(5)
Net profit for the year	-	-	246	-	-	246
Equity at 31 December 2002	878	583	6,008	(28)	(110)	7,331

¹⁾ Including options settled.

Specification of minorities	30.9 2003	30.9 2002	31.12 2002
Minorities beginning of period	88	57	57
Foreign exchange adjustments	(4)	1	1
Additions from acquired companies, net	22	22	(5)
Dividends	(3)	(4)	17
Net profit for the period	16	11	18
Minorities end of period	119	87	88

Reclassifications from the Interim Report January-September 2002

Compared with the Interim Report January-September 2002, certain reclassifications have been made:

- ISS Aviation closed as a Business Build and the remaining activities transferred to Facility Services
- Food Hygiene in the UK carved out from Facility Services
- Damage Control in Belgium carved out from Facility Services

Comparative figures have been restated accordingly.