



Internationella Engelska Skolan 2017/2018

Year-end Report - (1 July – 30 June)

Progress of operations in the fourth quarter (April-June)

- Total operating income increased by 12.6% year on year, mainly due to a larger student base, and amounted to MSEK 611.4 (543.1)
- The number of students in the Swedish operation at the end of the quarter was 23,927 (21,383)
- There were around 190,000 registrations on waiting lists at the end of the quarter, an increase of some 11,000 (6%) on 31 March 2018, and an increase of some 46,000 (32%) on the corresponding point of the previous year
- EBIT for the quarter decreased by 49.7% on the corresponding quarter of the previous year, amounting to MSEK 27.8 (55.3). Accordingly, the EBIT margin was 4.5% (10.2%). MSEK 10.5 of the earnings decrease is due to IES not receiving any central government homework support (*Läxhjälp*) subsidy, unlike the corresponding quarter of the previous year
- Profit for the quarter was MSEK 19.5 (42.4) and earnings per share were SEK 0.49 (1.06)
- Cash flow from operating activities amounted to MSEK 24.0 (81.5)

Progress of operations in the period (July-June)

- Total operating income increased by 14.9% year on year, and amounted to MSEK 2,347.9 (2,043.3)
- EBIT for the period decreased by 23.1% year on year, to MSEK 152.4 (198.0). Accordingly, the EBIT margin was 6.5% (9.7%)
- Profit for the period was MSEK 116.5 (152.1) and earnings per share were SEK 2.91 (3.80)
- Cash flow from operating activities amounted to MSEK 198.8 (260.8)
- The Board of Directors' proposal to the Annual General Meeting is that no dividend will be paid for the 2017/18 financial year. The basis for this proposal is the great need for new schools in Sweden in the near future and the potential for further acquisitions in Spain

Significant events after the end of the reporting period

- On 2 July, the Swedish Schools Inspectorate informed IES that it had approved all the applications IES had filed in early 2018 for permits to start and expand schools
- On 2 July, the Board of Directors' decided to execute a new share issue, and then immediately repurchase 80,000 class C shares
- IES acquired the remaining 50% of the shares of Spanish holding company International Educational Partnership, S.L. for a maximum and expected purchase consideration of MEUR 12, of which MEUR 9.5 was paid on 9 July

Consolidated Group MSEK	April-June			July-June		
	2017/2018	2016/2017	+/-	2017/2018	2016/2017	+/-
Operating income	611.4	543.1	12.6%	2 347.9	2 043.3	14.9%
Operating profit - EBIT	27.8	55.3	-49.7%	152.4	198.0	-23.1%
Operating margin	4.5%	10.2%	-5.6%	6.5%	9.7%	-3.2%
Adjusted operating profit - EBIT	27.9	55.3	-49.6%	155.1	204.2	-24.0%
Profit for the period	19.5	42.4	-54.1%	116.5	152.1	-23.4%
Earnings per share, SEK	0.49	1.06	-0.57	2.91	3.80	-0.89
FTE, average	2 496	2 187	309	2 455	2 129	326

For definitions, see pages 22-23.

CEO's comment

More and more parents are putting their children on the waiting lists for our schools, so they can benefit from IES's safe and orderly study environment and high academic quality. The number of waiting list registrations grew by another 32% on the corresponding point of the previous year and was 190,000 by the end of June. Meanwhile, most of Sweden's municipalities are recognizing IES as part of the solution to their challenge to start up new schools and improve the performance of compulsory schools.

We will be focusing on increasing IES's growth through the coming years to address this substantial demand. We have just started our 36 schools in Sweden for the current semester, with some 25,600 students, as well as our four schools in Spain. In August, we opened two new schools, in Länna and Sundbyberg (both near Stockholm), and at the end of June, we reached an agreement to open a school in Luleå (northern Sweden), which starts up in 2019, and are in far-reaching discussions with the Municipality of Skellefteå (northern Sweden), which has put one of its school buildings at our disposal to open a new school in the same year. We are also in discussions to open schools in locations including Staffanstorps, Österåker, Vallentuna, Solna and Södra Änggården in Gothenburg in 2020 or 2021. However, we have not signed any definitive contracts.

