

frösunda.
OMSORG

Q3

INTERIM REPORT 2019
BRADO AB



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KEY FIGURES

Pro forma (PF* refers to YTD 18)

SEK million	Q3 19	Q2 19	YTD 19	Q3 18	Q2 18	YTD 18
Total revenue	520.0	523.6	1,581.5	570.5	578.1	1,752.7
EBITDA	57.6	28.4	115.2	31.2	2.8	28.1
EBITDA (%)	11.1 %	5.4 %	7.3 %	5.5 %	0.5 %	1.6 %
EBITA	35.8	3.2	44.7	27.3	-1.1	16.5
EBITA (%)	6.9 %	0.6 %	2.8 %	4.8 %	-0.2 %	0.9 %
EBIT - before property sales	35.8	3.2	44.7	27.3	-1.1	16.5
EBIT - before property sales (%)	6.9 %	0.6 %	2.8 %	4.8 %	-0.2 %	0.9 %
EBIT	34.2	4.3	44.2	27.3	-1.1	16.5
EBIT (%)	6.6 %	0.8 %	2.8 %	4.8 %	-0.2 %	0.9 %
EBT	7.7	146.5	140.6	13.8	-14.9	-20.2
EBT (%)	1.5 %	28.0 %	8.9 %	2.4 %	-2.6 %	-1.1 %

Figures for 2019 and onwards are reported including effects from IFRS 16, whereas all figures from previous periods are reported according to previous standard (IAS 17) and related interpretations IFRIC 4, SIC-15 and SIC-27. For further information, please see note 2.

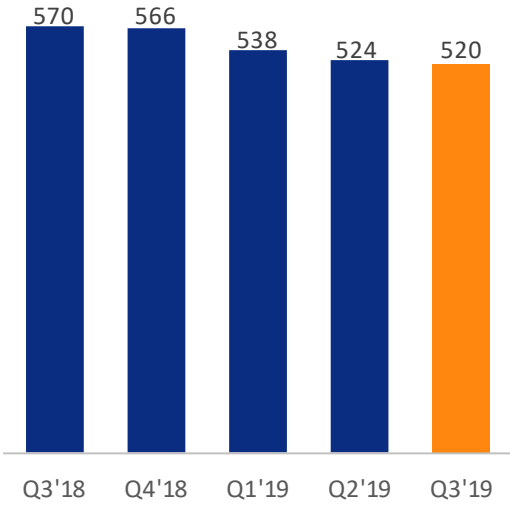
Properties within the segment Individual and Family are undergoing a sales process. The effects of the sales are reported separately in accordance with the Alternative Performance Measure (APM) "EBIT before property sales (gain/loss)". Effects of the sales in Q3'19 are SEK -1.6 million, and in Q2'19 SEK 1.1 million.

Q3 2019 HIGHLIGHTS

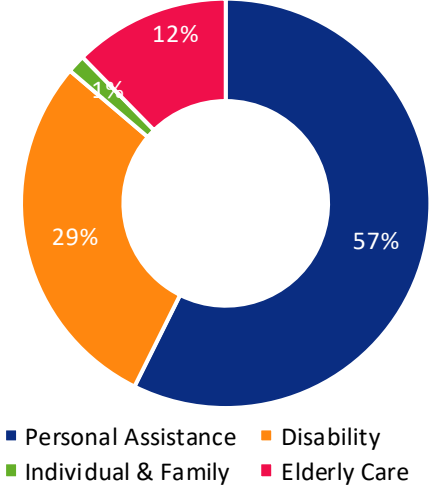
- Q3'19 operating revenues of SEK 520.0 million
- EBITA of SEK 35.8 million (6.9 %)
- EBIT of SEK 34.2 million (6.6%)
- Good profitability in Q3'19, driven by continued positive development across all segments combined with Q3 being a seasonally strong quarter
- Increased revenues within Personal Assistance compared to Q2'19, and slightly improved margins year on year
- Stable topline and improved margins within Disability, driven by increased occupancy and better cost control
- Continued improvements on both occupancy and efficiency within Elderly Care
- Individual and Family is still weak. Decision made to close down all HVB units and related properties. The goal is to reduce losses substantially in the coming quarters
- At the end of Q3'19, total available cash including the RCF was SEK 132.6 million, compared to SEK 144.8 million at the end of Q2'19. The RCF facility of SEK 80 million was undrawn at the end of Q3'19.

*Included in the report is pro-forma consolidated Group figures for 2018, as if the Group existed per 1 January 2018 (marked PF). In addition, the report includes consolidated Group figures for the period from the acquisition date until 30 September 2019.

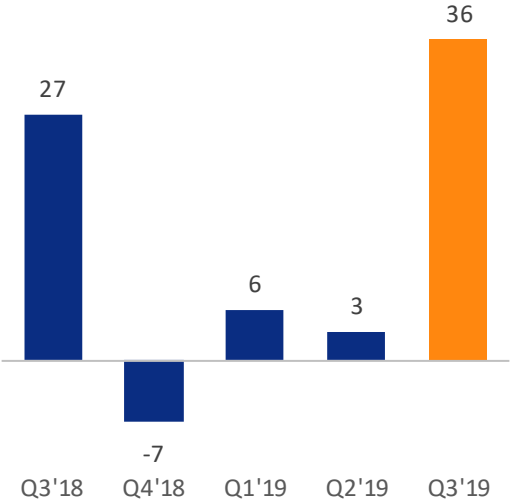
Revenue per quarter (SEKM):



