



ISS A/S

First Quarter Financial Report 2003

Highlights

- | | | |
|--------------------------------|---------|---|
| • Turnover | -4% | (currency effect -2%, discontinued business -5%) |
| • Operating profit | +3% | (+5% at unchanged exchange rates) |
| • Operating margin | 4.6% | (up 0.3%) |
| • Free cash flow | DKK 17m | (up DKK 254m) |
| • Profit before goodwillamort. | +10% | (excluding Other income, for 2002 containing gain on Sophus Berendsen-shares) |

Further information:

Eric S. Rylberg
Chief Executive Officer

Karsten Poulsen
Chief Financial Officer

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Key figures and financial ratios ¹⁾

| Amounts in DKKm (unless otherwise stated) | Q1 2003 | Q1 2002 | Year 2002 |
|--|------------|------------|--------------|
| Key figures | | | |
| Turnover | 8,917 | 9,300 | 37,984 |
| Operating profit ²⁾ | 406 | 396 | 2,010 |
| Financial income and expenses, net | (72) | (90) | (361) |
| Ordinary profit before other income/expenses and goodwill amortisation ³⁾ | 227 | 207 | 1,112 |
| Ordinary profit before goodwill amortisation ³⁾ | 227 | 277 | 1,115 |
| Net profit ³⁾ | 14 | 90 | 246 |
| Cash flow from operating activities | 127 | (136) | 2,264 |
| Free cash flow | 17 | (237) | 1,739 |
| <hr/> | | | |
| Total assets | 23,495 | 23,431 | 22,412 |
| Goodwill | 12,435 | 11,970 | 12,669 |
| Interest-bearing debt, net | 5,742 | 7,044 | 5,604 |
| Total equity | 7,297 | 6,740 | 7,331 |
| <hr/> | | | |
| Share information | | | |
| Number of shares end of period, thousands | 43,928 | 42,217 | 43,928 |
| Average number of shares, thousands | 43,772 | 42,067 | 43,279 |
| Share price end of period, DKK | 220 | 432.5 | 255 |
| Market capitalisation end of period, DKKm | 9,664 | 18,259 | 11,202 |
| <hr/> | | | |
| Financial ratios | | | |
| Operating margin, % | 4.6 | 4.3 | 5.3 |
| Interest coverage ⁴⁾ | 7.6 | 6.0 | 7.2 |
| EPS before other income/expenses and goodwill amortisation, DKK ³⁾ | 5.2 | 4.9 | 25.9 |
| EPS before goodwill amortisation, DKK ³⁾ | 5.2 | 6.6 | 25.8 |
| Free cash flow per share, DKK | 0.4 | (5.6) | 40.2 |
| Equity ratio, % | 31.1 | 28.8 | 32.7 |
| Debt to book equity ratio, % | 78.7 | 104.5 | 76.4 |
| Debt to total enterprise value ratio, % | 37.3 | 27.8 | 33.3 |

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

²⁾ Before other income and expenses.

³⁾ Q1 2002 included other income and expenses of DKK 100 million (DKK 70 million after tax), primarily consisting of a gain on the Sophus Berendsen-shares.

⁴⁾ EBITDA/Net financial expenses.

Operational improvement and solid cash conversion were at the top of ISS' agenda for 2002. For 2003, the Group's goal is to sustain this trend while at the same time making investments in order to accelerate organic growth in the years ahead. In this process, ISS devotes special attention to expanding integrated facility services solutions.

Turnover was DKK 8,917 million, representing 3% growth in the continuing business in local currencies (see box to the right). However, unfavourable currency adjustments of more than DKK 200 million kept overall growth in the continuing business at 1%.

The Q1 2003 operating profit was DKK 406 million, a 5% increase over Q1 2002 at unchanged exchange rates. Including currency adjustments, the operating profit increased by 3%. Increasing from 4.3% to 4.6%, the quarterly operating margin improved year-on-year for the fifth consecutive time, reaching the highest Q1-level in seven years. The margin improvement was primarily the result of progress in Facility Services in Northern Europe, particularly in Denmark, Finland, Norway and the UK.

