



Internationella Engelska Skolan 2017/2018

Interim Report - (1 July - 31 March 2017/2018)

Progress of operations in the third quarter (January-March)

- Total operating income increased by 16.8% year on year, mainly due to a larger student base, and amounted to MSEK 632.3 (541.4)
- The number of students in the Swedish operation at the end of the quarter was 23,971 (21,420)
- There were around 179,000 registrations on waiting lists at the end of the quarter, an increase of some 18,000 (11%) on 31 December 2017, and an increase of some 35,000 (24%) on the corresponding point of the previous year
- EBIT for the quarter decreased by 6.4% on the corresponding quarter of the previous year, amounting to MSEK 52.7 (56.3). The EBIT margin was 8.3% (10.4)
- Profit for the quarter was MSEK 42.8 (44.1) and earnings per share were SEK 1.07 (1.10)
- Cash flow from operating activities amounted to MSEK 74.6 (-22.9)

Progress of operations in the period (July-March)

- Total operating income increased by 15.8% year on year, and amounted to MSEK 1,736.5 (1,500.2)
- EBIT adjusted for items affecting comparability for the period decreased by 14.6% year on year, to MSEK 127.4 (149.0). The adjusted EBIT margin was 7.3% (9.9)
- Profit for the period was MSEK 97.0 (109.7) and earnings per share were SEK 2.42 (2.74)
- Cash flow from operating activities amounted to MSEK 174.6 (179.4)

Significant events after the end of the reporting period

- 50%-owned joint venture Elians acquired English School of Asturias in Spain
- The Board of Directors is convening an Extraordinary General Meeting (EGM), and is proposing adoption of a new incentive program for senior managers in the form of share warrants and a share matching program

Consolidated Group MSEK	January-March			July-March			Mar 31, 2018 Rolling 12 months
	2017/2018	2016/2017	+/-	2017/2018	2016/2017	+/-	
Operating income	632.3	541.4	16.8%	1 736.5	1 500.2	15.8%	2 279.6
Operating profit - EBIT	52.7	56.3	-6.4%	124.7	142.9	-12.8%	179.9
Adjusted operating profit - EBIT	52.7	56.3	-6.4%	127.4	149.0	-14.5%	182.6
Adjusted EBIT-margin	8.3%	10.4%	-2.1%	7.3%	9.9%	-2.6%	8.0%
Profit for the period	42.8	44.1	-2.8%	97.0	109.7	-11.6%	139.5
Earnings per share, SEK	1.07	1.10	-0.03	2.42	2.74	-0.32	3.48
FTE, average	2 508	2 177	331	2 441	2 108	333	2 336

For definitions, see pages 20-21.

CEO's comment on progress in the third quarter

Internationella Engelska Skolan (IES) is the largest independent compulsory school operator in Sweden, managing 17 of the 20 largest free schools. Including the municipal principals, we manage 8 of the 25 largest compulsory schools. We can – and want to – be part of the solution to the challenges facing Sweden's schooling system.

In my first weeks as CEO of IES, I've met principals, teachers, municipal politicians, school leaderships, students and parents. The picture that is emerging is consistent: the need for better Swedish schools is one of our greatest collective social challenges and we need to find ways to give our children a better future together. IES's orderly study environment, high academic expectations, the opportunity to command English and our students' excellent performance can make a positive contribution in this perspective.

At a time when many municipalities are facing burgeoning populations, with a high share born outside Sweden, these challenges accentuate. Within IES, 36% of our students have a foreign background, against the 24% average of municipal schools. In this context, the international environment IES offers serves as a complement, and can also reduce segregation and enhance a municipality's attractions.

In the third quarter, we saw yet more evidence of how our efforts are appreciated. The number of waiting list registrations was up by 11% on year-end 2017, and by 24% on the corresponding point of the previous year. This means we had 18,000 new registrations in the quarter, and the number of waiting list registrations at the end of the quarter was some 179,000 for the coming years. In the fall, we will be opening two new schools, in Länna (Huddinge) and Sundbyberg, both in Stockholm, and are working hard to find ways to accelerate IES's expansion alongside many of Sweden's municipalities.

