



Internationella Engelska Skolan 2018/2019

Q1 Interim Report (1 July – 30 September 2018)

Progress of operations in the quarter (July-September)

- Note that comparisons of total operating income, EBIT and profit for the quarter with the corresponding period of the previous year should allow for the fact that as a consequence of the adoption of IFRS 15, a revenue item in Sweden of MSEK 10.9 will not be recognized until in Q2 in the current year, while the corresponding revenue item in the previous year of MSEK 10.4 was recognized in Q1.
- Total operating income increased by 13.2% year on year, mainly due to a larger student base in Sweden and acquisitions in Spain at the beginning of July, and amounted to MSEK 555.8 (491.1).
- Total operating income in Sweden increased by 7.5% to MSEK 528.1 (491.1). The number of students in the Swedish operation at the end of the quarter was 25,582 (23,911).
- Two new schools in Sweden—IES Länna and IES Sundbyberg—opened in August, with in total 19 classes and some 600 students.
- There were around 185,000 registrations on waiting lists in Sweden at the end of the quarter, an increase of some 31,000 (20%) on the corresponding point of the previous year.
- Total operating income in Spain was MSEK 27.7 (-). The student base in the wholly owned Spanish operation was 1,856 (-) at the end of the quarter.
- EBIT for the quarter decreased by 34.0% on the corresponding quarter of the previous year, amounting to MSEK 23.3 (35.3). Accordingly, the EBIT margin was 4.2% (7.2%).
- EBIT for the Sweden segment amounted to MSEK 30.4 (40.9).
- EBIT for the new Spain segment was MSEK -6.9 (-). In Q1 2017/18 Spain was not a segment and the share in profits from the joint venture was then MSEK -5.6. Operations in Spain, most of which have been wholly owned since the beginning of July 2018, have progressed as planned. However, due to the summer break, the first quarter is seasonally weak.
- Profit for the quarter was MSEK 12.0 (26.0) and earnings per share were SEK 0.30 (0.65).
- Cash flow from operating activities before changes in working capital amounted to MSEK 33.0 (54.7).

Consolidated Group MSEK	July-September		+/-	Oct 1, 2017 - Sept 30, 2018 Rolling 12 mths
	2018/2019	2017/2018		
Operating income	555.8	491.1	13.2%	2 412.7
Operating profit - EBIT	23.3	35.3	-33.9%	140.5
Operating margin	4.2%	7.2%	-3.0%	5.8%
Adjusted operating profit - EBIT	23.3	37.9	-38.4%	143.2
Profit for the period	12.0	26.0	-53.9%	102.6
Earnings per share, SEK	0.30	0.65	-0.35	2.56
FTE, average	2 554	2 306	248	2 475

For definitions, see pages 21-22

CEO's comment

"Overall, we had a good quarter. Total operating income was up by over 13% and the EBIT-margin, adjusted for new accounting policies, no grants for homework support and seasonal effects in Spain, is at about the same level as the previous year."

Our August term start is always full of expectation. This year, 25,582 eager and curious students in Sweden, 1,800 in Spain and 500 in the UK started their academic year in our 40 schools.

The excitement was even greater at our two new schools at Länna and Sundbyberg, both near Stockholm, when they opened their doors to a total of 19 classes and some 600 students.

Demand for high-quality education still strong

There are 185,000 waiting list registrations for our schools, up by 20% on the corresponding period last year. That's why we're working continuously on trying to increase the number of places in our current schools, while starting up new ones. Regardless of political leanings, there is severe pressure from many municipalities for us to start up, and we're currently in several discussions. Demand is based on the fact that there is a pressing need for more schools—1,000 new schools over ten years is the estimate often mentioned—as more children start school each year, but it's also because IES is an excellent complement to municipal schools and is contributing to increased integration (38% of IES students have foreign origins, against the national average in all schools of 25%), and enhances a municipality's attractions.

Good education is a critical contributor to where in Sweden multinational corporations establish a presence, and for municipalities to attract more residents. A lot of municipalities also want to improve control over school expenditure. We offer the potential for clear monitoring and transparency into how resources are allocated. We are delighted that the municipalities view us as a part of the solution to Sweden's school system.

A great start to the year

Overall, we had a good quarter. Total operating income was up by over 13% to MSEK 556 (including Spain, which contributed 5.6% of our growth). However, the teacher shortage is still causing pressure on salaries and are not fully compensated by the school voucher.

The EBIT margin decreased to 4.2% (7.2%). First-quarter earnings were affected by new accounting policies for how revenues are allocated over the year, no grants for homework support and the seasonal effect in Spain. Adjusted for these items, profitability is at about the same level as the previous year.

