

Q1 : Q2 : Q3 : Q4

INTERIM REPORT 2:2009



COOR  
SERVICE  
MANAGEMENT

Coor Service Management is the Nordic leader in integrated facilities management. The company specialises in managing, developing and streamlining the various service functions corporations or public authorities need for smoothly functioning core business. Read more at [www.coor.com](http://www.coor.com).

## The period January – June 2009 (compared to corresponding period of 2008)

- Net sales increased by 9% to SEK 2,925 (2,680) m.
- EBITA down 11% to SEK 138.6 (156.1) m, primarily explained by the positive effect of a non-recurring revenue item in the previous year. Excluding this non-recurring revenue, EBITA margin reduced by 0.3 percentage points which is explained by the investments in central resources made in 2008 to cope with new business.
- New service management contracts on accounts including GN Store Nord (Denmark) and Statoil Hydro (Norge), simultaneous with multi-year extensions on contracts, primarily with Östergötland County Council, E.ON and AB Volvo (all in Sweden).
- Higher growth through the acquisition of FM provider Smedsrud & Sønner (Norway).

## Comments

*The group's growth in the period was healthy, despite the recession causing reduced service support requirements from some existing customers, thus contributing to lower sales. The year-on-year increase is primarily explained by new contracts and acquisitions in the second half-year 2008, and positive currency effects.*

*The profitability of the contract portfolio is stable, although the EBITA margin did reduce to 4.7 (5.8)%. The main explanations for the change on the previous year is a non-recurring revenue item in the second quarter of 2008, investments in central resources made in 2008 to exploit future business opportunities and weaker profitability in Norway.*

*Despite weak economic conditions, market activity remains brisk. Interest in service management solutions is high right across the Nordic region.*

Mats Jönsson, CEO and President

### EARNINGS SUMMARY, GROUP

SEK m	Jan-Jun			Rolling 12 mth.	Full yr. 2008
	2009	2008	Chg. %		
Net sales	2,925	2,680	9.2	5,985	5,740
EBITA	138.6	156.1	-11.3	329.2	346.8
EBITA margin, %	4.7	5.8	-18.7	5.5	6.0
EBITA excl IAC	150.5	147.7	1.9	390.6	387.8

## Coor Service Management in brief

Coor Service Management (Coor) is the Nordic leader in service management, a more highly developed form of integrated facilities management (IFM). The company has the market's broadest and most enhanced service offering, extending from traditional FM services to production-related and advisory services relating to the strategic development of customers' FM operations. Coor collaborates with many of the largest private companies in the Nordic region, and with local government authorities.

The company sources growth from new business (new customer agreements on FM services or takeovers of existing FM contracts), acquisitions of competitors (independent FM businesses) or extra sales to existing customers.

## Consolidated net sales and earnings in the period

### Net sales

Net sales were SEK 2,925 (2,680) m in the January-June period, equating to growth of 9% year on year. The increase is mainly explained by new contracts and acquisitions on all markets in 2008, and positive currency effects from Denmark and Finland. The increase was offset by reduced volumes on existing accounts, driven by economic conditions, mainly in Sweden.

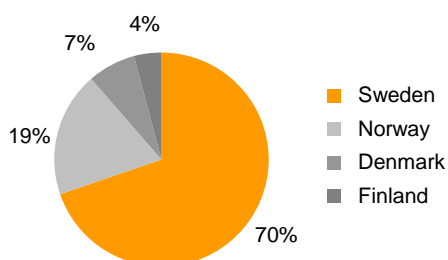
### Earnings and margins

EBITA for the January-June period was SEK 139 (156) m, a -11% change year on year. The EBITA margin reduced to 4.7 (5.8)%, despite firm cost control and good gross income in the underlying contract portfolio. The margin change is mainly due to non-recurring compensation totalling some SEK 23 m from a customer in the second quarter 2008. Excluding this non-recurring revenue, EBITA margin reduced by 0.3 percentage points, which is explained by the investments in central resources made in 2008 to cope with new business, with the resulting increase to central costs.

## Performance by market in the period

The company's operations are divided into four geographical markets: Sweden (including smaller-scale businesses in Belgium and Canada), Norway, Finland and Denmark.

