



Internationella Engelska Skolan 2016/2017

Interim Report - first quarter (1 July - 30 September 2016)

Progress of operations in the quarter

- The number of students in the Swedish operation as of 30 September was 21,463 (19,789)
- There were around 122,000 registrations of students to the school queues at the end of the quarter, an increase of about 10,000 registrations (9%) compared to June 30th 2016
- Total income per student increased by 2.8% compared to the corresponding quarter of the previous year. As the grant for *Lärarlönelyftet*, a government initiative to boost teacher salaries introduced on 1 July, first half of 2016/17 has not been decided and will not be paid until the second quarter no grant revenues have been recognised during the first quarter
- Total operating expenses excluding items affecting comparability per student were up by 2.5% on the corresponding quarter of the previous year. Personnel expenses represented the highest cost increase, mainly due to the implementation of *Lärarlönelyftet* and continued wage creepage on teacher salaries in Sweden
- A new school, IES Älvsjö, opened in August with 12 classes and some 360 students

Financial performance in the quarter

- Total operating income increased by 11.4% on the corresponding quarter of the previous year, mainly due to increased student numbers, amounting to SEK 414.4 (371.8) m
- Operating earnings (EBIT) adjusted for items affecting comparability for the period increased by 15.0% on the corresponding quarter of the previous year, to SEK 36.1 (31.4) m. The adjusted operating margin was 8.7% (8.4%)
- Profit for the period was SEK 23.0 (23.1) m
- Earnings per share were SEK 0.58 (non-comparable)
- Investments in operations were SEK 38.4 (40.8) m
- Cash flow from operating activities amounted to SEK 87.8 (47.4) m
- The equity/assets ratio at the end of the quarter was 67.1% (56.6)

Consolidated Group MSEK	July - September		+/-	July - June 2015/2016
	2016/2017	2015/2016		
Operating income	414,4	371,8	11,4%	1 806,8
Operating profit - EBIT	30,0	31,4	-4,5%	169,5
Adjusted operating profit - EBIT	36,1	31,4	15,0%	178,1
Adjusted EBIT-margin	8,7%	8,4%	0,3%	9,9%
Profit for the period	23,0	23,1	-0,4%	127,0
Earnings per share	0,58	N/A	N/A	N/A
FTE	2 010	1 809	201	1937

For definitions, see page 18 - 19

CEO's statement

In August, IES opened its doors to 21,400 students, an increase of 8% compared to the previous year. This occurred simultaneously with preparing for our listing on Nasdaq Stockholm, which was completed on 29 September.

During the ownership changes we've made, it has been particularly reassuring to know that our operations are founded on solid values, with a focus on quality as a growth driver, and schools that achieve high academic results in a Swedish context. Step by step, we're all contributing to the progress of our Swedish schools, which parents and students both appreciate. As of 30 September 2016, the waiting lists for a place at one of our schools in coming years had 122,000 prospective students for our 29 grade 1-9 schools.

Our financial performance in the first quarter was in line with IES's financial targets. Total operating income increased by 11.4% to SEK 414.4 m on the corresponding period of the previous year, and adjusted EBIT increased by 15% to SEK 36.1 m. This corresponds to an adjusted EBIT margin of 8.7%. Items affecting comparability resulting from our listing and the acquisition of Elians in Spain reduced profit for the period by 0.4% to SEK 23.0 m. We invested SEK 38.4 m in IES's operations in the period, and are pleased to conclude that around half of our highly qualified teachers will benefit from the *Lärlönelyftet* government initiative to boost teacher salaries, effective 1 July.

Stable growth

We started a total of 51 new classes in August, opened a new school in Älvsjö for students in years 4-9 with 12 new classes, and are planning to open a further four schools in Årsta, Landskrona, Södertälje and Helsingborg in August 2017 as well as a school in Huddinge (Länna) and one in Sundbyberg in August 2018. We've also decided to extend our school in Sundsvall, and are considering relocating our school in Borås.

Expansion outside Sweden presents IES with another opportunity on markets where bilingual education is in demand, with English being one of the languages apart from the local language. The acquisition of 50% of the shares of the three Spanish school companies constituting Grupo Educativo Elians secured regulatory approval after the end of the quarter.

This means that we've taken a small but significant step onto the promising Spanish market for bilingual education.

Over the last three years, we've successfully rationalized IES's central administration, limiting the need for expanding it further despite opening 11 schools in the period. However, our current and future growth means that we've now reached a point where we will need to strengthen some central functions so we can manage our continued growth.

