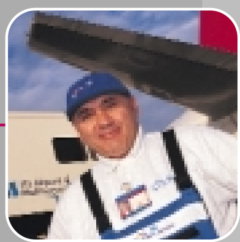
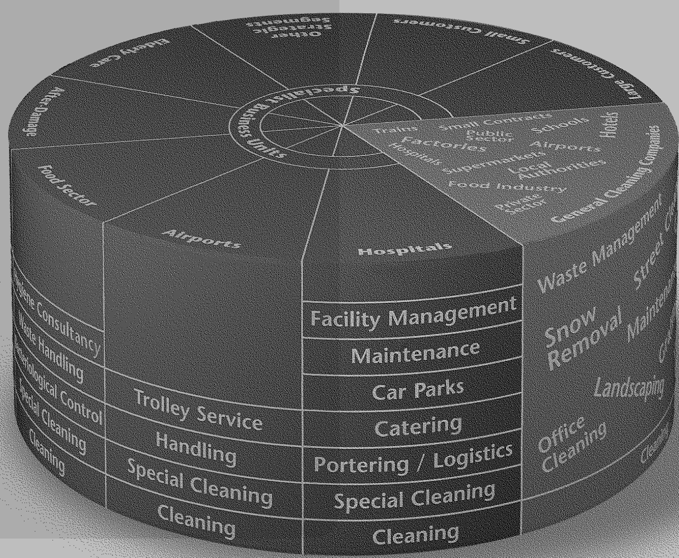
ANNUAL REPORT 1999



ISS – The Service Enterprise

An EVA® Company

Contents

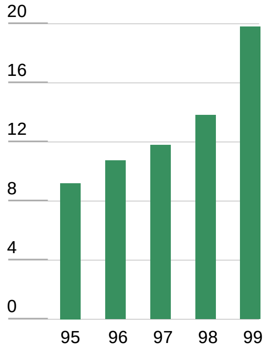
Annual General Meeting
Tuesday, 21 March 2000 at 5pm
Radisson SAS Falconer Center
Falkoner Allé 9
DK-1908 Frederiksberg C
Denmark

ISS 1999 Key Figures and Highlights

Key figures 1999

Amounts in DKKm, except per share data	1999	1998	1997
Turnover	19,802	13,801	11,782
Operating profit [1]	1,021	735	639
Ordinary profit after tax before amortisation of goodwill	622	487	395
Net profit	237	211	451
Sustainable cash flow [2]	381	440	356
Total equity	4,430	1,454	1,310
Earnings per share (EPS) [2]	6.91	9.28	8.29
Earnings after tax, before goodwill amortisation per share [2]	18.41	16.37	13.28
Sustainable cash flow per share (CEPS)[2]	11.27	14.78	11.96
EVA® (Economic Value Added) [2]	261	227	176
Share of turnover generated by specialised business units	46%	42%	35%
Share of employees on full-time	53%	55%	50%
Number of employees	216,700	137,800	106,600

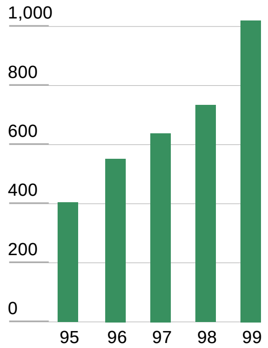
Turnover 1995-1999
Amounts in DKKbn



Growth in 1999

Organic growth	7%	6%	6%
Acquisitions, net	37%	12%	1%
Currency effect	(1%)	(1%)	3%
Total turnover	43%	17%	10%
Operating profit	39%	15%	15%

Operating profit 1995-1999
Amounts in DKKm



[1] Before other income and expenses

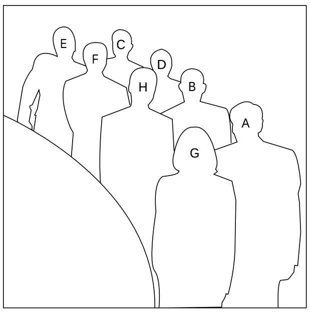
[2] Cf. page 86 for definitions

Main events

- **32 acquisitions, including Abilis, the second largest cleaning company in Europe**
- **ISS enters Israel and re-establishes operations in Spain**
- **Successful offering of 8 million B-shares with net proceeds of DKK 2.7 billion**
- **3,600 employees buy new B-shares in global employee share programme**
- **165 managers awarded warrants in new incentive scheme**
- **Waldemar Schmidt, Group CEO, announces his retirement**
- **Eric Rylberg appointed Deputy CEO and successor-designate to Waldemar Schmidt as Group CEO**
- **Proposal to merge ISS's A- and B-shares to a common class of shares**
- **ISS to issue quarterly trading reviews from 2000**

Board of Directors

Board of Directors



A Arne Madsen (66)
Chairman.
Member of the Board of ISS A/S since 1977. Senior Partner, The Law Firm Jonas Bruun; Chairman of the Board of Springbanen A/S, Scan-Horse A/S, Ellehammers Laboratorium A/S; Member of the Board of Aktieselskabet Ny Kalkbrænderi, Litodomus A/S, Ejendomsaktieselskabet "Ved Lufthavnen A3", Pankas A/S, Ejendomsselskabet Vennelyst A/S, Fussing Invest A/S and Ejendomsselskabet Store Kongensgade 88 A/S
Number of A-shares: 83
Number of B-shares: 1,546

B Erik Sørensen (55)
Vice-Chairman.
Member of the Board of ISS A/S since 1996.
Managing Director of Chr. Hansen Holding A/S;
Member of the Board of SAS Danmark A/S and Mærsk Medical A/S
Number of B-shares: 1,000

C Bent Carlsen (54)
Member of the Board of ISS A/S since 1999.
Managing Director of Hede Nielsen A/S and Air Liquide Gas AB. Chairman of the Board of Vestas Wind System A/S, Falck Medico A/S and J.C. Hempels Skibsfarve-Fabrik A/S. Member of the Board of Hede Nielsens A/S and Air Liquide Gas AB
Number of B-shares: 1,600

D Peter Lorange (57)
Member of the Board of ISS A/S since 1998.
President of IMD, International Institute of Management Development, Switzerland; Member of the Board of Citibank International plc, Christiania Eiendomsselskap A/S, Intentia AB and S. Ugelstad Skipsrederi A/S

E Sven Riskær (61)
Member of the Board of ISS A/S since 1987.
Managing Director of the Industrialization Fund for Developing Countries (IFU), The Investment Fund for Central and Eastern Europe (IØ) and the Investment Fund for the Emerging Markets (IFV); Chairman of the Board of Dansk Olie og Naturgas A/S; Member of the Board of C.L. Davids Legat and Ejendomsselskabet Vennelyst A/S
Number of B-shares: 670

F Steen Christensen* (34)
Member of the Board of ISS A/S since 1999.
Group Financial Systems Manager.
Number of B-shares: 320

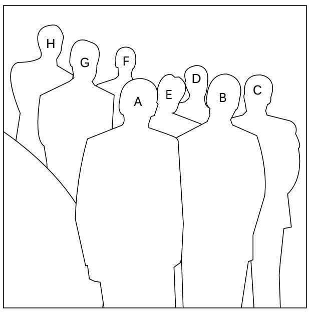
G Karina Deacon* (30)
Member of the Board of ISS A/S since 1999.
Group Financial Controller.
Number of B-shares: 460

H Flemming Quist* (35)
Member of the Board of ISS A/S since 1999.
Group Assistant Manager, Investor Relations.
Number of B-shares: 340

**) Employee representative*

Group Management

Group Management



A Waldemar Schmidt (59)
Group Chief Executive,
Chairman of the Group Executive Management Board.
Present position since 1995. Joined ISS in 1973.
Chairman of Tholstrup Cheese Holding A/S and Superfos a/s;
Member of the Advisory Board of IMD, International Institute of Management Development, Switzerland; Member of the Board of Berisford plc.
Number of A-shares: 6,273
Number of B-shares: 4,045
Stock Options: 125,000

B Eric Søe Rylberg (43)
Deputy CEO, Group Chief Financial Officer,
Member of the Group Executive Management Board since 1997.
Joined ISS in 1997.
Member of the Board of Navision Software A/S.
Number of B-shares: 4,110
Stock Options: 100,000

C Stuart W. Graham (45)
Group Chief Operational Officer,
Member of the Group Executive Management Board since 1997.
Joined ISS in 1990.
Number of B-shares: 7,200
Stock Options: 50,000

In January 2000, ISS announced the appointment of Carsten Knudsen as new Group Chief Financial Officer and Member of the Group Executive Management Board. Carsten Knudsen joins ISS in May 2000.

D Daniël van Cauteren (43)
Managing Director, International Operations,
Southern & Eastern Europe. Joined ISS in 1996.
Number of B-shares: 770

E Thorbjørn Graarud (46)
Managing Director, International Operations,
Northern Europe. Joined ISS in 1985.
Number of B-shares: 4,095
Warrants: 20,000

F Jørgen Hauglund (39)
Senior Vice President,
Head of Corporate Affairs. Joined ISS in 1993.
Number of B-shares: 950
Warrants: 3,000

G Jesper E. Møller (44)
Managing Director, International Operations,
Western Europe. Joined ISS in 1999.
Warrants: 20,000

H Karsten Poulsen (36)
Senior Vice President,
Corporate Treasury. Joined ISS in 1998.
Number of B-shares: 1,095
Warrants: 20,000

Corporate functions

Business Development: *Michael Lejrskov*
Corporate Control: *Søren Kongsbak*
Corporate Finance: *Pernille Fabricius*
Investor Relations: *Lynge Blak*
IT: *Michael Vasa Skånstrøm*
M&A and PFI Projects: *Jens Ebbe Olesen / Paul Williams*
Corporate Communication: *Eva Jørgensen*

Procurement: *Peter Skov Christensen*
Risk Management: *Einar Langkjær*
Corporate Legal Office: *Carsten Rich*
Financial Director, Northern Europe: *Kristian Tuft*
Financial Director, Western Europe: *John Johnstone*
Financial Director, Southern & Eastern Europe: *Stig Pastwa*
Treasury: *Henrik Andersen*

Report to Shareholders, Employees and Customers

The Board of Directors and the Board of Management are pleased to report that 1999 was the Group's best year ever and that the ISS Group made substantial financial and operational progress, with solid organic growth and improvement in terms of specialisation and competitiveness.

ISS's operating and financial performance in 1999 was in line with the expectations stated by Group Management in the semi-annual report on 17 August 1999. This was achieved in spite of adverse changes in social regulations in several countries, most notably Germany, which had a negative impact on profitability in these countries.

Intensive acquisition activity, which characterised the Group's development in 1998, continued in 1999, when 32 acquisitions were made, including Abilis International, ISS's largest acquisition to date.

Total consolidated turnover increased from DKK 13,801 million in 1998 to DKK 19,802 million in 1999, an increase of 43%. The turnover increase was predominantly due to acquisitions, which added 37% to turnover. The Group also achieved satisfactory organic growth of 7%, demonstrating its ability to combine acquisitions with organic growth. Currency adjustments had a slightly negative impact.

The Group's operating profit, before other income and expenses, increased by 39% to DKK 1,021 million from DKK 735 million in 1998. The operating profit as a percentage of turnover was 5.2%, a slight decrease compared to the operating margin of 5.3% in 1998.

Following the announcement of the Abilis acquisition, ISS successfully undertook an issue of 8 million new B-shares, which resulted in net proceeds of DKK 2.7 billion.

The percentage of turnover derived from specialised business units increased to 46% in 1999 from 42% in 1998, in spite of the effect on the Group specialisation level of the Abilis companies, which were not organised along ISS specialisation lines. ISS's decentralised country-based organisation supported the specialisation process by setting up more dedicated operating units, which focus on specific customer segments.

The total number of employees rose by 78,900 to 216,700, 53% of whom worked full-time for ISS, compared to 55% in 1998.

Corporate governance

In line with international trends, and in accordance with the wishes of many investors, the Board of Directors is seeking shareholder approval to merge the ISS A and B shares, into a common class of shares with equal rights.

In recognition of the future importance of the Euro, and to improve international comparability, the Board of Directors is considering whether ISS should denominate its shares and issue financial results in Euros.

To raise the level of information about the company available to the Group's stakeholders, Group Management has decided to publish quarterly trading reviews as from the first quarter 2000.

Management reorganisation

In September 1999, Waldemar Schmidt, Group Chief Executive (CEO) since 1995, announced his decision to retire from ISS.

It was simultaneously announced that Eric Rylberg, Group Chief Financial Officer (CFO) since 1997, had been appointed Deputy CEO and successor-designate to Waldemar Schmidt as Group CEO. In January 2000, Carsten Knudsen was appointed to succeed Eric Rylberg as CFO and become a Member of the Executive Management Board. He will join ISS in May 2000.

In December 1999, Theo Dilissen informed ISS that he wished to resign from his position as Chief Operating Officer with responsibility for Europe in order to take up a position as Deputy CEO in a Belgian software company.

Stuart Graham is appointed Group Chief Operational Officer with on-going responsibility for operations in the Middle East, Asia-Pacific and the Americas. He also takes on responsibility for Group Business Development.

In order to improve the ability of Group Head Office to support the decentralised organisation, corporate functions for IT, Risk Management, Business Development and Procurement were strengthened in 1999.

To strengthen corporate management, a Group Management team was established in December

1999, consisting of the Executive Management Board and the senior managers listed below.

Jesper Møller, former Senior Vice President and Head of Business Development, was appointed Managing Director, Western Europe, responsible for operations in Germany, France, UK, Ireland, the Netherlands, Belgium, and Luxembourg.

Thorbjørn Graarud, former Country Manager of ISS Norway, was appointed Managing Director, Northern Europe, responsible for operations in Denmark, Norway, Sweden, Finland, Iceland and Greenland.

Daniël van Cauteren, former Country Manager of ISS Belgium and head of the Abilis integration project, was appointed Managing Director, Southern & Eastern Europe, with responsibility for operations in Austria, Czech Republic, Greece, Italy, Poland, Portugal, Slovakia, Slovenia, Spain and Switzerland.

Group Management furthermore consists of Karsten Poulsen, Senior Vice President, responsible for Treasury, M&A, Private Finance Projects, Investor Relations and Communication and Jørgen Hauglund, Senior Vice President, responsible for Strategic Planning and key business development projects.

A Managing Director will be appointed in 2000 with responsibility for the Asian/Pacific operations. A Managing Director for the Americas will also be appointed.

The Group's strategic expansion and ongoing transformation process is expected to require continuous adjustment of the organisational structure to ensure optimal management.

Share issue

In June 1999, ISS undertook the largest capital increase in its history. In an international offering, ISS successfully sold 8,000,000 new B-shares at a market price of DKK 350 per share.

With gross proceeds of DKK 2.8 billion, the transaction was the second largest offering ever of new shares in a Danish company. The proceeds were used to finance the purchase of Abilis and other acquisitions. The strengthened capital base will enable the Group to continue its strategic expansion.

Review of regional operating performance

The review of the operating results below is structured to reflect the split of operating responsibility, which has been established with the strengthened Head Office Group Management team.

Western Europe

Overall performance in Western Europe, comprising Germany, France, UK, Ireland, the Netherlands, Belgium, and Luxembourg, was positive, with solid organic growth in most countries. However, profitability was restrained by adverse changes in social legislation, primarily in Germany.

Turnover almost doubled to DKK 8,833 million, while operating profit increased 77% to DKK 470 million, therby decreasing the operating margin to 5.3% from 5.9% in 1998. The margin decline reflected a lower margin in Germany. The Abilis acquisition transformed ISS into a leading player in the strategically important French market. Organic growth was healthy in most markets, in particular in the UK, where organic growth of 16% was achieved. Germany's turnover development was slightly negative.

Northern Europe

Strong operating performance was also achieved in Northern Europe, comprising Denmark, Norway, Sweden, Finland, Iceland and Greenland. Total turnover increased by 17% and operating profit increased by 12%. Consequently, the operating margin declined to 6.2% from 6.5% in 1998.

A total of 17 acquisitions were made in 1999, eight of which were in Norway, adding DKK 564 million on an annual basis. Organic growth accounted for 7%.

Southern & Eastern Europe

The region of Southern & Eastern Europe comprises Switzerland, Austria, Spain, Portugal, Slovenia, Greece, Italy, Czech Republic, Hungary, Slovakia and Poland. Turnover growth in the region was 27% of which 12% was organic and 15% due to acquisitions. The operating margin was 5.6% against 6.0% in 1998.

ISS Overseas

The overall performance of ISS Overseas, comprising operations in Asia, Brazil and Israel, was good. Turnover grew by 12% and the operating margin increased from 2.1% to 4.2%. The Asian operations continue to benefit from the successful acquisition and integration of Reliance Environmental Services, which has created a highly competitive Group of service operations in South-East Asia. ISS companies in Asia are thus well-positioned to take advantage of any improvement in the economic climate.

In Brazil, turnover decreased in local currency terms by 1%, while adverse foreign exchange movements caused a decline of 34% in Danish kroner terms. In December, ISS Brazil acquired a major competitor, Prolim Serviços Ltda., which is expected to increase ISS Brazil's turnover by approximately 40% on a full-year basis and increase the operating margin.

Acquisitions and joint ventures

In 1999, ISS announced 32 acquisitions in 15 countries, involving a total combined turnover of DKK 7.3 billion and 74,000 employees. The acquisition of Abilis, with operations in France, Netherlands, Belgium, Luxembourg and Spain, was the Group's largest transaction to date. ISS Norway was the most acquisitive company, accounting for eight takeovers. Acquisitions made in 1998 and 1999 increased consolidated turnover by DKK 5,113 million or 37%.

Acquisition of Abilis

In May 1999, ISS announced the acquisition of Abilis International, the second largest European cleaning group. Abilis was market leader in the Netherlands and Belgium and a strong No. 2 in France with smaller operations in Spain and Luxembourg. The combined ISS-Abilis operation is clear market leader in the European market for cleaning and related services. The combined ISS-Abilis operation in France forms the ISS Group's largest country operation.

Customers and employees in all countries involved have reacted positively to ISS's creation of the new international front-runner in support services.

Group operations	Turnover DKKm			Operating profit *) DKKm			Operating margin	
	1999	1998	Change	1999	1998	Change	1999	1998
Northern Europe	7,369	6,284	17%	459	411	12%	6.2%	6.5%
Western Europe	8,833	4,543	94%	470	266	77%	5.3%	5.9%
Southern & Eastern Europe	2,331	1,841	27%	130	110	18%	5.6%	6.0%
Overseas	1,269	1,133	12%	53	24	121%	4.2%	2.1%
Corporate	–	–	–	(91)	(76)	(20%)	–	–
Total	19,802	13,801	43%	1,021	735	39%	5.2%	5.3%

*) *Before other income and expenses*

ISS expects the acquisition to generate substantial value in coming years, when the synergies from ISS and Abilis operations have been fully achieved. The acquisition is expected to produce synergies in administrative overheads and improved competitiveness due to the enhanced market position and service range of the combined business.

The integration of the Abilis operations has developed satisfactorily, passing all important milestones of the integration plan on schedule. The duplicate head office functions at country level and the former Amsterdam head office of Abilis International were closed in 1999. The acquisition of Abilis gave rise to goodwill of DKK 3.8 billion.

Amex, France

In October 1999, ISS acquired Amex Participation S.A., the largest of three bolt-on acquisitions made in cleaning and specialised services in France in the final quarter. Amex had a 1998 turnover of DKK 331 million.

Ashmoret, Israel

ISS entered the Israeli market for cleaning and related services with the acquisition in August 1999 of 50% of the shares in the Ashmoret Group. Ashmoret, which had a 1999 turnover of DKK 248 million, was part of the Hashmira Group, one of Israel's leading support services companies. Ashmoret is pro-rata consolidated in the Group's financial statement.

Ergio and Grupo NECA, Spain

ISS established a strong presence in the Spanish market in 1999 by acquiring the cleaning operations of Ergio Group in April and Grupo NECA in July, securing market leadership in Spain in the food service sector.

Prolim Serviços Ltda., Brazil

In December 1999, ISS acquired the Brazilian service company Prolim Serviços, a company specialised in cleaning and related services with a particular strong market position in the industrial and automotive sector. The acquisition enhanced ISS's position as market leader and added further density to its branch coverage of the important conurbations.

Selected new contracts

In terms of new contracts, 1999 was satisfactory, in particular in specialised services which are central to the Group's strategic expansion.

In airport service, ISS Switzerland entered a groundbreaking new contract with Swissport, concerning the entire luggage handling system at Zurich Airport. The agreement underpins the comprehensive and fruitful partnership between the SAirGroup subsidiary and ISS, a relationship, which was first started in 1995. The new contract represents an annual turnover of approximately DKK 90 million.

In the UK, ISS Mediclean participated in a consortium which secured a contract to develop, build and operate a new hospital at Bishop Auckland, County Durham. The service contract, which has a duration of up to 30 years, with review after five years, is expected to generate a total turnover of DKK 600 million over the term of the contract.

ISS Sweden signed an agreement with the power group Sydkraft, under which ISS took over a broad range of specialised cleaning and support services in high and low security areas at the nuclear power plant complex at Oskarshamn. Annual turnover of the five-year contract amounts to approximately DKK 38 million.

New airport service contracts were secured by ISS China for cleaning at the new Beijing Capital International Airport and by ISS Hong Kong at Chep Lap Kok.

A comprehensive agreement was signed in the Netherlands with Corus Group. The contract, which started in November 1999, covers a range of office and production facility cleaning services, delivered around-the-clock, closely integrated with the steel mill's production schedule. Annual turnover of the contract amounts to approximately DKK 34 million.

A 3-year, estimated DKK 160 million contract was signed with Storebrand Skadesforsikring in Norway concerning after-damage services for Storebrand's customers. High-tech communication equipment and stand-by service teams enable ISS to provide fast and effective services, thereby limiting the damages and financial losses of Storebrand's customers.

ISS Group

Turnover development 1998-1999

	DKKm	*%*
Turnover 1998	*13,801*	*100.0*
Acquisitions	5,112	37.1
Organic growth	1,020	7.4
Currency adjustments	(131)	(1.0)
Turnover 1999	*19,802*	*143.5*

Review of financial position

Profit and loss accounts

Turnover and operating profit

As described in the opening section of the Report to Shareholders, Employees and Customers, the Group's turnover increased in 1999 by 43% to DKK 19,802 million, and the operating profit before other income and expenses increased by 39% to DKK 1,021 million.

Other income and expenses, net, of DKK 7 million primarily relates to gains on the sale of buildings.

Net interest expenses

Due to acquisitions made in 1998 and 1999, interest expenses rose from DKK 78 million in 1998 to DKK 128 million in 1999.

Tax

Tax on ordinary profit before goodwill amounted to DKK 280 million in 1999, an increase of DKK 90 million. The effective tax rate was 31% against 29% in 1998. The increase is mainly related to tax on profit from acquired companies in countries with high corporate tax rates. The tax rate for 2000 is expected to increase slightly due to the full year impact of the higher tax rates in acquired companies.

Amortisation and taxation of goodwill

In 1998, ISS chose to state goodwill amortisation as a separate line below ordinary profit before goodwill amortisation, in order to provide a clearer overview of the Group's profitability.

Amortisation of goodwill was DKK 394 million in 1999, a substantial increase compared to 1998 when the amount was DKK 206 million. Goodwill amortisation was heavily impacted by the acquisition of Abilis in mid-1999 and will increase further in 2000, when the full-year impact is fully reflected. If no acquisitions were made after 31 December 1999, the amortisation of goodwill for a full year would amount to DKK 539 million. After five years this amount would decrease to DKK 475 million.

In 1999, tax relating to goodwill amortisation reduced Group taxes by DKK 23 million.

Net ordinary profit

Net ordinary profit amounted to DKK 233 million in 1999, compared to DKK 276 million in 1998.

Extraordinary items and discontinued business

Extraordinary items, net of tax and minorities, of DKK 3 million relate to adjustment to gains from the sale of businesses in prior years.

Net profit

In 1999, net profit increased by 12% to DKK 237 million from DKK 211 million in 1998.

Cash flow statement

Cash flow from operations

In 1999, cash flow from operations was positively impacted by the growth in operating profit and increased depreciation. However, investment in working capital increased, mainly due to organic growth, in particular in the UK, and an increase in trade receivables in Denmark in connection with implementation of a new IT system. This amounted to a cash outflow of DKK 180 million against an inflow of DKK 14 million in 1998. The Group's debtor days increased from 38 in 1998 to 52 at year-end 1999, primarily as a result of the inclusion of the Abilis companies.

Total cash flow from operations amounted to DKK 732 million, an increase of 5%, while sustainable cash flow, defined as cash flow from operations, less depreciation, amounted to DKK 381 million against DKK 440 million in 1998.

Cash flow from investments

Compared to 1998, cash flow from investments in fixed assets improved significantly from a cash outflow of DKK 264 million in 1998 to a cash inflow of DKK 73 million in 1999, an increase of DKK 337 million. The cash inflow from investments in fixed assets, which is the visible result of the Group's policy of selling non-core assets such as vehicles and buildings, caused the total cash flow from operations, less investments in fixed assets, i.e. the cash flow available for acquisitions, to increase to DKK 805 million, almost doubling the 1998 figure.

Investments in new businesses reached a record level DKK 4,383 million in 1999, up from DKK 1,906 million in the preceding year. With a cash investment of DKK 3.6 billion, the Abilis acquisition represented the major part of the cash outflow.

Balance sheet

At year-end 1999, total assets amounted to DKK 13,673 million, an increase of 91% since year-end 1998.

Goodwill

As a consequence of the numerous acquisitions, in particular the purchase of Abilis, the book value of goodwill more than doubled in 1999 to a year-end amount of DKK 7,553 million. The carrying value of goodwill is evaluated on a regular basis and written down if impaired.

Tangible assets

At year-end 1999, tangible assets totalled DKK 1,105 million, an increase of 4% from 1998. The addition of tangible assets stemming from acquired companies was partly offset by the disposal of fixed assets.

Liquid funds

ISS has implemented an improved cash netting system, which allows the Group to manage its cash surplus positions more effectively. On 31 December 1999, liquid funds amounted to DKK 515 million, a decrease of DKK 306 million compared to year-end 1998. In 1999, the process of setting up local credit facilities to fund the working capital requirements was continued.

Equity

Total equity on 31 December 1999 was DKK 4,430 million, an increase of DKK 2,976 million. The increase was primarily due to the share issue undertaken in June 1999, which raised DKK 2.7 billion. The costs related to the capital increase amounted to DKK 125 million. After retained earnings and foreign exchange adjustments of investments in foreign subsidiaries, the total equity as a percentage of total assets was 32%, a significant increase compared to 1998, when the equity ratio was 20%.

Provisions

At year-end 1999, deferred tax amounted to a net asset of DKK 92 million, against a net liability of DKK 102 million in 1998. The deferred tax asset mainly relates to tax losses carried forward and tax on provisions primarily related to acquisitions. Pension obligations and other provisions increased from DKK 384 million to DKK 725 million in 1999. The increase was mainly related to provisions arising from acquisitions.

Debt

At the end of 1999, the total net debt was DKK 3,050 million. This was an increase from 1998, when the total net debt amounted to DKK 1,897 million. The increase results from the funding of acquisitions.

EVA® – Economic Value Added

In 1999, ISS implemented the EVA concept as an integrated part of the Group's management process, in particular in relation to acquisition analysis and country management bonuses.

EVA is a measure, which tracks the financial performance of the Group more effectively than traditional accounting measures. EVA is defined as the Group's net operating profit after taxes (NOPAT), less a financing charge on the amount of capital invested in the operations. The capital charge is calculated by multiplying the capital invested by the Group's weighted average cost of capital (WACC).

In 1999, ISS's EVA increased to DKK 261 million from DKK 227 million in 1998. The improvement was the net result of an increase in NOPAT of DKK 188 million and an increase in the capital charge of DKK 154 million.

