

Q3

INTERNATIONELLA ENGELSKA SKOLAN

INTERIM REPORT 1 JULY-31 MARCH 2019/2020

Third quarter (January-March)

- Operating income increased 15.4% to MSEK 857.6 (743.1), of which organic growth amounted to 8.7%
- The number of students in the Swedish schools at the end of the quarter was 26,760 (25,555)
- The number of registrations in the queue in Sweden at the end of the quarter was approximately 218,500 (199,700)
- EBIT amounted to MSEK 162.6 (64.2). Excl. IFRS 16, EBIT amounted to MSEK 141.1 (64.2)
- EBIT adjusted for non-recurring items of MSEK 53.8 (-6.2) related to the Spanish acquisitions and excl. IFRS 16 amounted to MSEK 87.3 (70.4)
- The adjusted EBIT margin excluding IFRS 16 was 10.2% (9.5)
- Profit for the quarter after tax totalled MSEK 122.0 (47.9) and excl. IFRS 16 to MSEK 134.3 (47.9)
- Cash flow from operating activities for the quarter was MSEK 44.5 (6.9)
- Earnings per share before and after dilution amounted to SEK 3.04 (1.19)
- In January, Colegio Joyfe, a private school in Madrid, Spain, with about 2,000 students was acquired
- In February, the acquisition of Colegio Inglés Zaragoza, a private school in Zaragoza, Spain, with 270 students, was completed
- Lars Jonsson was appointed the new CFO and a member of Group management in February. He will assume his position on 17 August 2020
- Rental contracts were signed for two new F-9 schools in Vårby and Växjö scheduled to open in 2023 and 2022, respectively
- As a result of COVID-19, the Spanish schools have only conducted distance learning since mid-March, while the Swedish compulsory schools have been open the entire time

First nine months (July-March)

- Operating income increased 12.2% to MSEK 2,271.8 (2,024.7), of which organic growth amounted to 8.6%
- EBIT amounted to MSEK 303.5 (137.6). Excl. the effects of IFRS 16, EBIT amounted to MSEK 245.7 (137.6)
- EBIT adjusted for non-recurring items of MSEK 78.5 (-6.4) related to the sale and acquisitions of Spanish schools and excl. IFRS 16 amounted to MSEK 167.2 (144.0)
- The adjusted EBIT margin excluding IFRS 16 was 7.4% (7.1)
- Profit for the period after tax totalled MSEK 183.8 (100.3) and excl. IFRS 16 to MSEK 219.9 (100.3)
- Cash flow from operating activities for the period was MSEK 293.1 (200.0)
- Earnings per share before and after dilution amounted to SEK 4.58 (2.50)

After the end of the period

- A rental contract was signed in April for a F-9 school in Trelleborg scheduled to open in 2022

Key figures for the Group

MSEK	January-March					July-March					Full year	
	2019/2020	IFRS 16 ¹	IFRS 16 ²	2018/2019	Change ³	2019/2020	IFRS 16 ¹	IFRS 16 ²	2018/2019	Change ³	2018/2019	
Operating income	857.6	-	857.6	743.1	15.4%	2 271.8	-	2 271.8	2 024.7	12.2%	2 781.1	
Operating profit - EBIT	162.6	-21.5	141.1	64.2	119.8%	303.5	-57.8	245.7	137.6	78.5%	208.6	
Operating margin	19.0%	n/a	16.5%	8.6%	91.9%	13.4%	n/a	10.8%	6.8%	58.8%	7.5%	
Adjusted operating profit - EBIT	108.8	-21.5	87.3	70.4	24.0%	225.1	-57.8	167.3	144.0	16.2%	215.0	
Adjusted EBIT-margin	12.7%	n/a	10.2%	9.5%	7.4%	9.9%	n/a	7.4%	7.1%	4.2%	7.7%	
Profit for the period	122.0	12.3	134.3	47.9	180.4%	183.8	36.1	219.9	100.3	119.1%	154.6	
Earnings per share, SEK	3.04	0.3	3.35	1.19	2.15	4.58	0.90	5.48	2.50	2.98	3.85	
FTE, average in Sweden	2 940	n/a	2 940	2 711	229	2 869	n/a	2 869	2 441	428	2 669	
Number of students in Sweden and Spain	31 487	n/a	31 487	27 884	3 603	31 487	n/a	31 487	27 884	3 603	28 539	

¹ Amount relates to adjustments for the implementation of the accounting standard IFRS 16 Leases to show the accounting as it has been applied in previous accounting periods (IAS 17)

² Refers to financial statements applying previous accounting principles (IAS 17). This means that leasing of buildings is reported as rent and not as leaseholder according to IFRS 16 Leases

³ Refers to change between 2019/20 excluding IFRS 16 and 2018/19, i.e. comparable figures

SCHOOL IS A SOCIETAL FUNCTION

Seldom have the conditions for individuals and the economy changed so drastically as in the past quarter. Schools were also impacted by the pandemic, but through commitment and creativity and by working together, our employees, students and their parents have made sure that educational activities can continue. Schools in Spain closed completely from mid-March, while Swedish compulsory schools remained open. Although coronavirus has left its mark on everyday school life, most of the quarter was not affected and we continued to grow with two new acquisitions in Spain. Third-quarter operating income increased 15.4% to MSEK 857.6 (743.1) year-on-year, of which 8.7% was attributable to organic growth. EBIT rose to MSEK 87.3 (70.4), excl. IFRS 16 and non-recurring effects, corresponding to an adjusted EBIT margin of 10.2% (9.5). The higher EBIT was due to more students in Sweden and the acquisitions carried out in Spain.

218,500

registrations in the queue in Sweden

Coronavirus challenging for schools

In mid-March, the Swedish government decided that upper secondary schools would close and move to distance learning, while compulsory schools would remain open. Compulsory schools were also given the option of conducting some distance learning if special reasons existed. We decided at an early stage that we would keep our schools open as much as possible. Education is just as important now as it has always been, and schools also serve an important role in ensuring that society continues to function. Some schools have partly used distance learning at certain times due to the severely strained staffing situation, but most of our schools have remained open as usual. Measures we took included more thorough cleaning, new procedures in canteens and for dropping off and picking up students, and more outdoor activities.

A state of emergency has been declared in Spain and society has been in complete lockdown since mid-March. Students are being entirely taught through distance learning. The transition was successful since the digital infrastructure was already in place. We have not been charging fees for food, transport or after-school activities since mid-March. From May, we will also offer discounts on monthly fees for the grades for which digital solutions cannot fully compensate for classroom teaching, and this will mainly apply to the youngest students. Our assessment is that schools will mostly remain closed for the remainder of the academic year, which means that revenue will be about MSEK 65 lower than planned for this year. We have temporarily laid off all staff who are not required for distance learning and can offset lower revenue by about 50%.

The impressive efforts of our staff in Sweden and Spain have meant that teaching could continue and staff were available to students, which is more important than ever in times of unease.

Despite these challenges, particularly in the health services sector, it is gratifying that large parts of society are pooling their resources and working together. Employees,

companies, private individuals and public initiatives are all doing their utmost to ensure that essential societal functions are continuing to operate. We are participating in the Skill Shift Initiative (Beredskapslyftet) under which we arranged two rounds of fast-track training for about 40 SAS staff members and employees of other companies, who have been temporarily laid off or made redundant, to provide support in schools. It is tremendously rewarding to be able to harness this competence and to use it where it is needed.

Overall solid result for first nine months

The performance for the third quarter and first nine months of the year was largely as expected for both Sweden and Spain since most of the third quarter was unaffected by corona. Municipal finances are strained, which had led to lower increases in school voucher funding for the 2020 calendar year compared with 2019. The preliminary announcements indicated an increase of just over 2% for the 2020 calendar year, but now that all decisions have been finalised the increase will be 1.5% compared with 3% in 2019. Compensating for this even lower level will be challenging. We will not take any measures that will adversely impact our quality.

For the first nine months revenues per student in Sweden increased 4.0%, personnel expenses per student 3.8% and total costs per student 3.1% compared with the year-earlier period.

Spain also performed well for most of the third quarter, which, combined with the non-recurring effects related to the acquisitions, was the reason for the very strong earnings for the quarter. The integration of the two most recent acquisitions, Colegio Joyfe in Madrid and Colegio Inglés Zaragoza, is proceeding according to plan. Before the corona pandemic broke out, we had also held exciting meetings with several schools that want to become part of IEP.

For the Group as a whole, operating income increased 12.2% to MSEK 2,271.8 for the first nine months, of which

organic growth amounted to 8.6%. Adjusted EBIT excl. IFRS 16 amounted to MSEK 167.3 (144.0), corresponding to an adjusted EBIT margin of 7.4% (7.1). The full effects of corona will be seen in the fourth quarter and both operating income and margins in Spain will be negatively impacted.

Ten new schools in the next three years

Growth in Sweden is continuing at a high pace, and since the last interim report we have announced three new schools and now have a total of ten new schools that we will open in the next three years. We regularly receive inquiries from several municipalities that want to strengthen integration and view IES as one element in solving this challenge. Our well-defined educational profile and quality attract students from many areas – something that few other schools can do.

We currently have 218,500 registrations in the queue for our schools and our goal is to offer a place to as many as possible. We will open two new schools, one in Upplands Väsby and one in Östersund, in the autumn. The admissions process has almost been completed and only a small number of places are still available.

A number of opinion-formers are intensively debating establishments of our schools in the media, and I would like to clarify that we are subject to the same conditions as all other operators, both municipal and free operators, that want to build new schools. We actively work together with municipalities to be part of the solution for creating more places at school, enhancing quality and increasing integration, and we only establish schools in locations where we are wanted.

Whitepaper proposes increased school bureaucracy and lottery

The Swedish government whitepaper (the Whitepaper) that for almost two years has worked towards the commendable aim of increasing equality and reducing segregation in Swedish schools published its proposals at the end of April. We can conclude that the Whitepaper has missed the mark and instead presented proposals that entail a huge increase in bureaucracy without essentially addressing matters of quality. The Whitepaper focuses on students' background and address as the reason behind poor school results, instead of analysing the underlying reasons for successful schools – both independent and municipal – that have managed to improve learning outcomes for students regardless of their background.

It is proposed that freedom of choice be reduced by introducing quotas to create more mixed schools and parents will no longer be able to register their children in a queue. Changes to admission principles will not affect our ability to fill our schools. However, we can see that it significantly restricts the individual's right to choose and the proposal means that a lottery will instead determine who is admitted to popular schools. Freedom of choice is widely supported by parents in Sweden and, to encourage more parents to actively choose a school, this should be made compulsory and information should be made available in more languages. We also do not consider that the Whitepaper has put forward proposals which would

reduce segregation. Good schools and social integration are important matters for IES and areas where we have been successful. 38% of our students have a foreign background, compared to a national average of 24%. Our 36 elementary schools welcome students travelling from 160 different municipalities, meaning we counter segregation every day.

The Whitepaper also looked at financing of schools, both government grants and school voucher funding. It claims that independent schools are over compensated if the principles of equality are applied. The Whitepaper does not provide any evidence for this and the claim has been rejected in previous papers. The Whitepaper proposes that a municipality can make an arbitrary deduction from school voucher funding for exercising its public authority. This not only lacks legal certainty since not all municipalities are able to present calculations for school voucher funding, deductions of the municipality's responsibility are already currently made when calculating the voucher. Above all, it reduces equality since students attending a free school risk being disadvantaged. It is not the ownership model that determines the quality of a school – it is determined in the classroom. Accordingly, the solutions should focus on improving or closing poor schools and political positioning should be made in another arena.

We can all agree that quality is a problem for the Swedish school system, and the government, municipalities and independent schools need to solve this together. More school bureaucrats is not the solution. In IES's 27 years, we have clearly proven that the answer is found in leadership, setting high expectations for all students and creating a safe and orderly classroom environment. Other schools that have succeeded in bucking the trend can also testify to this. We anticipate intense debate in the future, and together with the Swedish Association of Independent Schools, we will take an active role in presenting better alternatives. The municipalities in which we operate, our students and the parents that have chosen our schools know what they want – and we are here for them!