Equal terms are key

A public inquiry into school costs published in the quarter (*Skolkostnadsutredningen*) offered a great deal of important information and clarification. One of its key conclusions emphasized the principle of equal terms for free schools and municipal schools, which we welcome. This means that the long-term potential is assured. In line with the already published public inquiry into school ownership (*Ägarutredningen*), the report also concluded that profitability is an important factor, and that there is a clear and direct link between long-term quality and operations that generate a surplus.

In contrast to the school costs enquiry, the *Reepalu* inquiry, which was presented after the end of the quarter, appears to be ideologically motivated. Its view on profit contrasts sharply with those put forward in the two aforementioned enquiries. We can only re-emphasize the long-term view we take compared to the time horizon of the political debate. Our undertakings in the form of rental agreements for properties in many cases span up to 20 years. It's important that our equity/assets ratio provides the right conditions to meet them.

Focus on quality

We endeavor to offer our students the opportunity of a good education and character building for life in a school environment characterized by good order, discipline, hard work and safety. We endeavor for 100% of our students to feel safe at school, and that all students who graduate from grade 9 should qualify for upper secondary school. In this context, it's pleasing to see that of all the students who graduated from year 9 in IES's

schools in the spring of 2016, 98% qualified for onward education in upper secondary schools.

Alongside all our Principals we continue work to improve quality further. Last year, our efforts were focused on assuring the quality of grading. Our annual quality conference at the beginning of September adopted the theme of “Back to Basics,” aimed at delivering a safe and orderly school environment across all our schools within the framework of an international English school culture that encompasses all students regardless of background, and which is characterized by high expectations for all students.

As part of the Swedish Schools Inspectorate’s regular reviews, we expect all our schools to be inspected in the calendar year 2017.

Future challenges

IES is helping to counter housing segregation in Sweden. Many of our new schools are located in areas that are usually classified as ‘non-privileged.’ Of the 3,000 students that completed year 9 in spring 2016, 33% had a foreign background, compared to 22% in municipal schools. 70% of students in some of our more recently established schools have a foreign background.

Many families that have immigrated to Sweden harbor very high ambitions for their children.

IES’s focus on a structured school environment and adults with clear values are a big factor in them achieving optimal outcomes, despite their circumstances.

Our major challenge looking ahead is to keep finding and nurturing skilled teachers, and attracting the best professionals in a market subject to teacher shortages. Although our well-established international recruitment processes remain an asset, we’re also continuing to sharpen and improve our recruitment of qualified Swedish teachers.

Access to attractive school premises in growth regions is another challenge. Success in this requires close and fruitful partnership with municipalities that perceive the unique value of establishing quality schools of international character. The construction of our new school in Landskrona is an excellent example of such a collaboration.

Overall, IES is in a phase where we’re confidently anticipating continued growth with clear values and a focus on quality. Recent research and experience clearly corroborate the viability of the foundations that IES has been building on from the start.

Ralph Riber

CEO

Internationella Engelska Skolan's operations

Quality and professionals

IES possesses long-term and in-depth experience of education, and is now in its 24th year as a free school operator in Sweden. We operate schools from grade 1 up to and including the third year of the upper secondary school program in Sweden. Our primary focus is on grades 4-9.

Apart from its operations in Sweden, IES provides management services for a school in the UK and owns 50% of the shares in three Spanish school companies constituting Grupo Educativo Elians. Our schools feature students learning to command English, the global language, in an orderly environment with high academic expectations. Up to half of education is conducted in English by teachers whose native language is English.

Sweden's best school results

In 2014, and once again in 2015, IES achieved top results in nationwide grade 9 tests in English, as well as results significantly above the Swedish school average in mathematics and Swedish. Our schools also performed above the average of free schools.

Share of students achieving grades C+, i.e. A, B or C in the new six-level scale of nationwide grade 9 tests 2015.

Subject	National average	Free schools	IES
English	70%	81%	97%
Swedish	51%	62%	71%
Mathematics	33%	41%	53%

The average qualification level (an aggregate measure applied by the Swedish National Agency for Education) at the end of grade 9 in spring 2016 was 271 points for IES, against the national average of 224.

IES is achieving a significantly positive school effect, which means its academic results exceed what the authorities predict based on the statistical correlation between students' socioeconomic backgrounds and their expected results.

IES has a higher share of students with foreign backgrounds than the average for Sweden's municipal schools. 36% of IES's students had a foreign background in the academic year 2015/2016. The corresponding figure for Sweden's municipal schools was 22%. The share born outside Sweden is also higher.

Of all students leaving IES's schools in 2016, 98% had grades qualifying them for upper secondary level. The corresponding share for all ninth grade students in Sweden was 83%.

96% of the respondents to the yearly anonymous survey of parents in IES schools in spring 2016 stated that they would recommend the school to other parents (one of the top two alternatives of the four available).

