



To The Copenhagen Stock Exchange and The London Stock Exchange

STOCK EXCHANGE RELEASE NO. 21/02
20 August 2002

ISS A/S Half-year Report 2002

Highlights:

- Turnover increased by 14% to DKK 18,983 million
- Second quarter: up 13% to DKK 9,683 million
- Operating profit increased by 21% to DKK 944 million
- Second quarter: up 25% to DKK 548 million
- Operating margin increased from 4.7% to 5.0%
- Second quarter: increased from 5.1% to 5.7%
- Free cash flow increased to DKK 104 million from DKK (235) million
- Second quarter: increased to DKK 341 million from DKK (68) million
- Forecast for full-year operating margin maintained at approximately 5.3%. Forecast for turnover adjusted to an increase of approximately 9-11%

Further information

Eric S. Rylberg
Chief Executive Officer

Carsten N. Knudsen
Chief Financial Officer

Telephone: +45 38 17 00 00

Key figures and financial ratios ¹⁾

	Q2 2002	Q2 2001	Half-year 2002	Half-year 2001	Full year 2001
Key figures. Amounts in DKKm					
Turnover	9,683	8,559	18,983	16,712	34,852
Operating profit ²⁾	548	439	944	778	1,633
Financial income and expenses, net	(107)	(76)	(197)	(148)	(310)
Ordinary profit before goodwill amortisation	290	242	567	428	898
Net profit for the period	60	52	150	64	222
Cash flow from operating activities	466	42	330	(40)	1,510
Free cash flow	341	(68)	104	(235)	1,058
Total assets	23,992	19,989	23,992	19,989	22,419
Goodwill	13,002	10,308	13,002	10,308	12,022
Interest-bearing debt, net	6,983	5,190	6,983	5,190	6,317
Total equity	7,279	6,532	7,279	6,532	6,621
Share information					
Number of shares end of period, thousands	43,928	42,217	43,928	42,217	42,217
Average number of shares, thousands	43,513	41,836	42,790	40,927	41,497
Share price end of period, DKK	397	515	397	515	411
Market value end of period, DKKm	17,439	21,742	17,439	21,742	17,351
Financial ratios					
Operating margin, % ²⁾	5.7	5.1	5.0	4.7	4.7
Earnings per share before goodwill amortisation, DKK ³⁾	6.7	5.8	13.3	10.4	21.6
Free cash flow per share, DKK	7.8	(1.6)	2.4	(5.7)	25.4
Interest coverage (EBITDA/Net financial expenses)	6.6	7.6	6.3	7.0	7.0
Equity ratio, %	30.3	32.7	30.3	32.7	29.5

1) The financial statements for the second quarter and the first half-year are unaudited and have been prepared using the same accounting principles as for the 2001 financial statements except for a change in accounting policy relating to accounting for derivatives. Comparative figures are restated accordingly. For a description of the change in accounting policy, please see page 16. For definitions of key figures and financial ratios, please see the Annual Report 2001.

2) Before other income and expenses, net.

3) In the first half of 2002, earnings per share before goodwill amortisation were impacted by other income, net of DKK 77 million against DKK 0 million in the same period of 2001.

Half-year Report 2002

The improvement in operational performance reported in the first quarter of the year continued with a 25% increase in operating profit for the second quarter. The operating margin was 5.7% against 5.1% in the second quarter of 2001. Turnover increased by 13% to DKK 9,683 million.

The higher operating margin was primarily the result of sustained progress in the Facility Services business, particularly in Continental Europe. The key has been a thorough review and trimming of the contract portfolio. As a consequence, all major countries in Continental Europe showed improved operating margins compared with the first half of 2001. Consequently, the operating profit for the Group increased by 21% in the first half of the year to DKK 944 million. With turnover growth for the same period of 14%, the operating margin thereby increased to 5.0% from 4.7% in the first half of 2001.

The efforts to develop and deliver Facility Services solutions continued, particularly in Northern Europe. This led to new Facility Services contracts, which included a range of integrated services.

In CarePartner, the Health Care business and the areas of treatment of abusers and psychiatric care performed as planned, whereas the operating margin in the Elderly Care segment remained at an unsatisfactory level in the second quarter of the year. The restructuring of the Elderly Care segment announced in the Annual Report 2001 continues, the aim being to discontinue the activities, either by entering into a partnership, or by closing down or divesting them. The costs of DKK 21 million associated with the restructuring are included in "Other income and expenses, net" under "Divestments and closures".

The efforts to restructure the Aviation business continued in the second quarter. An important step was taken in July 2002, when ISS divested the Nordic part of Nordic Aero (Denmark, Finland, Norway and Sweden) as part of the plan to discontinue or divest airside activities of the Aviation segment. The divested part of Nordic Aero, which provides aircraft-related services such as exterior cleaning and de-icing of aircraft, had a turnover of approximately DKK 130 million in 2001. The restructuring of the remaining part of the aviation activities continues, with particular emphasis on the Dutch operation. The costs of DKK 20 million associated with the restructuring are included in "Other income and expenses, net" under "Divestments and closures".