The efforts to sustain solid cash conversion resulted in a cash inflow from operating activities of DKK 127 million compared with an outflow of DKK 136 million in Q1 2002. The free cash flow was DKK 17 million as against DKK (237) million in Q1 2002. Net debt was DKK 5,742 million at 31 March 2003 compared with DKK 5,604 million at 31 December 2002 (DKK 7,044 million at 31 March 2002).

ISS remained focused on developing the facility services concept and a number of integrated facility services contracts were won or expanded. However, the effects of the deterioration in the economic environment became more profound as corporate clients reduced their floor space requirements in response to contractions in their businesses. This impacted the contract portfolio.

Gross organic growth was approximately nil in Q1 2003. Including the carry-over effect from contract trimming in 2002 in Belgium, Denmark, France, Germany and the Netherlands, net organic growth was as expected approximately (2)%.

COMPETENCE ENHANCEMENT

In 2002, ISS initiated a project aiming at developing washroom services organically. The project included the establishment of a range of hygiene solutions for both new and existing customers, leveraging the strength of the ISS organisation. Originally, the initiative started up in the UK. In Q1 2003, the concept was introduced in Denmark, Norway and Sweden. The initial

Turnover development

| | DKKbn | % |
|--|-------|------|
| Turnover Q1 2002 | 9.3 | 107% |
| Divested activities | (0.5) | (5%) |
| Currency adjustments | (0.2) | (2%) |
| <hr/> | | |
| Turnover in cont. business at current exchange rates | 8.6 | 100% |
| Acquisitions | 0.5 | 5% |
| Contract trimming in 2002 | (0.2) | (2%) |
| Organic growth | 0.0 | 0% |
| <hr/> | | |
| Turnover Q1 2003 | 8.9 | 103% |
| <hr/> | | |
| Total growth | (0.4) | (4%) |

response from customers has been positive and the first contracts in the Nordic region were won in the first quarter.

To further develop the facility services concept, the Group established a Facility Services Development Centre in the UK in Q1 2003. The purpose is to develop best practices and document experience in applying the concept.

Acquisition activity remained at a relatively low level. From 1 January to 20 May 2003, a total of 13 bolt-on acquisitions contributed annual turnover of approximately DKK 237 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. An updated list of acquisitions is available at the Group's website:

www.investor.issworld.com.

FINANCIAL REVIEW

Turnover was DKK 8,917 million, an increase of 3% in the continuing business at unchanged exchange rates. Including currency adjustments and the effect of divestments, turnover decreased 4% over Q1 2002. The currency adjustments were primarily attributable to developments of the Pound Sterling, the Brazilian Real and currencies in Asia related to the US dollar. Acquisitions contributed 5% while gross organic growth was approximately nil. The carry-over effect from the extraordinary contract trimming in 2002 was approximately (2)%. Disregarding the five countries where extraordinary contract trimming was used as a profitability enhancement tool, aggregate organic growth for the rest of the Group was 2%.

Operating profit before other income and expenses was up 5% to DKK 406 million at

unchanged exchange rates (up 3% after currency adjustments). This was equivalent to an operating margin of 4.6%, a 0.3% improvement from 4.3% in Q1 2002.

Net financial expenses decreased to DKK 72 million from DKK 90 million in Q1 2002. This was due to a combination of the effects of a lower level of interest rates and lower net debt than in the same period of 2002. The interest coverage was 7.6 compared with 6.0 in Q1 2002.

Tax on ordinary profit before goodwill amortisation was DKK 107 million. The effective tax rate of 32% was on a level with the Q1 2002 rate.

Ordinary profit before goodwill amortisation was DKK 227 million, equivalent to a 10% year-on-year increase, when adjusted for other income and expenses of DKK 70 million after tax in Q1 2002 (primarily consisting of the gain on the Sophus Berendsen-shares). **Goodwill amortisation** was DKK 217 million against DKK 186 million in Q1 2002.