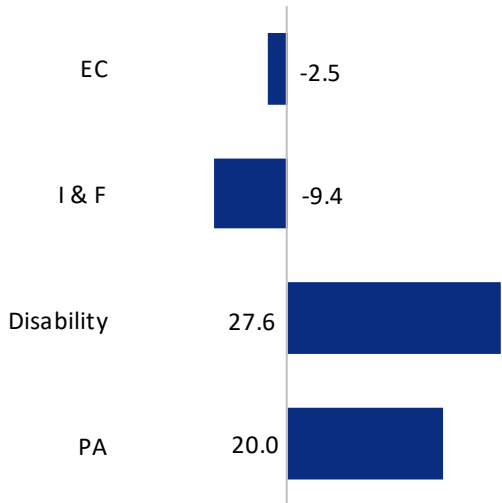
Segment distribution Q3'19 (%):



EBITA per quarter (SEKM):

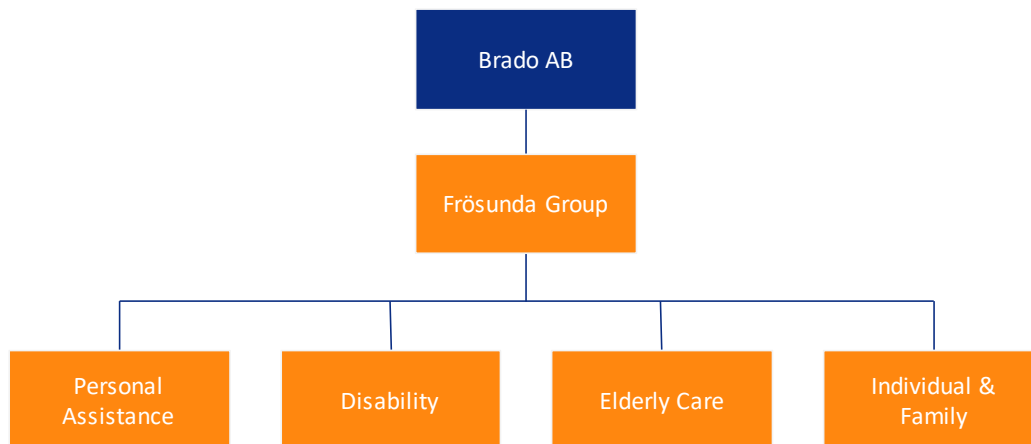


EBITA distribution Q3'19 (SEKM)



BRADO AB (PUBL) / FRÖSUNDA OMSORG AB

Brado AB was established in October 2017 and is controlled by Kristian Adolfsen and Roger Adolfsen. The company acquired 100 percent of the shares in Frösunda Holdco AB and its subsidiaries as per 6 March 2018. Frösunda Holdco AB and its subsidiaries are consolidated as from that date. Frösunda is a leading Swedish private provider of care services. Frösunda Group consists of a number of companies, where operations are conducted within the four segments; Personal Assistance, Disability, Individual & Family and Elderly Care. The below structure offers an overview of the Group and its segments but shall not be regarded as a legal structure.



Brief description of the four segments:

The Personal Assistance segment provides help in the daily life of its customers. Each customer is supported by an assistance team ensuring availability on short notice around the clock. The services are offered in the homes of the customers or wherever they are.

The Disability segment offers a range of services directed towards disabled people in order to support them in living independent lives. The segment employs experienced staff and has several units with customized facilities to assist customers. The services are offered at operational units or at Frösundas own full responsibility units.

The Elderly Care segment offers housing for elderly who are unable to live on their own. Staff and units can support different needs related to illness, dementia diagnosis or age weaknesses. Strong environmental focus to create relaxed surroundings is implemented in full responsibility units.

The Individual & Family segment offers a break or new start for children and youth with a troubled upbringing through collaboration with several families to provide safe and stable surroundings. Frösunda also offers housing for customers with social or psychiatric disabilities.

Companies in Frösunda Group (together with Brado AB; the "Group"): Frösunda Holdco AB 556778-0076, Frösunda Bidco AB 556777-9961, Frösunda Group AB 556748-4158, Frösunda LSS I Södra Sverige AB 556386-7398, Frösunda LSS I Väst AB 556435-4834, Frösunda Omsorg AB 556509-2482, Frösunda Omsorg I Uppland AB 556560-1548, Frösunda Social Omsorg AB 556606-2401, Frösunda Omsorg Fastigheter AB 556629-5290, Frösunda Omsorg i Stockholm AB 556597-2352, Frösunda Omsorg i Gävleborg AB 556106-1853, Frösunda Omsorg Arbetsmarknad AB 559158-4635.

GROUP ACTIVITIES

In accordance with the conclusions of the company's strategic review within I&F, all HVB operations are discontinued. At the end of Q3'19, there was limited operation within one unit. One third of the properties have been sold as per end of Q3'19 and processes are ongoing to sell the remaining. Costs for remaining properties and staff will gradually be phased out. The goal is to remove the losses in the segment within a couple of quarters.

During Q3'19, an overhead cost savings program has been planned. The program will be launched in Q4'19 with the aim of saving approximately SEK 25 million on an annual basis. The program is expected to reach full effect in Q2'20.

A joint process with NHC Sweden has been on foot with the aim of evaluating possible synergies, including increased efficiency, reduced cost base and stronger growth. This work will form the basis for future decisions on coordination.

FINANCIALS

Since this is the seventh interim report presented by Brado AB (publ) after the acquisition on 6 March 2018, no directly comparable figures exists for the full year. Included in the report is pro-forma consolidated Group figures for 2018, as if the Group existed per 1 January 2018 (marked PF). In addition, the report includes consolidated Group figures for the period from the acquisition date until 30 September 2019.

Figures for 2019 and onwards are reported including effects from IFRS 16, whereas all figures from previous periods are reported according to previous standard. For further information, see note 2.

Consolidated Income Statement – per 30 September 2019 (unaudited)

The Group reported operating revenue of SEK 520.0 million in Q3'19 compared to SEK 523.6 million in Q2'19 and SEK 570.5 million in Q3'18.

Total operating expenses in the period ended at SEK 462.5 million compared to SEK 495.2 million in Q2'19 and SEK 539.3 million in Q3'18. In Q3'19, the effect from IFRS 16 was SEK 21.3 million in lower operating expenses. Staff cost as percent of total operating revenue was 80.9% in Q3'19 compared to 86.5% in Q2'19 and 82.3% in Q3'18.

