Attendo

Q4

Year-end report

January–December 2019

Attendo AB (publ)
Interim Report, January-December 2019[1]

Q4

Summary of the fourth quarter 2019

- Net sales increased by 8 percent to SEK 3,054m (2,818). Adjusted for currency effects, net sales increased by 7 percent.
- Operating profit (EBITA) amounted to SEK 139m (176), corresponding to an operating margin of 4.6 percent (6.2). Operating profit in the comparison quarter was reduced by provisions of SEK 60m.
- Adjusted EBITA, i.e. EBITA according to the previous accounting standard, was SEK 35m (98). Operating profit in the comparison quarter was reduced by provisions of SEK 60m.
- The loss for the period amounted to SEK -40m (-4), corresponding to a profit margin of -1.3 percent (-0.1). Diluted earnings per share were SEK -0.25 (-0.02) [2].
- Free cash flow amounted to SEK 141m (117) [3].
- The total number of beds in operation in Attendo's own homes[4] amounted to 16,618 (15,288), an increase by 9 percent. Occupancy in own homes was 80 percent (82).

Summary of the period January–December 2019

- Net sales increased by 9 percent to SEK 11,935m (10,987). Adjusted for currency effects, net sales increased by 7 percent.
- Operating profit (EBITA) amounted to SEK 812m (1,008), corresponding to an operating margin of 6.8 percent (9.2). Profits in 2019 was affected by a capital gain of SEK 31m, while EBITA in 2018 was reduced by non-recurring costs of SEK 133m.
- Adjusted EBITA, i.e. EBITA according to the previous accounting standard, was SEK 441m (711).
- Profit for the period amounted to SEK 81m (244), corresponding to a profit margin of 0.7 percent (2.2). Diluted earnings per share were SEK 0.51 (1.52) [2].
- Free cash flow amounted to SEK 196m (593)[3].
- The board of directors is proposing no dividend for the 2019 financial year due to the weak financial performance in 2019, the company's key ratios and the recent renegotiation of loans.

SEKm	Q4 2019	Q4 2018	Change (%)	Jan-Dec 2019	Jan- Dec 2018	Change (%)
Net sales	3,054	2,818	8	11,935	10,987	9
Operating profit (EBITA)	139	176	-21	812	1,008	-19
Operating margin (EBITA), %	*4.6*	*6.2*	-	*6.8*	*9.2*	-
Adjusted operating profit (EBITA)	35	98	-64	441	711	-38
Adjusted operating margin (EBITA), %	*1.1*	*3.5*	-	*3.7*	*6.5*	-
Profit for the period	-40	-4	-900	81	244	-67
Earnings per share diluted, SEK	-0.25	-0.02	-	0.51	1.52	-
Free cash flow	141	117	20	196	593	-67

1. *Note that all profit and loss items in the report are presented according to IFRS 16 Leases and refer to continuing operations (excluding the Finnish health care operations, which have been sold) unless other information has been provided. For further information, see Accounting Policies.*
2. *Basic earnings per share for divested operations in the comparison quarter were SEK 3.77 and diluted earnings per share were SEK 3.76. Basic and diluted earnings per share for total operations in the comparison quarter were SEK 3.74. Basic earnings per share for divested operations were SEK 4.43 for the full year of 2018 and diluted earnings per share were SEK 4.42. Basic earnings per share for total operations were SEK 5.95 and diluted earnings per share were SEK 5.94.*
3. *The comparison figure refers to total operations including the divested Finnish health care operations.*
4. *As of 2019, homes in own operations are defined as nursing homes and homes for people with disabilities and within social psychiatry that are operated by Attendo. The figures for comparative periods have been restated.*

President and CEO Martin Tivéus comments on the report

Good organic growth but weak profitability in Finland persists

We opened almost two thousand new beds in own operations during the year and laid the foundation for future organic growth. In parallel, the high rate of establishment in Finland in recent years has constrained both occupancy and profitability over the short term. We opened more beds in Scandinavia in the fourth quarter than we have for some time, a trend that will continue in 2020, while the rate of openings in Finland will drop significantly from the second half of the year.

Net sales increased by 8 percent during the fourth quarter to SEK 3,054m. Growth is driven primarily by an increased number of occupied beds in own operations and acquisitions. Operating profit (EBITA) amounted to SEK 139m, a decrease of 41 percent compared with the preceding year, adjusted for non-recurring effects. The decline in profits is due to the situation in Finland, while Scandinavia showed a minor increase in profits. There was an increase in structural costs in Finland in 2019 as a consequence of the higher staffing requirements that were imposed in conjunction with the rapid expansion of recent years that led to more vacant beds in the Finnish operation. EBITA for the full year of 2019 decreased by 32 percent compared to 2018, adjusted for non-recurring effects.

"The way back to good profitability in Finland is dependent upon higher occupancy and new framework agreements that reflect the new sharper staffing requirements."

We opened 479 new beds in own operations during the quarter and the total number of beds in operations at the end of the year was more than 16,600. We have sharply decelerated the rate of expansion in Finland, but it will remain high during the first and second quarters of 2020 due to long lead-times for already ongoing projects. We expect to open approximately 1,600 beds in total during 2020. The net increase in total beds will be somewhat lower because we are selectively discontinuing units that have not been assessed as attractive in the long term. We are also carrying out a gradual shift towards more openings in Scandinavia and fewer in Finland. Average occupancy is currently 80 percent, while mature units are demonstrating occupancy of around 90 percent.

Agreements on new long-term financing were finalised during the fourth quarter. The new loan agreements provide greater flexibility with regard to the covenants that Attendo must fulfil. The terms and conditions are otherwise similar to the previous financing arrangements.

Stable profits in Attendo Scandinavia

Our Scandinavian operations demonstrated continued stable development in the fourth quarter and in 2019 as a whole. Sales in the fourth quarter increased by about two percent, driven by higher occupancy in own operations and acquired operations in home care. Outsourcing and Individual and Family Care reported slightly lower sales. Adjusted for non-recurring effects, profits in Attendo Scandinavia were slightly higher than profits for the fourth quarter of 2018. We discontinued the loss-making and biggest home care operation in Denmark during the fourth quarter and we opened 174 new beds in Sweden, primarily in care for older people, during the same period.

We will be increasing the rate of openings in Scandinavia in 2020 compared to 2019. This is creating the conditions for long-term growth and value creation, but is expected to have short-term negative impact on profitability during the start-up phase.

During the quarter, we continued our efforts to strengthen our long-term competitiveness. Among other things, we have strengthened our central competence team in dementia to be better at spreading knowledge about dementia to both employees and relatives. We have also initiated a project with workplace-based training of auxiliary nurses following a model from Denmark to improve access to qualified staff, and completed the roll-out of mobile care planning at all nursing homes in Sweden with the aim of improving planning and ensuring traceability in all care instances.

Effects of the turn-around programme in Finland take time

Net sales in Attendo Finland increased by 16 percent in the fourth quarter compared to the fourth quarter of 2018. The increase for the full year was 22 percent. The sales increase was driven by higher occupancy. We are, however, still reporting weak results from the Finnish operations in the fourth quarter. The decline in profits is mainly due to higher personnel costs arising from stricter staffing requirements, a large number of units in the start-up phase and the continued high rate of openings, which is holding back the occupancy trend. Attendo's action programme is continuing as planned and we are beginning to see positive operational effects. We have strengthened the management structure, added support staff in local operations and increased central resources for purposes including facilitating recruitment.

During the fourth quarter, we renegotiated several framework agreements ahead of 2020 with Finnish local authorities. The renegotiations of framework agreements during the year cover only a portion of total revenues, as the majority of revenues in 2020 are index-tied. In total, positive price effects are estimated to approximately 3 percent during 2020 based on total sales in Attendo Finland. As wage negotiations are still in progress in Finland, there is some uncertainty regarding cost increase during the year. The financial effects of the action programme are not expected until the second half of 2020, when the rate of opening new units will decline and we anticipate achieving a more favourable balance between new openings and new sales.

In February, the Finnish government presented, as expected, a bill on increased staffing density in care at nursing homes. In our view, it is positive that the Finnish state is raising the ambition in the care sector. At the same time, it is problematic if quality is judged solely on staffing density. It is also important that the reform will be financed both during the transition period and when it is fully implemented.

Higher occupancy is the key to value creation

2019 was a challenging year for Attendo, related mainly to the situation in Finland. The current situation is the result of a combination of the too-rapid rate of establishment and new sharper staffing requirements. There is a long-term need for the capacity we are establishing at present and we have an attractive offer to both customers and contracting local authorities. Nevertheless, the way back to good profitability in Finland is dependent upon higher occupancy and new framework agreements that reflect the new sharper requirements, which is going to take time to achieve. We will continue our efforts to reinforce the organisation in 2020 and step up our initiatives in the areas of customer satisfaction, digitalisation and supporting local authorities across the Nordics. Our ambition is to have the most committed employees who provide outstanding care to our customers. This ambition also lays the foundation for creating long-term shareholder value.

