

Q4

INTERNATIONELLA ENGELSKA SKOLAN

YEAR-END REPORT 1 JULY – 30 JUNE 2019/2020

Fourth quarter (April–June)

- Operating income increased 7.1% to MSEK 810.2 (756.5), of which organic growth amounted to 3.5%
- The number of students in the Swedish schools at the end of the quarter was 26,725 (25,536)
- The number of registrations in the queue in Sweden at the end of the quarter was about 204,900 (191,700)
- EBIT amounted to MSEK 89.3 (71.0). Excl. IFRS 16, EBIT amounted to MSEK 77.4 (71.0)
- EBIT adjusted for non-recurring items of MSEK –1.0 (–) related to the Spanish acquisitions and excl. IFRS 16 amounted to MSEK 78.4 (71.0).
- The adjusted EBIT margin excluding IFRS 16 was 9.7% (9.4).
- Profit for the quarter after tax totalled MSEK 31.5 (54.3). Excl. IFRS 16, profit amounted to MSEK 45.9 (54.3)
- Cash flow from operating activities for the quarter was MSEK 293.7 (104.4)
- Earnings per share before and after dilution amounted to SEK 0.78 (1.35)
- New rental contracts were signed for new schools for grades F-9 in Trelleborg and Staffanstorp scheduled to open in 2022/23 and in Norrtälje in 2023/24
- The Board revised and adjusted the financial targets

Full-year (July–June)

- Operating income increased 10.8% to MSEK 3,082.0 (2,781.1), of which organic growth amounted to 7.8%
- EBIT amounted to MSEK 392.8 (208.6). Excluding the effects of the introduction of IFRS 16, EBIT amounted to MSEK 323.1 (208.6)
- EBIT adjusted for non-recurring items of MSEK 77.5 (–6.4) related to the sale and acquisitions of Spanish schools and excl. IFRS 16 amounted to MSEK 245.6 (215.0).
- The adjusted EBIT margin excluding IFRS 16 was 8.0% (7.7).
- Profit for the year after tax totalled MSEK 215.3 (154.6). Excl. IFRS 16, profit amounted to MSEK 265.8 (154.6)
- Cash flow from operating activities for the year was MSEK 586.9 (304.4)
- Earnings per share before and after dilution amounted to SEK 5.37 (3.85)
- Acquisition of two Spanish private schools: Colegio Joyfe and Colegio Zaragoza
- Proposed dividend of SEK 0.00 per share (1.16)

Key figures for the Group

MSEK	Q4, April–June					Full year, July–June				
	2019/2020	IFRS 16 ¹	2019/2020 excl. IFRS 16 ²	2018/2019	Change ³	2019/2020	IFRS 16 ¹	2019/2020 excl. IFRS 16 ²	2018/2019	Change ³
Operating income	810.2	–	810.2	756.5	7.1%	3,082.0	–	3,082.0	2,781.1	10.8%
Operating profit - EBIT	89.3	–11.9	77.4	71.0	9.0%	392.8	–69.7	323.1	208.6	54.9%
Operating margin	11.0%	n/a	9.6%	9.4%	1.8%	12.7%	n/a	10.5%	7.5%	40.0%
Adjusted operating margin	90.3	–11.9	78.4	71.0	10.4%	315.3	–69.7	245.6	215.0	14.2%
Adjusted EBIT-margin	11.1%	n/a	9.7%	9.4%	3.1%	10.2%	n/a	8.0%	7.7%	2.6%
Profit for the period	31.5	14.4	45.9	54.3	–15.5%	215.3	50.4	265.8	154.6	72.0%
Earnings per share, SEK	0.78	0.36	1.14	1.35	–0.21	5.37	1.26	6.62	3.85	2.77
FTE, average in Sweden	2,940	n/a	2,940	2,707	233	2,887	n/a	2,887	2,669	218
Number of students in Sweden and Spain	31,406	n/a	31,406	28,042	3,364	31,406	n/a	31,406	28,042	3,364

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 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

CHALLENGING BUT STRONG QUARTER FOR THE SCHOOLS

Following a challenging spring that involved major adjustments at our schools due to the pandemic, we were particularly pleased to celebrate the achievements of our students this year and wish them and our employees a happy summer. Our employees have done their utmost to maintain a high level of quality under challenging conditions and our annual quality survey revealed that we had been successful in this. In financial terms, the Swedish operations were unaffected by the corona pandemic during the quarter, while Spain was heavily impacted although the effects were counteracted in line with expectations. Fourth-quarter operating income increased 7.1% to MSEK 810.2 (756.5) year-on-year, of which 3.5% was attributable to organic growth. EBIT increased to MSEK 78.4 (71.0), excl. IFRS 16 and non-recurring effects, corresponding to an adjusted EBIT margin of 9.7% (9.4). The higher EBIT was due to more students in Sweden but was adversely impacted by the effects of the corona pandemic in Spain.

204,900

registrations in
the queue in Sweden

ANNUAL QUALITY SURVEY IMPORTANT FOR OUR CONTINUOUS IMPROVEMENT

IES is a results-oriented organisation and its culture is characterised by a belief that all operations can always be better. In May of every year, we conduct surveys of all students, parents and employees to determine how well we are living up to our promises of delivering a safe and secure school, high academic ambitions and teaching students full command of the English language. The survey is part of our systematic quality efforts and, when viewed together with academic results for example, offers valuable insight into areas where we can make improvements. Each school identifies its areas for improvements, immediately draws up action plans and then works on developing these plans over the next year.

This year, 97% of all grade 9 students in IES's schools graduated eligible for upper secondary school (96 in 2019). The equivalent national figure was only 85%. We have schools in all types of areas, students from all backgrounds, students with various difficulties and several schools offer home-language teaching in more than 40 languages. We have shown that with the right resources and organisation it is possible to maintain high quality at all schools regardless of student cohort and circumstances can never be used as an excuse for poor results.

IES has 204,900 registrations in its school queues, but having full schools and long queues is not taken for granted. Our experience tells us that parents generally have good knowledge of their local school environment. If the environment at one of our schools is disorderly, we can immediately see a decline in parent interest. Accordingly, queue statistics are an important element in our systematic quality efforts

and our queue growth of 7% in the past year is confirmation that we are delivering and proving that we deal with problems when they arise.

Although the focus of our quality efforts is to identify areas for improvement, it is gratifying to say that we once again received positive reviews from our students, parents and employees this year. Nine of ten parents would recommend their IES school, nine of ten employees would recommend IES as a good place to work and nine of ten students feel secure in their school.

STRONG PERFORMANCE IN SWEDEN, BUT PANDEMIC IMPACTED SPAIN

The fourth quarter was mainly dominated by managing the effects of the pandemic on our schools and safeguarding the health of students and employees while we conducted teaching. The operations were continuously adapted to the changed recommendations issued by the authorities. Compulsory schools in Sweden were open for the entire spring, while the Spanish schools taught remotely for most of the spring. I would like to sincerely thank our employees for their impressive commitment and hard work for our students during this challenging spring.

The Swedish operations performed well and in line with expectations for the year. Revenues per student in Sweden for the full-year rose 3.8%, personnel expenses per student rose 3.4% and total costs per student rose 2.9% compared with the year-earlier period. The net Swedish results were unaffected by the pandemic.

As expected, Spain reported a weak fourth quarter since fees for food, transport or after-school ac-

tivities were not charged between April and June. School fees were also discounted in the spring for the grades that could not be fully taught digitally. Several measures were taken in the Spanish operations in the spring to offset the loss of income, and performance was in line with the assessments that we communicated in April. The Spanish authorities have stated that schools may reopen in September and we are now preparing the schools for this. The preliminary admission figures for the autumn indicate that interest has been marginally affected compared with last year. However, it will not be until September that we will know the definitive number of students for the autumn. We are also expecting to resume dialogue in the autumn with other schools that want to become part of IEP.

For the Group as a whole, operating income for the full-year increased 10.8% to MSEK 3,082.0, of which organic growth was 7.8%. Adjusted EBIT excl. IFRS 16 amounted to MSEK 245.6 (215.0) for the year, corresponding to an adjusted EBIT margin of 8.0% (7.7). The stable performance in Sweden is the reason for the healthy results, which were otherwise negatively impacted by the effects of the corona pandemic on the Spanish operations.