Net profit was DKK 14 million. **Earnings per share (before goodwill amortisation)** were DKK 5.2 compared with DKK 6.6 in Q1 2002. Adjusted for other income and expenses, earnings per share before goodwill amortisation increased 6%.

The **cash flow from operating activities** showed an inflow of DKK 127 million against an outflow of DKK 136 million in the same period of last year. This reflected primarily an improvement in working capital, which reduced the average number of debtor days by 3. After **investments in intangible and tangible fixed assets, net**

(excluding goodwill) of DKK 110 million the **free cash flow** increased from DKK (237) million in Q1 2002 to DKK 17 million. Investments in intangible and tangible assets equalled 1.2% of turnover, while depreciation amounted to 1.6% of turnover.

Total assets were DKK 23,495 million as at 31 March 2003 compared with DKK 22,412 million at the end of 2002. **Goodwill** decreased to DKK 12,435 million due to amortisation.

Shareholders' equity stood at DKK 7,297 million at 31 March 2003, equivalent to 31% of total assets against 29% at 31 March 2002. Currency adjustments relating to investments in foreign subsidiaries net of hedges reduced equity by DKK 46 million as at 31 March 2003. At the Annual General Meeting on 9 April 2003, the shareholders resolved to pay out dividends of DKK 88 million in respect of the financial year 2002. The dividend payment is not included in the balance sheet as at 31 March 2003. **Provisions** stood at DKK 1,097 million, on a level with that of 31 December 2002. **Net interest-bearing debt** was DKK 5,742 million against DKK 5,604 million at the end of 2002.

REVIEW OF OPERATIONS

The operating margin in **Facility Services** progressed from 4.7% in Q1 2002 to 5.0%. This was primarily the result of higher operating margins in Northern Europe, more specifically in Denmark, Finland, Norway and the UK. The increase in Northern Europe was partly offset by a decrease in Continental Europe, particularly caused by France, Germany and Switzerland. The development of facility services solutions

Operating results by business area ¹⁾

| | Turnover DKKm | | | Operating profit ²⁾ DKKm | | | Operating margin | |
|-------------------|------------------|--------------|-------------|--|------------|-----------|------------------|-------------|
| | Q1 2003 | Q1 2002 | Change | Q1 2003 | Q1 2002 | Change | Q1 2003 | Q1 2002 |
| Facility Services | 8,046 | 8,252 | (2%) | 402 | 389 | 3% | 5.0% | 4.7% |
| Damage Control | 430 | 366 | 17% | 7 | 17 | (57%) | 1.7% | 4.6% |
| Food Hygiene | 262 | 258 | 2% | 17 | 16 | 8% | 6.6% | 6.2% |
| Health Care | 141 | 371 | (62%) | 26 | 19 | 36% | 18.3% | 5.2% |
| Innovation | 38 | 53 | (28%) | (7) | 4 | (285%) | (19.5%) | 7.5% |
| Corporate | - | - | - | (39) | (49) | 20% | (0.4%) | (0.5%) |
| Group | 8,917 | 9,300 | (4%) | 406 | 396 | 3% | 4.6% | 4.3% |

¹⁾ A reclassification between segments has been made compared with Q1 2002. Comparative figures have been restated. Please refer to page 13 in this report for further details.

²⁾ Before other income and expenses.

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 from 1 January 2003 and comparative figures have been restated. Accordingly, the restated Q1 2002 turnover includes airside aviation activities of DKK 170 million. Adjusted for this, Q1 2003 turnover was at the same level as the year before.

Organic growth of 12% and growth from acquisitions of 5% increased ISS **Damage Control's** turnover to DKK 430 million. As in 2002, Damage Control continued to enter into framework agreements with insurance companies in which the Group acts as the insurance companies' preferred supplier. In the industrial sector, the macroeconomic environment impacted the activity level. Additionally, Norway and the UK reported lower than expected activity due to unusually dry weather conditions in Northern Europe. The lower level of activity and a reorganisation of Damage Control in Norway reduced the operating margin to 1.7% from 4.6% in Q1 2002.