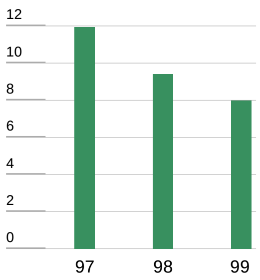
EVA performance was strongly impacted by the acquisition of Abilis, which, as planned, reduces EVA in the short term. The overall improvement in EVA therefore reflects a strong underlying development, resulting from solid operating performance and a broad range of initiatives to reduce the capital tied up in operations.

The EVA concept is not yet fully implemented in all parts of the organisation. In 2000, it is planned to have more managers on EVA bonus schemes, and to develop improved IT-tools to track and analyse EVA and EVA-drivers.

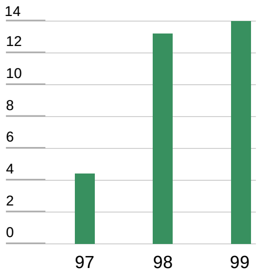
EVA 1999

DKK million	*1999*	*Change*
NOPAT	723	+188
Capital charge	462	+154
EVA	261	+34

Interest cover*)

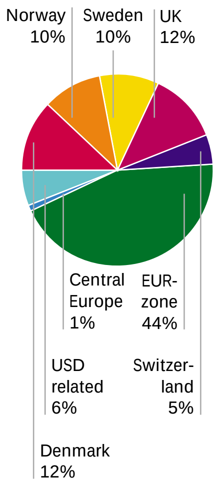


Debt ratio*)
%

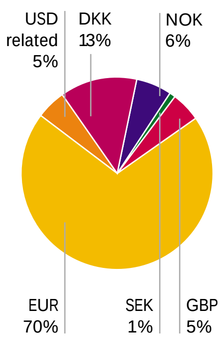


*) *Cf. page 86 for definitions*

Turnover distribution 1999



Net debt distribution 1999



Financial management

Group funding

In 1999, ISS continued the implementation of improved cash management systems by reducing the number of banks used and by setting up regional cash pools and country-based overdraft facilities. By decentralising the Group's funding, ISS A/S is able to manage the Group's cash surplus in an effective way and ensure that adequate funding is available to support acquisitions.

At the end of 1999, ISS had credit facilities of DKK 7,545 million, of which DKK 3,565 million were utilised. The liquidity reserve amounted to DKK 4,495 million, consisting of unutilised credit facilities and liquid funds.

In 1999, ISS continued to reduce the amount of performance guarantees issued by the parent company, ISS A/S. At the end of 1999, outstanding performance guarantees amounted to DKK 194 million compared to DKK 345 million in 1998 and DKK 492 million in 1997.

In order to enhance the return on the shareholders' investment, the Group's capital structure is managed with a view to increase financial gearing.

As a result of the share issue in June 1999, the debt ratio at year-end 1999 was maintained below 14%, despite heavy investment in acquisitions during the year. The debt ratio is defined as the net interest bearing debt as a percentage of the market value of the equity and interest bearing debt. The difference between the current gearing and the desired increase in gearing, combined with the Group's strong cash generating capability, is seen to provide satisfactory possibilities to fund continued organic expansion and a continuing stream of small and medium sized acquisitions.

Interest cover is also used as a measure in managing the Group's gearing. Interest cover is the ratio of operating profit to net interest expenses. During the period 1996 to 1999, interest cover ranged between 7 and 12, well above the Group's internal minimum requirements and the limits agreed with the Group's financing partners.

Foreign exchange risk management

ISS manages the Group's financial risk on the basis of a commercially justified financial policy, including guidelines and limits approved by the Board of Directors. Derivatives, including options and futures are used, as they are considered cost-effective and flexible financial risk management tools.

As only a minor part of Group turnover and equity is denominated in Danish kroner, Group earnings and equity are affected by currency fluctuations. Exchange rate adjustments of equity investments in foreign subsidiaries are booked directly in the equity account on the basis of the year-end exchange rate. The profit and loss accounts of foreign subsidiaries are consolidated in Danish kroner on the basis of average exchange rates for the year. During 1999, the currencies in which ISS's turnover was denominated, depreciated by 1% on average, thereby decreasing Group turnover by DKK 131 million.

In order to reduce the Group's currency translation risks, ISS finances a significant proportion of its foreign investment in local currencies. On 31 December 1999, the Group's net debt was primarily denominated in Euro, reflecting the Group's significant equity investment in Europe.

Interest rate risk management

Group policy is to maintain a relatively low interest duration on the net debt with an upper limit of five years. On 31 December 1999, the net debt had a duration of approximately one year. This means that an increase of one percentage point in the interest rate level would lead to a decrease in the market value of the debt by around DKK 30 million and an increase in the Group's annual funding costs of approximately DKK 30 million.

Group leveraging initiatives

ISS increased the resources dedicated to the continuous development of the Group's IT infrastructure with the establishment of the corporate IT function in the first half of 1999. This has improved the Group's ability to coordinate international projects and exchange data and knowledge worldwide. The Group is moving towards increased conformity in the use of IT based operational and office-related tools. This development is expected to continue in 2000, with the launch of a global high speed internal datalink.

A Group procurement department was set up in 1999 to ensure that the Group achieves maximum bargaining power from its size and geographical reach when dealing with suppliers. The process of streamlining and coordinating the Group's purchasing started in the second half of 1999.

In late 1998, a branding project was started with the aim of developing a new brand architecture in support of the Group and its specialised services. During 1999, the project team, supported by external advisors, developed and evaluated a wide range of branding options. As a first step towards a more distinct brand image, the Board of Directors will propose at the Annual General Meeting on 21 March 2000 that the name of ISS-International Service System A/S be shortened to "ISS A/S". The gradual implementation of steps to modernise and strengthen the Group's specialised service brands will continue.

Incentive schemes

A number of new initiatives were taken during 1999 to incentivise employees throughout the Group.

Most importantly, two new share incentive schemes were launched, which reflect ISS's fundamental belief that the long-term interests of employees and owners are not in conflict, but go hand in hand.

In August 1999, ISS launched an employee share programme under which all employees were invited to subscribe for new ISS B-shares at a discount of 65% to the market price. Shares acquired under the programme may not be sold until the end of 2004. Approximately 3,600 employees from all over the Group took advantage of the offering. More than 6,000 employees are now estimated to hold 3% of all ISS shares.

In September 1999, another stock price-related incentive scheme was launched, when approximately 165 managers from 33 countries were granted between 2,000 and 10,000 warrants each. The warrants, which give the holder the right to subscribe for new B-shares at 40% above the market price of the ISS B-share at the time of allotment, may be exercised in the period 2003 to 2006. As of January 2000, a total of 514,000 warrants were outstanding.

The stock option programme for top management was brought in line with international practice when the Board of Directors decided to terminate the previous phantom share programme and replace it with a cash bonus and an out-of-the-money call option programme. The options have an exercise price of DKK 650 per share.

In connection with the appointment of Eric Rylberg as successor-designate to Waldemar Schmidt as Group Chief Executive, the Board of Directors decided to grant Eric Rylberg a total of 50,000 options on ISS B-shares. The options give the holder the right to purchase 25,000 B-shares at DKK 470 during the period 2003-2006 and 25,000 B-shares at DKK 500 during the period 2004-2007.

All options granted to top management are issued on existing shares. Further details about the option programme is given in Note 2 in Notes to the Consolidated Financial Accounts on page 56-57.

Subsequent events

In January 2000, ISS entered the Icelandic market by acquiring a majority stake in Ræsting ehf, Iceland's largest cleaning company, which has an annual turnover of around DKK 64 million.

Apart from the events and developments described in this Annual Report, Group Management is not aware of events subsequent to 31 December 1999, which would have a material impact on the ISS Group's financial position or business outlook.

Proposal for the Annual General Meeting

At the Ordinary Annual General Meeting (AGM) on 21 March 2000, the Board of Directors will propose that the net profit for 1999 of DKK 237 million is allocated entirely to reserves. The proposal reflects the Group's strategy of acquisition-driven expansion, which is expected to offer great potential for EVA-positive investments.

The Board of Directors will propose to the AGM, that the registered name of the Group's parent company, "ISS-International Service System A/S", be changed to "ISS A/S".

The Board of Directors will further propose that the Company's two classes of shares, A-shares and B-shares, are merged one-for-one to a single class of shares with equal rights.

At the AGM, the Board of Directors will seek shareholder authorisation to increase the share capital through one or more issues by up to a nominal DKK 200 million.

Furthermore, the Board of Directors will seek shareholder authorisation to increase the share capital by up to a nominal DKK 16 million for subscription by employees of the Group at a price below the market price under a general Employee Share Programme. The Board of Directors plans to use the authorisation for a new employee share scheme in connection with the Group's 100th anniversary on 1 April 2001.

Shareholder approval will finally be sought for the introduction of a new DKK 12 million nominal value warrant programme for a selected group of senior managers in ISS. Authorisation to extend the warrant programme to Members of the Board of Directors will also be sought.

The authorisations sought will be valid for five years.

Outlook

(See Forward-looking Statements in the left hand margin)

In 2000, the Board of Management expects continued strong growth in turnover and operating profit. Excluding the effect of acquisitions announced after 24 February 2000, total turnover is expected to increase by more than 20% compared to 1999, reflecting organic growth and acquisitions announced prior to 24 February 2000.

The ongoing, step-by-step implementation of the *aim2002* vision is expected to increase profitability and operating margin. The improved operating efficiency of the existing ISS organisation is expected to contribute positively to the operating margin, but may to some extent be off-set by the initially lower profitability of further acquisitions made during the course of 2000.

Acquisitions announced prior to 24 February 2000 are expected to increase annual Group goodwill amortisation by approximately DKK 145 million in 2000 compared to 1999.

Interest expenses are also expected to rise in 2000, reflecting the effect of acquisitions. Increased market interest rates may also impact on Group funding costs.

The large number of acquisitions already undertaken, or expected in 2000, may have a negative short-term effect on the Group's EVA performance, but the underlying EVA development in existing operations is expected to show continued improvement.

Waldemar Schmidt
Group Chief Executive

Arne Madsen
Chairman

Forward-looking Statements
This annual report contains statements regarding expectations as to 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 outside ISS's control, may cause the actual development and results to differ materially from the expectations contained in the report. Factors that might affect such expectations include, among others, overall economic and business conditions, fluctuations in currencies, the demand for ISS's services, competitive factors in the industry and uncertainties concerning possible acquisitions and divestments.

Shareholder Information

The ISS share during 1999

Price development

ISS B-shares are listed on the Copenhagen Stock Exhange ("CSE") and the London Stock Exchange ("LSE"). A-shares are only listed on the CSE.

On the CSE, the A- and B-shares closed at year-end 1999 at DKK 440 and DKK 497, respectively, compared to closing prices of DKK 390 and DKK 422 at year-end 1998. The A-shares have thus increased 13%, while the B-shares have increased 18%. From the beginning of 1997 to year end 1999, the ISS A- and B-shares increased by 195% and 223%, respectively.

At the start of 1999, ISS share prices increased significantly with the ISS B-share setting a new high in January at DKK 485, a price level which it held until mid-April. From May, the stock market saw a general shift in investment portfolios away from service sector shares to more cyclical shares. This development, combined with the offering in June of 8 million new B-shares, lowered the price of B-shares to a trading range of DKK 350 to DKK 430 in the period May–September.

After the successful offering, ISS shares increased to previous trading level, and ended the year with a rise to DKK 497 per B-share.

The performance of the B-shares is in line with the development of the KFX-index, representing the 20 most traded shares on the CSE, which increased by 17% in 1999.

Due to the increase in the share price and the share offering of 8 million B-shares, the market value of ISS increased by 51% from DKK 12.4 billion at the start of 1999 to 18.8 billion at the end of the year.

Trading in ISS shares

ISS was one of the most liquid shares on the CSE. Aggregate turnover in ISS shares in Copenhagen and London amounted to a market value of DKK 26.8 billion, an increase of 40% compared to 1998. The turnover in ISS A-shares fell from 1.8 million shares in 1998 to 265,000 in 1999.

ISS was the sixth most traded share in 1999, up from No. 8 in 1998. The number of ISS shares traded, as a percentage of all ISS shares outstanding, decreased slightly from 153% in 1998 to 143% in 1999.

On the LSE, the market value of traded B-shares more than doubled from DKK 4.6 billion in 1998 to DKK 9.3 billion in 1999, a new record, which reflected the increased UK shareholder base after the June offering.

Share offering

In June ISS undertook a share offering of 7.4 million new B-shares with an option for the banks to increase the offering to 8 million B-shares. The offering was oversubscribed 2.3 times, leading to the issuance of the entire 8 million shares. The gross proceeds of DKK 2.8 billion represent the second largest share offering ever by a Danish company. The shares were primarily placed with investors in Denmark and the UK.

Share capital

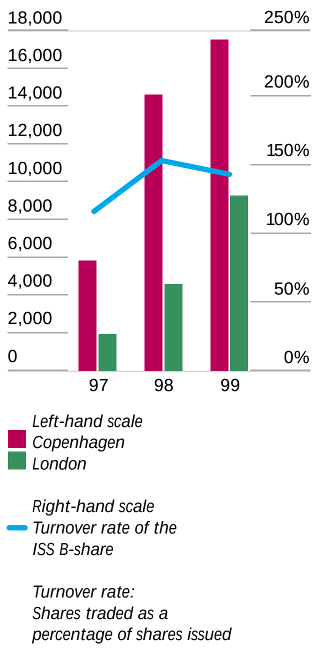
The A-share capital was unchanged in 1999 at 3,840,000 A-shares outstanding. The B-share capital increased in various stages with 8 million new shares issued after the share offering in June and 449,868 shares after the completion of the Employee Share Programme in December. At the end of 1999, B-shares outstanding comprised to 34,373,601, bringing the total number of shares outstanding to 38,213,601, an increase of 28%. The denomination of both types of shares is DKK 20, giving a total nominal share capital of DKK 764.3 million. A- and B-shares give holders 10 and 1 vote(s) respectively, with the total A-share capital representing 53% of all votes at the end of 1999. The company bought 200,000 B-shares in 1999 to cover its share option scheme and intends to acquire additional shares on an ongoing basis to cover such programmes.

ISS included in global stock indices

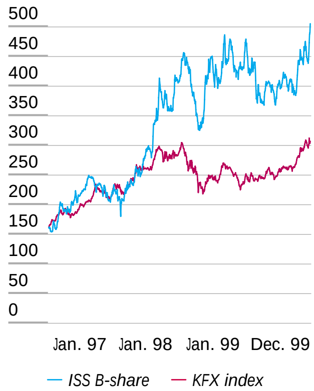
Since 1989, ISS has been included in the Morgan Stanley Country Index, MSCI. In 1999, ISS was selected as a component of two new global stock indices.

In recognition of ISS's business concept, that combines shareholder value with respect for sus-

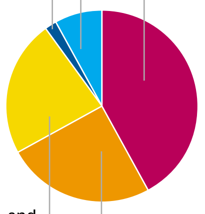
Turnover and liquidity of the ISS B-share



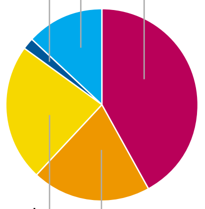
The ISS B-share and the KFX (index linked to ISS) 1997-1999



Shareholders 31 December 1999



Shareholders 31 December 1998



tainable environmental and social development, ISS was selected to Dow Jones Sustainability Group Index, which includes 200 of the top sustainability performance companies in 68 industries in 22 countries.

Apart from financial effectiveness and environmental and social/ethical responsibility, companies selected are required to pursue innovative technology and high standards for corporate governance and shareholder relations.

ISS was also selected to the new Standard and Poor's Global 1200 Index, comprised of the S&P 500 Index and seven regional indices with broad representation in 29 countries with good liquidity in the underlying constituents.

ISS sees participation in these indices as an opportunity to increase international awareness of ISS shares and increase their liquidity and placing potential.

Employee shares and share option schemes

From 31 August to 30 September, employees of the ISS Group were invited to subscribe for shares at a price of DKK 139, equivalent to 35% of the market price at the time of subscription. Despite unfavourable tax terms in a number of countries, 3,593 employees from 24 countries subscribed for a total of 449,868 shares, which are tied for a 5-year period according to Danish legislation.

Shares issued in connection with the previous employee share programme from 1994 were no longer tied from 1 January 2000.

At the Extraordinary General Meeting on 9 June 1999, ISS was authorised to issue up to 800,000 warrants to senior executives of the Group. As of January 2000, a total of 514,000 warrants were outstanding.

Shareholders

In 1999, UK investors increased their holdings in ISS to 25%, while investors in the rest of Europe, excluding Denmark, reduced their holdings correspondingly.

The geographical distribution of the shareholders is shown in the accompanying pie-chart.

Shareholders as of 1 January 2000	Number of A-shares	Number of B-shares	Number of shares	Capital %	Votes %
ATP, The Danish Labour Market Supplementary Pension Scheme	381,480	3,953,170	4,334,650	11.3%	10.7%
Capital Group Companies, Inc.	0	3,778,081	3,778,081	9.9%	5.2%
Fidelity Investments	0	2,067,558	2,067,558	5.4%	2.8%
Unidanmark Group	948,357	943,421	1,891,778	5.0%	14.3%
LD, The Danish Employees' Capital Pension Fund	791,320	0	791,320	2.1%	10.9%
Codan Group	595,121	12,700	607,821	1.6%	8.2%
Other Danish pension funds	349,635	2,238,743	2,588,378	6.8%	7.9%
Other Danish institutions	198,547	920,487	1,119,034	2.9%	4.0%
Private investors, trusts and foundations	431,667	1,475,119	1,906,786	5.0%	8.0%
Non-Danish private and institutional investors	68,830	10,361,763	10,430,593	27.3%	15.2%
Restricted employee shares		449,868	449,868	1.2%	0.6%
Registered shareholders	3,764,957	26,200,910	29,965,867	78.4%	87.7%
Other shareholders	75,043	8,172,691	8,247,734	21.6%	12.3%
Total	**3,840,000**	**34,373,601**	**38,213,601**	**100%**	**100%**

Selected stock exchange releases in 1999

25 February	1998 Annual Report records an increase in turnover of 17% with organic growth accounting for 6%. Operating profit went up 15% and CEPS increased 24%
7 April	ISS re-established in the Spanish market with the acquisition of Ergio
12 April	ISS UK expands transport service by acquiring Swirl Holdings
23 April	Annual General Meeting
20 May	ISS announces the acquisition of Abilis, the second largest European provider of cleaning and specialised services, in a DKK 3.6 billion transaction, the Group's largest to date
25 May	ISS signs two new PFI contracts in the UK
3 June	ISS offers up to 8 million new B-shares at market price
17 June	ISS Sweden secures breakthrough contract with nuclear power plant
28 June	ISS's international equity offering over-subscribed 2.3 times
16 August	ISS enters cleaning market in Israel
17 August	Half-year Report released ISS issues employee shares and warrants
27 September	Waldemar Schmidt's retirement announced His designated successor is CFO Eric Rylberg
13 October	ISS enhances its coverage of the French market
28 October	ISS Norway acquires Chalk Cleaning
29 November	ISS and Swissport form new joint company for luggage sorting activities
9 December	ISS selected as a component of two new global stock indices
10 December	Organisational development and changes in ISS
13 December	ISS Brazil enhances its market position significantly by acquisition
21 December	ISS-NWG makes a bolt-on acquisition
27 December	ISS UK acquires the cleaning company Blue Ribbon

Dividend

To foster value-creating investments, the Board of Directors will recommend to the Annual General Meeting that no dividend is paid in respect of the financial year 1999.

Investor Relations

Inquiries concerning investor relations and the stock market should be directed to:

Lynge Blak
Vice President, Investor Relations
Telephone: +45 38 17 63 17
Fax: +45 33 91 55 97
e-mail: lbj@iss-group.com

Investor Relations on the ISS website

On the Group's website, www.iss-group.com, all relevant investor presentations, annual reports, prospectuses, press releases, Group publications, etc. are available. Financial analysts who follow ISS are also listed on the website.

Financial diary 2000

Release of the 1999 Annual Report
Thursday 24 February 2000

Annual General Meeting
Tuesday 21 March 2000 at 5pm
Radisson SAS Falconer Center
Falkoner Allé 9, DK-1908 Frederiksberg C, Denmark

Shareholders meeting in Århus
Thursday 30 March 2000 at 5pm
Varna Palæet, Marselisborg Skov
Ørneredevej 3, DK-8000 Århus C, Denmark

Trading review, first quarter 2000
Thursday 25 May 2000

Half-year result 2000
Tuesday 15 August 2000

aim2002
The ISS Vision

The Service Enterprise Vision

ISS has entered the new millennium with its transformation from the world's largest cleaning company into The Service Enterprise well-advanced and on course to fulfil the ambitious financial goals charted in *aim2002*, the Group's Strategic Vision. In support of this process we are seeking to enhance our competence and foster innovation in all parts of our business.

Specialised services
General cleaning

Our Market

Outsourcing in both the public and private sectors, and the globalisation of corporate activity, present us with many opportunities for expansion in our highly fragmented part of the support services industry. Our platform acquisitions create critical mass and market density and there are abundant bolt-on acquisitions which add value.

In our European market there are an estimated 54,000 cleaning companies employing around 2.3 million people. ISS's size, resources and quality provision allow us to concentrate on the high end of this market.

The market for specialised services, multi-service provision and facilities management solutions is characterised by fewer professional players, higher barriers to entry, sophisticated service delivery and a high degree of operational integration with customers. Outsourcing is growing particularly fast in this area.

Complex multi-service solutions are in increasing demand and now form a significant part of ISS's organic growth. New forms of partnership between the public and private sectors, including such schemes as Britain's Private Finance Initiative, also call for highly sophisticated, well-resourced service providers capable of making long-term commitments.

aim2002

in October 1997, ISS launched *aim2002*, a five-year blueprint for accelerating and systematising our progress towards becoming a truly customer-driven, specialised support service group. Our priority targeted customer segments are hospitals, airports, the food sector and key account customers in business and industry.

At the end of 1996, the baseline against which *aim2002* progress is monitored, some 70% of Group turnover came from general cleaning companies, with specialised ISS companies accounting for 30%. The split between part-time and full-time employees was the same, respectively 70% to 30%. In *aim2002*, we state our ambition by 2002 to have 80% of our turnover derived from specialised ISS service companies and 80% of our employees working full-time.

This strategic drive through business development and employee enhancement underpins the Group's financial ambition of creating long-term value for our shareholders.

The financial goals of *aim2002* are double-digit growth in turnover, with at least 6% of growth generated organically, cash flow growth of at least 15% on average per annum and an operating margin of around 6%.

Our growth strategy is based on targeted acquisitions and organic growth and we foresee geographical expansion into all the main markets.

Our base in general cleaning

General cleaning and maintenance, the core activities on which ISS was built, today generate 54% of our turnover.

General cleaning is and will remain a spearhead service, on the back of which we can extend the range of our offering to customers, thereby generating organic growth.

For decades, general cleaning has been the development ground of our business concept, at the heart of which is the enhancement of our employees' competences in the pursuit of more contented, better skilled people who in turn improve customer satisfaction and make the business thrive.

Our international expansion in high quality general cleaning gave us the size, market density, financial strength and reliability which now give the Group important competitive advantage. Our improvements in productivity in general cleaning, and development of output-based performance measurement, have sharpened this competitive edge.

Our service migration

Our migration towards specialised services reflects our strategic ambitions and our response to changing market conditions. The Group reorganisation initiated in late 1998, and continued in 1999, provided a structure based on strong, customer-driven country organisations, with increased international competence-sharing and cooperation between specialised business units.

To ensure a consistently high level of quality and service innovation, new measures were taken to increase our ability to document and distribute knowledge within ISS. These and other measures recognised the growing need for more international management capacity and co-ordination as we extend our geographical reach and move into more knowledge-intensive services.

The ISS Operating Company

Our chosen vehicle for delivering specialised services is the ISS Operating Company, or ISS Opco. These dedicated and focused operating companies or business units are being established throughout the Group to develop and deliver the customer-driven services that will give us sustainable competitive advantage.

The fully-developed ISS Opco is a self-sustaining unit with necessary support functions, such as planning, sales, human resources, business development and operations, under the responsibility of its own managing director. As a business develops into a full ISS Opco, additional functions are dedicated at each stage of the process, enhancing specialised service capabilities and delivery.

Our selected service segments

Our mix of selected market segments reflects our current assessment of the best opportunities for targeting improved growth and profitability. Other market segments may be included in future, if developments in the market justify their inclusion in the Group's strategic framework.

Multi-service or facilities management solutions are increasingly being developed and deployed across our target segments.

In addition to services for our target segments – airport, hospital, food sector and key accounts in business & industry – our offering comprise a number of specialised services including transport service, industry service, care service, property service, catering and after – damage service.

Follow-up on ***aim2002*** operational goals

	Specialisation	Full-time employees
1996	30%	30%
1997	35%	50%
1998	42%	55%
1999	46%	53%
aim2002 goal	80%	80%

ISS Specialisation 1999

Service segment	1999	Goal *aim2002*
General cleaning	54%	20%
Hospital	17%	
Transport/Airport	7%	
Food sector	6%	
Catering	3%	
Care	2%	
Industrial/high-tech	4%	
After-damage	2%	
Other	5%	
Total specialised services	46%	80%

The Group's specialised services are described on page 18-24 of this report.

ISS HOSPITAL SERVICE

The market

The hospital sector offers huge potential for ISS. The smooth and efficient running of modern hospitals demands the reliable, continuous delivery of a broad range of non-medical services, including general cleaning, operating theatre cleaning, portering, catering, laundry, mail delivery, car park management, medical waste disposal and access control and surveillance. Outsourcing these activities constitutes a highly attractive market for hospital service providers. In certain countries, the outsourcing trend has led to the private sector financing of major projects encompassing the planning, construction and running of major hospitals. Such service contracts can run for 30 years, or more.

The sheer scale of the potential world market for hospital services can be seen in Europe, which alone has a total estimated market of DKK 200 billion. Only 31%, or DKK 62 billion, of this is currently outsourced.

Continued pressure on public sector budgets in all countries is

expected to lead to increased and accelerated outsourcing, but is also expected to bring undiminished price competition, a trend which is expected to prevail in other parts of the world too.

The general cleaning part of the hospital services market is usually highly fragmented, but the higher value end of the market is dominated by specialised service providers with solid track records in the hospital sector.

ISS Hospital Service

In 1999, the hospital service segment had a Groupwide turnover of DKK 3.4 billion. Hospital service represents the largest specialised service segment, with 17% of Group turnover, compared to 16% in 1998, reflecting faster growth in the segment compared to the Group overall.

Segmenting the Group's contract base continued in 1999. The turnover increase in the segment was due to organic growth in the dedicated business units and more contracts being developed from the general cleaning business to specialised services. ISS now serves hospitals in almost all its country markets through dedicated operating units.

In the hospital segment, ISS has secured some of the Group's largest contracts. In May 1999, ISS Mediclean (UK) secured a 30-year Private Finance Initiative (PFI) contract to provide support services for a new hospital for the South Durham Healthcare NHS Trust at Bishop Auckland, County Durham. This project, in which ISS took its first PFI equity stake, is expected to generate an aggregate turnover of DKK 600 million over the term of the contract. The Group entered its largest hospital contract in 1998 when ISS Mediclean signed a 30-year PFI contract to provide full facility management for Hairmyres & Stonehouse Hospital, Scotland. In 1999, ISS Mediclean started to provide support services ahead of the opening of the hospital in 2001.

In 1999, major new hospital contracts were also secured by ISS in Germany, Greece, Singapore, Hungary, Poland, Spain and Brazil.

