



Internationella Engelska Skolan 2016/2017

Year-end Report - (1 July - 30 June 2016/2017)

Progress of operations in quarter 4 (April-June)

- Total operating income was up by 12.6% on the corresponding quarter of the previous year, mainly due to increased student numbers, and central government subsidies for *läxhjälp* (homework support) and *lärarlönelyftet* (subsidy to raise teacher salaries), and amounted to MSEK 543.1 (482.5)
- The number of students in the Swedish operation at the end of the quarter was 21,383 (19,771)
- There were around 144,000 registrations on waiting lists at the end of the quarter, an increase of some 32,000 registrations, (29%) compared to the corresponding point of the previous year
- Adjusted EBIT for the period increased by 7.8% on the corresponding quarter of the previous year, amounting to MSEK 53.7 (49.8). Accordingly, the adjusted operating margin was 9.9% (10.3)
- Profit for the quarter was MSEK 42.4 (31.5) and earnings per share were SEK 1.06 (0.79)
- Cash flow from operating activities amounted to MSEK 81.5 (124.1)

Financial year 2016/17 (July-June)

- Total operating income increased by 13.1% on the previous year, amounting to MSEK 2,043.3 (1,806.8)
- EBIT adjusted for items affecting comparability for the period increased by 11.6% on the previous year, to MSEK 198.7 (178.1). Accordingly, the adjusted operating margin was 9.7% (9.9)
- Profit for the year was MSEK 152.1 (127.0) and earnings per share were SEK 3.80 (3.17)
- Cash flow from operating activities amounted to MSEK 260.8 (180.8).
- Proposed dividend of SEK 1.14 (0.00) per share.

Significant events after the end of the reporting period

- IES opened four new schools in Helsingborg, Landskrona, Södertälje and Årsta in August 2017, which meant a total of some 24,000 students started the new academic year in the Swedish operation's 34 schools.
- Ralph Riber left his position as CEO effective 7 August. IES's CFO Fredrik Åkerman became Interim CEO effective the same date.
- The Swedish Schools Inspectorate has reported that for the present, IES will not be granted permits on five applications to start and operate F-9 preschool and compulsory school operations, and two applications for F-3. IES has prepared an action-plan and filed an application for review of the Inspectorate's decision on the permits.

Consolidated Group MSEK	April - June			July - June		
	2016/2017	2015/2016	+/-	2016/2017	2015/2016	+/-
Operating income	543,1	482,5	12,6%	2 043,3	1 806,8	13,1%
Operating profit - EBIT	53,7	42,3	26,9%	192,6	169,5	13,6%
Adjusted operating profit - EBIT	53,7	49,8	7,8%	198,7	178,1	11,6%
Adjusted EBIT-margin	9,9%	10,3%	-0,4%	9,7%	9,9%	-0,1%
Profit for the period	42,4	31,5	34,6%	152,1	127,0	19,8%
Earnings per share, SEK	1,06	0,79	0,27	3,80	3,17	0,63
FTE, average	2 187	1 977	210	2 129	1 936	193

For definitions, see pages 19-21

CEO's statement

IES put in a strong finish to its financial year. In the fourth quarter, total operating income increased by 12.6% year-on-year to MSEK 543.1 and adjusted EBIT increased by 7.8% to MSEK 53.7, corresponding to an adjusted EBIT margin of 9.9%.

In its role as principal, IES received MSEK 21.0 of central government subsidies for *läxhjälp* in the calendar year 2017. Half of this amount was recognized as revenue in the fourth quarter 2016/17. Total revenue per student increased by 4.1% year-on-year including subsidies for *läxhjälp* and *lärarlönelyftet*, and by 2.9% excluding both these government subsidies.

Personnel costs per student are continuing to rise. Compared to the corresponding quarter of the previous year, they were up 9.3%, including expenses for *lärarlönelyftet*. The salary increases feed through to the earnings level, because as yet, there has been no compensation for the salary increases. Accordingly, school voucher funding decisions for the forthcoming financial year are crucial. We must ensure we are operating on the same terms as municipalities by monitoring the outcome of the school voucher process and municipal costs for compulsory school operations being consistent with actual conditions.

