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Interim Report
January – June 2003

(Elaborated by the Executive Management Board and approved by the Board of Directors)

Highlights

• Turnover	-6%	(currency effect -3%, discontinued business -5%)
• Operating margin	5.3%	(up 0.3%)
• Free cash flow	DKK 184m	(up DKK 80m)
• Ordinary profit before other items and goodwill amortisation	DKK 543m	(up 6%)

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Key figures and financial ratios [1)]

Amounts in DKKm (unless otherwise stated)	Q2 2003	Q2 2002	H1 2003	H1 2002	Year 2002
Key figures					
Turnover	**9,013**	9,683	**17,930**	18,983	37,984
Operating profit [2)]	**542**	548	**948**	944	2,010
Financial income and expenses, net	**(71)**	(107)	**(143)**	(197)	(361)
Ordinary profit before other items and goodwill amortisation [3)]	**316**	306	**543**	513	1,112
Ordinary profit before goodwill amortisation [3)]	**326**	290	**553**	567	1,115
Net profit [3)]	**103**	60	**117**	150	246
Cash flow from operating activities	**279**	466	**406**	330	2,264
Free cash flow	**167**	341	**184**	104	1,739
Total assets	**23,353**	23,992	**23,353**	23,992	22,412
Goodwill	**12,371**	13,002	**12,371**	13,002	12,669
Interest-bearing debt, net	**5,747**	6,983	**5,747**	6,983	5,604
Total equity	**7,485**	7,279	**7,485**	7,279	7,331
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	**43,900**	43,513	**43,836**	42,790	43,283
Share price at end of period, DKK	**231**	397	**231**	397	255
Market capitalisation at end of period, DKKm	**10,236**	17,439	**10,236**	17,439	11,202
Financial ratios					
Operating margin, %	**6.0**	5.7	**5.3**	5.0	5.3
Interest coverage [4)]	**9.7**	6.6	**8.6**	6.3	7.2
EPS before other items and goodwill amortisation, DKK [3)]	**7.2**	7.0	**12.4**	12.0	25.7
EPS before goodwill amortisation, DKK [3)]	**7.4**	6.7	**12.6**	13.3	25.8
Free cash flow per share, DKK	**3.8**	7.8	**4.2**	2.4	40.2
Equity ratio, %	**32.0**	30.3	**32.0**	30.3	32.7
Debt to book equity ratio, %	**76.8**	96.0	**76.8**	96.0	76.4
Debt to total enterprise value ratio, %	**36.0**	28.6	**36.0**	28.6	33.3

[1)] The financial statements for the second quarter and the six months to 30 June 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)] In H1 2003, other items after tax (Other income and expenses and Other financial income) were approximately DKK 11 million. H1 2002 included Other income and expenses of DKK 54 million after tax, primarily consisting of a gain from the sale of the Sophus Berendsen shares of DKK 74 million after tax.

[4)] Operating profit before other income and expenses plus Depreciation and amortisation divided by Net financial expenses.

In spite of the macro-economic environment, ISS maintained margin improvement and solid cash conversion on the top of the agenda. These two goals were achieved.

Turnover in the continuing business grew by 2% in local currencies in the first six months. Divested activities (5%) and negative currency adjustments (3%) meant that turnover was 6% lower than for the same period of last year (see box to the right).

Currency adjustments cut DKK 497 million (3%) and DKK 24 million (3%) off turnover and operating profit before other income and expenses, respectively. In spite of the lower turnover, the operating profit of DKK 948 million was DKK 4 million higher than that of the same period in 2002. The six-month operating margin increased from 5.0% to 5.3%. This was attributable to progress in Northern Europe's Facility Services organisations relative to the six-month level of 2002. The Group was affected by various one-off income and expense items that had no material effect overall on the operating profit before other income and expenses.

The efforts to sustain a solid cash conversion resulted in a six-month cash flow from operating activities of DKK 406 million compared with DKK 330 million for the same period of 2002. The free cash flow was DKK 184 million and DKK 104 million, respectively. Net debt was DKK 5,747 million as at 30 June 2003 compared with DKK 5,742 million as at 31 March 2003 (DKK 6,983 million as at 30 June 2002).

In Q2, gross organic growth exceeded DKK 100 million, equivalent to an organic growth rate of 1%. The deterioration in the economic environment also impacted growth in Q2, as corporate clients continued to reduce their floor space requirements and requested fewer one-off jobs in response to a deterioration in the business climate. In the first six months, gross organic growth was approximately 1%. Net organic growth, which includes the carry-over effect from contract trimming in 2002 in Belgium, Denmark, France, Germany and the Netherlands, was approximately (1)%. Disregarding the five countries in which extraordinary contract trimming was used as a profitability enhancement tool, the aggregate six-month organic growth for the rest of the Group was approximately 3%.