Full year

Total operating income for the full year was up by 14.9% to nearly MSEK 2,348. EBIT for the full year was down by 23.1% to MSEK 152.4, equating to an operating margin of 6.5%. The main explanation for the downturn is us opening four new schools, compared to just one in the previous year, which meant start-up costs, and that our schools are not running at full capacity, and thereby loss-making, during their first year. Other key reasons include IES not receiving any central government subsidy for *Läxhjälp* for the calendar year 2018, that school voucher funding did not reflect teacher salary increases, and in the fourth quarter, we reported higher other expenses than normal.

A weak fourth quarter

Total operating income for the fourth quarter was up by 12.6% to just over MSEK 611.

However, EBIT for the quarter was down by 49.7%, to MSEK 27.8. This decrease, which we regard as temporary, meant that our EBIT margin was 4.5%—considerably below our normal EBIT margin level, and our 8% goal.

Most of the explanation for our narrower EBIT margin is that total revenues per student in the fourth quarter increased by only 0.6% year on year. The main reason is that the increase in school voucher funding from municipalities does not reflect increased teacher salaries on the market. Furthermore, IES did not receive the aforementioned central government subsidy for *Läxhjälp*, which had a negative impact on total operating income and earnings in the quarter of MSEK 10.5 on the previous year.

On the other hand, personnel expenses per student increased by 6.8%, mainly due to the teacher shortage. In addition, the costs of providing for students with special needs were higher than normal. Only a minority of the expenses for these resources were covered by supplements from municipalities, which we're working to address. The teacher shortage also compelled us to appoint teachers from staffing agencies in a few cases, generating temporary additional costs of MSEK 3. Additionally, the costs of mother tongue teaching increased, while revenues in the quarter were low.

In the fourth quarter, we also continued to invest in IES's organization to create the potential for growth, at head office and school leadership level, which affected earnings. Overall, this means that we are putting a temporarily poor financial quarter behind us.

In 2018/19, we expect to return to higher profitability by gaining more leverage on economies of scale, combined with more students joining the schools we started last year, so they become profitable. Furthermore, according to a grant framework agreement we are in line to be allotted central government subsidies totaling MSEK 10.8 to improve equal opportunities and skills development in our schools during the second half of 2018. The subsidy is being paid to finance costs including those for extra teaching resources, strengthened student health, more teaching tools and other initiatives which improve equal opportunities and skills development in schools. We will request the payment of the 2018 contribution in September 2018 and expect to receive the full amount before the end of the calendar year. The National Agency for Education has also set the framework for state grants expected during

2019. The proposed funding framework for IES totals just over MSEK 42.5. Preparatory work to claim the 2019 contribution will begin towards the end of 2018.

Principle of equal terms

Sweden's legislated principle of equal terms (*lika villkorsprincipen*) for school voucher funding of municipal and independent schools is decisive for enabling us to offer schooling on the same terms as the municipalities. Friskolornas Riksförbund, the Swedish Association of Independent Schools, recently appointed audit firm Deloitte to conduct an independent review of 20 municipalities to determine how thoroughly they are applying the principle of equal terms. Briefly, we can conclude that interpretations of the principle differ between municipalities, who apply differing models for allocating resources and school voucher funding decisions, lack procedures for monitoring deficits in their operations, and are not applying accounting and auditing practice standards to municipal schools. In effect, this means that free schools are not receiving equal terms, and that there is a high risk that we will not receive the same compensation as municipal schools. The report is available on Friskolornas Riksförbund's website.

Next step in Spain

At the beginning of July, we took another step in our expansion in Spain by acquiring the remaining 50% of the shares of the joint venture incorporated in May 2018, International Education Partnership. This makes English School of Asturias and two of Grupo Educativo Elians's three school operators in Spain, located in Castellon and La Nucia, wholly owned subsidiaries. The acquisition gives us full control of our operations and is a good foundation for continued improvement and expansion in Spain. Our fourth school, located in Valencia, is still 50:50 jointly owned by IES and our collaborative partner, the Monzonis family.

