# Interim Report
## January – September 2017

### Third quarter of 2017

- Net sales increased by 7 per cent in the third quarter, to SEK **1,853** (1,740) million.
- Adjusted EBITA increased by 7 per cent to SEK **104** (97) million while the operating margin remained unchanged at **5.6** (5.6) per cent.
- EBIT was SEK **53** (47) million and the profit after tax SEK **33** (12) million.
- Earnings per share were SEK **0.3** (0.1).
- Operating cash flow was SEK **-16** (59) million. The change is due entirely to the quarter ending on a weekend.

### The period January – September 2017

- Net sales increased by 6 per cent in the January-September period, to SEK **5,610** (5,315) million. Organic growth excluding foreign exchange effects was 4 per cent.
- Adjusted EBITA increased by 9 per cent to SEK **343** (314) million and the operating margin expanded to **6.1** (5.9) per cent.
- EBIT was SEK **197** (169) million and the profit after tax was SEK **140** (74) million.
- Earnings per share were SEK **1.5** (0.8).
- Operating cash flow was SEK **186** (200) million.

*"We have a strong development in a market that offers exiting opportunities. In the third quarter of the year Coor continued to increase its sales and operating profit.*

***Mikael Stöhr,***
***President and CEO, Coor***

| GROUP EARNINGS SUMMARY * | Jul - Sep | | Jan - Sep | | Rolling | Full year |
|---|---|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 | 12 mth. | 2016 |
| Net sales | 1,853 | 1,740 | 5,610 | 5,315 | 7,567 | 7,272 |
| Organic growth, % | 7 | 1 | 4 | 5 | 3 | 3 |
| Adjusted EBITA | 104 | 97 | 343 | 314 | 464 | 435 |
| Adjusted EBITA-margin, % | 5.6 | 5.6 | 6.1 | 5.9 | 6.1 | 6.0 |
| EBIT | 53 | 47 | 197 | 169 | 270 | 242 |
| Income for the period | 33 | 12 | 140 | 74 | 190 | 123 |
| Operating cash flow | -16 | 59 | 186 | 200 | 400 | 414 |
| Earnings per share, SEK | 0.3 | 0.1 | 1.5 | 0.8 | 2.0 | 1.3 |

* The report refers to the continuing operations of the Group following an agreement to sell the damage services business.

*See page 24 for definitions and calculations of key performance indicators. Non-recurring items are presented in Note 3.*

## CEO's comments

# A strong performance in a market that offers exciting opportunities

*In the third quarter of the year Coor continued to increase its sales and operating profit, which were both up by 7 per cent. We also quickly found a good solution for the ownership of our damage services business in Norway, which will create a positive focus on our core business in Coor Norway.*

### Strong quarterly growth

Organic growth was 7 per cent in the third quarter and 4 per cent for the nine-month period as a whole. Growth was driven by higher volumes in some of our existing contracts, high variable volumes in some parts of our business and the start-up of a number of contracts with new customers, not least the contract with ABB, which is now starting to have an impact. We are also seeing that our initiative in single services, such as cleaning, property services, and food & beverage, for the SME segment has continued to yield fruit. All Nordic countries have seen a stable inflow of new small and medium-sized contracts.

To be able to take advantage of the opportunities that exist in the market and ensure sustainable growth, we need to have a competitive and strong offer. The key to Coor's continued success lies in our ability continuously to adapt our business to our changing needs and a changing world. That's why we have been actively engaged in driving development and innovation since a number of years. One example of the results of our efforts is *Coor SmartClimate*™, a new service that was launched in October. The solution was developed in collaboration with suppliers in our innovation network. *Coor SmartClimate*™ allows us to read and optimise temperature, air quality, humidity, ambient noise, lighting and other factors using sensor-based Internet of Things technology. We know that the environment in which our customers' employees work affects their productivity, efficiency and creativity. Using the same tools and service solutions, Coor can, as a facility management provider, help to develop and improve its customers' work environment and thereby also their own core business.

### Focusing on our core business in Norway

On 30 June we announced that our Norwegian damage services business was for sale. On 26 September we could announce that an acquisition agreement had been signed with Polygon. I think it is very satisfactory that this process has been concluded so quickly. This is a good ownership solution for the damage services business, but above all it will enable Coor Norway to focus fully on developing and growing its FM business.

### Strong operating profit

Our operating profit increased by 7 per cent in the third quarter and by 9 per cent for the January to September period. The quarterly operating margin was 5.6 per cent and the nine-month operating margin 6.1 per cent. For the first nine months of the year all Coor countries report increased operating margins. In the third quarter the Norwegian margin was temporarily affected by contract extensions and a contractual price adjustment to a major customer.

Margin growth during the period and for the first nine months was driven mainly by our constant efforts to create efficiencies and improvements coupled with good variable volumes in many areas of our business.

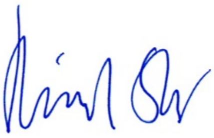
### Stable cash flow and reduced leverage create room for acquisitions

Coor's underlying cash flow is stable, although operating cash flow can vary from one quarter to the next. Net debt decreased, standing at SEK 970 (987) million at the end of the period, while leverage declined to 1.9 (2.2). Our strong cash flow in combination with negative working capital enables us continuously to evaluate potential acquisitions in the market.

### A favourable outlook

We are seeing strong interest and good demand in the market as well as interesting business opportunities throughout the Nordic region. We believe our prospects to achieve growth, profitability and cash flow in line with our targets over time are good.

**Stockholm, 27 October 2017**



Mikael Stöhr
President and CEO, Coor

## Group performance

### Net sales and operating profit

| CONSOLIDATED | Jul - Sep | | Jan - Sep | |
|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 |
| Net sales | 1,853 | 1,740 | 5,610 | 5,315 |
| *Organic growth, %* | *7* | *1* | *4* | *5* |
| Adjusted EBITA | 104 | 97 | 343 | 314 |
| Adjusted EBITA-margin, % | 5.6 | 5.6 | 6.1 | 5.9 |
| EBIT | 53 | 47 | 197 | 169 |
| EBIT-margin, % | 2.9 | 2.7 | 3.5 | 3.2 |
| Number of employees (FTE) | 6,510 | 5,982 | 6,510 | 5,982 |

*The Norwegian damage services business is reported as operations held for sale and is therefore not included in net sales or operating profit, either in the current period or in comparative figures for past periods. This affects the consolidated financial statements and Norway but has no impact on Coor's other countries of operation.*

*Earnings, cash flow and the balance sheet for the damage services business are presented in Note 4.*

### Third quarter (July – September)

Organic growth for the period was 7 per cent. Our Swedish, Danish and Finnish businesses had a positive impact on growth at Group level while organic growth in Norway was marginally negative.

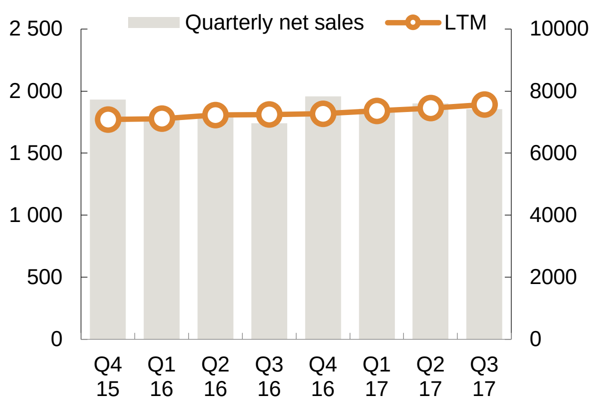
The operating profit (adjusted EBITA) increased by 7 per cent year on year (7 per cent also excluding foreign exchange effects), which meant that the operating margin for the period remained flat at 5.6 (5.6) per cent. Higher margins in Sweden and Finland were offset by a reduced margin in Norway.

As a consequence of the improved result at EBITA level EBIT also increased, to SEK 53 (47) million.