To enhance the branding, ISS' Business Build serving the food industry was renamed **Food Hygiene** in the beginning of 2003. Backed by the continuing focus on costs, the operating margin increased from 6.2% in Q1 2002 to 6.6% on a 2% increase in turnover to DKK 262 million. The development of a mobile kitchen-cleaning unit in Denmark was completed and the first vehicle put into service.

The level of activity in **Health Care** decreased compared with Q1 2002 due to the divestment of the elderly care activities. Turnover in the continuing business which focuses on care activities (treatment of abuse and psychiatric care) and diagnostic competences and medical

treatment (clinical physiology, MR scanning, X-ray, eye surgery and fitting of hearing aids) was on a level with that of Q1 2002. The operating margin increased to 18.3% as a result of the divestment of the low-margin activities and focus on cost reductions and efficiency.

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

OPERATIONS BY GEOGRAPHY

Northern Europe

Turnover in Northern Europe, comprising the **UK, Sweden, Denmark, Norway, Finland, Ireland, Iceland** and **Greenland**, was DKK 4,182 million. This marked a decrease of 7% from Q1 2002, resulting primarily from the divestments made in 2002, which reduced turnover by approximately DKK 400 million. Organic growth in the region was nil. Excluding Denmark, which was impacted by the carry-over effect from contract trimming in 2002, mainly in the public sector, organic growth was 2%. The operating margin was 5.6% compared with 5.0% in Q1 2002.

The 2002 operational measures initiated by ISS **UK** in its Facility Services helped to increase the operating margin relative to Q1 2002. Damage Control and Food Hygiene also reporting improving operating margins. Organic growth in ISS UK was 3%, positively affected by contracts won in 2002. In the beginning of 2003, further steps were taken to support the ongoing development of ISS' facility services concept in the commercial sector. These included a facility services competence team and a development programme for potential facility services managers. In addition, a number of legal entities were merged into a single legal unit, ISS Facility Services Ltd.

Following the divestments made in 2002,

Operating results by geography

| | Turnover DKKm | | | Operating profit ¹⁾ DKKm | | | Operating margin | |
|--------------------|------------------|--------------|-------------|--|------------|-----------|------------------|-------------|
| | Q1 2003 | Q1 2002 | Change | Q1 2003 | Q1 2002 | Change | Q1 2003 | Q1 2002 |
| Northern Europe | 4,182 | 4,493 | (7%) | 235 | 223 | 5% | 5.6% | 5.0% |
| Continental Europe | 4,297 | 4,313 | (0%) | 183 | 197 | (7%) | 4.3% | 4.6% |
| Overseas | 438 | 494 | (11%) | 27 | 25 | 6% | 6.1% | 5.1% |
| Corporate | - | - | - | (39) | (49) | 20% | (0.4%) | (0.5%) |
| Group | 8,917 | 9,300 | (4%) | 406 | 396 | 3% | 4.6% | 4.3% |

¹⁾ Before other income and expenses.

particularly the elderly care activities, the operating margin of ISS **Sweden** increased year-on-year. Facility Services continued the restructuring of Ecurol, the low-margin company acquired at the end of 2001, and this had a negative impact on both turnover and the operating margin.

The revised strategic approach towards customers in the public sector and focus on

operational improvements provided a year-on-year increase in the Facility Services operating margin of ISS **Denmark**. Turnover was DKK 920 million, marking an expected fall from the same period of last year due to divestments and contract trimming in 2002. The initial contracts within washroom services were secured during the quarter, after the concept was implemented in January 2003.

