

The group's focus area is the operation of preschools and schools. The goal is to develop a quality concept in the field of child development and learning to create market demand.

In Norway, the Group operated 234 kindergartens as of 30 June 2019 with approximately 18 500 children.

In Sweden, the Group operates approximately 75 kindergartens and schools, with capacity for 2 000 students (schools) and 3 850 kindergarten children.

Material events in 2019

As of 30 June 2019, the Group has acquired four kindergartens in Norway and one kindergarten/school in Sweden which is for children with special needs. Two of the acquisitions in Norway was made in the second quarter, while the other acquisitions was made in the first quarter.

The Group has had two construction projects ongoing in Norway during the period. The projects were started in 2018 and has been completed in Q2 2019.

Staffing norm in Norway

The Group operates in markets that are strict regulated by the governments, and this has impact on how the Group operates. The Norwegian Parliament has adopted a minimum staffing norm that has to be implemented no later than august 1st 2019. However, there are still unclear details regarding the norm. The main uncertainty for Læringsverkstedet is to what extent private kindergartens will be funded in the first two years after the norm is effective.

The norm will apply to both private and public kindergartens, and will have consequences for the Groups revenue and distribution of cost. The Norwegian business has started to prepare for the norm and will organize its business in accordance with the norm from August 1, 2019. A gradient adoption towards the norm takes place during the last part of 2018 and first half of 2019.

The Group will also after 1 august 2019 continue its policy of combining healthy economic operations with delivering high quality preschools services in line with regulations and general governmental expectations. In the long-term we expect to be able to maintain the necessary operating margin also after implementation of a norm.

New regulations of private kindergartens in Norway

On 26th of April 2019 the Ministry of Education published a suggestion to changes in legislation of private kindergartens in Norway. The Ministry states that the primary goal of the changes is to make sure that the regulations is better adapted to the development of the sector. The changes shall facilitate a diversity of kindergartens with high quality. The changes is meant to provide good operational terms for various types of kindergartens and kindergarten owners, and secure that public contributions and parent payments is beneficial to the children. To achieve this they suggest changes in how public financial contributions shall be calculated, how financial supervision of the industry shall be organized and also suggest regulating company structures and financial structures.

There has been a hearing period until 26th July 2019 and the ministry received over 200 hearing answers. The Ministry is now evaluating the feedback and will then propose the final suggestion. Any changes in the legislation must be decided upon by the Norwegian Parliament before it can be implemented.

Overview of development and profits for the period ended 30. June.

A bit simplified the children attends kindergarten in 11 months during the year. Revenue is therefore distributed over 11 months. The main cost is employee benefits that is also mainly distributed over 11 months. For practical reasons the Norwegian part of the Group considers June as the holiday month in the financial statements. This means that June each year contains very limited revenue and operation expenses. Non variable cost such as depreciation, finance cost and rent is fully included in June. June has therefor weaker results than other months.

Total revenue has increased with approximately 25% compared to same period 2018. This is due to full period effect of the acquisitions made in 2018 and the acquisitions made in 2019.

Operating profit margin is 7,6%, compared to 9,0% as of 30 June 2018 and 7,5% totally in 2018. The margin in Norway is slightly weaker in 2019 than in 2018. However, the margin in first half of 2018 was very strong and the margin level in 2019 is in accordance to plan.

The margin in Sweden is the same in 2019 as in 2018. The operating margin level in Sweden is lower than in Norway. The Swedish part of the group has increased as a result of acquisitions made and as a result the total margin level is therefore lower in 2019 than first half of 2018. Group management is not fully satisfied with the margin level in Sweden and will continue its focus and supervision of this area.

The Groups equity ratio is stable on approximately 7%. Total assets has increase with 275 million, due to acquisitions made, new build activity and cash flow from operating activities.

Cash flow from operations in the period was strong both in 2019 and 2018. Timing of payment of subsidies from the municipalities highly effects our cash flow during a period particularly related to prepayments made in the previous quarter and prepayments received relating to the next quarter. This normally gives a strong cash flow in June each year.

Investments in fixed assets is primarily related to construction activity. Financing activities includes refinancing of construction loans on completed projects with long term Husbank loans as well as drawn on construction loans.