To conclude, the times are strange but we know how important it is that everyday life for students is as normal as possible, and that they can continue to learn new things and meet their classmates. I want to extend a warm thank you to all of our employees who are doing a fantastic job every day in educating and supporting our students and helping each other during this challenging and critical time.



Anna Sörelius Nordenborg
CEO

CONSOLIDATED OPERATING INCOME AND EARNINGS

The introduction of IFRS 16 Leases (referred to in this report as IFRS 16) has a major impact on IES's financial statements. To facilitate a comparison, IES presents the 2019/20 financial year in Note 10 adjusted for the effects of the introduction of IFRS 16 Leases.

However, the accounting policies for the segments in IES are unchanged compared with the preceding year since the segments continue to recognise rent as an operating lease.

OPERATING INCOME

In the third quarter, operating income increased 15.4% year-on-year to MSEK 857.6 (743.1), of which organic growth amounted to 8.7%.

This growth was mainly due to a larger student base in Sweden and to acquisitions in Spain in 2019/2020.

For July-March 2020, operating income increased 12.2% year-on-year to MSEK 2,271.8 (2,024.7), of which organic growth amounted to 8.6%.

EARNINGS

EBIT for the third quarter totalled MSEK 162.6 (64.2), and the EBIT margin was 19.0% (8.6). EBIT was positively impacted by non-recurring items of MSEK 53.8 (-6.2).

Excluding non-recurring items and the effects of the introduction of IFRS 16, EBIT increased 24.0% to MSEK 87.3 (70.4), corresponding to an EBIT margin of 10.2% (9.5). The stronger earnings were mainly due to a higher number of students in the Swedish operations and more schools in Spain.

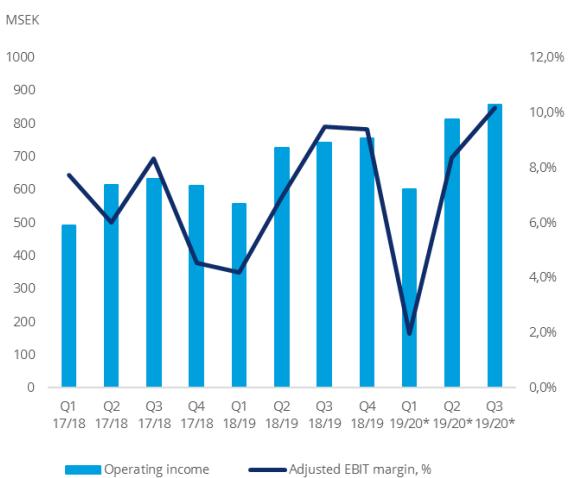
The SEK weakened against the EUR at the end of the third quarter. This did not have any significant impact on earnings since each segment has both revenues and expenses in their domestic currencies.

Profit for the quarter after tax amounted to MSEK 122.0 (47.9) and earnings per share to SEK 3.04 (1.19).

In July-March, operating income increased by

12.2%

Operating income and profit development per quarter



Excluding effects of IFRS 16, profit after tax totalled MSEK 134.3 (47.9).

For July-March 2020, EBIT amounted to MSEK 303.5 (137.6) and the EBIT margin to 13.4% (6.8). Earnings includes non-recurring items totalling MSEK 78.5 (-6.4). Excluding non-recurring items and the effects of the introduction of IFRS 16, EBIT amounted to MSEK 167.2 (144.0).

The increased earnings for the period were due to a higher number of students in Sweden and associated economies of scale, and more schools in Spain than in the year-earlier period.

Profit for the period after tax for July-March amounted to MSEK 183.8 (100.3) and earnings per share to SEK 4.58 (2.50). Excluding the effects of IFRS 16, profit after tax totalled MSEK 219.9 (100.3).

NON-RECURRING ITEMS

Non-recurring items for the third quarter amounted to MSEK 53.8 (-6.2) and gain in bargain purchase to MSEK 54.6 and acquisition expenses of MSEK 0.8, both related to the acquisition of Colegio Joyfe in January. Non-recurring items for the comparative period comprised expenses for the outgoing CEO.

Non-recurring items in July-March amounted to MSEK 78.5 (-6.4), comprising, in addition to the above, a capital gain of MSEK 24.7 from the sale of Colegio IALE in July 2019.

NET FINANCIAL ITEMS

Net financial items for the third quarter amounted to MSEK -24.6 (-0.9), of which MSEK 14.8 (-0.9) was

attributable to currency effects. Excluding the effect of IFRS 16, net financial items totalled MSEK 12.4 (0.2).

Net financial items for July-March amounted to MSEK -90.1 (-6.0), of which MSEK 14.0 (-1.6) was attributable to currency effects. Net financial items for the period include a positive effect of MSEK 4.0 in connection with the write-down of a bank loan in Spain since the loan was redeemed in advance. Excluding the effects of IFRS 16, net financial items for the period totalled MSEK 13.1 (-6.0).

INCOME TAX

The tax expense for the quarter was MSEK 16.0 (15.4), corresponding to an effective tax rate of 11.6% (24.3).

The tax expense for July-March was MSEK 29.7 (31.3), corresponding to an effective tax rate of 13.9% (23.8).

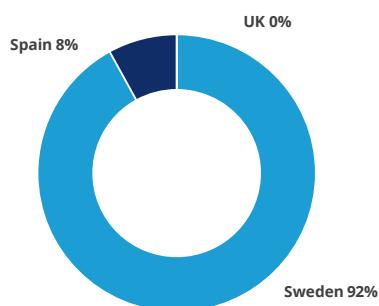
This low effective tax rate for the quarter and the period was primarily due to the fact that the capital gain generated by the sale of the shareholding in Colegio IALE in July 2019 and the effect of the gain in bargain purchase are tax-exempt.

The effect of adopted changes to income tax rates in the coming years is not expected to have any material impact on the Group's tax expense.

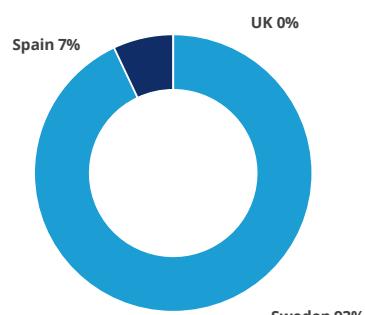
EVENTS AFTER THE END OF THE PERIOD

A rental contract was signed in April for a school for grades F-9 in Trelleborg for 700 students scheduled to open for the 2022/23 academic year.

Operating income per segment
July-March 2019/2020



Adjusted EBIT per segment
July-March 2019/2020



SEGMENTS

Sweden

- Operating income amounted to MSEK 760.5 (698.3) for the third quarter, and to MSEK 2,080.9 (1,908.4) for July-March
- EBIT totalled MSEK 66.3 (56.3) for the third quarter, and MSEK 155.1 (127.3) for July-March
- EBT amounted to MSEK 84.7 (57.1) for the third quarter, and to MSEK 173.0 (128.0) for July-March
- The number of students at the end of the quarter was 26,760, +5%
- The number of registrations in the queue at the end of the quarter was approximately 218,500, +9%

Trend per student

Change in revenues and costs per student (compared with the year-earlier period).

	Q3 19/20	Q1-3 19/20	FY 18/19
Total revenues per student	4.0%	4.0%	4.0%
Personnel expenses per student	4.1%	3.8%	3.9%
Total costs per student	3.2%	3.1%	3.0%

Third quarter

Total revenues per student rose 4.0% compared with the year-on-year quarter. The increase was due to the transfer of some of the financing for schools to various government grants, the largest grant of which is for strengthening equality and skills development. IES has several schools in areas of social exclusion that are entitled to receive these grants. During the quarter, IES recognised MSEK 16.0 (10.6) for these government grants. These revenues correspond to IES's costs and investments in these areas during the quarter, in accordance with the plan submitted to the Swedish National Agency for Education in connection with the funding application. The increase was also the result of several municipalities paying retroactive compensation during the quarter for deficits and other contributions in their own schools for previous years. Third-quarter revenues were also impacted by the lower increase in school voucher funding for 2020 compared with 2019 (1.5% compared with just over 3% in 2019).

Personnel expenses per student rose 4.1% year-on-year. While the supply of qualified teachers in the Swedish school market remains lower than demand, the wage drift in the market has nevertheless narrowed compared with the year-earlier quarter and even more compared with the situation two years ago. The increase in expenses was due to higher staff numbers as part of the state-financed equality initiative, and the need for more school employees.

Total costs per student rose 3.2%. This trend is largely attributable to increased personnel expenses, while other costs could be kept at a lower level.

July-March period

Total revenues per student rose 4.0% compared with the year-earlier period. This increase was mainly attributable to an average increase of 3% in municipalities' voucher funding for 2019 and the fact that government grants to strengthen equality and skills development increased compared with previous years.

During the period, IES recognised MSEK 37.3 (21.4) pertaining to the government grants to strengthen equality and skills development. IES was allocated total funding of MSEK 42.4 for the 2019 calendar year and MSEK 64.1 for the 2020 calendar year. These revenues for the period correspond to IES's costs and investments in these areas during the period, in accordance with the plan submitted to the Swedish National Agency for Education in connection with the funding applications.

Personnel expenses per student rose 3.8% year-on-year.

Total costs per student rose 3.1%. The slight increase in other costs per student compared with full-year 2018/19 is mainly attributable to higher project costs for new schools.

Operational changes

A new school for grades F-9 opened in Skellefteå in August 2019. Rental contracts for new schools scheduled to open in the next three years were signed for properties in Kungsbacka, Gothenburg, Sigtuna, Solna, Trelleborg, Upplands Väsby, Vårby, Värmdö, Växjö and Östersund. The schools in Upplands Väsby and Östersund will open in August 2020.

	End of Q3 19/20	End of Q3 18/19	End of Q4 18/19
No. of employees (FTEs)	2,950	2,715	2,600
No. of students	26,760	25,555	25,536
No. of schools	37	36	36

Spain

- Operating income amounted to MSEK 97.2 (44.8) for the third quarter, and to MSEK 191.2 (116.1) for July-March
- EBIT totalled MSEK 74.5 (8.1) for the third quarter, and MSEK 90.0 (10.9) for July-March
- Third-quarter earnings were positively impacted by gain in bargain purchase of MSEK 54.6 and MSEK -0.8 in acquisition expenses related to the acquisition of Colegio Joyfe in January 2020. Adjusted EBIT for the quarter amounted to MSEK 20.7 (8.1). Earnings for July-March also include a capital gain of MSEK 24.7 from the sale of IES's 50% shareholding in Colegio IALE in July 2019. Adjusted EBIT for the period amounted to MSEK 11.5 (10.9)
- EBT amounted to MSEK 68.4 (6.4) for the third quarter, and to MSEK 84.2 (4.1) for July-March
- EBIT and EBT for the third quarter include amortisation of customer relationships identified in connection with the acquisitions in Spain of MSEK 2.2 (0.9) and for July-March of MSEK 5.5 (2.8)
- At the end of the period, the number of students in the seven Spanish schools consolidated into the IES Group was 4,727 (1,832)

Comments on the trend

In IES's operations in Spain, operating income and earnings vary considerably between the first and the following three quarters.

The higher operating income for the quarter and the period was due to the operations in Spain expanding from three to seven schools year-on-year. Operating income for the three original operations was negatively impacted during the period due to the fact that, unlike previous years, the Spanish operations did not conduct summer school operations in July and August. Summer school operations required significant personnel for both planning and administration as well as teaching and were deemed not to be profitable.

The higher EBIT in the third quarter and the period was due to the larger number of schools compared with the year-earlier period. The outcome for the third quarter was in line with the plan presented until the authorities decided in mid-March to close schools in Spain due to the corona pandemic.

The timetable relating to the school closures has been deferred several times and the expectation now is that schools will mostly remain closed for the remainder of the term. The students are being entirely taught through distance learning, which is working well, and IES has, in line with the recommendations of the sector organisation, continued to charge student fees for teaching, while no fees have been charged for food, transport or other after-school activities. As of May, IES will also apply a discount to student fees for the remainder of the academic year for those grades for which IES does not consider it possible to fully provide digital education. This mainly applies to the youngest students.