COMPETENCE ENHANCEMENT

The Group is currently devoting special attention to the development of its facility services concept, which remains the focal area of the ISS strategy. This is reflected in various initiatives and investments that are being implemented throughout the Group. The organic development of washroom services in Denmark, Norway and Sweden is one of these initiatives. This project includes the establishment of a range of hygiene solutions for both new and existing customers, leveraging the strength of the ISS organisation. Other initiatives include training of facility services managers, establishment of a Facility Services Development Centre in the UK, and organisational changes intended to optimise the service delivery.

Turnover development

	H1 2003	
	DKKbn	%
Turnover 2002	19.0	108%
Divested activities	(0.9)	(5%)
Currency adjustments	(0.5)	(3%)
Turnover in cont. business at current exchange rates	17.6	100%
Acquisitions	0.6	3%
Contract trimming in 2002	(0.4)	(2%)
Organic growth, gross	0.1	1%
Turnover 2003	17.9	102%
Total growth	(1.1)	(6%)

The development of this concept has led to a number of integrated facility services contracts, particularly in Northern Europe. In May 2003, the Group won its most comprehensive pan-European facility services contract to date: in a partnership with Computer Science Corporation, CSC, ISS will deliver facility services to CSC and CSC will provide IT services to ISS. Under the 10-year agreement, ISS will assume responsibility for delivering a range of facility services such as cleaning, mailroom, reception, switchboard, canteen services and handling of office supplies at a number of CSC-sites in Europe. The service tasks will be taken over gradually, commencing at CSC's offices in the Nordic countries, Germany and the Netherlands. The parties expect the agreement to be fully implemented over a period of three to five years.

Acquisition activity remained at a relatively low level in the first part of the year. From 1 January to 19 August 2003, ISS made 26 bolt-on acquisitions which, going forward, will contribute an annual turnover of approximately DKK 879 million. ISS continues to focus on bolt-on acquisitions in order to strengthen the Group's competencies, enhance its service offering or establish critical mass.

The Group's website: www.issworld.com contains a complete list of acquisitions and divestments. This list is updated on an ongoing basis (as and when new acquisitions and divestments are concluded).

OUTSOURCING OF IT

As described above, ISS signed a 10-year IT outsourcing agreement with CSC simultaneously with signing the afore-mentioned facility services contract. Under the IT contract, CSC assumes responsibility for ISS' IT systems including the development, maintenance, and operations of applications and infrastructure at ISS sites in Europe. As part of their future relationship, ISS and CSC intends to launch an IT transformation to develop, implement and operate a common IT platform for all ISS business.

CORPORATE BOND PROGRAMME

ISS Global A/S, a wholly owned ISS A/S subsidiary, expects to launch a corporate bond programme in the second half of 2003.

FINANCIAL REVIEW

Turnover in Q2 was DKK 9,013 million, an increase of 1% in the continuing business at unchanged exchange rates. The effect of unfavourable currency adjustments accelerated during Q2. This was particularly due to depreciation of the Pound Sterling, Norwegian kroner and Asian currencies linked to the US dollar relative to Q2 2002. Including negative currency adjustments of 3% and divestments accounting for 5%, turnover decreased by 7% compared with the same period of last year. Acquisitions and gross organic growth contributed approximately 2% and 1%, respectively. The carry-over effect in Q2 2003 of the extraordinary contract trimming during 2002 was approximately (2)%, resulting in a net organic growth of (1)%. This was impacted by fewer one-off jobs as a result of the general economic downturn.

The six-month turnover was DKK 17,930 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, the Brazilian Real and Asian currencies linked to the US dollar. Whilst divestments accounted for (5)%, acquisitions added 3%. Gross organic growth was approximately 1%, but the carry-over effect of contract trimming during 2002 reduced growth by approximately 2%. Thus, the net organic growth was (1)%. Disregarding the five countries in which extraordinary contract trimming was used as a profitability enhancement tool, the aggregate six-month organic growth for the rest of the Group was approximately 3%.

Operating profit before other income and expenses was DKK 542 million in Q2. This was equivalent to an operating margin of 6.0% compared with 5.7% for the same period of last year. The six-month operating profit before other income and expenses was up by 3% at unchanged exchange rates. Including currency adjustments of DKK 24 million, the operating profit of DKK 948 million was slightly ahead of the first six months of 2002. Consequently, the 5.3% operating margin was an improvement of 0.3% from 5.0% for the first six months of 2002.

Other items amounted to approximately DKK 3 million, as illustrated in the box below. Other income and expenses, net, of approximately DKK (25) million were more than offset by Other financial income (interest income in regard to the reopening of a tax matter relating to employee share issues) of approximately DKK 28 million.

Other items	**H1 2003 DKKm**
Costs related to earlier divestment and closure decisions	(17.8)
Loss on minor divestments and closures	(1.9)
Provision and loss on properties, net	(4.8)
Other, net	(0.9)
Other income and expenses, net	(25.4)
Interest on reopened tax matter (Other financial income)	28.0
Other items, net	**2.6**

Transfer of employees, transfer/closure of lease contracts and other exit costs related to earlier exit measures were higher than ISS had expected. On the other hand, a decision by the Danish Supreme Court has enabled ISS to reopen earlier tax assessments and the company stands to obtain a tax repayment of DKK 162 million (taken directly to equity since it relates to employee share issues in the period from 1994 onwards), and DKK 28 million as compensation for lost interest. The bulk of the payment is expected in the second half of 2003 (DKK 173 million). The remaining DKK 17 million is expected to be received in 2004.