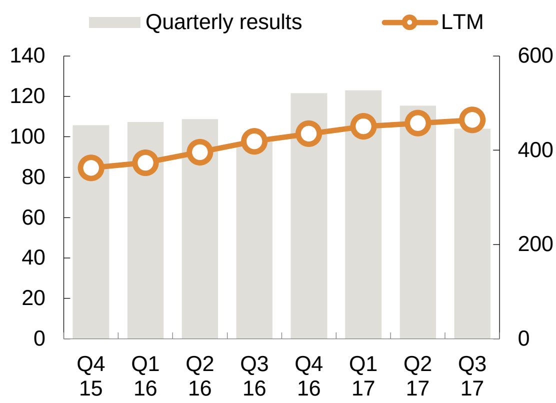
### January to September period

Organic growth was 4 per cent in the period. The operating profit (adjusted EBITA) increased by 9 per cent (or 8 per cent excluding foreign exchange effects), which meant that the operating margin improved to 6.1 (5.9) per cent. This improvement was driven by higher margins in all countries.

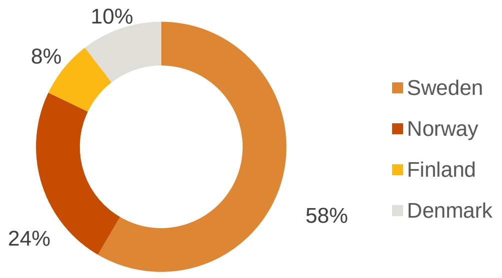
**NET SALES (SEK m)**



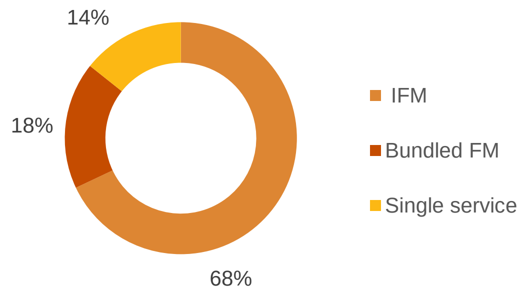

**ADJUSTED EBITA (SEK m)**




**NET SALES BY COUNTRY, Q3 2017**




**NET SALES BY TYPE OF CONTRACT, Q3 2017**



## Financial net and profit after tax

| FINANCIAL NET | Jan - Sep | |
|---|---|---|
| (SEK m) | 2017 | 2016 |
| Net interest | -23 | -24 |
| Borrowing costs | -2 | -2 |
| Other | -3 | -3 |
| **Total excl exchange rate differences** | **-28** | **-29** |
| Exchange rate differences | 11 | -40 |
| **Total** | **-17** | **-69** |

Coor's financial net improved by SEK 53 million in January to September compared with the same period in 2016, mainly as a result of positive translation differences. These were due to the revaluation of loans in foreign currency at lower NOK closing rates at the end of the third quarter compared with year-end 2016. In 2016 these translation differences were negative. The net interest expense and other financial expenses were largely flat compared with the year-before period.

The tax expense for the period was SEK -41 (-26) million, which represents 22 (26) per cent of earnings before tax. The change compared with the previous year is mainly due to a reduction of the corporate tax rate in Norway in 2017. Earnings after tax were SEK 140 (74) million.

## Cash flow

Operating cash flow for the third quarter was SEK -16 (59) million, which is in line with the seasonal variation for the Group, with the third quarter being the weakest. The third quarter normally sees an increase in accrued project income due to longer lead times for invoicing during the holiday period. On top of the normal seasonal variation, cash flow was also affected by the fact that the quarter ended on a weekend. This meant that a number of large payments from customers that would normally have been included in cash flow for the three-month period were received only after the end of the period. This weekend effect explains the decrease compared with the third quarter of 2016.

Operating cash flow varies from one quarter to another. The key parameter is therefore the rolling 12-month change in working capital. Over the past twelve-month period working capital increased by SEK 8 million, which is a deterioration compared with previous quarters. This is entirely due to the above-mentioned weekend effect and does not reflect the underlying trend in working capital, which remains stable and in line with previous quarters.

The most important external KPI for cash flow is cash conversion, which is defined as the ratio of a simplified measure of operating cash flow to adjusted EBITDA. Cash conversion for the past 12 months was 85 per cent, which is below the Group's target of 90 per cent, once again as a result of the weekend effect in the third quarter.

| CASH CONVERSION (SEK m) | Rolling 12 mth. | Full year 2016 |
|---|---|---|
| Adjusted EBITDA | 513 | 476 |
| Change in net working capital | -8 | 29 |
| Net investments | -70 | -71 |
| **Cash flow for calculation of cash conversion** | **435** | **434** |
| **Cash conversion, %** | **85** | **91** |

## Financial position

| NET DEBT | Sep 30 | Sep 30 | Dec 31 |
|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2016 |
| Liabilities to credit institutions | 1,380 | 1,399 | 1,395 |
| Other | 13 | 15 | 16 |
| | **1,392** | **1,413** | **1,410** |
| Cash and cash equivalents | -422 | -426 | -603 |
| **Net debt** | **970** | **987** | **807** |
| Leverage | 1.9 | 2.2 | 1.7 |
| Equity | 2,448 | 2,703 | 2,734 |
| Equity/assets ratio, % | 42 | 45 | 44 |

Consolidated net debt was SEK 970 (987) million at the end of the period. The decrease compared with the same period last year is mainly due to a reduction in liabilities to credit institutions as a result of a lower NOK closing rate than in 2016.

The leverage, defined as net debt to adjusted EBITDA, was 1.9 (2.2) at the end of the period, which is well below the Group's target of a leverage below 3.0. The Group's leverage was only slightly higher than at year-end, despite the payment of dividends totalling SEK 287 (192) million in the second quarter.

Equity at the end of the period was SEK 2,448 (2,703) million and the equity/assets ratio 42 (45) per cent.

Cash and cash equivalents at the end of the period were SEK 422 (426) million. At the same date the Group had undrawn credit lines of SEK 288 (284) million.

## Significant events in the third quarter

- On 26 September Coor announced that the process of selling Skadegruppen AS, Coor's damage services business in Norway, had been concluded through an agreement with Polygon, the European market leader in property damage control. The sale will be concluded subject to the usual assessment by the competition authority.
- On 29 September it was announced that Coor had extended a Nordic IFM contract with Telia Company, one of Coor's ten largest customers. Under the renewed contract, Coor will continue to provide and develop a range of services for Telia Company in Sweden, Norway and Finland. The contract covers services at around 35 sites across the Nordic region and 90 Telia stores in Sweden.

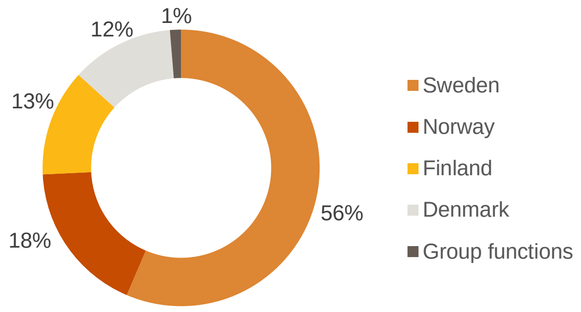
## Significant events after the end of the period

- On 12 October Coor announced that the company had concluded a new contract with one of Finland's largest hotel operators, Sokotel Oy. The contract is expected to be worth around SEK 35 million in annual subscription volumes with a potential for further project volumes. This will significantly expand Coor's cleaning business is Finland and will require the recruitment of around 200 new employees.
- On 19 October it was announced that Magdalena Öhrn would take over as new Director of Communications on 15 January and thus form part of Coor's executive management team.
- On 20 October it was announced that Coor had extended and expanded an IFM contract with GKN Aerospace in Trollhättan. The contract, which previously covered a number of workplace and property services, will now be expanded to include the operation of a restaurant. The contract is worth around SEK 110 million annually and has been extended for three years (with an option for a further extension).
- On 24 October it was announced that Coor had extended an IFM contract with Borealis. The contract is worth some SEK 100 m annually and runs from 1 April 2018. In addition to a number of FM services, the agreement also include Coor's own smart services: SmartDisplay, SmartResponse, SmartFlow and SmartUtilization.

## Organisation and employees

At the end of the period the Group had 7,247 (6,480) employees excluding the damage services business, or 6,510 (5,982) on a full-time equivalent basis. The increase in the workforce is due to the initiation of new contracts and expansion of existing contracts. The number of employees in the damage services business at the end of the period was 221 (231).