Martin Tivéus, President and CEO

Group

October – December 2019

Net sales and operating profit

Net sales increased by 8.4 percent to SEK 3,054m (2,818) during the quarter. Adjusted for currency effects, net sales increased by 6.8 percent. Acquired growth accounted for 3.2 percent and organic growth for 3.6 percent. Homes in own operations demonstrated sustained strong growth, driven primarily by homes opened in Finland in 2019 and 2018. Organic growth was negatively affected by discontinued units, primarily in home care, but also in individual and family care in Attendo Scandinavia. Attendo has also discontinued a number of units in own operations, and the majority of residents have been moved to modern Attendo homes. The net effect of ended and new outsourcing units remained negative, but considerably less negative than in previous quarters. The own operations contract model accounted for 84 percent of total consolidated net sales during the quarter and the outsourcing contract model accounted for 16 percent.

Operating profit (EBITA) amounted to SEK 139m (176). EBITA in the comparison quarter was reduced by provisions of SEK 60m and thus amounted to SEK 236m before provisions. The operating margin was 4.6 percent in the fourth quarter and 8.4 percent in the comparison quarter before provisions. Profit rose in Attendo Scandinavia, but fell in Attendo Finland. Currency effects had marginal impact on profits.

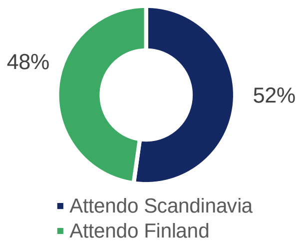
Operating profit in the quarter was negatively affected by sharply increased costs due to increased staffing requirements and other related costs in the Attendo Finland business area, which amounted to approximately SEK 70m, as well as additional costs related to holidays. In addition, operating profit was negatively affected by new homes in own operations that were opened in 2019, where initial occupancy is low, as well as the loss of profits from ended units, primarily in outsourcing in Attendo Scandinavia. Better financial performance in home care operations in Attendo Scandinavia and higher occupancy in homes in own operations that were opened in 2018 and 2017 had positive impact on operating profit. In relation to the comparison quarter, earnings were positively affected by a number of temporary effects in Scandinavia of approximately SEK 20m.

Adjusted EBITA, i.e. EBITA according to the previous accounting standard, was SEK 35m (98). As mentioned above, profits in the comparison quarter were reduced by provisions of SEK 60m.

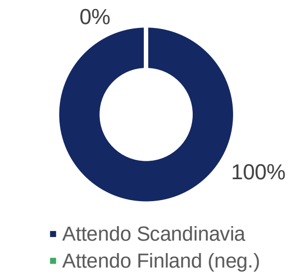
The total number of beds in operation in own homes[1] amounted to 16,618 (15,288), an increase by 9 percent. Occupancy in these homes was 80 percent (82). Mature units – those opened in 2017 or earlier, excluding Mikeva units – had an occupancy rate of about 90 percent and showed an adjusted operating margin (EBITA) of 6.4 percent on a rolling 12 months' basis (r12), including all of Attendo's administrative expenses. The number of beds under construction in own operations decreased to 1,980 across 38 homes.

1. *As of 2019, own homes are defined as nursing homes and homes for people with disabilities and within social psychiatry; under own management. The figures for the comparison period have been restated.*

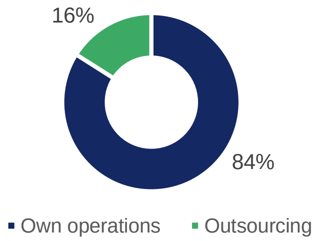
Net sales per business area, Q4 2019



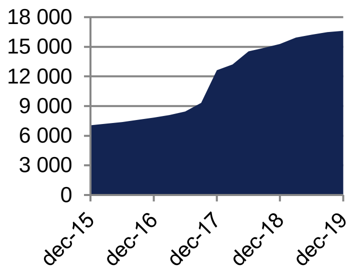
Operating profit (EBITA) per business area, Q4 2019



Net sales per contract model, Q4 2019



Number of beds in Own operations
Care for older people, care for people with disabilities and social psychiatry



Net financial items

Net financial items amounted to SEK -156m (-144) for the quarter, including net interest expense of SEK -13m (-31). Net financial items were reduced in connection with a non-recurring cost of SEK 8m related to refinancing of outstanding loans during the quarter. Interest expense related to the lease liability for land and buildings in accordance with IFRS 16 amounted to SEK -127m (-106).

Income tax

Income tax for the period amounted to SEK 12m (0), corresponding to a tax rate of 23.1 percent (0).

Profit and earnings per share for the period

The loss for the period amounted to SEK -40m (-4), corresponding to basic and diluted earnings per share of SEK -0.25 (-0.02) for continuing operations. Basic earnings per share for divested operations were SEK - (3.77) and diluted earnings per share were SEK - (3.76). Basic and diluted earnings per share for total operations were SEK -0.25 (3.74).

January–December 2019

Net sales and operating profit

Net sales increased by 8.6 percent to SEK 11,935m (10,987) during the period. Adjusted for currency effects, net sales increased by 6.9 percent. Acquired growth accounted for 4.8 percent and organic growth for 2.1 percent. Homes in own operations demonstrated sustained strong growth, driven primarily by homes opened in Finland in 2019 and 2018. Growth was negatively affected by ended units, primarily in outsourcing, but also in home care and individual and family care. Attendo has also discontinued a number of units in own operations, and the majority of the residents have been moved to modern Attendo homes.

Operating profit (EBITA) amounted to SEK 812m (1,008). Operating profit adjusted for currency effects was SEK 809m. Profits in 2019 were affected by a capital gain of SEK 31m, while non-recurring costs of SEK 133m in the Attendo Scandinavia business area had negative effect on the profit in the comparison quarter. Adjusted for these non-recurring effects, operating profit (EBITA) amounted to SEK 781m (1,141), corresponding to an operating margin of 6.5 percent (10.4). Excluding these items, profit decreased in both business areas.

Adjusted EBITA, i.e. EBITA according to the previous accounting standard, was SEK 441 m (711). As mentioned above, the current period was affected by a capital gain of SEK 31m, while non-recurring items of SEK 133m in the Attendo Scandinavia business area had negative impact on the profit in the comparison quarter.

Operating profit was negatively affected by sharply increased costs in the Attendo Finland business area arising from higher staffing requirements, new homes in own operations started in 2019 and 2018 where initial occupancy is low, and the loss of profits from ended units, primarily in outsourcing in Attendo Scandinavia. Operating profit was positively affected by higher occupancy in homes in own operations that opened in 2017 as well as improved profits in home care in Attendo Scandinavia, mainly attributable to acquisitions.

During 2019, Attendo opened 57 homes with 1,950 beds and began construction of 34 homes with 1,392 beds. In 2019, Attendo won new contracts with estimated annual revenues of approximately SEK 56m and lost contracts with annual revenues of approximately SEK 56m.

Net financial items

Net financial items amounted to SEK -565m (-540) for the period, including net interest expense of SEK -57m (-117). Interest expense related to the lease liability for land and buildings in accordance with IFRS 16 amounted to SEK -473m (-394).

Income tax

Tax expense for the period amounted to SEK -26m (-82), corresponding to a tax rate of 24.3 percent (25.2).

Profit and earnings per share for the period

Profit for the period amounted to SEK 81m (244), corresponding to basic and diluted earnings per share of SEK 0.51 (1.52) for continuing operations. Basic earnings per share for divested operations were SEK - (4.43) and diluted earnings per share were SEK - (4.42). Basic earnings per share for total operations were SEK 0.51 (5.95) and diluted earnings per share for total operations were SEK 0.51 (5.94).

Business Area:
Attendo Scandinavia

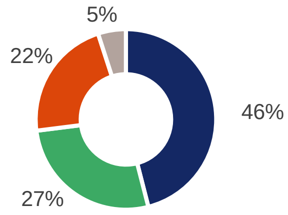
SEKm	Q4 2019	Q4 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	1,596	1,563	6,305	6,367
Operating profit (EBITA)	172	97	715	569
Operating margin (EBITA), %	10.8	*6.2*	*11.3*	*8.9*
Adjusted EBITA	125	62	555	426
Adjusted EBITA margin, %	7.8	*4.0*	*8.8*	*6.7*

Attendo Scandinavia

52%

of net sales in the quarter
Operations in Sweden, Norway and Denmark.

Sales per service offering, Q4 2019



October–December 2019

Net sales in Attendo Scandinavia amounted to SEK 1,596m (1,563), corresponding to growth of 2.1 percent before and after currency effects. Acquisitions, new homes in own operations opened in 2019 and 2018 and contractually agreed price increases contributed to growth. The loss of sales from ended units in outsourcing was again larger than sales from new outsourcing contracts, but the net effect was considerably less negative than in previous quarters. Discontinued units in home care and individual and family care had negative impact on organic growth.