Net financial expenses decreased to DKK 71 million in Q2 from DKK 107 million in Q2 2002. Financial expenses in the first six months of 2003 amounted to DKK 143 million, a decrease of DKK 54 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 8.6 compared with 6.3 for the first six months of 2002. Net financial expenses and interest coverage does not include Other financial income (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 148 million in Q2 and DKK 255 million in the first six months. This was equivalent to a six-month effective tax rate of approximately 32%.

Ordinary profit before goodwill amortisation increased by 12% to DKK 326 million in Q2. Disregarding other items (Other income and expenses after tax and Other financial income - in

2002 primarily consisting of a gain on the sale of the Sophus Berendsen shares), ordinary profit before goodwill amortisation increased by 6% in the first six months of 2003.

Goodwill amortisation amounted to DKK 224 million in Q2 and DKK 441 million in the first six months compared with DKK 230 million and DKK 416 million for the corresponding periods of last year.

Net profit in Q2 was DKK 103 million compared with DKK 60 million for the same period of 2002. The six-month net profit was DKK 117 million compared with DKK 150 million in 2002. **Earnings per share (before goodwill amortisation)** increased to DKK 7.4 in Q2, up 11% from the same period of 2002. In the first six months, earnings per share (before goodwill amortisation) were DKK 12.6. Excluding other income and expenses after tax and the one-off financial income, the increase was 3%.

In the first six months, the **cash flow from operating activities** was DKK 406 million. The **free cash flow** amounted to DKK 184 million as against DKK 104 million for the same period of 2002. The Q2 free cash flow was DKK 167 million. Investments in intangible and tangible assets (excluding goodwill) relative to turnover amounted to 1.2% both in Q2 and in the first six months. Depreciation amounted to 1.6% of turnover.

Total assets amounted to DKK 23,353 million as at 30 June 2003 compared with DKK 23,495 million as at 31 March 2003. **Goodwill** was DKK 12,371 million, a decrease of DKK 64 million relative to 31 March 2003.

Shareholders' equity amounted to DKK 7,485 million as at 30 June 2003. The equity ratio was 32.0%. Currency adjustments relating to investments in foreign subsidiaries, net of hedges, reduced equity by DKK 61 million as at 30 June 2003. The net proceeds from the issue of employee shares 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 162 million as well as the dividend payment of DKK 88 million in respect of the 2002 financial year.

Provisions decreased by DKK 109 million to DKK 988 million, in part due to a reduction in the level of deferred tax liabilities compared with 31 March 2003. **Net interest-bearing debt** was DKK 5,747 million against DKK 5,742 million at the end of March 2003.

REVIEW OF OPERATIONS

The operating margin of **Facility Services** rose from 5.3% in the first six months of 2002 to 5.8% for the same period of 2003. The improvement was primarily a result of higher operating margins in all countries in Northern Europe. Continental Europe's operating margin remained at the six-month 2002 level. The development of facility services solutions continued in a number of countries, particularly in the Nordic region, and resulted in new integrated facility services contracts. 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 six-month turnover of 2002 includes airside aviation activities of DKK 314 million. Excluding these activities, six-month turnover of DKK 16,189 million was 3% below the 2002 level.

Organic growth of 8%, negative currency adjustments of 1%, and growth from acquisitions of 6% increased ISS **Damage Control**'s six-month turnover to DKK 867 million. Turnover was impacted by the unusually dry weather conditions in Q1 in Northern Europe, which caused fewer water damages, a phenomenon that also occurred in Q2,

Operating results by business area [1)]

	Turnover DKKm			**Operating profit [2)] DKKm**			**Operating margin**	
	H1 2003	H1 2002	Change	H1 2003	H1 2002	Change	H1 2003	H1 2002
Facility Services	16,189	16,875	(4%)	945	902	5%	5.8%	5.3%
Damage Control	867	766	13%	17	39	(56%)	2.0%	5.1%
Food Hygiene	527	510	3%	36	33	9%	6.8%	6.5%
Health Care	278	737	(62%)	40	48	(17%)	14.4%	6.6%
Innovation	69	95	(27%)	(13)	14	(193%)	(18.8%)	14.7%
Corporate	-	-	-	(77)	(92)	16%	(0.4%)	(0.5%)
Group	**17,930**	**18,983**	**(6%)**	**948**	**944**	**0%**	**5.3%**	**5.0%**

[1)] A reclassification between segments has been made compared with the first six 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.

particularly in Denmark. In addition, the macro-economic environment impacted the activity level in the industrial sector. An increase in partnerships with insurance companies and customers in the industrial sector was not enough to fully compensate for those factors. However, the most significant reason for the margin decline from 5.1% in the first six months in 2002 to 2.0% for the same period in 2003 was a reorganisation and down-sizing followed by a strengthening of management systems of Damage Control in Norway.