In July, we became sole owner of three of four new schools in Spain. Demand for bilingual education is also high in Spain, and IES, with our tried-and-tested model for teaching and operating bilingual schools, has created a solid platform for

continued growth in Spain through these acquisitions. The first quarter is seasonally weak due to the summer holiday, although operations performed as planned and on a full-year basis 2018/2019, are estimated to contribute total operating income of MSEK 160 and EBIT of MSEK 21.

Equal terms critical

Everyone agrees that all children in Sweden should enjoy equal opportunities. Accordingly, an issue of principle is school voucher funding being allocated equitably across all Sweden's schools. Deloitte's report from August this year, *Granskning av lika villkors-principen och ersättning till kommunala och enskilda skolor* (Audit of the Principle of Equal Terms and Compensation of Municipal and Independent Schools), reveals that no-one could assert that equal terms prevail. Nor is this a sustainable position, because there has been structural shift in a short period, with more employees being needed in school, specifically to deal with students with special needs, while only a minority of the expenses for additional resources are covered by supplements from municipalities. Also, we are no longer receiving funding for *Läxhjälp* (homework support). This is during a period where the need for new schools in Sweden is urgent. For IES, revenues per student in Sweden, adjusted according to the above, increased by 2.5% during the first quarter, while personnel expenses per student increased by 5.8%.

Continued expansion

We are continuing to reinforce our organization to maintain our high quality and continue our expansion in Sweden and in Spain, and to increase efficiency across the group as a whole. In the short term, this does generate some cost increases, which combined with the aforementioned factors, is pressuring our margins. Now that we are unable to rely on the principle of equal terms for school voucher funding, we must continuously attempt to manage our operations more efficiently so that we can retain our historical profitability, and to keep growing and offer more students a good education.

We're part of the solution to Sweden's school system and are now building an organization capable of opening even more high-quality schools over many years to realize our children's dreams for the 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 2018/19 is its 26th 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 operates four schools in Spain, three of which have been 100% owned, and one 50% owned, since 9 July 2018, and provides management services for one school in the UK.

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 Sweden’s year-2017 and 2018 national tests were leaked prior to test dates, there are no reliable figures for these years. 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 2018 was 273 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. 38% of IES’s students had a foreign background in the academic year 2017/2018. 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 2018, 97% had grades qualifying them for upper secondary school. The corresponding share for all ninth-grade students in Sweden was 84%.

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 can 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 36 schools for the academic year 2018/19, some 2,800 employees (headcount on 30 September 2018) and our base of some 25,600 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. Preschool is voluntary, while the ten years of grade school (grades F-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 111 Bn in the calendar year 2017.

In Sweden, schooling is compulsory for all children from the calendar year they reach six years old. Compulsory schooling then continues for ten 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 July – 30 September 2018

Total operating income and EBIT

Total operating income rose by 13.2% to MSEK 555.8 (491.1). The growth is primarily explained by a larger student base in Sweden, and acquisitions in Spain at the beginning of July.

EBIT decreased by 34.0% to MSEK 23.3 (35.3), and accordingly, the EBIT margin was 4.2% (7.2%). Note that comparisons of total operating income, EBIT and profit for the quarter with the corresponding period of the previous year should allow for the fact that as a consequence of the adoption of IFRS 15, a revenue item in Sweden of MSEK 10.9 will not be recognized until in Q2 in the current year, while the corresponding revenue item in the previous year of MSEK 10.4 was recognized in Q1. This allocation effect will even out over the complete half-year 2018/19.

Items affecting comparability

IES incurred expenses affecting comparability for the transaction in Spain executed in July 2018 of MSEK 0.2 (2.7). The expenses affecting comparability in the comparative period were for termination of the previous CEO's employment.

Net financial income/expense

The net financial income/expense was MSEK -4.9 (-0.1), of which MSEK -1.7 is explained by currency effects.

Segment reporting

Sweden

Total operating income in Sweden increased by 7.5% and amounted to MSEK 528.1 (491.1), of which revenue increased by 8.8% to MSEK 499.3 (459.1). The growth is primarily explained by our new schools for the academic year—IES Länna and IES Sundbyberg—plus more classes in existing schools compared to the previous year. In total, the number of classes increased to 846 (798). At the end of the quarter, we had a total of 25,582 (23,911) students.

IES recognized MSEK 5.4 of revenue for the new central government subsidy for improved equality and skills development. These revenues correspond to expenses and investments that IES made in the quarter, and executed in these segments in accordance with the plan filed with the Swedish National Agency for Education in tandem with its application for the subsidy.