Total operating income in the third quarter increased by 16.8% year on year, mainly due to a larger student base, and amounted to MSEK 632. The EBIT margin was 8.3% compared to 10.4% in the corresponding period of the previous year. The narrower EBIT margin is partially due to higher start-up costs for the four new schools we opened in fall 2017, which

should be compared to only one new school start-up in fall 2016. However, the main explanation is that total revenues per student for the third quarter were up by 3.5%, while personnel expenses per student increased by 8.1%. We believe progress is similar in municipal schools.

One precondition for us and other positive influences on Swedish schools to offer our skills is that school voucher funding has to reflect the actual costs within municipal schools. If municipalities are running deficits, then according to the legislated principle of equal terms, free schools should be compensated. I'm convinced that with greater transparency on how school voucher funding is determined, we will get there.

We are convinced that our skills in managing bilingual schools combined with strong core values and an effective business model are also attractive outside Sweden. When IES took its first step into the Spanish market in fall 2016, our ambition was to create a foundation for further expansion. Since then, we have improved quality systems, hired a skilled management and enhanced financial controls. Accordingly, our acquisition of English School of Asturias in May is a natural next step in IES's expansion in Spain. Its operations are bilingual and largely based on the same principles as IES in Sweden, focusing on English, high education quality and an orderly classroom teaching environment.

We are continuing our work on developing skilled school leaderships and teachers and we bring teacher skills to Sweden through international hiring. Our passionate professionals work every day to create better schools. I'm delighted to be part of driving this progress, not only for IES, but also, for Sweden's future.

Annette Brodin Rampe
CEO

Internationella Engelska Skolan's operations

Quality and professionals

IES possesses long-term and in-depth experience of education, and the academic year 2017/18 is its 25th 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 two Spanish school companies that operate four schools, which combine to form Grupo Educativo Elians. The Spanish holdings are recognized in IES according to the equity method. 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 achieved top results in nationwide grade 9 tests in English, as well as results significantly above the Swedish school average in mathematics and Swedish. Because the year-2017 national tests were leaked prior to test dates, there are no reliable figures for this year. In 2016, 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 2017 was 272 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 2016/2017. The corresponding figure for Sweden's municipal schools was 24%. The share born outside Sweden is also higher.

Of all students leaving IES's schools in 2017, 97% had grades qualifying them for upper secondary school. The corresponding share for all ninth-grade students in Sweden was 83%.

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 a report from 3 February 2015, the Swedish Inspectorate of Schools rated our schools as representing “a good example” to the Swedish schooling system terms of leadership, principalship and quality management.

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 being a major contributor 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

learn—we operate a Code of Conduct that parents and students sign. Our principals 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 current total of 34 schools for the academic year 2017/18, some 2,700 employees (headcount on 31 March 2018) and our base of some 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 grades 1-9 are 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 the academic year 2017/18, there were 3,990 municipal school units in Sweden, 5 Sami school units and 820 free school units at compulsory schooling level. In the same period, over 1,049,000 students attended compulsory schools, an increase of some 26,500 students on the previous academic year.

Total municipal expenses for compulsory schooling amounted to approximately SEK 104 Bn in the calendar year 2016.

In Sweden, 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 school attendance, offering all students a place in compulsory schools, 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 free schools increased by an average annual growth rate of some 7%. In the academic year 2017/2018, 15% of compulsory school students were in free schools.

1 January – 31 March 2018

Total operating income and EBIT

Total operating income increased by 16.8% to MSEK 632.3 (541.4). The growth is primarily explained by our new schools for the academic year—IES Helsingborg, IES Landskrona, IES Södertälje and IES Årsta—plus a larger number of classes in existing schools compared to the previous year. In total, the number of classes increased to 798 (711). At the end of the quarter, we had a total of 23,971 (21,420) students.

Our EBIT fell by 6.4% to MSEK 52.7 (56.3). Accordingly, the EBIT margin narrowed to 8.3% (10.4).

Comparisons of total operating income and earnings in the quarter with actuals in the corresponding period of the previous year should consider that MSEK 4.0 for part of the central government *Karriärtjänster* subsidy was recognized in Q3 this year, while the corresponding proportion in the previous year, of MSEK 3.4, was not recognized until Q4.

Total revenues per student increased by 4.3% year on year. Revenues include MSEK 13.0 (7.5) of central government subsidies for *Lärarlönelyftet* and *Karriärtjänster*. Excluding the effects of these subsidies in the current and previous, comparative, year, total revenues per student increased by 3.6%.