The Group's continuing focus on cash flow and working capital resulted in a stronger cash generation in the second quarter. Hence, the free cash flow increased to DKK 341 million compared with DKK (68) million in the same period of 2001. A change in the payment terms relating to withholding taxes (P.A.Y.E.) in Denmark had an adverse effect of approximately DKK 80 million in the first half of the year. In spite of this, the free cash flow for the first half of 2002 increased to DKK 104 million from DKK (235) million in the same period of 2001.

Operational improvements and continuation of the Group's historically solid cash conversion are the top two priorities for 2002. The Group has therefore increasingly directed its attention towards enhancing the quality of the contract portfolio. The efforts to improve the profitability had an effect on contract terminations and losses in the second quarter, which were higher than expected, due to fewer renewals of contracts following renegotiations initiated by ISS. Sales to existing customers developed favourably and thereby strengthened the portfolio and supported organic growth. Sales to new customers were, as planned, slightly lower than those of previous years, since the focus on a more profitable contract portfolio led to greater caution in the tendering phase. Thus, organic growth was 1% in the first half of the year including the carry-over effect from contract trimming in 2001, which had a negative effect of approximately 4%.

Competence Enhancement

In line with the Group's strategy to develop the Facility Services concept by entering and adding certain complementary services, ISS proposed a merger with Sophus Berendsen in January 2002 to provide the Group with a foothold in the washroom services business. As the merger proposition was followed by a public purchase offer from Davis Service Group Plc., ISS sold its Berendsen shares in April 2002. This sale resulted in a net gain of DKK 106 million. As the transaction was of a strategic nature and not a financial investment, ISS has included the gain in "Other income and expenses, net". ISS believes that it would not provide a true and fair view to impact financial income and expenses including relevant ratios and key figures, such as interest coverage. As announced in the Stock Exchange Release number 10/02, ISS will allocate part of the gain to projects related to organic development of complementary services like pest control and washroom services, including concept and management development. The projects have commenced with the appointment of two managers who have been assigned the task of developing the concepts internationally.

To provide ISS with a strategic platform for the pest control business, ISS acquired the Eurogestion group in April 2002. Eurogestion is a market leader within pest control with operations in nine countries in Europe, Asia and Australia and with a 2001 turnover of DKK 902 million. In addition to pest control, Eurogestion's service offering includes hygiene and washroom services, pipe draining services and maintenance of ventilation systems. These services will be expanded to other parts of ISS using the current country organisations and customer base.

Contributing a turnover of DKK 243 million in the second quarter, Eurogestion was consolidated in ISS' accounts with effect from 1 April 2002. The results are included under Facility Services in the respective countries. Since the takeover, a dedicated integration team has worked with the management of Eurogestion and the integration is progressing according to plan.

Acquisitions

A combined annual turnover of approximately DKK 334 million, derived from 15 minor takeovers, has been added to the Group since the First Quarter Financial Report released on 21 May 2002. The acquisitions have added services to the Facility Services solutions provided to our customers and expanded the service offering in the Damage Control business.

With 24 acquisitions in the period from 1 January to 20 August 2002, the rate of acquisitions slowed down compared with previous years, both in terms of turnover and the number of companies bought. The acquisitions contributed an annual turnover of approximately DKK 1,821 million, equivalent to approximately 5% of the Group's 2001-turnover. An updated list of acquisitions is available at the Group's website: www.issworld.com under Investor Relations: Acquisitions.

Management Changes

Managing Director Bent Carlsen did not seek re-election to the Board of Directors at the Annual General Meeting on 23 April 2002. In his place, the Annual General Meeting appointed Managing Director Tom Knutzen to the Board of Directors.

Thorbjørn Graarud and Flemming Schandorff joined ISS' Executive Management Board in the second quarter of 2002 following the resignation of Chief Operating Officer (COO) Stuart W. Graham. Thorbjørn Graarud was appointed COO, Northern Europe and Business Builds and Flemming Schandorff was appointed COO, Rest of the World.

Credit ratings

In April 2002, the Group received a long-term credit rating of BBB+ with Stable Outlook from Standard & Poor's and a long-term credit rating of Baa1 with Stable Outlook from Moody's.

Corporate Governance

At the Annual General Meeting in 2002, the shareholders authorised the Board of Directors to issue up to 400,000 new employee shares and up to 400,000 new warrants to senior managers and members of the Board of Directors (the 2002 Warrant Programme). These authorisations have not been used during the first half of 2002.

Movements in stock options and warrants under the Group's share-based incentive schemes, since the release of the Annual Report 2001, for members of the Executive Management Board, the Board of Directors and senior managers are shown on the following page.