Total revenue per student increased by only 0.5%. The main explanation for this modest increase is the aforementioned item of MSEK 10.9 and IES not receiving any central government subsidy for *Läxhjälp (homework support)*, while we received MSEK 4.2 in the comparative period. Because homework support activities for all students are

an important component of IES's concept, they continued as in previous years, despite the subsidy not being paid. Excluding both the above factors from the comparative year, and the new subsidy for improving equality and skills development from revenue for the year, total revenue per student increased by 2.5%.

Personnel expenses per student rose by 5.8% year on year. The supply of qualified teachers on the Swedish school market continues to lag demand, which is a contributor to the sharp increase in wage creepage on the market. Another reason for increased personnel expenses is a structural shift, whereby more employees are needed in schools, specifically to provide for students with special needs. Only a minority of the expenses for these resources were covered by supplements received from municipalities.

Total costs per student increased by 4.0%. The progress of other expenses, apart from personnel expenses, were an increase per student of only 0.5%. This low number is mainly explained by fewer new schools compared to the previous year. However, the company's central functions kept expanding in the quarter to enable continued profitable growth. In the short term, this is causing some cost increases.

EBIT in Sweden decreased by 25.5%, to MSEK 30.4 (40.9). Much of the explanation for the lower earnings is the aforementioned MSEK 10.9 revenue item, which will be recognized in Q2, instead of Q1.

EBT was MSEK 29.1 (40.6).

Spain

On 9 July 2018, IES completed the acquisition of the remaining 50% of former joint venture International Education Partnership, S. L. (IEP) in Spain. This acquisition makes most of the operations in Spain—three of four schools—subsidiaries of IES, which accordingly, are consolidated into the IES group's accounts.

The wholly owned operations in Spain are expected to have significant variation in total operating income and earnings between quarters. The plan for 2018/19 indicates total operating income in Q1 being about half of the level in each of the following three quarters. EBIT is expected to be clearly negative in Q1, to then go positive and divided evenly between the following three quarters. The full-year plan for the Spanish operation is total operating income of MEUR 15.3 = MSEK160, and EBIT of MEUR 2.0 = MSEK 21.

Total operating income in Spain was MSEK 27.7 (-) in the quarter, of which revenue was MSEK 27.0 (-). At the end of the quarter, IEP had some

1,850 students in its three schools, which is well in line with plan for 2018/19.

EBIT in Spain is seasonally weak in the first quarter, and was MSEK -6.9 (-), of which MSEK 0.1 is share in profits from school provider Elians IALE, which remains a joint venture. In the corresponding quarter of the previous year, when the share in profits from the joint venture was MSEK -5.6, Spain was not an independent segment. At that time, all three school providers were only 50% owned.

EBT was MSEK -10.6 (-).

UK

Total operating income and revenue in the UK were MSEK 0.3 (0.3), EBIT was MSEK 0.0 (0.1), and EBT was MSEK 0.0 (0.0).

Tax

The tax expense for the period was MSEK 6.4 (9.1), corresponding to an effective tax rate of 34.7% (25.9%). The effect of Sweden's altered corporation tax rate in the coming years is not expected to have any material impact on the consolidated tax expense.

Profit for the period and earnings per share

Profit for the period was MSEK 12.0 (26.0), and the net margin was 2.2% (5.3%). Earnings per share were SEK 0.30 (0.65).

Cash flow

Cash flow from operating activities before changes in working capital was MSEK 33.0 (54.7). The weaker cash flow compared to the previous year is mainly because of a lower EBIT.

Cash flow for the period was MSEK -36.4 (-22.4). Apart from the difference due to cash flow from operating activities before changes in working capital, the difference compared to the previous year is mainly due to effects from the acquisition in Spain (see acquisition analysis in note 7 on page 19) and arranging an acquisition loan in July this year, which amounted to MEUR 8.1 at the end of the period.

Financial position

Equity at the end of the period was MSEK 968.8 (908.3) and the group's total assets were MSEK 1,636.9 (1,278.1). The equity/assets ratio was 59.2% (71.1%).

At the end of the period, non-current interest-bearing liabilities were MSEK 185.0 (-), and are real estate mortgages and acquisition loans from credit institutions in Spain. Current interest-bearing liabilities consist of the short-term portion of the above loans and amount to MSEK 19.8 (-)

Cash and cash equivalents amounted to MSEK 85.1 (175.8).

Investments

Total investments were MSEK 50.2 (66.6) in the period. Investments amounted to MSEK 48.8 (66.6) in Sweden, and MSEK 1.4 (-) in Spain. The lower investments compared to the previous year are mainly because two new schools were opened in Sweden in the period, compared to four new schools in the comparative period.