**NUMBER OF EMPLOYEES (FULL-TIME EQUIVALENTS) AT 30 SEPTEMBER 2017**



## Operations by country

### Sweden

| SWEDEN | Jul - Sep | | Jan - Sep | |
|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 |
| Net sales | 1,084 | 1,002 | 3,299 | 3,133 |
| *Organic growth, %* | *8* | *6* | 5 | 8 |
| Adjusted EBITA | 95 | 82 | 333 | 310 |
| Adjusted EBITA-margin, % | 8.7 | 8.2 | 10.1 | 9.9 |
| Number of employees (FTE) | 3,673 | 3,312 | 3,673 | 3,312 |

#### Third quarter (July – September)

Coor's Swedish business saw continued sales growth in the third quarter. As in the last few quarters, growth was driven by increased volumes from the commissioning of the new buildings at the Karolinska University Hospital in Solna, continued high variable project volumes in a number of other IFM contracts and several new small contracts. The ABB contract, which started in the second quarter with relatively small initial volumes, also added to growth during the period.

The quarterly operating profit (adjusted EBITA) increased by 15 per cent and the operating margin improved to 8.7 (8.2) per cent. The margin improvement compared with the third quarter of 2016 was driven by good profitability on variable project volumes and a continued focus on operational efficiencies. The volume mix was also favourable during the period, as Coor was able to provide a relatively large share of the variable volumes using in-house staff, which normally results in higher margins. How large a volume can be handled in-house depends on the type of service, forward planning and our ability to plan the activities as well as on access to staff, which in turn depends on absence due to holidays and sick leave.

The third quarter is seasonally the weakest. This is because July and August are holiday months, with fewer additional orders and a small number of diners in Coor's restaurants.

During the three-month period Coor signed a number of small and medium-sized contracts for cleaning as well as conference and restaurant services.

#### January to September period

Organic growth in the nine-month period was 5 per cent.

The operating profit (adjusted EBITA) increased by 7 per cent. The operating margin increased compared with the same period in 2016, to 10.1 (9.9) per cent.

### Norway

| NORWAY | Jul - Sep | | Jan - Sep | |
|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 |
| Net sales | 439 | 448 | 1,353 | 1,325 |
| *Organic growth, %* | *-1* | *2* | -2 | 14 |
| Adjusted EBITA | 27 | 33 | 90 | 87 |
| Adjusted EBITA-margin, % | 6.1 | 7.3 | 6.7 | 6.6 |
| Number of employees (FTE) | 1,161 | 1,114 | 1,161 | 1,114 |

#### Third quarter (July – September)

Net sales in Coor's Norwegian business decreased slightly compared with the year-before period. This was due to slightly lower variable volumes in Coor's existing contracts and a contractual price adjustment with a major customer. The new small and medium-sized contracts that were concluded failed to fully offset these effects while the positive impact of the ABB contract in Norway will be felt only in early 2018.

The quarterly operating profit (adjusted EBITA) decreased by 17 per cent and the operating margin was 6.1 (7.3) per cent. The reduced margin is explained partly by the price adjustment and partly by a number of contract extensions that started in the first half of the year. This creates partly new operating conditions for a relatively large share of the Norwegian contract portfolio. Price adjustments and the relaunch of contracts after extensions can have the same effect as the start of a new contract, i.e. an initial period with lower margins while services are adapted to the new terms before a gradual return to full profitability.

#### January to September period

Net sales in the Norwegian business increased by 2 per cent including FX effects, but organic growth was negative.

The operating profit (adjusted EBITA) for the first three quarters increased by 4 per cent (0 per cent excluding foreign exchange effects) and the operating margin expanded to 6.7 (6.6) per cent. Despite the lower margin in the third quarter, the Norwegian business compensated for the effects of price adjustments and renegotiated contracts through efficiencies throughout the period.

## Denmark

| DENMARK | Jul - Sep | | Jan - Sep | |
|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 |
| Net sales | 193 | 175 | 565 | 507 |
| *Organic growth, %* | *10* | *-20* | 9 | -20 |
| Adjusted EBITA | 10 | 9 | 23 | 18 |
| Adjusted EBITA-margin, % | 5.2 | 5.4 | 4.0 | 3.5 |
| Number of employees (FTE) | 779 | 698 | 779 | 698 |

### Third quarter (July – September)

The Danish business continued to generate solid growth in the third quarter. Organic growth of 10 per cent was driven by the new small and medium-sized contracts that were signed in the previous year and in early 2017.

The Danish business successfully adapted its costs to lower volumes last year and reports a more or less unchanged margin as sales increase again, despite new contract volumes with initially lower margins.

### January to September period

Organic growth in the nine-month period was 9 per cent.

The operating profit (adjusted EBITA) for the period increased by 28 per cent and the operating margin expanded to 4.0 (3.5) as a result of the aforementioned cost adjustments.

## Finland

| FINLAND | Jul - Sep | | Jan - Sep | |
|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 |
| Net sales | 138 | 118 | 397 | 352 |
| *Organic growth, %* | *17* | *-5* | 10 | -9 |
| Adjusted EBITA | 10 | 7 | 11 | 6 |
| Adjusted EBITA-margin, % | 7.1 | 5.6 | 2.6 | 1.6 |
| Number of employees (FTE) | 813 | 783 | 813 | 783 |

### Third quarter (July – September)

In the third quarter Finland continued to grow at a solid pace as net sales increased by 17 per cent compared with the same period in 2016. This was primarily a consequence of the ongoing start-up of the ABB contract, with additional growth coming from a number of new smaller contracts.

Margins also increased in the third quarter compared with the previous year. The new volumes initially have relatively low margins but still had a positive impact. Unlike in the Group as a whole, the third quarter is seasonally the strongest in the Finnish business.

A number of new minor contracts for cleaning and property services were signed during the period.

### January to September period

Organic growth in the nine-month period was 10 per cent.

The operating profit (adjusted EBITA) for the first three quarters increased by 88 per cent and the operating margin expanded to 2.6 (1.6) per cent.

## Significant risks and uncertainties

The Group's significant risks and uncertainties comprise **strategic risks** tied to changes in market and economic conditions as well as sustainability, and **operational risks** related to customer contracts. The Group is also exposed to different types of **financial risks**, including currency, interest rate and liquidity risks. A detailed description of the Group's risks is provided in the annual report, which is available on the company's website. No further significant risks are deemed to have arisen since the publication of the 2016 annual report.

## Acquisitions and sales

No acquisitions or sales were made. During the period the company concluded a contract for the sale of its damage services business in Norway.

## Parent company

The Group's parent company, Coor Service Management Holding AB, provides management services to its wholly owned subsidiary Coor Service Management Group AB. The parent company also manages shares in subsidiaries.

Earnings after tax in the parent company were SEK -44 (-94) million, Total assets in the parent company at 30 September were SEK 7,948 (7,992) million and equity was SEK 5,345 (5,424) million.

## Related party transactions

No transactions between Coor and related parties that had a material impact on the company's financial position and results took place during the period.

## Ownership structure

The shares of Coor Service Management Holding AB were listed on Nasdaq Stockholm on 16 June 2015. At the end of the period the three largest shareholders were Fidelity, Swedbank Robur Fonder and the Second Swedish National Pension Fund (AP2).

### COOR'S FIFTEEN LARGEST SHAREHOLDERS SEPTEMBER 30, 2017 [1)]

| Shareholder | Number of shares and votes | Shares and votes, % |
|---|---|---|
| Fidelity | 8,513,002 | 8.9 |
| Swedbank Robur Fonder | 6,048,649 | 6.3 |
| Andra AP-fonden (AP2) | 5,884,628 | 6.1 |
| Nordea Fonder | 5,436,937 | 5.7 |
| Crux Asset Management Limited | 3,962,774 | 4.1 |
| Handelsbanken Fonder | 3,682,989 | 3.8 |
| AFA Försäkring | 3,569,956 | 3.7 |
| SEB-Stiftelsen | 3,450,000 | 3.6 |
| BMO Global Asset Management | 2,968,212 | 3.1 |
| Didner & Gerge Fonder | 2,957,483 | 3.1 |
| Aviva | 2,447,969 | 2.6 |
| Ilmarinen Mutual Pension Insurance Company | 2,428,506 | 2.5 |
| Aktie-Ansvar Fonder | 1,520,286 | 1.6 |
| Schroders | 1,507,220 | 1.6 |
| Vanguard | 1,125,000 | 1.2 |
| **Total 15 largest shareholders** | **55,503,611** | **57.9** |
| Other shareholders | 40,308,411 | 42.1 |
| **Total** | **95,812,022** | **100.0** |

[1)] 1) Source: Monitor by Modular Finance AB. Compiled and adapted data from Euroclear, Morningstar, the Swedish Financial Supervisory Authority and other sources.