Our new schools in Årsta, Landskrona, Södertälje and Helsingborg, which opened in August, have all attained the class and student numbers we have planned for. In total across IES, we now have 86 more classes than in the previous year, equivalent to an increase of 12% on the academic year 2016/2017, and our student base has expanded to some 24,000.

Progress in Spain was also positive in the fourth quarter. We are continuing to lay the foundation for future expansion, and Elians has hired a local CFO to improve financial control and our capacity to execute our acquisition strategy through the coming years.

The Swedish Schools Inspectorate's scheduled inspections of IES concluded as planned in June. All our 30 school units were inspected. The outcome of these inspections was positive and corroborated how we are satisfying the regulator's standards and expectations of us. The Inspectorate had no observations to report on 27 of our schools, while only three attracted any form of comment.

After completing its scheduled inspections, the Inspectorate notified IES that for the present, it would not be granting permits on five applications filed to start up and operate F-9 preschool and compulsory school operations in Huddinge (Länna), with scheduled start in 2018, in the municipalities of Österåker, Östersund, Skellefteå and Ekerö, with earliest potential start in 2019 and F-3 in Halmstad and Huddinge (Flemingsberg), with earliest start in 2019.

The argument for the rejection is primarily the minor remarks that were found in the supervisory decision regarding the principal, when it comes to the use of psychologists in preventive student health and that two out of 29 principals in the compulsory schools have not had sufficient courses in pedagogy.

We have now prepared an action-plan for the usage of psychologists and the affected principals, as well as the Inspectorate's other views. We subsequently filed a request to review the Inspectorate's decision on these permits.

On 7 August, our principal owners and Board of Directors reported that they considered the timing for a change of CEO as favorable. Accordingly, Ralph Riber left his position as CEO, while I was appointed as Interim CEO until a permanent successor has been appointed.

In the yearly anonymous survey of IES school parents in the fourth quarter 2016/17, 94% of respondents stated that they would recommend their school to another parent (one of the two top options on a four-point scale). This is a strong rating, which is also part of the explanation for the substantial waiting lists for IES schools.

We're looking forward to the 2017/18 academic year and are continuing to create a school operation with the highest possible quality with all our resources and commitment.

Fredrik Åkerman
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. The Spanish holdings are recognized in IES as associated companies. Since July 2016, IES has also been providing management services to 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 2016, IES once again 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.

Subject	Municipal schools average	Free schools	IES
English	69%	83%	97%
Swedish	51%	64%	72%
Mathematics	35%	45%	60%

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 229.

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 87%.

A major contribution to Swedish education

During a severe teacher shortage, we have currently recruited some 700 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 regards our schools as representing “a good example” to the Swedish schooling System in their report from February 3, 2015.

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 secure and orderly school environment where teachers can teach and students can 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 for teachers and students. 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, in the academic year 2017/18, 34 schools, almost 2,200 employees and approximately 24 000 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-1990's, and for ensuring that all students have access to equal education.

In the academic year 2016/17, there were 4,007 municipal school units in Sweden, 5 Sami school units and 820 free school units at compulsory schooling level. In the same period, over 1,023,000 students attended compulsory schools, an increase of over 39,000 students on the previous academic year.

Total municipal expenses for compulsory schooling amounted to approximately SEK 97 Bn in the calendar year 2015.

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 2016/2017, 15% of compulsory school students were in free schools.

1 April – 30 June 2017

Total operating income and operating profit

Total operating income increased by 12.6% to MSEK 543.1 (482.5). The growth is primarily explained by the new school for this academic year, IES Älvsjö and central government subsidies for *läxhjälp* (homework assistance) and *lärarlönelyftet* (an annual grant to raise teacher salaries), as well as 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 21,383 (19,771) students.

Total revenues per student increased by 4.1% year-on-year. These revenues include central government subsidies of MSEK 16.5 for *läxhjälp* and *lärarlönelyftet*. Excluding both these subsidies, total revenues per student increased by 2.9%.

Personnel expenses per student increased by 9.3% on the previous year. Personnel expenses include MSEK 8.4 of expenses relating to the *lärarlönelyftet* initiative. Approximately 90% of the costs associated with *lärarlönelyftet* are 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.

Total costs per student increased by 2.8%. There was a minor positive calendar effect on the cost side in the fourth quarter because Easter 2017 was in April (March last year). This affects certain variable cost items such as school lunches.