Operating profit (EBITA) amounted to SEK 172m (97). Operating profit in the comparison quarter was reduced by provisions of SEK 60m referring to discontinuing operations and operations expected to be loss-making in upcoming periods. Excluding the provisions, operating profit (EBITA) amounted to SEK 172m (157), corresponding to an operating margin of 10.8 percent (10.0). Currency effects had marginal impact on profits.

Higher profits in home care due to acquisitions and improved planning and processes made a positive contribution to profit. Start-up costs for units opened in 2019 were offset by increased profits from homes in own operations that opened in 2017 and 2018. The net effect on profit of ended and started units in outsourcing remained negative compared to the same quarter last year, but the impact was less negative than in previous quarters. In relation to the comparison quarter, a number of temporary effects improved profit by about SEK 20m, about half of which attributable to other operating income in accordance with IFRS 16.

Adjusted EBITA, i.e. EBITA according to the previous accounting standard, amounted to SEK 125m (62) and, as described above, provisions of SEK 60m were charged to the comparison quarter.

Four homes in own operations with a total of 174 beds were opened during the quarter. In total, 330 beds were opened in the past twelve months. Attendo discontinued a nursing home in own operations during the period that were lacking conditions for running the operation in the long term.

During the quarter construction began of two units in own operations with a total of 138 beds. At the end of the quarter, there were 1,110 beds under construction. Attendo Scandinavia won one outsourcing contract, which has not yet started, during the quarter, with estimated annual revenues of SEK 7m, and lost four contracts, which have not yet ended, with estimated annual revenues of SEK 51m.

January–December 2019

Net sales in Attendo Scandinavia amounted to SEK 6,305m (6,367), corresponding to negative growth of -1.0 percent. Adjusted for currency effects, growth was -1.1 percent. Acquisitions and higher occupancy in own operations contributed to growth, but could not compensate for the loss from ended units in outsourcing. Attendo has discontinued a number of home care and individual and family care operations since the comparison period that lacked the conditions for long-term profitability, which has had negative impact on organic growth.

Operating profit (EBITA) amounted to SEK 715m (569). Adjusted for currency effects, operating profit (EBITA) was SEK 717m. Profits in 2019 were positively affected by a capital gain on a sale of real estate of SEK 31m, while profits in the comparison period were reduced by non-recurring items of SEK 133m, comprised of provisions of SEK 60m in the fourth quarter, costs of SEK 53m related to the discontinuation of a number of units in individual and family care in the second quarter and SEK 20m in write-down of real estate in individual and family care in the first quarter. Adjusted for these non-recurring items, operating profit (EBITA) amounted to SEK 684m (702), corresponding to an operating margin of 10.8 percent (11.0).

Adjusted EBITA amounted to SEK 555m (426). Excluding non-recurring items as above, adjusted EBITA amounted to SEK 524m (559), corresponding to an operating margin of 8.3 percent (8.8).

Adjusted for non-recurring items, profit decreased compared to the preceding year. Ended units and weak development in outsourcing operations had a generally negative effect compared to the comparison period. Higher profits in home care due to acquisitions and improved planning and processes made a positive contribution to profit. Start-up costs for units opened in 2018 and 2019 were offset by increased profits from homes in own operations that opened in 2017 and 2018.

Key data per quarter

Attendo Scandinavia	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Number of beds in operation in own homes	3,636	3,633	3,642	3,602	3,689
Number of opened beds in own homes (r12)	273	327	210	210	330
Occupancy in own homes, %	87	86	85	87	86
Number of beds in own homes under construction	900	908	1,059	1,146	1,110
Number of beds in operation in outsourcing	2,671	2,622	2,586	2,546	2,456
Net outsourcing contracts won/lost, SEKm	-53	5	-	45	-44
Home care customers	11,334	11,454	11,948	12,428	11,889

Beds refer to nursing homes for older people, homes for people with disabilities and social psychiatry.

Business Area:

Attendo Finland

SEKm	Q4 2019	Q4 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	1,458	1,255	5,630	4,620
Operating profit (EBITA)	-20	97	163	501
Operating margin (EBITA), %	*-1.4*	*7.7*	*2.9*	*10.8*
Adjusted EBITA	-76	54	-48	347
Adjusted EBITA margin, %	*-5.2*	*4.3*	*-0.9*	*7.5*

October–December 2019

Net sales in Attendo Finland amounted to SEK 1,458m (1,255) corresponding to growth of 16.2 percent. Adjusted for currency effects, net sales increased by 12.5 percent. The increase in net sales is primarily attributable to new homes in own operations that were opened in 2019 and 2018 and to acquisitions. Subsequent to the comparison quarter, Attendo Finland has closed down a number of units with non-adequate standards and the majority of residents were moved to new, modern Attendo homes, but a couple of units were discontinued entirely.

The operating loss (EBITA) amounted to SEK -20m (97) and the operating margin (EBITA) was -1.4 percent (7.7). Currency effects had marginal impact on profits.

Profits were negatively affected by cost increases due to higher staffing requirements in 2019 and new homes in own operations, where occupancy is initially low. In order to meet new staffing requirements and assure high customer satisfaction, Attendo has increased staffing in many local operations. Costs arising from stricter staffing requirements and other related costs amounted to about
SEK 70m. Increased staffing and staffing requirements have entailed higher costs for holidays during the quarter in relation to the comparison quarter. Price increases in 2019 were low and did not offset customary cost increases. Administrative expenses rose due to the action programme that is aimed at reinforcing the organisation and improving sales.

Ahead of 2020, Attendo renegotiated several framework agreements with Finnish local authorities during the fourth quarter. The renegotiations of framework agreements during the year cover only a portion of total revenues, as the majority of revenues in 2020 are index-tied. In total, positive price effects are estimated to approximately 3 percent during 2020 based on total sales in Attendo Finland. Framework agreements account for approximately 50 percent of total sales in Attendo Finland, service vouchers account for 20 percent and other revenues, such as rent, account for 30 percent. The price increase applicable to 2020 for renegotiated framework agreements, which comprise about one quarter of framework agreement volume, was an average of about 9 percent. Attendo’s prices in Finland are significantly lower than costs for operating nursing homes under municipal management. As a nation, Finland also expends considerably less resources on care for older people than other Nordic countries.

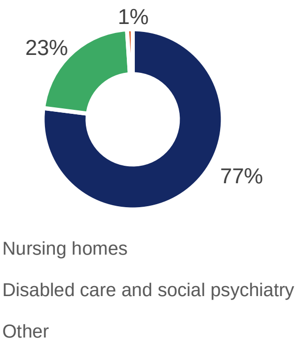
Adjusted EBITA amounted to SEK -76m (54).

Attendo Finland

48%

of net sales in the quarter
Operations in Finland

Sales per service offering Q4 2019



Seven homes in own operations with a total of 305 beds were opened during the quarter. A total of 1,620 beds were opened in the past twelve months. During the quarter, approximately 250 beds were closed and the residents moved to other Attendo units. Construction of five homes in own operations with a total of 164 beds began during the quarter. The number of beds under construction continued to decrease and was 870 at the end of the quarter.

January–December 2019

Net sales in Attendo Finland amounted to SEK 5,630m (4,620) corresponding to growth of 21.9 percent. Adjusted for currency effects, net sales increased by 18.1 percent. The increase in net sales is primarily attributable to new homes in own operations that were opened in 2019 and 2018 and to acquisitions. Subsequent to the comparison quarter, Attendo Finland has closed down a number of units with non-adequate standards and the majority of residents were moved to new, modern Attendo homes, but a couple of units were discontinued entirely

Operating profit (EBITA) amounted to SEK 163m (501) and the operating margin (EBITA) was 2.9 percent (10.8). Adjusted for currency effects, operating profit (EBITA) was SEK 158m. Adjusted EBITA amounted to SEK -48m (347).

Profits were negatively affected by cost increases due to higher staffing requirements in 2019 and new homes in own operations, where occupancy is initially low. In order to meet higher staffing requirements and assure high customer satisfaction, Attendo has increased staffing in many local operations. Price increases during the year were low and did not offset customary cost increases. Administrative expenses rose due to the action programme that is aimed at reinforcing the organisation and improving sales.

Key data per quarter

Attendo Finland	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Number of beds in operation in own homes	11,652	12,290	12,574	12,868	12,929
Number of opened beds in own homes (r12)	2,136	1,955	1,542	1,657	1,620
Occupancy in own homes, %	80	80	78	78	79
Number of beds in own homes under construction	1,562	1,493	1,276	948	870
Number of beds in operation in outsourcing	304	304	274	262	244
Home care customers	181	620	620	620	596

Beds refer to nursing homes for older people, homes for people with disabilities and social psychiatry.

Cash flow[1]

October–December 2019

Free cash flow was SEK 141m (117) during the quarter, whereof changes in working capital amounted to SEK 129m (1). The positive change in working capital is mainly attributable to higher holiday pay liabilities during the quarter, as well as an increase in trade payables.

Cash flow from operating activities was SEK 456m (367). Cash used for net investments in non-current assets was SEK -109m (-65) and cash used in relation to assets and liabilities held for sale amounted to SEK -52m (15).