The ISS hospital service offering

ISS hospital service targets both the hospitals' customers – the patients – and visitors. ISS provides services to public and private sector hospitals of all sizes, including some of the largest and most sophisticated in the world. The service offering ranges from cleaning general areas, such as wards and corridors to specialised cleaning in operating theatres and laboratories, portering, catering, laundry, mail delivery, medical and non-medical waste disposal, access control and surveillance and car park management.

Where ISS hospital service is most developed, the Group has full facility management capability for all non-medical service provision. This involves technical services, such as maintenance of electrical supply and equipment, heating and air conditioning systems and hazardous waste handling, in addition to basic support services.

Other ISS service solutions involve non-technical, multi-service provision or single service provision by a dedicated hospital service operating company.

The ISS strategy

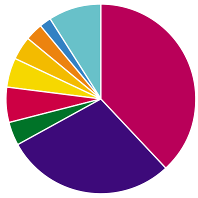
ISS entered the hospital service market initially as a provider of general cleaning and maintenance, subsequently adding specialised services to the spearhead service as the Group developed its competence and service quality over a broader range of hospital services.

In key markets, ISS has made platform acquisitions, such as ISS Mediclean, UK, and NWG, Germany, achieving critical mass in order to generate solid organic growth. ISS leverages its international reach to develop hospital service capability in new markets. Access within ISS to internationally transferable expertise and contract references from leading general, research and teaching hospitals enable the Group to deploy ISS service provision rapidly and effectively.

The Group's first Centre of Excellence (CoE) in the hospital service segment was at ISS Mediclean.

Supported by the UK-based CoE, an Asia-Pacific CoE was fully activated in 1999 in Singapore to drive best practice in the region and support organic growth in the hospital segment.

ISS Hospital Service
Country distribution 1999



Germany	38%
UK	29%
Switzerland	6%
Netherlands	5%
Sweden	4%
Denmark	4%
France	3%
Austria	2%
Other	9%
Total	**100%**

Total turnover 1999:
DKK 3,394 million

Selected ISS hospital service contracts

Karolinska Sjukhus	*Sweden*
Hammersmith Hospital	*UK*
Singapore General and Tan Tock Seng Hospitals	*Singapore*
Onassis Hospital	*Greece*
Bumrungrad Hospital	*Thailand*
Kliniken der med. Hochschule Hannover	*Germany*
Academisch Medisch Centrum Maastricht	*Netherlands*
Kantonsspital Aarau	*Switzerland*
Institut Gustave Roussy	*France*
Hospital Prof. Edmundo Vasconcelos	*Brazil*
Motol Hospital	*Czech Republic*

ISS AIRPORT SERVICE

The market

Airports offer substantial potential for ISS in terms of growth and service development in a complex, high security environment with increasingly global standards for the quality and effectiveness of the support services required. Outsourcing allows

the airports and their client airlines to optimise operations, reduce costs and improve service quality.

Support service providers operate both airside and landside. Specialised services for airside include docking, disembarking, ground handling, check-in services, cleaning and preparation of aircraft cabins, aircraft de-icing, and catering for and transport of air crew and support staff.

On landside, support services include cleaning and maintenance of buildings and equipment, in-house transport, trolley management, catering, access control and waste disposal.

Outsourcing remains at a relatively low level in many large markets, but is expected to grow, as airports are under pressure to become more competitive and performance-oriented. The increase in outsourcing is foreseen leading to strong growth in demand for airport services.

In Europe, the market for airport services is expected to grow by an annual average rate of around 13% over the next five years and world air passenger traffic is expected to double by the year 2010. The European market is estimated to be worth some DKK 29 billion, of which 34% is outsourced. The Asian market is worth an estimated DKK 25 billion, while North and South America are worth a combined DKK 70-100 billion. The UK, at 65%, has the highest percentage of outsourced airport services in Europe.

ISS Airport Service

In 1999, the airport service segment had a Groupwide turnover of approximately DKK 753 million. Airport service is one of the strategically targeted specialised service segments, in 1999 accounting for 4% of Group turnover.

The segmentation of the Group's airport contract base continued in 1999. The increase in turnover reflected organic growth by the dedicated business units and operating companies, with a number of ISS country organisations entering the segment for the first time. ISS now has fully-developed dedicated operating companies for airport services in Switzerland, Austria, United Kingdom, Netherlands and Belgium and either has, or is in the process of establishing, dedicated business units in most of its markets.

In November 1999, ISS started a joint venture – LSS-Swissport Luggage Sorting System AG – with Swissport, the ground handling subsidiary of the SAirGroup. The company manages and operates luggage handling at Zurich Airport and is expected to achieve an annual turnover of DKK 90 million.

ISS also extended the operations with new services in the large airports in Amsterdam, Brussels, Vienna, Beijing, Hong Kong, Bangkok and Singapore, all important international hubs. A new strategic alliance was started with Helsinki Airport, named "World's Best Airport 1998" by IATA's Global Airport Monitor.

In China, ISS's joint venture with China International Trust & Investment Corporation secured its first airport contract at Beijing's Capital International Airport. Leveraging the Group's international competence base and ISS's ability to provide internal support were instrumental in securing this contract. Group leverage was also demonstrated in Thailand, where ISS successfully tendered for its second service contract at Bangkok International Airport. In Germany, ISS-NWG won its first airport contract at Düsseldorf.

In Greece, preparatory steps were taken in 1999 for ISS's entry into the airport service market at Athens and Thessalonica airports.

A novel, multi-service contract was secured by ISS Greenland at Kangerlussuaq, Greenland's main hub airport, involving a wide range of services, including medical patient transfer.

The ISS airport service offering

ISS provides a broad range of specialised services, usually as part of a multi-service package, to both airside and landside customers at many of the world's leading airports. The ISS offering for landside customers ranges from cleaning and related services in airport buildings, retail premises and offices to technical maintenance and waste disposal.

Airside, where the regulatory, technical and safety requirements are stricter, ISS provides a full range of services for carriers and airport operators. These extend from cabin cleaning and refurbishment to aircraft exterior cleaning, de-icing, docking and check-in/disembarkation, crew, and personnel transport.

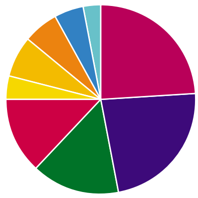
Our strategic approach

ISS has in most countries gained initial access to the national airport service market by securing substantial terminal cleaning contracts at a main hub airport, frequently using Group expertise and reference contracts from other countries.

The aim is to support our customers, by providing integrated hassle-free services in activities that are not their core business and to save them money at the same time.

The current market structure requires a successful provider of airport services to deploy a range of strategies adapted to suit the specific market conditions set by different airports and national authorities. With global reach and a strong track record for managing complex, large service contracts, ISS is strongly positioned to fulfil the demands of airport customers.

ISS Airport Service
Country distribution 1999



UK	24%
Switzerland	23%
France	15%
Netherlands	13%
Austria	7%
Singapore	6%
Belgium	5%
Sweden	4%
Other	3%
Total	**100%**

Total turnover 1999:
DKK 753 million

Selected airports at which ISS services are provided:

Heathrow Airport	*UK*
Schiphol Airport	*Netherlands*
Zurich Airport	*Switzerland*
Vienna International Airport	*Austria*
Paris-Orly Airport	*France*
Zaventem Airport	*Belgium*
Gardemoen Airport	*Norway*
Helsinki-Vantaa Airport	*Finland*
Chep Lap Kok Airport	*Hong Kong*
Changi Airport	*Singapore*
Beijing Capital International Airport	*China*
Bangkok International Airport	*Thailand*

ISS FOOD SERVICE

The market

The food processing sector offers ISS great scope for expansion. Food hygiene service is an integrated part of the customers' business. Cleanliness and good hygiene are crucial for the food processor. Poor cleaning and bad hygiene can cost a company its reputation, its market and even its business.

With the heightened media attention to incidences of food contamination or poisoning, public interest in safe food is not expected to diminish. Food processors are increasingly outsourcing food hygiene services, which helps them to build customer confidence and enhance their competitive position.

Outsourcing is expected to increase in the food hygiene service market, as service providers demonstrate their advancing ability to deliver reliable, customer-specific solutions with differentiated cleaning methods for the various risk segments. In Europe alone the market for food hygiene services is expected to grow at an annual average rate of around 12% over the next five years. The outsourced

market for food hygiene services in the region, is worth around DKK 6 billion or 41% of the total market.

Competition in food hygiene service provision is between a relatively small number of large providers with specialised skills, and a number of small, narrowly focused service providers which operate in specific sub-segments.

ISS Food Service

In 1999, the food service segment had a Groupwide turnover of DKK 1,101 million. This represented an increase of 33% compared to 1998 and made the food sector the second largest of ISS's priority targeted segments in turnover terms. Food service accounted for nearly 6% of turnover in the enlarged Group in 1999, broadly unchanged from 1998.

Segmentation of the Group's food service contract base continued in 1999, with dedicated operating companies or business units set up in a number of countries, including major ISS markets, such as Germany, Sweden and Spain. ISS Greece entered the food sector for the first time with a major bakery contract.

ISS Denmark has a particularly strong position, accounting for 31% of Group turnover in the segment in 1999. This reflects the strength of the Danish food processing industry and the deep market penetration achieved by the dedicated and sub-segmented operations of ISS Food Service.

In addition to sound organic growth in food service turnover across the Group in 1999, acquisitions contributed substantially to turnover. Food hygiene formed a relatively small part of the acquired Abilis companies, but the acquisition of Ergio gave ISS market leadership in the segment in Spain. The acquisition of Prolim Serviços Ltda. expanded ISS's already well-established food service business in Brazil.

In Hungary, where ISS has focused particularly on the food sector, important new contracts were signed in 1999 with two key food processors, Dél-Hús and Merian.

The newly formed ISS Greenland made outstanding progress in its first full year, leveraging food service expertise developed in Denmark to secure contracts with Greenland's leading seafood processors and delivering world class food hygiene standards for a vital export industry. ISS Foodservice also became Greenland's first company to receive ISO 9001 certification.

In January 2000, ISS acquired a majority stake in Iceland's largest cleaning company with a view to accessing the substantial growth potential in the Icelandic fish-processing industry, which accounts for more than 70% of the country's exports.

The ISS food service offering

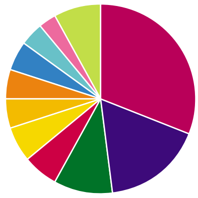
ISS food service targets food processors across a range of sub-segments in the industry, grouping customers according to speciality and high, low or medium risk of bacteriological contamination. The high risk segment is largely comprised of specialised cleaning on premises where meat, fish or edible oils are processed. The medium risk segment encompasses facilities which handle dairy products, fruit and vegetables. The low risk segment is comprised of industrial bakeries, chocolate and confectionary plants. In key markets, special units have been established for sub-segments, such as abattoirs, fishprocessors and poultry plants. On many contracts, ISS evaluates the specific risk profile of the facilities, and undertakes continuous bacteriological testing. ISS also advises on public health regulations, pesticide control and waste handling.

ISS´s dedicated food service companies continuously develop and improve the specialised service offering for their target market. ISS aims to be the food hygiene specialist that sets the standards for the industry in the development of service and partnership. ISS has already established its credentials as a food-service partner for the food industry in top food processing countries, such as the Netherlands and Denmark. ISS also has a dedicated food service company in the UK, a specialised food division in Brittany, France and a dedicated food service company with market leadership in Belgium.

ISS Food Service Community

To continously update and deepen ISS competences and accelerate the international transfer of food service knowledge, the Group's internal Food Service Community was established in 1999. This took place in close cooperation with the Denmark-based Food Service Centre of Excellence and the Corporate Business Development function.

ISS Food Service
Country distribution 1999



Denmark	31%
UK	17%
Netherlands	10%
Finland	6%
France	6%
Belgium	5%
Brazil	5%
Spain	5%
Norway	4%
Sweden	3%
Other	8%
Total	**100%**

Total turnover 1999:
DKK 1,101 million

Selected ISS Food Service contracts:

Danish Crown	*Denmark*
Steff Houlberg	*Denmark*
Carlsberg	*UK*
Heinz	*UK*
Stegemann	*Netherlands*
Kraft Jacobs Suchard	*Belgium*
Gate Gourmet	*Brazil*
Coca-Cola	*Spain*
Dat-Schaub	*Portugal*
Dél-Hús	*Hungary*

Other Specialised Services

In addition to the Group's priority, targeted service segments, ISS provides other specialised services, the exact mix of which depends on the structure and maturity of the geographic market. Such specialised services are available in countries where the Group has chosen to include them in its service offering, before making a strategic decision on whether to target them globally.

Care Service

This service segment has been targeted by ISS and other major support service providers primarily in the Nordic countries, as the operation of public institutions, such as homes for the elderly and handicapped, substance abuse centres and kindergartens, is increasingly being outsourced.

Our care services encompass all activities related to the operation of care institutions, from general management to cleaning, catering and rehabilitation. Trained nurses can also form part of the service solution.

The market in the Nordic countries for care services is worth an estimated DKK 106 billion, of which around 6% is currently outsourced.

Property Service

Property service, including full facility management (FM) provision, has also expanded strongly in most ISS markets.

Large customers in the private and public sectors are increasingly focusing on their core activities by outsourcing the management and operation of their premises to specialised service providers. This trend is seen to favour large multi-service providers with the capability to supply a full range of services from general cleaning to full technical and electrical maintenance, or even total FM.

Demand for such services comes mainly from large institutions, especially in insurance, banking and real estate.

In recent years, ISS has actively built up its property service capabilities in Northern Europe and in Germany, France and the United Kingdom. In these countries, ISS provides comprehensive property services and full FM, including extensive public-private sector partnership schemes.

Cleanroom Cleaning

Cleanrooms are production areas in hi-tech environments, such as microchip and pharmaceutical plants and nuclear power facilities, where strict cleaning regimes are essential. ISS provides this specialised service in many countries with a particularly strong position in Asia. Technological developments place ever-increasing requirements on the production environment and service providers need to be highly specialised and integrated into the production process.

Transport Service

The increased privatisation and public tendering of public transport has produced a highly specialised market for transport service. ISS has long been a transport service provider, primarily for railway operators, but also has special services focused on buses, passenger ferries and their terminals. Important transport service contracts include the high-speed train network in France on the Channel Tunnel services to the UK.

After-damage service

After-damage service provides for clean-up and restoration of buildings and assets, including carpets, fittings and computer equipment, after incidents involving fire, water, extreme weather or other damage. Insurance companies are the main customers for this service. ISS undertakes damage assessment and remedial work. Cost savings from effective damage limitation and restoration are the main drivers of demand for this service.

Automotive/Industrial

In the automotive industry, ISS has developed a service offering, including cleaning and maintenance in production halls, administration facilities and highly specialised operations, such as paintshops. Our industrial cleaning operations serves heavy industry, from large-scale production plants, such as steel and paper mills, to shipyards and oil refineries.

Catering

In the Nordic countries, ISS provides single and multi-service solutions for the management of large canteens and meal provision for remote production sites and facilities. The service offering includes food preparation, delivery and diet planning.

Competence Enhancement

Our ability to enhance the competence of all our employees and transfer our corporate knowledge swiftly and effectively throughout the Group is of decisive importance to realising the goals of *aim2002*, our Strategic Vision. This commits us to pursue competitive advantages by systematically developing our people's skills, improving our business processes and adapting our organisational structures in support of strategic segmentation and specialisation.

The continuous development of our employees' competences to match the demands of our customers involves leading-edge ISS training programmes, supported by world-class educational institutions.

The enhancement of competence takes place at all levels, from initial skills training for our service operatives to Master of Business Administration (MBA) programmes for management.

ISS has for decades been committed to upgrading the skills of employees as both a Group goal, and with wider ambitions for the support service industry as a whole.

Competence management

In 1999, we started to put into place an effective competence management system and create open, flexible management teams with cross-border capability. The new intranet-based competence management system will support segment managers in IT, best practice, knowledge transfer, human resources and structural set-ups.

Group Head Office has established a competence management function which acts as a catalyst for the ISS Communities being set up to enhance competence transfer and development throughout the Group in the targeted segments. The Food Service Community, which connects all key ISS players in the segment, was established in 1999 and initiated projects for intranet-based knowledge sharing tools. The International Key Account Community will be established in 2000. Communities are scheduled for hospital service, airport service, industrial service, after-damage service and care service.

Centres of Excellence

We are developing our intranet to provide support for ISS Centres of Excellence (CoE), already established for the food, airport, hospital, automotive and care segments.

The CoE network is being equipped with dedicated additional resources so that it can deliver a broad and deep transfer of competence.

CoEs are proactive centres that facilitate planned and focused exchange and transfer of best practice and corporate knowledge between our operating companies across regional and national frontiers. As hubs of best practice, the CoEs represent a cost-effective way of capitalising on existing know-how available within the Group.

They can help to transfer knowledge regarding everything from the establishment of a specific service in a new market to how to initiate new complicated contracts.

Training and education programmes

All ISS organisations actively pursue training programmes for our service operatives. These include training in basic work skills and methods, planning and quality management. Specialisation means that ISS programmes have become increasingly sophisticated and enhanced competence transfer is enabling the Group to leverage its best practices from wherever available.

Internal courses range from introductory programmes for service operatives to special technical and environmental courses and financial and operational management for senior managers.

MBA programmes for ISS executives are provided at Copenhagen Business School in Denmark and Jyväskylä Polytechnic in Finland.

ISS Sweden offers computer-based programmes using internet technology developed with "University On Line" at Kalmar Institute.

The Group is a corporate partner of IMD, the international business school at Lausanne, Switzerland, where senior managers from across ISS take part in tailormade or selected programmes. Key managers also attended in financial management programmes held at Stanford University, California.

ISS Centres of Excellence

Food service
- *Denmark*
- *Belgium*

Airport service
- *Switzerland*
- *UK*
- *Singapore*

Hospital service
- *UK*
- *Singapore*

Automotive
- *Czech Republic*

Care service
- *Sweden*

In the competence transfer process the ISS CoE is responsible for:
- *assembling and documenting knowledge*
- *creating easy access keys to main issues*
- *undertaking concept design*
- *providing active information-sharing programmes*
- *evolving and innovating competence transfer*

ISS and The Global Compact

The Nine Principles of The Global Compact

On human rights, companies are asked to:

1. support and respect the protection of international human rights within their sphere of influence

2. make sure their own corporations are not complicit in human rights abuses

On labour rights, companies are asked to uphold:

3. freedom of association and the effective recognition of the right to collective bargaining

4. the elimination of all forms of forced and compulsory labour

5. the effective abolition of child labour

6. the elimination of discrimination in respect of employment and occupation

On the environment, companies are asked to:

7. support a precautionary approach to environmental challenges

8. undertake initiatives to promote greater environmental responsibility

9. encourage the development and diffusion of environmentally friendly technologies.

At the 1999 World Economic Forum in Davos, Switzerland, the United Nations Secretary-General, Kofi Annan, called on business leaders to "embrace and enact", both in individual corporate practice, and by supporting appropriate public policies, a nine-point set of universally agreed principles – The Global Compact. His aim is to make this compact an important part of the corporate agenda in an increasingly globalised world economy.

In late 1999, the United Nations took the initiative by inviting a group of the world's leading companies including ISS, to form a joint platform aimed at building international business acceptance of the principles contained in the compact.

The project is headed by senior officers from the Office of the UN Secretary-General and also involves the International Labour Organization (ILO), the United Nations Environment Programme (UNEP) and the UN Office of the High Commissioner for Human Rights.

Business conduct

Since it was founded almost a century ago, our Group's behaviour has been guided by a set of ethical values, which are today deeply embedded in the ISS culture. The extent to which we fulfil our responsibilities to our employees, customers, and society at large will continue to be a measure of our success on an equal footing with our financial performance.

On the basis of these corporate values, ISS looks forward to supporting the UN in establishing The Global Compact as the universal foundation for business behaviour in respect of human rights, labour market practices and environmental issues. Our Group's long-standing commitment to enhancing the skills levels, social standing and self-esteem of service workers industry-wide, plus our engagement in maintaining and improving environmental quality, predisposes us towards the concept of The Global Compact.

We see the nine principles as a solid framework for good corporate citizenship, dialogue and action at the field level.

Internationalisation of the Group has naturally brought challenges for our ethical values, as ISS now operates in 34 countries in Europe, Asia, the Middle East and South America and has well over 200,000 employees. ISS is totally against any form of corrupt business practices, irrespective of local business standards.

Our employees represent many and varied linguistic, ethnic and religious groupings. With such a large diversity of cultures and associated local business practices, the strong groupwide commitment to clearly defined principles for our corporate behaviour is of significant benefit to the ISS's integrity and image.

ISS and the labour market

The Global Compact principles relating to the labour market closely resemble ISS's own policy.

ISS has actively pursued the establishment of minimum standards of employment and skills upgrading across the service sector, working through the pioneering ISS European Works Council. This has been undertaken in close co-operation with the European Commission and FIET, which is part of Union Network International (UNI).

We totally reject the use of child labour and any form of forced labour. We are wholly against any form of racial prejudice and have long been established as an equal opportunity employer with regards to both gender and ethnic origin.

We believe that an open dialogue on equal terms between our management and our employees is a prerequisite for success. Our employees' freedom to organise locally and cross-border is a central element of our personnel policy.

We are committed to providing a good, safe and healthy working environment for our employees, customers and society at large under the overarching principle of promoting sustainable development.

ISS and the environment

To be competitive today requires companies to be more economic with resources, by creating, not wasting, value.

ISS is committed to the development and fostering of services, methods, materials and work practices that positively contribute to its customers and employees behaving in an environmentally responsible way. We regard this as part of our wider commitment to society at large to promote sustainable development in a world facing environmental overload from mankind's activities.

ISS's main activity has so far been cleaning and maintaining the built environment. Our environmental policies have progressed at variable speeds, depending on local regulations, legislation, practice and capabilities.

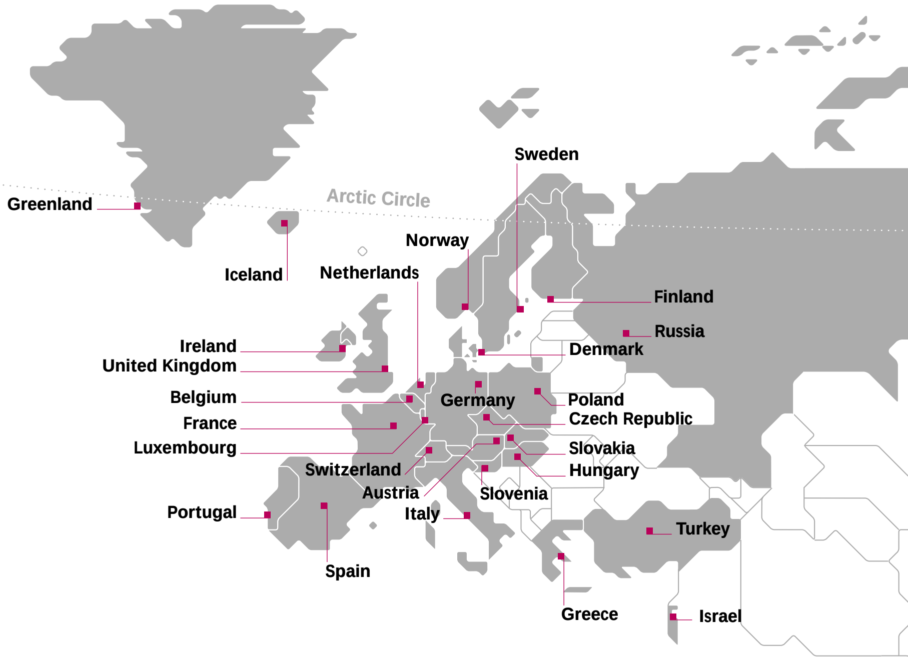
Some ISS country organisations have already achieved full ISO 14001 corporate environmental management certification. Others have developed new cleaning methods, which radically reduce the use of cleaning fluids and water, limiting the environmental impact of our activities. Zero-emission vehicles have been introduced in some countries.

We are increasingly developing our own environmental research capability and participating in technical forums, such as the international Healthy Buildings 2000 conference in Finland in August, where ISS is an official sponsor.

Environmentally friendly chemicals and the intensity with which chemicals are used are key issues and we cooperate closely with the chemical industry in order to keep up with the latest developments.

We also keep a critical eye on developments that not only concern indoor environments, but also affect outdoor areas and the overall environment in which our customers and employees operate.

Review of Country Operations



Country Performance Overview 1999

Country	Turnover	Operating margin	Employees
UK & Ireland	2,561	6.7	29,967
Denmark	2,320	6.0	10,503
Norway	2,039	6.5	7,772
Sweden	1,990	6.4	9,552
France	1,908	4.3	30,948
Germany	1,874	3.7	19,513
Netherlands	1,482	6.5	27,615
Finland	1,021	5.5	6,355
Switzerland & Italy	1,021	5.9	7,829
Belgium & Luxembourg	1,007	5.9	9,785
Central Europe	915	5.7	10,459
China & Hong Kong	408	4.8	5,965
Brazil	371	1.0	12,956
Spain	272	4.3	4,700
Singapore	256	4.8	3,308
Portugal	123	6.1	1,908
Thailand	81	7.1	5,759
Israel	56	6.9	3,822
Malaysia	55	8.0	2,038
Indonesia	17	7.3	2,828
Brunei	15	24.5	142
Sri Lanka	10	6.9	2,953
Total operations	19,802	5.7	216,677
Group Head Office	–	–	61
Group Total	19,802	5.2	216,738

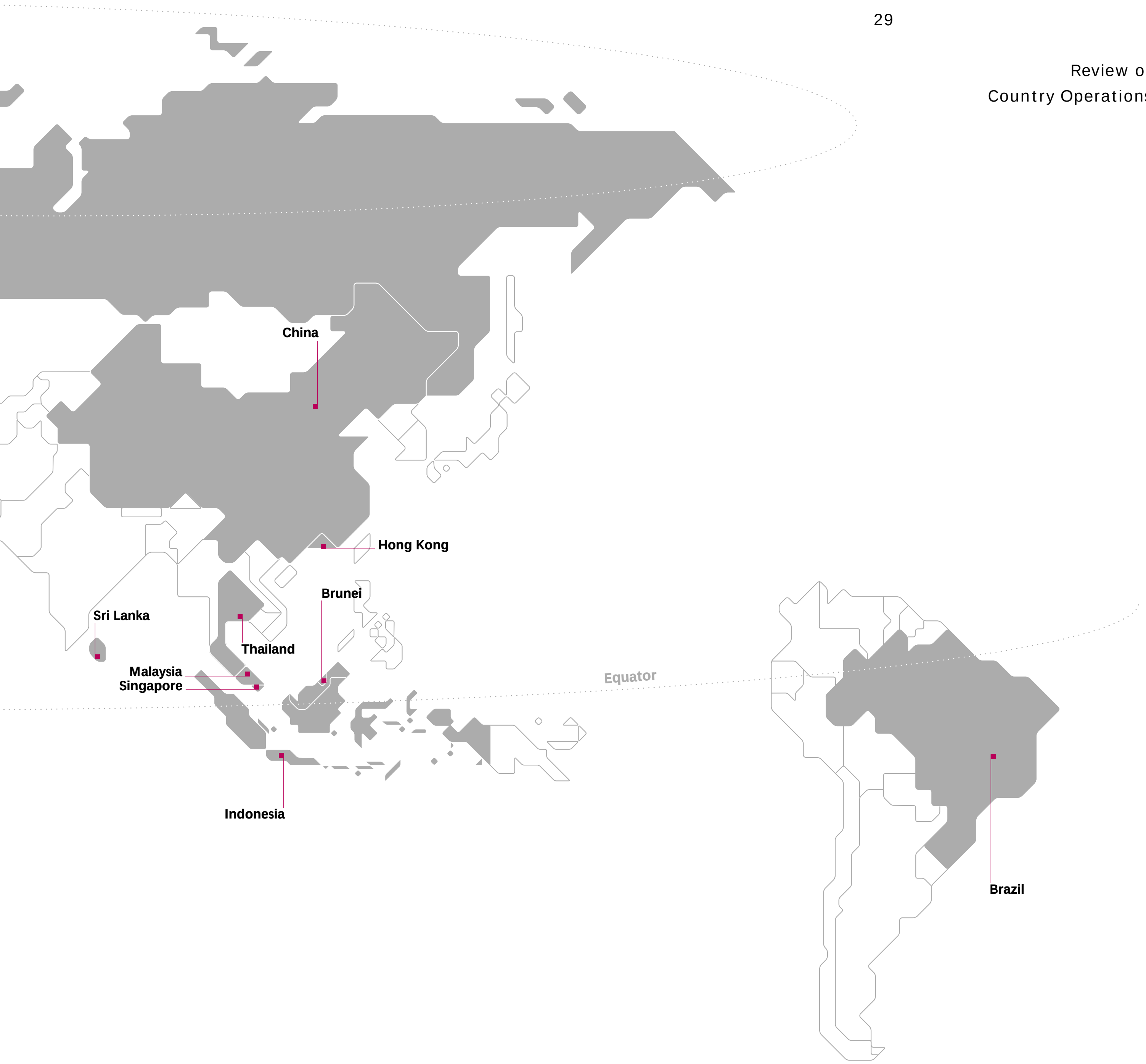
The ISS Group currently operates in 34 countries in Europe, Asia, the Middle East and South America. In 1999, ISS was re-established in Spain through the acquisition of Grupo NECA, a cleaning and food hygiene provider, and the cleaning operations of Ergio Group. In August 1999, ISS expanded into the Middle East, entering the Israeli market through the acquisition of 50% of the Ashmoret Group.