Items affecting comparability were MSEK 0.0 (-7.5) in the quarter.

EBIT increased by 26.9% and amounted to MSEK 53.7 (42.3).

EBIT adjusted for items affecting comparability increased by 7.8%, to MSEK 53.7 (49.8). Accordingly, the adjusted EBIT operating margin was 9.9% (10.3).

Total operating income in Sweden was MSEK 543.5 (482.4) and EBIT was MSEK 54.3 (42.8).

Total operating income in the UK was MSEK -0.4 (0.1) and EBIT was MSEK -0.6 (-0.3).

Net financial income/expense

Net financial income/expense was MSEK 2.0 (-1.2). Net financial income/expense for the quarter includes MSEK 1.5 in share of profit from the Group's joint venture in Spain.

Tax

The tax expense for the quarter was MSEK 13.3 (9.6), corresponding to an effective tax rate of 23.8% (23.2).

Profit for the quarter and earnings per share

Profit for the quarter was MSEK 42.4 (31.5) and the net margin was 7.8% (6.6). Earnings per share were SEK 1.06 (0.79).

Cash flow

Cash flow from operating activities was MSEK 81.5 (124.1). The high cash flow in the comparative period was due to some MSEK 85 being transferred from the group's cash accounts, i.e. other receivables, to cash and cash equivalents in the group's bank accounts.

Financial position, cash and cash equivalents

Equity at the end of the quarter was MSEK 882.3 (730.2) and the group's total assets were MSEK 1,189.3 (1,166.1). The equity/assets ratio was 74.2% (62.6).

Cash and cash equivalents amounted to MSEK 198.3 (233.4).

Investments

Investments in the fourth quarter amounted to MSEK 4.6 (4.4).

Human resources

The average number of full-time equivalent employees (FTE) was 2,187 (1,977) in the quarter. At the end of the quarter, employee headcount was 2,181 (2,079).

1 July 2016 – 30 June 2017

Total operating income and operating profit

Total operating income increased by 13.1% to MSEK 2,043.3 (1,806.8). The growth is primarily explained by the new school for this academic year, IES Älvsjö, new central government subsidies such as *läxhjälp* and *lärarlönelyftet*, 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 period, there were 21,383 (19,771) students.

Total revenues per student increased by 4.5%. These revenues include MSEK 19.6 in government subsidy for *läxhjälp*, and MSEK 28.5 of *lärarlönelyftet*. Excluding both these subsidies, the total revenues per student increased by 2.6%.

Personnel expenses per student increased by 8.1% year-on-year. Personnel expenses include MSEK 33.6 of expenses relating to the “*lärarlönelyftet*”. Approximately 90% of our costs for this initiative are covered by the central government subsidy. The supply of qualified teachers on the Swedish school market is currently lower than demand, which is contributing to increased wage creepage on the market. The discount on social security expenses for younger employees has been fully abolished since 1 June 2016.

Total costs per student adjusted for items affecting comparability increased by 4.7%. Improved purchasing agreements and economies of scale due to high growth in the number of schools and classes offset the increase in personnel expenses per student.

EBIT increased by 13.6%, and amounted to MSEK 192.6 (169.5).

EBIT adjusted for items affecting comparability increased by 11.6% and amounted to MSEK 198.7 (178.1). Accordingly, the adjusted EBIT margin amounted to 9.7% (9.9).

Total operating income in Sweden was MSEK 2,043.3 (1,806.0), and EBIT was MSEK 193.6 (170.2).

Total operating income in the UK was MSEK 0.0 (0.7) and EBIT was MSEK -1.0 (-0.6).

Items affecting comparability

IES incurred expenses affecting comparability for its IPO on Nasdaq and the Spanish acquisition in the period amounting to MSEK 6.1 (8.6).

Net financial income/expense

Net financial income/expense was MSEK 3.6 (-5.3). Net financial income/expense for the period includes positive currency effects of MSEK 3.0, the impairment of a financial receivable of MSEK 3.5 and profit from shares in the Spanish Elians school operations of MSEK 5.4.

Tax

The tax expense for the period was MSEK 44.1 (37.3), corresponding to an effective tax rate of 22.5% (22.7).