Personnel expenses per student rose by 8.1% year on year. The supply of qualified teachers on the Swedish schools market now lags demand, which is a contributor to the sharp increase in wage creepage on the market. Personnel expenses include MSEK 13.9 (11.2) of costs related to the *Lärarlönelyftet* and *Karriärtjänster* subsidies.

Total costs per student increased by 6.6%. The progress is mainly explained by increased personnel expenses, but also by higher depreciation and amortization per student as a result of the major investment in four new schools in the year.

Total operating income in Sweden was MSEK 632.0 (541.2), and EBIT was MSEK 50.6 (53.9). Total operating income in the UK was MSEK 0.3 (0.2), and EBIT was MSEK 0.1 (-0.1).

EBIT from joint venture participations in the Spanish school operation Elians amounted to MSEK 2.1 (2.5).

Items affecting comparability

IES did not report any items affecting comparability in the quarter (o.o.).

Net financial income/expense

Net financial income/expense was MSEK 1.1 (-0.2).

Tax

The tax expense for the quarter was MSEK 11.0 (12.1), corresponding to an effective tax rate of 20.4% (21.6).

Profit for the quarter and earnings per share

Profit for the quarter was MSEK 42.8 (44.1), and the net margin was 6.8% (8.1). Earnings per share were SEK 1.07 (1.10).

Cash flow

Cash flow from operating activities was MSEK 74.6 (-22.9). The lower cash flow in the comparative period is due to advance rents for the third quarter of some MSEK 35 then being paid in early-January, against December in the current year and previous year.

Financial position, cash and cash equivalents

Equity at the end of the quarter was MSEK 933.7 (839.9) and the group's total assets were MSEK 1,337.1 (1,103.5). The equity/assets ratio was 69.8% (76.1).

Cash and cash equivalents amounted to MSEK 245.2 (120.6).

Investments

Investments in the third quarter were MSEK 3.2 (3.7).

Human resources

The average number of full-time equivalent employees (FTE) was 2,508 (2,177) in the quarter. At the end of the quarter, employee headcount was 2,702 (2,461).

1 July – 31 March 2018

Total operating income and EBIT

Total operating income rose by 15.8% to MSEK 1,736.5 (1,500.2). The growth is primarily explained by the four new schools for this academic year—IES Helsingborg, IES Landskrona, IES Södertälje and IES Årsta—and a higher number of classes in existing schools compared to the previous year. The total number of classes increased to 798 (711). At the end of the period, there were 23,971 (21,420) students.

EBIT adjusted for items affecting comparability fell by 14.6% to MSEK 127.3 (149.0).

Accordingly, the adjusted EBIT margin was 7.3% (9.9).

Comparisons of total operating income and earnings in the period with actuals in the corresponding period of the previous year should consider that MSEK 4.0 for part of the central government *Karriärtjänster* subsidy was recognized in Q3 this year, while the corresponding proportion in the previous year, of MSEK 3.4, was not recognized until Q4.

Total revenues per student rose by 3.5%. These revenues include MSEK 48.2 (31.7) of central government subsidies for *Lärarlönelyftet*, *Karriärtjänster* and *Läxhjälp*. Excluding the effect of these subsidies in the current and previous, comparative, year, total revenues per student increased by 2.8%.

Personnel expenses per student increased by 8.1% on the previous year. At present, the supply of qualified teachers on the Swedish schools market lags demand, contributing to a sharp increase in wage creepage on the market. Personnel expenses include MSEK 41.6 (34.9) of expenses relating to *Lärarlönelyftet* and *Karriärtjänster*. Some 90% of our costs for *Lärarlönelyftet* and *Karriärtjänster* are covered by central government subsidies.

Total costs per student adjusted for items affecting comparability increased by 6.1%. This change is due to increased personnel expenses, the expected high start-up costs, depreciation and amortization for our four new schools. Thanks to the high growth in the number of schools and classes, improved purchasing agreements and economies of scale offset the increase in personnel expenses per student.

Total operating income in Sweden was MSEK 1,735.6 (1,499.8), and EBIT was MSEK 125.9 (139.3).

Total operating income in the UK was MSEK 0.9 (0.4) and EBIT was MSEK -0.1 (-0.4).

Profit/loss from the participations in joint venture Elians, the Spanish school operation, was MSEK -1.2 (3.9). In the comparative period, these participations were only held during the stronger period in earnings terms of November-December.