The Group continued to operate in Croatia, with the ISS organisation in neighbouring Slovenia managing the business.

In January 2000, ISS entered the Icelandic market by acquiring Ræsting ehf, Iceland's largest cleaning company, as a platform for a food service operation focused on major fish-processors.

Reorganisation

To improve coordination between country operations and Group Head Office in Copenhagen, a new Group Management team was formed in late 1999 and three new Head Office-based Managing Directors, International Operations, were appointed. Their areas of responsibility are divided into Western Europe (UK, Ireland, France, Germany, Netherlands, Belgium and Luxembourg), Northern Europe (Denmark, Norway, Sweden, Finland, Iceland and Greenland) and Southern & Eastern Europe (Spain, Portugal, Switzerland, Italy, Austria, Czech Republic, Greece, Hungary, Poland, Slovakia and Slovenia). A Managing Director, International Operations, with responsibility for Asia, will be appointed in 2000.



Centres of Excellence

To improve the leveraging of best practices and know-how across the Group, ISS Centres of Excellence have been established for hospital service in the UK and Singapore, for airport service in Switzerland and the UK, for food service in Belgium and Denmark, for automotive service in Czech Republic and for care service in Sweden.

Service offering

Services offered in any one country will depend on the size and structure of the local ISS organisation. The Group is however able in its strategically targeted segments to rapidly and effectively transfer knowledge and establish service provision in new markets around the globe.

The map (above) shows the present geographical distribution of ISS operations, and the table (left) shows the turnover, operating margin and number of employees of the ISS country organisations.

Key figures, specialisation, full-time jobs

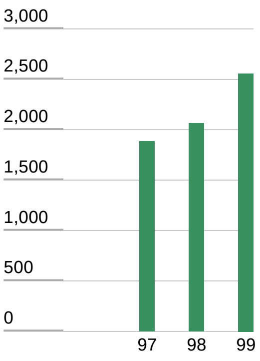
Key figures for each country are given in the tables adjacent to the country reports on the following pages. Operating profit is stated before other income and expenses. The tables also provide a comparison of the progress each country organisation has made in specialisation (percentage of turnover from specialised services) and the percentage of full-time employees. The "acquisitions, net" figure shows the net growth from acquisitions and divestments.

Country Reports

United Kingdom and Ireland

DKKm	*1999*	*1998*	*1997*
Turnover	2,561	2,068	1,888
Operating profit	170.4	143.6	120.5
Operating margin	6.7%	6.9%	6.4%
Employees	29,967	23,386	21,272
– full-time	32%	25%	33%
Specialisation	65%	64%	–
Turnover growth, in %			
Organic growth	15.9	11.0	15.1
Acquisitions, net	6.4	(3.3)	(0.2)
Currency effect	1.6	1.9	18.7
Total	23.9	9.6	33.6

Turnover United Kingdom and Ireland 1997-1999
DKKm



United Kingdom and Ireland

In the United Kingdom and Ireland, the combined turnover increased by 23.9% to DKK 2,561 in 1999. This represented organic growth of 15.9%, with acquisitions accounting for 6.4%. Operating profit rose 19%, resulting in an operating margin of 6.7% compared to 6.9% in 1998. The relatively lower growth rate in the operating profit was due to increased investments in information technology, human resources and Private Finance Initiative (PFI) contracts, which are expected to produce stronger growth in future years.

The operating companies maintained the strong organic growth that has characterised ISS UK in recent years. ISS Mediclean, ISS Airport Services, ISS London and ISS Scotland performed particularly well. The ISS companies operating in London added more prestigious names to their portfolio, including Cable & Wireless, Sun Micro Systems, KPMG, Ernst & Young, and North Western Trains.

The newly acquired Swirl, specialising in services to the London Underground, has made a wholly satisfactory contribution since it was taken over in April 1999.

The portion of turnover generated by specialised service companies increased to 65% in 1999.

PFI activities were further developed in 1999, with the deployment of further management resources to this important area. Two new PFI contracts were secured, bringing the total number of PFI contracts to seven.

Ireland

ISS Ireland continued to perform satisfactorily, despite a severe labour shortage. The company entered a partnership agreement with the main trade unions to develop the support service industry. Major new customers included Pfizer, Dublin City University and the Institute of Technology.

Private Finance Initiatives

In May 1999, ISS Mediclean secured a 30-year PFI contract to provide cleaning and support services for a new hospital for the South Durham Healthcare NHS Trust at Bishop Auckland, County Durham. The hospital is due to open in summer 2002. This contract is expected to generate a total turnover of DKK 600 million over 30 years. The Bishop Auckland hospital is the first PFI project, in which ISS UK has taken an equity stake.

The ISS Cleaning Service secured a new PFI contract to provide cleaning and related services for the new Sheffield City Council headquarters.

Construction work on the Hairmyres & Stonehouse Hospital, the PFI contract awarded to ISS Mediclean in March 1998, is well advanced. Prior to the PFI contract commencing in April 2001, ISS Mediclean has been awarded a contract to provide and manage support services to the existing hospital.

Business development

ISS UK continued to develop its capabilities in full facility management (FM), building on the expertise accumulated by ISS Mediclean. A pioneering FM contract was started in the education sector with the 800-student art college at Ravensbourne near London. Under the 3-year contract, ISS provides a total FM solution, including catering, refurbishment, caretaking, cleaning, etc. The education sector is expected to offer significant PFI opportunities in coming years.

Excellence recognition

In 1999, two ISS companies, ISS London and ISS Servisystem, had their commitment to training, communication and good employment practice recognised by the award of the prestigious status of “Investors in People”.

ISS London also won the top award in the 1999 “Oscars” of the UK cleaning industry for its contract with Morgan Stanley Dean Witter, the international financial services group. In addition to beating off nine other finalists to secure the prestigious Kimberly-Clark Category Award for the best-cleaned commercial premises, ISS London won the overall Golden Service Award for the best performance of all categories.

Denmark

In 1999, the turnover of ISS Denmark (including ISS Greenland) increased by 12.2% to DKK 2,320 million of which 5.6% was due to organic growth and 6.6% due to acquisitions. The operating margin was 6.0% against 7.3% in 1998. The operating profit reflected costs associated with development of new service concepts, expansion in Greenland and implementation of new IT systems.

Specialisation

The portion of turnover derived from specialised services increased to 57% from 54% in 1998, mainly due to high growth and innovative service development in food, industry and property services.

At the end of 1999, ISS Senior Service entered a 4-year agreement to run a nursing home in Søllerød, near Copenhagen, with an annualised turnover of approximately DKK 22 million. ISS is responsible for care, catering, cleaning and related services. The contract, effective 1 January 2000, is the first in Denmark in which an existing public sector elderly care centre has been outsourced to a private care provider.

ISS Junior Service has grown from operating a single kindergarten in 1998 to operating seven childcare centres in 1999. ISS has provided financial support to research into the influence of day care on children's social and educational development.

In 1999, the newly established ISS Municipality Cleaning won several contracts, including a 3-year contract with the city of Aalborg with an annualised turnover of approximately DKK 39 million.

ISS Property Service has been collaborating closely with leading property companies in order to develop a facility management (FM) concept. A new FM project was agreed with Oracle A/S.

ISS Catering and the Municipality of Odense have initiated a joint project to develop and implement an environmental management system to the international ISO 14001 standard. Certification is expected in mid-2000.

In Greenland, ISS Food Service became the first company to be ISO 9001 certified using the extensive food hygiene expertise accumulated in the Danish operations.

Customer relations initiative

The development towards more specialised service packages requires closer co-ordination between the customers and the service provider. ISS Denmark addressed this issue in 1999 by developing a new concept in which existing and potential customers are invited to participate in seminars, workshops and conferences focusing on strategic planning, facility management, total quality management and service management.

Internet and ISS Net Shop

ISS Denmark increasingly uses the internet as an important part of its communication with customers, suppliers, employees and job seekers. The website of ISS Denmark, www.iss.dk, was launched in 1998.

In 1999, ISS Denmark developed an e-commerce-shopping concept for convenience goods. The concept, which was launched on a test basis in the beginning of 2000, allows the employees of ISS's customers to place orders for convenience goods electronically at the ISS net shopping website and have the groceries delivered at their workplace the same day by ISS.

Acquisitions

In 1999, ISS Denmark made four acquisitions with a total annualised turnover of approximately DKK 123 million. All four were in specialised service segments.

The largest acquisition was Albertslund Kloakservice ApS, Denmark's leading drain and sewer cleaning company.

ISS also reinforced its position as market leader in Greenland with the acquisition of Arctic Caterings ApS.

Employees and social responsibility

At the end of 1999, 53% of the employees were working full-time compared to 49% at the end of 1998. ISS Denmark is continuously working to create attractive jobs on a full-time basis.

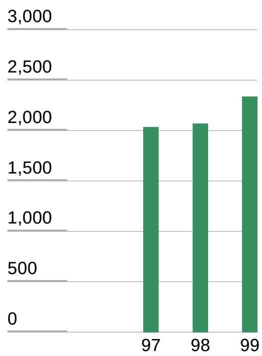
ISS's commitment to social development and its acknowledged responsibility as a large employer of unskilled people have provided a positive basis for ISS's participation in the public debate on social issues.

In 1999, ISS Denmark's "Green Property Service" project received a social responsibility award for activities related to reintegration of the unemployed into the labour market.

Denmark

DKKm	*1999*	*1998*	*1997*
Turnover	2,320	2,072	2,035
Operating profit	141.3	150.3	136.9
Operating margin	6.0%	7.3%	6.7%
Employees	10,503	10,646	10,708
– full-time	53%	49%	43%
Specialisation	57%	54%	–
Turnover growth, in %			
Organic growth	5.6	2.8	3.2
Acquisitions, net	6.6	(1.0)	(1.8)
Currency effect	–	–	–
Total	12.2	1.8	1.5

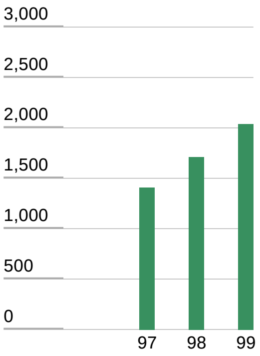
Turnover Denmark 1997-1999
DKKm



Norway

DKKm	*1999*	*1998*	*1997*
Turnover	2,039	1,714	1,409
Operating profit	133.3	105.0	85.0
Operating margin	6.5%	6.1%	6.0%
Employees	7,772	6,290	5,515
– full-time	55%	45%	47%
Specialisation	42%	34%	–
Turnover growth, in %			
Organic growth	9.3	14.2	10.5
Acquisitions, net	9.0	12.3	2.6
Currency effect	0.7	(4.9)	4.0
Total	19.0	21.6	17.1

Turnover Norway 1997-1999
DKKm



Norway

In 1999, ISS Norway maintained the impressive performance that has characterised the company in recent years. Total turnover increased by 19%, of which 9.3% was due to organic growth and 9.0% to acquisitions. All regions and segments contributed to solid organic growth. This highly favourable development reflects ISS Norway's sustained focus on delivering increasingly sophisticated services through an innovative and specialised organisation supported by a strong sales force.

Major new contracts included Norges Bank, Norsk Rikskringkasting, Den norske Bank and Statoil. Operating profit advanced strongly by 27%, improving the operating profit margin to 6.5% against 6.1% in 1998.

Business development

The portion of turnover derived from specialised services increased to 42% from 34% in 1998.

New innovative multi-service solutions included agreements with Siemens Norge and Norsk Hydro. The contract with Norsk Hydro includes cleaning, catering and industrial service, waste management and work wear service.

Cross-border after-damage services were delivered jointly by ISS Norway and ISS Denmark to the ferry M/S Prinsesse Ragnhild after the vessel was heavily damaged by fire off Sweden carrying more than 1,300 passengers in July.

Posten Renhold AS, the cleaning joint venture formed in 1998 with Posten, the Norwegian postal service, made excellent progress in 1999 in achieving its targeted efficiency.

The industrial division of ISS Norway also developed strongly in 1999 as it succeeded in establishing partnership arrangements with key customers.

ISS Norway continued to develop the elderly care concept, which was launched with the elderly care contract at Risenga Bo- og Omsorgscenter in Oslo in 1997. The concept has been well received and helped to enhance the Group's brand image.

Acquisitions

In 1999, ISS made eight acquisitions in Norway with a combined turnover of approximately DKK 347 million. The largest acquisition was the cleaning company Chalk Cleaning AS, with an annualised turnover of approximately DKK 148 million.

In November 1999, ISS announced the acquisition by ISS Norway of 50% of the shares in the provisioning division of ServeringsPartner Norge AS. This acquisition, effective January 2000, strengthened ISS Norway's competence in multi-service provision for the oil industry and heavy industry and increased its scope for offering comprehensive, high quality service packages targeted at specific customer segments.

In early June, ISS Norway acquired Svalbard Rengjøringsbyrå AS on the arctic island group of Spitsbergen (Svalbard). Spitsbergen is becoming increasingly popular as a tourist destination.

Management change

In connection with the promotion of Thorbjørn Graarud to Managing Director, Northern Europe, Bjørn Nilsen, CFO of ISS Norway for more than 10 years, has been appointed new country manager.

Personnel developments

At year-end 1999, 55% of employees were working full-time compared to 45% at year-end of 1998. ISS Norway is continuously seeking to increase the share of full-time employees by raising the proportion of services delivered in daytime and expanding the use of team service.

In 1999, ISS Norway put the finishing touches to the development of the ISS Job Centre, which will be fully operative in 2000. It will be responsible for all recruitment in the Oslo region. The centre will also work as a national centre of excellence.

ISS Norway carried out extensive management training programmes at several levels during 1999, including two conducted in co-operation with The Norwegian School of Management in Oslo.

Sweden

In 1999 ISS Sweden's turnover increased by 14.3%, of which 5.6% was organic growth and 8.6% was due to acquisitions. Operating profit rose by 16%, resulting in an operating profit margin of 6.4%, unchanged from 1998.

The portion of turnover derived from specialised services increased to 40% from 24% in 1998, mainly due to increased turnover in the care service, industry service and hospital service segments.

ISS Sweden has also established dedicated operating units in the food service, facility service, traffic service and retail service segments.

The turnover of ISS Care Service grew by 30% in 1999, with a number of new contracts in Stockholm and other key population centres. The activities of six elderly care centres will be taken over by ISS Sweden during the first quarter 2000, adding approximately DKK 72 million to turnover. ISS Care Service, one of the market leaders for elderly care services in Sweden, signed 11 new contracts during 1999 with a total annual turnover of DKK 166 million.

Business development

ISS Industry Service developed a pioneering service concept at the nuclear power plant complex at Oskarshamn. The concept includes a service centre, which ensures intensive round-the-year co-ordination with the customer in relation to planning, organisation and service delivery. The multi-service package, for high and low security areas, includes technical cleaning, waste management, internal transportation, crane- and fork lift truck operation, industrial cleaning, and general cleaning in the non-technical areas. The five-year contract has an annual turnover of DKK 38 million.

ISS, already the leading hospital service provider in Sweden, devoted considerable resources to the further development of its service concept and organisation in preparation for future expansion. ISS is responsible for three out of four of the largest hospital service contracts in the Stockholm area and also serves Linköping University Hospital – the largest hospital service contract in Sweden outside Stockholm.

In 1999, ISS Retail Service achieved a breakthrough with the implementation of a new tailor-made service concept for hyper-markets. An organisation was set up to operate the contracts with a uniform, high quality level throughout Sweden, where ISS serves more than 40 hyper-markets.

Acquisitions

In 1999, ISS Sweden acquired two specialised service companies with a total annual turnover of approximately DKK 48 million. The acquisition of the industrial cleaning and after-damage service-company, Gävle Sanering AB, strengthened ISS's position in the segment both from a geographical and competence point of view. The acquisition of the care service company, Friaborg AB, has bolstered the operations conducted in the area of care for psychiatric patients.

Personnel developments

A long-term systematic programme has been set up to further improve the management recruitment and development process.

ISS Sweden has also developed a number of computer-based, interactive training programmes in co-operation with "University On Line" at Kalmar Institute. The programme includes a 20-week Service Management course and a 10-week training programme for supervisors entitled "Coaching Management and IT".

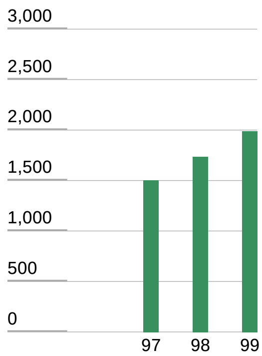
Environmental certification

ISS Sweden has developed and implemented an environmental management system to ensure that its activities are carried out in an environmentally appropriate way. ISS industry and after-damage service and most regions of ISS Cleaning have received ISO 14001 environmental certification.

Sweden

DKKm	*1999*	*1998*	*1997*
Turnover	1,990	1,741	1,504
Operating profit	127.8	110.5	103.2
Operating margin	6.4%	6.4%	6.9%
Employees	9,552	10,560	8,940
– full-time	65%	65%	58%
Specialisation	40%	24%	–
Turnover growth, in %			
Organic growth	5.6	8.1	0.1
Acquisitions, net	8.6	10.1	1.6
Currency effect	0.1	(2.5)	0.0
Total	14.3	15.7	1.7

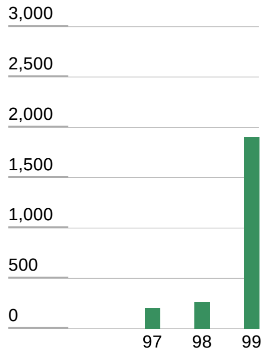
Turnover Sweden 1997-1999
DKKm



France

DKKm	*1999*	*1998*	*1997*
Turnover	1,908	265	206
Operating profit	81.2	9.8	12.0
Operating margin	4.3%	3.7%	5.8%
Employees	30,948	2,902	2,826
– full-time	47%	41%	43%
Specialisation	34%	13%	–
Turnover growth, in %			
Organic growth	13.8	19.7	(1.6)
Acquisitions, net	605.7	8.9	–
Currency effect	(0.2)	0.4	(0.2)
Total	619.3	29.0	(1.8)

Turnover France 1997-1999
DKKm



France

The dominating event of 1999 was the acquisition and integration of Abilis France, a company many times the size of ISS France and now the largest country organisation in the Group. Abilis France included TMG, a separate, specialised French service company.

The Abilis acquisition made ISS the largest cleaning and special service company in the French market and gave it nationwide coverage for the first time.

ISS France's turnover, which only included the Abilis results for the second half of the year, amounted in 1999 to DKK 1.9 billion. Organic growth accounted for 13.8%.

The operating margin increased from 3.7% to 4.3% as a result of the higher Abilis margin in France. Further margin improvement is anticipated as the full effect of the integration of ISS and Abilis feeds through.

Abilis brought to the organisation considerable specialised service know-how in strategic target segments, such as food hygiene and airport/transport, and other important segments, such as industrial/hi-tech and waste management.

The second half of 1999 was devoted to the integration of Abilis and three other French acquisitions. All management functions were relocated to the Abilis headquarter in Paris and the old ISS France head office was closed.

Working time regulation

New government regulations obliged all cleaning companies in France to implement reductions in working hours from 1 July 1999, with unchanged remuneration, in line with a branch agreement. These measures increased the operating costs of ISS France, while the working week fell from 39 to 35 hours. The cost increase was partly compensated by higher prices and productivity gains. Adjustments to service packages in agreement with customers are expected to restore profitability further.

Market and competition

The concentration of cleaning companies in the French support service market continued in 1999, with ISS playing a leading role. Although the market is still fragmented, concentration is expected to lead to more professional service provision generally. The much enlarged ISS France is now well-positioned to extend its competitive edge through further customer-focused specialisation.

Training

An intensive training programme was completed in 1999 for all tiers of management in connection with a new IT system. The programme, in which some 800 managers and supervisors took part, is designed to improve the effectiveness and quality of the organisation.

New business areas

A dedicated transport division in the Paris region was started in 1999. This combines all services provided to airports, railways, bus operators and enables ISS France to continue its focused development in this fast-growing segment.

TMG, acquired in conjunction with Abilis, brought to ISS a specialised business, which supplies logistics services, production outsourcing and waste management services to industrial clients. In 1999, TMG was fully integrated into the ISS structure.

NCI, a specialist entity for city cleaning, signed a new, five-year contract with Marseille to provide city cleaning and additional services. Its specialised waste management service gives added value to the cleaning services.

Key contracts

The existing cleaning contracts for the Louvre Museum in Paris and the European Parliament in Strasbourg were renewed for three to five years. Services provided to the Eurotunnel undersea rail link between France and England were extended. New contracts were signed with two Paris airports and logistic companies situated around them.

Acquisitions

In addition to the acquisition of Abilis France, and TMG, ISS enhanced its French coverage in 1999 by acquiring three other cleaning and specialised service companies. Amex Participation SA, the largest, with 2,500 employees, has operations in Nanterre (Paris), Lyon, Nice, Toulouse, Rennes, Rouen, Tourcoing and Brussels. Amex, the first cleaning company in France to obtain ISO 9002 certification, has also received a Ministry of Industry award for service quality excellence.

Germany

ISS-NWG, the Group's German subsidiary, performed below expectations in 1999, due to stagnant prices and insufficient new sales to offset customary contract losses and changes in social legislation that added substantial, unforeseen costs.

Turnover was DKK 1,874 million, representing an 61.5% increase from 1998. The 1998 results included NWG figures for the second half of the year. Organic growth amounted to a negative 4.1% while acquisitions, primarily the full-year effect of the NWG acquisition in 1998, added 65.8%. Prices remained under pressure in 1999, with customers unwilling to accept increases in a low-inflation environment.

The integration of ISS and NWG continued according to plan, realising the expected cost synergies and improving the company's geographical reach.

New pay regulations

A government decision to end state support for low-income employees (Geringverdiener) prompted many part-time employees to withdraw from the labour market. This led to serious wage pressure and cost increases, depressing the company's operating margin. A second phase of the government measures will further increase the company's cost base in 2000, when the Geringverdiener legislation will be fully implemented. The new legislation is expected to lead to more people being employed on full-time basis, a development wholly compatible with the Group's strategic aims.

Changes in sick pay regulations, effective from the start of the year, increased the costs of absenteeism.

Remedial action

To bring ISS-NWG's performance back into its target range, a new country management team was appointed in the autumn of 1999. Action was subsequently taken to limit the effect of the pay changes, which are also expected to increase labour costs again in 2000.

In addressing the adverse effects of pay regulations, ISS-NWG has drawn on experiences gained in other parts of the Group, where companies have confronted and overcome similar problems.

Acquisition

In December 1999, ISS-NWG signed an agreement to acquire, effective 1 January 2000, Franke-Dienst-Group ("Franke-Dienst"), a hospital service and general cleaning company based at Nuremberg, northern Bavaria. Franke-Dienst has an annual turnover of around DKK 115 million and an operating margin in excess of 6%. The company has around 1,200 employees.

Segmentation

In line with *aim2002*, ISS-NWG continued in 1999 to reorganise its activities into targeted strategic segments, establishing a focused and dedicated operating company for food hygiene service. ISS-NWG's hospital service company, Europe's largest, in 1999 provided services to more than 500 hospitals across Germany.

New contracts

ISS-NWG started a major new contract at the Heart & Diabetes Centre, North Rhine-Westphalia, which is expected to achieve an annual turnover of approximately DKK 9 million and employ 60 full-time service operatives. The services provided for the 420-bed hospital include special cleaning for intensive care units and operating theatres.

ISS-NWG's first airport service contract was signed in 1999, covering cabin outfitting at Düsseldorf Airport.

A new contract was secured in 1999 for cleaning Philipshalle, a well-known multi-purpose hall in Düsseldorf. The contract builds on ISS-NWG's expertise in providing support services for large exhibition and trade fair venues.

A novel, multi-service contract includes cleaning and maintenance, window cleaning, pavement cleaning and snow and ice removal at Citicorp Deutschland's 19 administrative buildings and 100 branch offices.

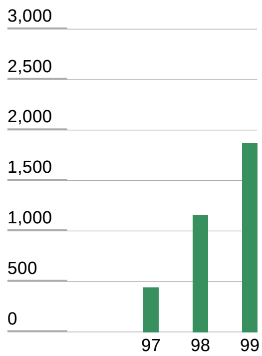
In the retail market segment, ISS-NWG signed a cleaning contract in 1999 with Wal-Mart, the US supermarket chain that has launched an expansion campaign in Europe.

Germany

DKKm	*1999*	*1998*	*1997*
Turnover	1,874	1,161	442
Operating profit	69.0	68.2	7.8
Operating margin	3.7%	5.9%	1.8%
Employees	19,513	23,393	6,217
– full-time	56%	44%	15%
Specialisation	69%	59%	–

Turnover growth, in %			
Organic growth	(4.1)	(9.3)	(11.6)
Acquisitions, net	65.8	172.0	–
Currency effect	(0.2)	(0.0)	(1.2)
Total	61.5	162.7	(12.8)

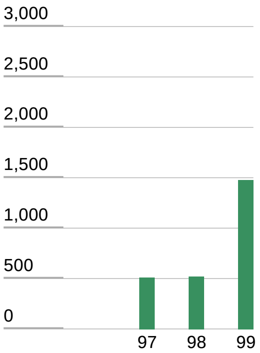
Turnover Germany 1997-1999
DKKm



Netherlands

DKKm	*1999*	*1998*	*1997*
Turnover	1,482	521	515
Operating profit	96.3	24.2	39.3
Operating margin	6.5%	4.7%	7.6%
Employees	27,615	5,094	5,417
– full-time	19%	21%	19%
Specialisation	35%	41%	–
Turnover growth, in %			
Organic growth	11.3	0.3	6.1
Acquisitions, net	174.4	–	–
Currency effect	(1.1)	0.8	(1.6)
Total	184.6	1.1	4.5

Turnover Netherlands 1997-1999
DKKm



Netherlands

The acquisition of Abilis dominated 1999 for ISS Netherlands. In addition to the 184.6% increase in turnover to DKK 1.5 billion, the acquisition of Abilis restored ISS Netherlands' strong organic growth and profitability.

In 1999, the combined businesses achieved 11.3% organic growth and an operating margin of 6.5%, compared with the 4.7% that ISS Netherlands showed in 1998. The margin in 1999 reflects that Abilis was only consolidated in the second half of the year, when the operating profit typically is higher than in the first half. The full-year operating margin is therefore lower.