Acquisitions

On 9 July 2018, IES acquired the remaining 50% of the shares of Spanish holding company IEP for a maximum and expected purchase consideration of MEUR 12, of which MEUR 9.5 was paid on 9 July (see acquisition analysis in note 7 on page 20). IEP owns 99.55% of the shares of English School of Asturias, as well as 100% of the shares of two of Grupo Educativo Elians' three school companies in Spain, located in Castellon and La Nucia. Accordingly, the operations within IEP will be consolidated into IES effective July 2018/19. The fourth Spanish school that IES has a participating interest in is in Valencia and is still 50:50 owned by IES and the Monzonis family.

Financial non-current assets

IES's participating interest in Elians IALE (50%) was recognized at MSEK 13.7 at the end of the period, and the working capital loan outstanding to the same company was recognized at MSEK 8.6.

Personnel

The average number of full-time equivalent employees (FTE) was 2,554 (2,306) in the period. At the end of the period, employee headcount was 2,775 (2,695).

Shares

The number of shares registered at 30 September 2018 was 40,130,000, of which 80,000 class C shares held in treasury.

Risks and uncertainty factors

Significant operating, external and financial risks and uncertainty factors are reviewed in detail in Internationella Engelska Skolan i Sverige Holdings II AB's (publ) annual accounts for 2017/18, in the Directors' Report on page 74 and note 20 on page 97. 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

No significant events have occurred since the end of the reporting period.

Future prospects

IES does not issue forecasts.

Related party transactions

As of 30 September 2018, and through its parent company, the group has a related party relationship with Elians IALE through its 50% ownership of Elians IALE. A management fee of MSEK 0.1 was charged to the Spanish company in the period. The parent company also previously issued loans of MEUR 0.8 to the company. Accrued but undue interest on these loans in the period corresponded to MSEK 0.1.

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

At the end of the period, the group had outstanding loans from credit institutions totaling MSEK 204.8. All these loans were arranged in Spain. In Sweden, the parent company has a MSEK 100 overdraft facility. At the end of the period on 30 September 2018, this had not been utilized. More information in note 5 on page 18.

Seasonality

IES's total operating income and profitability are affected by the nature of operations, and accordingly, its cycle. Sales and profitability in Sweden are usually somewhat lower in the first quarter than in other quarters due to schools' summer recess.

The wholly owned operations in Spain are expected to have variation in total operating income and earnings between quarters. The first quarter is also the weakest here, and the plan for 2018/19 indicates total operating income in Q1 being about half of the level in each of the following three quarters. EBIT is expected to be clearly negative in Q1, to then go positive and divided evenly between the following three quarters. The full-year plan for the Spanish operation is total operating income of MEUR 15.3 = MSEK160, and EBIT of MEUR 2.0 = MSEK 21.

Parent company

Parent company Internationella Engelska Skolan i Sverige Holdings II AB (publ) invoices management fees to subsidiaries and joint ventures, and where necessary, arranges loans from credit institutions and issues intragroup loans. At the end of the period, the parent company had a liability to its subsidiary IES i Sverige AB of MSEK 165.

The Board of Directors' proposal to the AGM on dividends for the financial year 2017/18 is SEK 0 (1.14) per share. The background to no dividends being proposed is the pressing need for new compulsory schools prevailing in Sweden for the near term, which offers IES good potential to increase growth by opening more schools. Additionally, there are further acquisition opportunities in Spain. The Board emphasizes that this proposal does not imply any departure from the current dividend policy.

For more information, please contact:

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Annette Brodin Rampe, CEO, tel. +46 (0)73 852 4231.

Teleconference in connection with publication of the quarterly report:

Today, Tuesday 20 November, Annette Brodin Rampe, CEO, will hold a conference call for the publication of the quarterly report at 10:00 a.m. CET. The call will be held in English. To participate, please call the following number: +46 (0)8 566 426 51 and enter the code: 57390531#. The presentation is available at IES's website: <http://corporate.engelska.se/financial-information/reports-and-presentations>.

Reporting schedule

Annual General Meeting 2017/18 – 20 November 2018
Interim Report Q2 2018/19 – 21 February 2019
Interim Report Q3 2018/19 – 17 May 2019

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 20 November 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, 20 November 2018