Despite a solid result for the year, the increased uncertainty regarding the possible resumption of restrictions due to the pandemic and many attractive acquisition opportunities still outstanding have led to the Board deciding not to propose a dividend for the 2019/20 financial year.

UNIQUE EXPERTISE IN OPENING SCHOOLS

In Sweden, we have never signed as many rental contracts for new schools as we have now. To date, we have announced twelve new schools scheduled to open between 2020 and 2023. The reason is the large need for more places at schools in many municipalities and that most of the schools are new-builds. Statistics Sweden estimates that the number of compulsory school pupils in Sweden will increase by more than 100,000 by 2033.

Signing a rental contract means that we have achieved a vision that we share with the municipality and property owner about the new school. This vision has been preceded by talks and meetings with architects, construction companies, property owners and not least municipalities about their needs for more school places. A municipality may have several reasons for choosing an IES school, ranging from a wish to have a school with our international profile to meet local business needs to a desire to improve integration. A factor could also be that the municipality needs a new school building and does not want to make this investment itself.

We are opening more schools than any other operator and have established in-depth expertise in the development and construction process, and how schools are best designed to both meet the needs of

the operations and to be financially viable. It is not uncommon for a municipality to calculate building a school itself and then reach the conclusion that a partnership with IES will mean that it can avoid taking on a large-scale and resource-intensive project, at the same time as it can gain a cost-efficient, high-quality school.

It often takes four to five years from first contact to the school opening its doors. Besides the internal work, a new school must undergo numerous rounds of approval, and a permit must also be applied for and granted.

Delays sometimes occur even through our planning takes into account potential appeals. Our new school in Gothenburg in the new Södra Änggården area that was scheduled to open in 2022 was recently appealed and is preliminarily delayed until 2023.

We have a dedicated and highly skilled expansion team that works to realise new schools. I am convinced that the dialogues that are now being held will create opportunities for more new school openings in 2024–2026.

LOOKING FORWARD TO A NEW ACADEMIC YEAR

Overcoming challenges is the best way of learning for both students and us as an organisation and we have learnt a huge amount from the corona pandemic in the spring that we will be able to use in the future. This particularly applies to remote teaching, which our upper secondary school and our Spanish schools did on a full-time basis throughout the spring. Digital solutions provide more opportunities for students to access knowledge and have shown us that they are a good supplement to traditional teaching for certain periods of time. But it has also been clear that it is not good for all students and not for extended periods of time. The value of a teacher seeing each student and everybody being able to see each other is evident when this is not possible.

We are now looking forward to meeting our 33,000 students in Sweden and Spain again. Schools in Spain will not open until September and with the requirements for social distancing and adjustments students will return to school after three and a half months of distance learning. Both we and the students are all looking forward to this!



Anna Söreljus 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 fourth quarter, operating income increased by 7.1% year-on-year to MSEK 810.2 (756.5), of which organic growth amounted to 3.5%.

This growth was mainly due to a larger student base in Sweden and to acquisitions in Spain in 2019/2020. The relatively low organic growth was due to the negative impact of the corona pandemic on the Spanish operations. Organic growth in Sweden was 7.7%.

For the full-year 2019/2020, operating income increased 10.8% year-on-year to MSEK 3,082.0 (2,781.1), of which organic growth amounted to 7.8%.

EARNINGS

EBIT for the fourth quarter totalled MSEK 89.3 (71.0), and the EBIT margin was MSEK 11.0 (9.4). EBIT was negatively impacted by non-recurring items of MSEK -1.0 (-).

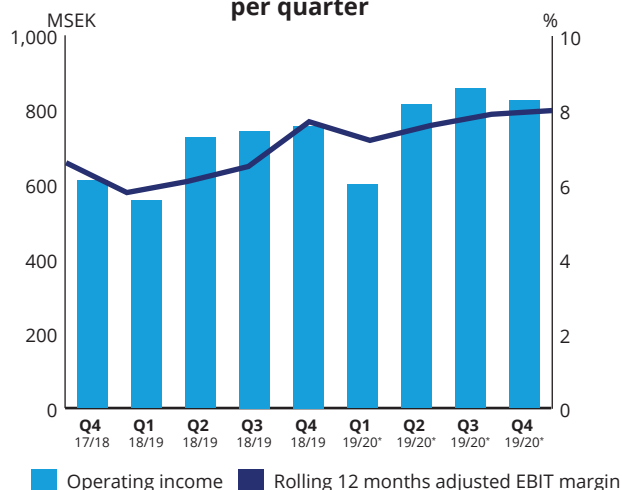
Excluding non-recurring items and the effects of the introduction of IFRS 16, EBIT increased 10.4% to MSEK 78.4 (71.0), corresponding to an EBIT margin of 9.7% (9.4). The stronger earnings were mainly due to a higher number of students in the Swedish operations but were adversely affected in Spain by the corona pandemic.

Profit for the quarter after tax amounted to MSEK 31.5 (54.3) and earnings per share to SEK 0.78 (1.35). Excluding effects of IFRS 16, profit after tax totalled MSEK 45.9 (54.3).

In full-year 2019/2020,
operating income increased by

10.8%

Operating income and profit development per quarter



* 2019/2020 are reported excluding the effects of IFRS 16

For the full-year 2019/2020, EBIT amounted to MSEK 392.8 (208.6) and the EBIT margin to 12.7% (7.5). Earnings includes non-recurring items totalling MSEK 77.5 (-6.4). Excluding non-recurring items and the effects of the introduction of IFRS 16, EBIT amounted to MSEK 245.6 (215.0) and the adjusted EBIT margin to 8.0% (7.7).

The increased earnings for the year were due to a higher number of students in Sweden and associated economies of scale, but were offset by the negative effects of the corona pandemic in Spain.

Profit after tax for the full-year was MSEK 215.3 (154.6) and earnings per share SEK 5.37 (3.85). Excluding the effects of IFRS 16, profit after tax totalled MSEK 265.8 (154.6).

NON-RECURRING ITEMS

Non-recurring items for the fourth quarter amounted to MSEK -1.0 (-). Non-recurring items for the full-year amounted to MSEK 77.5 (-6.4) and comprised of gain in bargain purchase of MSEK 54.6 and acquisition expenses of MSEK 1.8, both related to the acquisition of Colegio Joyfe in January, and MSEK 24.7 in capital gain from the sale of Colegio IALE in July 2019. Non-recurring items for the comparative period comprised expenses for the outgoing CEO.

NET FINANCIAL ITEMS

Net financial items for the fourth quarter amounted to MSEK -48.3 (-0.3). Excluding the effect of IFRS 16, net financial items totalled MSEK -17.7 (-0.3).

For the full-year, net financial items amounted to MSEK -138.4 (-6.2). Net financial items for the full-year 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 effect of IFRS 16, net financial items for the full-year totalled MSEK -4.5 (-6.2).

INCOME TAX

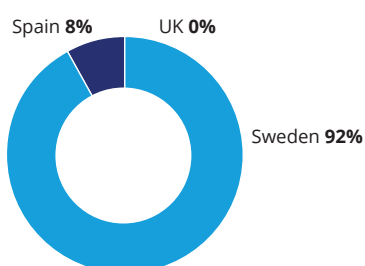
The tax expense for the quarter was MSEK 9.5 (16.4), corresponding to an effective tax rate of 23.2% (23.2).

Tax expense for the year was MSEK 39.1 (47.8), corresponding to an effective tax rate of 15.4% (23.6).

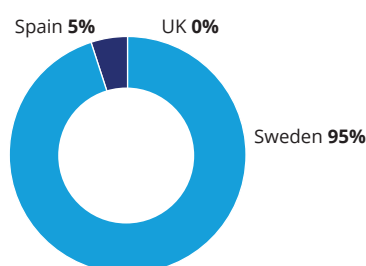
This low effective tax rate for the year was primarily due to the fact that the capital gain generated by the sale of the shareholding in Colegio IALE in July 2019 and the gain in bargain purchase are tax-exempt.

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.