EBITA in Q3'19 ended at SEK 35.8 million (6.9 %) compared to SEK 3.2 million (0.6%) in Q2'19 and SEK 27.3 million (4.8%) in Q3'18. Finance expenses in Q3'19 amounted to SEK -26.5 million compared to SEK -19.4 million in Q2'19 and SEK -13.5 million in Q3'18, the effect from IFRS 16 was SEK -5.6 million in Q3'19.

Consolidated Balance Sheet per 30 September 2019 (unaudited)

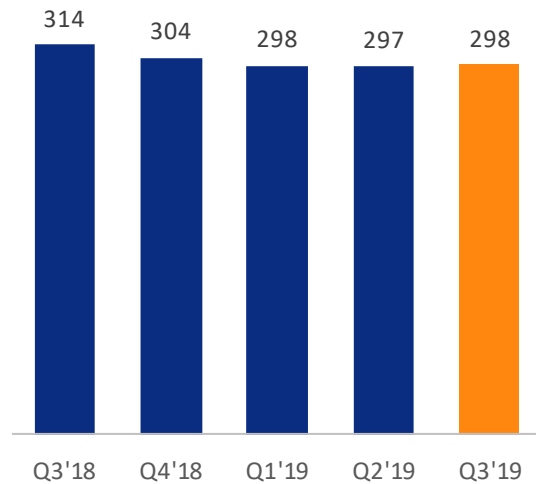
Total assets ended at SEK 1 969.8 million per 30 September 2019.

Total liabilities ended at SEK 1 496.4 million. Total equity per end of Q3'19 is SEK 473.4 million. Total cash and equivalents per end of Q3'19 amounted to SEK 52.6 million. Total available cash including the RCF was SEK 132.6 million. Undrawn amount on the RCF at the end of Q3'19 was SEK 80 million. The Group had several clean-downs on the RCF during Q3'19.

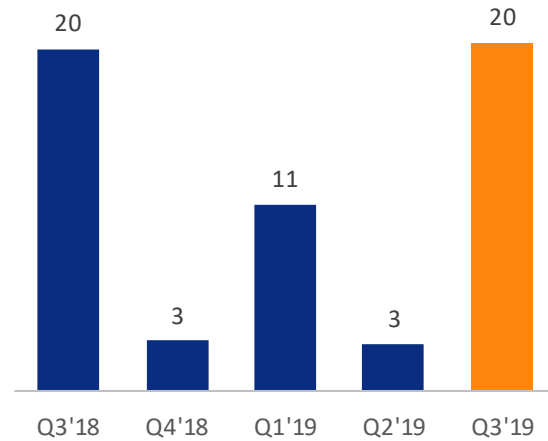
Business Segments

PERSONAL ASSISTANCE

Revenue per quarter (SEKM)



EBITA per quarter (SEKM)

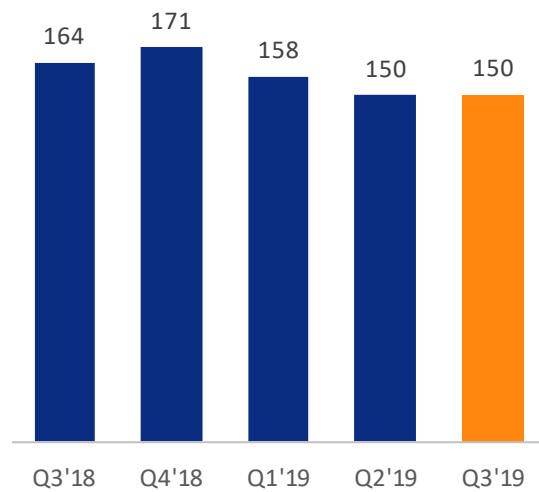


Revenues for Personal Assistance ended at SEK 297.9 million in Q3'19 compared to SEK 297.3 million in Q2'19 and SEK 314.0 million in Q3'18. EBITA for Q3'19 ended at SEK 20.0 million (6.7%) compared to SEK 2.7 million (0.9%) in Q2'19 and SEK 19.7 million (6.3%) in Q3'18.

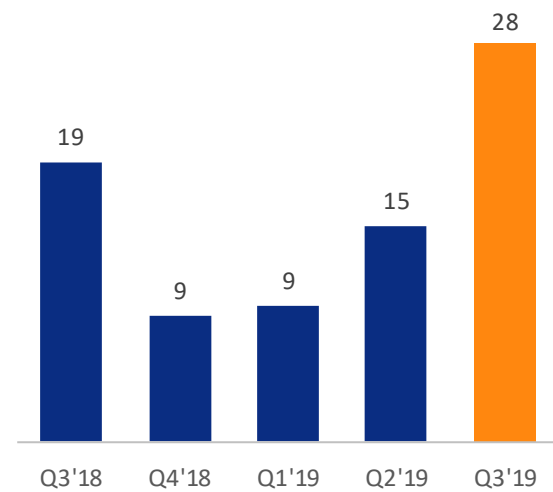
The third quarter is seasonally strong driven by the vacation period during summer. The number of customers at the end of Q3'19 was 904 (898 at Q2'19), making Q3'19 the first quarter with net growth in number of customers in several years. The segment is stable and works with small continuous improvements. Quality metrics are improving and the customer satisfaction is stable at a solid level. Activity and visibility are high in social media.

