

# Annual Review 2010

Coor Service Management Group AB



# THE FINANCIAL YEAR 2010 IN BRIEF

- Coor commenced a number of partnerships with new customers in the year, including Atlas Copco (Sweden), Danmarks Radio (Denmark), Kemira Kemi (Sweden), Linköping City Airport (Sweden), Nordea (Norway), SHP/Nya Karolinska Solna (Sweden) and Statoil (Sweden and Denmark). These new contracts equate to total annual sales of some SEK 810 m.
- Virtually all contracts renegotiated in the financial year were extended, including Arcus (Norway), Banverket (Sweden), Det Norske Veritas (Norway), EDB (Norway), ICA (Sweden) and SJ (Sweden). Extended contracts have total annual sales of some SEK 430 m. Two major contracts with annualized sales of some SEK 200 m were not extended.
- In year-on-year terms, sales increased by 7% to SEK 6,293 (5,906) m. The sales increase is primarily explained by new contracts, as well as increased project volumes on existing accounts. Excluding currency effects, sales increased by 8%.
- EBITA excl. other items increased to SEK 384 (360) m. Margins were unchanged on 2009 at 6.1 (6.1)%. The underlying gross margin on contracts reduced somewhat, mainly due to a sharp increase in costs for snow clearance on several contracts in the year due to extreme winter conditions in the first and fourth quarters.
- Operating cash flow reduced by -40.9% year on year, to SEK 332 (561) m. This change is primarily explained by fundamental rationalization of the group's operating capital in the previous year, resulting in lower opening working capital for 2010.

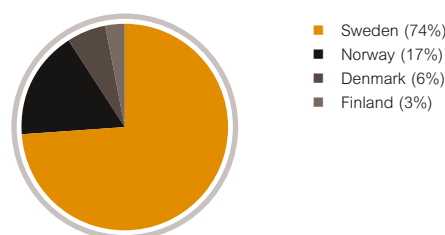
## THREE-YEAR SUMMARY 2008 TO 2010

	2010	2009	2008
Net sales, SEK m	6,293	5,906	5,740
EBITA excl. other items, SEK m	384.1	360.3	389.8
EBITA margin excl. other items, %	6.1%	6.1%	6.8%
Operating income (EBIT), SEK m	-155.9	-190.8	-157.4
Operating margin (EBIT margin), %	-2.5%	-3.2%	-2.7%
Operating cash flow, SEK m	331.5	561.2	220.1
No. of employees	4,269	4,279	4,053

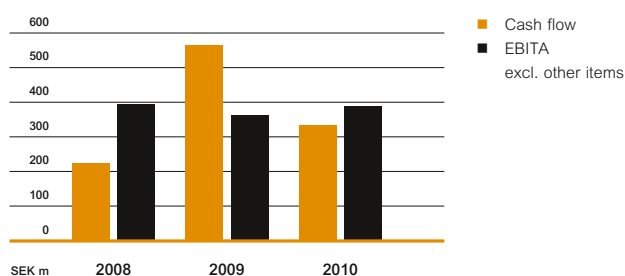
For definitions of key ratios, see page 31

## NET SALES BY MARKET IN 2010

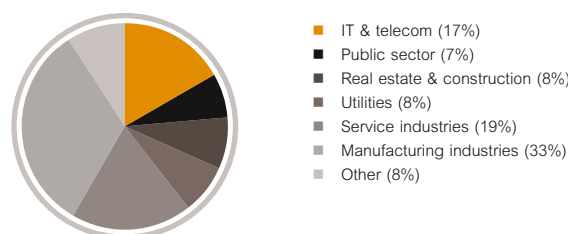
Total sales in 2010: SEK 6,293 m



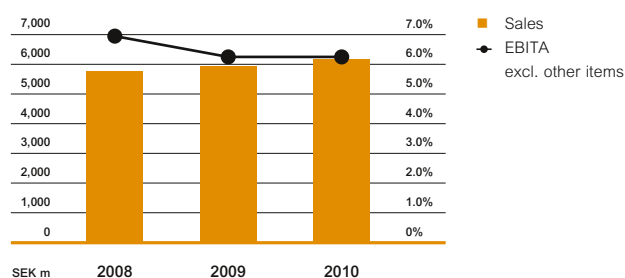
## EBITA AND OPERATING CASH FLOW



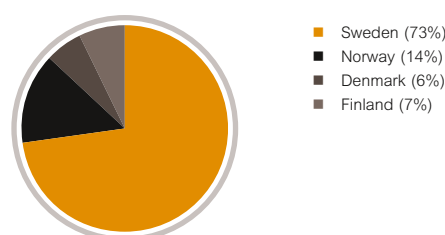
## NET SALES BY CUSTOMER GROUP IN 2010



## NET SALES AND EBITA MARGIN



## AVERAGE NO. OF EMPLOYEES BY MARKET IN 2010



# THIS IS COOR

Coor is the leading FM provider in the Nordics, focusing mainly on integrated and complex overall assignments. Coor delivers specialist competence in four segments: workplace services (soft FM), property services (hard FM), industrial services and strategic consultancy. By combining services from all or parts of these service segments, Coor delivers unique, effective and flexible solutions tailored for each customer. The company creates value by managing, developing and streamlining customers' service management operations so they support core operations optimally over time.

Coor's customer base includes a large number of large corporations and public authorities including AB Volvo, Danmarks Radio, Det Norske Veritas, EDB, E.On, Ericsson, Ernst & Young, Kemira Kemi, Gävleborg County Council, Östergötland County Council, Logica, NCC, Nordea, Saab, Sandvik, Sapa, SAS, Skanska, Siemens, Vasakronan, Vattenfall and Volvo Cars. Coor is highly accountable for its business to customers, but also its employees, suppliers, the environment and wider society.



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*This document is based on financial information for Coor Service Management Group AB (corporate identity number 556739-7665), parent company of the Coor Service Management Group AB group, for the financial year 2010.*

*All amounts are in thousands of Swedish kronor (SEK 000) unless otherwise indicated. Figures in brackets are for the previous year.*

# INTELLIGENCE SERVICE IS OUR SHARPEST COMPETITIVE EDGE

*We can put another good financial year in our locker, and prepare ourselves to exploit the huge new business opportunities that still exist in the Nordic markets.*

## A GOOD YEAR WITH TWO BREAKTHROUGHS

I could summarize the financial year we've just completed as follows: sales growth of 7%, retained profit margin, several new accounts and retained customer satisfaction. Overall, I think these are good results. And if we factor in the volume contraction on current contracts through the recession and the extraordinary costs we incurred for snow clearance in the first and final quarters, we could actually think of this as a really good year. The reason we can put another good year in our locker is that we succeeded in offsetting cost increases and agreed price discounting to customers through efficiency improvements, and our sales work was highly successful.

Thus we're continuing to grow. We secured several new accounts in 2010, which we're really pleased and proud of. We secured these assignments in highly competitive tenders, which corroborate the strength of our offering. Our new accounts include two milestones for Coor, because they are breakthroughs for us on different markets:

- The first is our agreement with SHP/NKS, which involves us designing and delivering hard and soft FM for the new university hospital currently under construction in Stockholm, which runs until 2040. This agreement is structured as a PPP, and is the biggest ever of its type in the Nordics. We, like the whole sector, hope that this deal will pave the way for more PPPs in the Nordics going forward.
- The second momentous agreement for us was our new contract with Danmarks Radio (DR), which is our biggest FM deal in Denmark. We hope and believe that this will pave the way for more large contracts in the Danish market too.

In the good economic conditions we currently find ourselves, our first duty is to exploit the growth opportunities in the market. Business conditions remain good, and we are also seeing opportunities for increasing project volumes on several accounts. After a period of hesitancy, many people are taking their foot off the brake, which is benefiting us.

## STABLE PROGRESS ON A MORE DEVELOPED MARKET

The Nordic markets evolved increasingly in 2010, and this triggered increased demands from customers and greater competition between providers. This progress is completely natural and very healthy, because it results in more effective and better FM operations, which ultimately, result in greater competitiveness and better services to our society.

When competition increases, it is important to safeguard your competitive benefits. In our case, this is about continuing to focus on creating tailored, value-added FM solutions, which constantly develop on the basis of our customers' changing needs and challenges. Ultimately, our current and future customers' perceptions of our service delivery, will obviously determine how our business develops. But our view is crystal clear: intelligence service is, and will remain, our biggest competitive edge in the struggle for new—and loyal—customers.

## CONTINUED PROGRESS IN 2011

So we can deliver intelligent and value-creating services, we have to be at the leading edge, constantly enhancing our service delivery and our services. We are continuing on this in several ways going into 2011. Coor is continuously executing a number of improvement initiatives and development projects, and there are three that are of special interest.

1) Clearer customer benefit through strategic development plans  
To link our delivery and proactive change work to customers' business challenges more clearly than before, in 2011, we are introducing a strategic development plan for each customer.

2) Greater mobility and better communication using new technology  
Undoubtedly, new technology is the greatest catalyst of our era. Progress, supported by IT, is unbelievably rapid, and is also opening new possibilities for us. We are currently implementing several development projects in parallel, which examine how we can increase our availability, delivery monitoring, mobility and customer dialogue using new technology.

3) Continued focus on sustainable development through Coor Green Services  
Sustainability issues are here to stay. Running every business with the minimum impact on the environment and wider society is now self-evident. Our proprietary Green Services labeling has become a big success for our customers, and we'll be expanding this tool to cover industrial services soon.

In our pledge of intelligent and value-creating FM solutions there is a commitment that everyone at Coor tries to fulfill every day. In conclusion, I'd like to say a big thank-you to all our employees and suppliers whose work contributes to fulfilling this commitment.

**Mats Jönsson**  
CEO and President

Stockholm, Sweden, March 2011.



# A MARKET WITH POTENTIAL

*Coor is active on the FM market, and offers the public and private sector FM services (soft and hard FM) and industrial services. The Nordic markets all increasingly evolving in these segments, but demand is high and business opportunities are substantial.*

## MARKET REVIEW

Coor delivers FM-related and industrial services, as well as strategic consultancy. The common feature of Coor's services is they are delivered at or around customers' premises or production—on-site services.

Outsourcing different FM services to a specialized FM provider is becoming more common right across the Nordics. The earliest adopters were those that chose to outsource one or several FM services like cleaning, restaurant services, security services and real estate services, to suppliers that specialize in single services. But from the mid-1980s onwards, outsourcing multiple services to a provider of integrated facilities management (IFM), such as Coor, became more common. In recent years, industrial services have also been outsourced as part of IFM.

In the absence of a common sector market definition, there is no general information on the scale of the market and its progress in the Nordics. However, Coor estimates that the Nordic market for FM and industrial services is worth some SEK 500-600 bn.

The overall view is that the Nordic markets are progressively evolving. The expected growth rate is high, well exceeding GDP growth. This applies especially to outsourced IFM solutions, which are gaining ground at the expense of outsourced single services and in-house solutions. High growth rates are also expected for the industrial services segment.

## MARKET POSITIONING

Coor is a market leader in complex, integrated FM assignments for large customers in the Nordics. Its market position is strongest in Sweden, followed by Norway, Denmark and Finland. Apart from its sharp focus on IFM assignments, Coor differs from its competitors in the breadth of its service offering and its ability to manage, develop and streamline FM delivery so that over time, it supports customers' core operations optimally.

Alongside Coor, the largest FM players in the Nordics are Addici, Compass Group, Dalkia, ISS, Johnson Controls, Lassila & Tikkanen, NEAS, Sodexo and YIT. The largest industrial services players are ABB, Bilfinger Berger, Euro-maint and Maintpartner. Consolidation among market participants continues, and merger and acquisition activity remained brisk in 2010.

## PROGRESS IN 2010

Market activity for FM and industrial services increased in 2010. The combination of greater certainty about economic progress and needs to cut costs meant an increasing number of operations conducting new tenders for FM services.

## Progress in the Nordics

Outsourcing levels are fairly high in Sweden, and IFM solutions are commonplace among large private companies. The public sector harbors very substantial outsourcing potential, but progress is expected to be slow. The segment expected to generate the highest growth in Sweden is industrial services.

Outsourcing levels are also fairly high in Denmark, and IFM solutions are also common among private companies here.

Finland has the highest outsourcing levels of the Nordics, but primarily to external specialists for single services. As yet, IFM solutions remain fairly unusual.

Of the Nordic countries, outsourcing levels are lowest in Norway, although growth here has been highest for a number of years. More Norwegian companies are seeing the benefits of letting an external specialist manage FM support services.

## The FM market

Interest in IFM solutions grew in the year. The largest private companies were first, but SMEs also started to choose more IFM solutions than previously. Progress in Denmark was especially positive, with a large number of really large tenders, which was a trend-break on business in previous years, most of which was by small and mid-sized players.