The future

We are now in the midst of a change process, both in the Swedish school market, and within IES. Short-term profitability is under pressure from internal and external factors, but in time, we see good potential for long-term profitable

growth on an expanding market. The rapid expansion of the child and youth population is accentuating the demand on municipalities to build more schools through the coming years, and we are preparing to be part of the solution, by ensuring the quality of schools and by offering more places. There is an acute need for new schools in Sweden in the near future. IES wants to help solve this problem by opening more schools in Sweden. We also see potential for further acquisitions in Spain. It is against this background the Board of Directors proposes to the Annual General Meeting that no dividend will be paid for the 2017/18 financial year.

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 F 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 operates four schools in Spain, three of which are 100% owned, and one 50% owned, since 9 July.

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 six-level scale of nationwide grade 9 tests.

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

The average qualification level (an aggregate measure applied by the Swedish National Agency for Education) at the end of grade 9 in spring 2016 was 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. 38% 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 2016, 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 Schools Inspectorate rated our schools as representing “a good example” to the Swedish schooling system in 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 safe 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 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 2,500 employees (headcount on 30 June 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. Preschools are voluntary, while 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 104 Bn in the calendar year 2016.

In Sweden, schooling is compulsory for all children from the calendar year they become 6 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 F-9 schooling basically tracks the population growth of children of school age. Since 2010, student bases have expanded by an 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 April – 30 June 2018

Total operating income and EBIT

Total operating income increased by 12.6% to MSEK 611.4 (543.1). The growth is primarily explained by our new schools for the academic year—IES Helsingborg, IES Landskrona, IES Södertälje and IES Årsta—plus more 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 23,927 (21,383) students.

EBIT fell by 49.7% to MSEK 27.8 (55.3). Accordingly, the EBIT margin narrowed to 4.5% (10.2).

Comparisons of total operating income and earnings in the quarter with actuals in the corresponding period of the previous year should consider that IES did not receive any central government subsidy for *Läxhjälp*, while we received MSEK 10.5 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. Total revenues per student increased by 0.6% year on year. Revenues include MSEK 12.0 (12.8) of central government subsidies for *Lärarlönelyftet* and *Karriärtjänster*. Excluding the effects of these subsidies, and the subsidy for *Läxhjälp* in the current and comparative year, total revenues per student increased by 3.0%.

Personnel expenses per student rose by 6.8% year on year. The supply of qualified teachers on the Swedish schools market currently lags demand, which is a contributor to the sharp increase in wage creepage on the market. Another reason for increased personnel expenses is that more employees were required in operations, 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 6.8%. The progress is largely explained by increased personnel expenses, but also high costs for mother tongue teaching and teachers contracted from staffing agencies in the quarter, as well as 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 594.8 (512.0), EBIT was MSEK 26.1 (54.3) and EBT was MSEK 25.6 (54.7).

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

Earnings from joint venture participations in the Spanish school operation Elians amounted to MSEK 1.3 (1.5). For the first time, earnings include profit share from acquired school provider ESA in Asturias, Spain, acquired on 10 May 2018.

Items affecting comparability

IES incurred expenses affecting comparability of MSEK 0.1 (0.0) in the quarter for the transaction in Spain executed in July 2018.

Net financial income/expense

Net financial income/expense was MSEK -0.5 (0.5).

Tax

The tax expense for the quarter was MSEK 7.8 (13.3), corresponding to an effective tax rate of 28.6% (23.8%). The tax expense for the period includes MSEK 0.6 of tax for previous years. The effect of the enacted altered corporation tax rate is not expected to have any material impact on the consolidated tax expense in the coming years.

Profit for the quarter and earnings per share

Profit for the quarter was MSEK 19.5 (42.4), and the net margin was 3.2% (7.8). Earnings per share were SEK 0.49 (1.06).

Cash flow

Cash flow from operating activities was MSEK 23.8 (81.6). The strong cash flow in the comparative period was due firstly to higher earnings, and secondly to funds then being transferred from the group's tax accounts, i.e. other receivables, to cash and cash equivalents.

Financial position, cash and cash equivalents

Equity at the end of the quarter was MSEK 953.3 (882.3) and the group's total assets were MSEK 1,306.8 (1,189.3). The equity/assets ratio was 72.9% (74.2%).

Cash and cash equivalents amounted to MSEK 121.9 (198.3).

Investments

Investments in the fourth quarter were MSEK 6.4 (4.6).

Human resources

The average number of full-time equivalent employees (FTE) was 2,496 (2,187) in the quarter. At the end of the quarter, employee headcount was 2,465 (2,181).

