

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 220 kindergartens as of 30 September 2018 with approximately 17 500 children. This is an increase with 20 kindergartens and 1 500 children compared to year-end 2017.

In Sweden, the Group operates approximately 75 kindergartens and schools, with capacity for 1 000 students (schools) and 3 750 kindergarten children.

Material events in 2018

As of 30 September 2018 the Group has acquired 20 kindergartens in Norway. Three of these is by acquiring the operations directly, the others by acquisition of shares. The Group has also acquired a company in Sweden in April that operates one school and two kindergartens.

Five of the kindergartens in Norway was acquired in Q1, 10 in Q2 and the rest in Q3.

The Group has had a total of six construction projects ongoing in Norway during the period. Two of these was rehabilitation and expansion projects, one was completed in Q1 and the second was completed in Q2. With regards to the New Build projects two was started in 2017 and has been completed in 2018. The two ongoing projects was started in Q2 2018 and is expected to be completed in the beginning of 2019.

The Group successfully completed on September 1 a tap issue on the existing bond loan. 300 million in new bonds was issued on the same terms. The use of the proceeds is general corporate activities.

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. This relates for example to the requirements regarding the use of extra personnel during sick leave, minimum requirements regarding local management and how private kindergartens will be funded in the first two years after the norm is complied.

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 will take 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

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

Total revenue has increased with approximately 35% compared to same period in 2017. This is mainly due to full period effect of the acquisitions made in 2017 and the acquisitions made in 2018.

Operating profit margin is 8,6% compared to 10,0% in the same period in 2017 and 9,3% full year 2017. All the entities in Sweden is in rented locations, while most of the locations in Norway is owned. This means that the EBITDA and operating margins in Sweden is lower than in Norway. The operating margin in Norway in 2018 is approximately the same as in 2017. The reduction in the Groups operating margin is related to the lower margin in Sweden.

The Groups equity ratio is stable on approximately 6.5%. Total assets has increase with 400 million, due to acquisitions made, new build activity and cash flow from financing activities.

With regards to cash flow from operations, this is highly affected by the timing of payment of subsidies from the municipalities. With regards to payments of October/Q4 a relatively large share of this was in 2018 paid in October. This negatively affects cash flow for the period. Cash flow from operations in the period is however solid, even considering the negative affect of this.

Investments in fixed assets is partly related to construction activity and partly from direct acquisition of the building when acquiring a kindergarten. The Group has in the period drawn approximately NOK 90 million on its RCF and issued 300 million in new bond loan in a tap issue on existing bond terms. Other cash flows from financing activity is primarily construction loans, conversion of construction loans to Husbank loans, and ordinary amortization of borrowings.

Overview of development and profits for Q3

Total revenue has increased with approximately 25% compared to Q3 2017. This is mainly due to full period effect of the acquisitions made in 2017 and the acquisitions made in 2018.

Operating profit margin is 8,1% which is the same as Q3 2017. All the entities in Sweden is in rented locations, while most of the locations in Norway is owned. This means that the EBITDA and operating margins in Sweden is lower than in Norway. The Swedish entities were acquired in august and September 2017. The margin in Norway is slightly better in Q3 2018 than in Q3 2017.

Cash flow from operations in the period is weak. Timing of payment of subsidies from the municipalities highly effects our cash flow during the year. This has given a negative effect in Q3 2018. Se comments above.

Investments in fixed assets is mainly related to construction activity. The Group has in the period issued 300 million in new bond loan in a tap issue on existing bond terms. Other cash flows from financing activity is primarily ordinary amortization of borrowings.

Jessheim, 22 November 2018

Gunnar Johansson
Board Chairman

Torill Eskeland
Board Member

Charlotte Wego
Board Member

Juan Garcia
Board Member

Hilde Martinsen
Board Member

Hans Jacob Sundby
Board Member/CEO

Læringsverkstedet Gruppen AS - Group

Income statement

Numbers in NOK 1 000	Unaudited Q3 2018	Unaudited Q3 2017	Unaudited 1.1-30.9 2018	Unaudited 1.1-30.9 2017	Audited Full year 2017
Total revenue	944 040	773 290	2 528 583	1 881 518	2 718 976
Cost of goods sold	0	295	0	382	1 164
Employee benefits expense	682 509	562 379	1 759 375	1 294 085	1 869 870
Depreciation	54 547	44 219	156 499	129 414	186 708
Other operating expenses	130 625	104 106	394 438	269 906	408 112
Total operating expenses	867 681	710 999	2 310 312	1 693 787	2 465 854
Operating profit	76 359	62 291	218 271	187 731	253 122
Net finance	-42 069	-40 717	-116 612	-106 451	-131 208
Profit before income tax	34 290	21 574	101 659	81 280	121 914
Income tax expense	8 384	3 480	25 415	19 633	22 995
Net profit	25 906	18 094	76 244	61 647	98 919