The acquisition made ISS market leader in general and specialised cleaning services in the Netherlands, with a 15% share of the outsourced market. Following the acquisition, ISS now has a large and growing market share. In the market for hospital service, airport service and food service, ISS is now the market leader. The dedicated operating company for food hygiene service and the airport service division both achieved strong growth in 1999.

Integration

In 1999, major steps were taken towards full integration of the ISS and Abilis operations, which is expected to be completed in the first half of 2000. Close cooperation with the Abilis Works Council enabled the ISS Integration Team to secure final agreement with the Works Council in early December.

Abilis International's Head Office in Amsterdam was closed down in November and all Dutch head office functions were relocated to Abilis' office in Utrecht. Other integration activities proceeded according to plan and considerable synergy savings are expected.

In line with the goals of *aim2002*, steps were initiated to reorganise the operating structure to reflect the Group's specialisation, segmentation and the migration to dedicated operating companies.

Specialisation

ISS Netherlands derives 35% of its turnover from specialised services in targeted market segments. ISS Hospital Service had a very successful 1999 and increased its market share.

Abilis also had the effect of greatly enhancing ISS's multi-service capability in the Netherlands.

Airport service is a market segment in which both ISS and Abilis were well established at Schiphol, the main Dutch hub airport. In 1999, ISS Netherlands Airport Service won a number of important contracts, extending a major KLM contract that includes aircraft cleaning and baggage handling at Schiphol. The new contract involves the expansion of interior cleaning of aircraft to cover 27 airlines associated with KLM and the extension of the baggage handling activities for KLM.

Focus on large contracts

In the beginning of 1999, a re-engineering plan was drawn up, which focuses particularly on large customers and key accounts. This refocusing is expected to improve profitability.

A major comprehensive service agreement was entered in September with Corus Group NV, the leading Dutch steel group. The contract provides for a package of services, including office cleaning, cleaning of production facilities and other specialised cleaning services. The contract, which started in November 1999, has an annual turnover of around DKK 34 million and will involve around 300 employees in round-the-clock service provision.

IT

A completely new IT system (ASIS) was developed and implemented at Abilis during 1999 and rolled out successfully to 700 users. Following the takeover of Abilis, the system was evaluated in relation to the needs of the combined business. It was subsequently decided to convert the ISS system to ASIS during the first half of 2000.

Labour market

The tightness of the Dutch labour market, which reflects the low unemployment level, continued to be a serious problem for labour-intensive support service providers in 1999. The signs are that the situation is worsening, which will increase the need for ISS to establish and maintain its position as an employer of first choice.

Finland

In 1999, ISS Finland increased turnover by 34.6% to DKK 1,021 million, with growth largely driven by acquisitions. Organic growth improved to 9.9%. The operating margin slipped slightly, however, to 5.5%.

A new structure aiming at increasing the focus on specific customer segments and mobilising ISS's total know-how was implemented. In support of this aim, a new intranet and extranet platform was installed.

ISS is the market leader in Finland, with comprehensive service offerings in facility management (FM), service management, building maintenance, cleaning service, food hygiene service, hospital service and care service.

Business development

In 1999, ISS Finland developed into a provider of full FM, multi-service solutions and care service. The care concept achieved a real breakthrough in the provision of comprehensive kindergarten service.

Outstanding new contracts in 1999 included the strategic service alliance with "World's Best Airport" award winner, Helsinki-Vantaa, a service joint venture with Merita-Nordbanken, Finland's leading bank and a kindergarten service agreement with Espoo Municipality.

Outsourcing and competition

The property service market developed rapidly in 1999, due to a rising degree of outsourcing as companies increasingly focus on their core businesses. This also applied to the public sector, in which numerous outsourcing projects of interest to ISS were started, particularly in the care service sector.

Competition for labour increased in 1999, reflecting general labour market tightness, which raised employees' demands on employers. ISS Finland's training programmes and career development are expected to enable ISS to turn this situation to its advantage.

Human resources and education

In 1999, ISS Finland implemented a strategic human resource and education programme, "ISS Health and Happiness 2002", which addresses health and safety, employee and management training, motivation, leadership, quality systems, economic values and measurements and the working atmosphere. In addition, 40 employees were studying for the ISS Finland Master of Business Administration diploma.

Quality

The company's quality system is based on the ISO 9001 standard and its environmental management system on the ISO 14000. Every ISS service unit and the 150 most important customers are quality assessed each year, and in 1999, an internal ISS Quality Award competition between service units was organised.

Information Technology

In 1999, ISS Finland adopted a new IT platform, which improved the company's reporting, invoicing, analysing, internal and external communication and benchmarking. The platform is regarded as an essential tool for improving customer service.

A new IT-system "Facility Management" is employed by ISS Finland to monitor and manage around 250 facilities.

ISS Finland's internet website is used as an effective tool, for example, for recruitment.

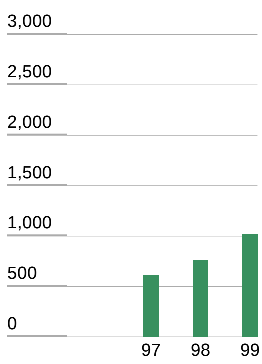
Acquisitions

ISS Finland's main acquisitions in 1999 were Tallberg Kiinteistöpalvelut, a property and cleaning service company, Ateriaali, a catering and home-delivered meals service company and Suomen Laatutakuujärjestelmät, a cleaning and facility service franchise operator.

Finland

DKKm	*1999*	*1998*	*1997*
Turnover	1,021	759	620
Operating profit	56.4	45.2	41.3
Operating margin	5.5%	6.0%	6.7%
Employees	6,355	6,301	4,394
– full-time	64%	69%	55%
Specialisation	46%	33%	–
Turnover growth, in %			
Organic growth	9.9	4.7	0.5
Acquisitions, net	24.9	19.2	6.9
Currency effect	(0.2)	(1.5)	0.8
Total	34.6	22.4	8.2

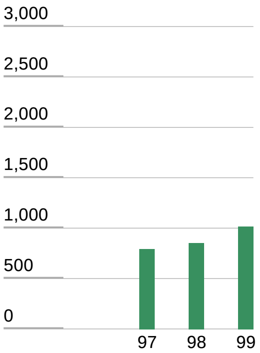
Turnover Finland 1997-1999
DKKm



Switzerland and Italy

DKKm	*1999*	*1998*	*1997*
Turnover	1,021	855	796
Operating profit	60.6	59.2	61.9
Operating margin	5.9%	6.9%	7.8%
Employees	7,829	5,962	6,019
– full-time	37%	37%	32%
Specialisation	43%	52%	
Turnover growth, in %			
Organic growth	13.7	0.9	4.6
Acquisitions, net	5.1	4.9	–
Currency effect	0.5	1.6	(3.0)
Total	19.3	7.4	1.6

Turnover Switzerland and Italy 1997-1999
DKKm



Switzerland and Italy

ISS Switzerland, including ISS's operations in Italy, in 1999 achieved 19.3% growth in turnover to DKK 1,021 million. Operating profit increased by 2%, resulting in an operating margin of 5.9% against 6.9% in 1998. Turnover growth was fuelled by strong new sales, which resulted in organic growth of 13.7%. As a private sector hospital service provider, ISS was in 1999 still affected by a serious tax-driven competitive disadvantage compared with in-house service operations at public institutions. Unlike in-house providers, private service contractors are unable to recover VAT related to outsourced services. Profitability at ISS Hospital Service was, nevertheless, successfully maintained.

Airport service development

ISS Airport Multiservice, whose long-term, highly developed relationship with the SAirGroup was further expanded in 1999, again produced solid turnover growth and good margin development. In November 1999, ISS started a joint venture, LSS-Swissport Luggage Sorting System AG, with Swissport, the ground handling arm of the SAirGroup, for the luggage sorting activities at Zurich airport. The 50:50 joint venture has around 300 employees and an annual turnover in excess of DKK 90 million.

New key contracts

Multi-service provision, in which ISS Switzerland has invested substantially over the past three years to build competitive advantage, made further progress during 1999.

In January 1999, ISS Switzerland started a new joint venture agreement with Swisscom, the then newly privatised Swiss telecommunications company, to provide cleaning and housekeeping services at the company's buildings. The joint venture, ISS COMMultiservice, is 80% owned by ISS, with the remainder owned by Swisscom. This agreement, which involves 1,600 service operatives, is the first of its kind in Switzerland and demonstrates ISS's ability to provide public utilities transferring to the private sector with highly effective outsourcing solutions.

In July 1999, ISS commenced cleaning and maintenance at two plants belonging to Rolex Industrie SA, the world-famous watchmakers.

A breakthrough multi-service contract was secured in December 1999 for the distribution of a new daily newspaper in all railway and tramway stations around Zurich. The "20 Minutes" contract also involves general cleaning and maintenance of the newspaper's premises.

A three-year contract was secured for start-up in January 2000, for the provision of store logistics for CERN, the European Laboratory for Particle Physics, near Geneva, extending ISS's long-standing relationship with CERN.

Acquisitions

ISS Switzerland secured access to an increasingly important sub-segment of the specialised cleaning market with the acquisition in July 1999 of BioTec Reinigungstechnik AG, a graffiti-removing company based at Rickenbach.

The company, which removes graffiti, tags and other paint-related damage or decoration, has exclusive Swiss rights for a system encompassing graffiti-removal, protective impregnation of surfaces, anti-graffiti product and training.

Dedicated operating companies

ISS Switzerland prepared in 1999 for further progress in organising its operations in line with Group ambitions to have specialised services delivered by focused and dedicated operating companies or business units. In January 2000, an important step was taken with the introduction of separate companies for key accounts and small accounts.

ISS Italy

The strategic expansion into northern Italy, which was initiated in 1998, was continued in 1999, with the acquisition of Garavaglia Wash S.r.l., a Milan based company with 225 employees engaged in hospital cleaning and daily office cleaning.

The acquisition gave ISS access to Italy's most developed urban region, where the Group expects to enhance its presence in coming years.

Belgium and Luxembourg

ISS's operations in Belgium expanded significantly in 1999 with the acquisition in July of Abilis and the integration of ISS Belgium and the Belgian operations of Abilis. Prior to the acquisition ISS and Abilis were the two largest cleaning companies in Belgium.

Reflecting the Abilis acquisition, ISS's turnover in Belgium increased by 90.7% to DKK 1,007 million, while operating profit rose by 53% to DKK 59 million, resulting in an operating margin of 5.9% against 7.3% in 1998. Organic growth was 4.4%.

Although labour costs went up because of government measures, overhead reductions have enabled the company to limit the negative impact.

Integrating ISS and Abilis

From June 1999 integration teams worked on the complete integration of the Belgian activities of ISS and Abilis into a single, coherent organisation to service the market from January 2000. The organisation is working towards a management structure based on dedicated, operating companies (OPCOs), more full-time employment, specialisation and customer focus.

ISS-Abilis companies in Belgium together employ 9,785 workers of which 43% work full-time. In 2000, full-time employment is expected to grow significantly, as the specialisation process continues and service solutions become more sophisticated.

The integration of ISS and Abilis created significant synergies and the number of staff positions in operations and headquarters was reduced from 340 to 280. In January 2000, the headquarters of both the former ISS Belgium and Abilis Belgium were closed and country management functions were merged at the new head office in Vilvoorde.

As part of the integration process, employees from both ISS and Abilis have concluded joint training and education programmes in operational and administrative areas, including IT, accounting, customer relationship management and risk management.

In Luxembourg, the companies NWG and Mancinelli were integrated from July with Abilis Cemstolux and ISS Luxembourg to form a single operating company in 2000.

Other acquisitions

In May 1999, ISS Belgium acquired Cleaning Partnerssystem N.V., a family-owned service provider primarily operating in the northern part of Belgium. The acquired company enjoys an excellent quality image and a portfolio of strong and long-lasting customer relationships.

New and renewed contracts

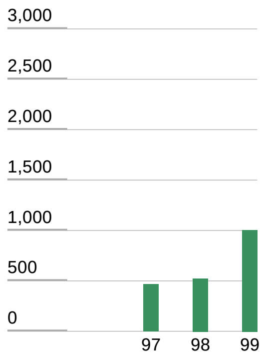
A large number of major contracts were renewed and extended in 1999, including contracts with the Belgian Army and Belgacom, the leading Belgian telecommunications operator. ISS has overall responsibility for all in-sourced cleaning services and has become sole outside contractor. Important extensions were also achieved with Sabena, the Belgian airline, which for the first time restricted all cleaning services to one supplier. The National Airport Authority (BIAC) also restricted all airport cleaning and baggage trolley handling to ISS.

New contracts signed in 1999 also included Antwerp University (UIA), l'Oréal and Opel Belgium, part of General Motors. The last contract covers the maintenance and cleaning of offices, meeting rooms, elevators and parking areas. ISS Belgium has provided floor and machinery cleaning at Opel since 1993.

Belgium and Luxembourg

DKKm	*1999*	*1998*	*1997*
Turnover	1,007	528	470
Operating profit	59.2	38.8	38.9
Operating margin	5.9%	7.3%	8.3%
Employees	9,785	3,132	2,856
– full-time	43%	39%	35%
Specialisation	18%	22%	–
Turnover growth, in %			
Organic growth	4.4	6.7	8.0
Acquisitions, net	86.4	5.7	–
Currency effect	(0.1)	(0.0)	(1.4)
Total	90.7	12.4	6.6

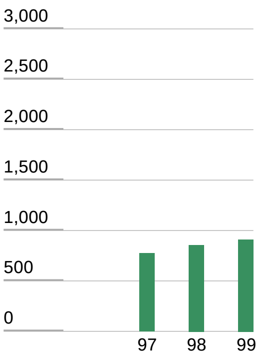
Turnover Belgium and Luxembourg 1997-1999
DKKm



Central Europe

DKKm	1999	1998	1997
Turnover	915	860	777
Operating profit	52.2	50.7	49.5
Operating margin	5.7%	5.9%	6.4%
Employees	10,459	9,219	9,133
– full-time	63%	62%	61%
Specialisation	36%	34%	–
Turnover growth, in %			
Organic growth	7.7	11.2	13.7
Acquisitions, net	0.3	0.1	0.4
Currency effect	(1.6)	(0.6)	(1.5)
Total	6.4	10.7	12.6

Turnover Central Europe 1997-1999
DKKm



Central Europe

ISS Central Europe, which embraces Austria, Czech Republic, Greece, Hungary, Poland, Slovakia and Slovenia, achieved solid organic growth in 1999, but experienced a slight decline in the operating margin. Turnover increased by 6.4% to DKK 915 million, while operating profit increased by 3% to DKK 52 million. The operating margin was 5.7% compared to 5.9% in 1998. The portion of specialised services increased from 34% in 1998 to 36% in 1999, mainly reflecting specialisation in hospital and airport services.

Central Europe is expected to provide significant growth opportunities in coming years and ISS is preparing for further acquisition-driven growth in the region.

Austria

ISS Austria further expanded its highly innovative, many-sided service development activities in 1999, also securing quality and environmental certification that gives it an important competitive edge.

In 1999, ISS Austria's turnover rose by 2.4% in 1999 to DKK 621 million, with the increase entirely due to organic growth. The operating margin eased slightly to 5.3%, reflecting substantial development costs on major new contracts, which involved sophisticated service packages.

The Austrian market for support services has increasingly tended towards comprehensive service solutions involving a range of specialised services in addition to general cleaning and maintenance. ISS in 1999 placed the emphasis in its marketing on multi-service provision.

Segmentation

Specialisation made further progress in 1999 through enhanced segmentation and the further development of a structure with dedicated operating units.

A dedicated business unit focusing on service solutions for hospitals, care homes for the elderly and thermal baths was launched in January 2000. In 1999, ISS successfully expanded service in the elderly care segment and secured a contract with the Caritas Pensionistenheim in Vienna Mauer. ISS's market leadership in the thermal baths subsegment was extended further in 1999.

ISS Airest, the joint venture with Austrian Airlines, continued to develop its specialised service offering in 1999. To improve segmentation, key customers, including WTC and Lauda Air were transferred from other parts of ISS to ISS Airest. To enhance efficiency, operational staff moved to a new office at Vienna International Airport and online links were set up between Austrian Airlines and ISS. ISS Airest started aircraft cleaning at Linz Airport for Austrian Airlines.

ISS Teamservice, which was successfully launched in 1998, extended its coverage to all main regional centres and significantly improved customer satisfaction among small customers.

ISS's multi-service offering in Austria was in 1999 expanded to include access control and surveillance as part of service solutions which encompass a range of other services, such as portering, internal mail, cleaning and maintenance. One of the first contracts secured for a service package including access control was with Spedition LKW Walter, a transport company.

ISS Austria entered the facility management market in 1999 with a contract with the Bürohaus Muthgasse office complex, in which ABB provides the technical management and ISS delivers all the infrastructure services.

New contracts

ISS Austria gained a number of important new contracts in 1999, including an agreement with the Magna Group to provide an FM solution for its Steyr Fahrzeug Technik works at Lannach. Under the contract, ISS provides general cleaning, special cleaning, portering, internal mail, landscaping, snow removal, waste management, access control and surveillance.

A five-year contract was signed with MA 46 for the cleaning and maintenance of 40,000 traffic lights in Vienna.

Quality and environmental certification

ISS Austria, which was the first support service company to secure ISO 9001 quality certification and ISO 14001 environmental certification, in 1999 had its certification renewed for three years. It also became the first Austrian service company to be awarded Safety Certificate Contractors certification (SCC).

Slovenia

ISS Slovenia increased its turnover in 1999, but its operating margin eased, reflecting considerable start-up costs on innovative new contracts. The margin was nevertheless above the Group's strategic target of 6%.

ISS Slovenia maintained its market leadership in general cleaning and in service provision to hospitals and the transport segment. It continued the specialisation process, introducing dedicated multi-service and key account operations.

The Slovenian organisation has also started contracts in neighbouring Croatia. Bojan Rajtmajer, ISS's country manager for Slovenia, was elected as "Manager of the year", awarded by the Slovenian Chamber of Commerce.

Greece

ISS Greece increased its turnover and reinforced its position in the Greek hospital market in 1999 with a new contract in the Thessalonica region and an extension of its existing contract with University Hospital, Larissa.

ISS Greece started a food sector service in 1999, with a large bakery as its first customer. It also took preparatory steps to develop airport service provision at Athens and Thessalonica Airports.

New key account contracts secured in Greece in 1999 included Citibank, Hewlett Packard, Bacardi, Cedefop and AC Nielsen. An important new industrial contract was awarded to ISS by Tobacco Company Papastratos in Athens.

In January 2000, Athens was the venue of ISS's Country Managers Conference, which focused on the key strategic issues and progress on *aim2002*.

Czech Republic

ISS Czech Republic, home to the ISS Centre of Excellence (CoE) for the automotive market segment, increased both its turnover and operating margin substantially in 1999.

ISS's CoE for the automotive segment was successfully launched and has already actively transferred operational knowledge to ISS Slovakia and ISS Thailand, securing contracts in both countries.

In late 1999, ISS started its first food sector contract, establishing a foothold in this strategic customer segment.

In 1999, ISS also acquired the remaining shares in ISS Czech Republic, bringing ownership to 100%, and appointed a new country manager.

Slovakia

ISS Slovakia increased turnover in 1999 and maintained the operating margin well above the Group's strategic goal of 6%.

Activities in the automotive sector were in 1999 supported by the ISS Centre of Excellence for the segment, based in Czech Republic, with a view to expand business in this target segment.

ISS Slovakia succeeded in improving its working capital management in 1999 through agreements with key customers.

Hungary

ISS Hungary increased turnover slightly in 1999, and sharply improved its operating performance. A new country manager was appointed in October 1999 and the company took a number of initiatives to improve its profitability and increase organic growth. It gained several new contracts in 1999, including a contract with the Zalaegerszeg City and Regional Hospital. Significant contract extensions were secured with two key food sector customers, Dél-Hús and Merian.

Poland

ISS Poland increased turnover and improved profitability in 1999. It secured a number of hospital contracts in Warsaw and other key centres, strengthening its market position in the hospital segment, where ISS sees interesting opportunities for support service providers following far-reaching reforms in the public sector.

Spain

DKKm	*1999*	*1998*	*1997*
Turnover	272	–	–
Operating profit	11.7	–	–
Operating margin	4.3%	–	–
Employees	4,700	–	–
– full-time	64%	–	–
Specialisation	51%	–	–

Spain

The acquisition of Grupo NECA and the cleaning operations of Group Ergio rapidly expanded ISS Spain in 1999. The acquisitions and solid organic growth put ISS in No. 4 position in the market for cleaning and related services.

The turnover amounted to DKK 272 million and the operating margin was 4.3%. The results of the acquired companies were only consolidated for part of the year. On a full-year basis, the total turnover of ISS Spain amounted to approximately DKK 370 million.

The Ergio acquisition secured ISS market leadership in the food hygiene segment, while the Spanish operations of Abilis gave ISS specialised automotive service capability and a major contract with the Renault Group. The acquisitions gave ISS good geographical coverage and a broad range of services.

Acquisitions

The Barcelona-based NECA group provides cleaning and related services to hospitals, the pharmaceutical industry and other industries. Its customers are primarily in the private sector and its activities mainly concentrated in the Madrid, Barcelona and Valencia regions.

The Ergio acquisition comprises four companies operating in the market for general and specialised cleaning services.

New contracts

During 1999, many new contracts were signed with important private and public hospitals, including the psychiatric hospital Torribera in the Barcelona region. A major contract was started with Hospital de la Ribera in Valencia, which is the first public sector hospital in Spain to be privately managed. These contracts established ISS Spain as a leading provider of hospital cleaning nationwide.

ISS Spain maintained all its key account contracts and secured new general cleaning contracts with World Trade Centre in Barcelona and Fábrica Nacional de Moneda y Timbre in Madrid.

Portugal

DKKm	*1999*	*1998*	*1997*
Turnover	123	126	109
Operating profit	7.5	7.5	5.8
Operating margin	6.1%	6.0%	5.3%
Employees	1,908	2,072	1,984
– full-time	67%	44%	40%
Specialisation	4%	3%	–
Turnover growth, in %			
Organic growth	(2.1)	17.1	5.8
Acquisitions, net	–	–	–
Currency effect	(0.3)	(1.4)	0.3
Total	(2.4)	15.8	6.1

Portugal

The turnover of ISS Portugal in 1999 was broadly unchanged from 1998, when the company benefited from a one-off surge in turnover arising from the EXPO’ 98 World Exhibition in Lisbon. The turnover amounted to DKK 123 million in 1999 against DKK 126 million in 1998. The operating margin was, however, slightly higher at 6.1%.

Business development

The company entered the transport service segment in 1999 through a contract with Fertagus S.A., the first Portuguese private railway company, which operates services on the new bridge across the river Tagus. The contract includes train and station cleaning and pest control. A state-of-the-art computerised quality control system “Maximiser” is being implemented on the contract in 2000 to enable ISS to optimise communication with the customer and enhance service delivery.

ISS Portugal also signed new contracts in 1999 with Portucel, a paper manufacturing company, for 13 plants and offices. Other new contracts included the cleaning of five sites for the Volvo distributor, two large shopping malls, the Gestnave shipyard and three large sites belonging to DLS, the largest logistics company in Iberia.

ISS Food Hygiene developed its business providing services to restaurant kitchens and added Dat-Schaub, an international food processor, to its portfolio.

Brazil

The Brazilian economy suffered severe difficulties in 1999 following the downturn in Southeast Asia. In the first quarter of 1999, the Real lost 37% of its value against the Danish Krone, but regained some of its lost ground to end the year 22% lower.

The business environment was unfavourably affected and ISS Brazil experienced a sharp decline in profitability due to the currency effect. In local currency terms, turnover decreased slightly, while in Danish kroner, turnover decreased by 33.0% and the operating margin slipped to 1.0%.

To meet the challenges facing the company, ISS Brazil senior management was reorganised with Rosalvo Lima, former financial manager of the company, appointed new country manager. A new planning and development department was set up to strengthen ISS's capabilities to accurately price contracts and effectively market its services.

One of the major achievements of the new management and marketing team was obtaining the contract at NYCC Mall in Rio de Janeiro, the largest entertainment centre of its type in Latin America.

In December 1999, ISS took the opportunity provided by the market downturn to acquire Prolim Serviços Ltda., a privately owned multi-service provider operating mainly in São Paulo and Rio de Janeiro. The company had a turnover of DKK 147 million in 1998 with a staff of 4,000. Prolim services the automotive and food industries as well as hospitals and will help position ISS better for the expected Brazilian economic recovery. Following the acquisition, ISS Brazil established a new dedicated business unit to serve the automotive industry.

Brazil

DKKm	*1999*	*1998*	*1997*
Turnover	371	554	568
Operating profit	3.9	8.0	20.5
Operating margin	1.0%	1.4%	3.6%
Employees	12,956	9,545	9,482
– full-time	98%	97%	95%
Specialisation	37%	30%	–
Turnover growth, in %			
Organic growth	(1.3)	(4.0)	17.2
Acquisitions, net	2.2	–	–
Currency effect	(33.9)	1.5	13.9
Total	(33.0)	(2.5)	31.1

Israel

ISS established its market presence in Israel in August 1999 by forming a 50/50 joint venture, ISS Ashmoret Ltd., with the Hashmira Group, the former owner of the Ashmoret cleaning operation.

ISS Ashmoret is Israel's largest provider of cleaning and related services, specialising in service solutions for institutional, industrial and healthcare customers in both the private and public sectors. The company has 3,822 employees and countrywide coverage with its main activities in Tel Aviv, Haifa and Jerusalem.

The financial performance of ISS Ashmoret in 1999 was wholly in line with expectations. Turnover amounted to DKK 56 million and the operating margin was 6.9%.

Market situation

The Israeli market covers a sophisticated hi-tech industrial sector, in which both multinational and local firms demand services of international standard. Two areas, which offer great potential in Israel, are hospital service and cleanroom cleaning. A comprehensive review of the Israeli hospital service market has been conducted with a view to establishing a dedicated operating unit in the segment.

Contracts

ISS Ashmoret has a quality customer portfolio, including the Israeli Railway, hospitals (Meir, Hasharon, Schneider Children's Hospital and the blood bank at Tel-Hashomer), hi-tech manufacturers (El-Op, Elta, Tadiran), multi-storey public buildings, shopping malls and banks.

Major new contracts in 1999 included McDonald's restaurants, the Nahariya Mall shopping centre, the Takdim management services-company, Haifa University and Ace, Israel's Do-It-Yourself chain stores.

The customer base of ISS Ashmoret ensures a good market density, with potential for organic growth by adding more specialised services.

ISS Ashmoret is planning to develop its training programmes systematically using ISS models.

Israel

DKKm	*1999*	*1998*	*1997*
Turnover	56	–	–
Operating profit	3.8	–	–
Operating margin	6.9%	–	–
Employees	3,822	–	–
– full-time	60%	–	–
Specialisation	6%	–	–

China and Hong Kong SAR

DKKm	*1999*	*1998*	*1997*
Turnover	408	287	179
Operating profit	19.5	15.0	6.0
Operating margin	4.8%	5.2%	3.4%
Employees	5,965	5,701	2,777
– full-time	77%	73%	69%
Specialisation	21%	19%	–
Turnover growth, in %			
Organic growth	(12.8)	0.6	13.9
Acquisitions, net	50.2	58.8	–
Currency effect	4.6	1.2	13.9
Total	42.0	60.6	27.8

China and Hong Kong SAR

ISS in Greater China, with its principal activities in Beijing and Hong Kong Special Administrative Region (SAR), increased turnover in 1999 by 42.0% to DKK 408 million. The operating margin eased to 4.8% from 5.2% in 1998.

The sharply improved turnover was entirely due to the now fully integrated activities of Reliance Environmental Services for the full year. The enlarged ISS, however, suffered in 1999 from the slow recovery in economic confidence in Asia after the turbulence that began in 1997.