1 July 2017– 30 June 2018

Total operating income and EBIT

Total operating income rose by 14.9% to MSEK 2,347.9 (2,043.3). 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 23,927 (21,383) students.

EBIT decreased by 23.1% to MSEK 152.4 (198.0). Consequently, the EBIT margin amounted to 6.5% (9.7%)

EBIT adjusted for items affecting comparability fell by 24.0% to MSEK 155.1 (204.2). Accordingly, the adjusted EBIT margin was 6.6% (10.0%).

Comparisons of earnings in the period with the corresponding period of the previous year should consider that MSEK 10.5 of the earnings decrease is due to IES not receiving any central government subsidy for *Läxhjälp* for the calendar year 2018, in contrast to the calendar years 2016 and 2017. Because these activities for all students are an important component of IES's concept, they continued in the same way as previous years, despite the subsidy not being received.

Total revenues per student rose by 2.8%. These revenues include MSEK 61.4 (61.3) of central government subsidies for *Lärlönelyftet*, *Karriärtjänster* and *Läxhjälp*. Excluding the effect of these subsidies in the current and comparative year, total revenues per student increased by 3.2%.

Personnel expenses per student increased by 7.8% on the previous year. At present, the supply of qualified teachers on the Swedish school market lags demand, contributing to a sharp increase in wage creepage on the market. The reason for the increased personnel expenses was that more employees were needed in operations, specifically to provide for students with special needs. Only a minority of the expenses for these resources were covered by supplements from municipalities. Personnel expenses included MSEK 55.6 (47.8) of expenses relating to *Lärlönelyftet* and *Karriärtjänster*. Some 90% of our costs for *Lärlönelyftet* and *Karriärtjänster* are covered by central government subsidies.

Total costs per student increased by 6.3%. This progress is due to increased personnel expenses, high start-up costs for our four new schools, more contracted teachers from staffing agencies and

higher depreciation and amortization resulting from the major investment in the four new schools in the year.

Total operating income in Sweden was MSEK 2,241.9 (1,940.2), EBIT was MSEK 152.8 (193.6), and EBT was MSEK 154.0 (191.8).

Total operating income in the UK was MSEK 1.2 (0.0) and EBIT was MSEK -0.5 (-1.0) and EBT was SEK -0.5 (-1.0).

Profit/loss from the participations in joint venture Elians, the Spanish school operation, was MSEK 0.1 (5.4). In the comparative period, these participations were only held during the stronger period in earnings terms of November-June.

Items affecting comparability

IES incurred expenses affecting comparability of MSEK 2.7 (6.1) relating to termination of the previous CEO's employment and the transaction executed in Spain in July 2018 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 1.3 (-1.9).

Tax

The tax expense for the period was MSEK 37.1 (44.1), corresponding to an effective tax rate of 24.1% (22.5). The tax expense for the period includes MSEK 2.2 of tax relating to previous years, which is mainly a consequence of the tax audit conducted on IES from April 2016 that did not conclude until January 2018. The effect of the elected altered corporation tax rate in 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 116.5 (152.1), and the net margin was 5.0% (7.4%). Earnings per share were SEK 2.91 (3.80).

Cash flow

Cash flow from operating activities was MSEK 197.2 (260.8). The lower cash flow compared to the previous year is mainly because of lower earnings and higher tax paid.

Cash flow for the period was MSEK -76.5 (-35.1). 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, a short-term loan to the then 50%-owned holding company IEP in Spain for the acquisition of ESA, 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 953.3 (882.3) and the group's total assets were MSEK 1,306.8 (1,189.3). The equity/assets ratio was 72.9% (74.2).

Cash and cash equivalents amounted to MSEK 121.9 (198.3).

Investments

Investments amounted to MSEK 88.6 (54.7). 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 non-current 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 54.1 and the working capital loans were MSEK 22.0. IES was returned MSEK 1.3 associated with the acquisition of Elians from escrow in the period.

Financial current assets

In May 2018, IES issued a MEUR 13.5 short-term loan to the then 50%-owned Spanish holding company IEP. At the end of the period, this loan was reported at MSEK 140.7.