Profit for the period and earnings per share

Profit for the period was MSEK 152.1 (127.0), and the net margin was 7.4% (7.0). Earnings per share were SEK 3.80 (3.17).

Cash flow

Cash flow from operating activities was MSEK 260.8 (180.8). The strong cash flow is due to positive operating profit and reduced working capital.

Cash flow for the period was MSEK -35.1 (138.5), including repayment of loans totaling MSEK 175 and purchase consideration for, and loans to, the Spanish operations, of MSEK 66.

Financial position, cash and cash equivalents

Equity at the end of the period was MSEK 882.3 (730.2) and the group's total assets were MSEK 1,189.3 (1,166.1). The equity/assets ratio was 74.2% (62.6).

Cash and cash equivalents amounted to MSEK 198.3 (233.4).

1 July 2016 – 30 June 2017 cont.

Investments

Investments in the period were MSEK 54.7 (63.8). In the period, one new school was opened, compared to three new schools in the comparative period. As only one new school was opened in the year, IES has chosen to increase investment in existing schools somewhat.

Financial assets

The group acquired 50% of Elians (through the parent company) in the year, a group of minority-owned subsidiaries comprising three school providers, for MEUR 5, and issued working capital loans totaling MEUR 2.1 to the same companies. At the end of the period, Elians's consolidated book value was MSEK 55.2 and the working capital loans were MSEK 20.4.

Human resources

The average number of full-time equivalent employees (FTE) was 2,129 (1,936) in the period. At the end of the period, employee headcount was 2,181 (2,079).

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.

Apart from the risks reviewed in the Annual Report and the CEO's statement on page 3 of the Interim Report for July-December on the Reepalu Inquiry's proposals, IES does not consider that any additional significant risks 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.

Proposed dividend

The Board of Directors is proposing a dividend of SEK 1.14 (-) for 2016/17. The proposed dividend amounts to a total of MSEK 45.7 (-), which comprises 30% (-) of profit after tax for the financial year.

Events after the end of the period

IES opened four new schools in Helsingborg, Landskrona, Södertälje and Årsta in August 2017, and accordingly, a total of some 24,000 students started the new academic year in the Swedish operation's 34 schools.

The Swedish Inspectorate of Schools notified IES that no permits will be issued for the present for five applications to start up and operate F-9 preschool and compulsory school operations in Huddinge (Länna), with scheduled start in 2018, in the municipalities of Österåker, Östersund, Skellefteå and Ekerö with earliest potential start in 2019 and F-3 in Halmstad and Huddinge (Flemingsberg), with earliest start in 2019.

The argument for the rejection is primarily the minor remarks that were found in the supervisory decision regarding the principal, that was conducted by the Swedish Schools Inspectorate during the first half of 2017, when it comes to the use of psychologists in preventive student health and that two out of 29 principals in the compulsory schools have not had sufficient courses in pedagogy.

IES has prepared an action-plan for the usage of psychologists, and the affected principals, and to address the Inspectorate's other points. A request for review has been filed with the Inspectorate regarding its decision on permits.

Ralph Riber left his position as CEO and President effective 7 August 2017. CFO Fredrik Åkerman became Interim CEO effective the same date. The appointment process for a new CEO has commenced.

Future prospects

IES does not issue forecasts.

1 July 2016 – 30 June 2017 cont.

Related party transactions

Through the parent company, the group has a related party relationship with the three 50%-owned Elians companies in Spain.

A management fee of MSEK 0.9 was charged to the three Spanish companies in the period. The parent company also issued a MEUR 2.1 loan to the three companies, with interest paid in the period corresponding to MSEK 1.2.

Through a Board member, the group also has a related party relationship with Internationella Engelska Skolan i Sverige AB. MSEK 0.4 (0.3) of consulting fees and reimbursement for monitoring the schools market and business intelligence were paid. IES regards this amount as being on market terms.

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 was partly funded by bank loans in the period. The loan was repaid in March 2017, meaning there are no remaining bank loans outstanding. See note 4, page 18.