Stock options and warrants

Programme	7 March 2002	Movements 7 March 2002 to 20 August 2002	20 August 2002	Exercise price ¹⁾	Weighted average exercise price ²⁾
The Executive Management Board ³⁾					
Warrants	88,000	-	88,000	514-744	628
Stock options	237,500	-	237,500	385-700	547
Board of Directors					
Stock options	50,000	-	50,000	598	598
Senior managers					
1999 warrant programme	675,400	(1,000)	674,400	547-861	633
2000 warrant programme	405,500	(7,500)	398,000	514-522	518
2001 warrant programme	305,500	12,050	317,550	440	440

1) *Unadjusted exercise price as adjustment is deemed immaterial.*

2) *The weighted average exercise price cannot be used when calculating the market value due to the nature of the Black-Scholes formula.*

3) *In addition, former members of the EMB hold a total of 137,500 stock options with a weighted average exercise price of 493.*

4) *The stock option and warrant programmes are described in further detail in the Annual Report 2001.*

The theoretical market value of the outstanding stock options and warrants calculated using the Black-Scholes' valuation method was approximately DKK 15 million as at 19 August 2002. This is equivalent to approximately 0.1% of the Group's market capitalisation as at 19 August 2002.

The underlying assumptions for the calculation are as follows:

- Volatility (annualised volatility based on std. deviation of 24 monthly observations in the period June 2000 - June 2002): 24%
- Interest rate (risk free interest rate at an average duration of five years): 4.2%
- Expected life: One year after the expiry of the vesting period or, if the vesting period has commenced, the rest of the current reporting period plus a period of one year after reporting date
- Share price (19 August 2002): DKK 314
- Dividends: 0

In June 2002, ISS completed an employee share programme pursuant to the authorisations granted by the shareholders in 2000 and 2001. ISS employees with minimum three months' seniority were invited to subscribe for employee shares. The subscription price was fixed at DKK 133 per share, equal to one third of the average market price on the first two trading days following the release of the annual results for 2001. The employees subscribed for 396,492 new ISS shares, equivalent to 0.9% of the share capital. Gross proceeds amounted to DKK 52.7 million.

In connection with the acquisition of Eurogestion in April 2002, 1,314,500 new shares were issued as part of the agreement with the sellers. The shares were issued at a price of DKK 407 per share leading to gross proceeds of DKK 535 million. The issues of 1,314,500 and 396,492 new shares, respectively, brought the total number of shares in ISS to 43,928,067, an increase of 4.1% compared with the number of shares as at 31 December 2001.

In the Annual Report 2001, ISS described its commitment to high standards of corporate governance and in May 2002, ISS received the Danish Shareholders' Association's (Dansk Aktionærforenings) award for the best corporate governance of companies listed on the Copenhagen Stock Exchange.

Financial Review

Profit and loss account

Turnover amounted to DKK 9,683 million in the second quarter of the year, an increase of 13% compared with the second quarter of 2001. Turnover in the second quarter was negatively affected by

currency adjustments of approximately 1%. In the first half of the year, turnover increased by 14% to DKK 18,983 million. Organic growth in the first half of 2002 of 1% was negatively affected by the spill-over effect of contract trimming in 2001 of approximately 4%. Currency adjustments were slightly negative, whilst acquisitions, net, contributed approximately 13% to top-line growth.

Operating profit increased by 25% in the second quarter to DKK 548 million, equivalent to an operating margin of 5.7% compared with 5.1% in the same period last year. The operating margin in the first half of 2002 was 5.0% as against 4.7% in the first half of 2001, lifted by an increase in the operating profit of 21% to DKK 944 million.

In the second quarter of 2002, **other income and expenses, net** amounted to a net expense of DKK 23 million. In the first half of 2002, other income and expenses were a net income of DKK 77 million as specified below:

Other income and expenses, net DKKm	Half-year 2002
Divestments and closures	
Gain on sale of Sophus Berendsen shares, net	106
Loss on discontinuation and wind-down of Aviation business	(20)
Loss on sale of Marintec, Belgium	(6)
Loss on sale of Nordic Aero	(14)
Provision for expected loss on discontinuation of Elderly Care	(21)
	45
Miscellaneous	
Gain on restructuring of PFI-project	15
Gain on sale of properties	16
Other	1
	32
Other income and expenses, net	77

Net financial expenses were DKK 107 million in the second quarter compared with DKK 76 million in the same period last year. Financial expenses in the first half of the year amounted to DKK 197 million, an increase of DKK 49 million over the first half of 2001. This was attributable to a higher amount of interest-bearing debt resulting from acquisitions. The interest coverage (EBITDA/Net financial expenses) was 6.6 for the second quarter and 6.3 for the first half of 2002.

Tax on ordinary profit before goodwill amortisation was DKK 128 million in the second quarter of the year and the effective tax rate was 30.6%. In the first half of the year, the tax charge amounted to DKK 257 million, equivalent to an effective tax rate of 31.2%. **Ordinary profit before goodwill amortisation** increased by 20% to DKK 290 million in the second quarter, and by 32% to DKK 567 million in the first half of the year.

Goodwill amortisation in the second quarter amounted to DKK 230 million, up DKK 44 million on the first quarter of the year as a result of amortisation of goodwill regarding Eurogestion and write-off of goodwill concerning divested companies of DKK 14 million. **Net profit** in the second quarter and the first half of the year was DKK 60 million and DKK 150 million, respectively, against DKK 52 million and DKK 64 million in the corresponding periods of 2001.