1. *The comparison figures refer to total operations including the divested Finnish health care operations.*

Business acquisitions reduced cash flow by SEK -39m (-225). Cash used in investing activities thus amounted to SEK -200m (1,960).

Cash used in financing activities was SEK -468m (-176). Financing activities include loan repayments of SEK -3,051m (11) in connection with the refinancing of outstanding loan facilities during the quarter. In connection with the refinancing new debt was raised of SEK 2,789m (-). Total cash flow amounted to SEK -212m (2,151)

January–December 2019

Free cash flow during the period was SEK 196m (593), whereof changes in working capital amounted to SEK -60m (-30). The lower cash flow compared with the preceding year is mainly attributable to lower operating profits.

Cash flow from operating activities was SEK 1,227m (1,515). Cash used for net investments in non-current assets was SEK -241m (-226) and cash flow from assets and liabilities held for sale amounted to SEK 260m (322). Business acquisitions reduced cash flow by SEK -239m (-499). Sale of a subsidiary made a positive contribution to cash flow of SEK 87m (2,235). Cash used in investing activities thus amounted to SEK -133m (1,832). Cash used in financing activities was SEK -3,485m (-936). Financing activities include loan repayments of SEK -5,388m (-213) and new borrowings of SEK 2,789m (200), Total cash used amounted to SEK -2,391m (2,411).

Financial position

Consolidated equity as of 31 December 2019 amounted to SEK 5,831m (5,801), corresponding to diluted equity per share of SEK 36.24 (36.10). Net debt amounted to SEK 11,831m (10,366). Adjusted net debt, excluding lease liability for land and buildings, amounted to SEK 2,360m (2,496).

SEKm	Dec 31, 2019	Dec 31, 2018
Interest-bearing liabilities	12,339	13,219
Provisions for post-employment benefits	15	43
Cash and cash equivalents	-523	-2,896
Net debt	**11,831**	**10,366**
Lease liability real estate*	**-9,471**	-7,870
Adjusted net debt	**2,360**	**2,496**

** Adjustments for the residual value of cars in the amount of SEK -43m.*

Interest-bearing liabilities as of 31 December 2019 amounted to SEK 12,339m (13,219). Cash and cash equivalents as of 31 December 2019 amounted to SEK 523m (2,896) and Attendo had SEK 1,575m (969) in unutilised committed credit facilities.

Net debt/EBITDA was 6.1 (5.2). Adjusted net debt/Adjusted EBITDA was 3.6 (2.7). The increase in net debt is attributable to lower operating profits.

SEKm	Dec 31, 2019	Dec 31, 2018
Net debt / EBITDA	6,1	5,2
Adjusted net debt / adjusted EBITDA	3,6	2,7

Quality and employees

Attendo is working goal oriented to leverage competence and further develop employees' capacity to deal with care situations based on the best available knowledge and methods.

Attendo strengthened the central dementia competence team in the fourth quarter. The aim is for Attendo to gather individuals who have specialist knowledge in the field of dementia and who want to take a more active role in spreading knowledge about dementia and BPSD (Behavioural and Psychiatric Symptoms in Dementia) to other employees and the families of people with dementia. Attendo has been working with the BPSD methodology for a long time.

The annual employee survey was carried out in October to "take the temperature" of employees regarding job satisfaction and satisfaction with immediate managers. This year's survey shows stable results as well as considerably higher response frequency compared with 2018. The total score for job satisfaction and satisfaction with the immediate manager was 3.9 on a scale of 1-5.

Several surveys aimed at employees and customers and their families were performed in Finland during the autumn to discover their views on Attendo. The surveys overwhelmingly show that customers feel safe and secure, that they trust they will receive the care they need and that employees of Attendo have the competence necessary to provide good care.

Further actions were taken during the quarter to enhance quality and reinforce the organisation in the Finnish operations. New team leaders have been recruited to lighten the workload for local managers and assist with local operational development. New area managers are assisting regional directors in order to better support day-to-day operations. Managers gathered in December for a two-day conference aimed at improving local leadership and increasing exchange among local operations. In addition, the Finnish operation has adopted the HR Business Partner model, where external support is used to develop operations and support efforts with skills provision at the central level.

Attendo Fridhemmet in Malmö entered into a partnership with the City of Malmö during the quarter to provide on-the-job training for assistant nurses. The initiative is the first of its kind in Sweden and is based on a very successful Danish model. A total of 20 students are enrolled in the programme and will receive training equivalent to two full days per week for three academic terms.

Attendo has many highly esteemed managers who are repeatedly praised by external parties. Robert Szasz, local manager at Attendo Hemtjänst Syd, received the "Leader of the Year" award from the Tappra Barn ("Courageous Children") foundation at its charity gala in Linköping during the quarter.

Attendo's Sustainability and Quality Report are available at: www.attendo.com

Market review

Sweden – Good demand in own operations

The demand for Attendo's own operations offering was good, with continued high interest from Swedish local authorities in need of new capacity, mainly in care for older people. The volumes of completed public tenders in the outsourcing market in care for older people rose during the fourth quarter, while volumes were stable in care for people with disabilities.

The weak financial situation in the Swedish local government sector was a frequent topic of public debate in 2019. Many municipalities are expected to report budget deficits in the next few years, which could affect financing of the care sector. Early in 2020, the Swedish government expressed an ambition to allocate more funding to local authorities sector during the year, which could mitigate the situation in Swedish municipalities.

Finland – Bill on increased staff ratio

In February, the Finnish government presented a new bill regarding staffing at nursing homes. If the bill is adopted, it will come into full force from April 2023 and will increase the current staffing index from 0.5 care workers per resident to 0.7. The new proposal includes transitional rules from August 2020, when individual needs assessments will be carried out to determine the existing staffing level. The financing of the reform is not yet fully presented. The local authorities sector overall is critical of the reform because it will lead to sharply increased costs for the municipalities.

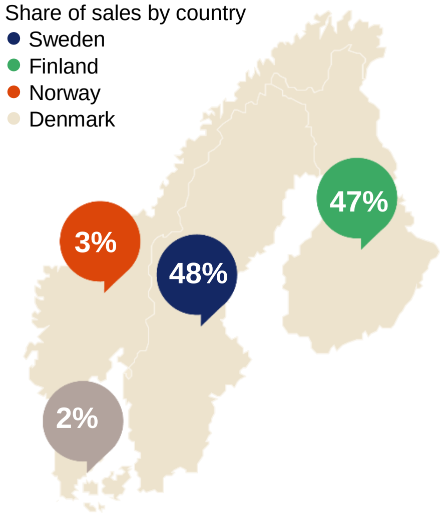
Norway – Uncertain effects in the aftermath of the 2019 local elections

The local elections in Norway in the third quarter of 2019 resulted in the two largest parties, Labour and the Conservatives, being voted out of office and replaced by the Centre Party and the red/green bloc (the Green, Socialist Left and Red parties).

In several municipalities, including Oslo, the new governing parties promised to insource care for older people and return to public management, which has created uncertainty about the future conditions for private care operations in numerous Norwegian municipalities. In spite of this, some of these local authorities have chosen to extend outsourcing contracts in care for older people currently operated by private providers, which may be an indication that politicians tend to modify their positions when they must take responsibility for operations. Overall, there are several studies showing that private providers deliver more efficient care of equal or higher quality in Norway compared to municipal providers.

Our geographies

Share of sales by country



Share of Attendo's net sales 2019.

Other information

Shares outstanding

The total number of shares outstanding amounts to 161,386,592. Attendo holds 496,136 treasury shares and the total number of shares outstanding as of 31 December 2019 was thus 160,890,456.

Number of employees

The average number of employees was 16,163 (15,789) in the fourth quarter and 16,499 (16,745) for the period of January–December.

Related-party transactions

Transactions with related parties had a value of SEK 0.6m (1.0) during the period. All related-party transactions take place on market terms.

For further details, please refer to page 67 of Attendo's 2018 annual report.

Parent company, Attendo AB (publ)

The business of the parent company is to provide services to the subsidiaries and manage shares in subsidiaries. The company's expenses relate mainly to executive salaries, directors' fees and costs for external consultants.

Net sales for the year amounted to SEK 13m (11), and were entirely related to services provided to subsidiaries. The loss for the year after net financial items was SEK -31m (-31). At the end of the quarter, cash and cash equivalents amounted to SEK 0m (0), shares in subsidiaries to SEK 6,494m (6,494), and non-restricted equity to SEK 5,992m (6,074).

Seasonal and calendar effects

Attendo's profitability is affected by factors including seasonal variations, weekends and national public holidays. For Attendo, public holidays and weekends have a negative effect on profitability mainly due to wage compensation for unsocial working hours. For example, profitability is affected by Easter in either the first or second quarter, depending on the quarter in which Easter falls, while the first and fourth quarters are affected by the Christmas and New Year's holidays.