Seasonality

IES's total operating income and profitability are affected by the nature of operations, and accordingly, its cycle. Sales and profitability are somewhat lower in the first quarter than in other quarters 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, the parent company arranged a loan from a credit institution and provided internal credits 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 MEUR 2.1 in working capital to Elians in July

2016. In August 2016, the group's refinancing implied the parent company repaid outstanding loans to a credit institution and subsequently raised new borrowing at a lower amount from the same credit institution, as well as raising an internal loan from the subsidiary

Internationella Engelska Skolan i Sverige AB. The acquisition of Elians in Spain was completed in November 2016. In March 2017, the parent company raised further internal borrowing from the same subsidiary as previously, and the outstanding loan to the credit institute was repaid in full. On 30 June 2017, the outstanding intragroup loan was repaid to IES by the parent company receiving a group contribution of the corresponding amount.

This Report has not been reviewed by the company's auditor.

Stockholm, Sweden, 23 August 2017

Internationella Engelska Skolan i Sverige Holdings II AB (publ)

Fredrik Åkerman
Chief Executive Officer

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Teleconference in connection with publication of the quarterly report:

On Wednesday 23 August at 10:00 a.m. CET, Fredrik Åkerman, Interim CEO, 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 (0)8 505 96306 and enter the code: 16642913#. 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

Annual Report 2016/2017 – 25 October 2017

Interim Report Q1 2017/18 – 17 November 2017

Annual General Meeting 2016/17 – 17 November 2017

Interim Report Q2 2017/18 – 22 February 2018

Interim Report Q3 2017/18 – 25 May 2018

Internationella Engelska Skolan i Sverige Holdings II AB discloses the information provided herein pursuant to the EU's Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the above contacts, on 23 August 2017 at 08:00 a.m. CET.

Consolidated Income Statement

MSEK	April-June		July-June	
	2016/2017	2015/2016	2016/2017	2015/2016
Operating income				
Revenue	512,0	462,2	1 940,2	1 753,1
Other operating income	31,2	20,3	103,1	53,7
Operating income	543,1	482,5	2 043,3	1 806,8
Operating expenses				
Teaching and meal expenses	-60,3	-59,5	-258,9	-242,3
Other external expenses	-105,1	-105,0	-417,9	-386,2
Personnel expenses	-310,4	-262,6	-1 118,8	-956,7
Depreciation and amortization	-13,7	-13,1	-55,1	-52,1
Operating profit	53,7	42,3	192,6	169,5
Profit from financial items				
Profit from Joint Venture	1,5	-	5,4	-
Financial income	0,8	0,1	5,5	0,1
Financial expenses	-0,4	-1,3	-7,4	-5,5
Net financial items	2,0	-1,2	3,6	-5,3
Pre-tax profit	55,7	41,1	196,2	164,2
Current tax	-3,7	-1,6	-34,5	-29,3
Deferred tax	-9,6	-8,0	-9,6	-8,0
PROFIT FOR THE PERIOD	42,4	31,5	152,1	127,0
<i>Earnings per share</i>	1,06	0,79	3,80	3,17

Consolidated Statement of Comprehensive Income

MSEK	April-June		July-June	
	2016/2017	2015/2016	2016/2017	2015/2016
Profit for the period	42,4	31,5	152,1	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	0,2	0,3
Other comprehensive income, net of tax	0,1	0,0	0,2	0,3
COMPREHENSIVE INCOME FOR THE PERIOD	42,5	31,5	152,3	127,3

Consolidated Statement of Financial Position

MSEK	June 30, 2017	June 30, 2016
Non-current assets		
<i>Intangible assets</i>		
Goodwill	661,0	661,0
<i>Property, plant and equipment</i>		
Leasehold buildings	4,9	5,2
Machinery and equipment	110,6	108,6
Leasehold improvements	30,1	32,3
<i>Financial assets</i>		
Non-current receivables	-	3,5
Participation in Joint Venture	55,2	-
Long-term receivables from associated companies	20,4	-
Deferred tax assets	0,0	0,5
Total non-current assets	882,3	811,1
Current assets		
Trade accounts receivable	10,4	9,3
Other receivables	6,7	22,3
Prepaid expenses and accrued income	91,6	90,1
Cash and cash equivalents	198,3	233,4
Total current assets	307,0	355,1
TOTAL ASSETS	1 189,3	1 166,1
Equity	882,3	730,2
TOTAL EQUITY	882,3	730,2
<i>Non-current liabilities</i>		
Liabilities to credit institutions	-	93,8
Deferred tax liabilities	48,6	39,5
Total non-current liabilities	48,6	133,3
<i>Current liabilities</i>		
Liabilities to credit institutions	-	81,3
Trade accounts payable	72,1	69,6
Other current liabilities	70,8	49,8
Accrued expenses and prepaid income	115,5	102,1
Total current liabilities	258,3	302,7
TOTAL EQUITY AND LIABILITIES	1 189,3	1 166,1