In total, this entails lower full-year revenues of approximately MSEK 65 for the seven schools in Spain, of which the fees not invoiced for transport, food and after-school activities accounts for the largest share. In a normal year, transport, food and after-school activities

account for approximately 30% of the total revenue in Spain. The personnel groups who are not teachers and needed for distance teaching have been temporarily laid off. Lay-off payments are being made by the government. It is estimated that a total of 50% of the revenue loss can be offset by reduced costs.

Net financial items for the Spain segment for July-March include a positive earnings effect of MSEK 4.0 in connection with the write-down of a bank loan in Spain since IES decided to redeem the loan in advance.

Operational changes

An additional four schools have been acquired since the third quarter of 2018/2019. Seven schools were consolidated in the third quarter of 2019/2020 compared with three in the third quarter last year.

Two new schools with a total of about 2,270 students were acquired during the third quarter of 2019/2020, entailing that the number of students in the Spanish operations has almost doubled and IES owns a total of seven schools. Earnings from Colegio Joyfe are consolidated from 1 January 2020 and earnings from Colegio Inglés Zaragoza from 1 February 2020.

According to the preliminary purchase price allocation, the property included in Colegio Joyfe is valued at about MEUR 21 and the enterprise value amounts to about MEUR 16. An effect of the gain in bargain purchase of MEUR 5 (MSEK 54.6) was recognised in revenues in the third quarter.

	End of Q3 19/20	End of Q3 18/19	End of Q4 18/19
No. of employees (FTEs)*	501	260	359
No. of students*	4,727	1,832	2,506
No. of wholly owned schools*	7	3	5

* Pertains to wholly owned schools. Up until 5 July 2019, IES owned 50% of another school.

UK

- Operating income amounted to MSEK 0.4 (0.4) for the third quarter, and to MSEK 1.1 (1.0) for July-March.
- EBIT and EBT amounted to MSEK 0.2 (-0.3) for the third quarter, and to MSEK 0.5 (-0.3) for July-March
- At the end of the third quarter, the number of students in the school managed by IES was 507 (497)

Comments on the trend

In the UK, IES provides management services to an educational trust that operates a school in Breckland. Under the agreement with the trust, IES is paid some fees and is accountable for some of the costs related to its managerial responsibilities.

The operations managed by IES continued to display a positive trend during the third quarter and the number of students at the end of the quarter was 507 (497).

Operational changes

No material operational changes have taken place to date in the 2019/20 financial year.

CASH FLOW AND FINANCIAL POSITION

CASH FLOW

Following the introduction of IFRS 16, the majority of lease payments are recognised under financing activities instead of under operating activities. All other things remaining equal, cash flow from operating activities has therefore increased and cash flow from financing activities has decreased. In July-March, lease expenses impacted by IFRS 16 (interest and amortisation) amounted to MSEK 290.1 (0). The corresponding rent has been moved from EBIT. Cash flow from investing activities was not impacted by IFRS 16.

Cash flow excluding the effects of IFRS 16

Cash flow from operating activities excluding the effect of IFRS 16 amounted to MSEK -17.1 (6.9) for the third quarter, and to MSEK 106.3 (200.0) for July-March.

The weaker cash flow in the third quarter compared with the year-earlier period was due to the non-recurring measures that were carried out to reduce working capital requirements after the acquisition of the remaining shareholding in IEP in July 2018.

In addition to the above, the weaker cash flow in July-March was due to the fact that the figures for the comparative year included the effects of the conversion of external receivables and liabilities into internal receivables and liabilities in connection with the acquisition of the remaining shareholding in IEP in Spain in July 2018.

Cash flow for July-March was MSEK -137.8 (54.4). Besides the explanation for the cash flow from operating activities, the difference compared with previous years was primarily due to the effects of the repayment of loans in Spain, dividends paid this year and raising loans for the two acquisitions in Spain that took place in the third quarter.

Investments

Total investments in the third quarter amounted to MSEK 3.5 (9.7). Investments amounted to MSEK 2.4 (7.7) in Sweden and to MSEK 1.1 (2.0) in Spain. Investments in July-March totalled MSEK 61.0 (68.7). Investments amounted to MSEK 56.9 (64.3) in Sweden and to MSEK 4.1 (4.4) in Spain. Only one new school has been opened in Sweden this year, compared with two schools in the preceding year. However, the school in Sundbyberg expanded significantly this year, which entailed an investment level equivalent to that of opening a new school.

Acquisitions

IES completed two acquisitions in Spain during the third quarter. On 10 January 2020, through its wholly owned Spanish subsidiary International Education Partnership S.L ("IEP"), IES acquired 100% of the shares in Colegio Joyfe, a fee-based private school in Madrid, Spain, with about 2,000 students. The enterprise value amounted to MEUR 16.

On 3 February 2020, IES completed the acquisition of 100% of the school operations of Colegio Inglés Zaragoza, a fee-based private school in Zaragoza, Spain, with about 270 students. The enterprise value amounted to MEUR 4. An acquisition loan of MEUR 11 was raised in connection with the acquisitions (refer also to Note 8 on pages 24-25).

With respect to the two acquisitions conducted in Spain in the fourth quarter of 2018/19, no changes were made to the preliminary acquisition balance sheets (refer also to Note 8 on page 24-25).

Divestments

On 5 July 2019, IES divested its 50% shareholding in Colegio IALE to the co-owners, the Monzonis family, for MEUR 3.9, generating a capital gain of approximately MSEK 24.7 for IES. The sale was part of the simplification of ownership of the Spanish operations that began on 9 July 2018, when IES acquired the Monzonis family's shareholding in the three other schools in Spain.

FINANCIAL POSITION

Following the introduction of IFRS 16, rented premises are recognised as right-of-use assets and lease liabilities in the balance sheet. As a result, total assets increased a total of MSEK 3,431.4 as of 1 July 2019.

Equity at the end of the period amounted to MSEK 1,256.5 (1,059.1) and the Group's total assets to MSEK 5,444.4 (1,729.4). The equity/assets ratio was 23.1% (61.2). Excluding the effects of IFRS 16, equity amounted to MSEK 1,292.3 (1,059.1), the Group's total assets to MSEK 2,040.9 (1,729.4) and the equity/assets ratio to 63.3% (61.2).

At the end of the period, non-current interest-bearing liabilities totalled MSEK 3,392.5 (187.2), of which rent liabilities amounted to MSEK 3,171.5 (-). Excluding the effects of IFRS 16, non-current interest-bearing liabilities amounted to MSEK 297.0 (184.6) and

pertained to acquisition loans, property loans and overdraft facilities from credit institutions in Spain.

Current interest-bearing liabilities, which comprise the current portion of the above loans as well as rent liabilities, amounted to MSEK 287.5 (0), of which rent liabilities amounted to MSEK 268.0 (-). Excluding the effects of IFRS 16, current interest-bearing liabilities amounted to MSEK 154.4 (10.5) and pertained to loans from credit institutions in Spain.

At the end of the period, cash and cash equivalents amounted to MSEK 108.5 (176.9).

Property, plant and equipment at the end of the period totalled MSEK 726.6 (482.2). The increase was mainly due to acquisitions in the third quarter.

Right-of-use assets in the form of rented properties amounted to MSEK 3,394.2 (-) at the end of the period. Excluding the effects of IFRS 16, right-of-use assets amounted to MSEK 0 (-).

At the end of the period, intangible assets amounted to MSEK 946.8 (865.6), of which goodwill accounted for MSEK 865.8 (827.4).

At the end of the period, deferred tax assets totalled MSEK 9.3 (-) and were the result of the introduction of IFRS 16. Participations in joint ventures at the end of the period amounted to MEUR 0 (15.2). During the period, IES sold its shareholding (50%) in Colegio IALE, and Colegio IALE repaid its outstanding loans to IES.

Financing

At 31 March 2020, the Group's outstanding loans from credit institutions totalled MSEK 240.5 (MEUR 21.7). All these loans were raised in Spain. In Sweden, the Parent Company has an overdraft facility of MSEK 100. At the end of the period, the credit facility was unutilised. For more information, refer to Note 5 on page 23.

OTHER INFORMATION

EMPLOYEES

The average number of full-time employees (FTEs) in the Swedish operations was 2,940 (2,711) for the third quarter, and 2,869 (2,653) for July-March. At the end of the period, the number of employees in Sweden (heads) was 3,048 (2,867).

The number of FTEs in Spain at the end of the period was 501 (260) and the number of FTEs in the UK, as in the year-earlier period, was zero.

SHARES

At 31 March 2020, the number of registered shares totalled 40,130,000, of which 80,000 were Class C treasury shares.

RELATED-PARTY TRANSACTIONS

In July-March, the Group had a related-party relationship through the Parent Company with a company wholly owned by a Board member. During the period, consulting fees paid and the reimbursement of costs related to an interim CEO position amounted to MSEK 0.9. The amount is considered market-based.

RISKS AND UNCERTAINTIES

Significant operating, external and financial risks and uncertainties are described in the 2018/19 Annual Report for Internationella Engelska Skolan i Sverige Holdings II AB (publ) in the Directors' Report on page 73, and in Note 25 on page 100. These risks and uncertainties apply to both the Group and Parent Company. In addition to the risks described in the Annual Report, the risk of pandemics has been added and is described below.

Operating risks include fluctuations in demand and student numbers, risks related to the supply of employees and salary expenses, risks related to quality shortcomings, IES's reputation and brand, licenses, and liability and property risk. External risks include risks related to school voucher funding and economic cycles, policy risks, changes to legislation and regulatory frameworks and dependence on national authorities in the education sector. Policy risks include the introduction of changes to standard VAT rates in school voucher funding in Sweden or any form of restrictions on profit and dividends. The various policy proposals in both Sweden and Spain share the common feature that processes are often lengthy and that the proposals need to be formulated in legally feasible bills that must be passed by parliament.

Pandemics

Pandemics such as COVID-19 could have a serious impact on IES's operations and ability to carry out its assignment to provide education. These risks comprise both restrictive measures in the operations to avoid putting students' and employees' health at risk and possible decisions made by the authorities regarding lockdown, for example.

IES can take preventive action by strengthening cleaning and hygiene procedures and counteract effects using advanced IT systems and processes for distance teaching. However, prolonged school closures have a material impact on IES's financial position since the operations in Spain are entirely financed by the school fees paid by parents, who could experience payment difficulties, and because it may not be possible to deliver certain services while a lockdown is in place.

OUTLOOK

Internationella Engelska Skolan does not issue forecasts. As announced in April, the guidance for the Spain segment was withdrawn due to COVID-19.

SEASONALITY

Internationella Engelska Skolan's operating income and profitability are affected by the nature of the operations, and accordingly, their seasonal cycle. Operating income and profitability in Sweden are usually somewhat lower in the first quarter than in other quarters due to schools' summer break.

The Spanish operations have stronger seasonal variations since the school year in Spain does not start until September. Operating income and earnings are significantly lower during the first quarter compared with the next three quarters. Operating income in Spain in the first quarter is normally about half of operating income in each of the next three quarters. EBIT is normally clearly negative in the first quarter, and thereafter positive and evenly distributed over the next three quarters.

PARENT COMPANY

The Parent Company, Internationella Engelska Skolan i Sverige Holdings II AB (publ), invoices management fees to subsidiaries and, where necessary, arranges loans from credit institutions and, in certain cases, prepares internal loans.

EBIT for the Parent Company amounted to MSEK -0.8 (-9.4) for the third quarter, and to MSEK 20.5 (-17.0) for July-March. The strong earnings in the period were attributable to the capital gain of MSEK 24.7 from the sale of IES's 50% shareholding in Colegio IALE in July 2019.

A dividend of SEK 1.16 per share (-) was paid for the 2018/19 financial year in November 2019. No dividend was paid on the company's 80,000 Class C treasury shares. The dividend totalled MSEK 46.5 (-) which, in line with the dividend policy adopted by the Board, amounted to 30% of profit after tax.

INTERNATIONELLA ENGELSKA SKOLAN

Internationella Engelska Skolan i Sverige Holdings II AB (publ) is sometimes referred to as Internationella Engelska Skolan or IES. All such references in this report refer to the Group's consolidated financial statements, unless clearly indicated otherwise.