Generally, interest in outsourcing FM services is rising in the public sector, although progress is slow. As previously, public sector business in 2010 was mainly for single services, although some large-scale IFM tenders were also conducted. Discussions on PPPs also resulted in service delivery for the new NKS university hospital in Stockholm, being structured as an integrated FM solution. This was a pioneering deal for the public sector and one of the biggest single FM tenders for several years.

## The industrial services market

Interest in broader-based FM solutions, extending to industrial services, also increased in the industrial sector. This was mainly in Sweden, where activity grew late in the year. More industrial services companies are seeing the benefits of downscaling their supplier bases and securing closer partnerships with fewer vendors. Some industrial companies went as far as sourcing fully integrated FM solutions.

# STRATEGIC FOCUS

*Coor has had a constant strategic focus right since operations started over ten years ago, summarized in a clear vision, plus unequivocal goals and strategies for its business.*

## BUSINESS CONCEPT AND VISION

Coor's business concept is to take over, manage and develop services in offices, production facilities, the public sector and real estate.

Coor's vision is to be the leading integrated facilities management provider in the Nordics. This means the company is the customer's first choice provider and our employees' first choice employer.

## STRATEGY

Coor has defined strategies in three key segments, which reflect the group's fundamental strengths: strong positioning on selected markets, a value-adding and tailored offering, and flexible, effective and structured service delivery.

### Market positioning strategy

The key elements of Coor's market positioning are to:

- Exploit market growth to expand operations
- Identify major private and public sector accounts with complex service support requirements
- Be the leading or main alternative to the leading IFM provider in each of the Nordic countries
- Capitalize on growth potential in new segments

### Service offering strategy

The key elements of Coor's service offering strategy are to:

- Deliver tailored FM solutions for each customer
- Create value-added for customers
- Offer the customer a single point of contact for all services

### Service delivery strategy

The key elements of Coor's service delivery strategy are:

- Services delivered on-site with the customer
- Services delivered by combining Coor staff and subcontractors
- Develop quality-assured service delivery processes with effective IT support
- To motivate, develop and hire the right people

## LONG-TERM FINANCIAL GOALS

The group's long-term, overall financial goals are:

### Growth

Estimated yearly market growth is 6-8%. Coor's objective is to grow in line with, or above, market levels.

### Profitability

Coor's EBITA margin excl. other items should increase over time.

The group achieved its growth target in 2010, but did not reach its profitability target fully. Net sales grew by 8% adjusted for negative currency effects, estimated to be above overall Nordic market growth. The EBITA margin excluding other items was an unchanged 6.1%. The group's financial performance is reported in more detail on pages 28-31.

## SUSTAINABILITY TARGETS

To ensure that operations are run in a business-like, ethical, socially and environmentally responsible manner, Coor conducts active sustainability work. Each year, it formulates objectives in the sustainability segment, which it measures at the end of the year. Most of the group's sustainability targets were achieved in 2010, as reported in the dedicated Sustainability Report on pages 19-27.

## OPERATIONAL OBJECTIVES FOR 2010

Each year, Coor sets group-wide targets in four main segments; financial, customer/market, service delivery and human resources. Some of these targets are permanent, while others are adapted to the group's current challenges. Permanent operational goals include cash flow, earnings, sales, employee satisfaction and customer satisfaction. The special focus targets established in 2010 related to segments including the working environment, number of improvement proposals implemented (per employee) and purchasing.

Operational targets are broken down and addressed by country, contract, site and work-group. In this way, there is a clear connection between the work of the individual and the group's over-arching goal, with the whole business working in the same direction.

These targets are measured yearly and special action-plans are prepared for any segments making poor progress.



# A VALUE-ADDING AND COMPLETE OFFERING

*Coor delivers the market's broadest and most intelligent FM solutions. Every delivery is tailored to the customer's challenges and is constantly adapted to new needs and circumstances, creating value for our customers.*

## THE MARKET'S BROADEST AND MOST INTELLIGENT SERVICE OFFERING

Coor makes the market's broadest-based service offering. The company possesses in-depth competence in over 100 FM services, divided into four service segments: soft FM, hard FM, industrial services and strategic consultancy. These services are mainly delivered at or around the premises customers use in their business. By combining services from these segments, FM solutions are tailored for each customer.

Coor's strength is to deliver and develop IFM services to large corporations and public institutions with complex service support requirements. Unlike other FM providers, Coor adds value for its customers not only by delivering services but also by managing, developing and streamlining customers' FM functions so they support customers' core operations optimally in every context. What Coor delivers is intelligent services, which are constantly developed and tailored to the customer's circumstances and challenges.

The benefits of IFM solutions

There are many benefits in outsourcing FM services to an IFM specialist:

- **Sharper competitiveness:** by transferring responsibility to a specialist, customers free up time and resources that they can use instead to develop their core operations and sharpen their competitiveness.
- **Cost savings:** Coor guarantees cost savings of up to 30%.
- **More flexibility:** Coor's flexible contract solutions enable easy up or downscaling of quality and scope of services based on exogenous changes and the customer's progress and needs—now and in the future.
- **Specialist skills and methodology:** Coor's customers get access to experience and specialist competence across a raft of key services segments. Coor also guarantees its customers quality-assured and effective working processes and methods, supported by state-of-the-art IT-based systems—fully tailored for service delivery.
- **A strong culture of service-mindedness:** Coor offers all staff training and individual development opportunities to guarantee a strong culture of service-mindedness. This brings customers more committed FM staff.
- **Simplicity and overview:** Coor's organization and delivery is tailored to each customer, and there is a dedicated contract manager for every customer with ultimate responsibility for the complete delivery. Coor assumes substantial overall responsibility for tactical and operational matters, and continuously monitors delivery on a structured basis. This means

that Coor's customers can easily monitor delivery and take the strategic decisions.

- **Proactive improvement work:** Coor has a strong culture of ideas and adds value for its customers by proactively proposing improvements and changes that enhance FM operations.

### Flexible customer agreements

The starting-point of Coor's business is formalized by the agreements it signs with its customers. These agreements normally run for between three and five years. To ensure smooth collaboration without conflicts, Coor prioritizes the design of its agreements. Its objective is clear, comprehensive agreements that always have scope for flexibility. Normally, agreements include a base subscription consisting of a number of base services delivered for a fixed monthly fee. Customers can then make extra orders in the form of projects or assignments, invoiced on open account.

### Problem-free contract start-ups

When Coor takes on responsibility for an FM operation, it executes a structured and tried-and-tested takeover process, led by experienced project managers. Over the years, Coor has taken over a lot of FM operations, starting many new contracts, large and small. Its objective is for the transition to be without disruption for the customer, and that all services should work well right from the start. All integrations are followed up and evaluated with consistently positive results.

## SERVICE AREAS AND EXAMPLES OF SERVICES

Coor manages, develops and streamlines complex service management operations tailored to our customers' needs and challenges

Workplace services (soft FM)	Property services (hard FM)	Production services	Strategic advisory services
<ul style="list-style-type: none"> <li>• Reception</li> <li>• Telephony</li> <li>• Mail and freight</li> <li>• Cleaning</li> <li>• Office machinery</li> <li>• Office supplies</li> <li>• Conference services</li> <li>• Documentation, printing/copying</li> <li>• Staff restaurants</li> <li>• Dispensing machines</li> <li>• Security</li> <li>• Interior fittings and relocation services</li> <li>• ...and more</li> </ul>	<ul style="list-style-type: none"> <li>• Building operation and maintenance</li> <li>• Building inventory and maintenance planning</li> <li>• Damage prevention and restoration</li> <li>• Energy optimization</li> <li>• Energy efficiency</li> <li>• Grounds maintenance</li> <li>• Project development</li> <li>• Property management</li> <li>• Private Public Partnerships</li> <li>• ...and more</li> </ul>	<ul style="list-style-type: none"> <li>• Remedial and preventive maintenance</li> <li>• Design and manufacture</li> <li>• Waste management, cleaning and decontamination</li> <li>• Internal logistics and storage management</li> <li>• Production-related administration</li> <li>• Production support</li> <li>• ...and more</li> </ul>	<ul style="list-style-type: none"> <li>• Analysis</li> <li>• Action-plans</li> <li>• Change management</li> <li>• Management resources</li> <li>• Reporting</li> <li>• Decision-support data</li> <li>• Business cases</li> <li>• Strategy</li> <li>• Process/system design</li> <li>• Project management</li> <li>• ...and more</li> </ul>

# STRUCTURED AND EFFECTIVE SERVICE DELIVERY MODEL

*A structured delivery and four clear focus segments means Coor can guarantee high-quality, effective and safe service delivery that develops continuously and adapts to customer needs.*

Coor has been developing methodologies and working methods that ensure professional and cost-efficient service delivery for over ten years. Long-term experience, a holistic perspective and four clear focuses mean that Coor can guarantee quality, flexibility and efficiency right through the service delivery process.

## FOUR FOCUS SEGMENTS

### Tailoring for the customer

Coor puts the customer in focus, tailoring its delivery resources for each customer. Every customer has a dedicated account manager, who is fully responsible for all the services in the delivery and becomes the customer's clear contact on every issue.

Relevant key performance indicators, which are continuously monitored and reported in a structured manner, are defined for each customer. Common KPIs include media consumption, utilization ratio (area), starting times, freedom from faults, consumption levels, number of proposals for improvement and customer satisfaction.

Coor also takes substantial accountability for services delivered through subcontractors. Coor is completely supplier independent, and thus flexible when choosing collaboration partners. Coor enters central master agreements on its major strategic services with a number of different suppliers.

### Service focus

Services are Coor's core business, so it has a full focus on services. This means its whole business, all systems support and working processes are completely tailored to service delivery.

Coor conforms to a structured but flexible delivery model that assures quality and efficiency right through the service delivery process—from a new case to final follow-up. Coor reengineered its service delivery process in 2010, and will be implementing the new process group-wide in 2011. This new process is linked to a new support system, which Coor is progressively rolling out through its business.

The delivery process begins with a case being received, followed by planning and consultation, delivery, reporting, invoicing and follow-up (external and internal).

Coor also works actively on creating a strong culture of service-mindedness and constantly developing and committing all its people. Read more about this on pages 12-13.

### Cost efficiency

Ongoing investment in state-of-the-art systems tailored for service delivery, coupled with tried-and-tested processes and effective working methods, gives customers cost-efficient service. Combined with opportunities for exploiting synergies and economies of scale, this means Coor can guarantee its customers continuously improved results.

A high share of Coor's services are delivered through subcontractors, which means Coor is a major purchaser of services in the Nordics. Procurement issues are a constant focus with the aim of realizing cost savings and ensuring the right quality on deliveries. A more structured and cross-functional working method was implemented in 2010, using category control, which prepared and realized effective procurement strategies for each purchasing category. Standards for local purchasing plans were also introduced with the aim of better exploiting local synergies.

Coor also has substantial competence in change management, which can identify development potential and drive necessary change processes. Coor's extensive delivery database, which defines recommended working methods, is another central starting-point for its efficiency improvements.

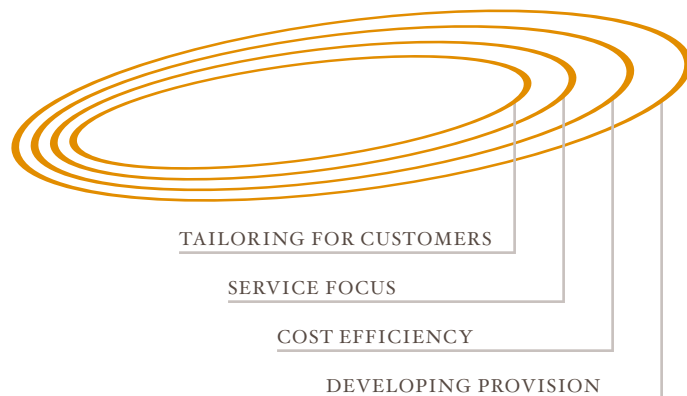
### Developing delivery

Coor constantly endeavors to develop and improve individual services and overall service delivery. Its constant ambition is to stay at the leading edge of development and proactively propose improvements and new solutions that help enhance customer benefit and produce more efficient delivery. Coor conducts its work on continuous improvement on a structured basis at different levels in the company, involving all staff. Proposals for improvement generated are logged in a dedicated system, with the number of proposals measured and followed up regularly.

Coor also possesses specialist competence in a raft of segments, and develops new concepts and solutions itself that benefit its customers. By capturing ideas and proposals from everyone in the company and driving services development in the house, Coor can add substantial value for its customers. Major development projects conducted in 2010 are listed on page 9.