To enhance the branding, ISS' Business Build serving the food industry was renamed **Food Hygiene** at the beginning of 2003. Backed by the ongoing focus on costs, the operating margin continued to increase in Q2, thus boosting the six-month operating margin from 6.5% in 2002 to 6.8%. The six-month turnover increased by 3% to DKK 527 million, negatively affected by a consolidation of the industry in Denmark and the outbreak of avian influenza in the Netherlands in March 2003.

The level of activity in **Health Care** decreased compared with 2002 primarily due to the divestment of elderly care activities. Turnover in the first six months of the continuing business, which focuses on care activities, diagnostic competences and medical treatment, was below the level for the same period of 2002 due to fewer incoming patients, mainly in radiology and local hospitals. Whilst this caused the Q2 operating margin to decline compared with Q1 2003, the six-month operating margin was 14.4%, an improvement over 2002 as a result of the divestment of low-margin activities. In July 2003, Health Care acquired Rånäs Rehabiliteringscenter and Knivsta Rehabilitering (combined annual turnover of approximately DKK 52 million), establishing a foothold for ISS in the rehabilitation business in the Stockholm area.

In **Innovation** the results primarily reflected the costs related to the development of washroom services.

OPERATIONS BY GEOGRAPHY

Northern Europe

Turnover in Northern Europe, comprising the **UK, Sweden, Denmark, Norway, Finland, Ireland, Iceland** and **Greenland**, was DKK 8,332 million. This marked a decrease of 9% from the first six months of 2002, resulting primarily from the divestments in 2002, which reduced turnover by more than DKK 700 million. The region's organic growth was 1%. The operating margin was 6.0% compared with 5.6% 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.

Operational measures initiated by ISS **UK** in its Facility Services helped to increase the operating margin relative to the same period of 2002. Damage Control also reported an improved operating margin. The start up of new contracts in the hospital segment exceeded the impact of reductions in the landside aviation business and the generally difficult market conditions in Facility Services, bringing organic growth in ISS UK to 3%. At the beginning of 2003, ISS UK accelerated the development of its facility services concept in the commercial sector. Initiatives included: a facility services competence team, a development programme for potential facility services managers, and the merger of legal entities into a single legal unit, ISS Facility Services Ltd. To support these efforts, ISS UK acquired Waterers Landscape in August 2003, thereby becoming a nationwide landscape maintenance provider.

Despite an ongoing restructuring of Ecuro, the operating margin of ISS **Sweden**'s Facility Services picked up in Q2. Consequently, the overall six-month operating margin of ISS Sweden improved relative to the same period of 2002, also helped by the divestment of elderly care activities in 2002. The six-month turnover was DKK 1,878 million with organic growth of 0% as a result of the general economic environment that led to reductions in the business, particularly from customers in the manufacturing sector.

Operating results by geography

	Turnover DKKm			Operating profit [1] DKKm			Operating margin	
	H1 2003	H1 2002	Change	H1 2003	H1 2002	Change	H1 2003	H1 2002
Northern Europe	8,332	9,116	(9%)	501	514	(3%)	6.0%	5.6%
Continental Europe	8,708	8,855	(2%)	471	474	(1%)	5.4%	5.4%
Overseas	890	1,012	(12%)	53	48	10%	6.0%	4.7%
Corporate	-	-	-	(77)	(92)	16%	(0.4%)	(0.5%)
Group	**17,930**	**18,983**	**(6%)**	**948**	**944**	**0%**	**5.3%**	**5.0%**

[1] Before other income and expenses.

ISS **Denmark**'s Facility Services focused on operational improvements and cost reductions (e.g by vacating one of ISS Denmark's two head office properties). These measures paved the way for an increase in the six-month operating margin. Turnover was DKK 1,808 million, marking an anticipated fall compared with the same period of last year due to divestments, contract trimming during 2002, and the revised strategic approach towards customers in the public sector. In Q2, an important contract was secured when ISS Denmark became the first country of the Group to provide a full range of facility services to CSC. The annual value of the 10-year contract is approximately DKK 50 million. The contract is scheduled to commence in the autumn. The organic development of washroom services continued as planned. In Q3, it will be followed-up by the launch of a new mat service concept.

Tight focus on costs enabled ISS **Norway** to maintain a positive performance in the operating margin of its Facility Services compared with the first six months of 2002. However, Norway's overall operating margin decreased due to a reorganisation of the damage control business. A turnover of DKK 1,538 million marked a decrease compared with the same period of last year, caused by divestments and