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

Consolidated Income Statement

MSEK	July-September		Oct 1, 2017 -
	2018/2019	2017/2018	Sept 30, 2018 Rolling 12 mths
Operating income			
Revenue	526.3	459.4	2 310.0
Other operating income	29.5	31.7	102.7
Operating income	555.8	491.1	2 412.7
Operating expenses			
Teaching and meal expenses	-69.3	-72.1	-290.6
Other external expenses	-141.4	-115.4	-515.0
Personnel expenses	-301.2	-247.0	-1 402.4
Depreciation and amortization	-19.8	-15.7	-69.2
Amortization intangible assets	-0.9	-	-0.9
Earnings from Joint Venture	0.1	-5.6	5.9
Operating profit	23.3	35.3	140.5
Profit from financial items			
Net financial items	-4.9	-0.1	-3.5
Pre-tax profit	18.4	35.1	137.0
Current tax	-6.6	-9.1	-29.2
Deferred tax	0.2	0.0	-5.2
Tax	-6.4	-9.1	-34.4
PROFIT FOR THE PERIOD	12.0	26.0	102.6
Attributable to:			
Owners of the parent company	12.0	26.0	102.6
Non-controlling interest	0.0	-	0.0
<i>Earnings per share</i>	0.30	0.65	2.56

Consolidated Statement of Comprehensive Income

MSEK	July-September		Oct 1, 2017 -
	2018/2019	2017/2018	Sept 30, 2018 Rolling 12 mths
Profit for the period	12.0	26.0	102.6
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Translation difference for the year	2.6	0.1	2.5
Other comprehensive income, net of tax	2.6	0.1	2.5
COMPREHENSIVE INCOME FOR THE PERIOD	14.6	26.1	105.1

Consolidated Statement of Financial Position

MSEK	September 30,	September 30,	June 30,
	2018	2017	2018
Non-current assets			
Intangible assets	849.0	661.0	661.0
Property, plant and equipment	501.7	196.5	169.1
Financial assets	22.4	69.8	76.1
Total non-current assets	1 373.1	927.3	906.2
Current assets			
Trade accounts receivable	23.8	27.6	12.9
Other receivables	14.9	12.1	20.2
Prepaid expenses and accrued income	139.9	135.3	245.6
Receivables from Joint Venture	0.1	0.0	0.0
Cash and cash equivalents	85.1	175.8	121.9
Total current assets	263.8	350.8	400.6
TOTAL ASSETS	1 636.9	1 278.1	1 306.8
Equity			
Shareholders' equity attributable to non-controlling interests	0.2	-	-
TOTAL EQUITY	968.8	908.3	953.3
Non-current liabilities			
Liabilities to credit institutions	185.0	-	-
Other long-term liabilities	25.6	-	-
Deferred tax liabilities	61.3	48.6	54.1
Total non-current liabilities	271.9	48.6	54.1
Current liabilities			
Liabilities to credit institutions	19.8	0.0	19.8
Liabilities to associated companies	3.0	0.0	0.0
Trade accounts payable	103.3	84.6	77.2
Current tax liabilities	0.0	7.3	6.8
Other current liabilities	179.7	161.5	52.4
Accrued expenses and prepaid income	90.4	67.7	143.2
Total current assets	396.2	321.2	299.4
TOTAL EQUITY AND LIABILITIES	1 636.9	1 278.1	1 306.8

Consolidated Statement of Changes in Equity in summary

MSEK	Share capital	Other capital contributed	Translation reserve	Reserves & retained earnings incl. profit for the period	Total
Opening balance, July 1, 2018	1.0	360.9	0.5	590.9	953.3
Profit for the period				12.0	12.0
Other comprehensive income for the period				2.6	2.6
Total comprehensive income for the period ¹⁾	0.0	0.0	0.0	14.6	14.6
<i>Other</i>					
Translation difference		-1.4	2.1		0.7
New capital issue	0.0				0.0
Share matching programme		0.1			0.1
Shareholder's contribution received					0.0
Minority shareholding				0.2	0.2
Dividend					0.0
Total	0.0	-1.3	2.1	0.2	1.0
Closing balance, September 30, 2018 ²⁾	1.0	359.6	2.5	605.7	968.8
1) Attributable to: Parent company shareholders	14.6				
Non-controlling interests	0				
2) Attributable to: Parent company shareholders	968.6				
Non-controlling interests	0.2				