DISABILITY

Revenue per quarter (SEKM)



EBITA per quarter (SEKM)



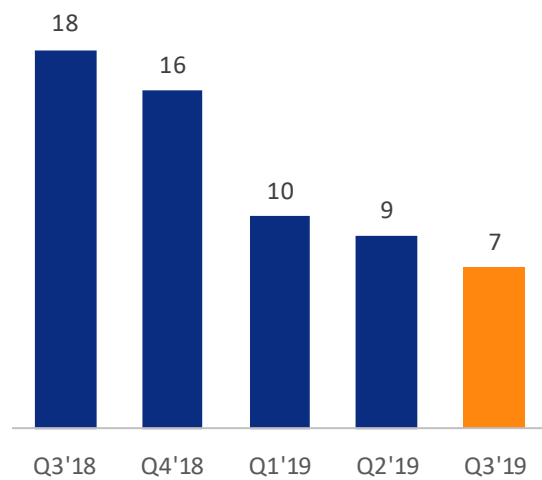
Revenues within the Disability segment ended at SEK 150.0 million in Q3'19 compared to SEK 149.7 million in Q2'19 and SEK 163.7 million in Q3'18. EBITA for Q3'19 ended at SEK 27.6 million (18.4%) compared to SEK 14.9 million (9.9%) in Q2'19 and SEK 19.3 million (11.8%) in Q3'18.

The number of customers ended at 780 (790 at the end of Q2'19). 12 customers have been relocated to the segment Individual & Family during Q3'19.

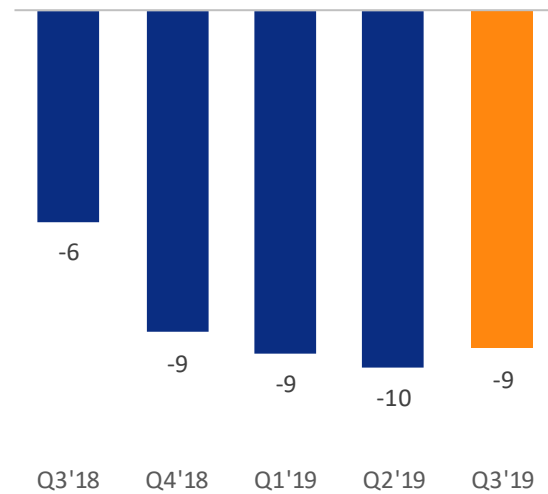
The third quarter is seasonally strong, however a clear improvement can be seen year on year. The work on increasing occupancy and reducing cost related to the nursing services has been successful. One new contract was won during Q3'19, involving operation of three group homes. Future efforts will be put on improving occupancy further and continue seeking growth opportunities.

INDIVIDUAL & FAMILY

Revenue per quarter (SEKM)



EBITA per quarter (SEKM)



Revenues for Individual & Family ended at SEK 7.5 million in Q3'19 compared to SEK 8.9 million in Q2'19 and SEK 17.5 million in Q3'18. EBITA for Q3'19 ended at SEK -9.4 million (-125.4%) compared to SEK -9.9 million (-110.6%) in Q2'19 and SEK -5.8 million (-33.4%) in Q3'18.

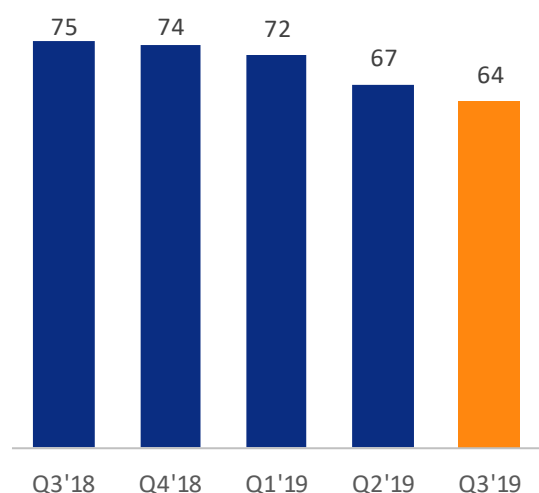
The number of customers at the end of Q3'19 was 60 (51 in Q2'19). 12 customers have been relocated from the segment Disability during Q3'19.

The effects of the sale of one property in Q2'19 have been reclassified. Revenue and EBITA are reduced by SEK 1.1 million in Q2'19, whereas EBT remains unchanged. During Q3'19, four more properties were sold. The net effect on financial items was SEK -1.6 million.

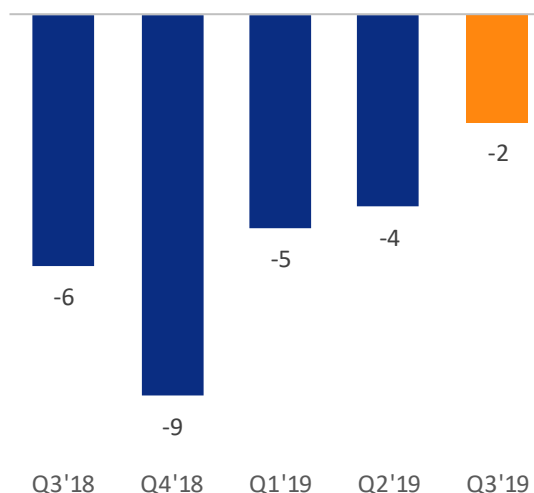
Following a strategic review, the decision was made to shut down all HVB-homes in the group and sell related properties. The activities within Family Homes and Support Homes continue. Costs related to discontinued operations will be phased out during Q4'19 and Q1'20. At the same time, efforts are made to reduce overhead costs carried by the segment. The goal is to reach breakeven within the segment during 1H'20.

ELDERLY CARE

Revenue per quarter (SEKM)



EBITA per quarter (SEKM)



Revenues for Elderly Care ended at SEK 64.1 million in Q3'19 compared to SEK 67.1 million in Q2'19 and SEK 75.0 million in Q3'18. EBITA for Q3'19 ended at SEK -2.5 million (-3.9%) compared to SEK -4.4 million (-6.6%) in Q2'19 and SEK -5.8 million (-7.7%) in Q3'18.

The number of customers at the end of Q2'19 was 378 (380 in Q2'19).

The work with improving efficiency and occupancy continues. The costs for nursing services are approaching targets and quality improvements continue as planned.