Items affecting comparability

IES incurred expenses affecting comparability relating to termination of the previous CEO's employment of MSEK 2.7 (6.1) in the period. The expenses affecting comparability in the comparative period consisted of expenses for IES's IPO on Nasdaq and the acquisition of 50% of Elians in Spain.

Net financial income/expense

Net financial income/expense was MSEK 1.7 (-2.4).

Tax

The tax expense for the period was MSEK 29.4 (30.8), corresponding to an effective tax rate of 23.3% (21.9). The tax expense for the period includes MSEK 1.7 of tax relating to previous years, which is a consequence of the tax audit conducted on IES from April 2016, and that did not conclude until January 2018.

Profit for the period and earnings per share

Profit for the period was MSEK 97.0 (109.7), and the net margin was 5.6% (7.3). Earnings per share were SEK 2.42 (2.74).

Cash flow

Cash flow from operating activities was MSEK 174.6 (179.4). The stronger cash flow in the comparative period is mainly because of higher earnings.

Cash flow for the period was MSEK 46.8 (-112.7). Apart from the difference due to cash flow from operating activities, the difference compared to the previous year is mainly due to repayment of loans in the previous year and the disbursement of dividends, as well as increased

investments in school operations in the current year.

Financial position, cash and cash equivalents

Equity at the end of the period was MSEK 933.7 (839.9) and the group's total assets were MSEK 1,337.1 (1,103.5). The equity/assets ratio was 69.8% (76.1).

Cash and cash equivalents amounted to MSEK 245.2 (120.6).

Investments

Investments amounted to MSEK 82.1 (50.1). The higher investments compared to the previous year are mainly because four new schools were opened in the period, compared to only one new school in the comparative period.

Financial assets

The group acquired 50% of Elians (through the parent company) in the previous year, a joint venture in Spain then 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, the shareholding in Elians was recognized at MSEK 52.8 and the working capital loans were MSEK 21.7. IES was returned MSEK 1.3 associated with the acquisition of Elians from escrow in the period.

Human resources

The average number of full-time equivalent employees (FTE) was 2,441 (2,108) in the period. At the end of the period, employee headcount was 2,702 (2,461).

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 (publ) annual accounts for 2016/17, in the Directors' Report on page 56 and note 20. Apart from the risks reviewed in the Annual Report, IES does not consider that any additional material 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.

Events after the end of the period

On 11 May, newly incorporated joint venture International Education Partnership, S.L. ("IEP"), acquired 99.43% of the shares of English School of Asturias in Spain. IEP is 50% owned by IES and 50% by IES's collaborative partner in Spain, the Monzonis family.

The enterprise value, EV, was MEUR 16.0, and the purchase consideration, which was temporarily financed with a loan from IES, was MEUR 13.5, and include school buildings valued at just over MEUR 9. Asturias' estimated adjusted EBITDA for the financial year 2017/18 is MEUR 1.2.

In tandem with the acquisition, IEP also took over 100% of the shares of two of Grupo Educativo Elians' three school companies in Spain, located in Castellon and La Nucia, while the school in Valencia will still be directly held by IES (50%) and the Monzonis family (50%).

On 14 May, IES's Board of Directors reported that it was convening an EGM of IES on 13 June 2018.

The Board is proposing that the EGM resolves to issue not more than 438,000 share warrants within a long-term incentive program for senior managers. The Board is also proposing that the EGM resolves to adopt a long-term incentive program in the form of a share matching program for principals and other management staff of Internationella Engelska Skolan i Sverige Holdings II AB (publ).

The share matching program requires participants to have invested in the company through the purchase of new IES shares. Subsequently, participants will be offered the opportunity to receive ordinary shares within the program free of charge, termed matching shares.

For more information, refer to the separate convening notice.

Future prospects

IES does not issue forecasts.

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 0.7 was charged to the three Spanish companies in the period. The parent company also previously issued a MEUR 2.1 loan to the three companies, with interest accrued but not due in the period corresponding to MSEK 0.9.

IES

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

Finance

The group did not require any loan finance in the period. The most recent bank 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 usually 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 (publ) 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 July 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 repaying the outstanding loan to a credit institution and subsequently raising new borrowing of 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 institution 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. Finally, the parent company arranged a new intragroup loan in November 2017, and disbursed the dividend for the financial year 2016/17 in the same month.