Events after the reporting date

Changes in Attendo’s executive management

On 13 January 2020, Attendo appointed Eric Wåhlgren as the new Business Development Director and member of executive management. Wåhlgren is 40 years old and holds a graduate degree in civil engineering from Linköping University. Immediately prior to joining Attendo, he was the Director of Corporate Strategy at Elekta and has many years of experience from the Boston Consulting Group, with focus on health care. Wåhlgren will begin at Attendo on 9 March 2020. As previously announced, Attendo’s current Business Development director Johan Spångö will step down on 6 March 2020 and thus leave executive management.

Virpi Holmqvist began as the new Business Area Director for Attendo Finland and member of executive management during the third quarter. At that date, Attendo’s previous Business Area Director Pertti Karjalainen transitioned to a new role as Director of Sales and Public Affairs. Karjalainen stayed on as a member of Attendo’s executive management to ensure a smooth transition, but will step down effective 13 February 2020 and will no longer serve in that capacity.

Dividend 2019

Attendo's dividend policy was adopted in connection with the IPO 2015. This states that dividend decisions must be based on Attendo's investment opportunities and financial position. The policy further states that the company should distribute 30 percent of the net profit.

2019 was a very challenging financial year for Attendo and characterized by the situation in Finland. As a consequence of the weak result, the company's financial ratio measured as net debt in relation to profit (EBITDA) is higher than it has been historically. Furthermore, a renegotiation of the company’s loans was carried out at the end of 2019.

With this in mind, the Board therefore proposes, ahead of the 2020 Annual General Meeting, no dividend to be paid for the 2019 financial year.

Risks and uncertainties

Attendo conducts care and health care operations in the Nordics and is exposed to a number of different risks. Attendo divides risks into external risks, operational risks and financial risks.

External risks include risks related to the conditions for private companies to conduct care activities, political risks, regulatory risks and reputational risks. Operational risks relate to risks that are directly linked to Attendo's operational activities such as occupancy, pricing and access to competent employees. Financial risks are, among other things, attributable to access to capital, currency, interest rates and liquidity.

Risk management, i.e. the work with identifying, managing and monitoring risks, is an important part of Attendo’s operations and well-integrated in the daily work. The risks and a description of Attendo’s risk management are presented in Attendo’s annual report for 2018, page 24.

Finland

The supervisory authorities in Finland sharply increased the number of inspections of private nursing homes during the beginning of 2019.

Intensive public discussion of care for older people, with focus on private providers, arose in the aftermath of the official inspections. This has affected the reputation of the sector and Attendo has been the subject of widespread media coverage, which has had negative impact on the brand. Attendo is working intensively with proactive media communication in order to shed light on the challenges of the sector, describe the situation, correct the circulation of inaccurate information and strengthen the company’s reputation.

Attendo has launched a comprehensive action programme applicable to all operations in Finland, as well as targeted initiatives for the homes that were criticised by the authorities. The programme includes measures to free up time for licenced nurses and auxiliary nurses for the direct care tasks, to improve and strengthen internal competence, and to increase stakeholder communication and dialogue. Measures includes, among other things more assistants, expanded teams within quality and competence development, and ongoing external quality audits.

The conditions of care provision may be changed on the political level as a consequence of the current debate. Attendo is engaged in advocacy work aimed at creating long-term solutions and equal conditions for all providers.

Accounting policies

The group applies International Financial Reporting Standards (IFRS) and interpretations from IFRIC, as adopted by the European Union, the Swedish Financial Reporting Board's standard RFR 1 Supplementary Accounting Rules for Groups and related interpretations and the Swedish Annual Accounts Act.

This interim report has been prepared according to IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act and should be read together with the annual report for 2018.

The most significant accounting policies under IFRS, the reporting norm applied in preparing this interim report, are set forth in Note C1 on pages 48-52 of the annual report for 2018, which were applied to the preparation of this interim report except as specified below regarding IAS 17 Leases/IFRS 16 Leases.

Note that all profit and loss items presented in the report for 2018 refer to continuing operations (excluding the divested Finnish health care operations) unless other information is provided.

IFRS 16 became effective from 1 January 2019 and superseded IAS 17 Leases and associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard is effective for reporting periods beginning on or after 1 January 2019. The company has applied the full retrospective approach and the comparison period has therefore been restated. Attendo's analysis shows that the majority of the contracts classified as leases under IFRS 16 refer to premises where Attendo runs own operations, cars used in home care operations and a few other assets.

As of 31 December 2018, Attendo had about 600 rental agreements related to premises, which have been recognised in the balance sheet as required under IFRS 16. The rental agreements related to real estate usually have terms of 10-15 years and those for cars have terms of 3 years. Leases for real estate also normally include one or more extension options. Because exercise of an extension option requires a new investment decision, IFRS 16 does not cover the calculation of the extension option until a decision to continue the operation is made. Variable costs, such as property tax, VAT and other variable property costs, such as the costs of maintenance, electricity, heat and water, etc., are excluded from the lease liability calculation to the extent the costs can be separated from the cost of rent. Attendo has taken advantage of the relief rule permitting the exclusion of leases of assets of low value, below SEK 50,000, and leases with terms of less than twelve months. Attendo has opted to apply IFRS 16 retrospectively and thus to restate the financial reporting presented for earlier periods. Disclosures of the effects of this and information regarding the transition in other respects is provided in the 2018 annual report, Note C30, and on section Income Statement with IFRS 16 impacts of this interim report.

IFRIC 23, which clarifies the reporting and measurement requirements in accounting for uncertainties in income taxes took effect in January 2019. The interpretation has had no impact on the consolidated financial statements.

Attendo streamlined the business in 2018. Actions included divesting the Finnish health care operations and merging two business areas in Scandinavia into one. Attendo has previously defined two operating segments that are continuously monitored by the chief operating decision maker, who makes decisions about the allocation of resources and assesses the operating segment's performance. However, as permitted under IFRS 8.12, Attendo has opted to report these segments on an aggregated level as one reportable segment because the segments have similar economic characteristics and are similar in terms of the customers (the contracting local authorities) using the services, the nature of the services and the methods used to provide the services, the nature of the production processes and the extent to which operations are affected by various regulatory environments and risks. Consequent upon the change in operations, Attendo will be reporting two operating segments from 2019, based on the two business areas, Attendo Scandinavia and Attendo Finland. Segment information for 2018 and the respective quarters in 2018 has been restated and presented for 2018 and the first quarter of 2018 in this interim report and for quarters 2, 3 and 4 on Attendo's website (www.attendo.com).

Other and eliminations in the segment tables refers to costs for the head office and group eliminations.

The interim information on pages 1-20 is an integrated part of this financial report. The parent company's financial statements are prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation, RFR 2 Accounting for Legal Entities.

This is a translation of the Swedish interim report. In the event of differences the Swedish interim report shall prevail.

The interim report has not been reviewed by the company's auditor.

Outlook

Attendo does not publish forecasts.

Danderyd, February 13, 2020

Martin Tivéus

CEO

Attendo's Annual reports are available on www.attendo.com

Financial reports

Consolidated Income Statement

SEKm	Q4 2019	Q4 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	3,054	2,818	11,935	10,987
Other operating income	20	12	110	24
Total revenue	**3,074**	**2,830**	**12,045**	**11,011**
Personnel costs	-2,127	-1,862	-8,133	-7,275
Other external costs	-512	-535	-1,972	-1,737
Operating profit before amortization and depreciations (EBITDA)	**435**	**433**	**1,940**	**1,999**
Amortization and depreciation of tangible and intangible assets	-296	-257	-1,128	-991
Operating profit after depreciation (EBITA)	**139**	**176**	**812**	**1,008**
Operating margin (EBITA), %	*4.6*	*6.2*	*6.8*	*9.2*
Amortization of acquisition related intangible assets	-35	-36	-140	-142
Operating profit (EBIT)	**104**	**140**	**672**	**866**
Operating margin (EBIT), %	*3.4*	*5.0*	*5.6*	*7.9*
Net financial items	-156	-144	-565	-540
Profit before tax	**-52**	**-4**	**107**	**326**
Income tax	12	0	-26	-82
Profit for the period from continuing operations	**-40**	**-4**	**81**	**244**
Profit margin, %	*-1.3*	*-0.1*	*0.7*	*2.2*
Divested operations				
Profit for the period from divested operations	-	605	-	711
Net profit for the period	**-40**	**601**	**81**	**955**
Profit for the period attributable to the parent company shareholders	**-40**	**601**	**81**	**955**
Basic earnings per share, continuing operations, SEK	-0.25	-0.02	0.51	1.52
Diluted earnings per share, continuing operations, SEK	-0.25	-0.02	0.51	1.52
Basic earnings per share, total operations, SEK	-0.25	3.74	0.51	5.95
Diluted earnings per share, total operations, SEK	-0.25	3.74	0.51	5.94
Basic earnings per share, divested operations, SEK	-	3.77	-	4.43
Diluted earnings per share, divested operations, SEK	-	3.76	-	4.42
Average number of shares outstanding, basic, thousands	160,882	160,577	160,877	160,455
Average number of shares outstanding, diluted, thousands	160,904	160,736	160,899	160,702