Marketing of the new full responsibility units in Gävle started during the quarter. Operations are expected to start during Q1'20. The start-up will have a positive impact on topline and a negative impact on EBITA during 2020 as occupancy is expected to be low during the first year of operations. Preparations have also started for the new unit in Sölvesborg, expected to open in Q2'20. The risk related to occupancy is assumed lower on this unit, however, the EBITA-contribution is expected to be negative in 2020 for this unit also.

Key events after balance sheet date

In October 2019, three additional properties were sold within the Individual and Family segment. Another six properties are still for sale.

Outlook and main risk factors

The strong increase in new units within Elderly Care throughout Sweden can create local over-establishments. Therefore, Frösunda chooses carefully where and when new units will be established. The pace of establishment within Frösunda's segment Elderly Care may be somewhat lower than previously communicated. The focus will be on improving the profitability of existing operations. The segment needs more volume to reach positive margins. The goal is to open two new full responsible units annually from 2020.

Media's focus on the care market has decreased. The fundamental market conditions remain strong. However, there are continuing challenges with the municipalities' financial position, which may affect future growth rates.

As described earlier, Frösunda received a formal notice from Sundbyberg Stad with a claim linked to a previous operation, which was closed at the end of 2017. The parties have now reached a settlement and the risk is thus removed.

Use of Alternative Performance Measures (APM)

Alternative Performance Measures (APM) are understood as financial measures of historical or future financial performance, financial position, or cash flows, other than financial measures defined or specified in the applicable financial reporting framework. Brado AB reports the financial measures "EBITDA", "EBITA", "EBIT before property sales (gain/loss)" and "EBIT" in its quarterly reports, which are not financial measures as defined in IFRS. The reported numbers are included in the financial statements and can be directly reconciled with official IFRS line items. The APMs are used consistently over time and accompanied by comparatives for the corresponding previous periods.

Statement from the Board of Directors

The interim financial statements are, to the best of our knowledge and based on our best opinion, presented in accordance with International Financial Reporting Standards and the information provided in the financial statements give a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period. The financial report provides an accurate view of the development, performance and financial position of the Company and the Group, and includes a description of the key risks and uncertainties the Group is faced with.

Stockholm, 15 November 2019

Board of Directors of Brado AB (publ)

Roger Adolfsen
Chairman of the Board

Kristian A. Adolfsen
Member of the Board

Carl Lindstrand
Member of the Board

Auditor's report

Introduction

We have reviewed the condensed interim financial information (interim report) of Brado AB (publ) as of 30 September 2019 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

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

Conclusion

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

Stockholm, 14 November 2019

Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Auditor-in-charge
Authorised Public Accountant

For more information:

Johan Wewel
CFO
+46 10 1304035
johan.wewel@frosunda.se

Kristoffer Lorck
CEO
kristoffer.lorck@frosunda.se

Ticker codes:

Brado AB has issued bond loans with the following names:

Brado AB (publ) Senior Secured Callable Floating Rate Notes 2018/2023, ISIN: NO0010816184
Ticker: The bond was listed on Nasdaq Stockholm on 26 November 2018.

Brado AB (publ) Junior Secured Callable Floating Rate Notes 2018/2023, ISIN: NO0010816192
Ticker: The bond was listed on Nasdaq Stockholm on 26 November 2018.

This report was released for publication on 15 November 2019.

GROUP FINANCIAL STATEMENT

CONSOLIDATED INCOME STATEMENT (PF, refers to YTD 18, unaudited)

All figures in SEK million	Notes	Q3 19	YTD 19	Q3 18	YTD 18
OPERATING INCOME					
Revenue		512.1	1,557.9	563.5	1,731.3
Other operating revenue		7.9	23.6	7.0	21.4
Total operating revenue	5	520.0	1,581.5	570.5	1,752.7
OPERATING EXPENSES					
Cost of goods sold		-13.7	-47.4	-17.7	-53.7
Personnel expenses		-420.6	-1,332.1	-469.4	-1,485.7
Other operating expenses		-28.1	-86.9	-52.2	-185.2
EBITDA		57.6	115.2	31.2	28.1
Depreciation & amortization		-21.7	-70.4	-3.9	-11.6
Operating profit/loss (EBIT)-before property sales		35.8	44.7	27.3	16.5
Property Sales (gain/loss)		-1.6	-0.5	-	-
Operating profit/loss (EBIT)		34.2	44.2	27.3	16.5
FINANCE					
Finance income	8	-4.5	157.0	-	-
Finance expense	8	-22.0	-60.7	-13.5	-36.7
Profit/Loss before income tax (EBT)		7.7	140.6	13.8	-20.2
Income tax	9	-3.1	-12.6	-	-
Profit/Loss for the period		4.6	128.0	13.8	-20.2

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (PF, refers to YTD 18, unaudited)

All figures in SEK million	Notes	Q3 19	YTD 19	Q3 18	YTD 18
OTHER COMPREHENSIVE INCOME					
Profit/Loss for the period		4.6	128.0	13.8	-20.2
ATTRIBUTABLE TO					
Equity holders of the parent company		4.6	128.0	13.8	-20.2
Non-controlling interest		-	-	-	-
Total compr. income for the period		4.6	128.0	13.8	-20.2
ATTR. TO EQUITY HOLDERS, ARISING FROM					
Continuing operations		4.6	128.0	13.8	-20.2
Discontinuing operations		-	-	-	-
Equity holders of the parent company		4.6	128.0	13.8	-20.2

CONSOLIDATED BALANCE SHEET STATEMENT (Unaudited)