Net sales by market



**Sweden**

Net sales in Sweden in the January-June period were SEK 2,037 (2,073) m, a 2% decrease. Growth from new contracts signed in 2008 was not sufficient to offset reduced volumes from a number of current customers, mainly driven by economic conditions.

EBITA for the period was SEK 117.4 (129.4) m, down 9% year on year. The EBITA margin contracted from 6.2% to 5.8%, due to non-recurring compensation of some SEK 23 m from a customer, which affected earnings positively in the second quarter 2008. Excluding this non-recurring revenue, the EBITA margin increased by 0.7 percentage points year on year. Gross margin in the underlying contract portfolio is stable and healthy.

All major contracts that expired in the first half-year were extended, albeit at somewhat lower volumes than previously. Major renegotiated contracts include Östergötland County Council, E.ON and AB Volvo. In June, Coor also reached an agreement to acquire Vasakronan Service Partner (VSP), which delivers workplace services in large office buildings, taking possession on 1 September.

**Norway**

Net sales in Norway in the January - June period were SEK 554 (401) m, a 38% increase. New customer contracts entered between the periods and acquisitions of other independent FM businesses are the main explanations for the increase.

EBITA for the period was SEK 29.3 (31.8) m, while the EBITA margin reduced from 7.9% to 5.3%. The change in margin is explained partly by enhancements of central resources conducted to safeguard future growth, and partly that some contracts have not progressed as planned. Special remedial packages for lower-margin contracts have been prepared.

In the first half-year, Coor acquired decontamination company Smedsrud & Sønner in Norway, bringing annualised sales of some SEK 50 m. A new FM contract was also signed with Statoil Hydro for its operations at Harstad.

In June, Coor exercised its option to acquire the remaining 50% of Norwegian company Coor Service Management AS from Det Norske Veritas. However, the transaction had no earnings effect because this operation has been 100% consolidated since 2007.

**Denmark**

Net sales in Denmark in the January - June period were SEK 213 (122) m, a 75% increase. More contracts with new customers, extended contracts with existing customers and positive currency effects explain the growth between the periods.

EBITA for the period was SEK -1.4 (0) m. Despite a stable and favourable gross margin in the contract portfolio, the EBITA margin fell from 0 to -0.6%, mainly due to investments in central resources, which are having a short-term negative impact on Denmark's margin.

New agreements were signed with GN Store Nord and Ernst & Young in the period.

**Finland**

Net sales in Finland in the January - June period were SEK 120 (83) m, a 44% increase. The increase between the periods is mainly explained by acquisitions of other FM companies completed in 2008 and positive currency effects.

EBITA for the period was SEK -6.7 (-5) m. The main reason for the slight deterioration of earnings is increased investments in central resources to cope with expected growth. Gross margins in the underlying contract portfolio are satisfactory and the EBITA margin rose from -6.0% to -5.6%.

### Financial position

The group's consolidated net debt was SEK 2,882 (2,388) m at the mid-point of the year.

Equity was SEK 1,892 (2,651) m. The equity ratio fell by some 8 percentage points to 25.8 (34.0)%, mainly due to amortisation and impairment losses on intangible fixed assets.

### Organisation and human resources

Coor had 4,089 (3,653) employees at the end of the period, or 3,899 full-time equivalents. Employees mean full-time employees (including employees that have been given notice) and fixed-term employees that are paid a monthly salary.

The increased employee headcount is mainly due to staff taken on relating to new business, takeovers and acquisitions conducted between the comparative periods. However, some staff reductions were made in the first half-year 2009, with notices issued to adapt operations to downscaled service support requirements from customers affected by the recession.

### Market view and outlook

Despite a persistent weak economy, market activity remains brisk. Interest in service management solutions remains high right across the Nordic region. However, the weak economy is affecting Coor's sales and earnings adversely through a number of the company's current customers downsizing and rationalizing, reducing their service support requirements. However, customers that need to rationalise also bring business opportunities to Coor.

### Significant events after the end of the period

On 1 September, Coor took possession of FM company Vasakronan Servicepartner, with sales of some SEK 150 m and 150 employees.