Q1 2003 sales by business area and country

| | Turnover | | Growth in percentage | |
|------------------------------------|--------------|-------------|----------------------|-------------|
| | DKKm | % of total | Total | Organic |
| Business area ¹⁾ | | | | |
| Facility Services | 8,046 | 90% | (2%) | (2%) |
| Damage Control | 430 | 5% | 17% | 12% |
| Food Hygiene | 262 | 3% | 2% | 1% |
| Health Care | 141 | 2% | (62%) | 0% |
| Innovation | 38 | 0% | (28%) | (28%) |
| Total Group | 8,917 | 100% | (4%) | (2%) |
| Country | | | | |
| UK | 1,128 | 13% | (5%) | 3% |
| Sweden | 925 | 10% | (18%) | (1%) |
| Denmark | 920 | 10% | (10%) | (5%) |
| Norway | 782 | 9% | 3% | 2% |
| Finland | 368 | 4% | 9% | 5% |
| Ireland | 59 | 1% | 11% | 7% |
| Northern Europe | 4,182 | 47% | (7%) | 0% |
| France | 1,664 | 19% | 1% | (3%) |
| The Netherlands | 778 | 9% | (12%) | (8%) |
| Belgium | 449 | 5% | (3%) | (5%) |
| Germany | 438 | 5% | (10%) | (10%) |
| Central Europe | 394 | 4% | 12% | 5% |
| Switzerland | 282 | 3% | 9% | (5%) |
| Spain | 210 | 2% | 17% | 4% |
| Portugal | 44 | 1% | 8% | 8% |
| Italy | 38 | 0% | 208% | - |
| Continental Europe | 4,297 | 48% | (0%) | (4%) |
| Overseas | 438 | 5% | (11%) | 3% |
| Total Group | 8,917 | 100% | (4%) | (2%) |

¹⁾ A reclassification between segments has been made compared with Q1 2002. Comparative figures have been restated. Please refer to page 13 in this report for further details.

ISS **Norway** continued to develop its Facility Services and expanded the cleaning and catering contract with Siemens in four Norwegian cities to include various services such as waste management, reception and switchboard, mail room and delivery services, photocopying, handling of goods, landscaping and snow removal. Turnover increased 3% to DKK 782 million. Cost cutting programmes and contract reviews contributed to an increase in the operating margin in Facility Services compared with the same period of 2002 but lower activity and a reorganisation of the Damage Control business caused an overall margin decrease.

In ISS **Finland**, turnover grew 9% to DKK 368 million relative to Q1 2002. Organic growth accounted for 5% as a result of new facility services contracts for a range of services. The concept was expanded to include services within catering and project management. The operating margin increased in the Facility Services business as well as in Damage Control.

ISS **Ireland's** turnover increased 11% to DKK 59 million, driven by organic growth of 7%. The operating margin decreased slightly compared with Q1 2002.

Continental Europe

Continental Europe includes **France, the Netherlands, Germany, Belgium, Switzerland, Austria, Spain, the Czech Republic, Portugal, Greece, Slovenia, Italy, Poland, Hungary, Slovakia, Romania, Luxembourg and Croatia**. The turnover in this region of DKK 4,297 million was on a level with Q1 2002. The operating margin was 4.3% compared with 4.6% in Q1 2002, mainly due to the difficult market situation in Germany and France and the lower level of activity in landscaping in France.

ISS **France** increased turnover to DKK 1,664 million. The difficult competitive situation in France continued in Q1 2003 and customers, particularly in the public sector, remained highly focused on price. Together with the carry-over effect of contract trimming from 2002, this had a negative impact on turnover growth since profitability remained management's top priority. The operating margin declined compared with the same period of 2002 in part due to the difficult market situation in general and in part due to low activity in the landscaping business owing to weather conditions at the beginning of the year. The development in ISS Hygiene Services (Eurogestion, the pest control company acquired in April 2002), was as planned.

The operational improvement recorded by ISS **Netherlands** in 2002 continued in Q1 2003 and the operating margin increased compared with the same period of 2002. Turnover amounted to

DKK 778 million, a 12% decrease relative to Q1 2002. This was attributable to the discontinuation of aviation activities and the contract trimming carried out in 2002.