Consolidated Cash Flow Statement

MSEK	July-September		Oct 1, 2017 - Sept 30, 2018
	2018/2019	2017/2018	Rolling 12 mths
<i>Operating activities</i>			
Operating profit	23.3	40.9	134.7
Interest received	0.7	0.5	7.9
Interest paid	-5.6	-0.6	-11.4
Adjustment for items not including in the cash flow	29.3	24.4	60.0
Income tax paid	-14.7	-10.5	-20.7
Cash flow from operating activities before changes in working capital	33.0	54.7	170.5
<i>Cash flow from changes in working capital</i>			
Change in operating receivables	-40.6	-66.2	-3.6
Change in operating liabilities	103.7	55.4	82.5
Cash flow from changes in working capital	63.1	-10.8	78.9
Cash flow from operating activities	96.1	43.9	249.4
<i>Investing activities</i>			
Acquisition of property, plant and equipment in Spain	-304.5	-	-304.5
Acquisition of property, plant and equipment in Sweden	-48.8	-66.6	-70.8
Change in financial assets	0.1	0.3	1.0
Cash flow from investing activities	-353.2	-66.3	-374.3
<i>Financing activities</i>			
Bank loan	210.6	0.0	210.6
Short-term receivables from Joint Venture	0.0	0.0	-140.7
Liquid funds in acquired operations	10.2	-	10.2
Dividend to shareholders	-	-	-45.7
Cash flow from financing activities	220.8	0.0	34.4
Cash flow for the period	-36.4	-22.4	-90.4
Cash and cash equivalents at beginning of period	121.9	198.3	175.8
Effect of translation differences on cash and cash equivalents	-0.4	0.0	-0.3
Cash and cash equivalents at end of period	85.1	175.8	85.1

Parent Company Income Statement in summary

MSEK	July-September		Oct 1, 2017 -
	2018/2019	2017/2018	Sept 30, 2018 Rolling 12 mths
<i>Operating income</i>			
Revenue	0.1	0.2	3.1
Other operating income	1.2	0.7	5.1
Operating income	1.2	1.0	8.1
<i>Operating expenses</i>			
Teaching and meal expenses	-0.1	-0.6	-1.2
Other external expenses	-2.4	-2.0	-13.9
Personnel expenses	-1.3	-3.3	-10.5
Operating profit	-2.6	-4.9	-17.5
<i>Profit from financial items</i>			
Net financial items	-1.2	0.0	-2.2
Pre-tax profit	-3.8	-4.9	-19.7
Year-end appropriations	-	-	40.2
Current tax	-	-	-7.3
PROFIT FOR THE PERIOD	-3.8	-4.9	13.2

Parent Company Statement of Comprehensive Income

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

Parent Company Statement of Financial Position

MSEK	30 Sept 2018	30 Sept 2017	30 June, 2018
Non-current assets			
Financial assets	617.8	436.5	437.1
Total non-current assets	617.8	436.5	437.1
Current assets			
Intercompany receivables	0.2	-	-
Receivables from associated companies	0.1	-	-
Tax receivable	10.0	-	-
Other receivables	0.3	0.9	19.1
Prepaid expenses and accrued income	0.2	0.6	1.5
Cash and cash equivalents	3.6	29.9	8.1
Total current assets	14.5	31.4	28.6
TOTAL ASSETS	632.3	467.9	465.7
Equity	395.3	439.2	399.1
TOTAL EQUITY	395.3	439.2	399.1
Untaxed reserves	37.2	0.0	37.2
Non-current liabilities			
Other long-term liabilities	25.6	-	-
Deferred Tax	-	6.0	-
Total non-current liabilities	25.6	6.0	0.0
Non-current liabilities			
Trade accounts payable	0.5	0.6	0.7
Liabilities to group companies	165.0	-	-
Current tax liabilities	6.5	18.0	25.3
Other current liabilities	0.4	0.6	1.5
Accrued expenses and prepaid income	1.9	3.5	1.9
Total current assets	174.2	22.7	29.4
TOTAL EQUITY AND LIABILITIES	632.3	467.9	465.7

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 2017/2018. This Interim Report has been prepared in accordance with IAS 34 Interim Financial Reporting and applicable provisions of the Swedish Annual Accounts Act. 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 2017/2018, note 1 on page 88.

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. The transition to the new standard IFRS 16 on 1 July 2019 will have a material effect on the company's accounting. The cost of operating leases in the financial year 2017/18 amounted to MSEK 336.7. As of 30 June 2018, the undiscounted amount for payment commitments relating to operating leases was MSEK 5,047.4.

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, is the current financial year. IFRS 15 will not have a material effect on the group's results of operations and financial position on an annualized basis, but involves some alterations to the allocation of revenues between quarters. The company has decided not to restate the previous year and the opening balance as of 1 July 2018.

IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement. It states rules for classifying and measuring financial assets and liabilities, impairing financial instruments and hedge accounting. This standard is to be applied from the financial year beginning immediately after one January 2018, which for the company, is the current financial year. The group has not restated comparative figures for previous financial years, in accordance with the Standard's transitional provisions. The stipulations of IFRS 9 regarding the classification and measurement of the group's financial instruments did not materially affect the group's financial position at the transition date, because the Standard did not stipulate any material change to measurement of the financial instruments in the Consolidated Balance Sheet at that date.