Overview of development and profits for Q2

Total revenue has increased with approximately 33% compared to Q2 2018. This is mainly due to full period effect of the acquisitions made in 2018 and the acquisitions made in 2019.

Læringsverkstedet Gruppen AS –Q2 Financial report 2019

Operating profit margin is 7% compared to 8% in Q2 2018. The margin in Norway is the same as last year, while the margin in Sweden has weakened compared to Q2 2018. This combined with the fact that Sweden has grown more than Norway and hence therefor constitute a larger part of the group is the reason for the reduction in the total operating margin.

Cash flow from operations in the period is very strong both in 2019 and 2018. Timing of payment of subsidies from the municipalities highly effects our cash flow during the year. This has given a positive effect in Q2 and with a stronger effect in 2019 than 2018.

Investments in fixed assets is mainly related to construction activity, which has been quite low in the period. This also applies to acquisition activity and the group expects in the short term a lower level of acquisitions than what has been the case the last years.

Jessheim, 26 August 2019

Gunnar Johansson
Board Chairman

Hans Jacob Sundby
Board Member/CEO

Læringsverkstedet Gruppen AS - Group

Income statement

Numbers in NOK 1 000	Unaudited Q2 2019	Unaudited Q2 2018	Unaudited 1.1-30.6 2019	Unaudited 1.1-30.6 2018	Audited Full year 2018
Total revenue	917 071	688 898	2 019 078	1 584 543	3 517 454
Cost of goods sold	1 181	0	1 181	0	1 264
Employee benefits expense	617 464	446 415	1 386 939	1 076 866	2 476 283
Depreciation	64 193	50 789	126 707	101 952	221 815
Other operating expenses	172 218	135 139	351 309	263 813	553 332
Total operating expenses	855 056	632 343	1 866 136	1 442 631	3 252 694
Operating profit	62 015	56 555	152 942	141 912	264 760
Net finance	-43 721	-38 070	-86 343	-74 543	-158 706
Profit before income tax	18 294	18 485	66 599	67 369	106 054
Income tax expense	2 744	4 798	9 990	17 031	15 852
Net profit	15 550	13 687	56 609	50 338	90 202
Total majority share	15 515		56 605		90 222
Total minority share	35		4		-19

Læringsverkstedet Gruppen AS - Group

Balance sheet

Numbers in NOK 1 000	Unaudited 30.06.2019	Unaudited 30.06.2018	Audited 31.12.2018
Assets			
Non current assets			
Total intangible assets	860 271	717 273	871 016
Total fixed assets	4 597 732	4 227 893	4 598 648
Financial assets			
Loan to group companies	60 598	60 598	60 598
Investment in associated companies			0
Investment in shares and units	1 708	1 708	1 708
Long term receivables	32 375	32 747	32 862
Pension asset	43 684	36 965	9 526
Total financial assets	138 365	132 018	104 694
Total non current assets	5 596 368	5 077 184	5 574 358
Current assets			
Inventories	1 064	1 147	1083
Receivables			
Accounts receivables	22 583	27 323	25 916
Other receivables	196 662	137 229	160 804
Total receivables	219 245	164 552	186 720
Cash and cash equivalents	473 193	339 707	258 248
Total assets	6 289 870	5 582 590	6 020 409

Læringsverkstedet Gruppen AS - Group

Balance sheet

Numbers in NOK 1 000	Unaudited 30.06.2019	Unaudited 30.06.2018	Audited 31.12.2018
Equity and liabilities			
Equity			
Owners equity			
Share capital	100	100	100
Total paid inn equity	100	100	100
Retained earnings			
Other equity	450 932	360 812	413 885
Minority share	400		396
Total accumulated profits	451 332	360 812	414 281
Total equity	451 432	360 912	414 381
Liabilities			
Provisions			
Pensjon obligations	0	0	0
Deferred tax	313 830	299 680	308 501
Total provisions	313 830	299 680	308 501
Other non current liabilities			
Bond loans	1 500 000	1 200 000	1 500 000
Liabilities to financial institutions	3 172 864	2 988 931	3 163 033
Other non current liability	16 863	24 270	17 846
Total other non current liabilities	4 689 727	4 213 201	4 680 879
Current liability			
Accounts payable	45 656	36 908	71 641
Income tax payable	12 478	37 501	47 195
Public duties payable	150 046	107 238	163 945
Other current liabilities	626 701	527 150	328 810
Dividend/group contribution			5 057
Total current liability	834 881	708 797	616 648
Total liabilities	5 838 438	5 221 678	5 606 028
Total equity and liabilities	6 289 870	5 582 590	6 020 409