A major contribution to Swedish education

During a severe teacher shortage, we have recruited some 600 qualified foreign teachers with foreign teacher training qualifications for our Swedish schools—mainly from Canada, the US and UK, and especially in mathematics and science, where there are shortages.

In terms of leadership, principalship and quality management, the Swedish Schools Inspectorate regard our schools as representing “a good example” to the Swedish schooling system.

In partnership with the owners of our school premises, we have invested several hundred million kronor in IES schools in recent years, investments that municipalities have been relieved of during years of growing student bases.

We offer the chance of an orderly environment and a good education for thousands of young people with Swedish and foreign backgrounds.

We make a significant contribution to improving the residential areas where our schools are located.

We enhance the attractions of Sweden, especially in university towns and where Sweden’s global industrial corporations are located, in their vital efforts for Sweden to secure the necessary expertise and talent from other countries. We operate tried and tested processes and methodologies to transform our convictions into reality.

The fundamental principles of our operation

Commanding the English language—up to half of our education is conducted in English, mainly by teachers from English-speaking countries. English should normally be used for conversation in our corridors and classrooms. Our schools feature a multinational atmosphere, with a mix of teachers from many different countries making a major contribution in this respect. IES promotes complete bilingualism—skills in Swedish develop in tandem with English.

A safe and orderly school environment where teachers can teach and students learn—we operate a Code of Conduct that parents and students sign. Our principal should be present, visible and active during the school day. Classes start punctually with students standing in line outside each classroom. Classrooms are orderly. Mobile phones are not permitted in classrooms

during the school day. We have zero tolerance for graffiti. There is no littering. We also maintain good manners, with appropriate responses: “Yes, please” and “No, thank you.” Our teachers and other staff must dress appropriately for the workplace, their schools. Any expression of bullying or offensiveness is dealt with immediately and resolutely. School toilets are kept hygienic and clean. Teachers and other staff are addressed by their title, Mr./Ms./Dr., and surname: “Mr. Larsson, Dr. Heimeier.” Every school has a strong student care team. Principals hold regular meetings with student councils, to hear their observations. PTAs—Parent/Teacher Associations—provide additional support to schools.

Yearly surveys of students and teachers provide further information to school leaders and principals on areas of improvement. The consistent emphasis is that the school is a workplace. Everybody should feel proud of their school as an orderly and well-functioning workplace.

High academic expectations and ambitions—lessons start on time and periods are utilized fully, without distractions. The working memory of every student must be focused on the tasks in hand. The school monitors student attendance and absence patterns closely. Every student has a teaching mentor. The mentor calls home or meets parents at least once a month. There are extra support classes in each subject, held at least one hour a week. Testing is conducted promptly after each section of the subject, to ensure that everyone has understood. Academic notices are used to provide early and clear warnings to students and parents whenever there is a risk that targets will not be achieved. Home study is given regularly. Parents are kept well-informed on the curriculum plans of each subject for the semester, test schedules, etc.; parental support is encouraged. Additional resources are assigned to tasty and nutritious school lunches for students and staff. Teachers are expected to contribute additional activities each week from their personal interests. Mid-semester, mentors hold a formal appraisal interview with parents and students; this is preceded by a report sent out on the student’s progress in each subject, which serves as a basis for the interview.

Best practice is shared between our current total of 30 schools, 2,327 employees and 21,463 students in a collaborative atmosphere that promotes the best interests of our schools and students.

Market overview

Sweden's school system covers preschools to adult education. Preschools and preschool classes are voluntary, while grade 1-9 is compulsory and upper secondary school is a three-year, voluntary program. Sweden's 290 municipalities have been responsible for funding the school system since the early-1990s, and for ensuring that all students have access to equal education.

In fall 2015, some 2.4 million students were in preschools and schools (excluding adult education and the SFI Swedish language for immigrants program), of which about 40% or 985,620 students were in grade 1-9 schooling. The number of students in schools has grown in recent years, apart from the upper secondary level. The share of students opting for a free school, i.e. one not operated by municipalities, varies between the different schooling levels. The share at free grade 1-9 schools was 15% in fall 2015, which is lower than upper secondary school and preschools, with corresponding shares of 26% and 20% respectively.

The total cost to municipalities for all school types, including special needs schools, other

educational operations and special schools and adult education, was some SEK 213 bn in the calendar year 2014, with grade 1-9 schools representing some SEK 91 bn, or about 43% of total expenditure.

In Sweden, grade 1-9 schooling is compulsory for all children from the calendar year they reach 7 years old. Compulsory schooling then continues for nine years, or at the latest, to the time the student reaches 18. Sweden's municipalities bear the main responsibility for ensuring attendance in grade 1-9 schooling, and for funding schooling.