## QUALITY CERTIFIED OPERATIONS

The service delivery process and associated delivery database, recommended working methods, instructions, tools, templates etc., is available in a proprietary management system ("Universum") on the company's intranet. Universum is the backbone of Coor's work on quality, which is subject to inspection and review by external accreditation institutions Det Norske Veritas in Sweden (including Belgium) and Finland and Teknologisk Institut Sertifiering in Norway. The Swedish, Norwegian and Finnish operations have ISO 9001 certification.



### MAJOR DEVELOPMENT PROJECTS IN 2010

The key development projects Coor executed in 2010 included:

#### Developing a new service delivery process

Coor has developed an updated service delivery process that assures quality and efficiency right through the delivery process—from a case being reported or received to execution and final feedback. This new process is mandatory and linked to the new system support Coor has invested in.

#### Development of a new strategic customer process

Coor has produced a new strategic development plan for implementation on all major contracts in 2011.

The aim is to ensure improved interaction between the customers' clients and to create consensus on the development initiatives to be prioritized.

#### Development and implementation of a new non-conformity management process

To improve fault clearance, the group has developed a new process and new IT system for incident reporting.

#### Extensive environmental audits on major service deliveries and continued development of the Coor Green Services evaluation tool

In 2010, all deliveries with yearly volumes over SEK 10 m underwent environmental audits using Coor's proprietary tool Coor Green Services.

#### Development of a new generation of customer portals (service portals)

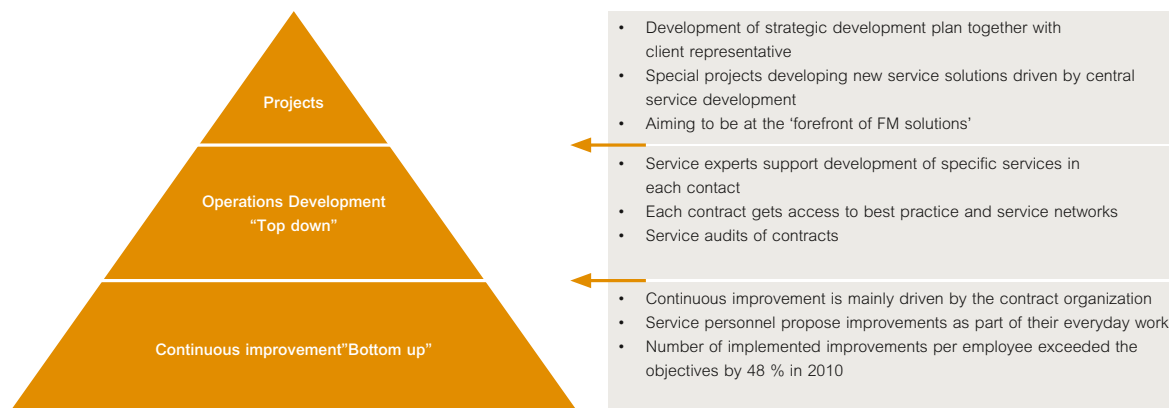
Coor offers IT-based customer portals that interface with the customer's service users. These portals are used for business process management, orders, bookings, news and information. The new generation of customer portals, which are more interactive and up to date than the previous version, was developed in 2010. These portals are also equipped with a mobile app, making them more available to service users. All portals will be migrated to the new solution in 2011.

### SERVICE DELIVERY PROCESS



*To ensure quality and efficiency, Coor works from a structured service delivery process, which was reengineered in 2010, and is being implemented right across its business in 2011. This process begins with a case being received, planning and consultation, delivery, reporting, invoicing and follow-up (external and internal).*

### IMPROVEMENT WORK ON MANY LEVELS



*Coor runs active change work on different levels of the company.*

# CUSTOMERS AND CUSTOMER AGREEMENTS

*Most of Coor's customers are large and mid-sized private companies and public institutions in the Nordics. The common feature of most customers is that they have complex service support requirements and need tailored solutions.*

Coor has a broad customer base spanning several important sectors in the Nordics. The largest is manufacturing industries, followed by the services sector, the IT & telecom sector, utilities sector, construction and real estate sector and the public sector. Compared to 2009, the share of revenues from manufacturing increased sharply, mainly because of strategic initiatives addressing the industrial services segment in recent years. Other segments increasing were the services sector, the construction and real estate sector and the public sector. These gains are explained by new accounts in these sectors. The IT & telecom and utilities segments reduced on 2009, due to contracted price discounting and customers in these segments downscaling their purchasing.

Some 74 (70)% of the company's revenues are from customers in Sweden, 17 (19)% from Norway, 6 (7)% from Denmark and 3 (4)% from Finland. In 2010, the company's ten largest customers represented some 45 (55)% of consolidated total sales.

## CUSTOMERS AND CUSTOMER GROUPS IN 2010

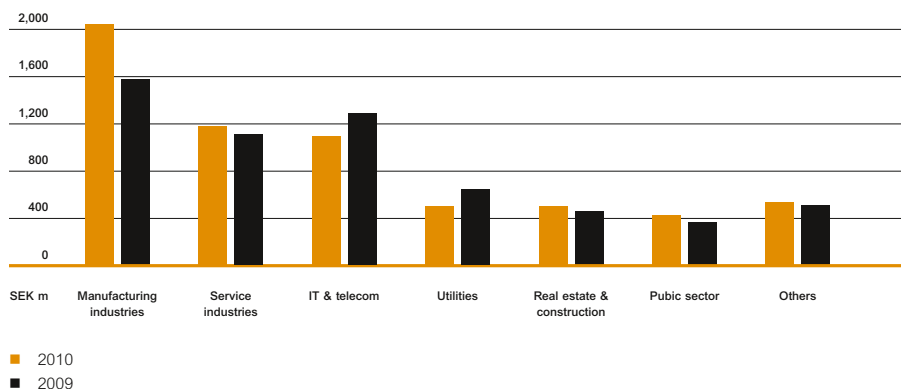
Sector	Sales 2010	Sales 2009	Selected accounts
Manufacturing industries	2,047,061	1,570,522	AB Volvo, Kemira Kemi, Saab Aero, Sandvik, SAPA, Siemens, Sulzer, Volvo Cars
Service industries	1,179,905	1,100,313	Det Norske Veritas, Ernst & Young, Nordea, SAS, SEB
IT & Telecom	1,099,947	1,284,403	EDB, Ericsson, GN Store Nord, Logica, Netcom, ST Ericsson
Utilities	506,032	636,844	E.ON, Ringhals, Statoil
Real estate & Construction	500,499	451,476	NCC, Skanska, Vasakronan
Public sector	425,568	362,125	Askola, Banverket, County Council Gävleborg, County Council Östergötland, Nya Karolinska Solna
Others	534,153	500,755	Arcus, ICA, LeoPharma
<b>Total</b>	<b>6,293,165</b>	<b>5,906,437</b>	

## MAJOR ACCOUNTS COMMENCING IN 2010

Contract/account	Country	Start date	Number of new employees
Gävleborg County Council	Sweden	1 February 2010	122
Linköping City Airport	Sweden	1 July 2010	35
Industry Park of Sweden/Kemira Kemi	Sweden	1 July 2010	130
Nordea	Norway	1 October 2010	7
Statoil	Denmark	1 June 2010	21



CHANGE IN CUSTOMER GROUPS, 2010 VS. 2009



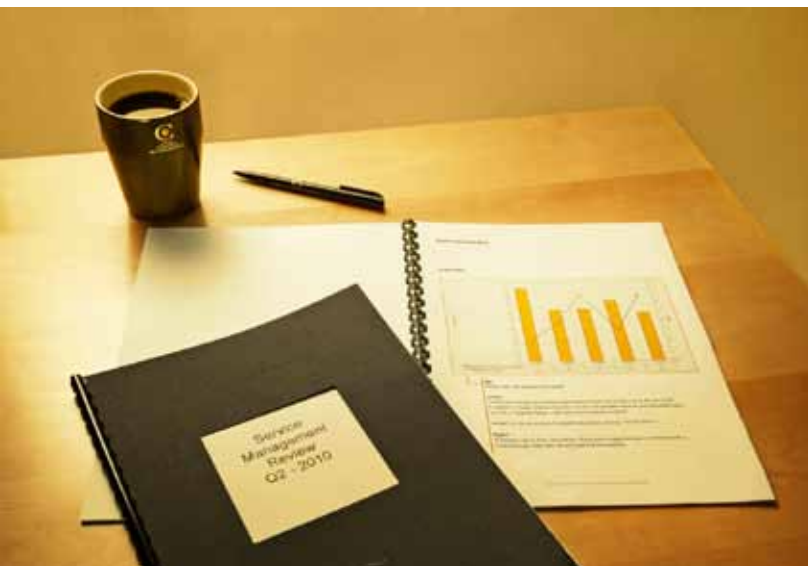
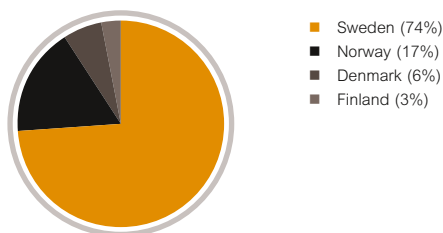
CHANGES TO COOR'S CUSTOMER BASE IN 2010

A number of collaborations on new accounts commenced in the year including Atlas Copco (Sweden), Danmarks Radio (Denmark), Kemira Kemi (Sweden), Linköping City Airport (Sweden), Nordea (Norway), SHP/Nya Karolinska Solna (Sweden) and Statoil (Sweden and Denmark). These new accounts correspond to aggregate annualized sales of some SEK 810 m.

Virtually all contracts renegotiated in the financial year were extended, including Arcus (Norway), the Swedish National Rail Administration (Sweden), Det Norske Veritas (Norway), EDB (Norway), ICA (Sweden) and SJ (Sweden). The extended contracts correspond to total annualized sales of some SEK 430 m. Two large contracts with annualized sales of some SEK 200 m were not extended.

NET SALES BY MARKET IN 2010

Total sales in 2010: SEK 6,293 m



# ORGANISATION, HUMAN RESOURCES, PURCHASING AND IT SUPPORT

*Coor's operations are organized into companies for each country, in turn divided into contracts corresponding to the company's accounts. Delivery is by Coor's employees in combination with subcontractors/suppliers, and is supported by the latest and effective IT support. Where necessary, all accounts utilize the expertise and specialist competence harbored by central staff functions.*

## OPERATIONAL ORGANIZATION

Coor's operating activities are organized into the countries the group mainly conducts business in: Sweden, Norway, Denmark and Finland. This country structure also corresponds to the group's primary division in the company's reporting. When Coor has followed a customer and also delivers services outside the Nordics, its operations are organized into the Nordic country that has the largest service delivery for that customer. Coor has had small-scale operations in Belgium and Canada for a few years, and it started up in Poland and Hungary in 2010. All these non-Nordic businesses are organized under accounts within the Swedish business.

In each country, all operations are organized so customer contracts are collected into a separate entity. For each company, a contract manager is appointed on each account, who is ultimately responsible for delivery to the customer, and for the employees and local subcontractors linked to the contract. To optimize management resources and the control of operations, several contracts can be integrated into a business unit. At year-end, the Swedish operation had six business units, and the Danish, Norwegian and Finnish operations had two business units each.

Where necessary, contract managers partner with the specialists that support the whole of Coor's operations and that are organized as group or country central functions.

## PARENT COMPANY

At the end of the financial year, the parent company of the group, Coor Service Management Group AB had 88 (90) employees working in central functions for business development, operational development/services development, finance, HR, legal services, corporate communication, IT and purchasing.