Human resources

The average number of full-time equivalent employees (FTE) was 2,455 (2,129) in the period. At the end of the period, employee headcount was 2,465 (2,181).

Shares

The number of shares registered at 30 June 2018 was 40,050,000.

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 Report 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 2 July, the Swedish Schools Inspectorate announced that it had approved all applications that IES had filed in early 2018 for permits to start up and expand schools. These permits are for new start-ups of the F-9 grades in Gothenburg and Solna, and the expansion of existing operations to the F-3 grades in Täby, Västerås, Örebro and Södertälje. IES has not yet made any decision on these prospective new start-ups or expansions.

On 2 July, IES's Board of Directors decided to execute a new share issue, and then immediately repurchase 80,000 class C shares. These shares will be issued and repurchased pursuant to the share matching program adopted by an Extraordinary General Meeting (EGM) on 13 June 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. 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. The operations within IEP will be consolidated into IES effective July 2018, and are expected to generate revenue of MEUR 15.3 and EBITDA of 2.9 in the financial year 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.

For more information, refer to separate press releases.

Future prospects

IES does not issue forecasts.

Related party transactions

As of 30 June 2018, and through its parent company, the group has a related party relationship with holding company IEP in Spain through its 50% ownership, and its 50% direct holdings in IALE, one of the three Elians companies in Spain. A management fee of MSEK 0.9 was charged to the three Spanish companies in the period. The parent company also previously issued loans totaling MEUR 2.1 to the Spanish companies. Interest on these loans in the period corresponded to MSEK 1.3.

In May 2018, the subsidiary Internationella Engelska Skolan i Sverige AB issued a MEUR 13.5 short-term loan to IEP in Spain. Accrued but undue interest on this loan in the period was an amount corresponding to MSEK 1.2.

Through a Director, the group also has a related party relationship with Internationella Engelska Skolan i Sverige AB. MSEK 0.4 (0.4) of consulting fees and reimbursement for monitoring the schools market and business intelligence were paid. This amount is considered to be the market level.

Internationella Engelska Skolan

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 19.

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. Since that time, the parent company has continued to arrange loans from credit institutions, and issue intragroup loans on a few occasions. Effective April 2016, the parent company has also started to invoice management fees to subsidiaries and joint ventures. A dividend for the financial year 2016/17 was paid in November 2017, which is the first time the company paid a dividend to shareholders.

The Board of Directors' proposal to the Annual General Meeting (AGM) is SEK 0 (1.14) per share. The basis for not proposing any dividend is the great need for new schools in Sweden in the near future and the potential for growth that this need offers IES in terms of opening further schools. Furthermore, there is the potential for further acquisitions in Spain. The Board of Directors emphasizes that this proposal does not reflect a change in the dividend policy.

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:

Today, Wednesday 29 August, Annette Brodin Rampe, CEO, will hold a conference call for the publication of the quarterly report at 10:30 a.m. CET. The call will be held in English. To participate, please call the following number: +46 (0)8 566 42651 and enter the code: 74862998#. The presentation is available at IES's website: <http://corporate.engelska.se/financial-information/reports-and-presentations>.

Reporting schedule

Annual Report 2017/18 – 22 October 2018
Interim Report Q1 2018/19 – 20 November 2018
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 29 August 2018 at 08:00 a.m. CET.

Board of Directors' and CEO's signatures

The undersigned certify that this year-end 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.

Stockholm, Sweden, 29 August 2018

Internationella Engelska Skolan i Sverige Holdings II AB (publ)

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

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

Consolidated Income Statement

MSEK	April-June		July-June	
	2017/2018	2016/2017	2017/2018	2016/2017
Operating income				
Revenue	594.8	512.0	2 243.1	1 940.2
Other operating income	16.6	31.2	104.8	103.1
Operating income	611.4	543.1	2 347.9	2 043.3
Operating expenses				
Teaching and meal expenses	-70.5	-60.3	-293.3	-258.9
Other external expenses	-127.0	-105.1	-489.0	-417.9
Personnel expenses	-370.9	-310.4	-1 348.2	-1 118.8
Depreciation and amortization	-16.5	-13.7	-65.2	-55.1
Earnings from Joint Venture	1.3	1.5	0.1	5.4
Operating profit	27.8	55.3	152.4	198.0
Profit from financial items				
Financial income	4.5	0.8	7.7	5.5
Financial expenses	-5.0	-0.4	-6.5	-7.4
Net financial items	-0.5	0.5	1.3	-1.9
Pre-tax profit	27.3	55.7	153.7	196.2
Current tax	-2.3	-3.7	-31.7	-34.5
Deferred tax	-5.5	-9.6	-5.5	-9.6
PROFIT FOR THE PERIOD	19.5	42.4	116.5	152.1
<i>Earnings per share</i>	0.49	1.06	2.91	3.80