Compulsory school attendance means that the student base in grade 1-9 schooling basically tracks the population growth of children of school age. Since 2010, student bases have expanded by average annual growth of about 2%. In the same period, the number of students deciding to join independent schools increased by an average annual growth rate of some 7%. In the academic year 2015/2016, 15%, or 145,471 students, were in free schools.

1 July – 30 September 2016

Total operating income and operating earnings

Total operating income increased by 11.4% to SEK 414.4 (371.8) m. The growth is due to the new school IES Älvsjö starting up, and a higher number of classes in existing schools compared to the previous year. The total number of classes increased to 711 (660). At the end of the quarter, there were 21,463 (19,789) students.

Total income per student increased by 2.8%. The income includes SEK 1.8 m in government subsidies for homework support.

Personnel expenses per student increased by 6.5% on the previous year. Personnel expenses include SEK 8.4 m for costs associated with the *Lärarlönelyftet* government initiative to boost teacher salaries. The government subsidy due under this initiative in the first half-year 2016/17 will not be determined and paid out until the second quarter, which means that no subsidies were posted to income in the first quarter. We estimate that close to 90% of the costs associated with *Lärarlönelyftet* will be covered by the government subsidy. The supply of qualified teachers on the Swedish schools market is currently below demand, contributing to higher wage creepage on the market. Additionally, the discount on social security expenses for younger staff was abolished on 1 June 2016.

In the first quarter, IES items affecting comparability relating to the costs associated with listing on NASDAQ and the Spanish acquisition totaled SEK 6.1 (-) m. Total costs per student adjusted for items affecting comparability increased by only 2.5% as a result of improved purchasing agreements and economies of scale achieved due to the rapid growth of the number of schools and classes.

EBIT operating earnings decreased by 4.5%, amounting to SEK 30.0 (31.4) m.

EBIT operating earnings adjusted for items affecting comparability increased by 15.0%, to SEK 36.1 (31.4) m. Adjusted operating margin EBIT amounted to 8.7% (8.4%)

Total operating income in Sweden was SEK 414.2 (371.5) m, and EBIT operating earnings were SEK 30.1 (31.4) m.

Total operating income in the UK was SEK 0.1 (0.3) m, and EBIT operating earnings were SEK -0.1 (0.0) m.

Net financial income/expense

Net financial income/expense was SEK -0.1 (-1.6) m.

Tax

The tax expense for the period was SEK 6.9 (6.7) m, corresponding to an effective tax rate of 23.0% (22.4).

Profit for the period and earnings per share

Profit for the period was SEK 23.0 (23.1) m, and the margin was 5.6% (6.2). Earnings per share were SEK 0.58 (non-comparable).

Cash flow

Cash flow from operating activities was SEK 87.8 (47.4) m. The strong cash flow for the quarter is due to lower working capital partly resulting from the transfer of funds from companies' tax accounts to bank accounts. Assets in tax accounts are recognized as other receivables in the Consolidated Statement of Financial Position.

Financial position, cash and cash equivalents

Equity at the end of the quarter was SEK 735.2 (626.3) m and the group's total assets were SEK 1,122.5 (1,106.5) m. The equity/assets ratio increased to 67.1% (56.6).

Cash and cash equivalents amounted to SEK 167.3 (178.2) m.

Investments

Investments, which are seasonally high in the first quarter, amounted to SEK 38.4 (40.8) m.

Human resources

The average number of full-time employees (FTE) was 2,010 (1,809) in the period. At the end of the quarter, employee headcount was 2,327 (2,224).

Shares

The number of shares registered is 40,050,000.

Risks and uncertainty factors

Significant operating, external and financial risks and uncertainty factors are described in detail in Internationella Engelska Skolan i Sverige Holdings II AB's annual accounts for 2015/16, in the Directors' Report and note 17.

IES does not consider that any significant risks additional to those described in the Annual Report have arisen.

Operational risks include fluctuations in demand and student numbers, risks related to supply of staff and salary expenses, risks related to quality shortcomings, IES's reputation and brand, permits and liability and property risk. External risks include risks related to school voucher funding and economic cycles, political risks, changes to legislation and regulatory frameworks and dependence on national authorities in the field of education. Political risks include the introduction of changes to standard VAT rates in school voucher funding or any form of restrictions on profit and dividends. The various political proposals share the common feature that processes are often lengthy and that the proposals need to be formulated in legally viable terms that are then subject to parliamentary votes.

Event after the end of the period

On 9 November, IES completed the acquisition of 50% of the shares in the three Spanish companies constituting Grupo Educativo Elians for a purchase price of EUR 5 m. The three schools have a turnover of EUR 12.4 m and have some 1,600 students.

Future prospects

IES does not issue forecasts.