Earnings per share (before goodwill amortisation) increased in the second quarter to DKK 6.7, up by 16% compared with the same period of 2001. For the first half of the year, earnings per share (before goodwill amortisation) increased to DKK 13.3, an increase of 28% over the first half of 2001. Own shares held in order to hedge the Company's obligations under the stock options schemes are deducted in the calculation of earnings per share. In the first half of 2002, earnings per share were impacted by other income, net, of DKK 77 million.

Cash flow statement

The **free cash flow** in the second quarter increased to DKK 341 million from DKK (68) million in the second quarter of 2001. In the first half of the year, the free cash flow amounted to DKK 104 million as against DKK (235) million in the same period of 2001. **Investments in intangible and tangible assets** (excluding goodwill) amounted to DKK 125 million in the second quarter of the year, while depreciation was DKK 156 million. Investments in intangible and tangible fixed assets relative to turnover amounted to 1.3% in the second quarter and 1.2% in the first half of the year.

Balance sheet

Total assets amounted to DKK 23,992 million at 30 June 2002 compared with DKK 23,431 million as at 31 March 2002. **Goodwill** was DKK 13,002 million, an increase of DKK 1,032 million relative to 31 March 2002 primarily due to the acquisition of Eurogestion. **Accounts receivable and other current assets** include a claim on the Group's former auditors, Arthur Andersen, based on the settlement agreement described in the Annual Report 1997. The claim is the final instalment of the settlement. The instalment, which falls due for payment on 30 April 2003, was taken to income in 1998 at a discounted value of DKK 12 million (included in "Other income and expenses, net"). The instalment is undisputed. Neither Arthur Andersen LLP nor Arthur Andersen in Denmark, who may be co-liable for the claim, has initiated insolvency proceedings. Accordingly, no provision has been made.

Shareholders' equity amounted to DKK 7,279 million as at 30 June 2002. The equity ratio was 30.3% compared with 28.8% as at 31 March 2002 primarily due to capital increases in connection with the acquisition of Eurogestion and the employee share programme. **Provisions** increased from 31 March 2002, primarily due to the consolidation of Eurogestion. **Net interest-bearing debt** of DKK 6,983 million was on a level with that of 31 March 2002.

Review of Operations

Operations by business area

	Turnover DKKm			Operating profit *) DKKm			Operating margin *)	
	Half-year 2002	Half-year 2001	Change	Half-year 2002	Half-year 2001	Change	Half-year 2002	Half-year 2001
Facility Services	16,425	14,680	12%	913	754	21%	5.6%	5.1%
Damage Control	761	578	32%	38	41	(6%)	5.0%	7.1%
Care- Partner	737	483	53%	48	9	423%	6.5%	1.9%
Aviation	489	493	(1%)	(1)	22	-	(0.2%)	4.5%
Food Services	477	391	22%	29	21	43%	6.1%	5.4%
Innovation	94	87	8%	9	11	(18%)	9.6%	12.6%
Corporate	-	-	-	(92)	(80)	15%	(0.5%)	(0.5%)
Total	18,983	16,712	14%	944	778	21%	5.0%	4.7%

*) Before other income and expenses, net

Facility Services progressed in the first half of 2002. Turnover was DKK 16,425 million, a 12% increase over the same period of 2001. The operating margin increased from 5.1% in the first half of 2001 to 5.6%, primarily due to improvements in Continental Europe. Organic growth in Facility Services was 1% as the contract trimming in 2001 had a significant impact on this business area, especially in the Benelux-countries, Denmark, France, Germany and Switzerland. The development of new Facility Services

solutions continued in a number of countries, particularly in the Nordic region and resulted in a number of new integrated Facility Services contracts.

ISS **Damage Control** generated turnover of DKK 761 million, an increase of 32% compared with the first half of 2001, mainly driven by acquisitions. The operating margin was 5.0% compared with 7.1% in the same period of 2001, partly due to unusual weather conditions in Norway and partly due to restructuring and start-up in countries such as the Netherlands and Germany.

CarePartner's turnover in the first half of the year increased by 53% to DKK 737 million, with acquisitions carried out in 2001 accounting for 38% and organic growth for 14%. The operating margin increased from 1.9% in the first half of 2001 to 6.5%. The increase derived from the Health Care business, which was acquired in the second half of 2001, and from the areas of treatment of abusers and psychiatric care. The Elderly Care segment continued to yield an unsatisfactory operating margin due to a tight labour situation, particularly in the Stockholm area.

In ISS **Aviation**, turnover amounted to DKK 489 million, a decrease of 1% from the first half of 2001. The operating margin in the first half of the year decreased from 4.5% to minus 0.2% due to the effect of a mild winter on de-icing activities as well as reduced profitability in the industry. The announced reorganisation proceeded with the transfer of all operating units, except for the UK business, to the country-based Facility Services organisations and the aforementioned divestment of the Nordic airside activities.