Consolidated Statement of Changes in Equity

MSEK	Share capital	Other capital contributed	Translation reserve	Reserves and retained earnings	Total
Opening balance, July 1, 2015	0,1	361,9	0,1	241,2	603,2
Profit for the period				127,0	127,0
Other comprehensive income for the period			0,3		0,3
Total comprehensive income for the period	0,0	0,0	0,3	127,0	127,2
<i>Other</i>					
Bonus issue	0,5	-0,5			
Total	0,5	-0,5			0,0
Closing balance, June 30, 2016	0,5	361,4	0,3	367,9	730,2

MSEK	Share capital	Other capital contributed	Translation reserve	Reserves and retained earnings	Total
Opening balance, July 1, 2016	0,5	361,4	0,3	367,9	730,2
Profit for the period				152,1	152,1
Other comprehensive income for the period				0,2	0,2
Total comprehensive income for the period				152,3	152,3
<i>Other</i>					
Translation reserve			-0,2		-0,2
Bonus issue	0,5	-0,5			
Total	0,5	-0,5	-0,2		-0,2
Closing balance, June 30, 2017	1,0	360,9	0,1	520,2	882,3

Consolidated Cash Flow Statement

MSEK	April - June		July - June	
	2016/2017	2015/2016	2016/2017	2015/2016
Operating activities				
Operating profit	53,7	42,4	192,6	169,5
Interest received	0,8	0,1	5,5	0,1
Interest paid	-0,4	-1,3	-3,8	-5,5
Adjustment for items not including in the cash flow	16,6	13,8	52,1	54,4
Income tax paid	-8,4	-2,6	-35,4	-31,9
Cash flow from operating activities before changes in working capital	62,4	52,4	210,9	186,6
Cash flow from changes in working capital				
Change in operating receivables	-16,4	79,6	13,0	-38,4
Change in operating liabilities	35,5	-7,9	36,9	32,6
Cash flow from changes in working capital	19,1	71,7	49,9	-5,8
Cash flow from operating activities	81,5	124,1	260,8	180,8
Investing activities				
Acquisition of property, plant and equipment	-4,6	-4,4	-54,7	-63,8
Change in financial assets	0,7	-	-66,2	0,0
Cash flow from investing activities	-3,9	-4,4	-120,9	-63,8
Financing activities				
External loans	-	-	-	-3,5
Bank loan	-	-	-	225,0
Amortization of loans, credit institutions	0,0	-	-175,0	-200,0
Cash flow from financing activities	0,0	-175,0	-175,0	21,5
Cash flow for the period	77,6	-55,3	-35,1	138,5
Cash and cash equivalents at beginning of period	120,6	126,0	233,4	94,9
Exchange-rate difference in cash and cash equivalents	0,0	0,0	0,0	0,0
Cash and cash equivalents at end of period	198,3	233,4	198,3	233,4

Parent Company Income Statement

MSEK	April - June		July - June	
	2016/2017	2015/2016	2016/2017	2015/2016
Operating income				
Revenue	0,7	0,5	2,8	0,5
Other operating income	0,6	-	1,7	-
Operating income	1,3	0,5	4,4	0,5
Operating expenses				
Teaching and meal expenses	-	-	-	-
Other external expenses	-2,6	-6,8	-11,9	-8,1
Personnel expenses	-0,6	-1,3	-3,2	-1,3
Depreciation and amortization	-	-	-	-
Operating profit	-2,0	-7,6	-10,7	-8,9
Profit from financial items				
Financial income	4,4	0,5	5,8	2,2
Financial expenses	-4,5	-1,6	-7,7	-4,2
Net financial items	-0,1	-1,0	-2,0	-2,0
Pre-tax profit	-2,1	-8,6	-12,6	-10,9
Year end appropriations	92,6	9,8	92,6	9,8
Current tax	-18,1	-	-18,1	-
PROFIT FOR THE PERIOD	72,4	1,2	61,9	-1,1