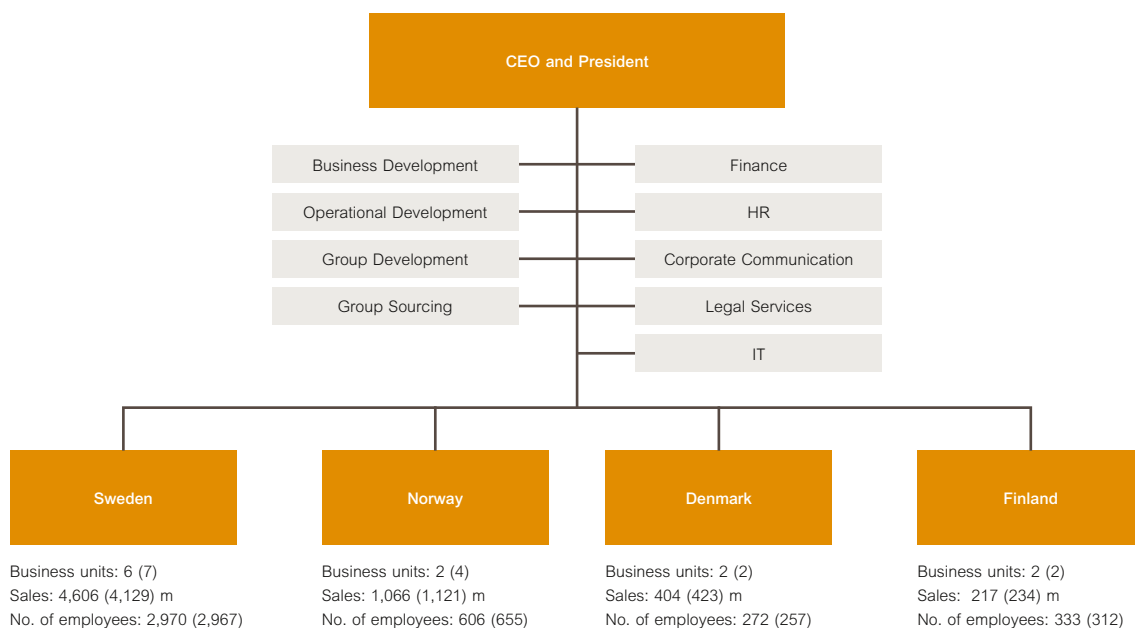
## HUMAN RESOURCES

The number of employees (permanent and temporary monthly paid staff) reduced marginally on the previous year to 4,269 (4,279). The change on the previous year is due to staff taken on and hirings being less than the number of staff leaving in the year.

Total staff turnover, which includes staff resigning voluntarily and retiring, was 7.9 (6.9)%. Staff turnover based on voluntary resignations increased to 6.3 (5.2)%.

Average age reduced somewhat on the previous year, and was 44.1 (45.3) at year-end. The number of managers with staff responsibility was 514 (493) at year-end. The share of women in the group increased year on year to 41.8 (40.5)%, as did the share of women with staff responsibility, which was 36 (32)% of the total number of people with staff responsibility at the end of the year.

### OPERATIONAL ORGANISATION 2010



### EMPLOYEE DEVELOPMENT, MANAGEMENT DEVELOPMENT AND SUPPLY OF MANAGERS

Coor's vision is to be the leading service management provider in the nordic region, which means it endeavors to be the customer's first choice when selecting service provider and the employee's first choice when selecting an employer. Accordingly, it is important for Coor to offer attractive developmental opportunities for managers and staff. Individual appraisal interviews conducted each year with all staff, which result in individual development plans, are the foundation of employee development at Coor.

Coor has a rigorous training program for all managers (Coor Business School) and all staff (Coor Service School)—fully tailored for the company's service management operations. The purpose of these packages is to explain basic and mission-critical issues, to give everyone an understanding of the big picture and explain the importance of continuously developing delivery in the customer's best interests. Training consists of a mandatory basic training package and several optional advanced packages.

In 2010, 633 people took the basic Coor Service School package and 119 people took the basic Coor Business School package.

Coor works actively on a hiring, developing and retaining the market's best managers, through channels including extensive management and succession planning based on a structured, yearly appraisal process. Coor also invests in developing leaders with high potential through the Coor Management Program. In 2010, 12 people participated in this Program.

### PURCHASING

A portion of Coor's services are delivered through suppliers, and accordingly, purchasing issues are a top priority for Coor. Coor has central purchasing functions in each country who are accountable for tendering overarching master agreements and tools for local tendering processes and developing supplier collaborations. Coor is also involved in pan-Nordic tendering processes. Purchasing responsibility and supplier updates (within the auspices of group-wide purchasing instructions) are also delegated to each country and business unit. However, to further enhance Nordic coordination and development of its procurement work, Coor has a strategic purchasing function at group level.

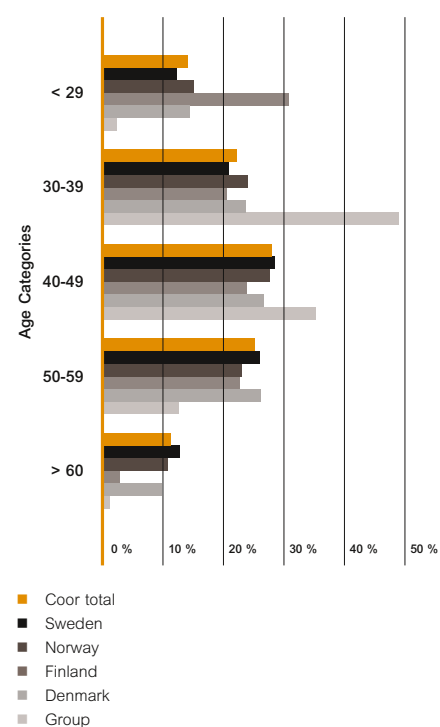
### A SECURE IT PLATFORM AND EFFECTIVE SUPPORT SYSTEMS

One important precondition for cost-efficient and quality-assured service delivery is expedient and reliable IT support. One of the primary support systems is the business process management system that supports service delivery—from a registered case, status reporting, invoicing and updates to purchasing and maintenance planning. Coor has invested in an updated version of the system, which will be gradually rolled out group wide. Other IT-based support systems that are important to service delivery include a system for managing mail and freight, and a real estate system, used for internal rent allocation, relocation planning, drawings management and creating evacuation plans.

NUMBER OF EMPLOYEES ON 31 DECEMBER 2010 AND STAFF TURNOVER IN 2010

	Group	Group central	Sweden	Norway	Denmark	Finland
Employee headcount	4,269	88	2,970	606	272	333
Number of full-time employees	4,024	85	2,851	568	244	276
Staff turnover, total	7.9%	5.6%	6.6%	11.4%	13.2%	9.4%
– voluntary resignation	6.3%	4.4%	5.2%	7.9%	11.6%	9.4%
– retired	1.6%	1.1%	1.4%	3.5%	2.4%	-

AGE PROFILE 2010



# CORPORATE GOVERNANCE

*It serves owners', customers', suppliers' and employees' interests for Coor's operations to be conducted in an efficient, responsible and controlled manner. Coor has clear principles for corporate governance and monitoring.*

## REGULATORY STRUCTURES AND PRINCIPLES

Coor's internal guidelines, which are based on applicable Swedish laws and ordinances governing accounting, organization and controls, are the foundation of corporate governance. In those countries where Coor is active, it observes local applicable laws. Coor has chosen to adopt IFRS (International Financial Reporting Standards) in its consolidated accounts. Coor is also working towards observance of the Swedish Code of Corporate Governance.

Over and above this external regulatory structure there are internal regulatory structures and control principles, the most important of which include the rules of procedure for the Board of Directors and instructions for the CEO, the delegation of responsibilities from the CEO to managers, various policies, approvals lists and payment instructions and a collective Code of Conduct and Guiding Principles. Other important control instruments include the company's annual operational objectives, which are monitored and evaluated on an ongoing basis. Coor's primary control documents are collated in the company's management system (Universum), which also define the company's standard processes and collective working methods.

## OWNERS

The Coor group is ultimately owned by funds managed by UK-based international buyout firm Cinven Ltd. Coor's senior executives also have a smaller share holding in the group.

## ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is the chief decision making body of a limited company. The business of the AGM includes appointing the company's Board of Directors and auditors as well as adopting the company's annual accounts. The company publishes a brief summary of the most important resolutions of the AGM in a press release.

## BOARD OF DIRECTORS AND WORK OF THE BOARD

The Board bears ultimate responsibility for the company's organization and administration of the group's operations. The Board is also responsible for judging the group's financial position on an ongoing basis. The Board is elected by the Annual General Meeting and the work of the Board is led by the Chairman of the Board.

The current Board has five regular Board members elected by the AGM, of which two represent owner Cinven Ltd. (Brian Linden and Søren Christensen<sup>1</sup>), one represents the company (CEO Mats Jönsson) and two (Anders Narvinger and Bernt Magnusson) are not affiliated to the company or the owners. Anders Narvinger has been Chairman of the Board since the AGM 2008. Board members' individual competences and experience in services and/or multinational operations enable the Board to

support, monitor and govern Coor's operations. The members of Coor's Board elected by the AGM are introduced on page 16.

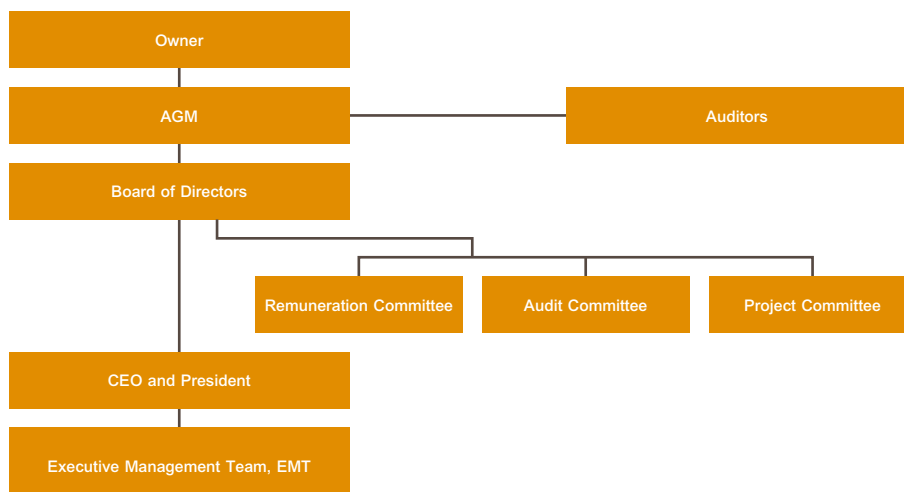
The Board of Directors receives ongoing reports on the company's results of operations and financial position, market conditions and larger or significant transactions. In consultation with the Chairman of the Board, the group's CEO prepares the relevant underlying information and decision support data ahead of Board meetings, reports on issues and justifies proposals for decision. The Board of Directors continuously evaluates the company's strategies, action plans and policy documents, and approves all major investments and major contracts.

The work of the Board of Directors is formalized in the rules of procedure adopted by the Board of Directors. The Board of Directors meets at least six times per year. In 2010, the Board of Directors held six meetings. Matters the Board considered in the financial year included market outlook, new business, capital structure, acquisitions, hiring situation, the group's strategic orientation and business plan and other management issues. The Board has formed three internal committees; a Remuneration Committee, Audit Committee and Project Committee.

Six employee representatives also participate in the work of the Board of Directors; three are ordinary members and three are deputies. Coor's General Counsel is Board Secretary.

1. Søren Christensen has replaced Magnus Hildingsson, previously an owner's representative on the Board. Søren Christensen was elected at an EGM on 14 February 2011.

## THE PRINCIPLES OF COOR'S CORPORATE GOVERNANCE



## MANAGEMENT AND WORK OF MANAGEMENT

The company's CEO and President leads operations within the limits and mandate set by the Board. The President is responsible for operational management and development of the company in consultation with the other members of the Executive Management Team (EMT). The EMT has seven members: the President (Mats Jönsson), managers of the group's four geographical markets (Staffan Ebenfelt, Jørgen Utzon, AnnaCarin Grandin and Ulf Wretskog), the CFO (Olof Stålnacke) and the group's Business Development Manager (Jens Ebbe Rasmussen). These members are introduced on page 17.

The EMT holds brief weekly meetings and longer weekend meetings monthly when group chiefs of staff, and the Executive Vice President in Sweden also participate. Matters discussed at these meetings include budget issues, achievement of objectives, market conditions, group-wide projects and hiring staff. The group also has a larger management forum, the Top Management Team (TMT), which consists of some 30 managers, which met three times in 2010. Additionally, the group's 100 or so senior managers convene each year at a dedicated Management Day to firm up contacts, exchange experiences, gain inspiration and discuss joint affairs.

## MONITORING AND CONTROL

Various types of monitoring and control are important components of well-functioning corporate governance systems. Coor has a well-established process for monitoring the company's financial position and results of operations. The company prepares a detailed annual budget before each year-end. Budgets are monitored monthly, and in more detail quarterly, when new forecasts are also prepared. All major variances against budget and previous forecasts are closely analyzed, with the necessary measures taken promptly.

The company's Auditors review the company's financial reporting each year, to ensure it is managed satisfactorily. However, the Board of Directors is ultimately liable. At present, Coor has no separate internal audit function.

Coor also has a well-functioning internal process for controlling its objectives and monitoring. Each year, group-wide objectives are set in four segments: finances, human resources, customer/market and service delivery, which are broken down and adapted for each country, business unit, contract, site and workgroup. These objectives are measured monthly for each country, and yearly for the group overall.

The group's governance of work on sustainability issues is reported in a dedicated section, "the Sustainability Report" on pages 19-27.