Consolidated Statement of Comprehensive Income

MSEK	April-June		July-June	
	2017/2018	2016/2017	2017/2018	2016/2017
Profit for the period	19.5	42.4	116.5	152.1
Other comprehensive income				
Items that may be reclassified to profit or loss				
Translation difference for the year	-0.3	0.1	0.0	0.2
Other comprehensive income, net of tax	-0.3	0.1	0.0	0.2
COMPREHENSIVE INCOME FOR THE PERIOD	19.2	42.5	116.5	152.3

Consolidated Statement of Financial Position

MSEK	June 30, 2018	June 30, 2017
Non-current assets		
<i>Intangible assets</i>		
Goodwill	661.0	661.0
<i>Property, plant and equipment</i>		
Leasehold buildings	4.6	4.9
Machinery and equipment	132.1	110.6
Leasehold improvements	32.4	30.1
<i>Financial assets</i>		
Participation in Joint Venture	54.1	55.2
Long-term receivables from Joint Venture	22.0	20.4
Total non-current assets	906.2	882.3
Current assets		
Trade accounts receivable	12.9	10.4
Other receivables	20.2	6.7
Prepaid expenses and accrued income	104.9	91.6
Receivables from Joint Venture	140.7	-
Cash and cash equivalents	121.9	198.3
Total current assets	400.6	307.0
TOTAL ASSETS	1 306.8	1 189.3
Equity	953.3	882.3
TOTAL EQUITY	953.3	882.3
<i>Non-current liabilities</i>		
Deferred tax liabilities	54.1	48.6
Total non-current liabilities	54.1	48.6
<i>Current liabilities</i>		
Trade accounts payable	77.2	72.1
Current tax liabilities	6.8	0.0
Other current liabilities	72.2	70.8
Accrued expenses and prepaid income	143.2	115.5
Total current liabilities	299.4	258.3
TOTAL EQUITY AND LIABILITIES	1 306.8	1 189.3

Consolidated Statement of Changes in Equity

MSEK	Share capital	Other capital contributed	Translation reserve	Reserves and retained earnings incl. profit	Total
Opening balance, July 1, 2016	0.5	361.4	0.3	367.9	730.2
Profit for the period			-0.2	152.1	151.9
Other comprehensive income for the period				0.2	0.2
Total comprehensive income for the period	0.5	361.4	0.1	520.2	882.3
<i>Other</i>					
Bonus issue	0.5	-0.5			0.0
Total	0.5	-0.5			0.0
Closing balance, June 30, 2017	1.0	360.9	0.1	520.2	882.3

MSEK	Share capital	Other capital contributed	Translation reserve	Reserves and retained earnings incl. profit	Total
Opening balance, July 1, 2017	1.0	360.9	0.1	520.3	882.3
Profit for the period				116.5	116.5
Other comprehensive income for the period			0.4	-0.3	0.1
Total comprehensive income for the period	0.0	0.0	0.4	116.3	116.6
<i>Other</i>					
Dividend paid				-45.7	-45.7
Total	0.0	0.0	0.0	-45.7	-45.7
Closing balance, June 30, 2018	1.0	360.9	0.5	590.9	953.3