**Operating income per segment
2019/2020**



**Adjusted EBIT per segment
2019/2020**



SEGMENTS

Sweden

- Operating income amounted to MSEK 751.8 (698.1) for the fourth quarter, and to MSEK 2,832.8 (2,606.5) for the full-year
- EBIT totalled MSEK 78.8 (64.6) for the fourth quarter, and MSEK 233.9 (191.9) for the full-year
- EBT amounted to MSEK 67.2 (65.4) for the fourth quarter, and MSEK 240.2 (193.4) for the full-year
- The number of students at the end of the year was 26,725, +5%
- The number of registrations in the queue at the end of the year was approximately 204,900, +7%

TREND PER STUDENT IN SWEDEN

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

	Q4 2019/2020	Full year 2019/2020
Total revenues per student	2.9%	3.8%
Personnel expenses per student	2.3%	3.4%
Total costs per student	1.3%	2.9%

FOURTH QUARTER

Total revenues per student rose 2.9% compared with the year-on-year quarter. Fourth-quarter revenues were impacted by the lower increase in school voucher funding for 2020 compared with 2019 (1.5% compared with just over 3% in 2019). The increase in total revenues was mainly due higher 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 in their entirety 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.

Personnel expenses per student rose 2.3% year-on-year. Personnel expenses were positively impacted by compensation for sick pay costs received from the government during the corona pandemic, and negatively affected by higher costs for substitute teachers. Net personnel expenses were not impacted. 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 situation two years ago. In addition,

staff numbers were increased as part of the state-financed equality initiative.

Total costs per student rose 1.3%. This trend is attributable to increased personnel expenses, while other costs per student were kept at a lower level.

THE FULL-YEAR

Total revenues per student rose 3.8% 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 full-year 2019/2020, IES recognised MSEK 53.3 (32.1) 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. IES has been informed that the grant framework for the 2021 calendar year will be MSEK 103.1. However, IES has not yet submitted an application for 2021.

Personnel expenses per student rose 3.4% year-on-year.

Total costs per student rose 2.9%. The 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 between 2020 and 2023 were signed for properties in Kungsbacka, Gothenburg, Norrtälje, Sigtuna, Solna, Staffanstorps, Trelleborg, Upplands Väsby, Vårby, Värmdö, Växjö and Östersund. The schools in Upplands Väsby and Östersund will open in August 2020.

	End of Q4 2019/2020	End of Q4 2018/2019
No. of employees (FTEs)	2,842	2,600
No. of students	26,725	25,536
No. of schools	37	36

SEGMENTS, cont'd.

Spain

- Operating income amounted to MSEK 61.8 (58.3) for the fourth quarter, and to MSEK 253.0 (174.3) for the full-year
- EBIT totalled MSEK -0.9 (6.8) for the fourth quarter, and MSEK 89.1 (17.7) for the full-year
- EBIT for the fourth quarter was negatively affected in the amount of MSEK -1.0 for expenses related to the acquisition of Colegio Joyfe. Adjusted EBIT for the quarter amounted to MSEK 0.1 (6.8)
- EBIT for the full-year 2019/2020 included a capital gain of MSEK 24.7 from the sale of IES's 50% shareholding in Colegio IALE in July 2019, bargain purchases of MSEK 54.6 and MSEK -1.8 in expenses related to the acquisition of Colegio Joyfe in January 2020. Adjusted EBIT for the quarter amounted to MSEK 11.6 (17.7)
- EBT amounted to MSEK -6.9 (5.8) for the fourth quarter, and MSEK 77.3 (9.9) for the full-year
- EBIT and EBT for the fourth quarter include amortisation of customer relationships identified in connection with the acquisitions in Spain of MSEK 2.2 (1.1) and for the full-year of MSEK 7.8 (3.9)
- At the end of the year, the number of students in the seven Spanish schools consolidated into the IES Group was 4,681 (2,506)

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 year was due to the operations in Spain expanding from five to seven schools compared with the fourth quarter of last year and from three to seven schools compared with the full-year. Operating income for the quarter was severely impacted by the corona pandemic after the authorities decided to close all schools in mid-March and teaching at IES schools was transferred to digital platforms. No fees were charged for food, transport or after-school activities during this period. School fees were also discounted from May for certain grades. Operating income for the three original schools was also negatively impacted during the year due to the fact that, unlike previous years, the schools did not conduct summer school operations in July and August 2019. Summer school operations required significant personnel for both planning and administration as well as teaching and were deemed not to be profitable.

The lower adjusted EBIT for the fourth quarter and the year was due to the effects of the corona pandemic mentioned above. The loss of income could be partly offset by temporarily laying off the staff groups that were not teachers and thus were not required for distance learning. Lay-off payments are being made by the government. EBIT for the full-year was also charged with measures for turning around results at the Valladolid school, which had a negative result on acquisition. Major changes were made to the organisation and national curriculum to raise quality and thus turn around results in accordance with the plan presented on acquisition.

At the current time, the Spanish authorities have said that schools can open for all grades in September and social distancing must be in place. The schools are now being adapted to meet these requirements.

Net financial items for the Spain segment for the full-year 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

Two schools have been acquired since the fourth quarter of 2018/2019. Seven schools were consolidated in the fourth quarter of 2019/2020 compared with five in the fourth quarter last year.

Two new schools with a total of about 2,270 students were acquired in the 2019/2020 financial year, 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 bargain purchase of MEUR 5 (MSEK 54.6) was recognised in revenues in the third quarter.

	End of Q4 2019/2020	End of Q4 2018/2019
No. of employees (FTEs)*	494	359
No. of students*	4,681	2,506
No. of schools*	7	5

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

SEGMENTS, cont'd.

UK

- Operating income totalled MSEK 0.4 (0.4) for the fourth quarter, and MSEK 1.5 (1.4) for the full-year
- EBIT and EBT totalled MSEK -0.3 (-0.5) for the fourth quarter, and MSEK 0.2 (-0.8) for the full-year
- At the end of the fourth 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 fourth quarter and the number of students at the end of the quarter was 507 (497).

OPERATIONAL CHANGES

No material operational changes have taken place 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. For the full-year, lease expenses impacted by IFRS 16 (interest and amortisation) amounted to MSEK 387.6 (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 191.1 (104.4) for the fourth quarter, and to MSEK 297.4 (304.4) for the full-year.

The strong cash flow from operating activities for the quarter compared with the preceding year was mainly due to higher EBIT and an improvement in working capital as a result of certain government subsidies that have been reserved in the preceding quarter being paid out in the fourth quarter, and the effects of the acquisitions in Spain that took place in the third quarter.

The weaker cash flow from operating activities for the full-year 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 the year was MSEK 45.9 (122.8). In addition to the explanation above, the difference compared with previous years was primarily due to the effects of the repayment of loans in Spain, lower borrowings and dividends to shareholders paid during the year.

Investments

Total investments in the fourth quarter amounted to MSEK 6.4 (8.0). Investments amounted to MSEK 5.4 (7.6) in Sweden and to MSEK 1.0 (0.4) in Spain. Investments for the full-year totalled MSEK 67.3 (76.7). Investments amounted to MSEK 62.2 (71.9) in Sweden and to MSEK 5.1 (4.8) 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

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 now final purchase price allocations (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 3,514.7 as of 1 July 2019.

At year-end, equity amounted to MSEK 1,270.4 (1,113.9) and the Group's total assets to MSEK 5,680.1 (1,800.9). The equity/assets ratio was 22.4% (61.9). Excluding the effects of IFRS 16, equity amounted to MSEK 1,320.9 (1,113.9), the Group's total assets to MSEK 2,055.5 (1,800.9) and the equity/assets ratio to 64.3% (61.9).

At the end of the year, non-current interest-bearing liabilities totalled MSEK 3,514.1 (171.3), of which rent liabilities amounted to MSEK 3,300.3 (–). Excluding the effects of IFRS 16, non-current interest-bearing

liabilities amounted to MSEK 213.8 (171.3) 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 403.7 (24.4), of which rent liabilities amounted to MSEK 374.8 (-). Excluding the effects of IFRS 16, current interest-bearing liabilities amounted to MSEK 28.9 (24.4) and pertained to loans from credit institutions in Spain.

At year-end, cash and cash equivalents amounted to MSEK 290.6 (245.0).

Property, plant and equipment at year-end amounted to MSEK 680.0 (475.8). The increase was mainly due to acquisitions that took place in the third quarter.

Right-of-use assets in the form of rented properties amounted to MSEK 3,646.6 (-) at the end of the year. Excluding the effects of IFRS 16, right-of-use assets amounted to MSEK 0 (-).

At year-end, intangible assets amounted to MSEK 928.3 (893.2), of which goodwill accounted for MSEK 854.7 (824.8).