Over and above the structured governance of operations, the company has another internal control system for compliance with Coor's Code of Conduct. Coor's Code of Conduct is reported in more detail on page 19. This control system enables all employees to inform the company of breaches of the Code of Conduct anonymously (whistleblower system).

## ABOUT CINVEN

Cinven is a leading European buyout firm, founded in 1977, with offices in London, Paris, Frankfurt, Milan and Hong Kong. Cinven acquires European-based companies that require an equity investment by its funds of €100 million or more. Cinven's European focus and expertise are complemented by an ability to capitalize on global growth opportunities through the Asian office.

Cinven focuses on six sectors: Business Services, Consumer, Financial Services, Healthcare, Industrials, and Technology, Media and Telecommunications (TMT). Cinven acquires successful, high-quality companies and works with them to help them grow and develop, using proven value creation strategies. Typically, Cinven holds its investments for between four and six years. Cinven takes a responsible approach towards its portfolio companies, their employees, suppliers and local communities, the environment and society as a whole.

## BOARD OF DIRECTORS AND BOARD COMMITTEES

Forum	Main duty	Members	Chairman	No. of meetings 2010
Board of Directors	Responsible for the company's organization, administration and financial position	Søren Christensen, Mats Jönsson, Brian Linden, Bernt Magnusson, Anders Narvinger	Anders Narvinger	6
Remuneration Committee	Decides on basic salary to the EMT (excluding the President) and performance-related pay to the EMT (including the President) within the framework of the guidelines approved by the AGM.	Søren Christensen Anders Narvinger	Anders Narvinger	1
Audit Committee	Monitors systems and processes for the company's internal governance and prepares the Board of Directors' work on quality-assuring the processes for accounting and financial reporting.	Søren Christensen Bernt Magnusson	Søren Christensen	3
Project Committee	Decides on small acquisitions and investments and consults on matters for the Board of Directors regarding larger acquisitions, investments, FM agreements, rental agreements and finance agreements.	Søren Christensen, Mats Jönsson, Anders Narvinger	Anders Narvinger	8

## ORDINARY BOARD MEMBERS ELECTED BY THE AGM



ANDERS NARVINGER (1948).

Member of the Board and Chairman of the Board since 2008. Member of the Board's project Committee and the Board's Remuneration Committee.

*Other current Board positions:*

Alfa Laval AB (as Chairman), TeliaSonera (as Chairman), Trelleborg AB (as Chairman), Volvo Car Corporation, JM AB and Pernod Ricard SA.



SØREN CHRISTENSEN (1971).

Principal at Cinven Ltd.  
Member of the Board since 2011.  
Member of the Board of Directors' Audit Committee and Project Committee.

*No other current Board positions.*



MATS JÖNSSON (1957).

President and CEO,  
Coor Service Management.

Member of the Board since 1998.  
Member of the Board's project Committee.

*Other current Board positions:*

Board member of a number of Coor group companies (many as Chairman).



BRIAN LINDEN (1956).

Director of Cinven Ltd.  
Member of the Board since 2010.

*Other current Board positions:*

Cinven Group.



BERNT MAGNUSSON (1941).

Member of the Board since 2005.  
Member of the Board's Audit Committee.

*Other current Board positions:*

Nordia Innovation AB, Fareoffice AB, Höganäs AB, Kwintet AB (as Chairman), STC Interfinans and Pricer AB, Kancera AB.

## EXECUTIVE MANAGEMENT TEAM

**STAFFAN EBENFELT (1966).**

President of Coor Service Management in Sweden. Coor employee since 2000.

*Educational qualifications:*  
Graduate in Hotel Management, Hotel Institute Montreux.

*Previous professional experience:*  
various management positions within the hotel business. CEO of Star Hotel Sollentuna, Regional Manager at Ericsson Real Estate & Services, CEO of Skanska Facilities Management.

**ANNACARIN GRANDIN (1967).**

CEO of Coor Service Management in Norway. Coor employee since 2001.

*Educational qualifications:*  
B.Sc. (Econ.) in real estate finance, Stockholm University and Gävle/Sandviken University.

*Previous professional experience:*  
Project Manager in real estate management at Svenska Kommunförbundet (Sweden's former municipal sector organization). Operational Development Manager at Dalkia. Various operational management positions at Skanska Services and Coor Service Management in Sweden including Contract Manager and Business Unit President.

**MATS JÖNSSON (1957).**

CEO and President. Coor employee since 1998.

*Educational qualifications:*  
B.Sc. (Eng.) the Royal Institute of Technology, Stockholm (Stockholm).

*Previous professional experience:*  
various management positions for Skanska, including Business Development Manager of Skanska Building in the US, Divisional Manager of Skanska Sweden, and Business Unit and Business Area Manager of Skanska Services.

**JENS EBBE RASMUSSEN (1968).**

Senior Vice President Business Development. Coor employee since 2002.

*Educational qualifications:*  
M.Sc. (Econ.) Lund University. Economics graduate from Ecole Supérieure de Commerce de Paris.

*Previous professional experience:*  
Management Consultant at McKinsey & Co. (Stockholm), Fixed income department at Unibank Markets (Copenhagen), Sub Lt. Swedish Armed Forces.

**OLOF STÅLNACKE (1965).**

CFO. Coor employee since 2009.

*Educational qualifications:*  
B.Sc. (Econ.) Stockholm School of Economics.

*Previous professional experience:*  
CFO of V&S Absolut Spirits, Prevas, Financial Director of Stepstone Northern Europe and of Kodak Nordic, Management Consultant at McKinsey & Co.

**JÖRGEN UTZON (1961).**

President of Coor Service Management in Denmark. Coor employee since 2001.

*Educational qualifications:*  
M.Sc. (Econ.) Copenhagen Business School and Executive Program, IMD Switzerland.

*Previous professional experience:*  
Various management positions for Rockwool, Logistics Manager and Services Director of Xerox Denmark, CEO of Strax Nordic, the Thorn group's Nordic Service company.

**ULF WRETSKOG (1967).**

CEO of Coor Service Management in Finland. Coor employee since 2001.

*Educational qualifications:*  
B.Sc. (Eng.), Lund University of Technology.

*Previous professional experience:*  
Various management positions within Skanska, including District Manager at Bygg Mälardalen and Business Unit President of Skanska Facilities Management. Various operational management positions in Coor Service Management in Sweden, including Business Unit President and EVP.

# RISKS AND RISK MANAGEMENT

*Coor evaluates the group's operational and financial risks on an ongoing basis and continuously takes those measures its judges as necessary to control and minimize these risks as far as possible.*

Coor's Board and management assess activities and financial reporting from a risk perspective on an ongoing basis.

## OPERATIONAL RISKS

The operational risks in Coor's business relate largely to undertakings in customer agreements and the associated liability and credit risks. FM services are delivered to a wide range of customers, which implies that Coor is exposed to a risk of damages that may arise due to negligence on the part of its staff or a subcontractor. The group prevents and limits these risks in contract management through limitations of liability in agreements and by arranging insurance.

Another risk is that a substantial portion of Coor's sales are currently sourced from a small number of large customers. However this dependency on large customers is reducing. The ability to continuously renew contracts with these customers is significant to Coor's progress. Accordingly, the group works actively on continuously enhancing its service delivery, creating customer benefit and strengthening customer relations, resulting in a high share of satisfied customers and high repeat purchase frequency.

The group also runs the risk of a bad debt if a customer becomes insolvent. By closely monitoring that customers pay on time through channels including an IT-based liquidity management system, Coor attempts to minimize the risk of substantial bad debt arising.

Where customer agreements are on a fixed fee basis, the scope to pass on cost increases to the customer is limited. Despite the fact that Coor generally strives to index-link pricing in customer agreements, general cost increases may prove to be outside Coor's control and thus adversely affect the group.

Recessions have a negative effect on Coor's operations due to the volumes in existing customer agreements reducing when customers downsize their operations by closing units or laying off staff. Meanwhile, in a declining business cycle, companies increasingly consider the possibility of outsourcing parts of their operations to cut

costs. This means new business opportunities for Coor, which means that overall, its operations are less cyclical than other companies.

Coor is also subject to environmentally related risks. Coor conducts operations in Sweden requiring permits pursuant to the Swedish Environmental Code at Finspång and Skultuna. The Finspång permit relates to engineering, temporary storage of hazardous waste, waste, supply of media and the effect on water through waste water treatment plants. In addition, noise arises from transportation and from powered roof ventilation at Finspång. The Skultuna permit is for engineering and temporary storage of hazardous waste and noise. This operation affects the environment through solid waste and noise. Additionally, Coor holds five permits for its operation at Kotka in Finland: permits for monitoring natural gas installations, monitoring of pressurized equipment, drawing water from Kymmene River, pumping waste water to the municipal treatment plant and maintenance of cooling plant and managing refrigerants. To minimize the risk of environmental damage, Coor takes a structured approach and controls operations through its quality and environmentally certified management systems.

To minimize the risk of environmental damage, the group takes a structured approach and monitors and controls its operations through quality and environmentally certified management systems. In the year, group companies complied with established limits and applicable regulations.

## FINANCIAL RISKS

Coor's operations are also exposed to certain financial risks. The group's finance policy, which is approved by the Board, is the basis for managing its financing activities, division of responsibilities and financial risks. The finance policy focuses on the unpredictability of the financial markets and endeavors to minimize potential unfavorable effects on the results of Coor's operations.

Coor has some exposure to interest risk because its funding is arranged with variable interest. Interest risk is reduced by Coor utilizing financial instruments (interest swaps), where variable interest flows are exchanged for fixed interest.

Coor minimizes the risk of short-term imbalances between payments from customers and

payments to suppliers, staff and financiers (liquidity risk) through good liquidity planning and monthly monitoring of cash flows and working capital. Coor has introduced a group cash pool, which consolidates and optimizes its subsidiaries' bank accounts, which also limits Coor's liquidity risk. Additionally, Coor has access to short-term credit facilities that can be drawn down as required.

When making net investments in foreign currency, Coor considers translation risks. Primarily, Coor has investments denominated in Norwegian kroner, euro and Danish kroner, with its exposure in Norwegian kroner being the greatest. As part of reducing its exposure to foreign currency net investments, part of its funding has been arranged in Norwegian kroner. Operations in the group's subsidiaries are mainly conducted in local currency, and accordingly, the transaction risks in operational flows are fairly low.

# BROAD-BASED ACCOUNTABILITY

*All society's stakeholders, private individuals, corporations and other organizations, exert a differing influence on the circumstances of the society and environment we inhabit—now and in the future. Work on sustainability issues is the same as assuming responsibility for activities in a wider perspective—and considering the consequences of the decisions we take for the short and long term.*

## SUSTAINABILITY POLICY

The overarching ambitions of Coor's Sustainability Policy are expressed in a group-wide Sustainability Policy, which sets a broad framework group wide. The contents of Coor's Sustainability Policy can be summarized in the following headings:

- Coor should conduct an environmental, professional and safe operation
- Coor should be a responsible employer offering scope for development
- Coor should make stable and profitable progress resulting from a good ethical and moral attitude
- Coor should be accountable for its suppliers
- Coor should deliver accurate and relevant information

## SUSTAINABILITY GOVERNANCE

Coor has a dedicated Sustainability Committee that reports directly to the EMT. The Sustainability Committee prepares proposals for policies, goals and principles for governing sustainability work group wide. The Sustainability Committee also follows up the targets established yearly.

Because environmental and social issues are national, and sometimes differ between countries, with differing regulatory structures and practices, responsibility for implementing sustainability work rests with the different countries. However, to coordinate this work and ensure some consistency, there is a group-wide network for environmental and social issues (part of the HR network). The managers responsible for these networks report on their respective issues in the Sustainability Committee. The Sustainability Committee also coordinates and follows up the group's initiatives in the environmental and social segments.

In 2010, the Sustainability Committee met three times. The more important issues considered included the adoption of a new Sustainability Policy, adopting sustainability targets for 2010, and its standpoint on a number of standards in various segments.

## SUSTAINABILITY WORK IN 2010

Coor has far-reaching accountability for its own operations and their impact on wider society and the environment, and on its customers' activities. Coor's sustainability work is conducted within financial/business ethics, social and environmental segments. By working actively and on a structured basis on various matters in the three segments, Coor contributes to stable and sustainable progress over time.

## FOUNDATION OF ETHICS AND VALUES

Coor assumes responsibility on the basis of its collective values and Code of Conduct.