Parent Company Statement of Financial Position

MSEK	30 June 2017	30 June 2016
Non-current assets		
<i>Financial assets</i>		
Shares in group companies	361,9	361,9
Participation in Joint Venture	54,4	-
Long-term receivables from associated companies	20,4	-
Non-current receivables	-	3,5
Total Non-current assets	436,7	365,4
Current assets		
Intercompany receivables	33,3	173,1
Tax receivable	-	0,1
Other receivables	0,6	1,6
Prepaid expenses and accrued income	0,5	2,6
Cash and cash equivalents	-	-
Total current assets	34,4	177,5
TOTAL ASSETS	471,1	542,9
Equity	422,8	360,9
TOTAL EQUITY	422,8	360,9
Untaxed reserves	27,4	-
<i>Non-current liabilities</i>		
Liabilities to credit institutions	-	93,8
Total non-current liabilities	-	93,8
<i>Non-current liabilities</i>		
Liabilities to credit institutions	-	81,3
Trade accounts payable	1,0	1,6
Liabilities to group companies	-	-
Current tax liabilities	18,0	0,0
Other current liabilities	0,6	0,1
Accrued expenses and prepaid income	1,4	5,2
Total current assets	20,9	88,2
TOTAL EQUITY AND LIABILITIES	471,1	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 provisions of the Swedish 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 Swedish 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 2016/17 amounted to MSEK 287.4. As of 30 June 2017, the undiscounted amount for commitments relating to operating leases was MSEK 4,753.8.

IFRS 15 Revenue from Contracts with Customers replaces all previously issued standards and interpretation statements dealing with revenue. Accordingly, IFRS 15 comprises an integrated model of revenue recognition. The intention of the standard is for everything to proceed from an agreement to sell a good or service between two parties. Initially, a customer agreement should be identified, which generates an asset with the seller (rights, a promise to receive compensation) and a liability (undertaking, a promise to supply goods/render services). Pursuant to this model, a revenue item should then be recognized, and thus demonstrate that the undertaking to deliver goods or services to the customer has been satisfied. Additionally, the financial statements will be affected by significantly increased disclosure requirements. The Standard should be adopted from 1 January 2018 and has been endorsed by the EU. Work to evaluate the effects of the new Standard on IES commenced in 2015/2016 and is continuing in 2017. At present, IES does not consider that IFRS 15 will have any material effect on the group's results of operations and financial position.

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

Operating income and operating profit (EBIT) are divided geographically by market/segment as follows:

Geographical markets / Operating segment	April - June		July - June	
	2016/2017	2015/2016	2016/2017	2015/2016
Operating income (MSEK)				
Sweden	543,5	482,4	2 043,3	1 806,0
United Kingdom	-0,4	0,1	0,0	0,7
Group total	543,1	482,5	2 043,3	1 806,8
Operating profit EBIT (MSEK)				
Sweden	54,3	42,8	193,6	170,2
United Kingdom	-0,6	-0,3	-1,0	-0,6
Group total	53,7	42,5	192,6	169,5

Apart from its operating activities in the UK and Sweden, the group has a related party relationship with Internationella Engelska Skolan i Sverige Holdings II AB through the three 50%-owned Elians companies in Spain (Joint Venture). The profit from these participations amounted to MSEK 5.4 in the year and is recognized under financial income in the Consolidated Income Statement. A management fee of MSEK 0.9 was also debited to the three Spanish companies in the period. The parent company also issued an MEUR 2.1 loan to the three companies, with interest paid in the period corresponding to MSEK 1.2.

3. Financial instruments

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

4. Financing

On the date of listing on Nasdaq, 29 September 2016, Internationella Engelska Skolan i Sverige Holdings II AB arranged an amortizing loan of MSEK 80 from a credit institution with maturity in November 2017, and an overdraft facility of MSEK 100. The amortizing loan accrues variable interest based on STIBOR plus a pre-determined margin. The outstanding loan was repaid in full in March 2017. The overdraft facility had not been utilized at the end of the period on 30 June 2017. The overdraft facility is subject to annual contractual interest on the credit amount plus a disposition rate 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.