*The report for the period has been reviewed by the company's auditors.*

*Stockholm, 27 October 2017*

*On behalf of the Board of Directors of Coor Service Management Holding AB*

*Mikael Stöhr*
*President and CEO*

## For more information

For questions concerning the financial report, please contact CFO and Director of Investor Relations Olof Stålnacke (+46 10 559 59 20).

For questions concerning the operations or the company, please contact Mikael Stöhr, President and CEO, (+46 10-559 59 35) or Sofie Schough, Acting Director of Communications (+46 10 559 59 83).

IR Coordinator: Sara Marin (+46 10 559 59 51).

More information is also available on our website: www.coor.com

## Invitation to a press and analyst presentation

On 27 October, at 9 a.m. CET, the company's President and CFO will give a presentation on developments in the third quarter in a webcast. To participate in the webcast, please register in advance of the meeting using the following link: http://edge.media-server.com/m/p/d7av2ni9. To listen to the presentation by telephone, dial +46 856642509 (Sweden), +47 23500253 (Norway), +45 82333178 (Denmark), +35 8981710491 (Finland) or +44 2030089808 (UK).

The briefing material and a recording of the webcast will be published on the company's website, www.coor.com, under Investors/Reports and presentations, after the briefing.

## Financial calendar

| | | |
|---|---|---|
| Interim Report | January – December 2017 | 22 February 2018 |
| Interim Report | January – March 2018 | 26 April 2018 |
| Interim Report | January – June 2018 | 18 July 2018 |
| Interim Report | January – September 2018 | 24 October 2018 |

*This constitutes information which Coor Service Management Holding AB is required to publish under the EU's Market Abuse Regulation. The information was submitted for publication through the above contact person on 27 October 2017, at 7.30 a.m. CET.*

Coor is a leading provider of facility management services in the Nordic countries, focusing on integrated and complex service undertakings (IFM). Coor offers specialist expertise in workplace services (soft FM), property services (hard FM) and strategic advisory services for development of customers' service activities. Coor creates value by executing, leading, developing and streamlining its customers' service activities, ensuring that they provide optimal support to the core business over time. Coor's customer base includes many large and small companies and public-sector organisations across the Nordic region, including ABB, AB Volvo, Aibel, Det Norske Veritas, E.ON, Ericsson, EY, NCC, Politiet (Danish Police), Saab, Sandvik, SAS, Statoil, Telia Company, the Swedish Transport Administration, Vasakronan and Volvo Cars.

Founded in 1998, Coor takes responsibility for the operations it conducts, in relation to its customers, employees and shareholders, as well as for its wider impact on society and the environment. Read more at www.coor.com

## Auditor's report

Coor Service Management Holding AB (publ) org nr 556742-0806

### Introduction

We have reviewed the condensed interim financial information (interim report) of Coor Service Management Holding AB (publ) as of 30 September 2017 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Report Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 27 October 2017

Öhrlings PricewaterhouseCoopers

Magnus Brändström
Authorized Public Accountant

| CONSOLIDATED INCOME STATEMENT | Jul - Sep | | Jan - Sep | | Rolling | Full year |
|---|---|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 | 12 mth. | 2016 |
| **Continuing operations** | | | | | | |
| Net sales | 1,853 | 1,740 | 5,610 | 5,315 | 7,567 | 7,272 |
| Cost of services sold | -1,660 | -1,565 | -5,011 | -4,747 | -6,740 | -6,476 |
| **Gross income** | **193** | **176** | **599** | **569** | **827** | **796** |
| Selling and administrative expenses | -140 | -129 | -402 | -400 | -556 | -554 |
| **Operating profit** | **53** | **47** | **197** | **169** | **270** | **242** |
| Net financial income/expense | -11 | -30 | -17 | -69 | -22 | -75 |
| **Profit before tax** | **42** | **16** | **181** | **99** | **248** | **167** |
| Income tax expense | -9 | -4 | -41 | -26 | -59 | -44 |
| **Income for the period, continuing operations** | **33** | **12** | **140** | **74** | **190** | **123** |
| **Discontinued operations** | | | | | | |
| Income for the period *(note 4)* | -25 | 0 | -113 | 7 | -118 | 1 |
| **Income for the period, total** | **9** | **12** | **28** | **81** | **71** | **124** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Operating profit** | **53** | **47** | **197** | **169** | **270** | **242** |
| Amortisation and impairment of customer contracts and goodwill | 43 | 47 | 127 | 133 | 171 | 176 |
| Items affecting comparability *(note 3)* | 8 | 4 | 18 | 12 | 23 | 17 |
| **Adjusted EBITA** | **104** | **97** | **343** | **314** | **464** | **435** |
| **Earnings per share, SEK** [1] | | | | | | |
| Continuing operations | 0.3 | 0.1 | 1.5 | 0.8 | 2.0 | 1.3 |
| Discontinued operations | -0.3 | 0.0 | -1.2 | 0.1 | -1.2 | 0.0 |
| **Earnings per share, total** | **0.1** | **0.1** | **0.3** | **0.8** | **0.7** | **1.3** |

*1) There are no dilutive effects for any of the periods.*

| CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME | Jul - Sep | | Jan - Sep | | Rolling | Full year |
|---|---|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 | 12 mth. | 2016 |
| **Income for the period** | **9** | **12** | **28** | **81** | **71** | **124** |
| *Items that may be subsequently reclassified to profit or loss* | | | | | | |
| Currency translation differences | -4 | 42 | -26 | 81 | -39 | 68 |
| **Other comprehensive income for the period** | **-4** | **42** | **-26** | **81** | **-39** | **68** |
| **Total comprehensive income for the period** | **5** | **54** | **2** | **161** | **32** | **192** |

The interim information on pages 11–24 constitutes an integral part of this financial report.

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| CONSOLIDATED BALANCE SHEET | Sep 30 | | Dec 31 |
|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2016 |
| **Assets** | | | |
| **Intangible assets** | | | |
| Goodwill | 2,693 | 2,787 | 2,781 |
| Customer contracts | 766 | 941 | 896 |
| Other intangible assets | 113 | 104 | 107 |
| **Property, plant and equipment** | 74 | 69 | 77 |
| **Financial assets** | | | |
| Deferred tax receivable | 240 | 266 | 252 |
| Other financial assets | 12 | 12 | 12 |
| **Total non-current assets** | **3,897** | **4,178** | **4,124** |
| **Current assets** | | | |
| Accounts receivable | 1,056 | 959 | 1,080 |
| Other current assets, interest-bearing | 2 | 6 | 6 |
| Other current assets, non-interest-bearing | 387 | 462 | 413 |
| Cash and cash equivalents | 422 | 426 | 603 |
| **Total** | **1,867** | **1,854** | **2,102** |
| Assets of disposal group held for sale *(note 4)* | 63 | - | - |
| **Total current assets** | **1,930** | **1,854** | **2,102** |
| **Total assets** | **5,827** | **6,033** | **6,225** |

| | Sep 30 | | Dec 31 |
|---|---|---|---|
| | 2017 | 2016 | 2016 |
| **Equity and liabilities** | | | |
| **Equity** | **2,448** | **2,703** | **2,734** |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Borrowings | 1,385 | 1,406 | 1,401 |
| Deferred tax liability | 26 | 34 | 32 |
| Provisions for pensions | 18 | 17 | 19 |
| Other non-interest bearing liabilities | 0 | 1 | 7 |
| **Total non-current liabilities** | **1,429** | **1,458** | **1,460** |
| **Current liabilities** | | | |
| Interest-bearing liabilities | 3 | 9 | 7 |
| Current tax liabilities | 38 | 57 | 25 |
| Accounts payable | 720 | 641 | 790 |
| Other current liabilities | 1,157 | 1,150 | 1,203 |
| Short-term provisions | 3 | 13 | 7 |
| **Total** | **1,921** | **1,871** | **2,032** |
| Liabilities of disposal group held for sale *(note 4)* | 30 | - | - |
| **Total current liabilities** | **1,951** | **1,871** | **2,032** |
| **Total equity and liabilities** | **5,827** | **6,033** | **6,225** |

| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | Jan - Sep | | Full year |
|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2016 |
| **Opening balance at beginning of period** | **2,734** | **2,733** | **2,733** |
| Income for the period | 28 | 81 | 124 |
| Other comprehensive income for the period | -26 | 81 | 68 |
| Transactions with shareholders | -287 | -192 | -192 |
| **Closing balance at end of period** | **2,448** | **2,703** | **2,734** |