Consolidated Cash Flow Statement

MSEK	April-June		July-June	
	2017/2018	2016/2017	2017/2018	2016/2017
Operating activities				
Operating profit	27.7	53.7	152.4	192.6
Interest received	2.2	0.8	5.4	5.5
Interest paid	-4.7	-0.4	-5.0	-3.8
Adjustment for items not including in the cash flow	17.0	16.7	64.3	52.1
Income tax paid	-21.5	-8.4	-24.9	-35.4
Cash flow from operating activities before changes in working capital	20.7	62.5	192.2	210.9
Cash flow from changes in working capital				
Change in operating receivables	39.4	-16.4	-29.2	13.0
Change in operating liabilities	-36.3	35.5	34.2	36.9
Cash flow from changes in working capital	3.1	19.1	5.0	49.9
Cash flow from operating activities	23.8	81.6	197.2	260.8
Investing activities				
Acquisition of property, plant and equipment	-6.4	-4.6	-88.6	-54.7
Change in financial assets	0.0	0.7	1.2	-66.2
Cash flow from investing activities	-6.4	-3.9	-87.4	-120.9
Financing activities				
Amortization of loans, credit institutions	0.0	0.0	0.0	-175.0
Short-term receivables from Joint Venture				
Dividend to shareholders	0.0	-	-45.7	-
Cash flow from financing activities	-140.7	0.0	-186.3	-175.0
Cash flow for the period	-123.3	77.7	-76.5	-35.1
Cash and cash equivalents at beginning of period	245.2	120.6	198.3	233.4
Exchange-rate difference in cash and cash equivalents	0.0	0.0	0.1	0.0
Cash and cash equivalents at end of period	121.9	198.3	121.9	198.3

Parent Company Income Statement

MSEK	April - June		July - June	
	2017/2018	2016/2017	2017/2018	2016/2017
Operating income				
Revenue	2.5	0.7	3.2	2.8
Other operating income	2.2	0.6	4.6	1.7
Operating income	4.7	1.3	7.8	4.4
Operating expenses				
Teaching and meal expenses	-0.1	-	-0.4	-
Other external expenses	-2.6	-2.6	-11.3	-11.9
Personnel expenses	-1.6	-0.6	-5.9	-3.2
Operating profit	0.4	-2.0	-9.9	-10.7
Profit from financial items				
Financial income	0.3	4.4	1.3	5.8
Financial expenses	-1.0	-4.5	-2.4	-7.7
Net financial items	-0.6	-0.1	-1.1	-2.0
Pre-tax profit	-0.2	-2.1	-11.0	-12.6
Year end appropriations	40.2	92.6	40.2	92.6
Current tax	-7.3	-18	-7.3	-18
PROFIT FOR THE PERIOD	32.7	72.4	21.9	61.9

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 June 2018	30 June 2017
Non-current assets		
<i>Financial assets</i>		
Shares in group companies	361.9	361.9
Participation in Joint Venture	53.2	54.4
Long-term receivables from Joint Venture	22.0	20.4
Total Non-current assets	437.1	436.7
Current assets		
Intercompany receivables	-	33.3
Tax receivable	-	-
Other receivables	19.1	0.6
Prepaid expenses and accrued income	1.5	0.5
Cash and cash equivalents	8.1	-
Total current assets	28.6	34.4
TOTAL ASSETS	465.7	471.1
Equity	399.1	422.8
TOTAL EQUITY	399.1	422.8
Untaxed reserves	37.2	27.4
<i>Non-current liabilities</i>		
Trade accounts payable	0.7	1.0
Current tax liabilities	25.3	18.0
Other current liabilities	1.5	0.6
Accrued expenses and prepaid income	1.9	1.4
Total current liabilities	29.4	20.9
TOTAL EQUITY AND LIABILITIES	465.7	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 Report 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 Report 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 Report 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. 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 financial year beginning 1 July 2018. IFRS 15 will not have a material effect on the group's results of operations and financial position on an annualized basis, but may involve some minor alterations to the allocation of revenues between quarters.

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 1 January 2018, which for the company, is the financial year beginning 1 July 2018. The group will not be restating 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 will not have any material effect on the

group's financial position at the transition date, because the Standard does 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 bad debt, and then also considers prospective information. IES judges that this new impairment model will not have any material effect on the group's financial position. The reserve for expected bad debt is expected to affect equity by less than MSEK 1.0 in the opening balance sheet for the subsequent reporting period. The group does not apply hedge accounting.

For more information on accounting policies, refer to the Annual Report 2016/2017.