Related party transactions

No transactions with related parties were executed in the period that materially affected the financial position or results of operations.

IES

On occasion, Internationella Engelska Skolan i Sverige Holdings II AB is referred to as Internationella Engelska Skolan or IES. In this Report, such references are to IES's consolidated financial statements, unless clearly stated otherwise.

Finance

The group is partly funded by a bank loan from Handelsbanken, which amounted to SEK 80 m at the end of the period. The loan is subject to quarterly repayments, and will be fully repaid in November 2017. See note 4, page 17.

Seasonality

IES's total operating income and profitability are affected by the nature of operations, and accordingly, its cycle. Sales and profitability decrease in the first quarter due to schools' summer recess.

Parent company

In 2014/15, parent company Internationella Engelska Skolan i Sverige Holdings II AB did not conduct operating activities. In August 2015/2016, the parent company arranged a loan from Handelsbanken, and issued intragroup loans to subsidiaries. Effective April 2016, the parent company has started billing management services to subsidiaries, and from July 2016 management services to Elians in Spain. The parent company also issued a loan of EUR 2.1 m in working capital to Elians in July 2016.

This report has not been subject to review by the company's auditors.

Stockholm, Sweden, 18 November 2016

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Teleconference in connection with publication of the quarterly report:

On Monday 21 November at 10:00 a.m., Ralph Riber, CEO and Fredrik Åkerman, CFO will hold a conference call for the publication of the quarterly report. The call will be held in English. To participate, please call the following number: +46 8 5059 6306 and enter the code: 57929371#. The presentation will be uploaded to IES's website before the conference call, at: <http://corporate.engelska.se/financial-information/reports-and-presentations>.

Reporting schedule

Interim Report Q2 2016/17 – 23 February 2017

Interim Report Q3 2016/17 – 18 May 2017

Financial Statement 2016/17 – 23 August 2017

This information is information that Internationella Engelska Skolan i Sverige Holdings II AB 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 08.15 am CET on 21 November 2016.

Consolidated Income Statement

MSEK	July-September		July - June
	2016/2017	2015/2016	2015/2016
Operating income			
Revenue	398,7	360,8	1 753,1
Other operating income	15,7	11,0	53,7
Operating income	414,4	371,8	1 806,8
Operating expenses			
Teaching and meal expenses	-61,5	-61,6	-242,3
Other external expenses	-104,2	-89,0	-386,2
Personnel expenses	-204,4	-177,1	-956,7
Depreciation and amortization	-14,2	-12,7	-52,1
Operating profit	30,0	31,4	169,5
Profit from financial items			
Financial income	1,4	0,0	0,1
Financial expenses	-1,5	-1,6	-5,5
Net financial items	-0,1	-1,6	-5,3
Pre-tax profit	29,9	29,8	164,2
Tax on profit for the period	-6,9	-6,7	-29,8
Deferred tax	-	-	-7,5
PROFIT FOR THE PERIOD	23,0	23,1	127,0
<i>Earnings per share</i>	0,58	N/A	N/A

Consolidated Statement of Comprehensive Income

MSEK	July-September		July - June
	2016/2017	2015/2016	2015/2016
Profit for the period	23,0	23,1	127,0
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Translation difference for the year after tax	0,1	0,0	0,3
Other comprehensive income, net of tax	0,1	0,0	0,3
COMPREHENSIVE INCOME FOR THE PERIOD	23,2	23,2	127,2

Consolidated Statement of Financial Position

MSEK	Sep. 30, 2016	Sep. 30, 2015	Jun 30, 2016
Non-current assets			
<i>Intangible assets</i>			
Goodwill	661,0	661,0	661,0
<i>Property, plant and equipment</i>			
Leasehold buildings	7,0	5,4	5,2
Machinery and equipment	132,6	123,3	108,6
Leasehold improvements	30,6	34,0	32,3
<i>Financial assets</i>			
Non-current receivables	23,8	3,1	3,5
Deferred tax assets	0,7	-	0,5
Total non-current assets	855,7	826,8	811,1
Current assets			
Trade accounts receivable	15,3	18,6	9,3
Other receivables	8,5	11,8	22,3
Prepaid expenses and accrued income	75,7	71,2	90,1
Cash and cash equivalents	167,3	178,2	233,4
Total current assets	266,8	279,7	355,1
TOTAL ASSETS	1 122,5	1 106,5	1 166,1
Equity			
TOTAL EQUITY	753,2	626,3	730,2
<i>Non-current liabilities</i>			
Liabilities to credit institutions	5,0	150,0	93,8
Deferred tax liabilities	39,5	31,6	39,5
Total non-current liabilities	44,5	181,6	133,3
<i>Current liabilities</i>			
Liabilities to credit institutions	75,0	75,0	81,3
Trade accounts payable	56,2	71,3	69,6
Current tax liabilities	-	-	-
Other current liabilities	137,5	121,5	49,8
Accrued expenses and prepaid income	56,1	30,9	102,1
Total current liabilities	324,8	298,6	302,7
TOTAL EQUITY AND LIABILITIES	1 122,5	1 106,5	1 166,1