Turnover in **Food Services** increased by 22% to DKK 477 million after the carve-out of the Food Services businesses in Belgium and the UK in the beginning of 2002. The operating margin increased from 5.4% in the first half of 2001 to 6.1% due to improvements in Denmark, including Iceland and Greenland, and a turnaround in the business in the Netherlands involving contract trimming and efficiency-improving measures. Organic growth was impacted by a consolidation process in the Danish abattoir industry as well as the spill-over effect of contract trimming in the Netherlands in 2001.

Operations by geography

	Turnover DKKm			Operating profit *) DKKm			Operating margin *)	
	Half-year 2002	Half-year 2001	Change	Half-year 2002	Half-year 2001	Change	Half-year 2002	Half-year 2001
Northern Europe	9,116	7,816	17%	514	488	5%	5.6%	6.2%
Continental Europe	8,855	7,894	12%	474	312	52%	5.4%	4.0%
Overseas	1,012	1,002	1%	48	58	(19%)	4.7%	5.8%
Corporate	-	-	-	(92)	(80)	15%	(0.5%)	(0.5%)
Total	18,983	16,712	14%	944	778	21%	5.0%	4.7%

*) Before other income and expenses, net

Northern Europe

Turnover in Northern Europe, comprising the **UK, Sweden, Denmark, Norway, Finland, Ireland, Iceland and Greenland**, increased by 17% to DKK 9,116 million. Organic growth in the region was 4%. The operating margin was 5.6% compared with 6.2% in the first half of 2001 because of the expected lower margin in Facility Services in Sweden and the UK, resulting from acquisitions of companies with a significantly lower margin than ISS and the aforementioned declining margins in Aviation and Damage Control.

In the **UK**, turnover increased by 10% to DKK 2,500 million. The contract portfolio developed favourably in the first half of 2002, as the establishment of a national sales organisation targeting the private sector strengthened ISS' new sales and enabled ISS to win a number of new contracts. Thus, Citigroup and

Credit Suisse in the banking sector as well as customers such as NTL, IBM and PwC were added to the portfolio. In April 2002, ISS UK acquired CSFM, a Facility Services company with an annual turnover of approximately DKK 426 million. The acquisition was an important step in the development of ISS UK's Facility Services business as it added canteen and property services to the range of services provided. The operating margin was lower than that of the same period of 2001 as the development in the aviation business and an initially dilutive effect from newly started PFI-contracts and CSFM made their mark.

ISS **Sweden** generated turnover of DKK 2,229 million, an increase of 51% on the first half of 2001. The organic growth was 9%. Increasingly, newly-won contracts include a number of services under the Facility Services concept. In the first half of 2002, ISS Sweden entered into new contracts with customers such as DSB, the Danish national railways, for maintenance of the Oresund trains, and the property company, Norden AB, for property services. As expected, the operating margin decreased compared with the same period of last year due to the initially lower margin in the two significant acquisitions from 2001, Ecuvo and TrafficCare.

The revised strategic approach towards customers in the public sector began to yield results for ISS **Denmark**. Together with the effect of operational improvements throughout the organisation, it led to an increase in the operating margin in the first half of 2002, particularly in Facility Services. The turnover was DKK 1,992 million, as expected lower than that of the same period of last year. The decrease was primarily a result of the revised approach towards customers in the public sector. This initiative reduced ISS' number of public sector contracts with low profitability in a market where price continues to be an important parameter. In the first half of 2002, ISS Denmark commenced a number of new contracts, most significantly a contract with Skejby Sygehus and a contract with Hørsholm Sygehus, in which ISS acts as a partner, participating in running and developing the hospital. Generally, ISS Denmark is experiencing growing interest from customers in integrated Facility Services and is currently working on a service package with several customers.

Organic growth of 12% boosted ISS **Norway's** turnover to DKK 1,604 million in the first half of 2002. ISS Norway's position as a recognised Facility Services provider resulted in increased turnover from integrated Facility Services contracts, e.g. a new contract for cleaning, catering and property services to the construction company Bundebygg. Together with higher activity in the partnership with the Norwegian postal services, this lifted the organic growth. In the second quarter of the year, Facility Services was strengthened by the acquisition of Krane & Partners AS, which added certain management services to the service offering. The operating margin was slightly down on the first half of 2001 primarily due to weather conditions affecting the Damage Control activities.

ISS **Finland** has worked intensively to further develop the Facility Services concept and these efforts contributed to a higher operating margin compared with the same period of 2001. Turnover grew by 13% from the first half of 2001 to DKK 685 million. Organic growth accounted for 7% as the increased focus on Facility Services resulted in increases to existing contracts and a number of new important contracts, some of which included a range of Facility Services. The Facility Services concept was also strengthened by four acquisitions carried out in the first half of the year.

ISS **Ireland's** turnover increased by 28% to DKK 106 million, entirely due to organic growth. The operating margin developed favourably. The market situation improved in the second quarter of the year when ISS Ireland saw the labour shortage in the country stabilise.

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**. Turnover in the region increased by 12% to DKK 8,855 million and the operating margin increased to 5.4% from 4.0% in first half of 2001. All countries with significant turnover reported increasing operating margins. The consolidated margin in the Facility Services business increased by 1.5 percentage-points year-on-year. Organic growth was negative as contract trimming in 2001 and the continued focus on profitability impacted on the growth, particularly in the Benelux-countries, France, Germany and Switzerland.