The undersigned certify that this Interim Report gives a true and fair view of the Parent Company and the Group's operations, financial position and earnings, and describes the material risks and uncertainties facing the Parent Company and companies within the Group.

Stockholm, 15 May 2020

Internationella Engelska Skolan i Sverige Holdings II AB (publ)

Carola Lemne
Chairman

Birker Bahnsen
Board member

Robert Clark
Board member

Brian Hatch
Board member

Maria Rankka
Board member

Lars Strannegård
Board member

Peter Wikström
Board member

Employee representatives

Albert Lauschus
Board member

Jessica Fryksten
Board member

Anna Sörelius Nordenborg
CEO

This Report has been audited.

**We prepare our
students for
success by
providing a safe and
orderly school
environment where
teachers can teach
and students learn.**



AUDITOR'S REVIEW REPORT

To the Board of Directors of Internationella Engelska Skolan i Sverige Holdings II AB (publ)
Corp. id. 556900-7254.

INTRODUCTION

We have reviewed the condensed interim financial information (interim report) of Internationella Engelska Skolan i Sverige Holdings II AB (publ) as of 31 March 2020 and the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the 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 International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information 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 and other generally accepted auditing practices and consequently does 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, for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Stockholm 15 May 2020

KPMG AB

Håkan Olsson Reising

Authorized Public Accountant

CONSOLIDATED INCOME STATEMENT IN SUMMARY

MSEK	January-March		July-March		Full Year
	2019/2020	2018/2019	2019/2020	2018/2019	2018/2019
Operating income					
Revenue	816.7	711.9	2 161.5	1 935.0	2 663.8
Other operating income	40.9	31.2	110.3	89.7	117.3
Operating income	857.6	743.1	2 271.8	2 024.7	2 781.1
Operating expenses					
Teaching and meal expenses	-83.7	-80.5	-241.2	-232.4	-303.2
Other external expenses	-71.0	-149.7	-203.1	-435.7	-593.4
Personnel expenses	-490.9	-428.8	-1 298.2	-1 158.6	-1 593.9
Depreciation property, plant and equipment	-101.8	-19.7	-299.6	-59.1	-80.3
Amortisation intangible assets	-2.2	-0.9	-5.5	-2.8	-3.9
Share of associated companies' earnings in the Group	0.0	-	24.7	-	-
Profit from joint ventures	0.0	0.7	0.0	1.6	2.2
Gain on bargain purchase	54.6	-	54.6	-	-
Operating profit/loss	162.6	64.2	303.5	137.6	208.6
Profit/loss from financial items					
Net financial items	-24.6	-0.9	-90.1	-6.0	-6.2
Pre-tax profit/loss	138.0	63.3	213.4	131.6	202.4
Tax	-16.0	-15.4	-29.7	-31.3	-47.8
PROFIT/LOSS FOR THE PERIOD	122.0	47.9	183.8	100.3	154.6
Attributable to:					
Parent Company owners	122.0	47.9	183.8	100.3	154.6
Non-controlling interest	0.0	0.0	0.0	0.0	0.0
<i>Earnings per share</i>	3.04	1.19	4.58	2.50	3.85
<i>Number of shares</i>	40 130 000	40 130 000	40 130 000	40 130 000	40 130 000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	January-March		July-March		Full Year
	2019/2020	2018/2019	2019/2020	2018/2019	2018/2019
Profit/loss for the period	122.0	47.9	183.8	100.3	154.6
Other comprehensive income					
Items that					
Translation difference for the year	17.1	2.9	4.8	5.4	5.8
Other comprehensive income, net of tax	17.1	2.9	4.8	5.4	5.8
COMPREHENSIVE INCOME FOR THE PERIOD	139.1	50.8	188.6	105.7	160.4
Attributable to:					
Parent Company owners	139.1	50.8	188.6	105.7	160.4
Non-controlling interest	0.0	0.0	0.0	0.0	0.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

MSEK	March 31, 2020	March 31, 2019	June 30, 2019
Non-current assets			
Intangible assets	946.8	866.1	893.2
Right-of-use assets	3 394.2	0.0	-
Property, plant and equipment	726.7	482.2	475.8
Deferred tax assets	9.3	-	0.0
Participation in joint venture	-	15.2	15.8
Total non-current assets	5 076.9	1 363.0	1 384.8
Current assets			
Accounts receivable	24.0	16.0	21.6
Other receivables	35.7	24.7	23.7
Prepaid expenses and accrued income	199.3	139.7	117.0
Receivables from joint ventures	-	9.1	8.9
Cash and cash equivalents	108.5	176.9	245.0
Total current assets	367.5	366.4	416.1
TOTAL ASSETS	5 444.4	1 729.4	1 800.9
Equity	1 256.3	1 058.9	1 113.6
Shareholders' equity attributable to non-controlling interests	0.2	0.2	0.3
TOTAL EQUITY	1 256.5	1 059.1	1 113.9
Non-current liabilities			
Liabilities to credit institutions	221.0	187.2	171.3
Long-term lease liabilities	3 171.5	-	-
Other long-term liabilities	-	26.1	-
Deferred tax liabilities	76.0	77.0	76.8
Total non-current liabilities	3 468.5	290.3	248.1
Current liabilities			
Liabilities to credit institutions	19.5	-	24.4
Short-term lease liabilities	268.0	-	-
Liabilities to joint ventures	-	6.5	9.7
Accounts payable	101.7	104.4	109.2
Current tax liabilities	28.5	-	16.1
Other current liabilities	134.7	125.6	111.7
Accrued expenses and prepaid income	167.0	143.4	167.9
Total current liabilities	719.4	380.0	438.9
TOTAL EQUITY AND LIABILITIES	5 444.4	1 729.4	1 800.9

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

MSEK	Share capital	Other capital contributed	Translation reserve	Retained earnings	Total
Opening balance, July 1, 2018	1.0	360.9	0.5	590.9	953.3
Changed accounting principle, IFRS 9				-0.4	-0.4
Revised equity, July 1, 2018	0	0	0	0	952.9
Profit/loss for the period				100.3	100.3
Other comprehensive income for the period		-0.7	6.1		5.4
Total comprehensive income for the period	0.0	-0.7	6.1	100.3	105.7
		0.0	0.0	0.0	0.0
New capital issue	0.0	0.0	0.0	0.0	0.0
Share matching programme		0.3	0.0	0.0	0.3
Non-controlling interest holding			0.0	0.2	0.2
Total	0.0	0.3	0.0	0.2	0.5
Closing balance, March 31, 2019	1.0	360.5	6.6	691.0	1 059.1

MSEK	Share capital	Other capital contributed	Translation reserve	Retained earnings	Total
Opening balance, July 1, 2019	1.0	361.3	6.3	745.3	1 113.9
Profit/loss for the period				183.8	183.8
Other comprehensive income for the period		3.4	1.4		4.8
Total comprehensive income for the period	0.0	3.4	1.4	183.8	188.6
Share matching programme		0.2			0.2
Change in non-controlling interest				0.2	0.2
Dividend paid				-46.5	-46.5
Total	0.0	0.2	0.0	-46.3	-46.1
Closing balance, March 31, 2020	1.0	364.9	7.7	882.9	1 256.5

¹⁾ Attributable to: Parent company shareholders 183.8

Non-controlling interests 0.0

²⁾ Attributable to: Parent company shareholders 1 256.3

Non-controlling interests 0.2

CONSOLIDATED CASH FLOW STATEMENT

MSEK	January-March		July-March		Full year
	2019/2020	2018/2019	2019/2020	2018/2019	2018/2019
Operating activities					
Operating profit/loss	162.6	64.1	303.4	137.7	208.6
Interest received	2.2	1.4	8.0	4.1	8.3
Interest paid	-40.8	-2.3	-112.1	-10.1	-10.8
Adjustment for non-cash items *)	19.3	15.0	223.7	70.0	64.1
Income tax paid	-7.1	-16.0	-27.5	-46.8	-15.6
Cash flow from operating activities before changes in working capital	136.2	62.2	395.5	154.9	254.6
 <i>Cash flow from changes in working capital</i>					
Change in operating receivables	-79.6	-36.5	-96.8	-42.3	-20.0
Change in operating liabilities	-12.1	-18.8	-5.5	87.4	69.7
Cash flow from changes in working capital	-91.7	-55.3	-102.3	45.1	49.8
 Cash flow from operating activities	44.5	6.9	293.2	200.0	304.4
 Investing activities					
Acquisition of subsidiaries	-206.9	-	-206.9	-292.9	-309.3
Investment in property, plant and equipment in Spain	-1.1	-2.0	-4.1	-4.4	-4.8
Investment in property, plant and equipment in Sweden	-2.4	-7.7	-56.9	-64.3	-71.9
Sales of shares in joint ventures	-	8.9	15.8	8.7	8.7
Repayment of receivable from joint venture	-	-	8.9	0.0	0.0
Cash flow from investing activities	-210.4	-0.8	-243.2	-352.9	-377.3
 Financing activities					
Bank loans, credit institutions	107.1	3.0	107.1	213.3	215.4
Amortisation of loans, credit institutions	-	-6.0	-61.5	-6.0	-19.7
Amortisation of leasing liability	-	-	-	-	-
Dividend payout	-	0.0	-46.5	0.0	0.0
Cash flow from financing activities	45.4	-3.0	-187.8	207.3	195.7
 Cash flow for the period	-120.5	3.1	-137.8	54.5	122.8
Cash and cash equivalents at beginning of period	227.4	173.4	245.0	121.9	121.9
Effect of translation differences on cash and cash equivalents	1.5	0.4	1.4	0.5	0.3
Cash and cash equivalents at end of period	108.5	176.9	108.5	176.9	245.0

*) Non-cash items are subject to depreciation, disposals, currency changes and items in operating income that do not have a cash flow impact as a result of a joint venture and gain in bargain price.

PARENT COMPANY INCOME STATEMENT IN SUMMARY

MSEK	January-March		July-March		Full year
	2019/2020	2018/2019	2019/2020	2018/2019	2018/2019
Operating income					
Revenue	1.6	0.1	3.7	0.2	4.5
Other operating income	0.0	1.0	0.0	3.7	0.5
Operating income	1.6	1.1	3.7	4.0	5.0
Operating expenses					
Teaching and meal expenses	-0.1	-0.2	-0.2	-0.4	-0.6
Other external expenses	-2.4	-2.1	-7.2	-7.1	-9.8
Personnel expenses	-1.5	-7.1	-2.6	-10.2	-10.5
Operating profit/loss	-2.4	-8.3	-6.2	-13.8	-15.9
Profit/loss from financial items					
Net financial items	1.6	-1.1	26.8	-3.3	-4.5
Profit/Loss after financial items	-0.8	-9.4	20.6	-17.0	-20.4
Year-end appropriations	-	-	-	-	182.0
Current tax	0.0	-	-0.1	-	-35.7
PROFIT/LOSS FOR THE PERIOD	-0.8	-9.4	20.6	-17.0	125.8

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

The Parent Company does not have any items recognised as other comprehensive income, and accordingly, total comprehensive income is equal to profit for the period.

PARENT COMPANY STATEMENT OF FINANCIAL POSITION IN SUMMARY

MSEK

	31 Dec 2019	31 Dec 2018	30 June 2019
<i>Non-current assets</i>			
Financial assets	629.1	618.0	635.1
Total Non-current assets	629.1	618.0	635.1
<i>Current assets</i>			
Intercompany receivables	1.1	0.6	-
Receivables from associated companies	-	0.4	8.9
Tax receivable	35.2	14.2	-
Other receivables	-	-	0.3
Prepaid expenses and accrued income	0.8	1.0	0.4
Cash and cash equivalents	12.5	14.6	16.6
Total current assets	49.6	30.8	26.2
TOTAL ASSETS	678.7	648.8	661.3
Non-restricted equity	498.5	381.2	524.2
Restricted equity	1.0	1.0	1.0
TOTAL EQUITY	499.5	382.2	525.2
Untaxed reserves	90.2	37.2	90.2
<i>Non-current liabilities</i>			
Other long-term liabilities	-	26.1	-
Total non-current liabilities	0.0	26.1	0.0
Accounts payable	0.2	1.4	0.9
Liabilities to group companies	50.0	200.0	-
Current tax liabilities	35.7	-	16.6
Other current liabilities	0.5	0.4	27.5
Accrued expenses and prepaid income	2.5	1.5	1.0
Total current liabilities	89.0	203.3	45.9
TOTAL EQUITY AND LIABILITIES	678.7	648.8	661.3

NOTES

1

Accounting policies

Internationella Engelska Skolan's consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, which are described in the 2018/2019 Annual Report. This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable provisions of the Swedish Annual Accounts Act. The Interim Report for the Parent Company has been prepared in accordance with Chapter 9, Interim Reports, of the Swedish Annual Accounts Act. Disclosures in accordance with IAS 34.16A are provided in the financial statements and accompanying notes as well as elsewhere in the interim report.