ASSETS

All figures in SEK million	Notes	2019-09-30	2018-12-31	2018-09-30
NON-CURRENT ASSETS				
Goodwill		1,074.6	1,074.6	1,074.6
Other intangible assets		10.8	12.3	10.9
Property, plant & equipment	2	566.1	78.9	80.6
Financial assets		1.1	1.1	1.1
Total non-current assets		1,652.6	1,166.9	1,167.2
CURRENT ASSETS				
Accounts receivables	7	227.5	288.5	308.1
Income tax receivables		5.5	8.4	10.0
Receivables from related parties		0.2	0.2	0.2
Other short-term receivables		31.4	45.5	46.4
Cash and cash equivalents	10	52.6	87.7	69.9
Total current assets		317.2	430.3	434.6
Total assets		1,969.8	1,597.2	1,601.8

EQUITY AND LIABILITIES

All figures in SEK million	Notes	2019-09-30	2018-12-31	2018-09-30
EQUITY				
Share capital		0.5	0.5	0.5
Retained earnings including comprehensive income		472.9	345.0	179.9
Equity attributable to owners of the parent		473.4	345.5	180.4
Non-controlling interests		-	-	-
Total equity		473.4	345.5	180.4
NON-CURRENT LIABILITIES				
Deferred tax liability		5.8	5.9	16.2
Bond loans	11	741.0	739.1	738.4
Other non-current liabilities	2, 12	425.6	161.5	330.0
Total non-current liabilities		1,172.4	906.5	1,084.6
CURRENT LIABILITIES				
Accounts payable		23.4	39.8	30.1
Other current liabilities	2	300.6	305.5	306.7
Total current liabilities		324.0	345.2	336.8
Total liabilities		1,496.4	1,251.7	1,421.4
Total equity & liabilities		1,969.8	1,597.2	1,601.8

CONSOLIDATED CASH FLOW STATEMENT (Unaudited)

All figures in SEK million	Notes	Q3 19	Q2 19	YTD 19
CASH FLOW FROM OPERATING ACTIVITIES				
Operating result		34.2	4.3	44.2
Adjustments for items not included in cash flow		21.7	22.7	70.8
		56.0	27.0	115.0
Financial items, paid net		-13.8	-11.1	-37.8
Net interest lease debt		-5.6	-6.4	-18.4
Taxes paid		7.0	-6.8	-7.5
Cash flow from operating activities before changes in working capital		43.6	2.7	51.3
Change in net working capital		-38.9	12.4	-30.7
Net cash flow from operating activities		4.7	15.1	20.6
CASH FLOW FROM INVESTING ACTIVITIES				
Net investment in property, plant and equipment		-1.0	-1.8	-4.5
Net cash flow from investing activities		-1.0	-1.8	-4.5
CASH FLOW FROM FINANCING ACTIVITIES				
Amortization of lease debt		-15.9	-18.6	-51.3
Net cash flow from financing activities		-15.9	-18.6	-51.3
CHANGES IN CASH AND CASH EQUIVALENTS				
Net change in cash and cash equivalents		-12.1	-5.3	-35.1
Effects of changes in exchange rates on cash		-	-	-
Cash and cash equivalents at the beginning of period		64.8	70.1	87.7
Cash and cash equivalents at end of period		52.6	64.8	52.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)

All figures in SEK million	Notes	Share capital	Other restricted equity	Retained earnings	Total equity to holders of the parent
Opening balance as at 1 January 2019		0.5	-	345.0	345.5
Profit/Loss for the period		-	-	128.0	128.0
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		-	-	128.0	128.0
Transactions with Company owners					
Shareholder contribution		-	-	-	-
Total transactions with Company owners		-	-	-	-
Closing balance as at 30 Sep 2019		0.5	-	472.9	473.4

FINANCIAL STATEMENT FOR THE PARENT COMPANY

INCOME STATEMENT (unaudited)

All figures in SEK '000	Notes	Q3 19	YTD 19	Q3 18	YTD 18
OPERATING INCOME		-	-		-
Revenue		-	-		-
Other operating revenue		-	-		-
Total operating revenue		-	-		-
OPERATING EXPENSES					
Other operating expenses		-49	-658	-3	-13,638
EBITDA		-49	-658	-3	-13,638
Depreciation		-	-	-	-
Amortization		-	-	-	-
Operating profit/loss (EBIT)		-49	-658	-3	-13,638
FINANCE					
Finance income	8	12,737	37,796	12,737	28,520
Finance expense	8	-12,726	-37,917	-12,726	-28,776
Profit/Loss before income tax (EBT)		-38	-779	8	-13,894
Income tax		-	-	-	-
Profit/Loss for the period		-38	-779	8	-13,894

BALANCE SHEET STATEMENT (unaudited)

ASSETS

All figures in SEK '000	Notes	2019-09-30	2018-12-31	2018-09-30
NON-CURRENT ASSETS				
Shares in subsidiaries		300,727	462,235	630,757
Loans to group companies		586,366	586,366	586,366
Total non-current assets		887,093	1,048,601	1,217,123
CURRENT ASSETS				
Receivables to group companies		12,956	12,942	12,942
Cash and cash equivalents	10	29,047	27,947	27,736
Total current assets		42,003	40,889	40,678
Total assets		929,096	1,089,490	1,257,800

EQUITY AND LIABILITIES

All figures in SEK '000	Notes	30/09/2019	2018/12/31	2018/09/30
EQUITY				
Share capital		500	500	500
Retained earnings		184,451	185,229	185,828
Equity attributable to owners of the parent		184,951	185,729	186,328
NON-CURRENT LIABILITIES				
Bond loans	11	740,997	739,064	738,412
Other non-current liabilities	12	0	161,507	330,029
Total non-current liabilities		740,997	900,571	1,068,442
CURRENT LIABILITIES				
Accounts payable		374	0	5
Other current liabilities		2,776	3,190	3,026
Total current liabilities		3,150	3,190	3,031
Total liabilities		744,147	903,761	1,257,800
Total equity & liabilities		929,096	1,089,490	1,257,800

NOTES

Note 1 – Accounting policies

The consolidated financial statements of Brado AB comprise the company and its subsidiaries, collectively referred to as the Group. This report and the financial statements for the Group have been prepared in accordance with IAS 34 Interim Financial Reporting along with applicable stipulations of the Swedish Annual Accounts Act. The report for the Parent Company has been prepared in accordance with Chapter 9 of the Swedish Annual Accounts Act – Interim Reports. The interim report does not include all the information required for complete annual consolidated financial statements. The financial statements in this interim report are unaudited.