In the first half of 2002, ISS **France** realised an increased operating margin compared with the same period of 2001. This was a result of focus on profitability throughout the organisation but was also helped by the consolidation of Eurogestion as from the second quarter. The negative impact from the landscaping business in the first quarter of the year due to bad weather in January was partly absorbed in the second quarter. ISS France's work to integrate the services provided progressed in the second quarter as cross selling between the segments resulted in new Facility Services contracts. Turnover was DKK 3,420 million, up 35% on the first half of 2001, primarily due to acquisitions carried out in 2001.

The improvement recorded by ISS **Netherlands** in the first quarter of the year continued. The operating margin in the first half of the year increased compared with the same period of 2001 as a result of the measures initiated by the Facility Services organisation in 2001. In the second quarter of 2002, the operating responsibility of the Aviation business was transferred to the Facility Services organisation where the restructuring is set to continue. Turnover in the Netherlands amounted to DKK 1,761 million in the first half of 2002, a decrease of 5%. This was attributable to contract trimming and increased focus on profitability.

ISS **Germany** continued to progress in the second quarter of the year and secured an improved operating margin compared with the first half of 2001. The increased operating margin was achieved despite a fiercely competitive market with increased labour costs following new wage agreements and added social contributions. The unfavourable market conditions required sustained focus on profitability and efficiency measures. They also affected turnover and, together with contract trimming, contributed to a decrease of 4% from the first half of 2001 to DKK 964 million.

ISS **Belgium** sustained the progress from the first quarter and improved the operating margin compared with the same period of 2001, supported by the continued focus on contracts with low profitability. Turnover was DKK 921 million, an increase of 4% on the first half of 2001. The turnover improvement was due to acquisitions, as the contract trimming carried out at the end of 2001 and the increased focus on profitability led to negative organic growth.

In **Austria, including Central Europe**, turnover increased by 18% to DKK 757 million. Organic growth for the region amounted to 13% after solid growth in Austria, as the second quarter brought increases to the contracts won with Austrian Telecom and the Austrian Railways in late 2001. Slovenia, Croatia, the Czech Republic and Greece also reported double-digit organic growth. In Slovenia, ISS commenced the first PFI hospital contract in Central Europe. The operating margin for the region as a whole developed favourably.

For ISS **Switzerland**, the improvements continued in the second quarter of 2002, in both the Facility Services and the Aviation businesses. An increased operating margin compared with the same period of 2001 was attributable to the contract trimming carried out in 2001 as well as operational initiatives involving a restructuring of the aviation business to match a reduced level of activity. Turnover amounted to DKK 536 million, a decrease of 9% compared with the first half of 2001, to a large extent caused by the Aviation business. Furthermore, a reduction was seen in the hospital market as VAT-rules encouraged hospitals to in-source activities. ISS Switzerland took a large step forward in the development of the Facility Services concept with the July acquisition of E. Fritz AG, a leading provider of landscaping services in Switzerland with an annual turnover of approximately DKK 114 million.

ISS **Spain** continued the progress noted towards the end of 2001 and in the first quarter of 2002, reporting a solid increase in its operating margin in the first half of 2002 compared with the same period of 2001. Turnover increased by 20% to DKK 360 million with organic growth accounting for 7%. This was achieved despite a negative impact from VAT for hospitals, which led some hospitals to in-source their cleaning activities.

In **Portugal**, turnover was DKK 81 million. The growth of 9% on the first half of 2001 was attributable to organic growth. The operating profit increased in spite of start-up costs relating to new contracts causing a slight margin decrease compared with the same period of 2001.

ISS' business in **Italy** grew to a turnover of DKK 55 million, more than double from the same period of 2001 due to the acquisition of Eurogestion. Organic growth and the operating margin also improved.

Sales by business area and geography

	Turnover		Growth	
	Half-year 2002 DKK m	% of total turnover	Total growth %	Organic growth %
Business area				
Facility Services	16,425	87	12	1
Damage Control	761	4	32	3
CarePartner	737	4	53	14
Aviation	489	2	(1)	(1)
Food Services	477	2	22	(2)
Innovation	94	1	8	1
Total Group	18,983	100	14	1
Country				
UK	2,500	13	10	4
Sweden	2,229	12	51	9
Denmark	1,992	10	(5)	(5)
Norway	1,604	8	26	12
Finland	685	4	13	7
Ireland	106	1	28	28
Northern Europe	9,116	48	17	4
France	3,420	18	35	1
The Netherlands	1,761	9	(5)	(5)
Germany	964	5	(4)	(8)
Belgium	921	5	4	(7)
Austria including Central Europe	757	4	18	13
Switzerland	536	3	(9)	(4)
Spain	360	2	20	7
Portugal	81	1	9	10
Italy	55	-	139	15
Continental Europe	8,855	47	12	(2)
Overseas	1,012	5	1	1
Total Group	18,983	100	14	1

Overseas

Overseas, consisting of **Asia**, **South America**, **Australia**, and **Israel**, represents approximately 5% of the Group's turnover. In the first half of 2002, turnover in the region increased marginally to DKK 1,012 million while the operating margin decreased from 5.8% to 4.7%. Organic growth amounted to 1%.