For more information, please contact:

Johan Hähnel, Investor Relations, tel. +46 (0)70 605 6334, Annette Brodin Rampe, CEO, tel. +46 (0)73 852 4231.

Teleconference in connection with publication of the quarterly report:

On Friday 25 May at 10:00 a.m. CET, Annette Brodin Rampe, 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)8 566 42651 and enter the code: 55843997#. The presentation is available at IES's website: <http://corporate.engelska.se/financial-information/reports-and-presentations>.

Reporting schedule

Year-End Report 2017/18 – 29 August 2018

Interim Report Q1 2018/19 – 20 November 2018

Annual General Meeting 2017/18 – 20 November 2018

Internationella Engelska Skolan i Sverige Holdings II AB (publ) discloses the information provided herein pursuant to the EU's Market Abuse Regulation. The information was submitted for publication, through the agency of the above contacts, on 25 May 2018 at 08:00 a.m. CET.

Board of Directors' and CEO's signatures

The undersigned certify that this Interim Report gives a true and fair view of the parent company's and the group's operations, financial position and results of operations, and reviews the material risks and uncertainties the parent company and companies within the group face.

Per Båtelson, Chairman

Barbara Bergström, Deputy Chairman

Birker Bahnsen

Gunilla Carlsson

Cecilia Marlow

Maria Rankka

Employee representatives

Albert Lauschus

Jessica Fryksten

Annette Brodin Rampe, President & Chief Executive Officer

Internationella Engelska Skolan i Sverige Holdings II AB (publ)
Stockholm, Sweden, 25 May 2018

This Report has been reviewed by the company's auditors

Review report Internationella Engelska Skolan i Sverige Holding II AB (publ), corporate identity number 556900-7254

Introduction

We have reviewed the condensed interim report for Internationella Engelska Skolan i Sverige Holding II AB (publ) as at March 31, 2018 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

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

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

Stockholm, May 25, 2018

Ernst & Young AB

Daniel Öberg

Authorized Public Accountant

Consolidated Income Statement

MSEK	January-March		July-March		Mar 31, 2018 Rolling 12 months
	2017/2018	2016/2017	2017/2018	2016/2017	
<i>Operating income</i>					
Revenue	607.4	524.5	1 648.3	1 428.2	2 160.3
Other operating income	24.9	17.0	88.2	71.9	119.4
Operating income	632.3	541.4	1 736.5	1 500.2	2 279.6
<i>Operating expenses</i>					
Teaching and meal expenses	-76.0	-69.6	-222.8	-198.6	-283.1
Other external expenses	-124.5	-103.0	-362.0	-312.8	-467.1
Personnel expenses	-364.7	-301.3	-977.3	-808.4	-1 287.6
Depreciation and amortization	-16.5	-13.7	-48.6	-41.4	-62.3
Earnings from Joint Venture	2.1	2.5	-1.2	3.9	0.4
Operating profit	52.7	56.3	124.7	142.9	179.9
<i>Profit from financial items</i>					
Financial income	1.6	0.6	3.2	4.7	4.0
Financial expenses	-0.5	-0.8	-1.5	-7.0	-1.8
Net financial items	1.1	-0.2	1.7	-2.4	2.2
Pre-tax profit	53.8	56.1	126.4	140.5	182.1
Tax	-11.0	-12.1	-29.4	-30.8	-42.6
PROFIT FOR THE PERIOD	42.8	44.1	97.0	109.7	139.5
<i>Earnings per share</i>	1.07	1.10	2.42	2.74	3.48

Consolidated Statement of Comprehensive Income

MSEK	January-March		July-March		Mar 31, 2018 Rolling 12 months
	2017/2018	2016/2017	2017/2018	2016/2017	
Profit for the period	42.8	44.1	97.0	109.7	139.5
Other comprehensive income					
<i>Items that may be reclassified to profit or loss</i>					
Translation difference for the year after tax	0.3	0.0	0.4	0.1	-0.2
Other comprehensive income, net of tax	0.3	0.0	0.4	0.1	-0.2
COMPREHENSIVE INCOME FOR THE PERIOD	43.1	44.0	97.3	109.9	139.4