The large numbers of modern, high rise buildings in Hong Kong and the major cities of China continued in 1999 to provide an important market for ISS cleaning and maintenance services. The Reliance acquisition enhanced ISS's competitiveness at the high end of the building cleaning and support services market and in multi-service provision.

The increasing sophistication of modern buildings has raised customer's demands for service providers, which deliver support services with style, in addition to meeting technical requirements. This trend gives ISS an important competitive edge.

In addition to the more than 3.9 million square metres of office space ISS Hong Kong cleaned daily, and continued contracts with the Mass Transit Railway Corporation and Kowloon-Canton Railway Corporation, ISS specialised services were in 1999 successful in securing important and innovative new contracts. These included a five-year airport cleaning contract at Hong Kong International Airport. ISS Sanitation Service was awarded major contracts for portable toilet services and waste management with the Hong Kong Regional Services Department and Kowloon Motor Bus, the SAR's largest bus company.

ISS's joint venture with China International Trust & Investment Corporation (CITIC) in 1999 secured a contract for cleaning, washroom services and pest control at Beijing's new Capital International Airport, successfully drawing on Group expertise.

To target outsourcing at government hospitals in Hong Kong, a new company, ISS Mediclean (HK), was established in 1999.

Singapore

DKKm	*1999*	*1998*	*1997*
Turnover	256	159	107
Operating profit	12.3	0.9	3.5
Operating margin	4.8%	0.6%	3.3%
Employees	3,308	3,216	1,102
– full-time	100%	100%	100%
Specialisation	46%	37%	–
Turnover growth, in %			
Organic growth	(4.4)	(10.4)	18.8
Acquisitions, net	62.9	68.2	–
Currency effect	3.0	(9.4)	7.7
Total	61.5	48.4	26.5

Singapore

ISS Singapore made vigorous progress on a broad front in 1999. Specialisation moved ahead strongly in the hospital and airport service segments. The company cooperated closely with the Government of Singapore in its pioneering campaign to upgrade Singapore's support service industry.

ISS Singapore increased turnover by 61.5% to DKK 256 million, reflecting the Reliance acquisition. The operating margin recovered sharply to 4.8% from 0.6% in 1998.

In late 1999, ISS was a leading participant in the two-day trade exhibition, seminar and recruitment fair "Cleaning in the New Millennium", where the government launched its Cleaning Industry Transformation Plan to raise the image of the service industry. Under the plan, the government, ISS and five other partners from service and supply companies, are setting up a Centre for Training Technology as the centre for upgrading and professionalising the cleaning industry. ISS received the Special Recognition Award from the Ministry of Manpower for its part in the Transformation Plan.

In 1999, ISS further penetrated targeted segments. It secured an expansion of its important contract with Changi Airport, one of the world's most prestigious airports.

In the dedicated operating company for the hospital and healthcare segments, ISO 9002 certification was achieved. A dedicated hospital service-training centre for healthcare housekeepers was opened. ISS Hospital Service successfully won all its major retenders – one at Tan Tock Seng Hospital and two at National University Hospital – and secured major new contract at Singapore General Hospital. ISS extended its service provision in portering and bed making in hospitals and introduced computerised management systems.

A novel contract signed in 1999 for the Ministry of Manpower building is truly performance-based, rather than the usual inputs-based contract so far favoured in Asia.

Thailand

ISS Thailand sustained its healthy growth and high profitability in 1999. The company also made strategic inroads into the airport, transport and automotive service markets, while successfully maintaining its market leadership position in its targeted segments for hospital cleaning, cleanroom service and industrial cleaning to the oil industry.

Turnover rose by 16.8% to DKK 81 million, despite persisting market caution as the economy started to expand again after two years of severe recession. The operating margin eased slightly to 7.1% from 8.0% in 1998, but remained at a satisfactory level.

Continued customer wariness about the strength of the recovery limited the scope for support service providers to raise prices and grow new business.

In 1999, ISS secured a second important contract for cleaning and airside services at Bangkok Airport, the leading Thai airport and an important regional hub. Services provided include baggage handling and cabin cleaning for Thai Airways. The successful tender reflects ISS's very competitive position in the Asian airport service market, where the Group has established significant airport-related expertise and provides services at leading airports throughout the region.

ISS also started a specialised cleaning contract with the Bangkok Mass Transit System (BTS), whose futuristic "Skytrain" operates in the capital. The contracts cover cleaning services for stations, trains and central offices and employ more than 100 ISS operatives.

ISS Thailand, supported by the ISS Automotive Centre of Excellence in the Czech Republic, is pursuing contracts in the growing Thai automotive sector.

Thailand

DKKm	*1999*	*1998*	*1997*
Turnover	81	70	76
Operating profit	5.8	5.6	6.2
Operating margin	7.1%	8.0%	8.1%
Employees	5,759	5,390	5,136
– full-time	100%	100%	98%
Specialisation	46%	44%	–
Turnover growth, in %			
Organic growth	(6.0)	(7.3)	10.1
Acquisitions, net	11.5	22.2	8.6
Currency effect	11.3	(23.2)	(5.3)
Total	16.8	(8.3)	13.4

Malaysia

ISS Malaysia achieved growth and good profitability in 1999, as the Malaysian economy started to expand again after the downturn triggered by the Asian economic crisis in 1997.

Turnover rose by 33.8% in 1999 to DKK 55 million, in spite of continuing caution in certain customer segments. The operating margin fell to 8.0%, from the 10.1% recorded in 1998, but remained at the high end of margin performance across the Group.

Malaysia, whose government met with some success in trying to shield its economy against the worst of the Asian crisis, continues to offer growth potential for support services. Major, highly sophisticated infrastructure projects, offer considerable opportunities for ISS to expand in its existing and targeted market segments.

ISS's sanitation business in Malaysia was able to capitalise on the goodwill and reputation it earned at the Commonwealth Games in 1998. ISS provided mobile toilet units and hand wash basin facilities and cleaning services to a number of high profile events in 1999, including the five-month shooting of the movie "Anna and the King", the Formula One Grand Prix and the PGA World Golf Tournament.

A new contract was secured for the new state-of-the-art Nestlé Warehouse in Kuala Lumpur and cleaning services were provided in conjunction with the construction of Putrajaya, the new administration capital of the Government of Malaysia.

Malaysia

DKKm	*1999*	*1998*	*1997*
Turnover	55	41	42
Operating profit	4.4	4.1	5.5
Operating margin	8.0%	10.1%	13.1%
Employees	2,038	1,878	1,315
– full-time	97%	96%	81%
Specialisation	22%	0%	–
Turnover growth, in %			
Organic growth	(15.8)	1.0	22.7
Acquisitions, net	42.3	22.8	–
Currency effect	7.3	(26.8)	1.9
Total	33.8	(3.0)	24.6

Indonesia

DKKm	*1999*	*1998*	*1997*
Turnover	17	7	13
Operating profit	1.2	0.4	(0.1)
Operating margin	7.3%	4.9%	(0.4%)
Employees	2,828	2,915	1,284
– full-time	100%	100%	97%
Specialisation	20%	20%	–
Turnover growth, in %			
Organic growth	20.8	5.0	14.6
Acquisitions, net	79.0	22.7	–
Currency effect	29.7	(70.0)	(5.9)
Total	129.5	(42.3)	8.7

Brunei

DKKm	*1999*	*1998*	*1997*
Turnover	15	15	19
Operating profit	3.8	1.5	4.8
Operating margin	24.5%	10.0%	24.7%
Employees	142	149	184
– full-time	100%	100%	94%
Specialisation	65%	62%	–
Turnover growth, in %			
Organic growth	(1.5)	(11.7)	17.9
Acquisitions, net	–	–	–
Currency effect	3.0	(9.5)	7.9
Total	1.5	(21.2)	25.8

Indonesia

ISS Indonesia overcame the severe political and economical turmoil which affected Indonesia in 1999, achieving what was for the circumstances a remarkable improvement in the company's financial performance.

The turnover more than doubled in Danish kroner terms and the operating margin improved sharply to 7.3% from 4.9% in 1998.

During the prolonged period of unrest, many private companies closed down, public services were not in operation and ISS employees had to stay at customers' premises for their own safety and to ensure delivery of high priority services, such as those delivered to hospitals.

ISS's flexible response to the difficult situations, which arose in 1999, reinforced the company's image as a reliable support service supplier.

One of the outstanding contracts of 1999 was agreed with Satelindo, an Indonesian/German joint venture telecommunications company for which ISS tailored a special multi-service package. ISS supplies cleaning, gardening, mail delivery, office piccolos, telephone operators, receptionists and technicians to Satelindo. With an extremely low staff turnover, ISS in Indonesia has been able to train staff for delivery of innovative multi-service packages.

The stability of the workforce has also enabled ISS to ensure customers of consistent high quality service delivery.

Brunei

ISS benefited significantly from the South East Asian Games, which were hosted in August 1999 by Brunei. All competition venues for this major sporting event and its media centre were cleaned and maintained by ISS, and ISS Sanitation supplied portable toilets at selected locations.

The Games had significant and positive one-off effect on ISS Brunei's financial performance. Turnover was unchanged at DKK 15 million, while the operating margin advanced substantially.

The company's performance also reflected new contracts concluded in 1999, including Supa Save, the largest supermarket in Brunei, private aircraft cleaning, Ripas hospital and Jerudong Park Polo Club.

Additional services provided in 1999 included sanitary work, pest control and plumbing.

Sri Lanka

ISS in Sri Lanka improved its turnover and operating profit in 1999. The higher turnover reflected a broadening of the service offering from predominantly office cleaning to street cleaning and solid waste management. Water treatment services and waste water management for municipalities was at the same time under development with a view to capitalise on the opportunities these segments offer.

ISS maintains its position as the leading cleaning and maintenance company in Sri Lanka, and is still the only cleaning company to have received ISO 9002 quality certification.

ACCOUNTS

Consolidated Accounts and Accounts of the Parent Company 1999

Signatures to the Accounts

Copenhagen,
24 February 2000

The Board of Directors and Management have today discussed and approved the consolidated financial statements, including the report to shareholders and the financial statements of the parent Company. The consolidated financial statements and the financial statements of the parent Company have been prepared according to the accounting provisions of Danish legislation. In our opinion, the financial statements give a true and fair view of the Group's and the parent Company's assets and liabilities, financial position, result for the year and the cash flows of the Group.

The consolidated financial statements and the financial statements of the parent Company are presented for approval at the Annual General Meeting.

Board of Management

Waldemar Schmidt
Group Chief Executive

Eric Søe Rylberg
Deputy CEO
Group Chief
Financial Officer

Stuart Graham
Group Chief
Operational Officer

Board of Directors

Arne Madsen
Chairman

Erik Sørensen
Vice-Chairman

Sven Riskær

Bent Erik Carlsen

Peter Lorange

Steen Christensen

Karina Deacon

Flemming Quist

Auditors' Report

Copenhagen,
24 February 2000

We have audited the consolidated and parent company financial statements of ISS-International Service System A/S for the year 1999 presented by the Board of Directors and the Management.

Basis of opinion

We have, in accordance with generally accepted auditing standards, planned and conducted our audit to obtain reasonable assurance whether the financial statements are free of material misstatements. During the audit, we have, based on an evaluation of materiality and risk, examined the basis and documentation for the amounts and other disclosures in the financial statements.

Our audit also included an assessment of the accounting policies laid down and estimates made by the Board of Directors and the Management as well as an evaluation of the overall adequacy of the presentation in the financial statements.
Our audit has not resulted in any qualifications.

Opinion

In our opinion, the consolidated and parent company financial statements have been presented in accordance with the accounting provisions of Danish legislation and give a true and fair view of the Group's and the parent Company's assets and liabilities, financial position, result for the year and of the cash flows of the Group.

KPMG C. Jespersen

Finn L. Meyer
State Authorized
Public Accountant

Søren Thorup Sørensen
State Authorized
Public Accountant

Deloitte & Touche
Statsautoriseret Revisionsaktieselskab

Bent Hansen
State Authorized
Public Accountant

Jens Østerby
State Authorized
Public Accountant

Accounting Policies

General

The financial statements of ISS-International Service System A/S (“the Company”) and its subsidiaries (together with the Company referred to as “the Group”) have been prepared in accordance with the provisions of Danish legislation on accounting and the rules and regulations of the Copenhagen Stock Exchange, including Danish accounting standards.

The financial statements have been prepared on the same principles as in the previous year. Compared to prior years, the presentation of certain items in the profit and loss account and the balance sheet has been changed to reflect the latest development in Danish and international generally accepted accounting principles. Deferred tax assets and liabilities are presented gross after set-off of assets and liabilities within the same legal tax unit and jurisdiction. In the profit and loss account for the Company, income from subsidiaries is stated before tax. Tax associated with this income is included in tax on ordinary profit unless such taxes are specifically related to extraordinary items. Comparative figures and key figures are restated acordingly.

The consolidated financial statements

The consolidated financial statements include the Company and those subsidiaries in which the Group holds more than 50% of the voting rights. Also included are subsidiaries in which the Group holds voting rights and exercises a dominating influence. Undertakings not deemed subsidiaries, but in which the Group holds voting rights and exercises significant influence, are considered associated undertakings.

The Group’s interests in jointly controlled entities are recognised in the financial statements by including the Group’s proportionate share of the operation’s assets, liabilities, income and expenses with items of a similar nature on a line by line basis. Inter-company profits, other intra-group transactions and transactions with jointly controlled entities are eliminated on consolidation.

Newly-acquired undertakings are included in the consolidated financial statements as from the time of acquisition. Divested undertakings are included until the date of divestment.

Goodwill is calculated as the excess of purchase price over the fair value of net identifiable assets acquired at the time of acquisition. The calculation of goodwill includes provisions that arise at the date of acquisition as a direct consequence thereof, including severance pay and close-down of duplicate facilities. Goodwill is capitalised and amortised in the profit and loss account over its expected economic life, however over a maximum of 20 years. The carrying value is evaluated on a regular basis. To the extent that an impairment is deemed to exist, the goodwill is written down to its recoverable amount.

Minority interests’ proportional share of profit and equity in subsidiaries is entered separately in connection with the calculation of the consolidated net result and equity. The proportional share of the results of associated undertakings is included in the profit and loss accounts using the equity method.

Foreign currency

Transactions in foreign currency are translated into Danish kroner at the exchange rate on the day of transaction. Assets and liabilities in foreign currency are translated at year-end exchange rates. Realised and unrealised exchange rate differences are included in the profit and loss accounts under interest income and expenses.

Balance sheet items of foreign subsidiaries are translated at year-end exchange rates. Profit and loss accounts are translated at average exchange rates prevailing during the year. Exchange rate adjustments relating to investments in subsidiaries and associated undertakings are taken directly to reserves. Exchange rate adjustments of loans in foreign currency and of derivatives hedging the net investment in foreign entities are taken directly to reserves.

Derivatives are recorded at fair value. Gains/-losses are included in interest income/expenses, except for derivatives which are designated as hedges. Derivatives used for hedging purposes are recorded in accordance with the accounting treatment of items to which they relate. As a consequence, offsetting gains and losses are reported in the profit and loss account in the same period.

Profit and loss account

Turnover
represents the value of services rendered. The method used quantifies the services performed as a percentage of total services to be performed and applies this percentage to total turnover expected.

Operating expenses
Staff costs comprise salaries and wages, pension contributions, social security costs and other costs relating to staff. Cost of goods sold includes materials consumed in connection with the rendering of services. Other operating costs comprise items such as marketing, transportation, administration etc.

Other income and expenses
comprises items which do not form part of the normal ordinary operations. This includes gains and losses on sale of properties and royalty to minorities.

Income from associated undertakings
includes the Group's share of profit on ordinary operations before tax in associated undertakings.

Financial income/expenses
comprises interest, realised and unrealised exchange rate gains/losses and gains/losses on financial instruments and securities. Interest on insurance and pension provisions is included in interest payable.

Tax
on profit for the year consists of income tax expense and changes in deferred tax. Deferred tax is recognised under the liability method on temporary differences between accounting and taxation treatment. Deferred tax liabilities are not recognised on unremitted earnings of subsidiaries and goodwill not deductible for tax purposes. The tax value of losses expected to be available for utilisation against future taxable income is set-off against the deferred tax liability, within the same legal tax unit and jurisdiction. Net deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company is jointly taxed with a number of Danish and foreign subsidiaries. The income tax payable is allocated proportionally between the Company and the jointly taxed companies.

Extraordinary items
include gains and losses other than those relating to the ordinary course of business, including gains and losses relating to divestment of businesses. Gains and losses on sale of properties, operating equipment and related items are entered as ordinary operating items.

Cash flow statement

The statement of cash flow is prepared using the indirect method based on operating profit before other income and expenses. The liquidity effect of acquisitions and divestments is shown separately with cash flows in acquired undertakings being included from the date of acquisition and cash flows in divested undertakings being included until the date of divestment.

Balance sheet

Intangible and tangible fixed assets
Fixed assets are recorded at historical cost. Depreciation or amortisation is provided on fixed assets at rates calculated to write off the cost less estimated residual value on a straight-line basis over the following periods:

Goodwill	maximum of 20 years
Properties	20-40 years
Leasehold improvements	over the lease term
Service equipment, vehicles, fixtures, edp, etc.	3-10 years

Minor assets are expensed in the profit and loss accounts. Gains and losses on sale of fixed assets are included in the profit and loss accounts in the year of sale. Development costs are generally expensed in the profit and loss accounts in the year they are incurred.

Financial fixed assets
Investments in subsidiaries and associated undertakings are accounted for using the equity method. Other securities are recorded at the lower of cost and net realisable value.

Stocks

Raw materials and supplies are stated at the lower of cost under the FIFO principle and net realisable value. Finished goods and work in progress are recorded at the lower of cost plus attributable indirect costs and net realisable value.

Accounts receivable

are stated at nominal value less provision for doubtful debtors.

Own shares

At acquisition or disposal of own shares the payment or proceeds are taken directly to equity under Reserves.

Provisions

Provisions comprise obligations related to employee retirement plans, integration of acquired companies, restructurings etc. The provisions are recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The majority of the Group's employees are eligible for retirement benefits under defined contribution and defined benefit plans.

Contributions to defined contribution plans are charged to the profit and loss accounts as incurred. Any difference between the charge to the profit and loss accounts and the contributions payable is recorded in the balance sheet under Other payables and accrued expenses.

For defined benefit plans the recognised amount in the balance sheet is determined as the present value of the defined benefit obligation adjusted for the actuarial gains or losses not recognised and less any past service costs not yet recognised.

The present value of the defined benefit obligations and the related service costs are calculated by a qualified actuary.

Consolidated Profit and Loss Accounts

1 January – 31 December. Amounts in DKKm

Note		1999	1998	1997
1	**Turnover**	**19,802.4**	**13,801.2**	**11,782.0**
2	Staff costs	(14,233.6)	(9,992.1)	(8,352.9)
	Cost of goods sold	(1,139.9)	(878.0)	(833.7)
	Other operating costs	(3,056.2)	(1,941.8)	(1,728.8)
6, 12, 13	Depreciation	(351.3)	(254.7)	(227.8)
1	**Operating profit before other income and expenses**	**1,021.4**	**734.6**	**638.8**
3, 6, 13	Other income and expenses, net	7.3	21.9	(14.8)
	Operating profit	**1,028.7**	**756.5**	**624.0**
	Income from associated undertakings	1.6	0.5	0.7
4	Financial expenses, net	(128.0)	(78.0)	(53.5)
6, 14	Write-down of financial assets	–	(2.1)	–
	Ordinary profit before tax and amortisation of goodwill	**902.3**	**676.9**	**571.2**
5	Tax on ordinary profit before amortisation of goodwill	(279.9)	(189.7)	(176.6)
	Ordinary profit before amortisation of goodwill	**622.4**	**487.2**	**394.6**
6, 12	Amortisation of goodwill	(394.3)	(206.3)	(148.6)
5	Tax effect of amortisation of goodwill	22.6	7.2	7.4
18	Minorities' part of ordinary profit	(17.3)	(12.0)	(6.6)
	Net ordinary profit	**233.4**	**276.1**	**246.8**
7	Extraordinary items, net of tax and minorities	3.2	(41.9)	103.2
		236.6	**234.2**	**350.0**
6, 8, 14	Discontinued business, net of tax	0.0	(23.5)	101.1
	Net profit	**236.6**	**210.7**	**451.1**
26	Earnings per share (DKK)	6.91	9.28	8.29

Consolidated Statements of Cash Flows

1 January – 31 December. Amounts in DKKm

	1999	1998	1997	Note
Operating profit before other income and expenses	1,021.4	734.6	638.8	
Depreciation	351.3	254.7	227.8	6, 12, 13
Changes in working capital [1])	(180.3)	13.7	(80.4)	9
Changes in other provisions [1])	(9.2)	(2.4)	(30.0)	
Interest payments	(123.8)	(83.6)	(46.2)	
Tax paid	(280.3)	(244.2)	(109.5)	5
Payments related to other income and expenses	(2.8)	14.3	(6.3)	
Payments related to extraordinary items	(44.1)	8.0	(10.4)	
Cash flow from operations	**732.2**	**695.1**	**583.8**	
Acquisition of businesses				
Purchase price paid	(4,873.1)	(2,051.3)	(92.9)	
Net liquidity in acquired businesses	489.9	145.7	12.4	
	(4,383.2)	(1,905.6)	(80.5)	10
Divestment of businesses				
Sales proceeds	–	87.8	132.2	
Net liquidity in divested businesses	–	–	(3.3)	
	–	87.8	128.9	10
Investments in fixed assets [1])	72.5	(264.2)	(273.5)	11
Cash flow from investments	**(4,310.7)**	**(2,082.0)**	**(225.1)**	
Financial payments, net [2])	599.9	1,898.7	(517.9)	
Proceeds from share issue	2,737.1	–	–	
Acquisition of own shares	(78.1)	–	–	18
Dividend paid to ISS shareholders	–	(59.5)	–	
Minority interests	(15.7)	(6.5)	(3.1)	
Cash flow from financial items	**3,243.2**	**1,832.7**	**(521.0)**	
Total cash flow	**(335.3)**	**445.8**	**(162.3)**	
Liquid funds at beginning of the year	821.4	385.5	542.8	
Total cash flow	(335.3)	445.8	(162.3)	
Exchange rate adjustments	28.9	(9.9)	5.0	
Liquid funds at end of year	**515.0**	**821.4**	**385.5**	

[1]) *Net of effects of acquisitions and divestments*

[2]) *Proceeds from bank debt less repayment of bank debt*

Consolidated Balance Sheets

At 31 December. Amounts in DKKm

Note	Assets	1999	1998	1997
	Intangible assets			
	Goodwill	7,553.3	3,005.3	1,614.0
	Leasehold improvements	48.5	22.7	16.7
12	**Total intangible assets**	**7,601.8**	**3,028.0**	**1,630.7**
	Tangible assets			
	Land and buildings	105.9	307.6	327.2
	Service equipment, vehicles, fixtures, edp etc.	992.4	746.4	527.7
	Assets under construction	6.8	4.8	3.6
13	**Total tangible assets**	**1,105.1**	**1,058.8**	**858.5**
	Financial assets			
	Investments in associated undertakings	6.4	8.2	9.2
	Other securities	49.7	29.5	28.9
	Other receivables	71.0	65.4	53.3
14	**Total financial assets**	**127.1**	**103.1**	**91.4**
	Total fixed assets	**8,834.0**	**4,189.9**	**2,580.6**
	Current assets			
5	Deferred tax assets	228.5	31.5	14.6
15	Stocks	154.6	94.6	76.3
	Trade accounts receivable	3,511.0	1,589.2	1,204.1
16	Other accounts receivable	429.8	422.0	405.9
	Liquid funds	515.0	821.4	385.5
	Total current assets	**4,838.9**	**2,958.7**	**2,086.4**
	Total assets	**13,672.9**	**7,148.6**	**4,667.0**

Liabilities and equity	1999	1998	1997	Note
Equity				
Share capital	764.3	595.3	595.3	
Share premium account	2,568.1	–	–	
Reserves	1,059.1	822.5	698.6	
	4,391.5	**1,417.8**	**1,293.9**	
Minority interests in subsidiaries' equity	38.6	36.6	15.9	
Total equity	**4,430.1**	**1,454.4**	**1,309.8**	17, 18
Provisions				
Pensions and similar obligations	194.2	138.9	147.0	24
Deferred tax	136.2	133.6	150.4	5
Other provisions	530.6	245.5	137.4	19
Total provisions	**861.0**	**518.0**	**434.8**	
Long-term debt	**2,558.3**	**2,048.6**	**704.0**	20
Total provisions and long-term debt	**3,419.3**	**2,566.6**	**1,138.8**	
Current liabilities				
Current portion of long-term debt	124.7	28.2	15.3	20
Bank loans and other debt	882.3	641.7	3.7	20
Prepayments from customers	27.2	17.7	35.0	
Trade creditors	556.7	313.3	271.8	
Accrued income taxes	236.6	85.1	130.8	
Tax withholdings, VAT, etc.	1,457.9	758.2	625.4	
Accrued wages and holiday allowances	1,828.6	974.1	848.3	
Other payables and accrued expenses	709.5	309.3	228.6	
Dividends payable	–	–	59.5	
Total current liabilities	**5,823.5**	**3,127.6**	**2,218.4**	
Total provisions and liabilities	**9,242.8**	**5,694.2**	**3,357.2**	
Total liabilities and equity	**13,672.9**	**7,148.6**	**4,667.0**	
Contingent liabilities				21
Derivatives				22
Transactions with related parties				23
Employee retirement plans				24
Interests in joint ventures				25

Notes to the Consolidated Financial Statements

Amounts in DKKm

1. Segment information

The Group's activities are concentrated on providing commercial and industrial cleaning service and related facility services. The geographical segments with respect to the Group's turnover, operating profit before other income and expenses (net of inter-company items), assets and number of employees are as follows:

	Europe	Overseas	Corporate functions	Consoli-dated
As at and for the year ended				
31 December 1999				
Turnover	18,533	1,269	–	19,802
Operating profit before other income and expenses	1,059	53	(91)	1,021
Total assets	12,766	789	118	13,673
Employees at year-end	176,906	39,771	61	216,738
As at and for the year ended				
31 December 1998				
Turnover	12,668	1,133	–	13,801
Operating profit before other income and expenses	787	24	(76)	735
Total assets	6,254	596	299	7,149
Employees at year-end	108,965	28,814	38	137,817

2. Staff costs

	1999	1998
Wages and salaries	11,016.2	7,831.1
Pensions and social charges, etc.	326.2	341.7
Other costs	2,891.2	1,819.3
	14,233.6	**9,992.1**

Emoluments to the Board of Directors of the Company amounts to DKK 1.5m (DKK 1.4m in 1998). Board of Management salaries total DKK 24.3m including severance payments (DKK 23.2m in 1998). As announced simultaneously with an announcement of a stock option programme granted to the Executive Management Board, salaries for the EMB members were frozen in 1998 and 1999.

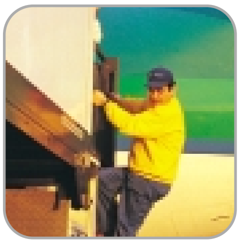
During 1999 the Company has allotted a number of warrants on B-shares to senior executives. The warrants issued give the executives the right to acquire ISS B-shares at a given exercise price per share in the period 30 days after publication of the ISS Group's Annual Reports for each of the years 2002, 2003, 2004 and 2005. Exercise of the allotted warrants is, inter alia, conditional upon the respective executives still being employed by the ISS Group at the time of exercise. As at 31 December 1999 458,000 warrants have been allotted and accepted by 137 senior executives.