Also in ISS **Belgium**, the progress of 2002 was sustained. The operating margin improved relative to Q1 2002 as a result of the continued focus on contracts with low profitability. Turnover was DKK 449 million, down from the same period last year, as the contract trimming carried out in 2002 led to negative organic growth.

With a further deterioration in the economic climate, fierce price competition and continuing wage increases, the German market remained difficult and visibility is low. Consequently, ISS **Germany's** operating margin was down on the same period of 2002 due to a margin decrease in Facility Services, despite a sustained focus on profitability and efficiency measures. Turnover was DKK 438 million, a decrease from Q1 2002 due to contract trimming in 2002. After an internal promotion, Rob Alsema from ISS Netherlands took over as Country Manager in Germany in March 2003.

In **Central Europe**, turnover increased 12% to DKK 394 million with 5% organic growth. The overall operating margin for the region decreased slightly year-on-year. In the Central European countries, wages are approaching the same level as in the EU and in some cases this could not be fully compensated for through price increases. ISS Austria signed an important contract for facility services with Austria's largest company, oil and gas group OMV. In March, ISS Austria acquired Steinbauer, thus including landscaping activities in the service delivery.

In ISS **Switzerland**, turnover grew 9% from the same period of 2002, primarily due to the acquisition of the landscaping company E. Fritz AG in 2002. The landscaping business is subject to more seasonal fluctuations than the rest of the activities in Switzerland, particularly after this year's unusually long winter. This had an adverse effect on the operating margin.

ISS **Spain** continued the progress from 2002, reporting a year-on-year increase in its operating margin. Turnover increased 18% to DKK 210 million with organic growth accounting for 4%.

In **Portugal**, turnover was DKK 44 million, an increase of 8% over Q1 2002, attributable exclusively to organic growth. The operating margin increased, lifted by one-off contracts with higher operating margins.

The business in ISS **Italy** was expanded with the acquisition of ISS Hygiene Services (Eurogestion) in April 2002 and turnover grew to DKK 38 million from DKK 12 million.

Overseas

Overseas, consisting of **Asia**, **South America**, **Australia** and **Israel**, represents approximately 5% of the Group's turnover. Negative currency adjustments of 25% caused turnover to decline to DKK 438 million. Organic growth was 3% while the operating margin increased from 5.1% to 6.1%.

In **Asia**, turnover decreased 10% to DKK 262 million after a negative currency impact of 16%. The operating margin was 5.2% and the operations generally performed as planned. The impact on ISS' business of the outbreak of SARS is difficult to assess, but so far ISS has not felt any significant effects from the disease on its operations.

Together with the negative currency impact of DKK 64 million, the restructuring of the business in **Brazil** reduced turnover to DKK 75 million from DKK 141 million. The contract portfolio and organisation is now stabilised and only minor adjustments are expected later in the year.

The business in **Australia**, which was added with the takeover of ISS Hygiene Services (Eurogestion), continued to develop as planned both in terms of turnover and operating margin. The depreciation of the currency had an impact on **Israel's** turnover, which was down year-on-year. The operating margin was retained at the Q1 2002-level.

BOARD OF DIRECTORS

At the Annual General Meeting on 9 April 2003, the Chairman of ISS of 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 9.

The economic climate has not shown signs of recovery since the release of the Annual Report 2002. Visibility is considered low and factors such as the weak macroeconomic environment, potential further contractions of customers' businesses, the SARS-virus, and the development in exchange rates all add to this uncertainty. In addition, the Damage Control order book is currently shorter than usual due to the very dry weather conditions in Q1 and part of April. Since the circumstances mentioned above could affect ISS' business activities negatively,

Turnover, continuing business

Approximate numbers, DKKbn

| | |
|---|-------|
| Turnover 2002 | 38.0 |
| Divested activities | (1.5) |
| Estimated currency adjustments | (0.9) |
| Adjusted turnover, continuing business | 35.6 |

the outlook is subject to a higher degree of uncertainty than usual.