2. Geographical markets/segments

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

Geographical markets / Operating segment	April-June		July-June	
	2017/2018	2016/2017	2017/2018	2016/2017
Operating income (MSEK)				
Sweden	594.8	512.0	2 241.9	1 940.2
United Kingdom	0.4	-0.4	1.2	0.0
Group total	595.2	511.6	2 243.1	1 940.2
Operating profit EBIT (MSEK)				
Sweden	26.1	54.3	152.8	193.6
United Kingdom	0.4	-0.6	-0.5	-1.0
Earnings from Joint Venture (Spain)	1.3	1.5	0.1	5.4
Group total				
Profit before tax EBT (MSEK)				
Sweden	25.6	54.7	154.0	191.8
United Kingdom	0.4	-0.6	-0.5	-1.0
Earnings from Joint Venture (Spain)	1.3	1.5	0.1	5.4
Group total	27.3	55.7	153.7	196.2

Apart from its operating activities in the UK and Sweden in the period, the group, through the parent company, had a related party relationship with the then 50%-owned companies in Spain (joint venture) during period. The profit/loss from these participations amounted to MSEK 0.1 in the year and is recognized under EBIT in the Consolidated Income Statement. A management fee of MSEK 0.9 was also debited to the three Spanish companies in the period. The parent company and subsidiaries also issued loans to the Spanish companies, which amounted to a total corresponding to a MSEK 162.7 at the end of the period. Total interest on these loans in the period amounted to MSEK 2.5.

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 30 June 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, 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 facility also includes financial covenants that stipulate that the relationship between net debt and EBITDA for the group do not depart negatively from specific levels.

5. Pledged assets

Refer to the Annual Report of Internationella Engelska Skolan i Sverige Holdings II AB (publ) 2016/2017, note 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 13.7 at the end of the period.

6. Group companies

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

7. Acquisitions

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

The preliminary acquisition analysis follows:

Preliminary acquisition analysis	KEUR	KSEK
Property, plant and equipment	3 0 065	3 07 568
Intangible assets	29	297
Short term receivables	2 450	25 064
Cash and cash equivalents	996	10 189
Provisions and liabilities	-31 111	-318 269
Other current liabilities	-4 282	-43 805
Net identifiable assets and liabilities	-1 853	-18 956
<i>Fair value of previous holdings</i>	3 760	38 465
<i>Purchase price remaining part of IEP</i>	12 000	122 761
Total purchase price	15 760	161 226
<i>Acquired net assets</i>	-1 853	-18 956
<i>Goodwill/Customer relationships *</i>	17 613	180 183
Total acquired net assets	15 760	161 226

*Work on allocating the acquisition price on various types of intangible assets is ongoing.

The fair value of previous holdings has been estimated at and amounts to 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 EUR 12,000, 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, of MEUR 12.0, of which MEUR 2.5 is an estimated supplementary purchase consideration to be paid no earlier than December 2019. The guarantee for 50% of the real estate mortgage, of MEUR 1.7 remains for the Elians company still 50% owned by IES.

Effective July 2018, the operations within IEP will be consolidated into IES and are expected to generate revenue of MEUR 15.3, as well as EBITDA and EBITA of MEUR 2.9 and 2.1 respectively in the financial year 2018/19.

Key figures

MSEK	April-June		July-June	
	2017/2018	2016/2017	2017/2018	2016/2017
Operating income	611.4	543.1	2 347.9	2 043.3
Operating profit - EBIT	27.8	55.3	152.4	198.0
Operating margin - EBIT	4.5%	10.2%	6.5%	9.7%
Adjusted operating profit - EBIT	27.9	55.3	155.1	204.2
Profit	19.5	42.4	116.5	152.1
Net Margin	3.2%	7.8%	5.0%	7.4%
Operating capital	-161.4	-149.7	-161.4	-149.7
Return on equity	2.1%	4.9%	12.7%	18.9%
Net debt (+) / Net cash (-)	-121.9	-198.3	-121.9	-198.3
Equity/assets ratio	72.9%	74.2%	72.9%	74.2%
Cash flow from operating activities	23.8	81.6	197.2	260.8
Investments	-6.4	-4.6	-88.6	-54.7
FTE	2 496	2 187	2 455	2 129

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>Lärarylönellyftet</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>Lärarylönellyftet</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).

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 1,800 students in our fully owned schools in Spain. IES operates schools for students in grades F-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 school environment, where teachers can teach and students learn.
- Commanding 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 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 June 2018, there were approximately 190,000 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 June 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).