IFRS 9 introduces a new impairment model for expected credit losses, and then also considers prospective information. IES judges that this new impairment model does not have any material effect on the group's financial position. The reserve for expected credit losses affected equity by MSEK 0.4 in the opening balance sheet for the financial year. The group does not apply hedge accounting.

For more information on accounting policies, refer to the annual accounts 2017/2018.

2. Geographical markets/segments

Segments are defined on the basis of the monitoring and reporting structure to the Board of Directors and CEO. The group's operating income, EBIT, EBT, tangible assets and non-current liabilities are allocated between segments as follows:

Geographical markets / Operating segment	July-September		Oct 1, 2017 -
	2018/2019	2017/2018	Sept 30, 2018 Rolling 12 mths
Operating income (MSEK)			
Sweden	499.3	459.1	2 282.1
Spain	27.0	-	27.0
United Kingdom	0.3	0.3	1.2
Group adjustments / eliminations	-0.3	0.0	-0.3
Group total	526.3	459.4	2 310.0
Operating profit EBIT (MSEK)			
Sweden	30.4	40.9	142.4
Spain	-6.9	-	-6.9
United Kingdom	0.0	0.1	-0.6
Group adjustments / eliminations	-0.2	-5.7	5.7
Group total	23.3	35.3	140.5
Profit before tax EBT (MSEK)			
Sweden	29.1	40.6	142.5
Spain	-10.6	-	-10.6
United Kingdom	0.0	0.1	-0.6
Group adjustments / eliminations	-0.1	-5.6	5.7
Group total	18.4	35.1	137.0
Tangible fixed assets			
Sweden	200.4	196.5	169.1
Spain	301.3	-	-
United Kingdom	-	-	-
Group total	501.7	196.5	169.1
Long-term liabilities			
Sweden	25.6	48.6	-
Spain	185.0	-	-
United Kingdom	-	-	-
Group total	210.6	48.6	-
	Sept 30, 2018	Sept 30, 2017	June 30, 2018

3. Intangible non-current assets

Total intangible assets at the end of the period of MSEK 849.0 (661.0) comprise goodwill of MSEK 820.1 (661.0), customer relations of MSEK 28.6 (-) and other of MSEK 0.3 (-). See also note 8 on page 18.

4. Financial instruments

IES judges that there is no significant difference between the carrying amounts and fair values of financial instruments.

5. Finance

In September 2016, Internationella Engelska Skolan i Sverige Holdings II AB (publ) arranged an amortizing loan from a credit institution and an overdraft facility of MSEK 100. The amortizing loan was fully repaid in March 2017, and as of the end of the period on 30 September 2018, the overdraft facility had not been utilized. The overdraft facility is subject to annual contractual interest on the credit amount plus an arrangement 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, revised most recently on 29 June 2018. 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 exceed specific levels.

In tandem with the acquisition of the remaining 50% of IEP in Spain, this operation was consolidated into the IES group. At the end of the period, the group has outstanding real estate mortgages totaling MEUR 11.8, or MSEK 121, and acquisition loans of MEUR 8.1, or MSEK 83, through IEP.

Collateral in real estate and parent company guarantees has been pledged for the above loans.

6. Pledged assets

Most of the operations in Spain became part of the IES group in the period. The parent company is guaranteeing 100% of the real estate mortgages of Elians Boston and Elians Londres, amounting to a joint total of MEUR 11.2. The parent company has also issued a guarantee for the acquisition loan, which amounted to MEUR 8.1 at the end of the period. The parent company's guarantee for 50% of Elians IALE's real estate mortgage remains. At the end of the period, the real estate mortgage amounted to MEUR 1.6.

For other pledged assets, refer to the annual accounts of Internationella Engelska Skolan i Sverige Holdings II AB (publ) 2017/2018, note 26, page 99.

7. Group companies

Refer to the annual accounts of Internationella Engelska Skolan i Sverige Holdings II AB (publ) 2017/2018, note 16 on page 96. Apart from the companies stated in the notes, since the acquisition on 9 July 2018, International Education Partnership S.L. (100%), Elians Boston S.A. (100%), Elians Londres S.A. (100%) and The English School of Asturias, S.A. (99.55%) are also IES group companies.

8. Business combinations

On 9 July 2018, IES completed the acquisition of the remaining 50% of former joint venture International Education Partnership, S.L. (IEP) in Spain. This acquisition means that most of the operations in Spain, three of four schools, became part of the IES group, thus making IES one of the larger players in Spain on the market for private bilingual (English and Spanish) high-quality schools.