As at 31 December 1999, the Company has implemented the following stock option programmes:

Stock option programme	Number of options to Board of Management	Total	Exercise price per share	Exercisable
1998	150,000	200,000	385	1.1.2002-31.12.2005
1999	75,000	125,000	650	1.1.2002-31.12.2005

The stock options are distributed among the Board of Management as follows:

	1999 stock option programme	1998 stock option programme
Waldemar Schmidt	25,000	100,000
Stuart Graham	25,000	25,000
Eric Søe Rylberg	25,000	25,000



In addition to the Board of Management, Theo Dilissen, former Chief Operating Officer and Sven Ipsen, former Group Deputy Chief Executive and now managing Director of ISS Denmark, both holds 25,000 stock options under the 1998 and the 1999 stock option programmes.

The Group's former phantom share programme has been abolished. The programme comprised a total of 125,000 phantom shares, including 75,000 phantom shares for the Board of Management, and was a cash bonus scheme based on the price of ISS B-shares in excess of DKK 342 in December 2000. The Board of Management and the former Group Deputy Chief Executive were compensated for the abolition of this bonus scheme. The compensation which in total amounts to DKK 9.6m will be paid in the form of instalments made into a pension scheme in 24 monthly instalments in the period between January 2000 and December 2001. The instalments made between January 2001 and December 2001 will only be paid if the average price of ISS B-shares in December 2000 exceeds DKK 342. The amounts will be expensed concurrently with the payments.

In addition to the programmes existing at 31 December 1999 the following stock options have been awarded:

	Number of options	Date of issue	Exercise price per share	Exercisable
Eric Søe Rylberg	25,000	1.1.2000	470	1.1.2003-31.12.2006
	25,000	1.1.2001	500	1.1.2004-31.12.2007
Carsten Knudsen	25,000	1.5.2000	650	1.1.2003-31.12.2006
	25,000	1.5.2000	700	1.1.2004-31.12.2007

During the year, the Company has acquired 200,000 own shares at a total price of DKK 78.1m to cover the obligation under the 1998 stock option programme. The purchase price has been deducted from equity. Consequently, no cost or obligation will be recognised in subsequent periods relating to this scheme. Relating to the 1999 and subsequent stock option programmes, no provisions have been included in the financial statements.

3. Other income and expenses, net	1999	1998
Provision related to ISS Inc.	–	47.9
Legal, audit and advisory costs and compensations regarding the US investigation and the negotiation of borrowing arrangements	–	12.0
Gain/(loss) on sale of properties	9.2	(17.6)
Write-down of buildings	–	(8.9)
Provision for legal cases	–	(13.0)
Other	(1.9)	1.5
	7.3	**21.9**

4. Financial expenses, net	1999	1998
Interest receivable, etc.	55.3	30.2
Foreign currency exchange gain	5.6	0.1
Financial income	60.9	30.3
Interest payable, etc.	(177.3)	(98.1)
Interest on pension provisions	(4.2)	(5.4)
Foreign currency exchange loss	(7.4)	(4.8)
Financial expenses	(188.9)	(108.3)
Financial expenses, net	**(128.0)**	**(78.0)**

5. Tax	1999	1998
Tax composition		
Tax on ordinary profit before goodwill	279.9	189.7
Tax effect of amortisation of goodwill	(22.6)	(7.2)
Tax on extraordinary items	–	(14.4)
Total tax charge	257.3	168.1
Specification of tax effect of amortisation of goodwill:		
Total tax effect of amortisation of goodwill	22.6	11.6
Amortisation of goodwill related to tax loss not recognised	–	(4.4)
Tax effect of amortisation of goodwill	22.6	7.2
Tax payable	319.0	194.0
Changes in deferred tax	(61.7)	(25.9)
Total tax charge	257.3	168.1

Tax paid in 1999 amounts to DKK 280.3m (DKK 244.2m in 1998).

The actual tax on ordinary profit before goodwill differs from the “expected” tax expense (computed by applying the Danish corporate tax rate to income from ordinary profit before tax and goodwill) as follows:

	1999	1998
“Expected” corporate tax at Danish statutory rate	288.6	229.9
Foreign tax rate differential	(4.2)	(12.3)
Other	(4.5)	(27.9)
Tax on ordinary profit before goodwill	279.9	189.7
Effective tax rate	31.0%	28.6%

Assuming amortisation of goodwill was fully tax deductable the effect would amount to DKK 122.4m (DKK 69.6m in 1998).

Specification of deferred tax:	1999	1998
Deferred tax assets		
Tax loss carried forward	141.2	37.3
Provisions	193.0	99.3
Total gross deferred tax assets	334.2	136.6
Valuation allowance	–	(29.0)
Deferred tax assets	334.2	107.6
Set-off within legal tax units and jurisdictions	(105.7)	(76.1)
Deferred tax assets, net	**228.5**	**31.5**
Deferred tax liabilities		
Goodwill	95.4	53.9
Untaxed profit reserve	31.1	24.6
Other	115.4	131.2
Deferred tax liabilities	241.9	209.7
Set-off within legal tax units and jurisdictions	(105.7)	(76.1)
Deferred tax liabilities, net	**136.2**	**133.6**
Deferred tax assets/(liabilities), net	92.3	(102.1)

A deferred tax liability associated with investments in subsidiaries is not recognised as the Group is able to control the timing of the reversal of the temporary differences and does not expect the temporary differences to reverse in the foreseeable future.

6. Depreciation, amortisation and write-down of assets

The total amount of depreciation, amortisation and write-down of fixed assets amount to DKK 750.4m (DKK 476.1m in 1998). The amounts are included in the profit and loss statement as follows:

	1999	1998
Depreciation	351.3	254.7
Write-down of buildings	–	8.9
Write-down of buildings related to discontinued business	–	4.1
Write-down of financial assets	–	2.1
Amortisation of goodwill	394.3	206.3
Write-down of financial assets related to discontinued business	4.8	–
	750.4	**476.1**

7. Extraordinary items, net of tax and minorities

	1999	1998
Restructuring expenses		
Discontinuation of divisional offices including leasehold improvement write-off	–	(18.8)
Redundancies and related costs	–	(9.3)
Branding changes	–	(10.0)
Organisation project costs including software changes	–	(11.8)
	–	(49.9)
Gain/(loss) on divestment of the Darenas businesses	3.2	(6.4)
Tax on extraordinary items	–	14.4
	3.2	**(41.9)**

8. Discontinued business, net of tax

	1999	1998
Provision related to disposals earlier years (reversal in 1999)	4.8	(7.0)
Gain on sale of shares in Aaxis Ltd.	–	13.5
Write-down related to disposals by ISS Brazil in earlier years	–	(30.0)
Write-down of interests in discontinued business	(4.8)	–
	0.0	**(23.5)**

9. Changes in working capital

	1999	1998
Changes in stocks	(29.0)	(7.3)
Changes in debtors	(192.6)	(57.8)
Changes in creditors	41.3	78.8
	(180.3)	**13.7**

10. Acquisition and divestment of businesses

As described on page 81, the Group made 32 acquisitions during 1999.
The total acquisition price amounts to DKK 4,873.1m. The accumulated effect of the acquisitions amounts to DKK 5.1bn in turnover. No businesses have been divested during 1999.

	1999	1998
The assets and liabilities of the combined acquisitions are as follows:		
Assets acquired:		
Goodwill	(4,853.8)	(1,653.5)
Fixed assets (excl. goodwill)	(427.1)	(184.6)
Current assets	(2,145.9)	(796.5)
Liabilities assumed:		
Costs following the acquisitions	214.9	47.7
Long-term liabilities	310.7	89.4
Other current liabilities	2,028.1	446.2
Purchase price	(4,873.1)	(2,051.3)
Net liquidity in acquired businesses	489.9	145.7
Cash flow from acquisition of businesses	**(4,383.2)**	**(1,905.6)**
Provision for costs following the acquisitions	(318.4)	(84.5)
	(4,701.6)	(1,990.1)
The assets and liabilities of divestments are as follows:		
Current assets	–	87.8
Sales proceeds	–	87.8
Net liquidity in divested businesses	–	–
Cash flow from divestment of businesses	**–**	**87.8**

11. Investments in fixed assets

	1999	1998
Purchase of fixed assets	(434.1)	(443.3)
Proceeds on sale of fixed assets	506.6	179.1
	72.5	**(264.2)**

Proceeds on sale of fixed assets include proceeds from sale of properties in Denmark (DKK 135m), United Kingdom (DKK 22m), Sweden (DKK 26m), Norway (DKK 101m) and Austria (DKK 33m).

12. Intangible assets

	Goodwill 1999	Goodwill 1998	Leasehold improvements 1999	Leasehold improvements 1998
Cost at 1 January	3,945.1	2,343.6	56.6	49.5
Exchange rate adjustments	149.0	(95.4)	2.1	(1.5)
Additions	4,846.5	1,696.9	76.3	22.8
Disposals	–	–	(23.8)	(14.2)
Cost at 31 December	8,940.6	3,945.1	111.2	56.6
Amortisation at 1 January	939.8	729.6	33.9	32.8
Exchange rate adjustments	53.2	(39.3)	0.9	(0.8)
Amortisation	394.3	206.3	10.4	5.1
Amortisation from acquisitions	–	43.2	36.3	8.9
Disposals	–	–	(18.8)	(12.1)
Amortisation at 31 December	1,387.3	939.8	62.7	33.9
Book value at 31 December	**7,553.3**	**3,005.3**	**48.5**	**22.7**

13. Tangible assets

	Land and buildings 1999	Land and buildings 1998	Service equipment, vehicles, fixtures, edp etc. 1999	Service equipment, vehicles, fixtures, edp etc. 1998
Cost at 1 January	359.4	362.7	1,813.8	1,404.7
Exchange rate adjustments	10.8	(9.4)	65.4	(50.9)
Additions	117.0	40.9	1,268.2	705.0
Disposals	(352.4)	(34.8)	(393.9)	(245.0)
Cost at 31 December	134.8	359.4	2,753.5	1,813.8
Depreciation at 1 January	51.8	35.5	1,067.4	877.0
Exchange rate adjustments	1.3	(1.2)	37.8	(32.7)
Depreciation for the year	6.4	4.3	334.5	245.3
Depreciation from acquisitions	14.8	1.2	562.7	185.4
Write-down	–	13.0	–	–
Disposals	(45.4)	(1.0)	(241.3)	(207.6)
Depreciation at 31 December	28.9	51.8	1,761.1	1,067.4
Book value at 31 December	**105.9**	**307.6**	**992.4**	**746.4**

Land and buildings with a book value of DKK 63m (DKK 213m in 1998) have been provided as collateral for a mortgage debt of DKK 24m (DKK 41m in 1998).

Assets under construction comprises various minor projects.

In 1998 write-down of land and buildings was included in the profit and loss account under other income and expenses, net and discontinued business, net of tax.

14. Financial assets

	Investments in associated undertakings		Other securities		Other receivables	
	1999	1998	1999	1998	1999	1998
Book value at 1 January	8.2	9.2	29.5	28.9	65.4	53.3
Exchange rate adjustments	0.2	(0.1)	0.5	0.0	4.2	(3.1)
Additions	0.8	5.9	27.5	10.0	43.7	19.8
Net profit for the year	0.2	0.0	–	–	–	–
Transfer	–	(6.8)	–	6.8	–	–
Write-down	–	–	(4.8)	(2.1)	–	–
Disposals	(3.0)	–	(3.0)	(14.1)	(42.3)	(4.6)
Book value at 31 December	**6.4**	**8.2**	**49.7**	**29.5**	**71.0**	**65.4**

Investments in associated undertakings are listed on page 83. Receivables from associated undertakings amount to DKK 0.6m (DKK 0.4m in 1998) and are included in other accounts receivable.

15. Stocks

	1999	1998
Raw materials and supplies	30.4	13.9
Work in progress	66.2	32.8
Finished goods	58.0	47.9
	154.6	**94.6**

16. Other accounts receivable

In 1998 other accounts receivable included DKK 168m relating to the acquisition of Vaktmesterkompagniet completed as per 2 January 1999.

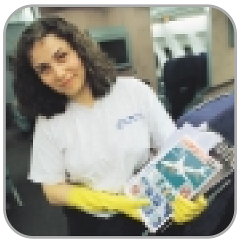
17. Own shares

	1999	1998
Book value at 1 January	–	–
Additions	78.1	–
Transferred to equity	(78.1)	–
Book value at 31 December	**–**	**–**

	Number	Nominal value	% of share capital
1 January 1999	–	–	–
Additions	200,000	4,000,000	0.5%
31 December 1999	200,000	4,000,000	0.5%

The additions during the year are made to cover obligations under the 1998 stock option programme for the Board of Management. See also note 2.

18. Equity



	Share capital	Share premium account	Reserves	Minority interests	Total equity
1998					
Equity at 1 January 1998	595.3	–	698.6	15.9	1,309.8
Exchange rate adjustments	–	–	(83.3)	(0.3)	(83.6)
Increase in minority interests	–	–	–	9.0	9.0
Net profit	–	–	210.7	12.0	222.7
Other	–	–	(3.5)	–	(3.5)
Equity at 31 December 1998	595.3	–	822.5	36.6	1,454.4
1999					
Equity at 1 January 1999	595.3	–	822.5	36.6	1,454.4
Exchange rate adjustments	–	–	78.1	2.5	80.6
Share issue	160.0	2,640.0	–	–	2,800.0
Employee shares	9.0	53.5	–	–	62.5
Share issue expenses	–	(125.4)	–	–	(125.4)
Own shares	–	–	(78.1)	–	(78.1)
Decrease in minority interests	–	–	–	(17.8)	(17.8)
Net profit	–	–	236.6	17.3	253.9
Equity at 31 December 1999	764.3	2,568.1	1,059.1	38.6	4,430.1

In June 1999, the Company issued 8,000,000 new B-shares at DKK 350 per share. The share issue was made to finance acquisitions and to provide ISS with financial strength to continue the consolidation of the market in which ISS operates.

In July 1999 the Company acquired 200,000 own shares to cover obligations under the 1998 stock option programme (see also note 2 and note 17).

In the autumn of 1999 the Company made an offer of employee shares, which has resulted in 3,593 employees in 24 countries subscribing for 449,868 B-shares.

The subscription price for the shares offered was DKK 139 per B-share, corresponding to 35% of the then prevailing market price.

19. Other provisions

	1999	1998
Restructuring	15.5	43.9
Labour cases	45.4	16.8
Self-insurance	12.8	12.9
Integration cost	318.4	84.5
Other provisions	138.5	87.4
	530.6	**245.5**

As the effect of time value of money is not material the provisions are not discounted.

Restructuring: The restructuring provision relates to the restructuring of the Group which was announced in December 1998.

Labour cases: The provision relates to labour cases in Brazil, France and Spain.

Self-insurance: In the UK, ISS carries an insurance provision excess on employers and public liabilities. ISS UK is self-insured up to £ 300,000 for employers liability and £ 150,000 for public liability.

Integration costs: The provision includes primarily provisions to cover costs arising as a direct consequence of acquisitions.

Other provisions: In 1999 the provisions comprise e.g. provisions for legal costs and provisions relating to disposal of companies in previous years.

20. Interest-bearing loans and borrowings

	1999	1998
Long-term debt		
Revolving loan facility	2,415.4	1,956.2
Bank and mortgage loans	235.8	90.2
Obligations under finance leases	31.8	30.4
	2,683.0	2,076.8
Current portion of long-term debt	(124.7)	(28.2)
	2,558.3	**2,048.6**
Repayments of long-term debt are scheduled as follows:		
More than one year, less than two years	38.2	72.3
More than two years, less than three years	29.4	16.0
More than three years, less than four years	1,391.7	16.0
More than four years, less than five years	913.0	1,908.7
More than five years	186.0	35.6
	2,558.3	**2,048.6**
Bank loans and other debt – current		
Bank and mortgage loans	**882.3**	**641.7**

It is Group financial policy that the individual subsidiaries obtain their own funding. This is primarily undertaken in local currencies.

The Group has no subordinated debt and no debt convertible into equity.

The Group's total long-term loans and borrowings at 31 December are denominated in the following original currencies:

Share	**1999**	1998
DKK	14%	28%
EUR	76%	–
DEM	–	56%
SEK	–	2%
FRF	–	1%
NOK	8%	8%
Others	2%	5%
	100%	**100%**

Significant components of long-term debt

Loan	Maturity	Fixed/ floating	Next fixing date 1999	Next fixing date 1998	Carrying amount 1999	Carrying amount 1998
DKK 200m revolving loan facility[1]						
NOK utilised	2003	Floating	28.04.00	29.01.99	184.5	167.8
DKK 200m revolving loan facility	2003	Floating	–	13.01.99	–	186.0
DKK 200m revolving loan facility	2003	Floating	21.12.00	29.01.99	200.0	150.0
DKK 1,950m revolving loan facility[1]						
GBP utilised	2003	Floating	–	N/A	–	52.9
DKK utilised	2003	Floating	–	13.01.99	–	241.0
DEM utilised	2003	Floating	31.03.00	14.01.99	981.8	1,158.5
DKK 150m revolving loan facility	2009	Floating	01.12.00	–	150.0	–
DKK 900m revolving loan facility						
EUR utilised	2004	Floating	28.04.00	–	899.1	–
					2,415.4	1,956.2
Other mortgage loans					24.2	40.9
Other bank loans					211.6	49.3
Obligations under finance leases					31.8	30.4
					2,683.0	2,076.8
Current portion of long-term debt					(124.7)	(28.2)
					2,558.3	**2,048.6**

[1] *Compared to 1998, DKK 500m has been transferred from the DKK 200m revolving loan facility to the DKK 1,950m revolving loan facility*

21. Contingent liabilities

The total rentals under operating leases expensed in the profit and loss accounts amount to DKK 265m (DKK 139m in 1998). The future minimum lease payments under operating leases and rent obligations with a remaining term in excess of one year at 31 December 1999 are as follows:

2000	2001	2002	2003	2004	After 2004	Total lease payments
348	273	199	136	87	207	1,250

The operating leases are leases of properties, vehicles and administrative equipment.

Indemnity and guarantee commitments at 31 December 1999 amount to DKK 10m (DKK 8m in 1998).

The Group is party to certain legal proceedings. The management's view is that these proceedings (which to a large extent are labour cases incidental to its business) will not have a material impact on the Group's financial position.

As described in note 2 the Company has implemented stock option based bonus schemes for the Group's Board of Management. As at 31 December 1999 the total outstanding obligation related to these schemes amounts to DKK 32.0m (DKK 17.4m in 1998) based on the stock price at year end. Of this amount DKK 22.4 has been covered by own shares.

The Group has issued bank guaranteed performance bonds for service contracts with an annual turnover of DKK 147m (DKK 88m in 1998). Such performance bonds are issued in the normal course of business in the service industry. The Group has not paid any compensation under such performance bonds in the past years.

In the accounts, ISS makes provisions for claims from purchasers or other parties in connection with divestments. In the opinion of Group Management, the provision at 31 December 1999 is adequate. However, there can be no assurance that one or more major claims arising out of the Group's divestment of companies will not adversely affect the Group's activities, operating results and financial position.

Information on the accounting irregularities in ISS Inc., which emerged in 1996 and led to the divestment of the subsidiary, has been reported to the US authorities on a current basis for further investigation. Investigations are still in progress.

22. Derivatives

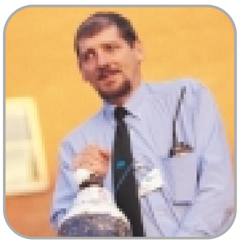
Foreign exchange risk

Foreign exchange risk can be classified in three categories: Economic, Transaction and Translation.

In practical terms the economic currency exchange risk is minimal for ISS as all of ISS competitors will have to deliver the services in the same currency cost structure as ISS.

Transaction risk in ISS primarily relates to payment of royalties and dividends to the parent company. These payments are calculated in local currency which means that an exchange rate risk exists in relation to the exchange of these payments into DKK.

Translation risk is the major accounting currency exchange rate risk for ISS. Equity translation risk in ISS is normally not hedged but ISS generally tries to secure high gearing in subsidiaries via local currency debt whereby translation risk is considerably lowered. Profit translation risk in ISS is from time to time hedged in currencies that are regarded high risk either permanently or for a shorter period of time.



The hedging instruments used by the Group consist mainly of forward exchange contracts, options and currency swaps. Their contractual and fair values are specified below together with the unrealised gains and losses.

Recognised transactions	1999	1998
Forward foreign currency sales:		
• Contractual values	3,387.5	395.3
• Fair values:		
Unrealised gains	0.0	1.2
Unrealised losses	8.7	0.5

The majority of the forward currency sales as at 31 December 1999 relates to the funding of Abilis.
Of the unrealised losses of DKK 8.7m as at 31 December 1999, DKK 8.5m relates to hedges of investments in subsidiaries which are taken directly to equity.

	1999	1998
Forward foreign currency purchases:		
• Contractual values	447.7	230.9
• Fair values:		
Unrealised gains	0.4	0.2
Unrealised losses	0.2	0.3

Recognised transactions relate to balance sheet positions such as receivables, payables, loans and investment in subsidiaries.

Anticipated future transactions	1999	1998
Options regarding foreign currency sales:		
• Contractual values	–	184.3
• Fair values:	–	7.5
Unrealised gains	–	0.0
Unrealised losses	–	1.9

At 31 December 1998 the Group had a currency option hedging the cash flow in Hong Kong Dollar over a 3 year period, ending August 2001. The option matured in August 1999, out-of-the-money.

Credit risk

Credit risk represents the accounting loss that would be recognised if counterparties failed to perform as contracted. The Group does not have significant exposure to any individual customer or counterparty. To reduce exposure to credit risk, ongoing credit evaluations of the financial condition of its counterparties are performed.

Interest rate risk

During 1999, the Group has used derivative financial instruments to hedge the interest rate exposure. The instruments used comprise forward rate agreements, interest rate futures and options. Open contracts measured with one year duration relating to forward rate agreements and interest rate options are listed below. At 31 December 1999 there were no open contracts relating to interest rate futures.

Recognised transactions	1999	1998
Forward rate agreements, purchases:		
• Contractual values	1,122.3	–
• Fair values:		
Unrealised gains	0.2	–
Unrealised losses	0.0	–

	1999	1998
Options hedging interest rates:		
• Contractual values, purchased options	1,076.7	–
• Contractual values, sold options	537.3	–
• Fair values:		
Unrealised gains	0.3	–
Unrealised losses	0.4	–

23. Transactions with related parties

Apart from normal trade, there have been no significant transactions during the year with related parties, i.a. major shareholders, Board of Management and Board of Directors.

24. Employee retirement plans

The Group contributes to pension plans that cover certain employees in its various subsidiaries. The pension plans include defined contribution plans as well as defined benefit plans. The defined benefit plans are primarily based upon years of service and benefits are generally determined on the basis of salary and ranking.

The majority of the pension plans are funded through payments of annual premiums to independent insurance companies who are responsible for the pension obligation. In this case the Group does not have a pension obligation once an employee leaves the Group. Pension costs from such plans are recorded as expenses when incurred.

In Norway and Sweden, the Group has unfunded benefit plans where the actuarially determined pension obligations are recorded in the consolidated balance sheets.

The unfunded obligation regarding the benefit plan in Norway amounts to DKK 4.1m (1998: DKK 8.1m). The calculation of the obligation is based on the following assumptions: Discount rate 6%, salary increase 2.5%, post retirement pension increase 1.6% and expected return of assets of 7%. These assumptions are identical with 1998.

In Sweden the unfunded obligation regarding the benefit plan amounts to DKK 108.9m (1998: DKK 95.2m). The calculation of the obligation is based on the following assumptions: Discount rate 5.5%, salary increase 3% and post retirement pension increase of 2%. These assumptions are identical with 1998.

The total amounts expensed relating to the Group's defined benefit plans are as follows:

	1999	1998
Current service costs	15.8	13.0
Interest on obligation	13.2	10.9
Amortisation of transition obligation	0.2	–
Expected return on plan assets	(5.4)	(4.2)
Net actuarial (gains)/losses in the year	0.2	(0.7)
Other gains	(1.6)	(1.9)
	22.4	17.1

Movements in total pensions and similar obligations recognised in the balance sheet are as follows:

	1999	1998
Net liability at 1 January	138.9	147.0
Unfunded obligations:		
Net expenses	22.4	17.1
Contributions	(23.5)	(17.9)
Changes in other pensions and obligations	56.4	(7.3)
Net liability at 31 December	**194.2**	**138.9**

25. Interests in joint ventures

The Group has interests in two joint ventures. The Group's interests in the two joint venture's net profit for the year and the balance sheet items are included in the Group's consolidated profit and loss account and balance sheet with the following amounts:

	1999	1998
Turnover	66.3	–
Operating profit before other income and expenses	4.6	–
Ordinary profit, before amortisation of goodwill	3.2	–
Net profit	3.0	–
Assets		
Intangible assets	2.3	
Tangible assets	10.4	–
Financial assets	0.1	–
Current assets	70.3	–
Total assets	83.1	–
Liabilities		
Non-current liabilities	14.5	–
Current liabilities	16.6	–
Total liabilities	31.1	–

26. Earnings per share

Basic earnings per share

The calculation of basic earnings per share is based on net ordinary profit.

The weighted average number of ordinary shares can be specified as follows:

	1999	1998
Issued ordinary shares 1 January	29,763,733	29,763,733
Share issue, average	4,000,000	–
Share issue to employees, average	37,489	–
Weighted average number of ordinary shares	33,801,222	29,763,733

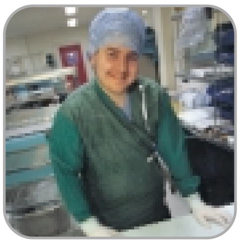
Diluted earnings per share

Based on the present share price the diluted earnings per share is identical to basic earnings per share. The maximum potential dilution of shares as at 31 December 1999 amounts to 1.2%.

Profit and Loss Accounts of the Parent Company

1 January - 31 December. Amounts in DKKm

	1999	1998	1997	Note
Revenue, net	226.4	138.2	117.3	1
Staff costs	(47.9)	(29.5)	(26.1)	2
Other operating costs	(43.5)	(43.3)	(35.2)	
Depreciation	(3.7)	(3.0)	(3.3)	8, 9
Operating profit before other income and expenses	**131.3**	**62.4**	**52.7**	
Other income and expenses	0.3	46.9	(14.8)	3
Operating profit	**131.6**	**109.3**	**37.9**	
Income from subsidiaries before tax	359.1	341.3	579.0	10
Financial income and expenses, net	25.8	(47.9)	(82.4)	4
Write-down of financial assets	–	(2.1)	–	10
Ordinary profit	**516.5**	**400.6**	**534.5**	
Tax on ordinary profit	(279.9)	(177.3)	(184.5)	5
Net ordinary profit	**236.6**	**223.3**	**350.0**	
Extraordinary items, net of tax	–	(19.1)	–	6
	236.6	**204.2**	**350.0**	
Discontinued business, net of tax	0.0	6.5	101.1	7, 10
Net profit	**236.6**	**210.7**	**451.1**	



Balance Sheets of the Parent Company

At 31 December. Amounts in DKKm

Note	Assets	1999	1998	1997
	Intangible assets			
8	Leasehold improvements	3.3	2.1	–
	Tangible assets			
9	Vehicles, fixtures, edp etc.	14.3	8.2	5.8
	Financial assets			
	Investments in subsidiaries	3,384.1	1,217.6	2,674.9
	Investments in associated undertakings	–	–	6.8
	Other securities and receivables	0.6	4.7	13.5
10	**Total financial assets**	**3,384.7**	**1,222.3**	**2,695.2**
	Total fixed assets	**3,402.3**	**1,232.6**	**2,701.0**
	Current assets			
	Deferred tax	3.7	10.2	–
	Company tax	20.4	1.1	–
	Receivables from subsidiaries	992.9	59.5	49.3
	Other receivables	15.7	33.7	130.0
	Liquid funds	4.9	161.3	0.2
	Total current assets	**1,037.6**	**265.8**	**179.5**
	Total assets	**4,439.9**	**1,498.4**	**2,880.5**

Liabilities and equity	1999	1998	1997	Note
Share capital	764.3	595.3	595.3	
Share premium account	2,568.1	–	–	
Reserves	1,059.1	822.5	698.6	
Equity	**4,391.5**	**1,417.8**	**1,293.9**	11,12
Provisions				
Other provisions	15.1	45.9	72.2	
Total provisions and long-term debt	**15.1**	**45.9**	**72.2**	13
Trade creditors and accrued expenses	31.0	17.0	16.1	
Accrued income taxes	–	–	2.8	
Amounts owed to subsidiaries	2.3	17.7	1,436.0	
Dividends payable	–	–	59.5	
Total current liabilities	**33.3**	**34.7**	**1,514.4**	
Total provisions and liabilities	**48.4**	**80.6**	**1,586.6**	
Total liabilities and equity	**4,439.9**	**1,498.4**	**2,880.5**	
Contingent liabilities				14
Fees to Group auditors				15

Notes to the Financial Statements of the Parent Company

Amounts in DKKm

1. Revenue, net

	1999	1998
Revenue from subsidiaries	245.0	188.5
Paid to subsidiaries	(18.6)	(50.3)
	226.4	**138.2**

2. Staff costs

	1999	1998
Wages and salaries	(45.9)	(28.0)
Pensions	(1.7)	(1.3)
Other social security costs	(0.3)	(0.2)
	(47.9)	**(29.5)**

Management salaries total DKK 14.2m including severance payments (DKK 9.9m in 1998). Emolument to directors amounts to DKK 1.5m (DKK 1.0m in 1998). The average number of employees during 1999: 45 (35 in 1998).