Consolidated Statement of Changes in Equity

MSEK	Share capital	Other capital contributed	Translation reserve	Reserves and retained earnings incl. Profit for the period	Total
Opening balance, July 1, 2015	0,1	361,9	0,1	241,3	603,3
Profit for the period				127,0	127,0
Other comprehensive income for the period			0,0		0,0
Total omprehensive income for the period	0,0	0,0	0,0	127,0	126,9
<i>Other</i>					
Translation reserve			0,3	-0,3	0,0
Bonus issue	0,5	-0,5			
Total	0,5	-0,5	0,3	-0,3	0,0
Closing balance, September 30, 2015	0,5	361,5	0,3	367,9	730,2

MSEK	Share capital	Other capital contributed	Translation reserve	Reserves and retained earnings incl. Profit for the period	Total
Opening balance, July 1, 2016	0,5	361,4	0,3	367,9	730,2
Profit for the period				23,0	23,0
Other comprehensive income for the period				0,1	0,1
Total comprehensive income for the period				23,2	23,2
<i>Other</i>					
Translation reserve			-0,1		-0,1
Bonus issue	0,5	-0,5			
Total	0,5	-0,5	-0,1		-0,1
Closing balance, September 30, 2016	1,0	360,9	0,2	391,1	753,2

Consolidated Cash Flow Statement

MSEK	July - September		July -June
	2016/2017	2015/2016	2015/2016
Operating activities			
Operating profit	30,0	31,4	169,5
Interest received	1,4	0,0	0,1
Interest paid	-1,5	-1,6	-5,5
Adjustment for items not including in the cash flow	14,2	12,5	54,4
Income tax paid	-8,4	-23,2	-31,9
Cash flow from operating activities before changes in working capital	35,7	19,1	186,6
Cash flow from changes in working capital			
Change in operating receivables	23,7	-21,1	-38,4
Change in operating liabilities	28,4	49,5	32,6
Cash flow from changes in working capital	52,1	28,4	-5,8
Cash flow from operating activities	87,8	47,4	180,8
Investing activities			
Acquisition of property, plant and equipment	-38,4	-40,8	-63,8
Change in financial assets	-20,5	1,8	0,0
Rent paid in advance	0,0	0,0	0,0
Cash flow from investing activities	-58,8	-38,9	-63,8
Financing activities			
External loans			-3,5
Bank loan	0,0	74,7	225,0
Amortization of loans, credit institutions	-95,0		-200,0
Cash flow from financing activities	-95,0	74,7	21,5
Cash flow for the period	-66,1	83,2	138,5
Cash and cash equivalents at beginning of period	233,4	94,9	94,9
Exchange-rate difference in cash and cash equivalents	0,0	0,0	0,0
Cash and cash equivalents at end of period	167,3	178,2	233,4

Parent Company Income Statement

MSEK	July - September		July - June
	2016/2017	2015/2016	2015/2016
Operating income			
Revenue	0,6	-	0,5
Other operating income	1,4	-	0,0
Operating income	2,0	-	0,5
Operating expenses			
Teaching and meal expenses	0,0	-	0,0
Other external expenses	-6,6	-	-8,1
Personnel expenses	-0,7	-	-1,3
Depreciation and amortization	0,0	-	0,0
Operating profit	-5,4	-	-8,9
Profit from financial items			
Financial income	0,6	-	2,2
Financial expenses	-1,0	-	-4,2
Net financial items	-0,4	-	-2,0
Pre-tax profit	-5,7	-	-10,9
Dividend received			9,8
Tax on profit for the period	0,0	-	0,0
PROFIT FOR THE PERIOD	-5,7	-	-1,1

The parent company did not trade during the comparative periods.

Parent Company Statement of Comprehensive Income

The parent company does not have any items recognized as other comprehensive income, and accordingly, total comprehensive income is equal to profit for the period.