Consolidated Statement of Financial Position

MSEK	March 31, 2018	March 31, 2017	June 30, 2017
Non-current assets			
<i>Intangible assets</i>			
Goodwill	661.0	661.0	661.0
<i>Property, plant and equipment</i>			
Leasehold buildings	4.6	7.4	4.9
Machinery and equipment	141.9	118.4	110.6
Leasehold improvements	32.6	28.9	30.1
<i>Financial assets</i>			
Participation in Joint Venture	52.8	53.7	55.2
Long-term receivables from Joint Venture	21.7	20.1	20.4
Deferred tax assets	-	1.0	0.0
Total non-current assets	914.6	890.6	882.3
Current assets			
Trade accounts receivable	13.8	11.8	10.4
Other receivables	35.6	2.8	6.7
Prepaid expenses and accrued income	127.9	77.7	91.6
Cash and cash equivalents	245.2	120.6	198.3
Total current assets	422.5	213.0	307.0
TOTAL ASSETS	1 337.1	1 103.5	1 189.3
<i>Equity</i>	933.7	839.9	882.3
TOTAL EQUITY	933.7	839.9	882.3
<i>Non-current liabilities</i>			
Deferred tax liabilities	48.6	39.5	48.6
Total non-current liabilities	48.6	39.5	48.6
<i>Current liabilities</i>			
Trade accounts payable	100.6	52.2	72.1
Current tax liabilities	26.0	1.3	0.0
Other current liabilities	103.6	87.7	70.8
Accrued expenses and prepaid income	124.7	82.9	115.5
Total current assets	354.8	224.1	258.3
TOTAL EQUITY AND LIABILITIES	1 337.1	1 103.5	1 189.3

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, 2016	0.5	361.4	0.3	367.9	730.2
Profit for the period				109.7	109.7
Other comprehensive income for the period				-0.1	0.1
Total comprehensive income for the period	0.5	361.4	0.2	477.7	839.9
<i>Other</i>					
Bonus issue	0.5	-0.5			0.0
Total	0.5	-0.5	0.0		0.0
Closing balance, March 31, 2017	1.0	360.9	0.2	477.7	839.9

MSEK	Share capital	Other capital contributed	Translation reserve	Reserves and retained earnings incl. profit for the period	Total
Opening balance, July 1, 2017	1.0	360.9	0.1	520.3	882.3
Profit for the period				97.0	97.0
Other comprehensive income for the period				0.4	-0.3
Total comprehensive income for the period	0.0	0.0	0.4	96.7	97.1
<i>Other</i>					
Dividend paid				-45.7	-45.7
Total	0.0	0.0	0.0	-45.7	-45.7
Closing balance, March 31, 2018	1.0	360.9	0.5	571.4	933.7

Consolidated Cash Flow Statement

MSEK	January-March		July-March		Mar 31, 2018 Rolling 12 months
	2017/2018	2016/2017	2017/2018	2016/2017	
<i>Operating activities</i>					
Operating profit	52.7	56.3	124.7	142.8	179.9
Interest received	1.6	0.6	3.2	4.7	4.0
Interest paid	-0.5	-0.8	-1.5	-3.5	-1.8
Adjustment for items not including in the cash flow	14.4	9.5	49.7	31.6	64.7
Income tax paid	-12.1	-9.1	-37.2	-27.0	-45.6
Cash flow from operating activities before changes in working capital	56.1	56.5	138.9	148.6	201.2
<i>Cash flow from changes in working capital</i>					
Change in operating receivables	-7.6	6.1	-34.8	29.3	-51.1
Change in operating liabilities	26.1	-85.6	70.5	1.4	106.0
Cash flow from changes in working capital	18.5	-79.5	35.7	30.7	54.9
Cash flow from operating activities	74.6	-23.0	174.6	179.3	256.1
<i>Investing activities</i>					
Acquisition of property, plant and equipment	-3.2	-3.7	-82.1	-50.1	-86.7
Change in financial assets	-0.9	0.0	-0.1	-67.0	0.6
Cash flow from investing activities	-4.1	-3.7	-82.2	-117.1	-86.1
<i>Financing activities</i>					
Amortization of loans, credit institutions	0.0	-61.3	0.0	-175.0	0.0
Dividend to shareholders	0.0	-	-45.7	-	-45.7
Cash flow from financing activities	0.0	-61.3	-45.7	-175.0	-45.7
Cash flow for the period	70.5	-87.9	46.8	-112.7	124.4
Cash and cash equivalents at beginning of period	174.6	208.6	198.3	233.4	120.6
Exchange-rate difference in cash and cash equivalents	0.1	0.0	0.1	0.0	0.1
Cash and cash equivalents at end of period	245.2	120.6	245.2	120.6	245.2