For an overview of the complete accounting principles, please refer to Brado AB's annual report 2018. The principles are unchanged except for IFRS 16.

IFRS 16 Leases, effective from 1 January 2019

IFRS 16 became effective from 1 January 2019 and replaced 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. Frösunda has taken the opportunity to use the exemption in the IFRS framework permitting the exclusion of low value leases, i.e. below SEK 50 thousand, and leases with terms less than twelve months. Right of Use assets reported in accordance with IFRS 16 comprise only the value of discounted leases for assets that have a lease term longer than twelve month and are not of a lower value. The Company applies the standard with modified retrospective approach, therefore comparative periods are not recalculated.

On 31 December 2018 Frösunda had approximately 250 lease agreements, which have as of January 1st 2019, been recognized in the balance sheet as required under IFRS 16. These constitute the majority of the leased assets and liabilities. The leases related to leased premises usually run for 10–15 years and cars for 3 years. The lease for real estate normally also contains one or more extension options. Since the use of an extension requires that an investment decision has first been approved, and the approval is only made if there is a continued operation, the extension option will only be subject for IFRS 16 accounting when a decision on continued operations have been made. Variable costs such as property tax, VAT and other variable property costs such as maintenance costs, electricity, heat and water etc. are excluded from the leasing debt calculation to the extent that the costs can be separated from the rental cost. In order to calculate the leasing debt (the present value of future leasing fees) the interest rate used as discount rate for the purpose of such present value calculation is the unsecured incremental borrowing rate (Revolving Credit Facility Interest – at present 4.85%) The majority of Frösunda's leasing agreements contain some kind of index adjustment clauses, usually based on consumer price index (CPI) and on a yearly basis.

The effects from IFRS 16 accounting in the income statement are recognized in note 2.

Note 2 – IFRS 16

All figures in SEK million	Notes	Reported Q3 19	IFRS 16	Ex IFRS 16	Reported YTD 19	IFRS 16	Ex IFRS 16
OPERATING INCOME							
Revenue		512.1	-	512.1	1,557.9	-	1,557.9
Other operating revenue		7.9	-	7.9	23.6	-	23.6
Total operating revenue		520.0	-	520.0	1,581.5	-	1,581.5
OPERATING EXPENSES							
Cost of goods sold		-13.7	-	-13.7	-47.4	-	-47.4
Personnel expenses		-420.6	-	-420.6	-1,332.1	-	-1,332.1
Other operating expenses		-28.1	21.3	-49.4	-86.9	69.5	-156.4
EBITDA		57.6	21.3	36.3	115.2	69.5	45.6
Depreciation & amortization		-21.7	-18.1	-3.6	-70.4	-59.3	-11.2
Operating profit/loss (EBIT)-before property sales		35.8	3.2	32.6	44.7	10.3	34.5
Property Sales (gain/loss)		-1.6	-	-1.6	-0.5	-	-0.5
Operating profit/loss (EBIT)		34.2	3.2	31.0	44.2	10.3	33.9
FINANCE							
Finance income	8	-4.5	-	-4.5	157.0	-	157.0
Finance expense	8	-22.0	-5.6	-16.4	-60.7	-18.4	-42.3
Profit/Loss before income tax (EBT)		7.7	-2.4	10.1	140.6	-8.1	148.7
Income tax	9	-3.1	-	-3.1	-12.6	-	-12.6
Profit/Loss for the period		4.6	-2.4	7.1	128.0	-8.1	136.1
All figures in SEK million	Notes	Q3 19	IFRS 16	ex. IFRS	YTD Q3 19	IFRS 16	ex. IFRS
OTHER COMPREHENSIVE INCOME							
Profit/Loss for the period		4.6	-2.4	7.1	128.0	-8.1	136.1
ATTRIBUTABLE TO							
Equity holders of the parent company		4.6	-2.4	7.1	128.0	-8.1	136.1
Non-controlling interest		-	-	-	-	-	-
Total compr. income for the period		4.6	-2.4	7.1	128.0	-8.1	136.1
ATTR. TO EQUITY HOLDERS, ARISING FROM							
Continuing operations		4.6	-2.4	7.1	128.0	-8.1	136.1
Discontinuing operations		-	-	-	-	-	-
Equity holders of the parent company		4.6	-2.4	7.1	128.0	-8.1	136.1

In January 2016, IASB published a new leasing standard that has replaced IAS 17 Leases and the related interpretations IFRIC 4, SIC-15 and SIC-27.

Reconciliation between operating leases (according to IAS 17) and recognized lease liabilities (according to IFRS 16)

All figures in SEK million	
Obligations for operating leases as of 31 December 2018	551.0
Short term leases (expenses in income statement)	14.1
Leases of low value (expenses in income statement)	1.9
Effect of discounting	
Carrying lease liabilities, 1 January 2019	535.0
Estimated carrying lease liabilities, 1 January 2019 -	
Annual Report 2018-12-31	527.0
-Adjustment (mainly index regulation)	-2.9
-Modifications and corrections	10.9
Carrying lease liability, 1 January 2019	535.0