As collateral for the above loan, a floating charge has been raised totaling MSEK 62.5 in Internationella Engelska Skolan i Sverige AB.

Apart from the general terms applying to the aforementioned credit facilities, Internationella Engelska Skolan i Sverige Holdings II AB's obligations to the credit institution are formalized in an agreement on specific covenants. 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 MSEK 12.5 in Internationella Engelska Skolan i Sverige AB was raised in the period, relating to the loans specified in note 4, and guarantees issued by Internationella Engelska Skolan i Sverige Holdings II AB for 50% of the property mortgages for the three Spanish Elians companies. The property mortgages amounted to MEUR 15.1 at the end of the period.

6. Group companies

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

Key Figures

MSEK	April - June		July - June	
	2016/2017	2015/2016	2016/2017	2015/2016
Operating income	543,1	482,5	2 043,3	1 806,8
Operating profit - EBIT	53,7	42,3	192,6	169,5
Adjusted operating profit - EBIT	53,7	49,8	198,7	178,1
Adjusted EBIT-margin	9,9%	10,3%	9,7%	9,9%
Profit	42,4	31,5	152,1	127,0
Net Margin	7,8%	6,6%	7,4%	7,0%
Operating capital	-149,6	-99,7	-149,6	-99,7
Return on equity	4,9%	4,3%	18,9%	17,4%
Net debt (+) / Net cash (-)	-198,3	-58,4	-198,3	-58,4
Equity/assets ratio	74,2%	62,6%	74,2%	62,6%
Cash flow from operating activities	81,5	124,1	260,8	180,8
Investments	-4,6	-4,4	-54,7	-63,8
FTE	2 187	1 977	2 129	1 936

Key ratio definitions

Alternative key figures

The Group uses alternative key ratios to increase the reader's understanding of the progress of operations. We think these alternative key ratios facilitate evaluation and analysis of the Group's progress in important segments such as the potential for dividends and execution of future strategic investments, as well as the Group's ability to satisfy its various financial obligations. Some alternative key ratios, such as adjusted EBIT and adjusted EBIT margins, also enable investors to better judge the progress of earnings between years, excluding items affecting comparability.

Adjusted EBIT margin

Adjusted EBIT as a percentage of total operating profit.

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 profit	EBIT—operating profit is earnings after depreciation of acquisition-related intangible assets, financial items and tax, excluding items affecting comparability.
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. However, central government subsidies such as <i>läxhjälp</i> , <i>lärarlönehyft</i> and <i>karriärtjänster</i> are not included in items affecting comparability, because they are expected to recur for several years, and are part of operating activities.
Margin	Profit for the period divided by total operating income
Net debt	Interest-bearing liabilities less cash and cash equivalents
Net debt (+)/net cash (-)	Interest-bearing liabilities less cash and cash equivalents.
Net margin	Profit for the period divided by total operating income.
Number of shares	Number of shares as stated in the share register.
Operating capital	Current assets excluding cash and cash equivalents less operating liabilities.
Operating income	School voucher funding and social subsidies.
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 free school operators in Sweden with some 24,000 students in 34 schools in the academic year starting 2017/18. 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 operator, with nine of the ten largest free schools. IES’s 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 25th year of operation. It continues to be defined by three strong convictions, established by the founder, Mrs. Barbara Bergström:

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

Up to half of the teaching in IES schools is in English, by native English speaking teachers. Over 700 teachers with

qualified foreign teaching degrees are currently teaching in IES schools. They are mainly recruited from Canada, USA, UK and South Africa.

IES has shown a strong and consistent growth for a number of years. Average organic growth during the last ten years is 19% per year. Turnover during the latest concluded operational year, 2016/17, which ended June 30, 2017, was 2 043,3 MSEK, a growth of 17% from previous year. As of 30 June 2017, there were approximately 144,000 applications in the waiting list to secure a place for the forthcoming year.

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 as of the end of June 2017 include Swedbank Robur fonder, investment company Öresund, Norron Asset Management, the Third Swedish National Pension Fund and AMF Försäkring & Fonder (owned jointly by LO, The Swedish Trade Union Confederation and the Confederation of Swedish Enterprise).