### Coors Code of Conduct

Coor's group-wide Code of Conduct can be considered as a summary of the principles that define Coor's collective values. The purpose of the Code of Conduct is to clarify and reinforce ethical attitudes in the organization. All managers must review the Code of Conduct with their staff yearly, and each employee must confirm that they have understood and undertake to follow its principles in writing. Coor also has a dedicated system for how its employees can anonymously report suspected breaches of its Code of Conduct. The fundamental principles of Coor's Code of Conduct are as follows:

- All employees of Coor are accountable for complying with laws and ordinances, and complying with Coor's standards of good ethics and morals.
- Coor does not accept actions that distort competition (such as bribery, pricing collaboration, cartels). To prevent conflicts of interest, related secondary businesses or part-ownership must be reported.
- Coor staff may not receive or give gifts or other benefits in their business relationships that are intended to influence the recipient.
- Coor strives for a safe and positive environment and working environment.
- Coor respects the freedom of association and distances itself from all forms of discrimination.
- Coor's staff bear an obligation of nondisclosure about the company and its customers' business secrets.
- The content of the Code of Conduct should also include Coor's suppliers and subcontractors



# BROAD-BASED ACCOUNTABILITY

## Culture and values

Coor's customers are active in differing sectors, in various sites and in different countries. They expect Coor to work consistently and provide the same high quality group wide. Accordingly, working actively from a shared corporate culture is an important task.

The three guiding principles that direct all staff in daily work are the foundation of Coor's corporate culture. These guiding principles are based on the distinguishing features of a professional services provider.

## STAKEHOLDER DIALOGUE

Coor maintains a structured dialogue with its key stakeholders. The responsibility for communication with each specific target group is decentralized to that party with the best knowledge of the target group, and is clearly defined in the company's communication policy. At group level, communication is primarily targeted at owners, employees, potential customers and the media (in Sweden). At country level, communication is mainly targeted at potential customers, national sector organizations, central union counterparts, major authorities and suppliers with master agreements. At contract level, communication is targeted at existing customers and employees, local suppliers, local authorities, local unions and (to some extent) potential customers. Communication work is conducted on a structured and active basis with the objective of creating long-term, positive relationships. Coor surveys relevant target groups on an ongoing basis to ascertain how it is perceived and how its partnership is working.

## FAR-REACHING RESPONSIBILITY EXTENDING TO SUPPLIERS

Coor also assumes responsibility for the services the company delivers through subcontractors, and accordingly sets high standards for them, and its major suppliers. When entering supplier agreements, Coor evaluates its suppliers thoroughly based on their technical, financial and organizational capacity, and their overall delivery capacity. Coor also verifies that the subcontractor can satisfy its environmental policy and its Code of Conduct. After signing agreements, Coor also monitors deliveries to ensure they satisfy the initial standards applying in the tendering process.

## OUR GUIDING PRINCIPLES

### WE LOOK A LITTLE FURTHER AHEAD

Looking a little further ahead is about attention and the ability to prioritize. We want to stay one step ahead to solve problems before they actually arise. This is about thinking ahead.



### WE CREATE SUCCESS

Creating success is about drive and the will to improve. Simply put: we get things done. We are creative and find solutions that are more intelligent and cheaper—for ourselves and our customers. That way, everybody benefits.

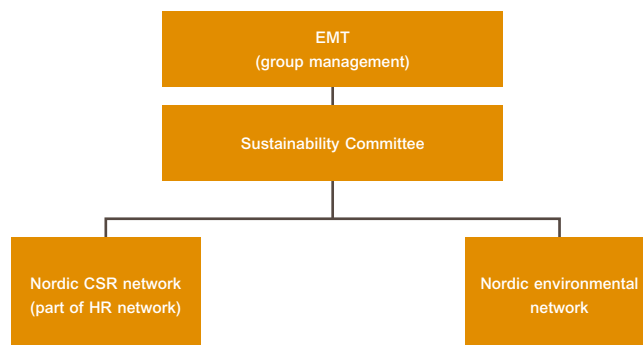


### WE ARE RESPONSIVE

Being responsive is about openness and communication. We will be open to views and ideas about how we can develop or improve ourselves or our working methods. We will ensure that we understand a message correctly. This is also about speaking and writing so other people understand.



## THE PRINCIPLES OF SUSTAINABILITY GOVERNANCE AT COOR



BUSINESS CARE — FOR LONG-TERM FINANCIAL SUSTAINABILITY

Business care— for long-term financial sustainability	Social care— for long-term social sustainability	Environmental care— for long-term ecological sustainability
<p>We take responsibility for stable and profitable progress over time. This provides security for our owner and customers, suppliers and employees, who can trust that the company will progress stably.</p>	<p>We offer our employees a good, safe and non-discriminatory environment, and do good work on health and the working environment. We apply equal standards to our subcontractors.</p>	<p>Coor's environmental care includes a continuous attempt to reduce the company's own environmental impact, and influencing our customers and assisting them in their environmental work. Coor's accountability is reflected in the standards we set for our suppliers.</p>
<p>Economic sustainability is achieved through competitive and value-added delivery and the ability to create long-term customer relationships. A sharp focus on results is also necessary, simultaneous with the respect of laws and ordinances and application of good business practice.</p>	<p>Working actively on manager and employee development, doing structured work on the working environment and health-promoting initiatives are important components of creating a good working environment.</p>	<p>Coor's direct environmental impact mainly relates to CO2 emissions (from transport and energy consumption) the usage of chemicals and waste management. Coor ensures structured internal environmental work through its ISO 14001 certification. Coor also works on a structured and active basis on its attempts to assist the company's customers to reduce their environmental impact, and has a proprietary environmental labeling system, Coor Green Services, for this purpose.</p>



# BUSINESS RESPONSIBILITY— ECONOMIC SUSTAINABILITY

*Economic sustainability is about taking responsibility for stable and profitable, but ethically justifiable, progress over time. This creates security for owners, customers and employees, who can trust that the company is professionally managed and progressing stably.*

Economic sustainability is achieved by the company providing a competitive and value-creating service delivery that makes customers satisfied. This ensures good demand for the company's services and long-lasting collaborations, which are the basis for stable progress of the company's revenues. A sharp focus on results is also important, while respecting laws and ordinances and applying good business practice.

## SPECIAL INITIATIVES IN 2010

In 2010, Coor worked towards long-term sustainable economic progress through a special focus on five segments: increased customer satisfaction and proactive change work, stable and positive profit margins, improved cash flow, good ethics and morals and accurate reporting. The results of this work are summarized in the table below.

### Increased customer satisfaction and proactive change work

There is a very sharp customer focus throughout Coor, and work on increasing customer and delivery satisfaction is conducted on a structured and active basis. The foundation of this work is an extensive yearly customer survey, conducted by an external researcher. In September 2010, some 17,500 service users and 2,500 clients Nordic wide were surveyed on how they experience services and how their collaboration with Coor is working. Over the years, the results of the survey have been at a good and rising level. The outcome in 2010 was consistent with the previous year, but did not fully reach targets. Results are broken down and analyzed by contract and workgroup, with action-plans for poor segments then prepared. The results are also analyzed at group level and service level, and serve as supporting data for decisions on special group-wide development projects ahead of the next financial year. Segments generally securing high ratings in the survey are dealing with customers and quality of service. One segment that Coor needs to improve is its invoicing. Accordingly, Coor has put a special priority on enhancing its invoicing module, which is part of Coor's group-wide business process management system.

To maintain high customer satisfaction, it is important that Coor constantly develops its delivery and makes improvement proposals proactively. Accordingly, Coor takes a structured approach to identifying potential for improvement and actively proposing improvements—both internal and customer specific. This change work involves everyone at Coor and is subject to monthly updates. In 2010, Coor implemented a dedicated IT-based monitoring system for its change work. The system is open to all users and can track registered proposals and other key performance indicators as well as action-plans, in real time. The number of improvement proposals increased sharply in 2010, beating the target of four proposals per employee. Coor also monitors an improvement index (part of its customer satisfaction survey), which reflects how customers perceive Coor's change work. In 2010, Coor achieved an improvement index consistent with the previous year, but did not really reach its target. Accordingly, going into 2011, Coor will be implementing a number of activities, not least the implementation of the strategic development plan on each account with the intention of lifting the improvement index in 2011.

Coor is continuously developing new service concepts and competences in strategic segments. The major development projects implemented in 2010 included a new internal mail system and a new services portal. There is more information on development projects on page 9.

To encourage change work, Coor has also been running an in-house challenge recognizing customer improvements for several years, which was also conducted in 2010. The number and quality of entries increased in 2010.

### Stable and positive profit margin

Coor has a sharp focus on improving its results of operations. Going into each year, each profit centre produces a full-year budget that is consolidated up to group level and monitored continuously. More detailed updates are conducted each quarter, when full-year budgets are also adjusted. All variances against current and previous budgets are closely analyzed, with necessary actions taken promptly.

EBITA margin excl. other items in 2010 was unchanged from the previous year at 6.1 (6.1)%. For more detail, see 'Financial position and results of operations 2010' on pages 28–31.

### Good cash flow and minimum working capital build-up

Cash flow is also budgeted and monitored continuously. Coor works actively to avoid tying up more inventories and accounts receivable than necessary, and by continuously tailoring payment terms so that supplier credit terms are not less than customers' credit terms. In 2010, operating cash flow decreased from the previous year to SEK 331 (561) m. More information under 'Financial position and results of operations in 2010' on pages 28–31.

### Accurate communication and reporting in accordance with accepted standards

Coor strives for accurate, open, honest and fast communication, internally and externally. The guidelines for corporate communication work at Coor are set by its corporate communications policy. For its financial reporting, Coor's consolidated accounts comply with IFRS, International Financial Reporting Standards. Coor is also working towards satisfying the standards of the Swedish Code of Corporate Governance.

### Good ethics and morals

The laws and ordinances applying in the countries where the company is active are the self-evident foundation of sound business. Over and above this, Coor sets good standards of ethics and business morals. The company's guiding principles, policies and guidelines play an important role here—not least its Code of Conduct. Coor keeps its guiding principles relevant in many ways, for example through internal training programs, in appraisal interviews, in its work on achieving goals and in the company's staff and internal newsletter. There is good awareness of Coor's guiding principles group wide.

Coor's Code of Conduct applies to all group staff and major subcontractors. Coor's processes stipulate that in tandem with mandatory annual appraisal interviews, all managers review the content of the Code of Conduct. After their interviews, employees must confirm that they understand its content in writing.

To be able to discover potential improper actions, Coor also has a whistleblower system, enabling staff to anonymously report suspected breaches of its Code of Conduct. A small number of suspected breaches of the Code of Conduct were reported in 2010. All reports were investigated thoroughly, and measures were taken where justified.

## SUMMARY OF BUSINESS RESPONSIBILITY IN 2010, GROUP

Target 2010	Performance 2010
<b>Increased customer satisfaction and proactive change work</b>	
Increased contact index	The contact index is at a high level, but fell somewhat from 2009.
Increased supplier satisfaction	Delivery satisfaction is good, and increased somewhat from 2009.
Min. of 4 improvement proposals per employee	The number of improvement proposals generated per employee beat target and increased on 2009.
Increased improvement index	Improvement index in 2010 was consistent with the previous year.
<b>Stable and positive profit margin</b>	
EBITA excl. other items should increase in line with revenues	EBITA margin, excl. other items, was unchanged from last year at 6.1 (6.1)%.
<b>Good cash flow and minimal working capital build-up</b>	
Reduce working capital by SEK 60 m	Working capital remained basically unchanged.
<b>Good communication and reporting according to accepted standards</b>	
Apply IFRS for the preparation of the consolidated accounts	The financial statements prepared at group level are presented according to IFRS.
Essentially, comply with the Swedish Code of Corporate Governance	Coor also reports on the company's governance in a manner that essentially satisfies the stipulations of the Swedish Code of Corporate Governance.
<b>Good ethics and morals</b>	
One consistent Code of Conduct group wide and for major suppliers	Every manager should review the Code of Conduct at each appraisal interview with staff, who should then confirm that they understand its content in writing. The Code of Conduct is presented to major suppliers at contract signings.

## DEFINITIONS

**Contact index**

Special questions describing the customer's perception of its collaboration with Coor, as put to Coor's contacts in annual customer satisfaction surveys (as conducted by external researchers).

**Delivery satisfaction**

Questions on how Coor's services work and are perceived, as put to customers' staff (service users) in the annual customer satisfaction survey.

**Improvement index**

Special questions on how the customer's contacts perceived Coor's capacity to make improvement proposals proactively, as stated in the annual customer satisfaction survey (conducted by external researchers).

**EBITA excl. other items**

Earnings before interest, taxes, amortization and other items.

**IFRS**

International Financial Reporting Standards.