In **Asia**, turnover increased by 6% to DKK 583 million in the first half of 2002. Despite difficult market conditions, the ISS operations performed as planned, with the exception of Japan and Hong Kong where the economic environment resulted in declining operating margins.

In South America, ISS **Brazil** continued to suffer from reduced industrial activity caused by last year's energy crises and the continued weak economic outlook. This led to a decrease in turnover and operating margin. The economic situation in Argentina has not improved. Turnover and operating margin were down on the same period of 2001 and a turnaround plan for ISS **Argentina** has been implemented.

The business in **Australia**, which was added with the takeover of Eurogestion, developed as planned both in terms of turnover and operating margin. In **Israel**, a depreciating currency, particularly in the second quarter of the year, led to decreasing turnover and operating profit.

Outlook

In the First Quarter Financial Report 2002, ISS forecast an increase in turnover of approximately 10-12% and an operating margin of approximately 5.3%.

ISS still expects the operating margin to be approximately 5.3%, whilst turnover is now forecast to grow 9-11%. The difference in turnover expectation compared with the outlook stated in the First Quarter Financial Report is due to negative currency adjustments in the second quarter and lower organic growth as a consequence of fewer renewals of contracts following renegotiations initiated by ISS. Goodwill amortisation is expected to amount to approximately DKK 811 million.

The forecast includes acquisitions and divestments announced prior to 20 August 2002 and it assumes that exchange rates remain at the current levels for the rest of 2002.

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 attached.

Conference call

A telephone conference hosted by Eric S. Rylberg, CEO, and Carsten N. Knudsen, CFO, will be held on Tuesday 20 August at 16.00 CET (15.00 UK time). The telephone numbers for the telephone conference are +44 20 8781 0571 (UK dial-in) and +1 303 713 7888 (US dial-in).

Forward-looking Statements

This Financial Report contains forward-looking statements within the meaning of US Private Securities Litigation Reform 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 contained 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 and uncertainties concerning possible acquisitions and divestments. See also the description of risk factors set out on pages 37-41 of the Annual Report 2001.

The Financial Report has been translated from Danish into English. However, the original Danish text shall be the governing text for all purposes and in case of any discrepancy the Danish wording shall prevail.

In accordance with the Listing Rules on the London Stock Exchange, please be informed that copies of the Half-year Report 2002 are available to the public in the United Kingdom from World Investor Link Ltd., Hook Rise South, Surbiton, Surrey KT6 7LD, Tel. +44 20 8974 0200.

Consolidated Profit and Loss Account

The profit and loss accounts are unaudited. Comparison figures are restated as a consequence of change in accounting policy. Amounts in DKKm.

	Q2 2002	Q2 2001	Half-year 2002	Half-year 2001
Turnover	9,683	8,559	18,983	16,712
Operating expenses	(8,979)	(7,986)	(17,735)	(15,679)
Depreciation and amortisation	(156)	(134)	(304)	(255)
Operating profit before other income and expenses	548	439	944	778
Other income and expenses, net	(23)	-	77	0
Operating profit after other income and expenses	525	439	1,021	778
Income from associated undertakings	0	0	0	0
Financial income and expenses, net	(107)	(76)	(197)	(148)
Ordinary profit before tax and goodwill amortisation	418	363	824	630
Tax on ordinary profit before goodwill amortisation	(128)	(121)	(257)	(202)
Ordinary profit before goodwill amortisation	290	242	567	428
Goodwill amortisation	(230)	(185)	(416)	(361)
Tax effect of goodwill amortisation	5	1	7	8
Minority interests	(5)	(6)	(8)	(11)
Net profit for the period	60	52	150	64
Earnings per share before goodwill amortisation (DKK)	6.7	5.8	13.3	10.4

Consolidated Statement of Cash Flows

The statements of cash flow are unaudited. Amounts in DKKm.

	Q2 2002	Q2 2001	Half-year 2002	Half-year 2001
Operating profit before other income and expenses	548	439	944	778
Depreciation and amortisation	156	134	304	255
Changes in working capital ¹⁾	(28)	(348)	(508)	(762)
Changes in provisions ¹⁾	(30)	(10)	(34)	(7)
Interest paid ¹⁾	(106)	(83)	(178)	(152)
Corporation tax paid ¹⁾	(66)	(90)	(166)	(152)
Payments related to other income and expenses	(8)	-	(32)	0
Cash flow from operating activities	466	42	330	(40)
Acquisition of businesses, net	(1,444)	(504)	(1,586)	(1,270)
Divestment of businesses, net	(1)	(8)	0	(8)
Investments in intangible and tangible assets, net ¹⁾	(125)	(110)	(226)	(195)
Investments in financial fixed assets, net ¹⁾	566	(17)	277	(30)
Cash flow from investing activities	(1,004)	(639)	(1,535)	(1,503)
Financial payments, net ²⁾	16	(455)	635	1,588
Proceeds from issuance of share capital	569	56	569	789
Minority interests	(3)	1	0	(2)
Cash flow from financing activities	582	(398)	1,204	2,375
Total cash flow	44	(995)	(1)	832
Cash and cash equivalents at beginning of period	995	2,153	1,023	324
Total cash flow	44	(995)	(1)	832
Exchange rate adjustments	(33)	10	(16)	12
Cash and cash equivalents at end of period	1,006	1,168	1,006	1,168

¹⁾ Net of effect of acquisitions and divestments

²⁾ Proceeds from bank debt less repayment of bank debt

Consolidated Balance Sheet

The balance sheets for the first quarter and the half-years are unaudited. Comparison figures are restated as a consequence of change in accounting policy. Amounts in DKKm.