All figures in SEK million	Notes	Reported Q3 19	IFRS 16	Excl IFRS 16
NON-CURRENT ASSETS				
Goodwill		1,074.6	-	1,074.6
Other intangible assets		10.8	-	10.8
Property, plant & equipment		566.1	502.0	64
Financial assets		1.1	-	1.1
Total non-current assets		1,652.6	502.0	1,150.6
CURRENT ASSETS				
Accounts receivables		227.5	-	227.5
Income tax receivables		5.5	-	5.5
Receivables from related parties		0.2	-	0.2
Other short-term receivables		31.4	-17.8	49.2
Cash and cash equivalents		52.6	-	52.6
Total current assets		317.2	-17.8	335.0
Total assets		1,969.8	484.2	1,485.6
EQUITY				
Share capital		0.5	-	0.5
Retained earnings		472.9	-8.1	481.1
Equity attributable to owners of the parent		473.4	-8.1	481.6
Total equity		473.4	-8.1	481.6
NON-CURRENT LIABILITIES				
Deferred tax liability		5.8	-	5.8
Bond loans		741.0	-	741.0
Other non-current liabilities		425.6	425.6	0.0
Total non-current liabilities		1,172.4	425.6	746.8
CURRENT LIABILITIES				
Accounts payable		23.4	-	23.4
Other current liabilities		300.5	66.8	233.8
Total current liabilities		323.9	66.8	257.2
Total liabilities		1,496.3	492.4	1,004.0
Total equity & liabilities		1,969.8	484.2	1,485.6

Note 3 – Basis for preparation

Brado AB acquired 100 percent of the shares in Frösunda Holdco AB and its subsidiaries as per 6 March 2018. Frösunda Holdco AB and its subsidiaries are consolidated as from that date. The purchase price allocation (PPA) supporting the acquisition, identifying and valuation of intangible assets and calculation of goodwill and allocation of assets is now in a final version.

Included in the report are pro-forma consolidated Group figures for Frösunda Bidco AB (the previous owner of Frösunda Group) for YTD'18 and FY'18 (marked PF) for the period 1 January – 31 December 2018 as if the Group existed per 1 January 2018.

Note 4 – Estimations and assessments

Preparation of financial statements in accordance with IFRS requires that company management makes assessments and estimations along with assumptions that affect application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual outcome may deviate from these estimations and assessments. Estimations and assumptions are reviewed on a regular basis. Changed estimations are reported prospectively.

Note 5 – Revenue by segment

The Group has identified operation segments in accordance with the reporting requirement in IFRS 8. Based on the internal reporting the reportable segments are; "Personal Assistance", "Disability", "Elderly Care" and "Individual & Family". PF; YTD 18

SEK million	Q3 19	YTD 19	Q3 18	YTD 18
Revenue by segment				
Personal Assistance	297.9	892.7	314.0	962.7
Disability	150.0	457.2	163.7	491.5
Individual & Family	7.5	26.2	17.5	76.9
Elderly Care	64.1	203.5	75.0	221.1
Overhead	0.6	1.8	0.3	0.5
Total	520.0	1,581.5	570.5	1,752.7

Note 6 – EBITA by segment

SEK million	Q3 19	YTD 19	Q3 18	YTD 18
EBITA by segment				
Personal Assistance	20.0	33.4	19.7	30.6
Disability	27.6	51.9	19.3	39.3
Individual & Family	-9.4	-28.7	-5.8	-13.9
Elderly Care	-2.5	-11.8	-5.8	-25.6
Transaction cost	0.0	0.0	0.0	-13.8
Total	35.8	44.7	27.3	16.6

Note 7 – Accounts receivable by segment

All figures in SEK million	Reported Q3 19	Reported Q2 19	Reported Q1 19
Personal Assistance	153.5	160.5	154.5
Disability	51.2	60.0	67.4
Elderly Care	17.9	21.9	33.7
Individual & Family	4.5	5.4	7.8
Other	0.4	0.2	0.1
Total accounts receivable	227.5	247.9	263.4

Following the reporting requirements according to IFRS 8, when it comes to segment follow-up related to the balance sheet, this is mainly focused on monitoring of outstanding accounts receivable, as other assets and liabilities mainly consists of Goodwill and bond loans, reported in the Parent Company.

Note 8 – Finance income and expense

The finance expense primarily relates to interest paid on bond loans and other long-term borrowings. As from 1 January 2019 we also see effects from the new standard IFRS 16 accounting standard, more details are seen in note 2. The Q3'19 figures are also affected by some extraordinary costs stemming from the acquisition.

Note 9 – Income tax

The income tax is based on tax calculations and may become subject to change in the annual statements. A tax expense is seen YTD Q3 2019. The tax expense is reported in the Balance Sheet net against preliminary tax paid.

Note 10 – Financial covenants

According to the bond agreements signed 7 March 2018, Brado AB and its subsidiaries (the Group) must be in compliance with a financial undertaking in form of Minimum Liquidity (financial covenant). The Group shall at all times retain liquidity in excess of SEK 20 million.

Note 11 – Bond loans

The Group has two bond loans issued in the market, one bond loan amounting to SEK 600 million (maturity date 7 March 2023) and one bond loan amounting to SEK 150 million (maturity date 7 June 2023). The bond loans were issued 7 March 2018 in Brado AB and are listed on the Nasdaq OMX Stockholm Stock Exchange. The value of the bonds has initially been reduced by listing cost of SEK 13.1 million. The listing cost is accrued over the life of the bonds. See the consolidated balance sheet statement for the bonds' reported value.

Note 12 – Other non-current liabilities

Other non-current liabilities refers to a seller's credit to the former owner, Frösunda Luxco S.a.r.l, in connection with Brado AB's acquisition of the shares of Frösunda Holdco AB and its subsidiaries. As previously described in the investor presentation per February 2018, the value of the seller's credit is dependent on the consolidated EBITDA of the Group over the period 2018-2020. The future value of the Seller's Credit is subject to uncertainty and may fluctuate depending on the Group's EBITDA. Based on such valuation the Sellers's Credit has been valued to 0 SEK.

Brado AB (publ)

corp. Reg. Nr: 559127-5176
Affärsvägen 3
457 30 Tanumshede
www.brado.se

Frösunda Omsorg AB

corp. Reg. Nr: 556509-2482
Råsundavägen 18 A
169 67 Solna
www.frosunda.se