Highlighting these uncertainties, ISS maintains the outlook announced in the Annual Report 2002, with the exception that the declining exchange rates have made a further DKK 100 million currency adjustment of the turnover base necessary.

Accordingly, ISS forecasts an increase in turnover of 2-4% from approximately DKK 35.6 billion (see box above). Operating profit before other income and expenses is expected to grow 2-6% from DKK 2,010 million in 2002. Ordinary profit before tax and goodwill amortisation is expected to increase by 9-11% from DKK 1,643 million in 2002. Goodwill amortisation is expected to be approximately DKK 885 million.

APPENDICES

ISS' consolidated profit and loss account, consolidated cash flow statement, consolidated balance sheet, consolidated statement of movements in equity and 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 Thursday 22 May 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)
+44 207 769 6432 (UK)
+353 1 439 0432 (Ireland)
+1 847 619 6546 (USA).

A replay of the webcast will subsequently be available from the Group's website. The conference will also be available in digital audio replay. To access the recording, please dial:

+353 1 2400 041 (Ireland),
Access code: 231930#.

FORWARD-LOOKING STATEMENTS

This Financial 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 Financial 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.

In accordance with the Listing Rules on the London Stock Exchange, please be informed that copies of the First Quarter Financial Report 2003 are available to the public in the United Kingdom from World Investor Link Ltd., Hook Rise South, Surbiton, Surrey KT67LD, Tel. +44 20 8974 0200.

Consolidated Profit and Loss Account

The first quarter profit and loss accounts are unaudited. Amounts in DKKm

| | Q1 2003 | Q1 2002 | Year 2002 |
|---|--------------|--------------|---------------|
| Turnover | 8,917 | 9,300 | 37,984 |
| Operating expenses | (8,369) | (8,756) | (35,371) |
| Depreciation and amortisation | (142) | (148) | (603) |
| Operating profit before other income and expenses | 406 | 396 | 2,010 |
| Other income and expenses, net | 0 | 100 | 5 |
| Operating profit | 406 | 496 | 2,015 |
| Income from associates | 0 | 0 | (11) |
| Financial income and expenses, net | (72) | (90) | (361) |
| Ordinary profit before tax and goodwill amortisation | 334 | 406 | 1,643 |
| Tax on ordinary profit before goodwill amortisation | (107) | (129) | (528) |
| Ordinary profit before goodwill amortisation | 227 | 277 | 1,115 |
| Goodwill amortisation | (217) | (186) | (890) |
| Tax effect of goodwill amortisation | 6 | 2 | 39 |
| Minority interests | (2) | (3) | (18) |
| Net profit for the period | 14 | 90 | 246 |
| Earnings per share before goodwill amortisation (DKK) | 5.2 | 6.6 | 25.8 |

Consolidated Statement of Cash Flows

The first quarter statements of cash flows are unaudited. Amounts in DKKm

| | Q1 2003 | Q1 2002 | Year 2002 |
|--|--------------|--------------|----------------|
| Operating profit before other income and expenses | 406 | 396 | 2,010 |
| Depreciation and amortisation | 142 | 148 | 603 |
| Changes in working capital ¹⁾ | (292) | (480) | 412 |
| Changes in other provisions ¹⁾ | (9) | (4) | (98) |
| Interest paid ¹⁾ | (35) | (72) | (333) |
| Corporation tax paid ¹⁾ | (78) | (100) | (263) |
| Payments related to other income and expenses | (7) | (24) | (67) |
| Cash flow from operating activities | 127 | (136) | 2,264 |
| Acquisition of businesses, net | (189) | (142) | (1,898) |
| Divestment of businesses, net | (2) | 1 | 16 |
| Investments in intangible and tangible assets, net ¹⁾ | (110) | (101) | (525) |
| Investments in financial assets, net ¹⁾ | 1 | (289) | 269 |
| Cash flow from investing activities | (300) | (531) | (2,138) |
| Financial payments, net ²⁾ | 1,295 | 619 | (782) |
| Proceeds from issuance of share capital | - | - | 569 |
| Purchase/disposal of own shares, net | - | - | (5) |
| Minority interests | (3) | 3 | (5) |
| Cash flow from financing activities | 1,292 | 622 | (223) |
| Total cash flow | 1,119 | (45) | (97) |
| Cash and cash equivalents at beginning of period | 891 | 1,023 | 1,023 |
| Total cash flow | 1,119 | (45) | (97) |
| Foreign exchange adjustments | (29) | 17 | (35) |
| Cash and cash equivalents at end of period | 1,981 | 995 | 891 |