Consolidated Statement of Comprehensive Income

SEKm	Q4 2019	Q4 2018	Jan-Dec 2019	Jan-Dec 2018
Profit for the period	**-40**	**601**	**81**	**955**
Other comprehensive income for the period				
Items that will not be reclassified to profit or loss				
Remeasurements of defined benefit pension plans, net of tax	7	6	-3	6
Items that may be reclassified to profit or loss				
Exchange rate differences on translating foreign operations	-72	-135	47	-11
Other comprehensive income for the period	**-65**	**129**	**44**	**-5**
Total comprehensive income for the period	**-105**	**472**	**125**	**950**
Total comprehensive income attributable to the Parent company shareholders	**-105**	**472**	**125**	**950**

Consolidated Balance Sheet

SEKm	Dec 31, 2019	Dec 31, 2018
ASSETS		
Non-current assets	7,446	7,339
Goodwill	564	673
Other intangible assets	874	606
Equipment	8,856	7,533
Right of use assets	331	242
Financial assets	**18,071**	**16,393**
Current assets		
Trade receivables	1,090	1,050
Other current assets	400	437
Cash and cash equivalents	523	2,896
	2,013	**4,383**
Assets held for sale	186	446
Total current assets	**2,199**	**4,829**
Total assets	**20,270**	**21,222**
EQUITY AND LIABILITIES		
Equity	**5,831**	**5,801**
Non-current liabilities		
Liabilities to credit institutions	2,836	3,158
Long-term lease liabilities*	8,640	7,196
Provisions for post-employment benefits	15	43
Other provisions	142	54
Other non-current liabilities	151	162
Total non-current liabilities	**11,784**	**10,613**
Current liabilities		
Liabilities to credit institutions	2	2,120
Short-term lease liabilities**	862	745
Trade payables	256	259
Short-term provisions	85	193
Other current liabilities	1,431	1,464
	2,636	**4,781**
Liabilities held for sale	19	27
Total current liabilities	**2,655**	**4,808**
Total equity and liabilities	**20,270**	**21,222**

** Long-term lease liabilities include car leases amounting to SEK 12m (8m).*

*** Short-term lease liabilities include car leases amounting to SEK 19m (21m).*

Consolidated Cash Flow Statement

Operational cash flow (alternative performance measure) SEKm	**Q4 2019**	**Q4 2018***	**Jan-Dec 2019**	**Jan-Dec 2018***
Operating profit (EBITA)	139	215	812	1,196
Depreciation and amortization of tangible and intangible assets	296	261	1,128	1,008
Changes in working capital	129	1	-60	-30
Paid income tax	44	-38	-88	-226
Other non-cash items	-2	72	8	77
Investments in tangible and intangible assets	**606**	**511**	**1,800**	**2,025**
Divestment of tangible and intangible assets	-113	-93	-345	-284
Operating cash flow	4	28	104	58
Operating profit (EBITA)	**497**	**446**	**1,559**	**1,799**
Interest received/paid	-23	-38	-100	-116
Interest expense for lease liabilities of real estate	-127	-106	-473	-394
Repayment of lease liabilities	-206	-185	-790	-696
Free cash flow	**141**	**117**	**196**	**593**
Net change in assets and liabilities held for sale	-52	15	260	322
Acquisition of operations	-39	-225	-239	-499
Divestment of subsidiaries	-	2,235	87	2,235
Share issue	-	28	-	28
Warrants	-	-	-	-29
Dividends paid	-	-	-96	-204
Change in bank overdraft facilities	-	-30	-	-22
Repayment of loans	-3,051	11	-5,388	-213
New borrowings	2,789	-	2,789	200
Total cash flow	**-212**	**2,151**	**-2,391**	**2,411**
Cash and cash equivalents at the beginning of the period	745	752	2,896	475
Effect of exchange rate changes on cash	-10	-7	18	10
Cash and cash equivalents at the end of the period	**523**	**2,896**	**523**	**2,896**

Cash flow according to IFRS, SEKm	**Kv4 2019**	**Kv4 2018**	**Jan-dec 2019**	**Jan-dec 2018**
Cash flow from operations	456	367	1,227	1,515
Cash flow from investing activities	-200	1,960	-133	1,832
Cash flow from financing activities	-468	-176	-3,485	-936
Total cash flow	**-212**	**2,151**	**-2,391**	**2,411**

Refers to total operations including the divested Finnish health care operations.

Consolidated Statement of Changes in Equity

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SEKm	**Jan-dec 2019**	**Jan-dec 2018**
Opening balance	**5,801**	**5,041**
Total comprehensive income	**125**	**950**
Transactions with owners		
Share issue	-	28
Warrants	-	-15
Vested shares	2	-
Repurchase of own shares	-	0
Share-savings plan	-1	1
Dividend	-96	-204
Total transactions with owners	**-95**	**-190**
Closing balance	**5,831**	**5,801**

Segment in summary

SEKm	Attendo Scandinavia		Attendo Finland		Other and eliminations		Consolidated	
	Q4 2019	Q4 2018	Q4 2019	Q4 2018	Q4 2019	Q4 2018	Q4 2019	Q4 2018
Net sales	**1,596**	**1,563**	**1,458**	**1,255**	**-**	**-**	**3,054**	**2,818**
Own operations	1,136	1,091	1,419	1,211	-	-	2,555	2,302
Outsourcing	460	472	39	44	-	-	499	516
Operating profit (EBITA)	**172**	**97**	**-20**	**97**	**-14**	**-18**	**139**	**176**
operating margin (EBITA), %	*10.8*	*6.2*	*-1.4*	*7.7*	*-*	*-*	*4.6*	*6.2*
Adjusted EBITA	**125**	**62**	**-76**	**54**	**-14**	**-18**	**35**	**98**
Adjusted operating margin (EBITA), %	*7.8*	*4.0*	*-5.2*	*4.3*	*-*	*-*	*1.1*	*3.5*

SEKm	Attendo Scandinavia		Attendo Finland		Other and eliminations		Consolidated	
	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018	FY 2019	FY 2018
Net sales	**6,305**	**6,367**	**5,630**	**4,620**	**-**	**-**	**11,935**	**10,987**
Own operations	4,497	4,315	5,460	4,444	-	-	9,957	8,759
Outsourcing	1,808	2,052	170	176	-	-	1,978	2,228
Operating profit (EBITA)	**715**	**569**	**163**	**501**	**-66**	**-62**	**812**	**1,008**
operating margin (EBITA), %	*11.3*	*8.9*	*2.9*	*10.8*	*-*	*-*	*6.8*	*9.2*
Adjusted EBITA	**555**	**426**	**-48**	**347**	**-66**	**-62**	**441**	**711**
Adjusted operating margin (EBITA), %	*8.8*	*6.7*	*-0.9*	*7.5*	*-*	*-*	*3.7*	*6.5*

Net financial items

SEKm	Q4 2019	Q4 2018	Jan-Dec 2019	Jan-Dec 2018
Net interest expense (excluding lease liabilities for real estate)	-13	-31	-57	-117
Interest expense, lease liabilities for real estate	-127	-106	-473	-394
Other	-16	-7	-35	-29
Net financial items	**-156**	**-144**	**-565**	**-540**

Investments

SEKm	Q4 2019	Q4 2018	Jan-Dec 2019	Jan-Dec 2018
Investments				
Investments in intangible assets	6	4	18	35
Investments in tangible assets	107	75	327	229
Divestments of tangible and intangible assets	-4	-35	-104	-59
Total net investments	**109**	**44**	**241**	**205**
Intangible assets acquired through business combination				
Goodwill	55	168	148	379
Customer relations	56	59	87	152
Other	0	2	0	2
Total intangible assets acquired through business combination	**111**	**229**	**235**	**533**

For further information regarding acquisitions, see section Acquisitions.

Financial assets and liabilities

SEKm	Level	Dec 31, 2019	Dec 31, 2018*
ASSETS			
Financial assets measured at fair value			
Trade receivables		1,090	1,050
Cash and cash equivalents		523	2,896
Total financial assets		**1,613**	**3,946**
LIABILITIES			
Financial liabilities at fair value through profit or loss			
Contingent considerations	3	0	95
Financial liabilities measured at amortised cost			
Borrowings		2,838	5,278
Lease liabilities		9,502	7,941
Trade payables		256	259
Total financial liabilities		**12,596**	**13,573**

** Refers to total operations including the divested Finnish health care operations.*

The table shows the Group's significant financial assets and liabilities. Assets and liabilities recognized as loans and receivables, and other financial liabilities are valued at amortized cost. Fair value for all financial assets and liabilities are equal to the carrying value. For complete table and further information see Attendo's Annual report 2018, note C23.

Valuation technique

Level 3: The fair value of contingent considerations is based on estimated outcome from the contractual clauses in the share purchase agreements.