What remains the preliminary acquisition analysis follows:

Preliminary acquisition analysis	KEUR	KSEK
Tangible fixed assets	3 0 0 6 5	3 0 7 5 6 8
Intangible fixed assets	2 9	2 9 7
Current receivables	1 5 5 5	1 5 9 0 8
Cash and cash equivalents	9 9 6	1 0 1 8 9
Provisions and liabilities	-3 0 7 1 1	-3 1 4 1 7 7
Other liabilities	-3 7 8 6	-3 8 7 3 1
Customer relations	2 8 7 3	2 9 3 9 1
Deferred tax Customer relations	-7 1 8	-7 3 4 8
Net identifiable assets and liabilities	3 0 3	3 0 9 7
Fair value of previous holdings	3 7 6 0	3 8 4 6 5
Purchase price remaining part of IEP	1 2 0 0 0	1 2 2 7 6 1
Total purchase price	1 5 7 6 0	1 6 1 2 2 6
Acquired net assets	3 0 3	3 1 0 0
Goodwill	1 5 4 5 7	1 5 8 1 2 7
Total acquired assets	1 5 7 6 0	1 6 1 2 2 6
Total remuneration for the acquisition	1 5 7 6 0	1 6 1 2 2 6
- Where of fair value of previous holdings	3 7 6 0	3 8 4 6 5
- Where of unpaid additional consideration	2 5 0 0	2 5 5 7 5
Liquid funds in acquired operations	9 9 6	1 0 1 8 9
Impact on the Group's liquid funds	8 5 0 4	8 6 9 9 7

The fair value of previous holdings has been estimated at EUR 3,760,000. This value consists of the original purchase consideration of the two Elians companies included in IEP as of November 2016, amounting to EUR 3,433,000, and total profit share from the former joint venture within IEP of EUR 327,000. The purchase consideration for the remaining portion of IEP, amounting to MEUR 12, of which MEUR 2.5 estimated additional purchase consideration to be paid by no earlier than December 2019, is affected by the acquisition of ESA, Asturias that IEP executed in May 2018 before IES acquired the remaining 50% of IEP.

Through this acquisition, IES's parent company takes over 100% of the guarantees for real estate mortgages in the two Elians companies, which have now become subsidiaries. The guarantee for 50% of the real estate mortgage for Elians IALE—which is still 50% owned by IES—amounting to MEUR 1.6 at the end of the period, still remains.

Effective July 2018, the operations within IEP have been consolidated into the IES group and are expected to generate revenue of MEUR 15.3, as well as EBITDA and EBIT of MEUR 2.9 and 2.0 respectively in the financial year 2018/19.

9. Incentive programs

At an EGM of Internationella Engelska Skolan i Sverige Holdings II AB (publ) on 13 June 2018, the shareholders resolved to implement two long-term incentive programs in the form of a share matching program for a maximum of 50 principals and other key individuals within the group, and a share warrant program for a maximum of ten senior managers. For more information on these programs, refer to note 7, page 94 of the annual accounts of Internationella Engelska Skolan i Sverige Holdings II AB (publ) 2017/2018.

Key figures

MSEK

	July-September		Oct 1, 2017 -
	2017/2018	2016/2017	Sept 30, 2018 Rolling 12 mths
Operating income	555.8	491.1	2 412.7
Operating profit - EBIT	23.3	35.3	140.5
Operating margin - EBIT	4.2%	7.2%	5.8%
Adjusted operating profit - EBIT	23.3	37.9	143.2
Profit	12.0	26.0	102.6
Net Margin	2.2%	5.3%	4.3%
Operating capital	-194.8	-146.2	-194.8
Return on equity	1.3%	1.5%	10.9%
Net debt (+) / Net cash (-)	119.8	-175.8	119.8
Equity/assets ratio	59.2%	71.1%	59.2%
Cash flow from operating activities	96.1	43.9	96.1
Investments	-50.2	-66.6	-70.8
FTE	2,554	2,306	2,475

Key ratio definitions

Key ratios defined according to IFRS are indicated with *.

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>Lärlönelyftet</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>Lärlönelyftet</i> and other central government subsidies (for government subsidies see also the paragraph about revenue recognition in the annual accounts for 2017/18, note 1, page 88.)
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 October 2017 to 30 September 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 25,600 students at 36 schools at the beginning of the academic year 2018/19, and some 1,850 students at its wholly owned schools in Spain. IES Sweden operates schools for students in grades 1-12. 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 26th 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 targets.

Up to half of the teaching in IES schools in Sweden is in English, by native English speaking teachers. Over 800 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 in Sweden 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 2017/18, which concluded on 30 June 2018, total operating income was MSEK 2,347.9, an increase of some 15% year on year. As of 30 September 2018, there were approximately 185,000 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. At the end of September 2018, the 10 largest shareholders also included Paradigm Capital, 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).