*There are no non-controlling interests, as the parent company owns all shares of all subsidiaries.*

| CONSOLIDATED CASH FLOW STATEMENT | Jul - Sep | | Jan - Sep | | Rolling | Full year |
|---|---|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 | 12 mth. | 2016 |
| **Continuing operations** | | | | | | |
| **Operating profit** | **53** | **47** | **197** | **169** | **270** | **242** |
| Adjustment for non-cash items | 47 | 60 | 150 | 157 | 206 | 213 |
| Finance net | -8 | -9 | -26 | -28 | -35 | -37 |
| Income tax paid | 0 | 0 | -18 | -1 | -53 | -36 |
| **Cash flow before changes in working capital** | **92** | **98** | **303** | **297** | **388** | **382** |
| Change in working capital | -100 | -37 | -114 | -77 | -8 | 29 |
| **Cash flow from operating activities** | **-8** | **61** | **189** | **220** | **380** | **411** |
| Net investments | -16 | -11 | -47 | -49 | -69 | -70 |
| **Cash flow from investing activities** | **-16** | **-11** | **-47** | **-49** | **-69** | **-70** |
| Change in borrowings | 0 | -20 | -6 | -1 | -6 | -1 |
| Dividend | 0 | 0 | -287 | -192 | -287 | -192 |
| Net lease commitments | 0 | -1 | -1 | -2 | -2 | -2 |
| **Cash flow from financing activities** | **0** | **-20** | **-295** | **-194** | **-295** | **-195** |
| **Cash flow from continuing operations** | **-24** | **29** | **-153** | **-23** | **16** | **146** |
| **Cash flow from discontinued operations** | **-14** | **-11** | **-18** | **0** | **-8** | **10** |
| **Cash flow for the period** | **-39** | **18** | **-171** | **-24** | **8** | **156** |
| Cash and cash equivalents at beginning of period | 460 | 396 | 603 | 428 | 426 | 428 |
| Exchange gains on cash and cash equivalents | 1 | 12 | -10 | 22 | -13 | 19 |
| **Cash and cash equivalents at end of period** | **422** | **426** | **422** | **426** | **422** | **603** |

| CONSOLIDATED OPERATING CASH FLOW | Jul - Sep | | Jan - Sep | | Rolling | Full year |
|---|---|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 | 12 mth. | 2016 |
| **Continuing operations** | | | | | | |
| EBIT | 53 | 47 | 197 | 169 | 270 | 242 |
| Depreciation and amortisation | 55 | 57 | 163 | 161 | 220 | 217 |
| Net investments | -16 | -11 | -47 | -49 | -69 | -70 |
| Change in working capital | -100 | -37 | -114 | -77 | -8 | 29 |
| Adjustment for non-cash items | -8 | 4 | -13 | -4 | -14 | -4 |
| **Operating cash flow** | **-16** | **59** | **186** | **200** | **400** | **414** |
| Adjustment for items affecting comparability | 8 | 4 | 18 | 12 | 23 | 17 |
| Other | 7 | -3 | 12 | 3 | 12 | 3 |
| **Cash flow for cash conversion calculation** | **0** | **60** | **216** | **215** | **435** | **434** |
| **Cash conversion, %** | **0** | **56** | **57** | **63** | **85** | **91** |

| GEOGRAPHICAL SEGMENTS | Jul - Sep | | Jan - Sep | | Rolling | Full year |
|---|---|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 | 12 mth. | 2016 |
| **Net sales** | | | | | | |
| **Sweden** | **1,084** | **1,002** | **3,299** | **3,133** | **4,416** | **4,250** |
| *Total sales* | *1,117* | *1,033* | *3,395* | *3,221* | *4,547* | *4,373* |
| *Internal sales* | *-33* | *-30* | *-96* | *-88* | *-131* | *-123* |
| **Norway** | **439** | **448** | **1,353** | **1,325** | **1,862** | **1,834** |
| *Total sales* | *441* | *449* | *1,362* | *1,330* | *1,873* | *1,841* |
| *Internal sales* | *-2* | *-2* | *-9* | *-5* | *-11* | *-7* |
| **Finland** | **138** | **118** | **397** | **352** | **533** | **488** |
| *Total sales* | *138* | *118* | *397* | *352* | *533* | *488* |
| *Internal sales* | *0* | *0* | *0* | *0* | *0* | *0* |
| **Denmark** | **193** | **175** | **565** | **507** | **761** | **703** |
| *Total sales* | *194* | *175* | *567* | *509* | *765* | *706* |
| *Internal sales* | *-1* | *0* | *-2* | *-2* | *-3* | *-3* |
| **Group functions/other** | **-1** | **-2** | **-4** | **-2** | **-6** | **-4** |
| **Total** | **1,853** | **1,740** | **5,610** | **5,315** | **7,567** | **7,272** |
| **Adjusted EBITA** | | | | | | |
| Sweden | 95 | 82 | 333 | 310 | 446 | 423 |
| Norway | 27 | 33 | 90 | 87 | 132 | 128 |
| Finland | 10 | 7 | 11 | 6 | 14 | 9 |
| Denmark | 10 | 9 | 23 | 18 | 32 | 27 |
| Group functions/other | -37 | -34 | -113 | -106 | -159 | -152 |
| **Total** | **104** | **97** | **343** | **314** | **464** | **435** |
| **Adjusted EBITA is reconciled to profit before tax as follows:** | | | | | | |
| Amortisation and impairment of goodwill and customer contracts | -43 | -47 | -127 | -133 | -171 | -176 |
| Items affecting comparability *(note 3)* | -8 | -4 | -18 | -12 | -23 | -17 |
| Net financial income/expense | -11 | -30 | -17 | -69 | -22 | -75 |
| **Profit before tax** | **42** | **16** | **181** | **99** | **248** | **167** |

| | Jul - Sep | | Jan - Sep | | Rolling | Full year |
|---|---|---|---|---|---|---|
| Adjusted EBITA margin, % | 2017 | 2016 | 2017 | 2016 | 12 mth. | 2016 |
| Sweden | 8.7 | 8.2 | 10.1 | 9.9 | 10.1 | 9.9 |
| Norway | 6.1 | 7.3 | 6.7 | 6.6 | 7.1 | 7.0 |
| Finland | 7.1 | 5.6 | 2.6 | 1.6 | 2.7 | 1.9 |
| Denmark | 5.2 | 5.4 | 4.0 | 3.5 | 4.2 | 3.8 |
| Group functions/other | - | - | - | - | - | - |
| **Total** | **5.6** | **5.6** | **6.1** | **5.9** | **6.1** | **6.0** |

| NET SALES BY TYPE OF CONTRACT | Jul - Sep | | Jan - Sep | | Rolling | Full year |
|---|---|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 | 12 mth. | 2016 |
| **Net sales, external** | | | | | | |
| IFM | 1,279 | 1,199 | 3,877 | 3,664 | 5,239 | 5,027 |
| Bundled FM | 333 | 318 | 1,038 | 973 | 1,392 | 1,326 |
| Single service | 269 | 241 | 773 | 738 | 1,039 | 1,003 |
| Other | -28 | -18 | -78 | -60 | -103 | -85 |
| **Total** | **1,853** | **1,740** | **5,610** | **5,315** | **7,567** | **7,272** |