Pledged assets and contingent liabilities

SEKm	Dec 31, 2019	Dec 31, 2018
Assets pledged as collateral	73	115
Contingent liabilities*	5,040	5,675

** Leases of assets not yet in use are reported in contingent liabilities. Contingent liabilities also include a potential outflow of resources to complete acquisitions of real estate and operations from a few local authorities in Finland.*

Divested operations

On May 17, 2018 Attendo communicated that a binding agreement had been signed regarding a divestment of the Finnish health care operation to Terveystalo. The divestment was completed on December 28, 2018 after approval from the Finnish Competition Authority. For further information see Interim Report January-June 2018.

Income Statement with IFRS16 impacts

The effects of the implementation of IFRS 16 leases on the income statement are shown below.

	Q4, 2019			Q4, 2018		
SEKm	**Reported**	**IFRS 16 effect**	**Excl. IFRS 16-effect***	**Reported**	**IFRS 16 effect**	**Excl. IFRS 16-effect***
Net sales	3,054		3,054	2,818		2,818
Other operating income	20	-12	8	12		12
Total revenue	**3,074**	**-12**	**3,062**	**2,830**	-	**2,830**
Personnel costs	-2,127		-2,127	-1,862		-1,862
Other external costs	-512	-333	-845	-535	-286	-821
Operating profit before amortization and depreciation (EBITDA)	**435**	**-345**	**90**	**433**	**-286**	**147**
Amortization and depreciation of tangible and intangible assets	-296	241	-55	-257	208	-49
Operating profit (EBITA)	**139**	**-104**	**35**	**176**	**-78**	**98**
Operating margin (EBITA) %	*4.6*		*1.1*	*6.3*		*3.5*
Amortization of acquisition related intangible assets	-35		-35	-36		-36
Operating profit (EBIT)	**104**	**-104**	**0**	**140**	**-78**	**62**
Operating margin (EBIT) %	*3.4*		*0.0*	*5.0*		*2.2*
Net financial items	-156	127	-29	-144	106	-38
Profit before tax	**-52**	**23**	**-29**	**-4**	**28**	**24**
Income tax	12	-4	8	0	-6	-6
Profit for the period from continuing operations	**-40**	**19**	**-21**	**-4**	**22**	**18**
Profit margin %	*-1.3*		*-0.7*	*-0.1*		*0.6*
Divested operations						
Profit for the period from divested operations	-	-	-	605		605
Profit for the period	**-40**	**19**	**-21**	**601**	**22**	**623**
Profit for the period attributable to the parent company shareholders	**-40**	**19**	**-21**	**601**	**22**	**623**

** This column shows adjusted EBITDA and adjusted EBITA.*

SEKm	Jan-Dec, 2019 Reported	IFRS 16 effect	Excl. IFRS 16-effect*	Jan-Dec, 2018 Reported	IFRS 16 effect	Excl. IFRS 16-effect*
Net sales	11,935		11,935	10,987		10,987
Other operating income	110	-21	89	24		24
Total revenue	**12,045**	**-21**	**12,024**	**11,011**	**-**	**11,011**
Personnel costs	-8,133		-8,133	-7,275		-7,275
Other external costs	-1,972	-1,263	-3,236	-1,737	-1,081	-2,818
Operating profit before amortization and depreciation (EBITDA)	**1,940**	**-1,284**	**655**	**1,999**	**-1,081**	**918**
Amortization and depreciation of tangible and intangible assets	-1,128	913	-215	-991	784	-207
Operating profit (EBITA)	**812**	**-371**	**441**	**1,008**	**-297**	**711**
Operating margin (EBITA) %	*6.8*		*3.7*	*9.2*		*6.5*
Amortization of acquisition related intangible assets	-140		-140	-142		-142
Operating profit (EBIT)	**672**	**-371**	**301**	**866**	**-297**	**569**
Operating margin (EBIT) %	*5.6*		*2.5*	*7.9*		*5.2*
Net financial items	-565	473	-92	-540	394	-146
Profit before tax	**107**	**102**	**209**	**326**	**97**	**423**
Income tax	-26	-20	-46	-82	-20	-102
Profit for the period from continuing operations	**81**	**82**	**163**	**244**	**77**	**321**
Profit margin %	*0.7*		*1.4*	*2.2*		*2.9*
Divested operations						
Profit for the period from divested operations	-		-	711	-	711
Profit for the period	**81**	**82**	**163**	**955**	**77**	**1,032**
Profit for the period attributable to the parent company shareholders	**81**	**82**	**163**	**955**	**77**	**1,032**

** This column shows adjusted EBITDA and adjusted EBITA.*

Key Data

		Q4 2019	Q4 2018	Jan-Dec 2019	Jan-Dec 2018
Organic growth	%	3.6	4.5	2.1	3.6
Acquired growth	%	3.2	7.2	4.8	15.4
Changes in currencies	%	1.6	3.0	1.7	3.4
Operating margin (EBITA margin) r12	%	-	-	6.8	9.2
Adjusted operating margin (EBITA margin) r12	%		-	3.7	6.5
Working capital*	SEKm		-	-283	-429
Return on capital employed *	%		-	3.6	4.9
Net debt to equity ratio*	times		-	2.0	1.8
Equity to asset ratio *	%		-	29	27
Net debt / EBITDA r12	times		-	6.1	5.2
Adjusted net debt / adjusted EBITDA r12	times		-	3.6	2.7
Free cash flow	SEKm	141	117	196	593*
Net investments	SEKm	-109	-44	-241	-205
Average number of employees		16,163	15,789	16,499	16,745
Key data per share					
Earnings per share, basic	SEK	-0.25	-0.02	0.51	1.52
Earnings per share, diluted	SEK	-0.25	-0.02	0.51	1.52
Equity per share, basic *	SEK	36.24	36.13	36.24	36.15
Equity per share, diluted *	SEK	36.24	36.09	36.24	36.10
Average number of shares outstanding, basic	thousands	160,882	160,577	160,877	160,455
Average number of shares outstanding, diluted	thousands	160,904	160,736	160,899	160,702
Number of shares, end of period	thousands	161,387	161,386	161,387	161,386
Number of treasury shares, end of period	thousands	496	519	496	519
Number of shares outstanding, end of period	thousands	160,890	160,867	160,890	160,867

** The comparison period includes the divested Finnish health care operations.*

Quarterly Data

SEKm	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Total net sales	2,624	2,743	2,802	2,818	2,878	2,990	3,013	3,054
– Net sales, own operations	2,056	2,168	2,233	2,302	2,382	2,499	2,521	2,555
– Net sales, outsourcing	568	575	569	516	496	491	492	499

SEKm	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Total net sales	2,624	2,743	2,802	2,818	2,878	2,990	3,013	3,054
– Net sales Scandinavia	1,594	1,611	1,601	1,563	1,537	1,588	1,584	1,596
– Net sales Finland	1,030	1,133	1,201	1,255	1,341	1,402	1,429	1,458
Operating profit (EBITDA)	496	441	629	433	526	395	584	435
Operating margin (EBITDA margin),%	*18.9*	*16.1*	*22.4*	*15.4*	*18.3*	*13.2*	*19.4*	*14.2*
Operating profit (EBITA)	258	199	375	176	258	121	294	139
Operating margin (EBITA margin),%	*9.8*	*7.3*	*13.4*	*6.3*	9.0	4.0	9.8	4.6
Profit for the period	78	21	149	-4	66	-39	94	-40
Profit margin, %	*3.0*	*0.8*	*5.3*	*-0.1*	2.3	-1.3	3.1	-1.3
Earnings per share basic, SEK	0.49	0.13	0.93	-0.02	0.41	-0.24	0.58	-0.25
Earnings per share diluted, SEK	0.49	0.13	0.93	-0.02	0.41	-0.24	0.58	-0.25
Adjusted operating profit (EBITDA)	249	179	343	147	210	97	259	90
Adjusted operating margin (EBITDA margin),%	*9.5*	*6.5*	*12.2*	*5.2*	*7.3*	*3.2*	*8.6*	*2.9*
Adjusted operating profit (EBITA)	188	128	297	98	160	42	204	35
Adjusted operating margin (EBITA margin),%	*7.2*	*4.7*	*10.6*	*3.5*	*5.5*	1.4	*6.8*	*1.1*
Average number of employees	15,545	16,967	17,087	15,789	16,370	16,566	16,984	16,163
Own operations								
Number of units in operation*	557	583	584	585	598	599	604	604
Number of beds in operation**	13,216	14,536	14,889	15,288	15,923	16,216	16,470	16,618
Number of beds under construction**	2,828	2,463	2,519	2,462	2,401	2,335	2,094	1,980
Number of opened beds (r12)**	2,134	2,885	2,486	2,409	2,282	1,752	1,867	1,950
Occupancy in own homes,%**	82	79	81	82	81	79	80	80

** Refers to all units in Own operations.*

*** Nursing homes for older people, homes for people with disabilities and social psychiatry.*

Parent Company Income Statement

SEKm	Q4 2019	Q4 2018	Jan-Dec 2019	Jan-Dec 2018
Net sales	3	3	13	11
Personnel costs	-6	-8	-26	-22
Other external costs	-1	-2	-9	-11
Operating profit	**-4**	**-7**	**-22**	**-22**
Net financial items	-3	-3	-9	-9
Profit after financial items	**-7**	**-10**	**-31**	**-31**
Group contributions	48	31	48	31
Profit before tax	**41**	**21**	**17**	**0**
Income tax	-4	0	-4	0
Profit for the period	**37**	**21**	**13**	**0**

Profit for the period corresponds to total comprehensive income.