The Group's main revenues consist of school voucher funding and student fees, which are allocated to the period education is conducted, including prospective and retrospective education work. The related personnel expenses are allocated according to the same principle. For a note on revenue recognition, refer to the 2018/2019 Annual Report, Note 1 on page 89.

IFRS 16 Leases

The International Accounting Standards Board has adopted a new accounting standard for the recognition of leases, IFRS 16 Leases. IFRS 16 has been approved by the EU and came into effect for financial periods beginning on or after 1 January 2019, which for IES means the financial year starting on 1 July 2019.

Under the previous rules, lease payments were recognised as an operating expense under external expenses. In summary, IFRS 16 Leases implies that operating leases with terms longer than one year must be recognised as assets in the balance sheet on the basis of the discounted present value of future payments. A corresponding amount is recognised as a liability. The income statement will be charged with depreciation over the useful life of the asset, which normally corresponds to the term of the lease, plus interest expenses. Furthermore, it can be confirmed that the transition to IFRS 16 did not impact cash flow.

The exemption in RFR 2 regarding leases was applied in the Parent Company. This means that the Parent Company's policies for recognising leases are unchanged.

Choice of transition method

IES has selected the modified retrospective approach for its transition method, entailing restatement on the transition date by adjusting the opening balance on 1 July 2019. The transition to IFRS 16 offered optional transition relief, which IES has elected to take.

Properties/premises

IES has identified one main class of assets: properties/premises. Rental contracts for properties and premises with a remaining term of more than 12 months from 1 January 2019 have been identified and recognised. A number of small storage rooms, parking spaces and offices were excluded. Agreements related to long-term contracts for rental apartments with a short notice period were also excluded. At 1 July 2019, the total number of rental contracts was approximately 100. Of these, about 100 pertained to the Sweden segment and one to the Spain segment.

To calculate the lease liability attributable to properties, the liability was discounted with IES's estimated incremental borrowing rate. Market rates and external comparative figures for returns on public and school properties, among other data, have been used to calculate the incremental borrowing and discount rate. The incremental borrowing rate is considered to differ between geographical areas, which is why IES's rental contracts have been classified according to their geographical location. In the 2019/20 financial year, a rate of 2.9-4.5% was used for rental contracts in Sweden, and 4.5% for rental contracts in Spain. The average discount rate for the Group's lease liability for 2019/20 is 4.0%.

Extension options and indexation

IES makes case-by-case assessments of extensions for each individual contract. The actual contract term is normally used for contracts of more than two years, while contracts that are due to expire within two years are expected to be extended under the extension clause contained in the agreements. IES's rental contracts are normally long-term and the average remaining contract term in IES's rental portfolio is approximately ten years.

In regards to indexation, the commencement date of the contract is used as the base date, with increases

according to the actual indexation clause in the agreement.

Other asset classes

In addition to rental contracts, IES also leases a small number of vehicles. Since the total value is considered insignificant, IFRS 16 is not applied to these leases. Nor is IFRS 16 applied to agreements for other small asset classes, such as IT equipment and other office equipment.

After the transition, EBITDA and EBIT have increased and net financial items declined to a lower negative figure than previously. Note 10 on pages 27-31 shows the effects of IFRS 16 on the balance sheet, income statement, cash flow statement and key figures during the third quarter and in July-March.

classes, such as IT equipment and other office equipment.

Transition effects

Transition to the new IFRS 16 standard on 1 July 2019 had a material effect on IES's accounting. Total assets increased sharply. The table below shows the transition effects in the balance sheet as of 1 July 2019. For more information on accounting policies, refer to pages 86-92 of the 2018/19 Annual Report.

Statement of financial position BEFORE and AFTER IFRS 16

MSEK	implementation		implementation Jul 1, 2019
	Jul 1, 2019	Effect	
ASSETS			
Intangible assets	893.2		893.2
Right of use assets	-	3 431.4	3 431.4
Property, plant and equipment	475.8		475.8
Shares in associated companies	15.8		15.8
TOTAL NON CURRENT ASSETS	1 384.8	3 431.4	4 816.2
Trade accounts receivable	21.6		21.6
Other receivables	23.7		23.7
Prepaid expenses and accrued income	117.0		20.9
Receivables from joint ventures	8.9		8.9
Cash and cash equivalents	245.0		245.0
TOTAL CURRENT ASSETS	416.1	0.0	320.0
TOTAL ASSETS	1 800.9	3 431.4	5 136.2
EQUITY AND LIABILITIES			
Equity	1 113.6		1 113.6
Shareholders' equity attributable to non-controlling interests	0.3		0.3
TOTAL EQUITY	1 113.9	0.0	1 113.9
Liabilities to credit institutions	171.3		171.3
Other non-current liabilities	0.0	3 081.3	3 081.3
- <i>whereof financial lease liability</i>	0.0	3 081.3	3 081.3
Deferred tax liabilities	76.8		76.8
Non-current liabilities	248.1	3 081.3	3 329.4
Liabilities to credit institutions	24.4		24.4
Liabilities to joint ventures	9.7		9.7
Trade accounts payable	109.2		109.2
Current tax liabilities	16.1		16.1
Other current liabilities	111.7	253.9	365.6
- <i>whereof financial lease liability</i>	0.0	253.9	253.9
Accrued expenses and prepaid income	167.9		167.9
Current liabilities	438.9	253.9	692.8
TOTAL EQUITY AND LIABILITIES	1 800.9	3 335.2	5 136.2

Segments are defined on the basis of the monitoring and reporting structure to the Board of Directors and CEO. However, the accounting policies for the segments in IES are unchanged compared with the preceding year and have not been impacted by the

introduction of IFRS 16. Accordingly, rent in the segments will continue to be reported as an operating lease. The Group's revenue, EBIT, EBT, property, plant and equipment, and non-current liabilities are allocated between the segments as follows:

MSEK	January-March		July-March		Full year
	2019/2020	2018/2019	2019/2020	2018/2019	2018/2019
Operating income					
Sweden	719.8	667.0	1 970.8	1 818.7	2 489.0
Spain	97.0	44.9	191.0	116.1	174.5
United Kingdom	0.4	0.4	1.1	1.0	1.4
Group adjustments / eliminations	-0.5	-0.3	-1.5	-0.9	-1.2
Other income					
Sweden	40.7	31.4	110.1	89.7	117.5
Spain	0.2	-0.1	0.2	0.0	-0.2
United Kingdom	0.0	0.0	0.0	0.0	0.0
Group adjustments / eliminations	0.0	0.0	0.0	0.0	0.0
Group total	857.6	743.1	2 271.8	2 024.7	2 781.0
Operating profit EBIT (MSEK)					
Sweden	66.3	56.3	155.1	127.3	191.9
Spain	74.5	8.1	90.0	10.9	17.7
United Kingdom	0.2	-0.3	0.5	-0.3	-0.8
Group adjustments / eliminations	21.5	0.1	57.8	-0.3	-0.2
Group total	162.5	64.2	303.4	137.6	208.6
Profit before tax EBT (MSEK)					
Sweden	84.7	57.1	173.0	128.0	193.4
Spain	68.4	6.4	84.2	4.1	9.9
United Kingdom	0.2	-0.3	0.5	-0.3	-0.8
Group adjustments / eliminations	-15.5	0.1	-44.3	-0.3	-0.1
Group total	138.0	63.3	213.4	131.6	202.4

	March 31, 2020	March 31, 2019	Jun 30, 2019
Non-current assets incl. right-of-use assets			
Sweden	172.9	180.7	170.8
Spain	553.7	301.6	305.1
United Kingdom	-	-	-
Group adjustments (incl. IFRS 16 effect)	3 394.2	-	-
Group total	4 120.8	482.2	475.8
Non-current liabilities			
Sweden	-	-	-
Spain	221.0	187.3	171.3
United Kingdom	-	0.0	0.0
Group adjustments (incl. IFRS 16 effect)	3 171.5	-	-
Group total	3 392.5	213.3	171.3

3**Intangible assets**

At the end of the period, intangible assets totalling MSEK 946.8 (865.6) comprised goodwill of MSEK 865.8 (827.4), customer relationships of MSEK 55.0 (27.1), other of MSEK 0.0 (0.3) and land concessions of MSEK 26.0 (-).

4**Financial instruments**

There is no significant difference between the carrying amounts and fair values of the financial instruments.

5**Financing**

In Sweden, the Parent Company has an overdraft facility of MSEK 100. At the end of the period, the credit facility was unutilised.

As collateral for the above credit, Internationella Engelska Skolan i Sverige AB holds a floating charge of MSEK 62.5.

Alongside of the general terms of the credit facilities, Internationella Engelska Skolan i Sverige Holdings II AB's (publ) obligations to the relevant credit institutions are regulated in a covenant agreement from 29 June 2018. The contract includes customary commitments for Internationella Engelska Skolan i

Sverige Holdings II AB (publ) and its subsidiaries, such as restrictions on the provision of collateral and the raising of borrowings. The credit facilities also include a financial covenant stipulating that the Group's net debt/EBITDA ratio must not exceed certain levels.

At the end of the period, the Group had outstanding acquisition loans of MEUR 16.9, or MSEK 187.0, and property loans and other loans totalling MEUR 4.8, or MSEK 53.2, through its Spanish subsidiary IEP.

Collateral was obtained for the above loans by pledging collateral in properties and Parent Company guarantees.

6**Pledged assets**

The Parent Company guarantees 100% of the property loan in Elians Boston amounting to MEUR 4.0 and has also issued a guarantee for the acquisition loan, which amounted to MEUR 6.9 at the end of the period.

The property loan in Elians Londres was redeemed and the final payment was made in the second quarter, which is why no guarantee remains in place

for this loan. The Parent Company's guarantee for 50% of the property loan in the former joint venture Colegio IALE was discontinued during the period.

For other pledged assets, refer to the 2018/2019 Annual Report for Internationella Engelska Skolan i Sverige Holdings II AB (publ), Note 31 on page 102.

7**Group companies**

Refer to the 2018/19 Annual Report for Internationella Engelska Skolan i Sverige Holdings II AB (publ), Note 21 on page 98.

In addition to the Note above, two new companies were founded in Spain during the period as part of the preparations for the acquisitions that subsequently

took place in January and February 2020. These two companies are: International English School of Zaragoza, S.L.U. (100% shareholding) and International Education Partnership Madrid, S.L.U. (100% shareholding).

Acquisition of Colegio Internacional de Valladolid, Spain

On 1 April 2019, through its wholly owned Spanish subsidiary IEP, IES acquired 99.4% of the shares in Colegio Internacional de Valladolid (CIV), a fee-based bilingual private school in Valladolid, Spain, with 294 students aged 3-18 years on the acquisition date. The enterprise value of the operations was approximately KEUR 800. The acquisition was financed by a shareholders' contribution of KEUR 280 from IEP and the assumption of liabilities. The building is rented and not included in the acquisition.

This acquisition is in line with IES's growth strategy in Spain. Valladolid is situated in an expansive region with several international industries and is one of the regions that IES has identified as most attractive. The region has high demand for English-language teaching, but the school in Valladolid does not currently have the quality and reputation that it should have, and IES intends to gradually make improvements and turn around results.