### For more information

Questions about this report should be addressed to our CEO Mats Jönsson (tel: +46 (0)8 553 95950) or CFO Olof Stålnacke (tel: +46 (0)8 553 95920). Questions about our business or the company otherwise should be addressed to Communication Manager Åsvor Brynnel (+46 (0)8 553 95404).

*Mats Jönsson*

Chief Executive Officer and President

Solna, Sweden, 24 September 2009

The Report for this period has not been subject to summary review by the Auditors.

## Financial summary

Group Income Statement (SEK 000)	Jan-Jun			Rolling	Full yr.
	2009	2008	Chg. %	12 mth.	2008
Net sales	2,924,973	2,679,725	9%	5,985,632	5,740,384
Cost of goods sold	-2,529,391	-2,276,542	11%	-5,195,006	-4,942,157
<b>Gross income before amortisation and impairment of intangible assets</b>	<b>395,582</b>	<b>403,183</b>	<b>-2%</b>	<b>790,626</b>	<b>798,227</b>
Amortisation and impairment of intangible assets	-116,832	-104,134	12%	-516,940	-504,242
<b>Gross income</b>	<b>278,750</b>	<b>299,049</b>		<b>273,686</b>	<b>293,985</b>
Selling and administration expenses	-257,981	-247,197	4%	-465,079	-454,295
Other profits (+) / losses (-) - net		149	-	-149	0
Other revenue/expenses	960	0		3,828	2,868
<b>Operating income (EBIT)</b>	<b>21,729</b>	<b>52,001</b>	<b>-58%</b>	<b>-187,714</b>	<b>-157,442</b>
Amortisation of intangible assets	116,832	104,134	12%	516,940	504,242
<b>EBITA</b>	<b>138,561</b>	<b>156,135</b>	<b>-11%</b>	<b>329,226</b>	<b>346,800</b>
IAC	11,966	-8,470	-241%	61,410	40,974
<b>EBITA excl IAC</b>	<b>150,527</b>	<b>147,665</b>	<b>2%</b>	<b>390,636</b>	<b>387,774</b>
Depreciation of tangible fixed assets	21,056	22,660	-7%	44,268	45,872
<b>EBITDA excl IAC</b>	<b>171,583</b>	<b>170,325</b>	<b>1%</b>	<b>434,904</b>	<b>433,646</b>

Group Balance Sheet (SEK 000)	30 Jun		31 Dec
	2009	2008	2008
Intangible assets	5,631,245	5,922,925	5,656,257
Other fixed assets	288,660	310,039	289,919
Trade receivables	803,833	855,392	927,558
Cash and cash equivalents	297,911	346,057	319,294
Other current assets	325,066	366,352	323,345
<b>Total assets</b>	<b>7,346,715</b>	<b>7,800,765</b>	<b>7,516,373</b>
Equity	1,892,087	2,650,821	1,946,923
Long-term liabilities <sup>1</sup>	3,693,761	3,660,963	3,569,110
Current liabilities <sup>1</sup>	1,760,867	1,488,981	2,000,340
<b>Total liabilities and equity</b>	<b>7,346,715</b>	<b>7,800,765</b>	<b>7,516,373</b>
<sup>1</sup> of which interest-bearing liabilities			
Interest-bearing long-term liabilities	2,836,434	2,740,782	2,704,742
Interest-bearing current liabilities	471,105	126,558	312,725

## Definitions and calculating key ratios

<b>Cost of goods sold</b>	Costs directly related to the provision of invoiced services, and depreciation of machinery and equipment.
<b>EBITA</b>	(Earnings before interest, taxes and amortisation); operating income before amortisation of intangible assets.
<b>EBITA excl IAC</b>	(Earnings before interest, taxes and amortisation); operating income before amortisation of intangible assets and items affecting comparability.
<b>Net sales growth</b>	Net sales in the period as a percentage of the previous period's net sales.
<b>EBITA margin</b>	EBITA as a percentage of net sales.
<b>Equity-assets ratio</b>	Consolidated equity and reserves as a percentage of total assets.
<b>Net debt</b>	Total interest-bearing liabilities and provisions less interest-bearing assets, including cash and cash equivalents.