At the end of the year, deferred tax assets totalled MSEK 20.8 (-) and were the result of the introduction of IFRS 16 and temporary differences. During the year, IES sold its entire shareholding (50%) in Colegio IALE, and Colegio IALE repaid its outstanding loans to IES. The holding in joint ventures last year amounted to MSEK 15.8.

Financing

At 30 June 2020, the Group's outstanding loans from credit institutions totalled MSEK 242.7 (MEUR 23.2). 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 (2,707) for the fourth quarter, and 2,887 (2,669) for the year. At the end of the year, the number of employees in Sweden (heads) was 2,925 (2,697).

The number of FTEs in Spain at the end of the year was 494 (359) and the number of FTEs in the UK, as in the year-earlier period, was zero.

SHARES

At 30 June 2020, the number of registered shares totalled 40,130,000, of which 80,000 Class C treasury shares.

RELATED-PARTY TRANSACTIONS

During the year, 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 the lockdown is in place.

OUTLOOK

Internationella Engelska Skolan does not issue forecasts.

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 53.2 (142.8) for the fourth quarter, and to MSEK 73.7 (125.8) for the full-year.

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.

The Board has decided not to propose a dividend for the 2019/20 financial year to the AGM.

REVISED FINANCIAL TARGETS

The Board of Directors has reviewed and adjusted the financial targets with regard to the accounting standards IFRS 16 Leases and considering that IES is now a significantly larger company compared to 2016 when the previous targets were set. The Board has chosen to maintain the targets for the EBIT margin according to previous accounting standard (IAS 17). The reason for this is that IES renegotiates and signs several new leases every year and since the leases are long, most often 20 years or more, the impact on financials including IFRS 16 varies significantly from year to year depending on the number and size of leases signed. The objective of this methodology is to facilitate comparability with previous periods and provide transparency on IES's operational performance in a stringent manner over time.

Adjusted targets

Operating income growth

An annual organic growth rate of 8% with the potential for additional growth through acquisitions.

Comment on new target: The target to grow on average by 2–3 schools per year in Sweden remains. Since IES is now a significantly larger company and is growing organically in Sweden but predominantly by acquisitions in Spain, the annual organic growth rate in operating income has been lowered from 10% to 8%. In addition, there are many acquisition opportunities in Spain which IES will be active in evaluating over the next few years.

Profitability

An adjusted operating margin (EBIT) excluding IFRS 16 of at least 8%. IES's adjusted EBIT measure is defined as Earnings before financial items adjusted for non-recurring items and tax where rental agreements are treated as operating leases, whereby the total cost of the leases affects EBIT.

Comment on the target: No change compared to previous target.

Capital structure

IES shall have a capital structure that safeguards the company's long-term financial stability and operations while facilitating its ability to capture attractive growth opportunities.

Comment on the target: IES has previously had an equity/asset ratio target but IFRS 16 makes this target less relevant for measuring financial strength which is why the Board has chosen to emphasise the company's prioritisation of financial stability expressed in words instead of numbers.

Dividend policy

A dividend amounting to 30% of net profit after tax, with an allowance for special exceptions by the Board, such as attractive acquisitions that may create value for shareholders.

Comment on the target: No change compared to previous target.

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.

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



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, 26 August 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

Albert Lauschus
Employee representative

Jessica Fryksten
Employee representative

Anna Sörelius Nordenborg
CEO

This report has not been audited.

CONSOLIDATED INCOME STATEMENT IN SUMMARY

MSEK	Q4, April-June		Full year, July-June	
	2019/2020	2018/2019	2019/2020	2018/2019
Operating income				
Revenue	776.0	728.8	2,937.5	2,663.8
Other operating income	34.2	27.7	144.5	117.3
Operating income	810.2	756.5	3,082.0	2,781.1
Teaching and meal expenses	-89.5	-70.8	-330.7	-303.2
Other external expenses	-42.0	-157.7	-245.1	-593.4
Personnel expenses	-477.7	-435.2	-1,775.9	-1,593.9
Depreciation property, plant and equipment	-105.1	-21.2	-404.7	-80.3
Amortisation intangible assets	-6.5	-1.1	-12.1	-3.9
Share of associated companies' earnings in the Group	-	-	24.7	-
Profit from joint ventures	-	0.5	-	2.2
Gain on bargain purchase	-	-	54.6	-
Operating profit/loss	89.3	71.0	392.8	208.6
Profit/loss from financial items				
Net financial items	-48.3	-0.3	-138.4	-6.2
Pre-tax profit/loss	41.0	70.7	254.4	202.4
Tax	-9.5	-16.4	-39.1	-47.8
PROFIT/LOSS FOR THE PERIOD	31.5	54.3	215.3	154.6
Attributable to:				
Parent company owners	31.5	54.3	215.3	154.6
Non-controlling interest	0.0	0.0	0.0	0.0
Earnings per share	0.78	1.35	5.37	3.85
Number of shares	40,130,000	40,130,000	40,130,000	40,130,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

MSEK	Q4, April-June		Full year, July-June	
	2019/2020	2018/2019	2019/2020	2018/2019
Profit/loss for the period	31.5	54.3	215.3	154.6
Other comprehensive income				
<i>Items that may be reclassified to profit or loss</i>				
Translation difference for the year	-17.5	0.4	-12.7	5.8
Other comprehensive income, net of tax	-17.5	0.4	-12.7	5.8
COMPREHENSIVE INCOME FOR THE PERIOD	14.0	54.7	202.6	160.4
Attributable to:				
Parent company owners	14.8	54.7	203.4	160.4
Non-controlling interest	0.0	0.0	0.0	0.0

To facilitate comparison between the years, refer to Note 10 which describes the effect of IFRS 16.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

MSEK	30 June 2020	30 June 2019
Non-current assets		
Intangible assets	928.3	893.2
Right-of-use assets	3,646.6	–
Property, plant and equipment	680.0	475.8
Deferred tax assets	20.8	–
Participation in joint venture	–	15.8
Total non-current assets	5,275.7	1,384.8
Current assets		
Accounts receivable	20.5	21.6
Other receivables	7.8	23.7
Prepaid expenses and accrued income	85.5	117.0
Receivables from jint ventures	–	8.9
Cash and cash equivalents	290.6	245.0
Total current assets	404.4	416.1
TOTAL ASSETS	5,680.1	1,800.9
Equity	1,270.2	1,113.6
Shareholders' equity attributable to non-controlling interests	0.2	0.3
TOTAL EQUITY	1,270.4	1,113.9
Non-current liabilities		
Liabilities to credit institutions	213.8	171.3
Long-term lease liabilities	3,300.3	–
Other long-term liabilities	–	–
Deferred tax liabilities	82.8	76.8
Total non-current liabilities	3,596.9	248.1
Current liabilities		
Liabilities to credit institutions	28.9	24.4
Short-term lease liabilities	374.8	–
Liabilities to joint ventures	–	9.7
Accounts payable	92.4	109.2
Current tax liabilities	25.6	16.1
Other current liabilities	108.6	111.7
Accrued expenses and prepaid income	182.5	167.9
Total current liabilities	812.8	438.9
TOTAL EQUITY AND LIABILITIES	5,680.1	1,800.9

To facilitate comparison between the years, refer to Note 10 which describes the effect of IFRS 16.

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					952.9
Profit/loss for the period				154.6	154.6
Other comprehensive income for the period			5.8		5.8
Total comprehensive income for the period	0.0	0.0	5.8	154.6	160.4
New capital issue					0.0
Share matching programme		0.4			0.4
Non-controlling interest holding				0.3	0.3
Total	0.0	0.4	0.0	0.3	0.7
Closing balance, June 30, 2019	1.0	361.3	6.3	745.3	1,113.9

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				215.3	215.3
Other comprehensive income for the period		-0.8	-6.0	-5.9	-12.7
Total comprehensive income for the period¹	0.0	-0.8	-6.0	209.4	202.6
Share matching programme		0.4			0.4
Change in non-controlling interest				0.0	0.0
Dividend paid				-46.5	-46.5
Total	0.0	0.4	0.0	-46.5	-46.1
Closing balance, June 30, 2020²	1.0	360.9	0.3	908.3	1,270.4

¹ Attributable to: Parent company shareholders 209.4

Non-controlling interests 0.0

² Attributable to: Parent company shareholders 1,270.4

Non-controlling interests 0.2

To facilitate comparison between the years, refer to Note 10 which describes the effect of IFRS 16.