Sales by business area and country

	Turnover		Organic growth		H1 2003	Currency impact
	Q2 2003	H1 2003	Q2 2003	H1 2003	of total	H1 2003
	DKKm	DKKm	%	%	%	%
Business area [1]						
Facility Services	8,143	16,189	(1%)	(1%)	90%	(3%)
Damage Control	437	867	4%	8%	5%	(1%)
Food Hygiene	265	527	2%	2%	3%	(2%)
Health Care	137	278	(3%)	(2%)	2%	(0%)
Innovation	31	69	(23%)	(18%)	0%	(0%)
Total Group	**9,013**	**17,930**	**(1%)**	**(1%)**	**100%**	**(3%)**
Country						
UK	1,107	2,235	3%	3%	12%	(10%)
Sweden	953	1,878	0%	0%	10%	(0%)
Denmark	888	1,808	(3%)	(4%)	10%	-
Norway	756	1,538	(2%)	0%	9%	(1%)
Finland	381	749	6%	6%	4%	(0%)
Ireland	65	124	16%	12%	1%	(0%)
Northern Europe	**4,150**	**8,332**	**1%**	**1%**	**46%**	**(3%)**
France	1,733	3,397	(1%)	(2%)	19%	(0%)
The Netherlands	750	1,528	(9%)	(8%)	9%	(0%)
Belgium	448	897	(2%)	(4%)	6%	(0%)
Germany	429	867	(13%)	(11%)	5%	(0%)
Central Europe	432	826	10%	8%	5%	(1%)
Switzerland	294	576	(1%)	(3%)	3%	(2%)
Spain	229	439	5%	5%	2%	(0%)
Italy	51	89	8%	(3%)	0%	(0%)
Portugal	45	89	11%	10%	0%	(0%)
Continental Europe	**4,411**	**8,708**	**(3%)**	**(3%)**	**49%**	**(0%)**
Overseas	**452**	**890**	**6%**	**4%**	**5%**	**(21%)**
Total Group	**9,013**	**17,930**	**(1%)**	**(1%)**	**100%**	**(3%)**

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

more than a 1% adverse effect from the development of Norwegian kroner. Organic growth was 0%, impacted by a downturn in the economic environment.

In ISS **Finland,** the six-month turnover grew by 9% to DKK 749 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. The facility services concept was expanded to include services within catering and project management. The customer oriented facility services organisation brought an increasing operating margin. With Damage Control progressing as well, the six-month operating margin of ISS Finland increased over the same period of 2002.

ISS **Ireland**'s turnover increased by 17% to DKK 124 million, driven by organic growth of 12%. The operating margin picked up in Q2, leading to a six-month margin ahead of the same period of 2002. Generally, the labour market in Ireland has eased. In Q2, ISS established a presence in the pest control business in Ireland. Initial organic development was followed by a small acquisition of Abbey Pest Control Services in April.

Continental Europe

Continental Europe includes **France, the Netherlands, Belgium, Germany, Switzerland, Austria, Spain, the Czech Republic, Greece, Italy, Portugal, Slovenia, Poland, Slovakia, Hungary, Romania, Luxembourg,** and **Croatia**. The region's turnover was DKK 8,708 million, a 2% decrease relative to the same period of last year. The operating margin was maintained at 5.4% as the difficult market situation continued to put the margin under pressure.

ISS **France** increased its six-month turnover to DKK 3,397 million. The difficult competitive situation in France continued in Q2 and customers, particularly in the public sector, remained highly focused on price. 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. The operating margin of Q2 improved somewhat compared with Q1, but the six-month operating margin remained below the level for the same period of 2002. This was in part due to the difficult market situation in France and to low activity at the beginning of the year in the landscaping business, owing to weather conditions. 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 Q2 2003, and the six-month operating margin advanced further compared with the same period of 2002. Market conditions hardened, resulting in lower than-expected turnover of DKK 1,528 million, which was a 13% decline relative to the first six months of 2002. This decrease was also attributable to contract trimming carried out during 2002 and a 5% impact from the discontinuation of aviation activities. ISS Netherlands continues to develop its facility services concept. In this 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. This represented the first facility services acquisition in the Netherlands since the Lavold-acquisition in December 2000.

ISS **Belgium** sustained progress, as the six-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 897 million, which was down from the same period of last year, because the contract trimming carried out during 2002 led to negative organic growth.

The tough economic climate in **Germany** did not improve in Q2. Price competition was fierce, and the market remained difficult and with low visibility. Damage Control progressed with an increasing operating margin in the first six months. However, a decline in the Facility Services business resulted in an overall operating margin decrease in Germany. Turnover was DKK 867 million, a decrease over the same period of last year due to the general economic environment and contract trimming during 2002. In response to the economic climate, it was decided to accelerate goodwill amortisation in regard to Germany so that the remaining amortisation period is halved.

In **Central Europe**, turnover increased by 9% to DKK 826 million. Organic growth was 8% after a strong performance in Austria. Whilst the operating margin of the region improved during Q2, the six-month margin was slightly below the same period of last year. In the Eastern European countries, wages are approaching EU levels and in some cases this could not be fully compensated for through price increases. In March, ISS Austria acquired Steinbauer, a landscaping company. This acquisition resulted in an extension of the facility services contract with Austrian Telekom.

In ISS **Switzerland,** turnover grew by 7% from the same period of 2002, primarily due to the acquisition of the landscaping company E. Fritz AG in 2002. Despite a pick-up of the operating margin in Q2, the six-month level was below that of the same period of last year in part due to an adverse effect from the landscaping business. In June, Ketol AG, a pest control company with an annual turnover of approximately DKK 27 million, was acquired.