| QUARTERLY DATA (SEK m) | 2017 | | | 2016 | | | | 2015 |
|---|---|---|---|---|---|---|---|---|
| GEOGRAPHICAL SEGMENTS | III | II | I | IV | III | II | I | IV |
| **Net sales, external** | | | | | | | | |
| Sweden | 1,084 | 1,114 | 1,101 | 1,117 | 1,002 | 1,078 | 1,053 | 1,105 |
| Norway | 439 | 458 | 456 | 509 | 448 | 447 | 431 | 468 |
| Finland | 138 | 137 | 122 | 136 | 118 | 117 | 117 | 123 |
| Denmark | 193 | 192 | 180 | 196 | 175 | 167 | 165 | 237 |
| Group functions/other | -1 | -2 | -2 | -2 | -2 | 0 | 1 | -1 |
| **Total** | **1,853** | **1,900** | **1,857** | **1,956** | **1,740** | **1,808** | **1,767** | **1,932** |
| | | | | | | | | |
| **Adjusted EBITA** | | | | | | | | |
| Sweden | 95 | 114 | 124 | 113 | 82 | 110 | 117 | 95 |
| Norway | 27 | 30 | 33 | 41 | 33 | 28 | 26 | 31 |
| Finland | 10 | 2 | -1 | 4 | 7 | 1 | -2 | 0 |
| Denmark | 10 | 5 | 7 | 9 | 9 | 4 | 4 | 12 |
| Group functions/other | -37 | -36 | -40 | -46 | -34 | -35 | -38 | -32 |
| **Total** | **104** | **115** | **123** | **122** | **97** | **109** | **107** | **106** |
| | | | | | | | | |
| **Adjusted EBITA-margin, %** | | | | | | | | |
| Sweden | 8.7 | 10.2 | 11.3 | 10.1 | 8.2 | 10.2 | 11.1 | 8.6 |
| Norway | 6.1 | 6.6 | 7.2 | 8.1 | 7.3 | 6.4 | 6.0 | 6.7 |
| Finland | 7.1 | 1.2 | -0.8 | 2.9 | 5.6 | 0.6 | -1.4 | -0.4 |
| Denmark | 5.2 | 2.7 | 4.1 | 4.7 | 5.4 | 2.5 | 2.4 | 4.9 |
| Group functions/other | - | - | - | - | - | - | - | - |
| **Total** | **5.6** | **6.1** | **6.6** | **6.2** | **5.6** | **6.0** | **6.1** | **5.5** |

| QUARTERLY DATA (SEK m) | 2017 | | | 2016 | | | | 2015 |
|---|---|---|---|---|---|---|---|---|
| TYPE OF CONTRACT | III | II | I | IV | III | II | I | IV |
| **Net sales** | | | | | | | | |
| IFM | 1,279 | 1,317 | 1,281 | 1,363 | 1,199 | 1,238 | 1,227 | 1,345 |
| Bundled FM | 333 | 364 | 341 | 353 | 318 | 336 | 319 | 338 |
| Single service | 269 | 244 | 260 | 265 | 241 | 256 | 240 | 279 |
| Other | -28 | -25 | -25 | -25 | -18 | -22 | -20 | -30 |
| **Total** | **1,853** | **1,900** | **1,857** | **1,956** | **1,740** | **1,808** | **1,767** | **1,932** |

| PARENT COMPANY INCOME STATEMENT | Jul - Sep | | Jan - Sep | | Full year |
|---|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 | 2016 |
| **Net sales** | **1** | **1** | **3** | **3** | **5** |
| Selling and administrative expenses | -9 | -7 | -23 | -20 | -25 |
| **Operating profit** | **-8** | **-6** | **-19** | **-17** | **-20** |
| **Net financial income/expense** | **-14** | **-33** | **-24** | **-77** | **-83** |
| Group contribution | 0 | 0 | 0 | 0 | 307 |
| **Income before tax** | **-22** | **-39** | **-44** | **-94** | **204** |
| Income tax expense | 0 | 0 | 0 | 0 | -45 |
| **Income for the period** | **-22** | **-39** | **-44** | **-94** | **158** |

| PARENT COMPANY BALANCE SHEET | Sep 30 | | Dec 31 |
|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2016 |
| **Assets** | | | |
| Shares in subsidiaries | 7,789 | 7,789 | 7,789 |
| Deferred tax asset | 156 | 201 | 156 |
| Other financial assets | 1 | 1 | 1 |
| **Total non-current assets** | **7,945** | **7,990** | **7,945** |
| Receivables from Group companies* | 0 | 0 | 308 |
| Other trading assets | 3 | 2 | 1 |
| Cash and cash equivalents* | 0 | 0 | 0 |
| **Total current assets** | **3** | **2** | **310** |
| **Total assets** | **7,948** | **7,992** | **8,255** |

| | Sep 30 | | Dec 31 |
|---|---|---|---|
| | 2017 | 2016 | 2016 |
| **Equity and liabilities** | | | |
| **Shareholders' equity** | **5,345** | **5,424** | **5,676** |
| **Liabilities** | | | |
| Borrowings | 1,380 | 1,399 | 1,395 |
| Provisions for pensions | 2 | 2 | 2 |
| **Total non-current liabilities** | **1,381** | **1,400** | **1,396** |
| Liabilities to Group companies* | 1,214 | 1,160 | 1,172 |
| Accounts payable | 1 | 1 | 0 |
| Other current liabilities | 7 | 8 | 10 |
| **Total current liabilities** | **1,222** | **1,168** | **1,182** |
| **Total liabilities** | **2,603** | **2,568** | **2,579** |
| **Total equity and liabilities** | **7,948** | **7,992** | **8,255** |

** The company is part of the Group wide cash pool with the subsidiary Coor Service Management Group AB as master account holder. The balance in the Group cash pool is accounted for as a current receivable or liability to Group companies.*

## Key performance indicators

| KEY PERFORMANCE INDICATORS (SEK m) | Jul - Sep 2017 | Jul - Sep 2016 | Jan - Sep 2017 | Jan - Sep 2016 | Rolling 12 mth. | Full year 2016 |
|---|---|---|---|---|---|---|
| **Continuing operations** | | | | | | |
| Net sales | 1,853 | 1,740 | 5,610 | 5,315 | 7,567 | 7,272 |
| Net sales growth, % | 6.5 | 1.1 | 5.6 | 3.1 | 4.4 | 2.6 |
| *of which organic growth, %* | *6.5* | *1.0* | *4.2* | *4.7* | *2.7* | *3.1* |
| *of which FX effect, %* | *0.0* | *0.1* | *1.3* | *-1.6* | *1.7* | *-0.5* |
| Operating profit (EBIT) | 53 | 47 | 197 | 169 | 270 | 242 |
| EBIT margin, % | 2.9 | 2.7 | 3.5 | 3.2 | 3.6 | 3.3 |
| EBITA | 96 | 93 | 324 | 301 | 441 | 418 |
| EBITA margin, % | 5.2 | 5.4 | 5.8 | 5.7 | 5.8 | 5.8 |
| Adjusted EBITA | 104 | 97 | 343 | 314 | 464 | 435 |
| Adjusted EBITA margin, % | 5.6 | 5.6 | 6.1 | 5.9 | 6.1 | 6.0 |
| Adjusted EBITDA | 116 | 107 | 378 | 342 | 513 | 476 |
| Adjusted EBITDA margin, % | 6.3 | 6.2 | 6.7 | 6.4 | 6.8 | 6.5 |
| Adjusted net profit | 76 | 59 | 267 | 206 | 360 | 300 |
| Net working capital | -433 | -443 | -433 | -443 | -433 | -552 |
| Net working capital / Net sales, % | -5.7 | -6.1 | -5.7 | -6.1 | -5.7 | -7.6 |
| Operating cash flow | -16 | 59 | 186 | 200 | 400 | 414 |
| Cash conversion, % | 0 | 56 | 57 | 63 | 85 | 91 |
| Net debt | 970 | 987 | 970 | 987 | 970 | 807 |
| Leverage | 1.9 | 2.2 | 1.9 | 2.2 | 1.9 | 1.7 |
| Equity/assets ratio, % | 42 | 45 | 42 | 45 | 42 | 44 |