¹⁾ Net of effects of acquisitions and divestments.

²⁾ Proceeds from bank debt less repayment of bank debt.

Consolidated Balance Sheet

The first quarter balance sheets are unaudited. Amounts in DKKm

| Assets | 31.3.2003 | 31.3.2002 | 31.12.2002 |
|--|---------------|---------------|---------------|
| Goodwill | 12,435 | 11,970 | 12,669 |
| Software and other intangible assets | 209 | 172 | 194 |
| Total tangible assets | 1,440 | 1,576 | 1,509 |
| Total financial assets | 739 | 1,287 | 625 |
| Accounts receivable and other current assets | 6,691 | 7,431 | 6,524 |
| Liquid funds and securities | 1,981 | 995 | 891 |
| Total assets | 23,495 | 23,431 | 22,412 |

| Equity and liabilities | 31.3.2003 | 31.3.2002 | 31.12.2002 |
|--|---------------|---------------|---------------|
| Total equity | 7,297 | 6,740 | 7,331 |
| Minority interests | 85 | 63 | 88 |
| Total provisions | 1,097 | 1,040 | 1,097 |
| Long-term debt | 6,820 | 6,405 | 5,642 |
| Short-term interest bearing loans and borrowings | 903 | 1,634 | 853 |
| Other current liabilities | 7,293 | 7,549 | 7,401 |
| Total equity and liabilities | 23,495 | 23,431 | 22,412 |

Consolidated Statement of Equity

The first quarter statements of equity are unaudited. Amounts in DKKm

| Equity | Share capital | Share premium | Retained earnings ¹⁾ | 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. | - | - | - | - | (46) | (46) |
| Deferred gains/losses on hedging derivatives | - | - | (2) | - | - | (2) |
| Net profit for the period | - | - | 14 | - | - | 14 |
| Equity at 31 March 2003 | 878 | 583 | 6,020 | (28) | (156) | 7,297 |
| Equity at 1 January 2002 | 844 | 48 | 5,795 | (62) | (4) | 6,621 |
| Foreign exch. adj. of foreign subsidiaries etc. | - | - | - | - | 12 | 12 |
| Deferred gains/losses on hedging derivatives | - | - | 17 | - | - | 17 |
| Net profit for the period | - | - | 90 | - | - | 90 |
| Equity at 31 March 2002 | 844 | 48 | 5,902 | (62) | 8 | 6,740 |
| 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 ²⁾ | - | - | (39) | 34 | - | (5) |
| Net profit for the year | - | - | 246 | - | - | 246 |
| Equity at 31 December 2002 | 878 | 583 | 6,008 | (28) | (110) | 7,331 |

¹⁾ Equity 31 December 2002 and 31 March 2003 includes DKK 88 million in proposed dividends.

²⁾ Including options settled.

| Specification of minorities | 31.3 2003 | 31.3 2002 | 31.12 2002 |
|---|--------------|--------------|---------------|
| Minorities beginning of period | 88 | 57 | 57 |
| Exchange rate adjustment of foreign subsidiaries etc. | (3) | 1 | 1 |
| Dividends | (2) | - | (5) |
| Additions from acquired companies | - | 2 | 17 |
| Net profit for the period | 2 | 3 | 18 |
| Minorities end of period | 85 | 63 | 88 |

Reclassifications from Q1 2002

Compared with Q1 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.