3. Other income and expenses

	1999	1998
Provision related to ISS Inc.	–	47.9
Legal, audit and advisory costs and compensations regarding the US investigation and the negotiation of borrowing arrangements	–	12.0
Provision for legal cases	–	(13.0)
Other	0.3	–
	0.3	**46.9**

4. Financial income and expenses, net

	1999	1998
Interest receivable on loans to subsidiaries	8.5	–
Other interest receivable	17.5	2.4
Financial income	26.0	2.4
Interest payable on loans from subsidiaries	(0.1)	(37.7)
Other interest payable	(0.1)	(12.6)
Financial expenses	(0.2)	(50.3)
Financial income and expenses, net	**25.8**	**(47.9)**

5. Tax

	1999	1998
Tax on profit for the year	(45.5)	6.4
Changes in deferred tax	(6.5)	10.2
Tax on income from subsidiaries	(227.9)	(184.7)
Tax expense	(279.9)	(168.1)
Tax composition:		
Tax on ordinary profit	(279.9)	(177.3)
Tax on extraordinary items	–	9.2
	(279.9)	**(168.1)**

The Company has paid tax of DKK 63.7m (DKK 2.1m in 1998). The income tax payable is allocated proportionally between the Company and the Danish, jointly-taxed companies.

6. Extraordinary items, net of tax

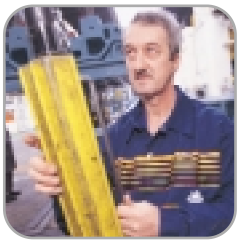
	1999	1998
Provision for restructuring of the Group	–	(28.3)
Tax on extraordinary items	–	9.2
	–	**(19.1)**

7. Discontinued business, net of tax

	1999	1998
Provision related to disposals previous year (reversal in 1999)	4.8	(7.0)
Gain on sale of shares in Aaxis Ltd.	–	13.5
Write-down of interests in discontinued business	(4.8)	–
	0.0	**6.5**

8. Intangible assets

Leasehold improvements	1999	1998
Cost at 1 January	2.3	–
Additions	1.8	2.3
Disposals	–	–
Cost at 31 December	4.1	2.3
Depreciation at 1 January	0.2	–
Depreciation for the year	0.6	0.2
Disposals	–	–
Depreciation at 31 December	0.8	0.2
Book value at 31 December	**3.3**	**2.1**



9. Tangible assets

Vehicles, fixtures, edp etc.	1999	1998
Cost at 1 January	13.4	23.9
Additions	10.0	7.5
Disposals	(1.8)	(18.0)
Cost at 31 December	21.6	13.4
Depreciation at 1 January	5.2	18.1
Depreciation for the year	3.1	2.8
Disposals	(1.0)	(15.7)
Depreciation at 31 December	7.3	5.2
Book value at 31 December	**14.3**	**8.2**

10. Financial assets

	Investments in subsidiaries 1999	Investments in subsidiaries 1998	Investments in associated undertakings 1999	Investments in associated undertakings 1998	Other securities and receivables 1999	Other securities and receivables 1998
Cost at 1 January	3,219.2	3,179.2	–	4.7	4.7	13.5
Additions	2,126.0	836.9	–	–	0.7	–
Transfer	150.6	–	–	(4.7)	–	4.7
Disposals	–	(796.9)	–	–	–	(13.5)
Cost at 31 December	5,495.8	3,219.2	–	–	5.4	4.7
Revaluation at 1 January	(2,001.6)	(504.3)	–	2.1	–	–
Exchange rate adjustments	77.3	(83.3)	–	–	–	–
Net profit for the year after tax	131.2	156.6	–	–	–	–
Transfer	(150.6)	–	–	(2.1)	–	2.1
Write-down	–	–	–	–	(4.8)	(2.1)
Dividends received	(155.0)	(1,567.1)	–	–	–	–
Other adjustments	(13.0)	(3.5)	–	–	–	–
Revaluation at 31 December	(2,111.7)	(2,001.6)	–	–	(4.8)	–
Book value at 31 December	**3,384.1**	**1,217.6**	**–**	**–**	**0.6**	**4.7**

11. Own shares

	1999	1998
Book value at 1 January	–	–
Additions	78.1	–
Transferred to equity	(78.1)	–
Book value at 31 December	**–**	**–**

	Number	Nominal value	% of share capital
1 January 1999	–	–	–
Additions	200,000	4,000,000	0.5%
31 December 1999	200,000	4,000,000	0.5%

The additions during the year are made to cover obligations under the 1998 stock option programme for the Board of Management. See also note 2 in the Notes to Consolidated Financial Statements.

12. Equity

	Share capital Class A	Share capital Class B	Reserves	Total equity
1998				
Equity at 1 January 1998	76.8	518.5	698.6	1,293.9
Exchange rate adjustments	–	–	(83.3)	(83.3)
Net profit	–	–	210.7	210.7
Other	–	–	(3.5)	(3.5)
Equity at 31 December 1998	**76.8**	**518.5**	**822.5**	**1,417.8**

	Share capital Class A	Share capital Class B	Share premium account	Reserves	Total equity
1999					
Equity at 1 January 1999	76.8	518.5	–	822.5	1,417.8
Exchange rate adjustments	–	–	–	78.1	78.1
Share issue	–	160.0	2,640.0	–	2,800.0
Employee shares	–	9.0	53.5	–	62.5
Share issue expenses	–	–	(125.4)	–	(125.4)
Own shares	–	–	–	(78.1)	(78.1)
Net profit	–	–	–	236.6	236.6
Equity at 31 December 1999	**76.8**	**687.5**	**2,568.1**	**1,059.1**	**4,391.5**

In June 1999, the Company issued 8,000,000 new B-shares at DKK 350 per share. The share issue was made to finance acquisitions and to provide ISS with financial strength to continue the consolidation of the market in which ISS operates.

In July 1999 the Company acquired 200,000 own shares to cover obligations under the 1998 stock option programme (See also note 2 and 17 in the Notes to the Consolidated Financial Statements).

In the autumn of 1999 the Company made an offer of employee shares, which has resulted in 3,593 employees in 24 countries subscribing for 449,868 B-shares.

The subscription price for the shares offered was DKK 139 per B-share, corresponding to 35% of the then prevailing market price.

The total share isue expenses amount to DKK 125.4m and comprise fees to banks of DKK 114.9m, legal fees and audit costs of DKK 3.2m and other costs of DKK 7.3m.

The share capital includes 3,840,000 class-A shares in DKK 20 denominations and 34,373,601 class-B shares in DKK 20 denominations. As at 31 December 1999, class-A and class-B shares were officially quoted at DKK 440 and DKK 497 respectively. As at 31 December 1999, the Danish Labour Market Supplementary Pension Scheme (ATP), Fidelity Investment, Capital Group, Unidanmark A/S, the Employee's Capital Pension Fund (LD) and Codan Group each held more than 5% of the Company's share capital or the voting rights attached thereto.

As at 31 December 1999 the Board of Management and the Board of Directors held 6,356 A-shares and 21,291 B-shares.

13. Provisions

	1999	1998
Restructuring	–	22.2
Divestments and lawsuits	11.3	20.0
Other provisions	3.8	3.7
	15.1	**45.9**

As the effect of time value of money is not material the provisions are not discounted.

14. Contingent liabilities

The Company has issued performance bonds and guarantees for subsidiaries for service contracts with an annual turnover of DKK 194m (DKK 345m in 1998). Such performance bonds are issued in the normal course of business as a parent company in the service industry. Certain performance bonds and guarantees have no fixed limit. The Company has not paid any compensation under such performance bonds in the past years.

As described in note 2 in the Notes to the Consolidated Financial Statements the Company has implemented stock option based bonus schemes for the Group's Board of Management. As at 31 December 1999 the total outstanding obligation related to these schemes amounts to DKK 32.0m (DKK 17.4m in 1998) based on the stock price at year end. Of this amount DKK 22.4 has been covered by own shares.

The future minimum lease payments under operating leases amounts to DKK 17m (DKK 19m in 1998).

The Company and the other Danish jointly-taxed companies are jointly liable for the taxes on the income subject to joint taxation.

15. Fees to Group auditors

	1999	1998
Audit fees:		
KPMG	1.2	0.8
Deloitte & Touche	0.4	0.3
	1.6	**1.1**
Fees, other than audit fees:		
KPMG	3.1	0.7
Deloitte & Touche	0.5	–
	3.6	**0.7**

Acquisition and Divestment of Businesses

During 1999, the Group made 32 acquisitions:

Company	Service area	Country	Takeover month	Share	Annual turnover DKKm[1])	Number of employees[1])
Vaktmester Kompaniet A/S	Property	Norway	Jan 99	100%	117	200
Ridgeway Cleaning Services Ltd.	Cleaning	UK	Jan 99	100%	26	300
Alfa Service Senter a.s.	Cleaning	Norway	Feb 99	100%	8	58
Høytrykksvakta AS	Industrial	Norway	Feb 99	Activities	5	6
Tallberg Kiinteistöpalvelut	Property	Finland	March 99	Activities	10	50
G.W. Garavaglia Wash Srl	Cleaning	Italy	March 99	100%	32	225
Albertslund Kloakservice ApS	Industrial	Denmark	April 99	100%	67	60
Ergio Group	Food hygiene and cleaning	Spain	April 99	100%	118	1,300
Swirl Holdings Ltd.	Transport	UK	April 99	100%	129	2,100
Svalbard Rengjøringsbyrå AS	Cleaning	Norway	April 99	100%	2	9
Gävle Sanering AB	Industrial	Sweden	May 99	100%	39	57
Arctic Caterings ApS	Catering	Greenland	May 99	Activities	20	32
Økodan ApS	Property	Denmark	May 99	50%	12	15
DATEA	Property	Denmark	May 99	Activities	24	60
Cleaning Partnersystem N.V.	Hospital and cleaning	Belgium	May 99	100%	46	300
Ateriaali	Care	Finland	May 99	55.3%	10	28
BioTec Reinigungstechnik AG	Property	Switzerland	July 99	100%	2	4
Grupo NECA S.A.	Care and transport	Spain	July 99	100%	250	2,800
Abilis			July 99	100%	5,225	50,000
- hereof	Multi service	France			2,840	
	Multi service	Netherlands			1,671	
	Multi service	Belgium			674	
	Multi service	Spain			40	
Antac SARL	Industrial	France	Aug 99	100%	13	26
Ashmoret (1968) Ltd.	Cleaning	Israel	Aug 99	50%	124	3,822
Friaborg AB	Care	Sweden	Sept 99	100%	9	26
Amex Participation SA	Cleaning and special	France	Oct 99	100%	331	2,500
ABC SA and Hygiene Plus SARL	Cleaning and special	France	Oct 99	100%	47	500
Chalk Cleaning AS	Special	Norway	Oct 99	100%	148	885
Suomen Laatutakuu Tulossiivous Oy, Turun Laatutakuu Siivous Oy and Suomen Laatutakuujärjestelmät Oy	Cleaning	Finland	Nov 99	100%	26	235
ServeringsPartner Norge AS	Industrial	Norway	Nov 99	50%	49	137
Renholdservice Notodden AS and Renholdservice Rjukan AS	Cleaning and Industrial	Norway	Nov 99	Activities	8	60
Prolim Servicos Ltda.	Industrial and special	Brazil	Dec 99	100%	147	4,000
Blue Ribbon	Cleaning	UK	Dec 99	100%	180	3,000
Trondheim Vaktmester Selskab AS	Property	Norway	Jan 00	100%	10	27
Franke-Dienst-Group	Hospital	Germany	Jan 00	100%	115	1,200
Total					7,349	74,022

[1]) *Approximate figures based on information available at the time of acquisition*

ISS Subsidiaries, Joint Ventures and Associated Companies

At 31 December 1999

Subsidiary		ISS share
ISS Airest GesmbH	Austria	51%
ISS Central Europe Holding GesmbH	Austria	100%
ISS Servisystem GesmbH	Austria	77%
Abilis Cemstobel-companies	Belgium	100%
Abilis Maintenance S.A.-N.V.	Belgium	100%
CPS N.V.	Belgium	100%
ISS Airport Services S.A.-N.V.	Belgium	100%
ISS Europe N.V.	Belgium	100%
ISS Food S.A.-N.V.	Belgium	100%
ISS Healthcare Services S.A.-N.V.	Belgium	100%
ISS Industrie S.A.-N.V.	Belgium	100%
ISS Servisystem Belgium S.A.-N.V.	Belgium	100%
ISS Servisystem Com.e Ind. Ltda.	Brazil	100%
ISS Sulamericana Commercial Ltda.	Brazil	100%
Prolim Servicos Ltda.	Brazil	100%
ISS Thomas Cowan Sdn. Bhd.	Brunei	50%
ISS Elltech spol.s.r.o.	Croatia	80%
ISS Harvilla spol.s.r.o.	Czech Rep.	100%
Albertslund Kloak Service ApS	Denmark	100%
Albertslund TV-inspektion ApS	Denmark	100%
Enviru A/S	Denmark	75%
ISS Asia A/S	Denmark	100%
ISS Danmark A/S	Denmark	100%
ISS Data A/S	Denmark	100%
ISS Europe A/S	Denmark	100%
ISS Finans A/S	Denmark	100%
ISS Funding A/S	Denmark	100%
ISS Grønland A/S	Denmark	50%
ISS Nordic A/S	Denmark	100%
ISS Overseas A/S	Denmark	100%
ISS Siivouspalvelut Oy	Finland	100%
ISS Suomi Oy	Finland	100%
Yhdyshuolto Oy	Finland	100%
Amex Participations, SAS	France	100%
ISS – Abilis SAS	France	100%
ISS CGS Group	France	100%
ISS France SAS	France	100%
NCI Abilis	France	100%
NCI Rhones Alpes SAS	France	100%
Qualitec SAS	France	100%
TMG SAS	France	100%
Care GmbH	Germany	100%
Dr. Harren Gebäudereinigung GmbH & Co. KG	Germany	100%
Dr. Harren Gebäudereinigung GmbH & Co. KG	Germany	100%
Gebäudereinigung Jörg Lenz Gmbh	Germany	100%
Ibing Beteiligungs-GmbH & Co. KG	Germany	100%

Subsidiary		ISS share
ISS Food Hygiene Service GmbH	Germany	100%
ISS Gebäudeservice OHG	Germany	100%
ISS Gebäudeservice Holding GmbH	Germany	100%
ISS Hansa GmbH	Germany	100%
ISS-NWG Holding GmbH	Germany	100%
Klaus Harren Messereinigungs & Co. KG	Germany	100%
NWG Klinik und Gebäudedienste Gmbh & Co. KG	Germany	66%
NWG Klinik-Entsorgung GmbH & Co. KG	Germany	60%
NWG Klinikdienste-Reinigung-Service GmbH & Co., Berlin	Germany	66 2/3%
NWG Klinikdienste-Reinigung-Service GmbH & Co., Freiburg	Germany	66 2/3%
NWG Klinikdienste-Reinigung-Service GmbH & Co., Hannover	Germany	66 2/3%
NWG Klinikdienste-Reinigung-Service GmbH & Co., München	Germany	100%
NWG Neue Wirtschaftsdienst GmbH & Co. KG	Germany	100%
NWG Neuer Wirtschafts- und Gebäudeservice Sachsen GmbH	Germany	100%
NWG Wäscheservice GmbH & Co. KG	Germany	100%
SAH GmbH – Group	Germany	100%
SRD Service- und Reinigungs-Gesellschaft Duisburg GmbH	Germany	50%
ISS Servisystem S.A.	Greece	100%
ISS ESGO Services Ltd.	Hong Kong	100%
ISS Mediclean (HK) Ltd.	Hong Kong	100%
ISS Sanitation Services (HK) Ltd.	Hong Kong	100%
ISS Servisystem (HK) Ltd.	Hong Kong	100%
Reliance Airport Cleaning Services Ltd.	Hong Kong	100%
ISS Servisystem Kft.	Hungary	100%
PT ISS Servisystem	Indonesia	100%
ISS Contract Cleaners Ltd.	Ireland	100%
ISS Robustelli Srl Italia	Italy	100%
G.W. Garavaglia Wash Srl	Italy	100%
ISS Servisystem Luxembourg S.A.	Luxembourg	100%
ISS Asia Sdn. Bhd.	Malaysia	100%
ISS Servisystem Sdn. Bhd.	Malaysia	30%
Reliance Suci Environmental Sdn. Bhd.	Malaysia	100%
Abilis Cemsto BV	Netherlands	100%
Abilis Eijssink BV	Netherlands	100%
Abilis Holland Partners BV	Netherlands	100%
Abilis Van Heusden BV	Netherlands	100%
Abilis Tecso BV	Netherlands	100%
Abilis ZDG BV	Netherlands	100%
ISS Food B.V.	Netherlands	100%

Subsidiary		ISS share
ISS Hospital Service B.V.	Netherlands	100%
ISS Servisystem B.V.	Netherlands	100%
Stuyves BV	Netherlands	100%
ISS Norge A/S	Norway	100%
Renva A/S	Norway	100%
Sporty Skadeservice A/S	Norway	85%
Telenor Renhold og Kantiner A/S	Norway	49%
Vaktmester Kompagniet A/S	Norway	100%
ISS Multi Service Sp.z.o.o.	Poland	80%
ISS Servisystem Lda.	Portugal	100%
ISS ESGO Pte. Ltd.	Singapore	100%
ISS Greenfingers Pte. Ltd.	Singapore	100%
ISS Hospital Support Services Pte. Ltd.	Singapore	100%
ISS Sanitation Services Pte. Ltd.	Singapore	100%
ISS Servisystem Pte. Ltd.	Singapore	100%
ISS Servisystem spol.s.r.o.	Slovakia	100%
ISS Servisystem d.o.o.	Slovenia	100%
Asnets Espana	Spain	100%
Grupo Ergio	Spain	100%
Grupo Neca	Spain	100%
ISS Higiene Industrial S.L.	Spain	100%
Gävle Sanering AB	Sweden	100%
ISS Care Service AB	Sweden	100%
ISS Sverige AB	Sweden	100%
Norrköping Fabriks- och Industrisanering AB	Sweden	100%
ISS Airport Multiservice A.G.	Switzerland	50%
ISS Airport Multiservice S.A.	Switzerland	50%
ISS Commultiservice A.G.	Switzerland	80%
ISS Food Hygiene Services A.G.	Switzerland	100%
ISS Holding S.A.	Switzerland	100%
ISS Hospital Service A.G.	Switzerland	100%
ISS Servisystem A.G.	Switzerland	100%
LSS-Swissport Luggage Sorting System A.G.	Switzerland	50%
International Servex Cleaning Co. Ltd.	Thailand	100%
ISS ESGO Co. Ltd.	Thailand	100%
Reliance Environmental Services Co. Ltd.	Thailand	100%
Airspeed Hygiene Systems Ltd.	UK	100%

Subsidiary		ISS share
Blue Ribbon Group PLC	UK	100%
ISS Cleaning Services Ltd.	UK	100%
ISS Food Hygiene Ltd.	UK	100%
ISS London Ltd.	UK	100%
ISS Mediclean Ltd.	UK	100%
ISS Scotland Ltd.	UK	100%
ISS Servisystem Ltd.	UK	100%
ISS Transport Services Ltd.	UK	100%
ISS UK Ltd.	UK	100%
Ridgeway Cleaning Services Ltd.	UK	100%
Swirl Holdings Ltd.	UK	100%

Joint Ventures

ISS-Ashmoret Ltd.	Israel	50%
M.A.SH Machatz Agencies (1997) Ltd.	Israel	50%
Abans Environmental Services (PT) Ltd.	Sri Lanka	50%

Associated Companies

Beijing ESGO Xin Sha Building Services Co. Ltd.	China	50%

Group Financial Overview 1992-1999
Amounts stated in Euro

Financial highlights	1999	1998	1997	1996	1995	1994	1993	1992
Turnover	2,662	1,855	1,584	1,443	1,236	1,082	1,110	1,123
Operating profit [1]	137	99	86	74	54	49	56	55
Net profit/(loss)	32	28	61	(249)	3	43	55	25
EVA [2]	35	31	24	–	–	–	–	–
Sustainable cash flow [2]	51	59	48	39	42	26	29	68
Total assets	1,838	961	627	624	821	774	782	695
Goodwill	1,015	404	217	229	239	188	168	178
Total equity	596	195	176	120	366	384	298	260
Interest bearing debt, net [2]	410	255	45	91	90	73	192	81
Dividends declared	–	–	8	–	9	9	7	6
Key figures [2]								
Earnings per share (EPS), EUR	0.93	1.25	1.11	0.46	0.89	0.67	0.91	0.83
Earnings after tax before goodwill amortisation per share, EUR	2.48	2.20	1.78	1.09	1.44	1.11	1.36	1.37
Sustainable cash flow per share (CEPS), EUR	1.51	1.99	1.61	1.31	1.40	0.95	1.12	2.63
Dividend per share, EUR	–	–	0.27	–	0.30	0.30	0.27	0.23
Equity ratio, %	32.4	20.3	28.1	19.3	44.5	49.7	38.1	37.4
Interest coverage [3]	7.98	9.41	11.94	7.31	–	–	–	–
Average number of shares, m	33.80	29.76	29.76	29.76	29.76	27.10	25.97	21.64
Quoted share price, 31 December								
A-shares, EUR	59	52	32	20	18	22	31	27
B-shares, EUR	67	57	34	21	17	22	31	26
Market capitalisation, EURm	2,523	1,672	997	613	507	660	794	558
Number of employees at year-end	216,700	137,800	106,600	103,400	96,650	78,300	79,000	84,900

The exchange rate used is of 31 December 1999. (EUR/DKK=7.44)

Note: The financial statements are audited and have been prepared on the same principles as in previous years. Comparative figures for 1992-1996 are excluding ISS Inc. The presentation of certain items in the balance sheet has been changed. Deferred tax assets and liabilities are presented gross after set-off of assets and liabilities within the same legal tax unit and jurisdiction. Comparative figures and key figures are restated accordingly.

[1] Before other income and expenses
[2] Cf. Page 86 for definitions
[3] Interest coverage prior to 1996 omitted due to lack of comparability

Group Financial Overview 1992-1999

Amounts stated in Danish Kroner

Financial highlights	1999	1998	1997	1996	1995	1994	1993	1992
Turnover	19,802	13,801	11,782	10,738	9,198	8,053	8,259	8,355
Operating profit [1]	1,021	735	639	553	405	364	413	411
Net profit/(loss)	237	211	451	(1,856)	20	323	406	188
EVA [2]	261	227	176	–	–	–	–	–
Sustainable cash flow [2]	381	440	356	290	309	192	216	508
Total assets	13,673	7,149	4,667	4,644	6,108	5,754	5,819	5,172
Goodwill	7,553	3,005	1,614	1,703	1,777	1,399	1,249	1,323
Total equity	4,430	1,454	1,310	894	2,721	2,859	2,219	1,933
Interest bearing debt, net [2]	3,050	1,897	338	678	670	545	1,429	600
Dividens declared	–	–	60	–	66	66	52	43
Key figures [2]								
Earnings per share (EPS), DKK	6.91	9.28	8.29	3.41	6.61	4.95	6.76	6.21
Earnings after tax before goodwill amortisation per share, DKK	18.41	16.37	13.28	8.10	10.69	8.28	10.10	10.16
Sustainable cash flow per share (CEPS), DKK	11.27	14.78	11.96	9.75	10.39	7.08	8.31	19.58
Dividend per share, DKK	–	–	2.00	–	2.20	2.20	2.00	1.70
Equity ratio, %	32.4	20.3	28.1	19.3	44.5	49.7	38.1	37.4
Interest coverage [3]	7.98	9.41	11.94	7.31	–	–	–	–
Average number of shares, m	33.80	29.76	29.76	29.76	29.76	27.10	25.97	21.64
Quoted share price, 31 December								
A-shares, DKK	440	390	237	149	132	165	231	201
B-shares, DKK	497	422	251	154	126	165	227	190
Market capitalisation, DKKm	18,773	12,437	7,417	4,564	3,773	4,911	5,911	4,149
Number of employees at year-end	216,700	137,800	106,600	103,400	96,650	78,300	79,000	84,900

Note: Please refer to notes on page 84

Definitions of Key Figures

Sustainable cash flow	=	Cash flow from operations – Depreciation
Interest bearing debt, net	=	Long-term debt + Current portion of long-term debt + Bank loans and other debt - Liquid funds
Earnings per share (EPS), DKK	=	$\frac{\text{Net ordinary profit x f}}{\text{Average number of shares}}$
Earnings after tax, before goodwill amortisation per share, DKK	=	$\frac{\text{Ordinary profit before amortisation of goodwill x f}}{\text{Average number of shares}}$
Sustainable cash flow per share (CEPS), DKK	=	$\frac{\text{Sustainable cash flow x f}}{\text{Average number of shares}}$
Dividend per share, DKK	=	Dividends declared per share x f
Debt ratio	=	$\frac{\text{Interest bearing debt, net}}{\text{Interest bearing debt, net + market capitalisation}}$
Equity ratio, %	=	$\frac{\text{Total equity x 100}}{\text{Total assets}}$
Interest coverage	=	$\frac{\text{Operating profit before other income and expenses}}{\text{Financial expenses, net}}$
Economic Value Added (EVA®), DKK	=	NOPAT – Capital Charge

NOPAT	=	Net Operating Profit After Tax
Capital Charge	=	Capital invested x Cost of Capital
Cost of Capital	=	Weighted Average Cost of Capital (WACC)

The adjustment factor (f)
is used in connection with share offerings made to existing shareholders when the subscription price is below the market price at the time of the offering. The adjustment factor must be used for calculating comparable figures for EPS and CEPS and dividends per share for the years before the offering. The adjustment factor was 0.8333 or 1992 and 1.0 for other years.

The definition of certain key figures deviate from the definitions set out by The Danish Association of Financial Analysts, as the definitions used are seen to be more appropriate for the ISS business.

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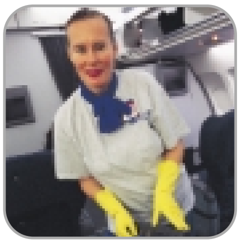

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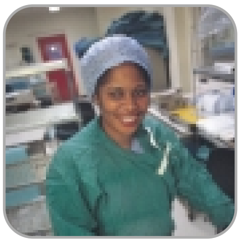

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