Assets	30.6 2002	31.3 2002	31.12 2001	30.6 2001
Goodwill	13,002	11,970	12,022	10,308
Other intangible fixed assets	114	99	98	72
Tangible fixed assets	1,641	1,649	1,673	1,407
Financial fixed assets	574	1,287	704	461
Accounts receivable and other current assets	7,655	7,431	6,899	6,573
Liquid funds and securities	1,006	995	1,023	1,168
Total assets	23,992	23,431	22,419	19,989
Equity and liabilities	30.6 2002	31.3 2002	31.12 2001	30.6 2001
Total equity	7,279	6,740	6,621	6,532
Minorities	86	63	57	62
Provisions	1,102	1,040	966	723
Long-term bank debt	6,675	6,405	5,853	4,801
Short-term bank loans and other debt	1,314	1,634	1,487	1,557
Other current liabilities	7,536	7,549	7,435	6,314
Total equity and liabilities	23,992	23,431	22,419	19,989

Consolidated Statement of Equity

The statements of equity for the half-years are unaudited. Comparison figures are restated as a consequence of change in accounting policy. Amounts in DKKm.

	Share capital	Share premium	Reserves		Total equity
			Retained earnings	Own shares	
Equity at 1 January 2002 before restatement	844	48	5,812	(62)	6,642
Effect of change in accounting policy	-	-	(21)	-	(21)
Equity at 1 January 2002	844	48	5,791	(62)	6,621
Exchange rate adj. of foreign subsidiaries etc.	-	-	(78)	-	(78)
Deferred gains/losses on hedging derivatives	-	-	18	-	18
Share issue	26	491	-	-	517
Employee shares	8	43	-	-	51
Net profit for the period	-	-	150	-	150
Equity at 30 June 2002	878	582	5,881	(62)	7,279
Equity at 1 January 2001 before restatement	803	1,003	3,943	(66)	5,683
Effect of change in accounting policy	-	-	(5)	-	(5)
Equity at 1 January 2001	803	1,003	3,938	(66)	5,678
Exchange rate adj. of foreign subsidiaries etc.	-	-	(52)	-	(52)
Deferred gains/losses on hedging derivatives	-	-	(16)	-	(16)
Transfer	-	(1,703)	1,699	4	-
Share issue	34	700	-	-	734
Employee shares	7	48	-	-	55
Net profit for the year	-	-	222	-	222
Equity at 31 December 2001	844	48	5,791	(62)	6,621
Equity at 1 January 2001 before restatement	803	1,003	3,943	(66)	5,683
Effect of change in accounting policy	-	-	(5)	-	(5)
Equity at 1 January 2001	803	1,003	3,938	(66)	5,678
Exchange rate adj. of foreign subsidiaries etc.	-	-	4	-	4
Deferred gains/losses on hedging derivatives	-	-	(3)	-	(3)
Share issue	34	700	-	-	734
Employee shares	7	48	-	-	55
Net profit for the period	-	-	64	-	64
Equity at 30 June 2001	844	1,751	4,003	(66)	6,532

Specification of minorities

	30.6 2002	31.12 2001	30.6 2001
Minorities beginning of period	57	47	47
Exchange rate adjustment of foreign subsidiaries etc.	1	1	1
Other changes	20	(6)	3
Net profit for the period	8	15	11
Minorities end of period	86	57	62

Change in accounting policy

The half-year financial statements are prepared using the same accounting policies as for the 2001 financial statements, except for the accounting for derivatives. The change is made as a consequence of the new Danish Financial Statements Act effective from 1 January 2002. Derivatives are measured at their fair values and recognised in current assets/current liabilities. Gains/losses related to derivatives hedging future transactions are recognised directly in equity until the hedged future transactions are realised. In periods prior to 1 January 2002, derivatives hedging future transactions were only recognised when the hedged future transactions were realised. The changed accounting policy results in a reduction of equity as per 30 June 2002 of DKK 3 million (31 March 2002: DKK 4 million, 31 December 2001: DKK 21 million and 30 June 2001: DKK 8 million). Deferred tax liability is reduced as per 30 June 2002 by DKK 1 million (31 March 2002: DKK 1 million, 31 December 2001: DKK 9 million and 30 June 2001: DKK 3 million). The change in accounting policy has no effect on the profit and loss account or total assets. Comparative figures have been adjusted accordingly.