The preliminary purchase price allocation is as follows:

Preliminary purchase price allocation CIV	KEUR	KSEK
Non-current assets	488	5 071
Intangible fixed assets	0	0
Current receivables	63	653
Cash and cash equivalents	316	3 284
Provisions and liabilities	-365	-3 793
Other liabilities	-525	-5 454
Customer relations	401	4 170
Deferred tax customer relations	-100	-1 043
Net identifiable assets and liabilities	278	2 889
Total purchase price	278	2 889
Acquired net assets	278	2 889
Goodwill	0	0
Total acquired assets	278	2 889
Total renumeration for the acquisition	278	2 889
- Where of fair value of previous holdings	0	0
- Where of unpaid additional consideration	0	0
Liquid funds in acquired operations	316	3 284
Impact on the Group's liquid funds	-38	-394

Acquisition of Engage Independent School, Spain

On 7 June 2019, through its wholly owned Spanish subsidiary IEP, IES acquired 100% of the shares in Engage Independent School (EIS), a fee-based private school in Majadahonda (Madrid), Spain, with 400 students aged 3-18 years on the acquisition date. The enterprise value of the operations was approximately MEUR 2.4. The acquisition was financed in its entirety by a shareholders' contribution of MEUR 2.4 from IES. The building is rented and not included in the acquisition.

This acquisition is in line with IES's growth strategy in Spain. The school is situated in a rapidly growing area and has an excellent reputation with high academic results. By introducing the British teaching method, IES intends to further improve academic quality and thus attract even more students.

The preliminary purchase price allocation is as follows:

Preliminary purchase price allocation EIS	KEUR	KSEK
Non-current assets	235	2 500
Intangible fixed assets	0	0
Current receivables	9	95
Cash and cash equivalents	856	9 105
Provisions and liabilities	-14	-154
Other liabilities	-355	-3 779
Customer relations	1 221	12 987
Deferred tax Customer relations	-305	-3 247
Net identifiable assets and liabilities	1 646	17 507
Total purchase price	2 400	25 528
Acquired net assets	1 646	17 507
Goodwill	754	8 021
Total acquired assets	2 400	25 528
Total renumeration for the acquisition	2 400	25 528
- Where of fair value of previous holdings	0	0
- Where of unpaid additional consideration	0	0
Liquid funds in acquired operations	856	9 105
Impact on the Group's liquid funds	1 544	16 423

Acquisition of Colegio Joyfe, in Madrid, Spain

On 10 January 2020, through its wholly owned Spanish subsidiary International Education Partnership S.L (“IEP”), IES acquired 100% of the shares in Colegio Joyfe, a private school in Madrid, Spain, with about 2,000 students. The acquisition includes the school building and the enterprise value amounts to MEUR 16. IEP partly financed the acquisition through additional loans of MEUR 11.

According to the preliminary purchase price allocation, the property is valued at about MEUR 21. Since the value of the property exceeds the enterprise value, a gain in bargain purchase of MEUR 5 (MSEK 54.6) was recognised in revenues in the third quarter.

The acquisition is in line with IES's growth strategy in Spain. Colegio Joyfe is a large, reputable and well-run bilingual private school. The school has excellent and well-kept premises that include both indoor and outdoor sports facilities.

Operating income for the 2018/19 financial year was approximately MEUR 9.6 and EBITDA approximately MEUR 2.5.

The preliminary purchase price allocation is as follows:

Preliminary purchase price allocation Joyfe	KEUR	KSEK
Non-current assets	21 189	223 453
Intangible fixed assets	2	19
Current receivables	308	3 249
Cash and cash equivalents	6 427	67 776
Provisions and liabilities	-226	-2 384
Other liabilities	-576	-6 073
Customer relations	0	0
Deferred tax Customer relations	0	0
Net identifiable assets and liabilities	27 124	286 040
Fair value of previous holdings	0	0
Purchase price	22 000	232 008
Total purchase price	22 000	232 008
Acquired net assets	27 124	286 040
Gain from bargain purchase	-5 124	-54 032
Total acquired assets	22 000	232 008
Total remuneration for the acquisition	22 000	232 008
- Where of fair value of previous holdings	0	0
- Where of unpaid additional consideration	0	0
Liquid funds in acquired operations	6 427	67 776
Impact on the Group's liquid funds	15 573	164 232

Acquisition of the operations in Colegio Inglés Zaragoza, Spain

On 3 February 2020, through its wholly owned Spanish subsidiary IEP, IES completed the acquisition of 100% of the school operations of Colegio Inglés Zaragoza, a fee-based private school in Zaragoza, Spain, with about 270 students. This transaction comprised an acquisition of assets and liabilities that was financed without any external loans. The building was not included in the acquisition and is rented from the former owners.

This acquisition is in line with IES's growth strategy in Spain. Colegio Inglés is a well-run school with a culture similar to that of IES's Swedish schools. Zaragoza has a limited number of private schools, the school is well positioned in the community and has scope to grow in the next few years.

Operating income for the 2018/19 financial year was approximately KEUR 1,800 and EBITDA adjusted for rental charges approximately KEUR 400.

The preliminary purchase price allocation is as follows:

Preliminary purchase price allocation Zaragoza	KEUR	KSEK
Non-current assets	46	492
Intangible fixed assets	0	0
Current receivables	0	0
Cash and cash equivalents	0	0
Provisions and liabilities	0	0
Other liabilities	0	0
Customer relations	1 317	14 053
Deferred tax customer relations	-329	-3 513
Net identifiable assets and liabilities	1 034	11 031
Fair value of previous holdings	0	0
Purchase price	4 000	42 680
Total purchase price	4 000	42 680
Acquired net assets	1 034	11 031
Goodwill	2 966	31 649
Total acquired assets	4 000	42 680
Total remuneration for the acquisition	4 000	42 680
- Where of fair value of previous holdings	0	0
- Where of unpaid additional consideration	0	0
Liquid funds in acquired operations	0	0
Impact on the Group's liquid funds	4 000	42 680

At the an Extraordinary General Meeting (EGM) of Internationella Engelska Skolan i Sverige Holdings II AB (publ) on 13 June 2018, the shareholders resolved to implement two long-term incentive programmes in the form of a share matching programme for a maximum of 50 principals and other key individuals within the Group, and a share warrant programme for a maximum of ten senior executives. For more information about these programmes, refer to the 2018/2019 Annual Report for

Internationella Engelska Skolan i Sverige Holdings II AB (publ), Note 7 on page 94.

There were no changes to the incentive programmes in July-March 2020.

Our mission is to give children and young people an opportunity to realise their full potential, whatever their background.



Consolidated income statement

MSEK	January-March				July-March				Full year	
	2019/2020		2018/2019	2019/2020	2019/2020		2018/2019	2018/2019	2018/2019	2018/2019
	IFRS 16	excl IFRS 16	IFRS 16	excl IFRS 16	2018/2019	IFRS 16	excl IFRS 16	2018/2019	2018/2019	2018/2019
Operating income										
Revenue	816.7		816.7		711.9	2 161.5		2 161.5	1 935.0	2 663.8
Other operating income	40.9		40.9		31.2	110.3		110.3	89.7	117.3
Operating income	857.6		857.6		743.1	2 271.8		2 271.8	2 024.7	2 781.1
Operating expenses										
Teaching and meal expenses	-83.7		-83.7		-80.5	-241.2		-241.2	-232.4	-303.2
Other external expenses	-71.0	-98.5	-169.5		-149.7	-203.1	-290.1	-493.2	-435.7	-593.4
Personnel expenses	-490.9		-490.9		-428.8	-1 298.2		-1 298.2	-1 158.6	-1 593.9
Depreciation property, plant and equipment	-101.8		-101.8		-19.7	-299.6		-299.6	-59.1	-80.3
Amortisation intangible assets	-2.2		-2.2		-0.9	-5.5		-5.5	-2.8	-3.9
Amortisation right-of-use assets	0.0	77.0	77.0		-	232.3	232.3		-	-
Profit from joint ventures	0.0		0.0		0.7	24.7		24.7	1.6	2.2
Gain on bargain purchase	54.6		54.6							
Operating profit/loss	162.6	-21.5	141.1		64.2	303.5	-57.8	245.7	137.6	208.6
	0.0				0.0	0.0				
Profit/loss from financial items	0.0				0.0	0.0				
Net financial items	-24.6	37.0	12.4		-0.9	-90.1	103.2	13.1	-6.0	-6.2
Pre-tax profit/loss	138.0	15.5	153.5		63.3	213.4	45.4	258.8	131.6	202.4
	0.0				0.0	0.0				
Tax	-16.0	-3.2	-19.2		-15.4	-29.7	-9.3	-38.9	-31.3	-47.8
PROFIT/LOSS FOR THE PERIOD	122.0	12.3	134.3		47.9	183.8	36.1	219.9	100.3	154.6
Attributable to:										
Parent Company owners	122.0	12.3	134.3		47.9	183.8	36.1	219.9	100.3	154.6
Non-controlling interest	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0
<i>Earnings per share</i>	3.04	0.31	3.35		1.19	4.58	0.90	5.48	2.50	3.85
<i>Number of shares</i>	40 130 000	40 130 000	40 130 000		40 130 000	40 130 000	40 130 000	40 130 000	40 130 000	40 130 000

Consolidated statement of comprehensive income

MSEK	January-March				July-March				Full year	
	2019/2020		2018/2019	2019/2020	2019/2020		2018/2019	2018/2019	2018/2019	2018/2019
	IFRS 16	excl IFRS 16	IFRS 16	excl IFRS 16	2018/2019	IFRS 16	excl IFRS 16	2018/2019	2018/2019	2018/2019
Profit/loss for the period	122.0	12.3	134.3		47.9	183.8	36.1	219.9	100.3	154.6
Other comprehensive income	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Items that may be reclassified to profit or loss	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0
Translation difference for the year	9.5	0.0	9.5		2.9	1.2	0.0	1.2	5.4	5.8
Other comprehensive income, net of tax	9.5	0.0	9.5		2.9	1.2	0.0	1.2	5.4	5.8
COMPREHENSIVE INCOME FOR THE PERIOD	131.5	12.3	143.8		50.8	185.0	36.1	221.2	105.7	160.4
Attributable to:										
Parent Company owners	131.5	12.3	143.8		50.8	185.0	36.1	221.2	105.7	160.4
Non-controlling interest	0.0	0.0	0.0		0.0	0.0	0.0	0.0	0.0	0.0

Transition to IFRS 16 Leases – cont'd

MSEK	31 Mar, 2020	IFRS 16	31 Mar, 2020 excl IFRS 16	31 Mar, 2018	30 Jun, 2019
Non-current assets					
Intangible assets	946.8		946.8	865.6	893.2
Right-of-use assets	3 394.2	-3 394.2	0.0	0.0	-
Leasehold buildings	726.6		726.6	482.2	238.8
Participation in joint venture	0.0		0.0	15.2	15.8
Deferred tax assets	9.3	-9.3	0.0	0.0	0.0
Total non-current assets	5 076.9	-3 403.5	1 673.4	1 363.0	1 384.8
Current assets					
Accounts receivable	24.0		24.0	16.0	21.6
Other receivables	35.7		35.7	24.7	23.7
Prepaid expenses and accrued income	199.3		199.3	139.7	117.0
Receivables from joint ventures	0.0		0.0	9.1	8.9
Cash and cash equivalents	108.5		108.5	176.9	245.0
Total current assets	367.5	0.0	367.5	366.4	416.1
TOTAL ASSETS	5 444.4	-3 403.5	2 040.9	1 729.4	1 800.9
Equity	1 256.3	36.1	1 292.5	1 058.9	1 113.6
Shareholders' equity attributable to non-controlling interests	0.2	-	0.2	0.2	0.3
TOTAL EQUITY	1 256.5	36.1	1 292.7	1 059.1	1 113.9
Non-current liabilities					
Liabilities to credit institutions	221.0		221.0	187.2	171.3
Other long-term liabilities	3 171.5	-3 171.5	0.0	26.1	-
- <i>whereof financial lease liability</i>	3 171.5				
Deferred tax liabilities	76.0		76.0	77.0	76.8
Total non-current liabilities	3 468.5	-3 171.5	297.0	290.3	248.1
Current liabilities					
Liabilities to credit institutions	19.5		19.5	0.0	24.4
Liabilities to joint ventures	0.0		0.0	6.5	9.7
Accounts payable	101.7		101.7	104.4	109.2
Current tax liabilities	28.5		28.5	-	16.1
Other current liabilities	402.7	-268.0	134.9	125.6	111.7
- <i>whereof financial lease liability</i>	268.0		268.0		0.0
Accrued expenses and prepaid income	167.0		167.0	143.4	167.9
Total current liabilities	719.4	-268.0	451.6	380.0	438.9
TOTAL EQUITY AND LIABILITIES	5 444.4	-3 403.5	2 041.3	1 729.4	1 800.9