Parent Company Income Statement

MSEK	January - March		July - March		Mar 31, 2018 Rolling 12 months
	2017/2018	2016/2017	2017/2018	2016/2017	
<i>Operating income</i>					
Revenue	0.2	0.7	0.7	2.1	1.4
Other operating income	0.9	0.3	2.4	1.1	3.0
Operating income	1.1	1.0	3.1	3.1	4.4
<i>Operating expenses</i>					
Teaching and meal expenses	-0.6	-	-2.2	-	-2.2
Other external expenses	-2.8	-0.3	-6.8	-9.3	-9.4
Personnel expenses	-0.6	-1.0	-4.3	-2.6	-4.9
Operating profit	-2.9	-0.3	-10.3	-8.7	-12.2
<i>Profit from financial items</i>					
Financial income	1.6	0.5	3.2	1.4	7.6
Financial expenses	-0.6	-1.0	-1.4	-3.2	-5.9
Net financial items	1.0	-0.5	1.8	-1.8	1.7
Pre-tax profit	-1.8	-0.8	-8.5	-10.5	-10.5
Year end appropriations	-	-	-	-	92.6
Deferred tax	-	-	-	-	-18.1
PROFIT FOR THE PERIOD	-1.8	-0.8	-8.5	-10.5	64.0

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	31 Mar 2018	31 Mar 2017	30 June, 2017
<i>Non-current assets</i>			
<i>Financial assets</i>			
Shares in group companies	361.9	361.9	361.9
Participation in Joint Venture	53.1	54.4	54.4
Long-term receivables from Joint Venture	21.7	20.1	20.4
Total Non-current assets	436.7	436.4	436.7
<i>Current assets</i>			
Intercompany receivables	-	-	33.3
Tax receivable	0.2	0.2	-
Other receivables	1.2	1.6	0.6
Prepaid expenses and accrued income	1.6	1.6	0.5
Cash and cash equivalents	28.3	32.7	-
Total current assets	31.3	36.1	34.4
TOTAL ASSETS	468.0	472.4	471.1
Equity	368.6	350.4	422.8
TOTAL EQUITY	368.6	350.4	422.8
Untaxed reserves	27.4	27.4	27.4
<i>Non-current liabilities</i>			
Trade accounts payable	0.2	0.2	1.0
Liabilities to group companies	50.0	120.0	-
Current tax liabilities	18.1	-	18.0
Other current liabilities	1.1	0.6	0.6
Accrued expenses and prepaid income	2.6	1.3	1.4
Total current assets	72.0	122.0	20.9
TOTAL EQUITY AND LIABILITIES	468.0	472.4	471.1

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 2016/2017. 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 2016/2017. 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 2016/2017, note 1 on page 71.

No new or revised IFRS and IFRIC interpretation statements that become effective from 1 January 2017 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. IFRS 16 has been endorsed by the EU and comes 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. This standard has been endorsed by the EU and should be adopted from the first financial year that begins after 1 January 2018, which for the company, means the financial year that begins on 1 July 2018. Work to evaluate the effects of the new Standard on IES commenced in 2015/2016 and is continuing in 2016/17 and 2017/18. At present, IES does not consider that IFRS 15 will have any material effect on the group's results of operations and financial position on an annualized basis, but may involve altered allocation of revenues between quarters.

For information on the new standard IFRS 9 Financial Instruments, refer to the annual accounts 2016/2017, note 1 on page 70.

For more information on accounting policies, refer to the annual accounts 2016/2017.