Parent Company Statement of Financial Position

MSEK	30 sep, 2016	30 sep, 2015	30 jun, 2016
Non-current assets			
<i>Financial assets</i>			
Shares in group companies	361,9	361,9	361,9
Non-current receivables	3,5	-	3,5
Total Non-current assets	365,4	361,9	365,4
Current assets			
Intercompany receivables	55,2	224,9	173,1
Tax receivable	-	-	0,1
Other receivables	1,6	0,0	1,6
Prepaid expenses and accrued income	23,9	0,5	2,6
Cash and cash equivalents	-	-	-
Total current assets	80,7	225,3	177,5
TOTAL ASSETS	446,1	587,2	542,9
Equity	-355,1	-362,2	-360,9
TOTAL EQUITY	-355,1	-362,2	-360,9
<i>Non-current liabilities</i>			
Liabilities to credit institutions	-5,0	-150,0	-93,8
Total non-current liabilities	-5,0	-150,0	-93,8
<i>Non-current liabilities</i>			
Liabilities to credit institutions	-75,0	-75,0	-81,3
Trade accounts payable	-0,9	-	-1,6
Current tax liabilities	0,0	0,0	0,0
Other current liabilities	-0,2	-	-0,1
Accrued expenses and prepaid income	-9,8	-	-5,2
Total current assets	-85,9	-75,0	-88,2
TOTAL EQUITY AND LIABILITIES	-446,1	-587,2	-542,9

Notes

1. Accounting policies

IES's consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU, as reviewed in the annual accounts for 2015/2016. This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable regulations in the Annual Accounts Act. The same accounting policies and computation methods have been applied in this Interim Report as in the most recent annual accounts for 2015/2016. The Interim Report for the Parent Company has been prepared in accordance with Chapter 9, Interim Reports, of the Annual Accounts Act.

The group's main revenues consist of school voucher funding, which are allocated to the period education is conducted, including prospective and retrospective education work. The related personnel expenses are allocated according to the same policy. For a note on revenue recognition, refer to the annual accounts 2015/2016, note 1 on page 16.

No new or revised IFRS and IFRIC interpretation statements that become effective from 1 January 2016 have had any material impact on the consolidated financial statements. The International Accounting Standards Board has adopted a new accounting standard for lease commitments, IFRS 16 Leases. Provided it gains EU approval, IFRS 16 will come into effect for the financial year starting after 1 January 2019, which for the Company means the financial year starting on 1 July 2019. According to current regulations, lease commitments are reported as an operating expense under external expenses. In summary, IFRS 16 implies that operating leases with terms over one year shall be reported as an asset in the Balance Sheet on the basis of the discounted present value of future payments. A corresponding amount is reported as a liability. The Income Statement will be charged with depreciation over the useful life of the asset, which normally corresponds to the term of the lease, plus interest expenses. IFRS 16 will have a significant impact on the Company's reporting. The cost of operating leases in the financial year 2015/16 amounted to SEK 258.4 m. As of 30 June 2016, the undiscounted amount for commitments relating to operating leases was SEK 4 061.2 m.

For information on the new standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers, refer to the annual accounts 2015/2016, note 1 on page 14.

For more information on accounting policies, refer to the annual accounts 2015/2016.

2. Geographical markets/segments

Sales and EBIT operating earnings are divided geographically by market/segment as follows:

Geographical markets / Operating segment	July - September		July - June
	2016/2017	2015/2016	2015/2016
Operating income (MSEK)			
Sweden	414,2	371,5	1 806,0
United Kingdom	0,1	0,3	0,7
Operating profit EBIT (MSEK)			
Sweden	30,1	31,4	170,2
United Kingdom	-0,1	0,0	-0,6

3. Financial instruments

There is no significant difference between the reported and fair value of financial instruments.

4. Financing

On the date of listing, 29 September 2016, Internationella Engelska Skolan i Sverige Holdings II AB arranged an amortizing loan of SEK 80 m from Handelsbanken with maturity in November 2017, and an overdraft facility of SEK 100 m. The amortizing loan accrues variable interest based on STIBOR plus a pre-determined margin. The overdraft facility is subject to annual contractual interest of 0.35% of the credit amount plus a disposition rate of 1.85% on amounts outstanding from time to time. The overdraft facility has initial maturity on 31 December 2017, and can subsequently be rolled over for one year at a time.

In addition to existing collateral, an additional floating charge of SEK 12.5 m in Internationella Engelska Skolan i Sverige AB has been raised for the aforementioned loan.

Apart from the general terms applying to the aforementioned credit facilities, Internationella Engelska Skolan i Sverige Holdings II AB's obligations to Handelsbanken are formalized in an agreement of specific terms and conditions. The agreement includes customary commitments for Internationella Engelska Skolan i Sverige Holdings II AB and its subsidiaries, such as restrictions on issuing security and restrictions on raising financial liabilities. The credit facilities also include financial covenants that stipulate that the relationship between net debt and EBITDA, the debt service ratio and the Group's equity/assets ratio do not depart negatively from specific levels.