Transition to IFRS 16 Leases – cont'd

	2019/2020				2019/2020			
	2019/2020	IFRS 16	excl IFRS 16	2018/2019	2019/2020	IFRS 16	excl IFRS 16	2018/2019
Operating activities								
Operating profit/loss	162.6	-21.5	141.1	64.1	303.4	-57.8	245.6	137.7
Interest received	2.2	2.2	1.4	8.0			8.0	4.1
Interest paid	-40.8	36.8	-4.0	-2.3	-112.1	103.2	-8.9	-10.1
Adjustment for non-cash items *)	19.3	-77.0	-57.7	15.0	223.7	-232.3	-8.6	70.0
Income tax paid	-7.1		-7.1	-16.0	-27.5		-27.5	-46.8
Cash flow from operating activities before changes in working capital	136.2	-61.7	74.5	62.2	395.5	-186.9	208.6	154.9
Cash flow from changes in working capital								
Change in operating receivables	-79.6		-79.6	-36.5	-96.8		-96.8	-42.3
Change in operating liabilities	-12.1		-12.1	-18.8	-5.5		-5.5	87.4
Cash flow from changes in working capital	-91.7	0.0	-91.7	-55.3	-102.3	0.0	-102.3	45.1
Cash flow from operating activities	44.5	-61.7	-17.1	6.9	293.2	-186.9	106.3	200.0
Investing activities								
Acquisition of subsidiaries	-206.9		-206.9	-292.9	-206.9		-206.9	-292.9
Investment in property, plant and equipment in Spain	-1.1		-1.1	-4.4	-4.1		-4.1	-4.4
Investment in property, plant and equipment in Sweden	-2.4		-2.4	-64.3	-56.9		-56.9	-64.3
Sales of shares in joint ventures	-		-	8.7	8.9		8.9	-71.9
Repayment of receivable from joint venture	-		-	-	15.8		15.8	8.7
Cash flow from investing activities	-210.4	0.0	-210.4	-352.9	-243.2	0.0	-243.2	-352.9
Financing activities								
Bank loans, credit institutions	107.1		107.1	213.3	107.1		107.1	213.3
Amortisation of loans, credit institutions	-		-	-6.0	-61.5		-61.5	-6.0
Amortisation of leasing liability	-61.7	61.7	0.0	-	-186.9	186.9	0.0	
Dividend payout	-		-	-	-46.5		-46.5	
Cash flow from financing activities	45.4	61.7	107.1	207.3	-187.8	186.9	-0.9	207.3
Cash flow for the period	-120.5	0.0	-120.5	3.1	-137.8	0.0	-137.8	54.4
Cash and cash equivalents at beginning of period	227.4		227.4	173.4	245.0		245.0	121.9
Effect of translation differences on cash and cash equivalents	1.5		1.5	0.4	1.4		1.4	0.5
Cash and cash equivalents at end of period	108.5		108.5	176.9	108.5		108.5	176.9

*) Non-cash items are subject to depreciation, disposals, currency changes and items in operating income that do not have a cash flow impact as a result of a joint ventures and gain in bargain purchase

Transition to IFRS 16 Leases – cont'd

Reconciliation with IFRS 16 financial statements

	19/20 Jan-Mar	18/19 Jan-Mar	19/20 Jul-Mar	18/19 Jul-Mar	2018/2019 Full year
EBITDA and adjusted EBITDA excluding IFRS 16					
MSEK					
Operating profit (EBIT)	108.8	64.2	225.0	137.7	215.0
Depreciation, amortisation and impairment of non-current and intangible assets	104.0	20.6	305.1	61.9	80.3
Additional: Rental expenses	-98.5	-	-290.1	-	-
Net effect of IFRS 16 on EBITDA	-98.5	0.0	-290.1	0.0	0.0
EBITDA excluding effects of IFRS 16	114.3	84.8	240.0	199.6	295.3
Items affecting comparability	53.8	-6.2	78.5	-6.4	-6.4
Adjusted EBITDA excluding IFRS 16	168.1	78.6	318.5	193.1	288.9
Operating income	857.6	743.1	2 271.8	2 024.7	2 781.1
EBITDA margin excluding effects of IFRS 16	13.3%	11.4%	10.6%	9.9%	10.6%
Adjusted EBITDA margin excluding effects of IFRS 16	19.6%	10.6%	14.0%	9.5%	10.4%
EBITA and adjusted EBITA excluding effects of IFRS 16					
MSEK					
Operating profit (EBIT)	162.6	64.2	303.5	137.6	208.6
Amortisation and impairment of intangible assets	2.2	-0.9	5.5	-2.8	-
Less: Effects of IFRS 16 included in the line item of depreciation, amortisation and impairment of non-current and intangible assets	77.0	-	232.3	-	-
Additional: Rental expenses	-98.5	-	-290.1	-	-
Net effects of IFRS 16 on EBITA	-21.5	0.0	-57.8	0.0	0.0
EBITA excluding effects of IFRS 16	143.4	63.3	251.2	134.8	208.6
Non-recurring items	53.8	-6.2	78.5	-6.4	-6.4
Adjusted EBITA excluding effects of IFRS 16	197.1	57.1	329.8	128.4	202.2
Operating income	857.6	743.1	2 271.8	2 024.7	2 781.1
EBITA margin excluding effects of IFRS 16 (%)	16.7%	8.5%	11.1%	6.7%	7.5%
Adjusted EBITA margin excluding effects of IFRS 16 (%)	23.0	7.7	14.5	6.3	7.3
EBIT excluding effects of IFRS 16					
MSEK					
Operating profit (EBIT)	162.6	64.2	303.5	137.6	208.6
Less: Effects of IFRS 16 included in the line item of depreciation, amortisation and impairment of non-current and intangible assets	77.0	-	232.3	-	-
Additional: Rental expenses	-98.5	-	-290.1	-	-
Net effects of IFRS 16 on EBIT	-21.5	0.0	-57.8	0.0	0.0
EBIT excluding effects of IFRS 16	141.1	64.2	245.7	137.6	208.6
Profit before and after tax excluding effects of IFRS 16					
MSEK					
Profit before tax	138.0	63.3	213.4	131.6	202.3
Net effects of IFRS 16 on EBIT	-21.5	-	-57.8	-	-
Less: IFRS 16 effect included in the line item of financial expenses	36.8	-	103.2	-	-
Net effects of IFRS 16 on profit before tax	15.3	-	45.4	-	-
Profit before tax excluding effects of IFRS 16	153.3	63.3	258.8	131.6	202.3
Tax on profit for the period	-19.2	-15.4	-38.9	-31.3	-47.7
Profit after tax excluding effects of IFRS 16	134.1	47.9	219.9	100.4	154.6
Earnings per share before dilution, excluding effects of IFRS 16					
Number of shares	40 130 000	40 130 000	40 130 000	40 130 000	40 130 000
Earnings per share before dilution, excluding effects of IFRS 16	3.34	1.19	5.48	2.50	3.85

Transition to IFRS 16 Leases – cont'd

	19/20 Jan-Mar	18/19 Jan-Mar	19/20 Jul-Mar	18/19 Jul-Mar	2018/2019 Full year
Operating cash flow excluding IFRS 16					
MSEK					
Operating cash flow	44.5	6.9	396.3	200.0	304.4
Less: Effect of IFRS on EBITDA	-61.7	-	-290.1	-	
Operating cash flow excluding IFRS 16	-17.1	6.9	106.3	200.0	304.4
Cash conversion excluding IFRS 16					
MSEK					
Operating cash flow excluding effects of IFRS 16	-17.1	6.9	106.3	200.0	304.4
Adjusted EBITDA excluding effects of IFRS 16	168.1	78.6	318.5	193.1	288.9
Cash conversion (%) excluding IFRS 16	-10.2%	8.8%	33.4%	103.6%	105.4%
Free cash flow excluding effects of IFRS 16					
MSEK					
Free cash flow	41.0	6.1	360.0	140.0	236.4
Less: Effect of IFRS on EBITDA	-61.7	0.0	-290.1	0.0	0.0
Additional: Interest payments	36.8	0.0	103.2	0.0	0.0
Free cash flow excluding effects of IFRS 16	16.1	6.1	173.1	140.0	236.4
Net debt, Net debt/Adjusted EBITDA, RTM excluding effects of IFRS 16					19/20
MSEK					Jan-Mar
Non-current interest-bearing liabilities					Jul-Mar
					3 392.5
Less: non-current lease liabilities pertaining to properties recognised on the lease liability line					-3 171.5
Current interest-bearing liabilities					287.5
Less: current lease liabilities pertaining to properties recognised on the lease liability line					-268.0
Less: cash and cash equivalents					-108.5
Net debt excluding effects of IFRS 16	132.0				
Adjusted EBITDA, RTM, adjusted for IFRS 16					333.2
Net debt/Adjusted EBITDA, RTM, excluding effects of IFRS 16	0.4				
Equity/assets ratio excluding effects of IFRS 16					19/20
MSEK					Jul-Mar
Total equity					1 256.8
Total assets					5 304.4
Less: right-of-use assets attributable to property					-3 254.2
Less: Effects of IFRS 16 on deferred tax are recognised on the deferred tax assets line					-9.3
Total assets excluding effects of IFRS 16	2 040.9				
Equity/assets ratio (%)	63.3				

KEY FIGURES FOR THE GROUP

MSEK	January-March					July-March					Full year	
	2019/20 exkl.					2019/20 exkl.					2018/2019	
	2019/2020	IFRS 16 ¹	IFRS 16 ²	2018/2019	Change ³	2019/2020	IFRS 16 ¹	IFRS 16 ²	2018/2019	Change ³	2018/2019	
Operating income	857.6	-	857.6	743.1	15.4%	2 271.8	-	2 271.8	2 024.7	12.2%	2 781.1	
Operating profit - EBIT	162.6	-21.5	141.1	64.2	119.8%	303.5	-57.8	245.7	137.6	78.5%	208.6	
Operating margin - EBIT	19.0%	n/a	16.5%	8.6%	91.9%	13.4%	n/a	10.8%	6.8%	58.8%	7.5%	
Adjusted operating profit - EBIT	108.8	-21.5	87.3	70.4	24.0%	225.1	-57.8	167.3	144.0	16.2%	215.0	
Adjusted EBIT-margin	12.7%	n/a	10.2%	9.5%	7.4%	9.9%	n/a	7.4%	7.1%	4.2%	7.7%	
Profit for the period	122.0	12.3	134.3	47.9	180.4%	183.8	36.1	219.9	100.3	119.1%	154.6	
Net margin	14.2%	n/a	15.7%	6.4%	145.3%	8.1%	n/a	9.7%	5.0%	94.0%	5.6%	
Operating capital	-440.9	268.0	-172.9	-193.1	-10.5%	-440.9	268.0	-172.9	-193.1	-10.5%	-242.6	
Return on equity	10.3%	1.0%	11.3%	4.6%	145.7%	15.5%	3.0%	18.6%	10.0%	85.5%	15.0%	
Net debt (+) / Net cash (-)	3 303.5	-3 171.5	132.0	10.3	1181.6%	3 303.5	3 171.5	132.0	10.3	1181.6%	-49.3	
Equity/asset ratio	23.1%	40.2%	63.3%	61.2%	3.8%	23.1%	40.2%	63.3%	61.2%	3.4%	61.9%	
Cash flow from operating activities	44.5	-61.7	-17.1	6.9	-347.8%	293.2	-186.9	106.3	200.0	-46.9%	304.4	
Investments excl. rental contracts	-3.5	n/a	-3.5	-9.7	-63.9%	-61.0	n/a	-61.0	-68.7	-11.2%	-76.7	
FTE, average in Sweden	2 940	n/a	2 940	2 711	229	2 869	n/a	2 869	2 653	216	2 669	
Number of students in Sweden and Spain	31 487	n/a	31 487	27 884	3 603	31 487	n/a	31 487	27 884	3 603	28 539	