| DATA PER SHARE | Jul - Sep 2017 | Jul - Sep 2016 | Jan - Sep 2017 | Jan - Sep 2016 | Rolling 12 mth. | Full year 2016 |
|---|---|---|---|---|---|---|
| Share price at end of period | 58.0 | 58.5 | 58.0 | 58.5 | 58.0 | 50.8 |
| No. of shares at end of period | 95,812,022 | 95,812,022 | 95,812,022 | 95,812,022 | 95,812,022 | 95,812,022 |
| No. of ordinary shares (weighted average) | 95,812,022 | 95,812,022 | 95,812,022 | 95,812,022 | 95,812,022 | 95,812,022 |
| Dividend, SEK [1)] | - | - | - | - | 3.00 | 3.00 |
| Earnings per share, continuing operations (SEK) [2)] | 0.35 | 0.13 | 1.46 | 0.77 | 1.98 | 1.29 |
| Earnings per share, discontinued operations (SEK) [2)] | -0.26 | 0.00 | -1.17 | 0.07 | -1.24 | 0.01 |
| **Earnings per share, total (SEK)** [2)] | **0.09** | **0.13** | **0.29** | **0.84** | **0.74** | **1.30** |
| Shareholders' equity per share, SEK | 25.55 | 28.21 | 25.55 | 28.21 | 25.55 | 28.53 |

[1)] *Dividend adopted at the Annual General Meeting on 4 May 2017.*

[2)] *There was no dilutive effect in the periods.*

# Notes

## Note 1 – Accounting principles

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU. The applied accounting principles are consistent with those described in the Group's annual report for 2016. The standards and statements which took effect from 1 January 2017 have not had any impact on the consolidated financial statements.

As of 1 January 2018 the new standard for revenue recognition, IFRS 15, must be applied. Management is currently evaluating the effects of applying the new standard. The initial assessment indicates that the new standard will have a limited impact on the recognition of revenue in the Group, as the Group's revenue mainly comes from services where control is transferred in connection with delivery. Management intends to provide a more detailed description of the effects of the transition to IFRS 15 in the year-end report.

As of 1 January 2018 the new standard for financial instruments, IFRS 9, must be applied. Management is currently evaluating the effects of applying the new standard. The initial assessment indicates that the changes will not have a significant impact on the Group's financial statements. Management intends to provide a more detailed description of the effects of the transition to IFRS 9 in the year-end report.

The parent company financial statements have been prepared in accordance with the Swedish Annual Accounts Act and Recommendation RFR 2 Financial Reporting for Legal Entities of the Swedish Financial Reporting Board.

Due to rounding, some totals in this interim report may differ from the sum of individual items.

## Note 2 – Financial instruments

The carrying amounts and fair values for borrowing, which is included in the category financial liabilities at amortised cost, are as follows:

| | Carrying amount | | | Fair value | | |
|---|---|---|---|---|---|---|
| | Sep 30 | | Dec 31 | Sep 30 | | Dec 31 |
| (SEK m) | 2017 | 2016 | 2016 | 2017 | 2016 | 2016 |
| Finance lease liabilities | 6 | 14 | 12 | 6 | 14 | 12 |
| Liabilities to credit institutions | 1,380 | 1,399 | 1,395 | 1,380 | 1,399 | 1,395 |
| Other non-current liabilities | 1 | 1 | 1 | 1 | 1 | 1 |
| **Total** | **1,388** | **1,414** | **1,408** | **1,388** | **1,414** | **1,408** |

The existing credit margin in the Group's financing agreements is deemed to be consistent with market terms, and the carrying amount therefore approximates fair value. The Group considers that the liabilities have been measured in accordance with Level 2 of the fair value hierarchy, which means that the measurement is based on observable market inputs.

## Note 3 – Items affecting comparability

Items affecting comparability are excluded from the measure of operating profit, adjusted EBITA, which the Group regards as the most relevant metric. The following table specifies the items affecting comparability that had an impact on earnings during the period.

| ITEMS AFFECTING COMPARABILITY | Jul - Sep | | Jan - Sep | | Rolling | Full year |
|---|---|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 | 12 mth. | 2016 |
| Integration | -3 | -1 | -11 | -2 | -15 | -7 |
| Restructuring | 0 | -3 | 0 | -6 | -2 | -8 |
| Other | -6 | 0 | -8 | -4 | -6 | -2 |
| **Total** | **-8** | **-4** | **-18** | **-12** | **-23** | **-17** |

## Note 4 – Discontinued operations

On 30 June 2017, following a resolution of the Board of Directors, the Group communicated its intention to divest its damage services business in Norway, the Norwegian subsidiary Skadegruppen AS. On 26 September 2017 the Group signed an agreement with Polygon for the sale of Skadegruppen AS. The sale will be concluded subject to the usual assessment by the competition authority.

In view of the above, those assets and liabilities which relate to the Group's damage services business have been accounted for as held for sale since June 2017. In accordance with IFRS 5, the consolidated income statement and consolidated cash flow statement have been restated for the current and historical periods so that income and cash flow refer only to continuing operations. Income and cash flow attributable to operations held for sale are recognised in a separate row and specified in the tables below.

### Assets and liabilities of disposal group held for sale

In accordance with IFRS 5, assets and liabilities held for sale have been recognised at fair value. Fair value has been calculated based on the agreed purchase price mechanism in the contract with the buyer. The assets and liabilities have therefore been measured in Level 3 of the fair value hierarchy.

| ASSETS OF DISPOSAL GROUP HELD FOR SALE | Sep 30 | | Dec 31 |
|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2016 |
| Property, plant and equipment | 0 | - | - |
| Accounts receivable | 46 | - | - |
| Other current assets | 17 | - | - |
| **Total** | **63** | **-** | **-** |

| LIABILITIES OF DISPOSAL GROUP HELD FOR SALE | Sep 30 | | Dec 31 |
|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2016 |
| Accounts payable | 10 | - | - |
| Other current liabilities | 20 | - | - |
| **Total** | **30** | **-** | **-** |

### Income and cash flow from discontinued operations

The following table specifies income and cash flow attributable to discontinued operations. Net income includes costs for the ongoing restructuring programme. The remeasurement of assets and liabilities refers to impairment of goodwill and other assets, based on the expected realisable value.

| INCOME FROM DISCONTINUED OPERATIONS (SEK m) | Jul - Sep 2017 | Jul - Sep 2016 | Jan - Sep 2017 | Jan - Sep 2016 | Rolling 12 mth. | Full year 2016 |
|---|---|---|---|---|---|---|
| Net sales | 62 | 81 | 198 | 270 | 287 | 359 |
| Operating expenses | -66 | -82 | -219 | -262 | -315 | -359 |
| Net financial income/expense | 0 | 0 | 0 | 0 | 0 | 0 |
| Income tax expense | 1 | 1 | 5 | -1 | 7 | 1 |
| **Total** | **-3** | **0** | **-16** | **7** | **-22** | **1** |
| Reclassification of translation difference previously recognised in other comprehensive income | 4 | 0 | 4 | 0 | 4 | 0 |
| Profit on remeasurement of assets and liabilities in discontinued operations | -26 | 0 | -101 | 0 | -101 | 0 |
| **Income from operations held for sale** | **-25** | **0** | **-113** | **7** | **-118** | **1** |

| CASH FLOW FROM DISCONTINUED OPERATIONS (SEK m) | Jul - Sep 2017 | Jul - Sep 2016 | Jan - Sep 2017 | Jan - Sep 2016 | Rolling 12 mth. | Full year 2016 |
|---|---|---|---|---|---|---|
| Cash flow from operating activities | -14 | -11 | -16 | 2 | -3 | 16 |
| Cash flow from investing activities | 0 | 0 | -1 | -1 | -4 | -3 |
| Cash flow from financing activities | 0 | -1 | 0 | -2 | -1 | -2 |
| **Cash flow from discontinued operations** | **-14** | **-11** | **-18** | **0** | **-8** | **10** |

## Note 5 – Pledged assets and contingent liabilities

| PLEDGED ASSETS (SEK m) | Sep 30 2017 | Sep 30 2016 | Dec 31 2016 |
|---|---|---|---|
| Bank guarantees | 104 | 108 | 107 |
| **Total** | **104** | **108** | **107** |

| CONTINGENT LIABILITIES (SEK m) | Sep 30 2017 | Sep 30 2016 | Dec 31 2016 |
|---|---|---|---|
| Performance bonds | 186 | 208 | 207 |
| **Total** | **186** | **208** | **207** |

The parent company has provided a parent company guarantee to a major customer to ensure that the contracted services are delivered. There are no other pledged assets or contingent liabilities in the parent company.