5. Pledged assets

Refer to the annual accounts of Internationella Engelska Skolan Holdings II 2015/2016, page 29. In addition, a floating charge totaling SEK 12.5 m in Internationella Engelska Skolan i Sverige AB was raised in the period, relating to the loans specified in note 4.

6. Group companies

Refer to the annual accounts of Internationella Engelska Skolan Holdings II 2015/2016, page 24.

Key Figures

MSEK	July - September		July - June
	2016/2017	2015/2016	2015/2016
Operating income	414,4	371,8	1 806,8
Operating profit - EBIT	30,0	31,4	169,5
Adjusted operating profit - EBIT	36,1	31,4	178,1
Adjusted EBIT-margin	8,7%	8,4%	9,9%
Profit	23,0	23,1	127,0
Operating capital	-150,3	-122,1	-99,7
Return on equity	3,1%	3,7%	17,4%
Net debt	87,3	-46,8	58,4
Equity/assets ratio	67,1%	56,6%	62,6%
Cash flow from operating activities	87,8	47,4	249,7
Investments	-38,4	-40,8	-63,8
FTE	2 010	1 809	1 937

Key ratio definitions

Alternative key figures

The Group uses alternative key ratios to increase the reader's understanding of the operation's development. It is our judgment that the alternative key ratios contributes to it being easier to value and analyze the Group's development within important areas such as opportunities for dividends and execution of future strategic investments as well as the Group's ability to live up to various financial obligations. Some alternative key ratios such as adjusted EBIT and adjusted EBIT-margins also enable investors to better judge the results development between the years, excluding posts that affect the comparability.

Adjusted EBIT margin

Adjusted EBIT as a percentage of total operating income.

Adjusted EBIT

Operating earnings are earnings after depreciation of acquisition-related intangible assets and before financial items and tax, excluding items affecting comparability.

Cash and cash equivalents

Cash and bank balances, and investments in securities.

Earnings per share

Profit for the period divided by the number of shares.

EBIT operating earnings

Operating earnings are earnings after depreciation of acquisition-related intangible assets, financial items and tax.

Equity/assets ratio

Equity divided by total assets.

FTE

Full Time Equivalent = average number of full-time employees.

Heads

Number of employees at the end of the period disregarding utilization.

Investments

Net of investments and disposals of tangible and intangible assets excluding acquisition-related investments.

Items affecting comparability

Items affecting comparability are reported separately to illustrate the performance of underlying operations. Items affecting comparability include costs of advisory services in connection with acquisitions, costs resulting from strategic decisions and significant restructuring of operations.

Margin

Profit for the period divided by total operating income.

Net debt	Interest-bearing liabilities less cash and cash equivalents.
Number of shares	Number of shares as stated in the share register.
Operating capital	Current assets excluding cash and cash equivalents less operating liabilities.
Other operating income	Revenues from Junior Club compensation for star teachers and other central government subsidies. For government subsidies see also the paragraph about revenue recognition in the annual report 2015/16, note 1, page 16.
Return on equity	Profit for the period divided by average equity (opening balance plus closing balance divided by two).
Revenue	School voucher funding and social subsidies.
Segment	IES reports geographical markets as operating segments.

About Internationella Engelska Skolan

Internationella Engelska Skolan, IES, is one of the leading independent school organizations in Sweden, with 21 400 students in 30 schools during school year 2016/17. IES operates schools for students in grades 1-12. Its main focus is grade 4-9, what is often called “middle school”. Within the compulsory school system in Sweden, IES is the leading independent actor, operating nine of the ten largest free schools. IES results on the national tests in grade 9 are far above average in Sweden.

Internationella Engelska Skolan was founded in 1993 and is in its 24th year of operation. It continues to be defined by three strong convictions, established by the founder, Mrs. Barbara Bergstrom:

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

Up to half of the teaching in IES schools is performed in English, by native English speaking teachers. Over 600 teachers with qualified foreign teaching degrees are currently teaching in IES schools. They are mainly recruited from Canada, UK, USA and South Africa.

IES has shown a strong and consistent growth for a number of years. Average growth during the last ten years is 19 % per year. Turnover during the latest concluded operational year, 2015/16, was 1 807 MSEK (growth of 17 % from previous year). The queue for admission for the current and coming years had 122 000 registrations as of September 30, 2016.

Internationella Engelska Skolan has been listed on Nasdaq Stockholm Mid Cap with the ticker ENG since the end of September 2016. The largest shareholders of IES are TA Associates of the US, which has close affiliations to leading universities and foundations in the US, and IES’s founder Barbara Bergström. Other major shareholders at the time of the listing included Swedbank Robur funds, investment company Öresund, Norron Asset Management, the Third Swedish National Pension Fund, AMF Försäkring och Fonder and the Second Swedish National Pension Fund.