CONSOLIDATED CASH FLOW STATEMENT

MSEK	Q4, April-June		Full year, July-June	
	2019/2020	2018/2019	2019/2020	2018/2019
Operating activities				
Operating profit/loss	89.3	70.9	392.8	208.6
Interest received	0.0	4.2	8.0	8.3
Interest paid	-35.8	-0.7	-147.9	-10.8
Adjustment for non-cash items*	153.3	-5.9	376.9	64.1
Income tax paid	-9.8	31.2	-37.3	-15.6
	197.0	99.7	592.5	254.6
Cash flow from changes in working capital				
Change in operating receivables	102.4	22.3	5.6	-20.0
Change in operating liabilities	-5.7	-17.7	-11.2	69.7
Cash flow from changes in working capital	96.7	4.7	-5.6	49.8
Cash flow from operating activities	293.7	104.4	586.9	304.4
Investing activities				
Acquisition of subsidiaries	-	-16.4	-206.9	-309.3
Investment in property, plant and equipment in Spain	-1.0	-0.4	-5.1	-4.8
Investment in property, plant and equipment in Sweden	-5.4	-7.6	-62.2	-71.9
Sales of shares in joint ventures	-	-	15.8	8.7
Repayment of receivable from joint venture	-	-	8.9	-
Cash flow from investing activities	-6.4	-24.4	-249.5	-377.3
Financing activities				
Bank loans, credit institutions	-1.1	2.1	106.0	215.4
Amortisation of loans, credit institutions	-	-13.7	-61.5	-19.7
Amortisation of leasing liability	-102.6	-	-289.5	-
Dividend payout	-	-	-46.5	-
Cash flow from financing activities	-103.7	-11.6	-291.5	195.7
Cash flow for the period	183.6	68.3	45.9	122.8
Cash and cash equivalents at beginning of period	108.5	176.9	245.0	121.9
Effect of translation differences on cash and cash equivalents	-1.5	-0.2	-0.3	0.3
Cash and cash equivalents at end of period	290.6	245.0	290.6	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 on bargain purchase.

To facilitate comparison between the years, refer to Note 10 which describes the effect of IFRS 16.

PARENT COMPANY INCOME STATEMENT IN SUMMARY

MSEK	Q4, April-June		Full year, July-June	
	2019/2020	2018/2019	2019/2020	2018/2019
Operating income				
Revenue	1.6	4.3	5.3	4.5
Other operating income	0.0	-3.2	0.0	0.5
Operating income	1.6	1.0	5.3	5.0
Operating expenses				
Teaching and meal expenses	-0.1	-0.2	-0.2	-0.6
Other external expenses	-3.2	-2.6	-10.4	-9.8
Personnel expenses	-1.6	-0.4	-4.2	-10.5
Operating profit/loss	-3.3	2.1	-9.5	-15.9
Profit/loss from financial items				
Net financial items	-1.5	-1.2	25.3	-4.5
Profit/Loss after financial items	-4.8	-3.4	15.8	-20.4
Year-end appropriations	70.5	182.0	70.5	182.0
Current tax	-12.5	-35.7	-12.6	-35.7
PROFIT/LOSS FOR THE PERIOD	53.2	142.8	73.7	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	30 June 2020	30 June 2019
Non-current assets		
Financial assets	627.8	635.1
Total non-current assets	627.8	635.1
Current assets		
Receivables from associated companies	–	8.9
Other receivables	0.3	0.3
Prepaid expenses and accrued income	0.6	0.4
Cash and cash equivalents	46.3	16.6
Total current assets	47.2	26.2
TOTAL ASSETS	675.0	661.3
Non-restricted equity	551.9	524.2
Restricted equity	1.0	1.0
TOTAL EQUITY	552.9	525.2
Untaxed reserves	109.6	90.2
Current liabilities		
Accounts payable	0.0	0.9
Current tax liabilities	8.2	16.6
Other current liabilities	1.9	27.5
Accrued expenses and prepaid income	2.4	1.0
Total current liabilities	12.5	45.9
TOTAL EQUITY AND LIABILITIES	675.0	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, operating lease payments were recognised as an operating expense under external expenses. In summary, IFRS 16 Leases implies that 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 July 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 10 years.

In regard 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.

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.

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 fourth quarter and in July–June. For more information on accounting policies, refer to pages 86–92 of the 2018/19 Annual Report. The opening balance for advance rents has been updated compared with previously published quarters.

Statement of financial position BEFORE and AFTER IFRS 16

MSEK	Before implemen- tation July 1, 2019	Effect IFRS 16	After implemen- tation July 1, 2019
ASSETS			
Intangible assets	893.2		893.2
Right-of-use assets	–	3,514.7	3,514.7
Property, plant and equipment	475.8		475.8
Shares in associated companies	15.8		15.8
Total non-current assets	1,384.8	3,514.7	4,899.5
Accounts receivable	21.6		21.6
Other receivables	23.7		23.7
Prepaid expenses and accrued income	117.0	–37.5	79.5
Receivables from joint ventures	8.9		8.9
Cash and cash equivalents	245.0		245.0
Total current assets	416.1	–37.5	378.6
TOTAL ASSETS	1,800.9	3,477.2	5,278.1
EQUITY AND LIABILITIES			
Equity	1,113.6		1,113.6
Shareholders' equity attributable to non-controlling interest	0.3		0.3
TOTAL EQUITY	1,113.9	–	1,113.9
Liabilities to credit institutions	171.3		171.3
Other non-current liabilities	0.0	3,185.7	3,185.7
- <i>whereof financial lease liability</i>	0.0	3,185.7	3,185.7
Deferred tax liabilities	76.8		76.8
Non-current liabilities	248.1	3,185.7	3,433.8
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	291.5	403.1
- <i>whereof financial lease liability</i>	0.0	291.5	291.5
Accrued expenses and prepaid income	167.9		167.9
Current liabilities	438.9	291.5	730.4
TOTAL EQUITY AND LIABILITIES	1,800.9	3,477.2	5,278.1

2

Geographical markets/Segments

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	Q4, April-June		Full year, July-June	
	2019/2020	2018/2019	2019/2020	2018/2019
Operating income				
Sweden	717.0	670.3	2,687.9	2,489.0
Spain	62.4	58.4	253.4	174.5
United Kingdom	0.4	0.4	1.5	1.4
Group adjustments/eliminations	-4.0	-0.3	-5.5	-1.2
Other income				
Sweden	34.8	27.8	144.9	117.5
Spain	-0.6	-0.1	-0.4	-0.2
United Kingdom	-	-	-	-
Group adjustments/eliminations	0.2	0.1	0.2	0.0
Group total	810.2	756.5	3,082.0	2,781.1
Operating profit EBIT (MSEK)				
Sweden	78.8	64.6	233.9	191.9
Spain	-0.9	6.8	89.1	17.7
United Kingdom	-0.3	-0.5	0.2	-0.8
Group adjustments/eliminations (incl. effect of IFRS 16 Leases)	11.7	0.1	69.6	-0.2
Group total	89.3	71.0	392.8	208.6
Profit before tax EBT (MSEK)				
Sweden	67.2	65.4	240.2	193.4
Spain	-6.9	5.8	77.3	9.9
United Kingdom	-0.3	-0.5	0.2	-0.8
Group adjustments/eliminations (incl. effect of IFRS 16 Leases)	-19.0	0.1	-63.4	-0.1
Group total	41.0	70.7	254.4	202.4

	30 June 2020	30 June 2019
Non-current assets incl. right-of-use assets		
Sweden	160.0	170.8
Spain	520.1	305.1
United Kingdom	-	-
Group adjustments/eliminations (incl. effect of IFRS 16 Leases)	3,646.6	-
Totalt koncernen	4,326.7	475.8
Non-current liabilities		
Sweden	-	-
Spain	213.8	171.3
United Kingdom	-	-
Group adjustments/eliminations (incl. effect of IFRS 16 Leases)	3,300.3	-
Group total	3,514.1	171.3

3

Intangible assets

At the end of the period, intangible assets totalling MSEK 928.3 (893.2) comprised goodwill of MSEK 854.7 (824.8), customer relationships of MSEK 49.8 (43.6), other of MSEK 0.0 (0.2) and land concessions of MSEK 23.7 (24.6).

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 16.5, or MSEK 172.9, and property loans and other loans totalling MEUR 6.7, or MSEK 69.8, 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 (Elian's British School of La Nucía) amounting to MEUR 3.8 and has also issued a guarantee for the acquisition loan, which amounted to MEUR 16.5 at the end of the period.