## Purpose of the selected key performance indicators

To give its investors and other stakeholders clearer information about the Group's operations and its underlying success factors, Coor has chosen to provide information about a number of key performance indicators. The purpose of these indicators is explained in the following. See page 24 for definitions of terms and the calculation of key performance indicators.

**Growth**

The Group deems that organic growth best reflects the underlying growth of the business, as this measure excludes the effect of acquisitions and fluctuations in exchange rates.

**Earnings and profitability**

To reflect the performance and profitability of the underlying business more accurately, the Group has defined key performance indicators in which earnings have been adjusted for items affecting comparability and for amortisation and impairment of goodwill and customer contracts. The Group considers that adjusted EBITA is the measure of operating profit which most clearly reflects the underlying profitability. It is also based on this measure of earnings that the Group's segments are followed up and evaluated internally.

The adjusted net profit measure of earnings excludes the non-cash items amortisation and impairment of goodwill and customer contracts from consolidated net profit and is used as a basis for deciding on dividends to the shareholders.

**Cash flow and working capital**

The Group continuously monitors operating cash flow, which includes the operating profit (excluding non-cash items), net investments and changes in working capital. The Group has chosen to exclude cash flow related to financial transactions and income taxes from this measure in order to provide a clearer picture of the cash flow generated by the operations.

The Group's objective is to maintain a cash conversion ratio of at least 90 per cent on a rolling 12-month basis. To ensure that the measure provides a true and fair picture over time, the Group calculates cash conversion using measures of operating profit and operating cash flow which exclude items affecting comparability.

To achieve the defined target for cash conversion, it is important to minimise working capital and maintain a negative working capital. The Group therefore continuously monitors the size of working capital relative to net sales.

**Net debt and leverage**

To ensure that the Group has an appropriate funding structure at all times and is able to fulfil its financial obligations under its loan agreement, it is relevant to analyse net debt and leverage (defined as net debt divided by adjusted EBITDA). The Group's objective is to maintain a leverage of less than 3.0 times.

## Reconciliation of key performance indicators

The following table shows a reconciliation between the calculated KPIs and the income statement and balance sheet.

| RECONCILIATION OF ADJUSTED KEY PERFORMANCE INDICATORS | Jul - Sep | | Jan - Sep | | Rolling | Full year |
|---|---|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 | 12 mth. | 2016 |
| **Operating profit (EBIT)** | **53** | **47** | **197** | **169** | **270** | **242** |
| Amortisation and impairment of customer contracts and goodwill | 43 | 47 | 127 | 133 | 171 | 176 |
| **EBITA** | **96** | **93** | **324** | **301** | **441** | **418** |
| Items affecting comparability *(note 3)* | 8 | 4 | 18 | 12 | 23 | 17 |
| **Adjusted EBITA** | **104** | **97** | **343** | **314** | **464** | **435** |
| Depreciation | 12 | 10 | 36 | 28 | 49 | 41 |
| **Adjusted EBITDA** | **116** | **107** | **378** | **342** | **513** | **476** |
| **Income from continuing operations** | **33** | **12** | **140** | **74** | **190** | **123** |
| Amortisation and impairment of customer contracts and goodwill | 43 | 47 | 127 | 133 | 171 | 176 |
| **Adjusted net profit** | **76** | **59** | **267** | **206** | **360** | **300** |

| SPECIFICATION OF NET WORKING CAPITAL | Jul - Sep | | Jan - Sep | | Rolling | Full year |
|---|---|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 | 12 mth. | 2016 |
| Accounts receivable | 1,056 | 959 | 1,056 | 959 | 1,056 | 1,080 |
| Other current assets, non-interest-bearing | 387 | 462 | 387 | 462 | 387 | 413 |
| Accounts payable | -720 | -641 | -720 | -641 | -720 | -790 |
| Other current liabilities, non-interest-bearing | -1,157 | -1,150 | -1,157 | -1,150 | -1,157 | -1,203 |
| Adjustment for accrued financial expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| Adjustment for net working capital in disposal group held for sale | 0 | -73 | 0 | -73 | 0 | -52 |
| **Net working capital** | **-433** | **-443** | **-433** | **-443** | **-433** | **-552** |

| SPECIFICATION OF NET DEBT | Jul - Sep | | Jan - Sep | | Rolling | Full year |
|---|---|---|---|---|---|---|
| (SEK m) | 2017 | 2016 | 2017 | 2016 | 12 mth. | 2016 |
| Borrowings | 1,385 | 1,406 | 1,385 | 1,406 | 1,385 | 1,401 |
| Provisions for pensions | 18 | 17 | 18 | 17 | 18 | 19 |
| Interest-bearing current liabilities | 3 | 9 | 3 | 9 | 3 | 7 |
| Cash and cash equivalents | -422 | -426 | -422 | -426 | -422 | -603 |
| Other financial non-current assets, interest-bearing | -12 | -12 | -12 | -12 | -12 | -12 |
| Other current assets, interest-bearing | -2 | -6 | -2 | -6 | -2 | -6 |
| Other items | 0 | -1 | 0 | -1 | 0 | 1 |
| **Net debt** | **970** | **987** | **970** | **987** | **970** | **807** |

See page 14 for a reconciliation of operating cash flow and cash conversion.

## Definitions

**Cost of services sold** Costs which are directly related to the performance of the invoiced services, depreciation of property, plant and equipment, and amortisation of goodwill and customer contracts.

**Items affecting comparability** Items affecting comparability mainly comprise costs for integration of contracts and acquisitions as well as more extensive restructuring programmes. Items affecting comparability are included either in cost of services sold or selling and administrative expenses.

**EBITA** Operating profit before amortisation of goodwill and customer contracts.

**Adjusted EBITA** Operating profit before amortisation of goodwill and customer contracts, excluding items affecting comparability.

**Adjusted EBITDA** Operating profit before depreciation of all property, plant and equipment and amortisation of all intangible assets, excluding items affecting comparability.

**Adjusted net profit** Profit after tax excluding amortisation of goodwill and customer contracts.

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

**Working capital** Non-interest-bearing current assets less non-interest-bearing current liabilities at the balance sheet date.

**Net investments** Investments in property, plant and equipment and intangible assets less consideration received on sale of property, plant and equipment and intangible assets.

## Calculation of key performance indicators

**Net sales growth** Change in net sales for the period as a percentage of net sales for the same period in the previous year.

**Organic growth** Change in net sales for the period as a percentage of net sales for the same period in the previous year excluding acquisitions and foreign exchange effects.

**EBITA margin** EBITA as a percentage of net sales.

**Adjusted EBITA margin** Adjusted EBITA as a percentage of net sales.

**Adjusted EBITDA margin** Adjusted EBITDA as a percentage of net sales.

**Working capital/net sales** Working capital at the balance sheet date as a percentage of net sales (rolling 12 months).

**Net debt** Non-current and current interest-bearing assets less non-current and current interest-bearing liabilities at the balance sheet date.

**Earnings per share** Profit for the period attributable to shareholders of the parent company divided by average number of ordinary shares.

**Equity per share** Equity at the end of the period attributable to shareholders of the parent company divided by the number of shares at the end of the period.

**Equity/assets ratio** Consolidated equity and reserves attributable to shareholders of the parent company at the balance sheet date as a percentage of total assets at the balance sheet date.

**Cash conversion** Adjusted EBITDA less net investments and adjusted for changes in working capital as a percentage of adjusted EBITDA.

**Leverage** Net interest-bearing debt at the balance sheet date divided by adjusted EBITDA (rolling 12 months).