Continuing the consistent progress, ISS **Spain** improved its six-month operating margin further. Turnover increased by 22% to DKK 439 million with organic growth accounting for 5%. With the May acquisition of Grupo Garcia, ISS Spain expanded its geographical presence in the northern part of the country. In June, ISS Spain gained a foothold in the pest control business by the acquisition of Madrid-based Pest Consult International.

In **Italy**, the six-month turnover grew to DKK 89 million from DKK 55 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 89 million, an increase of 10% over the first six months of 2002 attributable exclusively to organic growth. The operating margin in the first six months of 2003 increased, lifted by one-off contracts 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 21% caused turnover to decline to DKK 890 million. Organic growth was 4%, while the operating margin increased from 4.7% to 6.0%, positively affected particularly by Australia and Brazil.

In **Asia**, turnover decreased by 11% to DKK 522 million after an adverse currency effect of 17%. In Singapore, the outbreak of SARS had a negative effect on the operating margin; whereas in Hong Kong, one-off contracts, particularly in services regarding indoor air quality, gave rise to an increasing operating margin compared with the first six months of 2002. With the other Asian operations generally performing as planned, the operating margin of 5.5% was identical to the six-month level of 2002.

The review of the contract portfolio and the restructuring of the business that has taken place in **Brazil** were reflected in an increasing operating margin compared with the same period of 2002. The currency recovered somewhat in Q2 but caused a drop in turnover of 37% to DKK 168 million in the first six months of 2003. The business in **Argentina** developed as planned.

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. **Israel** reported progress and an increasing operating margin compared with the same period of 2002. Turnover fell by 19% due to currency depreciation.

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.

In June 2003, ISS requested the UK Listing Authority to cancel the listing of ISS shares on the Official List of the UK Listing Authority and notified the London Stock Exchange to cancel the admission of ISS shares to trading on the market for listed securities. This step was taken as the Group wishes to capitalise on the benefits of consolidating its listing on the Copenhagen Stock Exchange in terms of trading volume and liquidity. The de-listing from the Official List and the cancellation of the admission to trading took effect on 15 August 2003.

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

INCENTIVE SCHEMES

In June 2003, ISS granted warrants to 197 senior managers (the Executive Management Board was not included) under two warrant programmes, previously approved by the shareholders.

A total of 146,987 warrants were granted under the 2001 Warrant Programme. Each warrant gives the holder the right to subscribe for one ISS share at a price of DKK 418. These warrants are exercisable within a period of 30 calendar days after the preliminary announcement of the annual results for the financial years, 2004-2007.

Theoretical market value of ISS outstanding warrants and options [1)]

	19 August 2003
Value, DKK million	53.4
Assumptions [2)]	
Volatility [3)]	42%
Interest rate [4)]	3.8%
Share price	243
Expected life:	

One year from the start of the exercise period or, if the exercise period has commenced, one year from the reporting date

1) For detailed information on ISS share-based incentive schemes, please refer to the Annual Report 2002.
2) For simplicity, no dividend payments are assumed in the model, as the effect on the total estimated market value is deemed to be insignificant.
3) Annualised volatility based on standard deviation of weekly observations over the last five years.
4) Estimated five-year zero coupon interest rate.

A total of 328,513 warrants were granted under the 2002 Warrant Programme. Each warrant gives the holder the right to subscribe for one ISS share at a price of DKK 247. These warrants are exercisable within a period of 30 calendar days after the preliminary announcement of the annual results for the financial years, 2005-2008.

At the time of grant, the theoretical market value of the granted warrants was DKK 25.9 million based on the Black-Scholes formula. As at 19 August 2003, the total theoretical market value of all outstanding ISS warrants and options was DKK 53 million, equivalent to approximately 0.5% of the ISS market capitalisation, when applying the assumptions listed on page 9.

In June 2003, ISS completed an employee-share programme pursuant to authorisations granted by the shareholders. ISS employees with a minimum of three months' seniority were invited to subscribe for employee shares. The subscription price was fixed at DKK 69 per share, equal to one third of the average market price on the first five trading days following the release of the annual results for 2002. The maximum number of shares available for subscription was limited to 400,000 shares, which was approximately half of the number of shares available under recent programmes. When the subscription period ended, the programme had been approximately 60% over-subscribed. In accordance with the terms of subscription, the shares were allotted equally by one share at a time to all eligible employees who had subscribed for shares. Eventually, 381,827 new ISS shares were issued, equivalent to approximately 0.9% of the share capital. Gross proceeds amounted to DKK 26.3 million. The employee shares are included in the calculation of the average number of shares with effect on 31 May 2003.

BOARD OF DIRECTORS

At the Annual General Meeting on 9 April 2003, the Chairman of ISS for the last 12 years, Arne Madsen, retired from the Board of Directors. Claus Høeg Madsen was elected new Board member. Following the Annual General Meeting, Erik Sørensen and Sven Riskær were elected chairman and vice-chairman of the Board, respectively.