Parent Company Balance Sheet

Mkr	Dec 31, 2019	Dec 31, 2018
ASSETS		
Non-current assets		
	6,494	6,494
Shares in subsidiaries	**6,494**	**6,494**
Total non-current assets		
Current assets	49	35
Receivables to group companies	1	9
Other receivables	0	0
Cash and cash equivalents	**50**	**44**
Total current assets	**6,544**	**6,538**
EQUITY AND LIABILITIES		
Equity	**5,993**	**6,075**
Current liabilities		
Liabilities to group companies	538	450
Other liabilities	13	13
Total current liabilities	**551**	**463**
Total equity and liabilities	**6,544**	**6,538**

Information to shareholders and analysts

Financial Calendar

Annual Report 2019	Week 12, 2020
Interim report January-March 2020	6 May 2020
Interim report January-June 2020	23 July 2020
Interim report January-September 2020	23 October 2020

Annual General Meeting will be held 15 April 2020.

Telephone conference

A telephone conference will be held on 13 February 2020 at 10.00 (CET) with Attendo's CEO Martin Tivéus and CFO Fredrik Lagercrantz. For participation please dial in on the following number:

SE:	+46 8 56 64 26 92
FI:	+358 981 710 520
UK:	+44 333 300 9274

Link to webcast

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This is information that Attendo AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above at 08.00 CET on 13 February 2020.

Forward-looking information

This report contains forward-looking information based on current expectations of the Attendo's management. Although management deems that the expectations presented by such forward-looking information are reasonable, no guarantee can be given that these expectations will prove correct. Accordingly, the actual future outcome could vary considerably compared to what is stated in the forward-looking information, due to such factors as changed market conditions for Attendo's services and more general conditions regarding business cycles, market and competition, changes in legal requirements and other political measures, and fluctuation in exchange rates.

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Company number:
559026-7885

Attendo's operations

Own operations

84%

Share of net sales

Outsourcing

16%

Share of net sales

Attendo is the leading private provider of care services in the Nordics. The company has operations in Sweden, Finland, Norway and Denmark. Attendo is the largest private care provider in Sweden and Finland. Attendo is a locally based company and has more than 700 units in operation in about 300 municipalities. The company has about 25,000 employees. With the vision of empowering the individual, Attendo provides services within care for older people, care for people with disabilities, social psychiatry and care for individuals and families.

Attendo provides services through two business areas, Attendo Scandinavia and Attendo Finland.

Attendo provides care services under two contract models:

- Own operations, where Attendo provides services in own controlled units/premises or provides home care in customer choice models. Attendo has own units within care for older people, people with disabilities, social psychiatry and care for individuals and families.
- Outsourcing operations, where Attendo provides services in publicly controlled units/premises or provides home care services based on outsourcing contracts. Attendo has outsourced units for care for older people, care for people with disabilities and care for individuals and families.

Local authorities (mainly municipalities) are usually the contracting authorities for a large majority of Attendo’s service offerings, but contract types and duration of contracts vary depending on the contract model and service offering. Own operations are normally based on framework agreements and outsourcing operations are based on outsourcing contracts, following a tender process. The contract period is typically 2-5 years.

Definitions of key data and alternative performance measures (APM)

Explanations of financial measures

Acquired growth (APM)	The increase in the company's net sales from businesses and operations acquired during the past 12 months.
Adjusted EBITA (APM)	See the definition of operating profit (EBITA) below. Adjusted operating profit (EBITA) is operating profit according to the previous reporting standard IAS 17, i.e. excluding the effects of the implementation of IFRS 16. Car leases were reported as finance leases under the previous standard. Consequently, it is the effects of leases of real estate under IFRS 16 that differentiate operating profit from adjusted operating profit. See the income statement including effects of IFRS 16 for more information.
Adjusted EBITDA (APM)	See the definition of operating profit (EBITDA) below. Adjusted operating profit (EBITDA) is operating profit according to the previous accounting standard IAS 17, i.e., excluding the effects of the implementation of IFRS 16. Car leases were reported as finance leases under the previous standard. Consequently, it is the effects of leases of real estate under IFRS 16 that differentiate operating profit from adjusted operating profit. See the income statement including effects of IFRS 16 for more information.
Adjusted net debt (APM)	See the definition of net debt below. Adjusted net debt is net debt according to the previous reporting standard IAS 17, i.e., excluding the IFRS 16 effect on lease liabilities attributable to right-of-use assets for real estate. See the table showing net debt calculation for more information.
Adjusted operating margin (EBITA) (APM)	Adjusted operating profit (EBITA) divided by net sales.
Adjusted operating margin (EBITDA) (APM)	Adjusted operating profit (EBITDA) divided by net sales.
Capital employed	Equity plus interest-bearing liabilities and provisions for post-employment benefits.
Cash and cash equivalents	Cash and bank balances, short term investments and derivatives with a positive fair value.
Earnings per share	Profit or loss for the period divided by average shares outstanding.
Equity/assets ratio	Equity divided by total assets.
Equity per share	Equity divided by average shares outstanding.
Free cash flow (APM)	Free cash flow is a measure of the cash and cash equivalents the group generates in operating activities and investing activities. The performance measure is defined as operational cash flow after changes in working capital, cash flow from investments in and divestments of tangible and intangible assets, as well as received/paid interest, interest expense for lease liabilities of real estate and repayment of lease liabilities according to IFRS 16. See the Consolidated cash flow table for reconciliation.
Net debt (APM)	Net debt is a way of describing the group's indebtedness and its ability to repay its debt with cash and cash equivalents if all debts were to be due for payment today. Net debt is defined as interest-bearing liabilities plus provisions for post-employment benefits minus cash and cash equivalents. Net debt is presented both including and excluding lease liabilities attributable to right-of-use assets for real estate. See the section Financial position in this report for a reconciliation of net debt.
Net debt to equity ratio	Net debt divided by equity.
Net investments	The net of investments in and divestments of tangible and intangible assets, excluding acquisitions and divestment of operations as well as investments in and divestments of assets held for sale.
Net profit (-loss) for the period	Profit or loss for the period attributable to parent company shareholders.

Organic growth (APM)	Attendo reports organic growth as a performance measure to show underlying sales development excluding acquisitions and currency effects. The performance measure is calculated as sales growth excluding acquisitions and changes in exchange rates. See Note C33 in the 2018 annual report for a reconciliation of the performance measure on a full year basis.
Operating margin (EBIT margin)	Operating profit or loss (EBIT) divided by net sales.
Operating margin (EBITA margin)	Operating profit (EBITA) divided by net sales.
Operating profit (EBIT) (APM)	Attendo reports operating profit (EBIT) as a performance measure because it shows the development of operating activities independent of financing. Operating profit (EBIT) refers to profit before financial items and tax. See the Consolidated income statement for a reconciliation of EBIT.
Operating profit (EBITA) (APM)	Operating profit (EBITA) is used as a performance measure because it shows the development of operating activities without the effect of amortisation and impairments of intangible assets from acquired companies and independently of financing. Operating profit (EBITA) refers to profit before amortisation of acquisition-related intangible assets, financial items and tax See the Consolidated income statement for a reconciliation of EBITA.
Operating profit (EBITDA) (APM)	Attendo reports operating profit (EBITDA) as a performance measure because it shows the development of operating activities independent of financing and investments. Operating profit (EBITDA) refers to profit or loss before depreciation, amortisation and impairments. See the Consolidated income statement for a reconciliation of EBITDA.
Profit margin	Profit or loss for the period divided by net sales.
r12 “rolling 12 months”	The sum of the period’s past 12 months.
Return on capital employed (APM)	Attendo reports return on capital employed because it shows profits in relation to the capital used in operations. The definition of return on capital employed is operating profit (EBIT) for the past 12 months divided by average capital employed.
Working capital (APM)	Working capital is a key performance measurement for optimising cash generation. The performance measure is defined as current assets excluding cash and cash equivalents and current interest-bearing assets minus current non-interest-bearing liabilities and provisions. Assets and liabilities held for sale are not included in working capital. See Note C33 in the 2018 annual report for a reconciliation of the performance measure on a full year basis.

Explanations of operating measures

CoP	Care for older people.
Mature unit	Unit opened during the calendar year of 2017 or earlier, excluding units from the acquisition of Mikeva.
Occupancy	The number of occupied beds divided by the number of available beds. Occupancy is a weighted average in the last month of each reporting period.

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