The property loan in Elians Londres (International English School of Castellón) 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 2018/2019 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 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. Receivables and liabilities are recognised at the amounts at which they are expected to be received.

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 final purchase price allocation is presented below:

Final purchase price allocation CIV

	KEUR	KSEK
Non-current assets	488	5,071
Intangible fixed assets	–	–
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	–	–
Total acquired assets	278	2,889
Total remuneration for the acquisition	278	–
– Where of fair value of previous holdings	–	–
– Where of unpaid additional consideration	–	–
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 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. Receivables and liabilities are recognised at the amounts at which they are expected to be received.

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 final purchase price allocation is presented below:

Final purchase price allocation EIS

	KEUR	KSEK
Non-current assets	235	2,500
Intangible fixed assets	–	–
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 remuneration for the acquisition	2,400	25,528
– Where of fair value of previous holdings	–	–
– Where of unpaid additional consideration	–	–
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. Receivables and liabilities are recognised at the amounts at which they are expected to be received. Acquisition expenses amounted to KEUR 99.

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

This 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 (within the valuation period) purchase price allocation is presented below:

Preliminary purchase price allocation Colegio 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	-	-
Deferred tax customer relations	-	-
Net identifiable assets and liabilities	27,124	286,040
Fair value of previous holdings	-	-
Purchase price remaining part of IEP	22,000	232,008
Total purchase price	22,000	232,008
Acquired net assets	27,124	286,040
Gain in 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	-	-
- Where of unpaid additional consideration	-	-
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. Receivables and liabilities are recognised at the amounts at which they are expected to be received. Acquisition expenses amounted to KEUR 73.

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, and the school is well positioned in the community with 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 (within the valuation period) purchase price allocation is presented below:

Preliminary purchase price allocation Colegio Inglés

	KEUR	KSEK
Non-current assets	46	492
Intangible fixed assets	-	-
Current receivables	-	-
Cash and cash equivalents	-	-
Provisions and liabilities	-	-
Other liabilities	-	-
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	-	-
Purchase price remaining part of IEP	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	-	-
- Where of unpaid additional consideration	-	-
Liquid funds in acquired operations	-	-
Impact on the Group's liquid funds	4,000	42,680

At the 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 during the year.

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



Consolidated income statement

MSEK	Q4, April–June				Full year, July–June			
	2019/2020	IFRS 16	2019/2020 excl. IFRS 16	2018/2019	2019/2020	IFRS 16	2019/2020 excl. IFRS 16	2018/2019
Operating income								
Revenue	776.0		776.0	728.8	2,937.5		2,937.5	2,663.8
Other operating income	34.2		34.2	27.7	144.5		144.5	117.3
Operating income	810.2		810.2	756.5	3,082.0		3,082.0	2,781.1
Operating expenses								
Teaching and meal expenses	–89.5		–89.5	–70.8	–330.7		–330.7	–303.2
Other external expenses	–42.0	–97.5	–139.5	–157.7	–245.1	–387.6	–632.7	–593.4
Personnel expenses	–477.7		–477.7	–435.2	–1,775.9		–1,775.9	–1,593.9
Depreciation property, plant and equipment	–105.1		–105.1	–21.2	–404.7		–404.7	–80.3
Amortisation intangible assets	–6.5		–6.5	–1.1	–12.1		–12.1	–3.9
Share of associated companies' earnings in the Group	–	85.6	85.6	–		317.9	317.9	–
Profit from joint ventures	–		–	0.5	24.7		24.7	2.2
Gain on bargain purchase	–		–	–	54.6		54.6	–
Operating profit/loss	89.3	–11.9	77.4	71.0	392.8	–69.7	323.1	208.6
Profit/loss from financial items								
Net financial items	–48.4	30.7	–17.7	–0.3	–138.4	133.9	–4.5	–6.2
Pre-tax profit/loss	41.0	18.8	59.8	70.7	254.4	64.2	318.6	202.4
Tax	–9.5	–4.4	–13.9	–16.4	–39.1	–13.7	–52.8	–47.8
PROFIT/LOSS FOR THE PERIOD	31.5	14.4	45.9	54.3	215.3	50.5	265.8	154.6
Attributable to:								
Parent Company owners	31.5	14.4	45.9	54.3	215.3	50.5	265.8	154.6
Non-controlling interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings per share before and after dilution	0.78	0.36	1.14	1.35	5.37	1.26	6.62	3.85
Number of shares	40,130,000	40,130,000	40,130,000	40,130,000	40,130,000	40,130,000	40,130,000	40,130,000

MSEK	Q4, April–June				Full year, July–June			
	2019/2020	IFRS 16	2019/2020 excl. IFRS 16	2018/2019	2019/2020	IFRS 16	2019/2020 excl. IFRS 16	2018/2019
Profit/loss for the period	31.5	14.4	45.9	54.3	215.3	50.5	265.8	154.6
Other comprehensive income								
Items that may be reclassified to profit or loss								
Translation difference for the year	–17.5		–17.5	0.4	–12.7		–12.7	5.8
Other comprehensive income, net of tax	–17.5		–17.5	0.4	–12.7		–12.7	5.8
COMPREHENSIVE INCOME FOR THE PERIOD	14.0	14.4	28.4	54.7	202.6	50.5	253.1	160.4

Koncernens rapport över finansiella ställning i sammandrag

MSEK	2020-06-30	IFRS 16	2020-06-30 excl. IFRS 16	2019-06-30
Non-current assets				
Intangible assets	928.3		928.3	893.2
Right-of-use assets	3,646.6	-3,646.6	-	-
Property, plant and equipment	680.0		680.0	475.8
Participation in joint venture	-		-	15.8
Deferred tax assets	20.8	-13.9	6.9	-
Total non-current assets	5,275.7	-3,660.5	1,615.2	1,384.8
Current assets				
Accounts receivable	20.5		20.5	21.6
Other receivables	7.8		7.8	23.7
Prepaid expenses and accrued income	85.5	35.8	121.3	117.0
Receivables from joint ventures	-		-	8.9
Cash and cash equivalents	290.6		290.6	245.0
Total current assets	404.4	35.8	440.2	416.1
TOTAL ASSETS	5,680.1	-3,624.6	2,055.5	1,800.9
Equity	1,270.2	50.5	1,320.7	1,113.6
Shareholders' equity attributable to non-controlling interests	0.2	-	0.2	0.3
TOTAL EQUITY	1,270.4	50.5	1,320.9	1,113.9
Non-current liabilities				
Liabilities to credit institutions	213.8		213.8	171.3
Other long-term liabilities	3,300.3		-	-
- <i>whereof leasing liabilities</i>	3,300.3	-3,300.3	-	-
Deferred tax liabilities	82.8		82.8	76.8
Total non-current liabilities	3,596.9	-3,300.3	296.6	248.1
Current liabilities				
Liabilities to credit institutions	28.9		28.9	24.4
Liabilities to joint ventures	-		-	9.7
Accounts payable	92.4		92.4	109.2
Current tax liabilities	25.6		25.6	16.1
Other short-term liabilities	483.4	-374.8	108.6	111.7
- <i>whereof leasing liabilities</i>	374.8		-	-
Accrued expenses and prepaid income	182.5		182.5	167.9
Total current liabilities	812.8	-374.8	438.0	438.9
TOTAL EQUITY AND LIABILITIES	5,680.1	-3,624.6	2,055.5	1,800.9