OUTLOOK

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

In its Annual Report 2002 (March 2003) and its First Quarter Financial Report 2003 (May 2003), ISS said that it expected ordinary profit before tax and goodwill amortisation to grow by 9-11% in 2003 from DKK 1,643 million in 2002. ISS maintains this outlook in spite of further adverse exchange rate developments since then.

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

Turnover, continuing business
Approximate numbers, DKKbn

Turnover 2002	38.0
Divested activities	(1.6)
Estimated 2003 currency effect	(1.1)
Adjusted turnover base for the continuing business, end of 2002	35.3

Following these effects, turnover for 2003 is expected to be approximately DKK 36 billion (gross organic growth of 0-2% before the full-year effect of last year's contract trimming of slightly less than (2)%). The operating margin is expected to increase to approximately 5.6%-5.7%.

Goodwill amortisation is 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 August 2003 at 14:00 CET (13:00 UK time). The webcast is available from the Group's website: www.issworld.com.

The telephone numbers for the conference are:

+45 70 26 50 40 (Denmark)
+353 1 439 0432 (Ireland)
+44 207 769 6432 (UK)
+1 847 413 3550 (US)

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 August 2003

To access the recording, please dial:

+353 1 2400 041 (Ireland),
Access code: 256254#.

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.

STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors has today discussed and approved the Interim Report for the period 1 January - 30 June 2003 elaborated by the Executive Management Board.

According to usual practice in Denmark, the Interim Report does not include a full Report from Management (as defined in the Danish Financial Statements Act), description of accounting policies and notes as would be required to be included in an annual report by the Danish Financial Statements Act and Danish Accounting Standards.

In our opinion, the Interim Report has been prepared according to the rules and regulations of the Copenhagen Stock Exchange and the same accounting policies as were applied in the Annual Report 2002.

Copenhagen, 20 August 2003

Executive Management Board:

Eric S. Rylberg	Thorbjørn Graarud
Karsten Poulsen	Flemming Schandorff

Board of Directors:

Erik Sørensen	Sven Riskær
Tom Knutzen	Peter Lorange
Claus Høeg Madsen	Karina Deacon
Flemming Quist	Lars Vestergaard

AUDITORS' REVIEW REPORT

To the Shareholders of ISS A/S

We have been engaged by the Company to review the financial information set out on pages 12 to 15 in the Interim Report for the period 1 January - 30 June 2003 which comprises a consolidated profit and loss account, cash flow statement, balance sheet and statement of equity.

We have read the other information contained in the Interim Report and considered whether it contains apparent misstatements or material inconsistencies with the financial information.

We have not reviewed the split of the period 1 January - 30 June 2003 into two quarters.

The Interim Report, including the financial information contained therein, is the responsibility of and has been approved by the Company's Board of Directors and Executive Management Board.

According to usual practice in Denmark, the Interim Report does not include a full Report from Management (as defined in the Danish Financial Statements Act), description of accounting policies and notes as would be required to be included in an annual report by the Danish Financial Statements Act and Danish Accounting Standards.

Review work performed

We conducted our review in accordance with Danish and International Auditing Standards. A review of interim financial information consists principally of making inquiries of group management and persons responsible for financial and accounting matters and applying analytical procedures to financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit conducted in accordance with Danish and International Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

Based on our review we are not aware of any material modifications that should be made to the financial information set out on pages 12 to 15 in the Interim Report for the period 1 January - 30 June 2003 for them to be in conformity with the accounting policies as were applied in the Annual Report 2002.

Copenhagen, 20 August 2003

KPMG C. Jespersen	Deloitte & Touche Statsautoriseret Revisions- aktieselskab
Finn L. Meyer State Autorized Public Accountant	Bent Hansen State Autorized Public Accountant
Søren Thorup Sørensen State Autorized Public Accountant	Jesper Jørgensen State Autorized Public Accountant

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 be applicable.*

Consolidated Profit and Loss Account

Amounts in DKKm

	Q2 2003	Q2 2002	**H1 2003**	H1 2002
Turnover	**9,013**	9,683	**17,930**	18,983
Operating expenses	**(8,329)**	(8,979)	**(16,698)**	(17,735)
Depreciation and amortisation	**(142)**	(156)	**(284)**	(304)
Operating profit before other income and expenses	**542**	548	**948**	944
Other income and expenses, net	**(25)**	(23)	**(25)**	77
Operating profit	**517**	525	**923**	1,021
Income from associates	**0**	0	**0**	0
Financial income and expenses, net	**(71)**	(107)	**(143)**	(197)
Other financial income	**28**	-	**28**	-
Ordinary profit before tax and goodwill amortisation	**474**	418	**808**	824
Tax on ordinary profit before goodwill amortisation	**(148)**	(128)	**(255)**	(257)
Ordinary profit before goodwill amortisation	**326**	290	**553**	567
Goodwill amortisation	**(224)**	(230)	**(441)**	(416)
Tax effect of goodwill amortisation	**9**	5	**15**	7
Minority interests	**(8)**	(5)	**(10)**	(8)
Net profit for the period	**103**	60	**117**	150
Earnings per share before goodwill amortisation (DKK)	**7.4**	6.7	**12.6**	13.3