¹ Amount relates to adjustments for the implementation of the accounting standard IFRS 16 Leases to show the accounting as it has been applied in previous accounting periods (IAS 17)

² Refers to financial statements applying previous accounting principles (IAS 17). This means that leasing of buildings is reported as rent and not as leaseholder according to IFRS 16 Leases

³ Refers to change between 2019/20 excluding IFRS 16 and 2018/19, i.e. comparable figures

QUARTERLY OVERVIEW

MSEK	Q3 19/20		Q2 19/20		Q1 19/20		Q3 18/19	Q2 18/19	Q1 18/19	Q4 17/18	Q3 17/18	
	Q3 19/20	excl.IFRS 16	Q2 19/20	excl.IFRS 16	Q1 19/20	excl.IFRS 16	Q4 18/19					
Operating income	858	858	814	814	601	601	757	743	726	556	611	632
EBITDA	212	114	187	89	155	60	93	85	71	44	44	69
EBITDA margin %	24.7%	13.2%	22.9%	11.0%	25.9%	9.9%	12.3%	11.4%	9.8%	7.9%	7.2%	10.9%
Depreciation	-104	-27	-100	-21	-101	-23	-22	-21	-21	-21	-17	-17
Operating profit EBIT	163	141	86	68	55	37	71	64	50	23	28	53
EBIT margin %	19.0%	16.5%	10.6%	8.4%	9.1%	6.1%	9.4%	8.6%	6.9%	4.2%	4.5%	8.3%
Non-recurring items	54	54	0	0	25	25	0	-6	0	0	0	0
Adjusted operating profit EBIT	109	87	86	68	30	12	71	70	50	23	28	53
Adjusted EBIT margin %	12.7%	10.2%	10.6%	8.4%	5.0%	2.0%	9.4%	9.5%	6.9%	4.2%	4.5%	8.3%
Tax	-16	-19	-10	-13	-4	-7	-16	-15	-10	-6	-8	-11
Net financial items	-25	12	-32	1	-34	0	0	-1	0	-5	-1	1
Profit for the period	122	134	44	56	17	29	54	48	40	12	20	43
						0						
Net debt (+) / Net cash (-)	3 304	132	2 938	-108	3 056	-59	-74	10	24	120	-122	-245
Equity / asset ratio	23.1%	63.3%	22.3%	64.6%	21.8%	61.7%	61.9%	61.2%	60.1%	59.2%	72.9%	69.8%
Cash flow from operating activities	45	-17	183	87	132	36	104	7	97	33	24	75
Investments excl. rental contracts	-4	-4	-6	-6	-52	-52	-8	-10	-9	-50	-6	-3
Operating income Sweden	761	761	747	747	573	573	698	698	682	528	595	632
EBIT Sweden	66	66	55	55	34	34	65	56	41	30	26	51
EBIT margin Sweden	8.7%	8.7%	7.3%	7.3%	6.0%	6.0%	9.3%	8.1%	5.9%	5.8%	4.4%	8.0%
Adjusted EBIT Sweden	66	66	55	55	34	34	65	63	41	31	26	51
Adjusted EBIT margin Sweden	8.7%	8.7%	7.3%	7.3%	6.0%	6.0%	9.3%	9.0%	5.9%	5.8%	4.4%	8.0%
Operating income Spain	97	97	67	67	27	27	58	45	44	28	-	-
EBIT Spain	75	75	13	13	2	2	7	8	10	-7	-	-
EBIT margin Spain	76.7%	76.7%	20.2%	20.2%	7.4%	7.4%	11.7%	18.0%	22.2%	-24.8%	-	-
Adjusted EBIT Spain	21	21	13	13	-23	-23	7	8	10	-7	-	-
Adjusted EBIT margin Spain	21.3%	21.3%	20.2%	20.2%	-82.8%	-82.8%	11.7%	18.0%	22.2%	-24.8%	-	-
FTE, average in Sweden	2 940	2 940	2 899	2 899	2 765	2 765	2 707	2 711	2 692	2 554	2 496	2 508
Number of schools in Sweden	37	37	37	37	37	37	36	36	36	36	34	34
Number of students in Sweden	26 760	26 760	26 814	26 814	26 828	26 828	25 536	25 555	25 608	25 582	23 927	23 971
Number of schools in Spain (subsidiaries)	7	7	5	5	5	5	5	3	3	3	-	-
Number of students in Spain (subsidiaries)	4 727	4 727	2 491	2 491	2 467	2 467	2 506	1 832	1 834	1 836	-	-
Number of schools in UK	1	1	1	1	1	1	1	1	1	1	1	1
Number of students in UK	507	507	507	507	507	507	497	497	497	497	480	480

DEFINITIONS

ALTERNATIVE PERFORMANCE MEASURES

The Group uses alternative performance measures to increase the reader's understanding of the progress of operations. We believe that the alternative performance measures make it easier to evaluate and analyse the Group's progress in important areas such as the potential for dividends and execution of future strategic investments, as well as the Group's ability to meet its various financial obligations. Some alternative performance measures, such as adjusted EBIT and adjusted EBIT margin, also enable investors to better judge the earnings growth between years, excluding items affecting comparability.

The IFRS measures are indicated with *.

Adjusted EBIT	Operating profit refers to profit after amortisation of acquisition-related intangible assets and before financial items and tax, excluding items affecting comparability.
Adjusted EBIT margin	Adjusted EBIT as a percentage of operating income.
Cash and cash equivalents	Cash and bank balances, and short-term investments.
Earnings per share*	Profit for the period divided by the number of shares.
Equity/assets ratio	Equity divided by total assets.
FTE	Full-time equivalent, average number of full-time employees
Heads	Number of employees at the end of the period disregarding utilisation.
Investments	Net investments and disposals of tangible and intangible assets excluding right-of-use assets and acquisition-related investments.
Net debt (+)/Net cash (-)	Interest-bearing liabilities less cash and cash equivalents.
Net margin	Profit for the period divided by total operating income.
Net operating income *	School voucher funding and social subsidies.
Non-recurring items	Items affecting comparability are reported separately to illustrate the performance of underlying operations. Items affecting comparability are items such as advisory services in connection with acquisitions, costs resulting from strategic decisions and significant restructuring of operations. However, government subsidies such as <i>Likvärdighetsbidrag</i> , <i>Lärarlönelyftet</i> and <i>Karriärtjänster</i> are not included in items affecting comparability, because they are expected to recur for several years, and are part of operating activities.
Number of shares*	Number of shares according to the share register.
Operating profit (EBIT)	Operating profit refers to profit before financial items and tax.
Other revenue	Revenues from Junior Club and compensation for <i>Karriärtjänster</i> , <i>Likvärdighetsbidrag</i> , <i>Lärarlönelyftet</i> and other government subsidies (for government subsidies, refer also to revenue recognition in the 2018/2019 Annual Report, Note 1 on page 89.)
Return on equity	Profit for the period divided by average equity (opening equity plus closing equity divided by two).
Revenue per student	Total revenues divided by average number of students during the period.
Segment	IES reports geographical markets as operating segments.
Total costs per student	Operating expenses including depreciation divided by the average number of students during the period.
Working capital	Current assets, excluding current receivables, joint ventures and cash and cash equivalents, less operating liabilities



ABOUT INTERNATIONELLA ENGELSKA SKOLAN

Internationella Engelska Skolan (IES) is one of the leading independent school operators in Sweden with some 26,800 students at 37 schools. IES also owns seven bilingual private schools in Spain with 4,700 students. In Sweden, IES operates schools for students from the first year of school (grade F) which children start at the age of six, to the third and final year of upper secondary school. Its main focus is grades 4-9, internationally referred to as "middle school." In the compulsory school system in Sweden, IES is the leading individual operator, with seventeen of the twenty largest independent schools. IES's results in the national tests for grade 9 are far above the average for schools in Sweden.

Internationella Engelska Skolan was founded in 1993 and is in its 27th year of operation. Throughout this period, its schools have been defined by the three core convictions of its founder, Mrs. Barbara Bergström:

- ▶ A safe and orderly environment, where teachers can teach and students learn.
- ▶ To command the English language—the key to the world.
- ▶ High academic expectations and ambitions.

Up to half of the teaching in IES schools is in English, by native English-speaking teachers. Over 900 teachers with qualified foreign teaching degrees are currently teaching in IES schools. They are mainly recruited from Canada, the US, the UK and South Africa.

IES's student base is in high growth. Over the past ten years, operating income has increased by an average

of 19% per year. In the most recent financial year of 2018/19, which ended on 30 June 2019, operating income amounted to MSEK 2,781.1, an approximate increase of 18% year-on-year. At 31 March 2020, there were approximately 218,500 applications in the queue to secure a place for current and forthcoming years.

BEST SCHOOL RESULTS IN SWEDEN

IES achieved top results in the grade 9 national test in English as well as results significantly above the Swedish school average in mathematics and Swedish.

Share of students who achieved C+ (A, B or C in the six-level grade scale for grade 9 national tests) in 2019.

Subject	Municipal school average	Independent schools	IES
English	71%	84%	97%
Swedish	53%	65%	71%
Mathematics	26%	38%	49%

The average qualification level (an aggregate measure applied by the Swedish National Agency for Education) at the end of grade 9 in spring 2019 was 271 points for IES, compared with the national average of 230 points.



**271
points**

IES QUALIFICATION
POINTS

(national average for all
schools in Sweden was
230)

**96
per cent**

UPPER SECONDARY
SCHOOL ELIGIBILITY

(national average for
all schools in Sweden
was 84%)

IES has a higher share of students with a foreign background than the average for Sweden's municipal schools. In the 2018/2019 academic year, 38% of IES's students in grades 1-9 had a foreign background. The corresponding figure for Sweden's municipal schools was 24%.

Of all students leaving IES's schools in 2019, 96% were eligible for upper secondary school. The corresponding average figure for ninth-grade students in all schools in Sweden was 84%.

Internationella Engelska Skolan has been listed on Nasdaq Stockholm Mid Cap, with the ticker ENG, since 2016. The largest (indirect) shareholders of IES are TA Associates of the US, which has close affiliations to leading universities and trusts in the US, Barbara Bergström, the founder of IES, and Paradigm Capital AG through different funds. At the end of March 2020, the 10 largest shareholders also included Swedbank Robur fonder and Handelsbanken fonder.

Long term financial targets (before introducing IFRS 16)

GROWTH

10% annual growth, with potential for further growth through acquisitions.

PROFITABILITY

An operating margin (EBIT) of at least 8%.

CAPITAL STRUCTURE

An equity/assets ratio of at least 40%.

DIVIDEND POLICY

30% of net profit after tax is distributed, with scope for exceptions from the board if, for example, attractive acquisitions can create added shareholder value.

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TELECONFERENCE IN CONNECTION WITH PUBLICATION OF THE QUARTERLY REPORT:

CEO Anna Sörelius Nordenborg and Head of IR Emma Rheborg will be holding a teleconference today, Friday 15 May, at 10:00 a.m. CEST in connection with publication of the quarterly report. The teleconference will be held in English. To participate in the teleconference, call the following number: +46 (0)8-566 426 51 and then press 79939929#. The presentation material is available on IES's website: <http://corporate.engelska.se>

FINANCIAL CALENDAR	Date
Year-end report 2019/20	26 August 2020
Q1 interim report 2020/21	20 November 2020
AGM 2019/20	24 November 2020

This is a translation of the Swedish original. In case of any inconsistency between the Swedish and the English version, the Swedish version shall prevail.

This information is such information that Internationella Engelska Skolan i Sverige Holdings II AB (publ) is obligated to publish in accordance with the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact people set out above, on 15 May 2020 at 8:00 am. CEST.



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