2. Geographical markets/segments

Operating income and EBIT are divided by geographical markets/segments as follows:

Geographical markets / Operating segment	January-March		July-March		March 31, 2018 Rolling 12 months
	2017/2018	2016/2017	2017/2018	2016/2017	
Operating income (MSEK)					
Sweden	632.0	541.2	1 735.6	1 499.8	2 279.1
United Kingdom	0.3	0.2	0.9	0.4	0.5
Group total	632.3	541.4	1 736.5	1 500.2	2 279.6
Operating profit EBIT (MSEK)					
Sweden	50.6	53.9	125.9	139.3	180.2
United Kingdom	0.1	-0.1	-0.1	-0.4	-0.7
Earnings from Joint Venture (Spain)	2.1	2.5	-1.2	3.9	0.4
Group total	52.7	56.3	124.7	142.7	179.9

Apart from its operating activities in the UK and Sweden in the period, the group has a related party relationship with Internationella Engelska Skolan i Sverige Holdings II AB through the then three 50%-owned Elians companies in Spain (joint venture). The profit/loss from these participations amounted to MSEK -1.2 in the year and is recognized under EBIT in the Consolidated Income Statement. A management fee of MSEK 0.7 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 accrued but undue interest corresponding to MSEK 0.9 in the period.

3. Financial instruments

IES judges that 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 (publ) 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 31 March 2018. 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 2018, 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 (publ) 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 (publ) 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 i Sverige Holdings II AB (publ) 2016/2017, no 26, page 80.

A minor change to the value of guarantees issued by Internationella Engelska Skolan i Sverige Holdings II AB (publ) for 50% of the property mortgages for the three Spanish Elians companies occurred in the period. The property mortgages amounted to MEUR 14.1 at the end of the period.

6. Group companies

Refer to the annual accounts of Internationella Engelska Skolan i Sverige Holdings II AB (publ) 2016/2017, note 16 on page 77.

Key Figures

MSEK	January-March		July-March		Mar 31, 2018
	2017/2018	2016/2017	2017/2018	2016/2017	Rolling
Operating income	632.3	541.4	1 736.5	1 500.2	2 279.6
Operating profit - EBIT	52.7	56.3	124.7	142.9	179.9
Adjusted operating profit - EBIT	52.7	56.3	127.4	149.0	182.6
Adjusted EBIT-margin	8.3%	10.4%	7.3%	9.9%	8.0%
Profit	42.8	44.1	97.0	109.7	139.5
Net Margin	6.8%	8.1%	5.6%	7.3%	6.1%
Operating capital	-177.5	-131.8	-177.5	-131.8	-177.5
Return on equity	4.7%	5.4%	10.7%	14.0%	15.7%
Net debt (+) / Net cash (-)	-245.2	-120.6	-245.2	-120.6	-245.2
Equity /assets ratio	69.8%	76.1%	69.8%	76.1%	69.8%
Cash flow from operating activities	74.6	-22.9	174.6	179.4	256.1
Investments	-3.2	-3.7	-82.1	-50.1	-86.7
FTE	2 508	2 177	2 441	2 108	2 336

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 income.

Adjusted EBIT

Earnings after amortization 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	Earnings before interest and taxes.
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>Lärarlönelyftet</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.
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 income	School voucher funding and social subsidies.
Other operating income	Revenues from Junior Club and compensation for <i>Karriärtjänster</i> , <i>Läxhjälp</i> , <i>Lärarlönelyftet</i> and other central government subsidies (for government subsidies see also the paragraph about revenue recognition in the annual accounts for 2016/17, note 1, page 71.)
Return on equity	Profit for the period divided by average equity (opening balance plus closing balance divided by two).
Rolling 12 months	Refers to the period 1 April 2017 to 31 March 2018.
Segment	IES reports geographical markets as operating segments.
Working capital	Current assets excluding cash and cash equivalents less operating liabilities.

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 at the beginning of the academic year 2017/18. IES operates schools for students from preschool until the third year of upper secondary school. Its main focus is grades 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. Throughout this period, its schools have been defined by the three core convictions of its founder, Mrs. Barbara Bergström:

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

Up to half of the teaching in IES schools is in English, by native English speaking teachers. Over 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’s student base is in high growth. Over the past ten years, total operating income has increased organically by an average of 19% per year. In the most recent financial year 2016/17, which concluded on 30 June 2017, total operating income was SEK 2,043.3 m, an increase of some 13% year on year. As of 31 December 2017, there were approximately 179,000 applications in the waiting list to secure a place for the current and forthcoming years.

Internationella Engelska Skolan has been listed on Nasdaq Stockholm Mid Cap, with the ticker ENG, since the end of September 2016. The largest (indirect) 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 March, include investment company Öresund, Swedbank Robur fonder, the Third Swedish National Pension Fund, SEB fonder and AMF Försäkring & Fonder (owned jointly by LO, The Swedish Trade Union Confederation and the Confederation of Swedish Enterprise).