Koncernens kassaflödesanalys

MSEK	Q4, April–June				Full year, July–June			
	2019/2020	IFRS 16	2019/2020 excl. IFRS 16	2018/2019	2019/2020	IFRS 16	2019/2020 excl. IFRS 16	2018/2019
Operating activities								
Operating profit/loss	89.3	–11.9	77.4	70.9	392.8	–69.7	323.1	208.6
Interest received	0.0		0.0	4.2	8.0		8.0	8.3
Interest paid	–35.8	30.7	–5.1	–0.7	–147.9	133.9	–14.0	–10.8
Adjustment for non-cash items*	153.3	–85.6	67.7	–5.9	376.9	–317.9	59.0	64.1
Income tax paid	–9.8		–9.8	31.2	–37.3		–37.3	–15.6
	197.0	–66.8	130.2	99.7	592.5	–253.7	338.8	254.6
Cash flow from changes in working capital								
Change in operating receivables	102.4		102.4	22.3	5.6		5.6	–20.0
Change in operating liabilities	–5.7	–35.8	–41.5	–17.7	–11.2	–35.8	–47.0	69.7
Cash flow from changes in working capital	96.7	–35.8	60.9	4.7	–5.6	–35.8	–41.4	49.8
Cash flow from operating activities	293.7	–102.6	191.1	104.4	586.9	–289.5	297.4	304.4
Investing activities								
Acquisition of subsidiaries	0.0		0.0	–16.4	–206.9		–206.9	–309.3
Investment in property, plant and equipment in Spain	–1.0		–1.0	–0.4	–5.1		–5.1	–4.8
Investment in property, plant and equipment in Sweden	–5.4		–5.4	–7.6	–62.2		–62.2	–71.9
Sales of shares in joint ventures	0.0		0.0	–	15.8		15.8	8.7
Repayment of receivable from joint venture	0.0		0.0	0.0	8.9		8.9	–
Cash flow from investing activities	–6.4	0.0	–6.4	–24.4	–249.5	0.0	–249.5	–377.3
Financing activities								
Bank loans, credit institutions	–1.1		–1.1	2.1	106.0		106.0	215.4
Amortisation of loans, credit institutions	0.0		0.0	–13.7	–61.5		–61.5	–19.7
Amortisation of leasing liability	–102.6	102.6	0.0	–	–289.5	289.5	0.0	–
Dividend payout	0.0		0.0	–	–46.5		–46.5	0.0
Cash flow from financing activities	–103.7	102.6	–1.1	–11.6	–291.5	289.5	–2.0	195.7
Cash flow for the period	183.6	0.0	183.6	68.3	45.9	0.0	45.9	122.8
Cash and cash equivalents at beginning of period	108.5		108.5	176.9	245.0		245.0	121.9
Effect of translation differences on cash and cash equivalents	–1.5		–1.5	–0.2	–0.3		–0.3	0.3
Cash and cash equivalents at end of period	290.6		290.6	245.0	290.6		290.6	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 ventures and gain in bargain purchase

Reconciliation with IFRS 16 financial statements

MSEK	Q4, April–June		Full year, July–June	
	2019/2020	2018/2019	2019/2020	2018/2019
EBITDA and adjusted EBITDA excluding IFRS 16				
Operating profit (EBIT)	90.3	71.0	315.3	215.0
Depreciation, amortisation and impairment of non-current and intangible assets	111.7	21.8	416.8	84.2
Additional: Rental expenses	-97.5	-	-387.6	-
Net effect of IFRS 16 on EBITDA	-97.5	-	-387.6	-
EBITDA excluding effects of IFRS 16	104.5	92.8	344.5	299.2
Items affecting comparability	-	-	-79.3	-
Adjusted EBITDA excluding IFRS 16	104.5	92.8	265.2	299.2
Operating income	810.2	756.5	3,082.0	2,781.1
EBITDA margin excluding effects of IFRS 16	12.9%	12.3%	11.2%	10.8%
Adjusted EBITDA margin excluding effects of IFRS 16	12.9%	12.3%	8.6%	10.8%
EBITA and adjusted EBITA excluding effects of IFRS 16				
Operating profit (EBIT)	90.3	71.0	315.3	208.6
Amortisation and impairment of intangible assets	2.2	0.6	7.8	-
Less: Effects of IFRS 16 included in the line item of depreciation, amortisation and impairment of non-current and intangible assets	85.6	-	317.9	-
Additional: Rental expenses	-97.5	-	-387.6	-
Net effects of IFRS 16 on EBITA	-11.9	-	-69.7	-
EBITA excluding effects of IFRS 16	80.6	71.6	253.4	208.6
Non-recurring items	-	-	-79.3	-
Adjusted EBITA excluding effects of IFRS 16	80.6	71.6	174.1	208.6
Operating income	810.2	756.5	3,082.0	2,781.1
EBITA margin excluding effects of IFRS 16 (%)	9.9%	9.5%	8.2%	7.5%
Adjusted EBITA margin excluding effects of IFRS 16 (%)	9.9%	9.5%	5.6%	7.5%
EBIT excluding effects of IFRS 16				
Operating profit (EBIT)	90.3	71.0	315.3	208.6
Less: Effects of IFRS 16 included in the line item of depreciation, amortisation and impairment of non-current and intangible assets	85.6	-	317.9	-
Additional: Rental expenses	-97.5	-	-387.6	-
Net effects of IFRS 16 on EBIT	-11.9	-	-69.7	-
EBIT excluding effects of IFRS 16	78.4	71.0	245.6	208.6
Profit before and after tax excluding effects of IFRS 16				
Profit before tax	41.0	70.7	254.4	202.3
Net effects of IFRS 16 on EBIT	-11.9	-	-69.7	-
Less: IFRS 16 effect included in the line item of financial expenses	30.7	-	133.9	-
Net effects of IFRS 16 on profit before tax	18.8	-	64.2	-
Profit before tax excluding effects of IFRS 16	59.8	70.7	318.6	202.3
Tax on profit for the period	-13.9	-16.4	-52.8	-47.7
Profit after tax excluding effects of IFRS 16	45.9	54.3	265.8	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
Earnings per share before dilution, excluding effects of IFRS 16	1.14	1.35	6.62	3.85

MSEK	Q4, April–June		Full year, July–June	
	2019/2020	2018/2019	2019/2020	2018/2019
Operating cash flow excluding IFRS 16				
Operating cash flow	293,7	104,4	586,9	304,4
Less: Effect of IFRS on EBITDA	–102,6	–	–289,5	–
Operating cash flow excluding IFRS 16	191,1	104,4	297,4	304,4
Cash conversion excluding IFRS 16				
Operating cash flow excluding effects of IFRS 16	191,1	104,4	297,4	304,4
Adjusted EBITDA excluding effects of IFRS 16	104,5	92,8	265,2	288,9
Cash conversion (%) excluding IFRS 16	182,9%	112,5%	112,1%	105,4%
Free cash flow excluding effects of IFRS 16				
Free cash flow	287,3	96,4	544,2	236,4
Less: Effect of IFRS on EBITDA	–102,6	0,0	–289,5	0,0
Additional: Interest payments	30,7	0,0	133,9	0,0
Free cash flow excluding effects of IFRS 16	215,4	96,4	388,6	236,4
			Full year, July–June	
MSEK			2019/2020	
Net debt, Net debt/Adjusted EBITDA, RTM excluding effects of IFRS 16				
Non-current interest-bearing liabilities			3,514.1	
Less: non-current lease liabilities pertaining to properties recognised on the lease liability line			–3,300.3	
Current interest-bearing liabilities			403.7	
Less: current lease liabilities pertaining to properties recognised on the lease liability line			–374.8	
Less: cash and cash equivalents			–290.6	
Net debt excluding effects of IFRS 16			–48.0	
Adjusted EBITDA, RTM, adjusted for IFRS 16			344.5	
Net debt/Adjusted EBITDA, RTM, excluding effects of IFRS 16			–0.1	
Equity/assets ratio excluding effects of IFRS 16				
Total equity			1,320.9	
Total assets			5,680.1	
Less: right-of-use assets attributable to property			–3,646.6	
Less: Effects of IFRS 16 on deferred tax are recognised on the deferred tax assets line			–13.9	
Total assets excluding effects of IFRS 16			35.8	
Equity/assets ratio (%)			2,055.5	
Soliditet (%)			64.3	