# SOCIAL RESPONSIBILITY— SOCIAL SUSTAINABILITY

*Coor's corporate social responsibility is primarily about taking substantial responsibility as an employer, but also about setting standards on subcontractors and promoting the use of fair trade products.*

Coor's care of social progress mainly consists of offering all its employees a safe and non-discriminatory environment that allows them to develop, and to conduct positive work on health and the working environment. Coor also sets clear standards for its suppliers, and in many cases, works actively to offer its customers fair trade products.

## CORPORATE SOCIAL RESPONSIBILITY IN 2010

In 2010, Coor endeavored to achieve long-term sustainable social development by focusing on five key segments: increased customer satisfaction, competence development, good health, a safe working environment, equal opportunities and diversity. The results of this work are summarized in the table below.

### Increased employee satisfaction

Employee commitment and satisfaction are central issues for an FM company. The starting-point on work to achieve greater employee satisfaction is an extensive employee satisfaction survey, conducted yearly in partnership with an external researcher. This survey is conducted group wide, with results analyzed at group, country, contract, site and workgroup level. There is a sharp focus on feeding back results, involving all staff in the preparation of action-plans and exchanging best practice between units and groups to highlight good examples.

Active work on employee satisfaction resulted in continuously improving results since the survey started in 2002. However, overall results deteriorated somewhat in 2010 compared to the previous year. Accordingly, going into 2011, Coor has initiated several activities intended to increase job satisfaction.

### Structured competence development for all employees

The company's own basic and advanced training programs for managers and staff group wide are a central component of its competence development work. Induction training in the Polstjärnan (Pole Star) program are conducted for new staff, which in a simple, engaging manner, explains how Coor's business works. Coor has also had a dedicated program in place for senior managers and specialists, the Coor Management Program, since 2008. These programs are very popular,

and achieve consistently high ratings. In 2010, several advanced training programs were translated into different languages, and conducted locally in the countries where Coor operates.

Coor also conducts yearly appraisal interviews with all staff, proceeding from a predetermined process. These appraisal interviews result in individual competence development plans. The interviews are documented and filed with development plans by each manager. Many quarterly or semi-annual follow-up interviews are also conducted.

The group's staff possess substantial know-how in their individual specialisms. There is a great commitment and willingness to develop working methods, as clearly stated in the systematic improvement work conducted group wide. All improvement proposals are logged in an IT-based system, which helps spread good ideas, exchange best practice and increase competence levels in everyday work.

### A safe working environment

Work on improving the working environment is measured yearly in different ways, notably a working environment index, which is part of the yearly employee satisfaction survey. Results are reported and followed up by each workgroup and special action-plans for segments with poor results prepared for all contracts. In 2010, Coor reviewed its working environment index, which prevents any comparison with previous years' results. The new working environment index consists of one question on the safety aspects of the working environment, and one question on the psycho-social working environment.

To improve the working environment continuously and identify risks, all accidents and incidents are followed up. A new central system fault/incident reporting system was implemented in 2010, which is readily accessible to all staff on the company's intranet. The new system simplifies reporting and updates.

### Promoting good health

Coor's keep fit work focuses on preventative measures and active work to reduce absence due to sickness. Keep fit activities are mainly conducted locally, but action plans for reduced sickness absence are produced for each country. These action-plans cover the systematic follow-up of all sickness absence, active support to staff that are on sickness absence and preventative work on health.

In 2010, Coor conducted several keep fit activities and participated in sporting events to counter sickness absence. A number of staff were trained as health coaches in the Swedish operation, in partnership with corporate health-care providers, one sports club was founded and the keep fit subsidy was increased. The Norwegian business focused sharply on preventative health work, taking various measures to reduce sickness absence.

### Equal opportunities and diversity

No harassment or any form of discrimination is accepted at Coor. All employees should have the same opportunities regardless of sex, age, sexual orientation, disability, ethnic origin or religion.

In 2010, special work was started to increase the share of female managers in senior positions. A special focus was also put on measures promoting the working climate, to improve work-life balance. In the Swedish operation, a collaboration with an external partner was also commenced to offer training for disabled people who would otherwise have difficulty finding work. The share of female managers increased in all countries. However, Denmark saw a notable increase.

### Other activities

Several local activities were conducted within Coor's corporate social responsibility in 2010. In Sweden, old, but functioning, telephones were collected, with the funds generated donated to charity. On one working day, groups of staff collected charity donations. The Norwegian HR Director participated in an international event in China organized by Norwegian employers' organization NHO, intended to discuss and offer information on conducting contemporary HR work focusing on democratization issues at work (such as appraisal interviews and employee satisfaction surveys).

## SUMMARY OF SOCIAL RESPONSIBILITY IN 2010, GROUP

Target 2010	Performance 2010
<b>Increased employee satisfaction</b>	
Increased employee satisfaction index	In 2010, employee satisfaction reduced somewhat compared to 2009.
<b>Structured competence development for all staff</b>	
Annual appraisal interviews and individual competence development plans	Appraisal interviews conducted in accordance with a dedicated process for all staff during the first quarter each year. Individual competence development plans then also prepared.
High execution of internal training programs and high ratings of courses	633 delegates took the Coor Service School Basic program and 119 took the Coor Business School program in 2010. 79 staff took advanced training in customer care in Coor Business School. 74 managers took the advanced Coor Business School training program. 12 employees took the Coor Management Program.  All training and development programs were conducted with consistent positive results.
<b>Safe working environment</b>	
High working environment index	The working environment index had a high result, although somewhat below target. The result cannot be compared to 2009 because going into 2010, Coor introduced a new index.
Fewer reported incidents	Somewhat fewer incidents were reported in 2010 than in 2009.
<b>Promote good health</b>	
Structured keep fit work intended to reduce sickness absence	Sickness absence in 2010 did not change on 2009. Only marginal differences were measured.
<b>Equal opportunities and diversity (sex, age, ethnic origin)</b>	
Increase the share of female managers in senior positions	The share of female managers increased somewhat on 2009.

## DEFINITIONS

**Employee satisfaction index**

Questions on employees' satisfaction in their workgroup and at Coor, in the annual employee satisfaction survey (conducted by external researcher).

**Working environment index**

Questions on the physical and psycho-social working environment, put to the company's employees in the annual customer satisfaction survey (conducted by external researcher).

# ENVIRONMENTAL RESPONSIBILITY— ECOLOGICAL SUSTAINABILITY

*Coor works actively for long-term sustainable ecological development by taking responsibility for the environmental impact of its own and its customers' operations.*

The Sustainability Policy sets the framework for the group's environmental work. Its objective is to continuously reduce the impact of operations on the external environment and to help customers with their environmental work. Those environmental segments where Coor can work continuously to improve environmental performance are cutting CO<sub>2</sub> emissions, waste management and the usage of less hazardous chemicals.

## ENVIRONMENTAL RESPONSIBILITY IN 2010

In 2010, Coor worked especially on developing and introducing the Coor Green Services concept, further structured its internal environmental work and reduced CO<sub>2</sub> emissions. The results of this work are summarized in the adjacent table.

### Coor Green Services

Coor has developed a proprietary system so it can monitor how environmental its service delivery is— Coor Green Services. This concept enables the simple and structured environmental labeling of the FM services delivered to Coor's customers. Employees, customers and other stakeholders can clearly see how well service delivery satisfies predetermined environmental criteria, and what more could be done to reduce the environmental impact of service delivery.

There are two levels of environmental labeling: silver and gold. To achieve either of them, the constituent services of a delivery are evaluated from predetermined environmental criteria, some of which are mandatory. The evaluation tool is dynamic and criteria and standards are tailored yearly to progress over time. All major deliveries of hard and soft FM services were audited internally in 2010. To verify results, audits are also conducted by internally appointed auditors. The criteria for industrial services will also be produced in 2011.

### Structured internal environment work

All staff saving the necessary competence to be able to manage and reduce the environmental impact of everyday work is an important prerequisite for being able to reduce Coor's direct environmental impact. Accordingly, Coor conducts various types of environmental training package

designed to increase knowledge of global and local environmental issues. The Miljöörkortet (Environmental Driver's License) training program is mandatory in Sweden and Norway. Coor did more work on its processes for ensuring all new Coor staff receive relevant environmental training through the Environmental Driver's License database program in 2010.

In 2010, Coor also focused on coordinating environmental work in the group through a Nordic Environmental Network, to enable better utilization of the environmental know-how harbored within Coor.

The group measures its environmental work through internal audit and mapping processes. Environmental work is also audited externally by certification bodies Det Norske Veritas in Sweden (Belgium) and Finland, Bureau Veritas in Denmark and Teknologisk Institut in Norway. Sweden successfully recertified in 2010. All countries still possess ISO 14001 certification.

Coor takes full responsibility for the services it delivers through subcontractors, and sets high standards of its subcontractors. Coor's Sustainability Policy also applies to its suppliers and compliance with environmental standards is monitored in general purchasing processes and in environmental labeling of Green Services deliveries.

### Cutting CO<sub>2</sub> emissions

When cutting CO<sub>2</sub> emissions, Coor focused on structuring its energy monitoring in 2010 so it could work more actively on energy savings. Coor's database tool for capturing and analyzing statistics has been disseminated across the group and is in increasing usage. Primarily, this work relates to improving the customer's environmental performance, and in assisting customers in reporting on CO<sub>2</sub> emissions.

In 2010, the internal focus was on reducing travel. Last year, the usage of teleconferencing increased sharply, and this trend is continuing. In 2010, Coor enabled digital conference rooms, which were widely used in their first year.



## SUMMARY OF ENVIRONMENTAL RESPONSIBILITY IN 2010, GROUP

Target 2010	Performance 2010
<b>Development and implementation of Coor Green Services</b>	
Internal Coor Green Services audits to be conducted on major accounts	Audits conducted on all major contracts (120 sites. 2010 audits resulted in 51 sites achieving silver standard and five achieving Coor Green Services gold standard. A raft of improvement proposals were generated in the environmental segment, some of them presented to customers.
<b>Structured internal environmental work</b>	
All operations to be ISO 14001 certified All staff to take environmental training	Successful recertification completed in Sweden, and operations in all Nordic countries retain their ISO 14001 certification.  All new employees were systematically registered in the Environmental Driver's License training package in Sweden. In Norway, 80% of them took corresponding courses. In other countries, environmental training was conducted through the agency of the environmental coordinator.
<b>Cut CO2 emissions</b>	
Who can trawl through a database energy monitoring tool Less business travel through good remote meeting facilities	Coor's energy tools have been disseminated across the group and are gaining wider usage. In this way, Coor is assisting customers to report CO2 emissions.  The usage of teleconferencing increased by another some 30% in 2010, over and above the doubling of levels occurring between 2008 and 2009.  Coor enabling digital conference rooms has significantly reduced the need for travel, and over 5% of staff are participating in one of 50 current digital projects.

## DEFINITIONS

**Coor Green Services**

Coor's proprietary tool to enable the evaluation of how environmentally friendly service provision is at each site. There are two levels of labeling, gold and silver.

**ISO 14001**

International environmental management standard.

# COMMENTS ON THE RESULTS AND FINANCIAL POSITION

## SALES AND RESULTS OF OPERATIONS

### Progress of the group

Net sales in the year were SEK 6,293 (5,906) m, equivalent to growth of 7% year on year. The increase is explained by high growth in the Swedish business, driven primarily by new and existing accounts in manufacturing industries. The increase was offset by negative currency effects, and a slight sales reduction in the Norwegian business.

A number of collaborations with new customers commenced in the year, including Swedish Hospital Partners on the development and delivery of services to NKS university hospital until 2040, with Kemira Kemi for IFM services in the Industry Park of Sweden industrial estate in Helsingborg, and with Danmarks Radio for hard and soft FM. Deliveries on this latter agreement started in January 2011. In total, these new contracts represent annualized sales of some SEK 810 m.

The effects of the recession continued to impact on sales and the results of operations in 2010, especially in Finland. In the first half-year, continued caution was apparent from many customers in the form of relatively low variable assignment volumes and sales growth of 5%, while in the second half-year, over and above new business, assignment volumes increased and sales growth was 10%.

Gross margins on contracts reduced somewhat in 2010, as a result of a sharp increase in costs for snow clearance on several contracts due to extreme winter conditions in the first and fourth quarters, and a high increase in volumes on some lower-margin business. Excluding these effects, contract margins were basically unchanged, as a result of the company making continuous efficiency improvements in contracts, and thus compensating for cost increases and agreed price reductions to customers. Coor also benefited from the dissolution of pension provisions in Norway in tandem with an accounting change regarding the Norwegian AFP plan, after a decision from the Norwegian parliament.

EBITA excl. other items, the earnings measure the company uses to monitor its various markets, was SEK 384 (360) m, an increase of SEK 24 m or 7% year on year. The EBITA margin excl. other items was an unchanged 6.1 (6.1)%.