Consolidated Statement of Cash Flows

Amounts in DKKm

	Q2 2003	Q2 2002	**H1 2003**	H1 2002
Operating profit before other income and expenses	**542**	548	**948**	944
Depreciation and amortisation	**142**	156	**284**	304
Changes in working capital [1]	**(237)**	(28)	**(529)**	(508)
Changes in other provisions [1]	**(1)**	(30)	**(10)**	(34)
Interest paid [1]	**(102)**	(106)	**(137)**	(178)
Corporation tax paid [1]	**(70)**	(66)	**(148)**	(166)
Payments related to other income and expenses	**5**	(8)	**(2)**	(32)
Cash flow from operating activities	**279**	466	**406**	330
Acquisition of businesses, net	**(186)**	(1,444)	**(375)**	(1,586)
Divestment of businesses, net	**19**	(1)	**17**	0
Investments in intangible and tangible assets, net [1]	**(112)**	(125)	**(222)**	(226)
Investments in financial assets, net [1]	**8**	566	**9**	277
Cash flow from investing activities	**(271)**	(1,004)	**(571)**	(1,535)
Financial payments, net [2]	**71**	16	**1,366**	635
Proceeds from issuance of share capital	**25**	569	**25**	569
Dividends paid to shareholders	**(88)**	-	**(88)**	-
Minority interests	**-**	(3)	**(3)**	0
Cash flow from financing activities	**8**	582	**1,300**	1,204
Total cash flow	**16**	44	**1,135**	(1)
Cash and cash equivalents at beginning of period	**1,981**	995	**891**	1,023
Total cash flow	**16**	44	**1,135**	(1)
Foreign exchange adjustments	**(10)**	(33)	**(39)**	(16)
Cash and cash equivalents at end of period	**1,987**	1,006	**1,987**	1,006

[1] Net of effects of acquisitions and divestments.

[2] Proceeds from bank debt less repayment of bank debt.

Consolidated Balance Sheet

Amounts in DKKm

Assets	**30.6.2003**	31.3.2003	31.12.2002	30.6.2002
Goodwill	**12,371**	12,435	12,669	13,002
Software and other intangible assets	**170**	209	194	114
Total tangible assets	**1,410**	1,440	1,509	1,641
Total financial assets	**646**	739	625	574
Accounts receivable and other current assets	**6,769**	6,691	6,524	7,655
Liquid funds and securities	**1,987**	1,981	891	1,006
Total assets	**23,353**	23,495	22,412	23,992

Equity and liabilities	**30.6.2003**	31.3.2003	31.12.2002	30.6.2002
Total equity	**7,485**	7,297	7,331	7,279
Minority interests	**74**	85	88	86
Total provisions	**988**	1,097	1,097	1,102
Long-term debt	**6,908**	6,820	5,642	6,675
Short-term interest bearing loans and borrowings	**826**	903	853	1,314
Other current liabilities	**7,072**	7,293	7,401	7,536
Total equity and liabilities	**23,353**	23,495	22,412	23,992

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.	-	-	-	-	(61)	(61)
Deferred gains/losses on hedging derivatives	-	-	(1)	-	-	(1)
Dividends	-	-	(88)	-	-	(88)
Employee shares	8	17	-	-	-	25
Tax regarding employee shares	-	-	162	-	-	162
Net profit for the period	-	-	117	-	-	117
Equity at 30 June 2003	**886**	**600**	**6,198**	**(28)**	**(171)**	**7,485**
Equity at 1 January 2002	844	48	5,795	(62)	(4)	6,621
Foreign exch. adj. of foreign subsidiaries etc.	-	-	-	-	(79)	(79)
Deferred gains/losses on hedging derivatives	-	-	18	-	-	18
Share issue	26	492	-	-	-	518
Employee shares	8	43	-	-	-	51
Net profit for the period	-	-	150	-	-	150
Equity at 30 June 2002	**878**	**583**	**5,963**	**(62)**	**(83)**	**7,279**
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

	30.6 2003	30.6 2002	31.12 2002
Minorities beginning of period	88	57	57
Exchange rate adjustment of foreign subsidiaries etc.	(5)	1	1
Dividends	(3)	(2)	(5)
Additions from acquired companies, net	(16)	22	17
Net profit for the period	10	8	18
Minorities end of period	**74**	**86**	**88**

Reclassifications from the Interim Report 2002

Compared with the Interim Report of 2002, certain reclassifications have been made:

- ISS Aviation closed as a Business Build and the remaining activities transferred to Facility Services
- ISS Data etc. transferred from Facility Services to Innovation
- Food Hygiene in the UK carved out from Facility Services
- Food Hygiene in Germany transferred to Facility Services (due to lack of critical mass)
- Damage Control in Belgium carved out from Facility Services

Comparative figures have been restated accordingly.