KEY FIGURES FOR THE GROUP

MSEK	Q4, April-June					Full year, July-June				
	2019/2020	IFRS 16 ¹	2019/20 excl. IFRS 16 ²	2018/2019	Change ³	2019/2020	IFRS 16 ¹	2019/20 excl. IFRS 16 ²	2018/2019	Change ³
Operating income	810.2	–	810.2	756.5	7.1%	3,082.0	–	3,082.0	2,781.1	10.8%
Operating profit – EBIT	89.3	–11.9	77.4	71.0	9.0%	392.8	–69.7	323.1	208.6	54.9%
Operating margin – EBIT	11.0%	n/a	9.6%	9.4%	1.8%	12.7%	n/a	10.5%	7.5%	40.0%
Adjusted operating profit – EBIT	90.3	–11.9	78.4	71.0	10.4%	315.3	–69.7	245.6	215.0	14.2%
Adjusted EBIT-margin	11.1%	n/a	9.7%	9.4%	3.2%	10.2%	n/a	8.0%	7.7%	2.6%
Profit for the period	31.5	14.4	45.9	54.3	–15.5%	215.3	50.4	265.8	154.6	72.0%
Net margin	3.9%	n/a	5.6%	7.2%	–20.8%	7.0%	n/a	8.6%	5.6%	53.6%
Operating capital	–670.1	374.8	–295.3	–242.6	21.7%	–670.1	374.8	–295.3	–242.6	21.7%
Return on equity	2.6%	1.2%	3.9%	5.0%	–22.0%	18.1%	4.2%	22.3%	15.0%	48.7%
Net debt (+)/Net cash (–)	3,252.3	–3,300.3	–48.0	–49.3	–2.7%	3,252.3	3,300.3	–48.0	–49.3	–2.7%
Equity/asset ratio	22.4%	41.9%	64.3%	61.9%	3.9%	22.4%	41.9%	64.3%	61.9%	3.9%
Cash flow from operating activities	293.7	–102.6	191.1	104.4	83.0%	586.9	–289.5	297.4	304.4	–2.3%
Investments excl. rental contracts	–6.3	n/a	–6.3	–8.0	–21.2%	–67.3	n/a	–67.3	–76.7	–12.3%
FTE, average in Sweden	2 940	n/a	2 940	2,707	233	2 887	n/a	2 887	2,669	218
Number of students in Sweden and Spain	31,406	n/a	31,406	28,042	3,364	31,406	n/a	31,406	28,042	3,364

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	Q4 19/20	Q4 19/20 excl. IFRS 16 ¹	Q3 19/20	Q3 19/20 excl. IFRS 16 ¹	Q2 19/20	Q2 19/20 excl. IFRS 16 ¹	Q1 19/20	Q1 19/20 excl. IFRS 16 ¹	Q4 18/19	Q3 18/19	Q2 18/19	Q1 18/19
Operating income	810	810	858	858	814	814	601	601	757	743	726	556
EBITDA	201	105	212	114	187	91	131	35	93	85	71	44
EBITDA-margin %	24.8%	12.8%	24.7%	13.2%	22.9%	11.2%	21.7%	5.8%	12.3%	11.4%	9.8%	7.9%
Depreciation	-112	-26	-104	-27	-100	-23	-101	-23	-22	-21	-21	-21
Operating profit EBIT	89	77	163	141	86	68	55	37	71	64	50	23
EBIT-margin %	11.0%	9.6%	19.0%	16.5%	10.6%	8.4%	9.1%	6.1%	9.4%	8.6%	6.9%	4.2%
Non-recurring items	-1	-1	54	54	0	0	25	25	0	-6	0	0
Adjusted operating profit EBIT	90	78	109	87	86	68	30	12	71	70	50	23
Adjusted EBIT-margin %	11.1%	9.7%	12.7%	10.2%	10.6%	8.4%	5.0%	2.0%	9.4%	9.5%	6.9%	4.2%
Tax	-9	-14	-16	-19	-10	-13	-4	-7	-16	-15	-10	-6
Net financial items	-48	-18	-25	12	-32	1	-34	0	0	-1	0	-5
Profit/loss for the period	32	46	122	134	44	56	17	29	54	48	40	12
Net debt (+)/Net cash (-)	3,252	-48	3,304	132	2,938	-108	3,056	-59	-49	10	24	120
Equity/assets ratio	22.4%	64.3%	23.1%	63.3%	22.3%	64.6%	21.8%	61.7%	61.9%	61.2%	60.1%	59.2%
Cash flow from operating activities	294	191	45	-17	183	87	132	36	104	7	97	33
Investments	-6	-6	-4	-4	-6	-6	-52	-52	-8	-10	-9	-50
Operating income Sweden	752	752	761	761	747	747	573	573	698	698	682	528
EBIT Sweden	79	79	66	66	55	55	34	34	65	56	41	30
EBIT margin Sweden	10.5%	10.5%	8.7%	8.7%	7.3%	7.3%	6.0%	6.0%	9.3%	8.1%	5.9%	5.8%
Adjusted EBIT Sweden	79	79	66	66	55	55	34	34	65	63	41	31
Adjusted EBIT margin Sweden	10.5%	10.5%	8.7%	8.7%	7.3%	7.3%	6.0%	6.0%	9.3%	9.0%	5.9%	5.8%
Operating income Spain	62	62	97	97	67	67	27	27	58	45	44	28
EBIT Spain	-1	-1	75	75	13	13	2	2	7	8	10	-7
EBIT margin Spain	-1.4%	-1.4%	76.7%	76.7%	20.2%	20.2%	7.4%	7.4%	11.7%	18.0%	22.2%	-25.0%
Adjusted EBIT Spain	0	0	21	21	13	13	-23	-23	7	8	10	-7
Adjusted EBIT margin Spain	-2.7%	-2.7%	21.3%	21.3%	20.2%	20.2%	-82.8%	-82.8%	11.7%	18.0%	22.2%	-25.0%
FTE, average Sweden	2,940	2,940	2,940	2,940	2,899	2,899	2,765	2,765	2,707	2,711	2,692	2,554
Number of schools Sweden	37	37	37	37	37	37	37	37	36	36	36	36
Number of students Sweden	26,725	26,725	26,760	26,760	26,814	26,814	26,828	26,828	25,536	25,555	25,608	25,582
Number of schools Spain (subsidiaries)	7	7	7	7	5	5	5	5	5	3	3	3
Number of students Spain (subsidiaries)	4,681	4,681	4,727	4,727	2,491	2,491	2,467	2,467	2,506	1,832	1,834	1,836
Number of schools UK	1	1	1	1	1	1	1	1	1	1	1	1
Number of students UK	507	507	507	507	507	507	507	507	497	497	497	497

¹ 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

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>Likvårdighetsbidrag</i> , <i>Lärlärlönelyftet</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>Likvårdighetsbidrag</i> , <i>Lärlärlönelyftet</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 28,000 students at 39 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 28th 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 16% per year. In the most recent financial year of 2019/20, which ended on 30 June 2020, operating income amounted to MSEK 3,082 an approximate increase of 11% year-on-year. At 30 June 2020, there were approximately 204,900 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 2020 was preliminary 269 points for IES. The national figure for 2020 is yet to be published but was 230 points in 2019.



**269
points**

**IES QUALIFICATION
POINTS**
(national average for
all schools in Sweden
was 230)

**97
per cent**

**UPPER SECONDARY SCHOOL
ELIGIBILITY**
(national average for
all schools in Sweden
was 85%)

IES has a higher share of students with a foreign background than the average for Sweden's municipal schools. In the 2019/2020 academic year, 41% of IES's students in grades 1–9 had a foreign background. The corresponding figure for Sweden's municipal schools was 26%.

Of all students leaving IES's schools in 2020, 97% were eligible for upper secondary school (preliminary numbers). The corresponding average figure for ninth-grade students in all schools in Sweden was 85%.

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 June 2020, the 10 largest shareholders also included Swedbank Robur fonder and Handelsbanken fonder.

Long term financial targets



GROWTH

An annual organic growth rate of 8%, with potential for additional growth through acquisitions.



PROFITABILITY

An operating adjusted margin (EBIT) of at least 8% excluding effects from IFRS 16.



CAPITAL STRUCTURE

IES shall have a capital structure that safeguards the company's long-term financial stability and operations while facilitating its ability to capture attractive growth opportunities.



DIVIDEND POLICY

A dividend amounting to 30% of net profit after tax, with an allowance for special exceptions by the Board, such as attractive acquisitions that may create value for shareholders.

FOR MORE INFORMATION, PLEASE CONTACT:

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TELECONFERENCE IN CONNECTION WITH PUBLICATION OF THE QUARTERLY REPORT:

CEO Anna Söreljus Nordenborg and Head of IR Emma Rheborg will be holding a teleconference today, Wednesday 26 August, at 10:00 a.m. CEST in connection with publication of the year-end 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 84744646#. The presentation material is available on IES's website: <http://corporate.engelska.se>

FINANCIAL CALENDAR

Date

Annual Report	week of 2 Nov 2020
Q1 interim report 2020/21	20 November 2020
AGM 2019/20	24 November 2020
Q2 interim report 2020/21	19 February 2021

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 26 August 2020 at 8:00 am. CEST.

Internationella



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