Læringsverkstedet Gruppen AS - Group

Cash Flow statement - Indirect method

Numbers in NOK 1 000	Unaudited Q2.2019	Unaudited Q2.2018	Unaudited 1.1-30.6 2019	Unaudited 1.1-30.6 2018
Cash flow from operating activities				
Profit before income tax	18 295	18 435	66 599	67 369
Income tax payable	-3 912	-2 435	-45 660	-28 683
Depreciation	64 193	50 789	126 707	101 952
Difference on pension expense and paid pension premium	-45 271	-38 090	-34 158	-14 112
Change in inventory, accounts receivable and accounts payable	-14 848	-34 595	-20 576	-35 633
Change in other accruals	178 668	123 240	237 280	211 774
Net cash flow from operating activities	197 125	117 344	330 192	302 667
Cash flow from investing activities				
Proceeds from disposal of fixed assets				
Purchase of fixed assets	-15 701	-71 657	-53 674	-103 185
Net payment in acquisition of subsidiaries	-7 678	-72 253	-31 680	-103 322
Purchase of intangible assets	-894		-2 063	-8 475
Net effect other shares and loans		-250		-250
Net cash flow from other investments				
Net cash flow from investing activities	-24 273	-144 160	-87 417	-215 232
Cash flow from financing activities				
Proceeds from recent borrowings	37 491	200 505	135 985	240 440
Full down payment of borrowings	-813	-78 296	-90 509	-111 731
Repayment (ordinary amortization) of borrowings	-34 166	-31 255	-66 117	-60 992
Payment of group contribution	-4 057		-5 057	-8 763
Net cash flow financing activities	-1 545	90 954	-25 698	58 954
Net change in cash and cash equivalents	171 307	64 139	217 077	146 389
Currency effect on cash at the beginning of the period	-90	-926	-2 132	-2 956
Cash and cash equivalent at the beginning of the period	301 976	276 495	258 248	196 274
Cash and cash equivalent at the end of the period	473 193	339 707	473 193	339 707

NOTES TO THE FINANCIAL REPORT 30.06.2019 (Unaudited)

Accounting principles

The financial report have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The accounting principles described in the Annual report for 2018 has, with the following exceptions, been applied;

1. Revenue is distributed over 11 months during the year. For accounting purposes, June is treated as the holiday month. Hence, very limited revenue is allocated to June. Similarly, June is also regarded as the holiday month for the employees and very limited salary expenses is included in June. For a full year report, this allocation method has no effect.
2. The income tax expense is based on preliminary tax calculation for the year.
3. Purchase price allocations of acquisitions of companies is preliminary and might be subject to change
4. Provision for pension cost is based on the estimates made in the actuarial calculation for 2018. At year end an actuarial calculation for 2019 will be made and pension cost might be subject to change in the annual statement.

See the annual report for 2018 for a full description of the account principles.

Equity

	Share capital	Other equity	Minority Share	Total
Equity 01.01.	100	413 885	396	414 381
Net profit	-	56 605	4	56 609
Currency translation effect		-19 558		-19 558
As of 30.06	100	450 932	400	451 432

Financial covenants

All figures in NOK 1 000

Covenant 1; Minimum liquidity of NOK 100 million

	30.06.2019
Booked value cash and cash equivalents	473 193
-less restricted cash	-46 940
Undrawn credit facilities	<u>62 200</u>
Total liquidity according to loan terms definition	<u>488 453</u>

Covenant 2; Interest cover ration > 3,0

	As at 30.06.2019
Operating profit (last 12 months)	276 707
+ Depreciation (last 12 months)	246 599
+/- Adjustments according to loan terms definitions*	<u>13 402</u>
= EBITDA according to loan terms definitions	536 708
Net finance (last 12 months)	170 315
EBITDA / Net finance (Interest cover ratio)	3,15

*The adjustments relate mainly to costs regarding management changes, (Unusual one-time costs).