EBIT for 2010 was SEK -156 (-191) m, an increase of SEK 35 m year on year. This operating loss is due to amortization and impairment of SEK -488 (-509) m on intangible assets. When Cinven acquired the group in December 2007, it capitalised all intangible assets, which meant high annual amortization. These expenses do not affect cash flow, and if they are excluded, EBIT would have been SEK 332 (319) m.

### Progress by country

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

### Sweden

Net sales in Sweden for 2010 were SEK 4,606 (4,129) m in 2010, an increase of 12% year on year. The volume increase is both on new and current business, mainly in manufacturing industries.

EBITA excl. other items for the year was SEK 323 (324) m, a decrease of 0.4% year on year. The EBITA margin contracted from 7.9% to 7.0%. This deteriorating margin is due to a sharp increase in costs for snow clearance on several contracts due to extreme winter conditions in the first and fourth quarters, and a large increase in volumes on somewhat lower-margin business. These effects were partially offset by cost-reduction projects, within the accounting function and elsewhere, expected to have their full effect during next year.

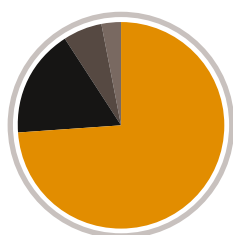
Overall, gross margins, measured on gross profit of the underlying contract portfolio, are stable and healthy.

A number of new agreements were signed in Sweden in the year:

- A new cleaning agreement commenced with Gävleborg County Council in February, with an annualized value of some SEK 40 m and some 122 staff transferring to Coor. Coor already delivers hard FM to Gävleborg County Council.

## NET SALES BY MARKET IN 2010

Total sales in 2010: SEK 6,293 m



- Sweden (74%)
- Norway (17%)
- Denmark (6%)
- Finland (3%)

## FINANCIAL POSITION

The group's net borrowing was SEK 3,220 (3,013) m at year-end.

SEK m	31 Dec 2010	31 Dec 2009
Liabilities to credit institutions	2,607.9	2,777.4
Interest-bearing liabilities, cash pool	768.5	363.2
Leases, net	72.5	85.7
Pensions, net	22.2	58.9
Liabilities for acquisitions of subsidiaries	2.3	2.4
	<b>3,473.4</b>	<b>3,287.6</b>
Cash	-253.2	-274.5
<b>Net debt</b>	<b>3,220.2</b>	<b>3,013.2</b>
<b>Total equity</b>	<b>541.0</b>	<b>1,207.6</b>

- A new agreement to develop and operate several IFM airport-related services at Linköping City Airport was signed in February. 35 staff transferred to Coor in tandem with this new agreement.
- In May, Greater Stockholm County Council announced that it had decided to tender funding, construction, operation and maintenance of the new NKS university hospital as a PPP. This decision means Coor gaining extensive responsibility for developing and delivering integrated soft and hard FM services until 2040, which, once the hospital is fully operational, equates to sales of some SEK 300 m. The total contract value is some SEK 7.4 bn. Coor will be hiring some 250 staff for future delivery. The agreement states that the new delivery will satisfy Coor Green Services environmental standards.
- A new agreement was signed in May with Kemira Kemi to deliver IFM services at the Industry Park of Sweden (IPOS) industrial estate in Helsingborg. This agreement is worth some SEK 160 m yearly and involves 130 staff transferring to Coor.
- In December, Coor signed a new agreement with Atlas Copco for the development and delivery of soft FM services to the company's offices in Nacka, near Stockholm.

With a few exceptions, all major contracts that expired in the period were extended. The major re-negotiated accounts included ICA, EDB, the Swedish National Rail Administration and SJ (Swedish Rail).

#### Norway

Net sales in Norway in 2010 were SEK 1,066 (1,121) m, a decrease of 5% year on year. This reduction is mainly explained by the termination of one contract at the previous year-end and negative currency effects. Adjusted for currency effects, the reduction was 3%.

EBITA excl. other items for the year was SEK 67 (44) m, and the EBITA margin expanded from 3.9% to 6.3%. The margin improvement is explained by efficiency improvements in several contracts and the dissolution of pension provisions in Norway in tandem with an accounting change regarding the Norwegian AFP plan, after a decision from the Norwegian parliament.

In 2010, Coor signed a new agreement with northern European financial services group Nordea regarding soft FM at its head office and a number of regional offices, and a number of small-scale agreements with DnB Nor and other customers.

Several major contracts that expired were extended in the year, albeit at lower volumes than previously. The extended agreements included Arcus and Det Norske Veritas.

#### Denmark

Net sales in Denmark in the year were SEK 404 (423) m, a decrease of 4% year on year. The reduction between periods is explained by negative currency effects. Adjusted for them, sales increased by 6%, mainly due to new contracts, but also to higher contract volumes on existing business. EBITA excl. other items for the year was SEK 5 (5) m.

The EBITA margin increased from 1.1% to 1.2%. High costs for snow clearance in the first and fourth quarters were offset by efficiency improvements executed in contracts.

New agreements were signed with Statoil in April to deliver integrated hard and soft FM to Statoil in Copenhagen and Kalundborg, and one office in Sweden. Coor already delivers IFM services to Statoil at Statoil's office in Harstad, Norway.

In December, Coor was awarded a five-year contract with Danmarks Radio, starting in January 2011. This agreement means Coor developing and delivering hard and soft FM services at DR's head office in Copenhagen and DR Århus, and to nine distribution offices around Denmark. The new assignment will be the largest for Coor's Danish business, and mean staff headcount increasing by some 200.

#### Finland

Net sales in Finland for 2010 were SEK 217 (234) m, a decrease of 8%. The reduction between years is mainly explained by negative currency effects. Adjusted for them, sales increased by 2% year on year. Finland was hit hard by the recession in 2009, especially in manufacturing, which is a significant part of Coor's customer base in Finland. These negative effects continue to impact on Coor's business in 2010, but were offset by increased volumes from soft and hard FM in the Helsinki region, which was not as heavily affected by the recession.

EBITA excl. other items for the period was SEK -10 (-13) m. The primary reason for this deficit is fairly large central resources to be able to manage and cope with expected growth. Gross margin measured on gross profit of the underlying contract portfolio is satisfactory. In year-on-year terms, the EBITA margin improved from -5.4% to -4.8%. A negative EBITA is not satisfactory for the long term and increased volume growth is necessary to achieve critical mass in Finland.

#### CASH FLOW

Cash flow from operating activities was SEK 147 (316) m, down by SEK 169 m year on year. The change on 2009 is mainly due to the fundamental rationalization of the group's working capital conducted in the previous year, resulting in low opening working capital for 2010.

Cash flow from investing and financing activities was SEK -164 (-372) m. The year-on-year change is explained by fewer acquisitions conducted. Purchase prices paid for acquisitions in the year were SEK 17 (415) m and borrowings to finance acquisitions were SEK 0 (238) m. Investments in property, plant and equipment and intangible assets were SEK 26 (25) m and sales of property, plant and equipment were SEK 1 (14) m.

Cash flow for the year was SEK -17 (-56) m.

#### FINANCIAL POSITION

The group's net borrowing was SEK 3,220 (3,013) m at year-end.

Equity at year-end was SEK 541 (1,208) m. The consolidated equity-assets ratio reduced by nearly 9 percentage points and was 7.9 (16.6)% at year-end. The reduced equity-assets ratio is mainly a result of high non-cash amortization and impairment of intangible assets and group contributions paid to the holding company.

## FINANCIAL SUMMARY

Income Statement (TSEK)	2010-01-01 – 2010-12-31	2009-01-01 – 2009-12-31
Net sales	6,293,165	5,906,437
Cost of services sold	-5,472,328	-5,092,754
<b>Gross income before amortization and impairment of intangible assets</b>	<b>820,837</b>	<b>813,683</b>
Amortization and impairment of intangible assets	-488,349	-509,439
<b>Gross income</b>	<b>332,488</b>	<b>304,244</b>
Selling expenses	-94,009	-96,931
Administrative expenses	-394,840	-399,621
Other revenue	494	1,473
<b>EBIT</b>	<b>-155,867</b>	<b>-190,835</b>
Amortization and impairment of intangible assets	488,349	509,439
<b>EBITA</b>	<b>332,482</b>	<b>318,604</b>
<b>Net sales by market</b>	<b>2010-12-31</b>	<b>2009-12-31</b>
Sweden	4,606,403	4,128,561
Norway	1,065,747	1,120,818
Denmark	404,316	422,634
Finland	216,699	234,424
<b>Total</b>	<b>6,293,165</b>	<b>5,906,437</b>
<b>EBITA excl. other items by market</b>	<b>2010-12-31</b>	<b>2009-12-31</b>
Sweden	323,029	324,298
Norway	66,630	44,032
Denmark	4,739	4,659
Finland	-10,339	-12,686
<b>Total, group</b>	<b>384,059</b>	<b>360,303</b>
Other items	-51,577	-41,699
<b>Total EBITA</b>	<b>332,482</b>	<b>318,604</b>
<b>Group Balance Sheet (TSEK)</b>	<b>2010-12-31</b>	<b>2009-12-31</b>
Intangible assets	1 4,841,044	5,421,160
Other fixed assets	190,390	230,290
Trade receivables	1,045,330	1,008,408
Cash and bank balances	253,203	274,488
Other current assets	377,703	278,078
<b>Total assets</b>	<b>6,707,670</b>	<b>7,212,424</b>
Equity	540,954	1,207,646
Long-term liabilities	2 3,282,632	3,701,755
Current liabilities	2 2,884,084	2,303,023
<b>Total equity and liabilities</b>	<b>6,707,670</b>	<b>7,212,424</b>
1) of which goodwill:	2,466,341	2,522,780
2) of which interest-bearing liabilities		
Interest-bearing long-term liabilities	2,660,950	2,918,334
Interest-bearing current liabilities	904,734	488,434

## CASH FLOW SUMMARY

Group Cash Flow Statement (TSEK)	2010-01-01 – 2010-12-31	2009-01-01 – 2009-12-31
<b>Operating activities</b>		
EBITDA	399,455	368,596
Non-cash items	-43,388	7,715
Interest paid/received, net	-188,127	-228,932
Income taxes paid	-21,039	-26,156
<b>Cash flow from operating activities before changes in working capital</b>	<b>146,901</b>	<b>121,223</b>
Change in working capital	-203	194,917
<b>Cash flow from operating activities</b>	<b>146,698</b>	<b>316,140</b>
<b>Investing activities</b>		
Net investments in intangible assets and property, plant and equipment	-24,404	-10,049
Acquisitions of subsidiaries	-16,654	-415,009
<b>Cash flow from investing activities</b>	<b>-41,058</b>	<b>-425,058</b>
<b>Cash flow from financing activities</b>	<b>-122,779</b>	<b>53,378</b>
<b>Cash flow for the year</b>	<b>-17,139</b>	<b>-55,540</b>
Cash and cash equivalents at beginning of year	274,488	319,294
Exchange rate difference in cash and cash equivalents	-4,146	10,734
<b>Cash and cash equivalents at end of year</b>	<b>253,203</b>	<b>274,488</b>
<b>Operating cash flow</b>	<b>331,461</b>	<b>561,179</b>

## DEFINITIONS

**Cost of services sold**

Costs directly related to the delivery of invoiced services and depreciation of machinery and equipment.

**Other items**

Costs for integration of new contracts and acquisitions and costs for restructuring projects.

**EBITA**

(Earnings before interest, taxes and amortization); operating income before amortization and impairment of intangible assets.

**EBITA excl. other items**

(Earnings before interest, taxes and amortization); operating income before amortization and impairment of intangible assets and other items.

**EBITDA**

(Earnings before interest, taxes, depreciation and amortization); operating income before depreciation and amortization of property, plant and equipment and intangible assets.

**Operating cash flow**

Cash flow from operating activities excluding paid/received interest and paid income tax but including net investments in intangible assets and property, plant and equipment.

## CALCULATING KEY RATIOS

**Net sales growth**

Net sales in the period as a percentage of the previous period's net sales.

**Operating margin (EBIT margin)**

Operating income as a percentage of net sales.

**EBITA margin**

EBITA as a percentage of net sales.

**EBITA margin excl. other items**

EBITA excl. other items as a percentage of net sales.

**Equity-assets ratio**

The group's equity and provisions attributable to the shareholders of the parent company as a percentage of total assets.



Coor Service Management can be found throughout the Nordic region. Visit [www.coor.com](http://www.coor.com) to find your nearest Coor office. Our head office is located at the following address:

**SWEDEN**

Head Office  
SE-173 11 Stockholm  
Råsundavägen 12, Solna  
Phone: +46 (0)8 553 950 00