Læringsverkstedet Gruppen AS - Group

Balance sheet

Numbers in NOK 1 000	Unaudited 30.09.2018	Unaudited 30.09.2017	Audited 31.12.2017
Assets			
Non current assets			
Total intangible assets	763 062	677 557	675 159
Total fixed assets	4 349 980	3 878 705	4 054 609
Financial assets			
Loan to group companies	60 598	60 916	60 598
Investment in associated companies		24	25
Investment in shares and units	1 708	1 458	1 458
Long term receivables	32 254	29 075	28 428
Pension asset	5 249		22 853
Total financial assets	99 809	91 473	113 362
Total non current assets	5 212 851	4 647 735	4 843 130
Current assets			
Inventories	1 161	1026	651
Receivables			
Accounts receivables	16 714	10 279	16 748
Other receivables	156 704	113 782	140 379
Total receivables	173 418	124 061	157 127
Cash and cash equivalents	398 913	254 351	196 274
Total assets	5 786 343	5 027 173	5 197 182

Læringsverkstedet Gruppen AS - Group

Balance sheet

Numbers in NOK 1 000	Unaudited 30.09.2018	Unaudited 30.09.2017	Audited 31.12.2017
Equity and liabilities			
Equity			
Owners equity			
Share capital	100	100	100
Total paid inn equity	100	100	100
Retained earnings			
Other equity	387 853	261 713	331 609
Total accumulated profits	387 853	261 713	331 609
Total equity	387 953	261 813	331 709
Liabilities			
Provisions			
Pensjon obligations	0	54 680	0
Deferred tax	313 610	286 552	275 995
Total provisions	313 610	341 232	275 995
Other non current liabilities			
Bond loans	1 500 000	1 200 000	1 200 000
Liabilities to financial institutions	2 983 301	2 698 029	2 845 014
Other non current liability	13 846	10 484	26 037
Total other non current liabilities	4 497 147	3 908 513	4 071 051
Current liability			
Accounts payable	60 290	47 620	66 926
Income tax payable	47 978	6 395	42 085
Public duties payable	87 532	85 810	130 958
Other current liabilities	391 833	375 790	269 695
Dividend/group contribution		0	8 763
Total current liability	587 633	515 615	518 427
Total liabilities	5 398 390	4 765 360	4 865 473
Total equity and liabilities	5 786 343	5 027 173	5 197 182

Læringsverkstedet Gruppen AS - Group

Cash Flow statement - Indirect method

Numbers in NOK 1 000	Unaudited Q3.2018	Unaudited Q3.2017	Unaudited 1.1-30.9 2018	Unaudited 1.1-30.9 2017	Audited Full year 2017
Cash flow from operating activities					
Profit before income tax	34 290	21 574	101 659	81 280	121 914
Income tax payable	1 743	-12	-26 940	-23 630	-30 216
Loss/gain on sale of fixed assets					
Depreciation	54 547	44 219	156 499	129 414	186 708
Difference on pension expense and paid pension premium	32 344	25 314	18 232	7 581	-40 317
Change in inventory, accounts receivable and accounts payable	22 675	12 923	-12 958	3 894	19 243
Change in other accruals	-190 301	-77 281	21 473	55 667	-27 945
Net cash flow from operating activities	-44 702	26 737	257 965	254 206	229 387
Cash flow from investing activities					
Proceeds from disposal of fixed assets					6 079
Purchase of fixed assets	-78 017	-95 190	-181 202	-250 121	-305 807
Net payment in acquisition of subsidiaries	-68 732	-244 065	-172 054	-424 300	-486 587
Purchase of intangible assets	-21 065		-29 540		-1 849
Proceeds from disposal of other shares)					
Net effect other shares and loans		1	-250	-10 469	-10 175
Net cash flow from other investments					
Net cash flow from investing activities	-167 614	-339 254	-383 046	-684 890	-798 339
Cash flow from financing activities					
Proceeds from recent borrowings	300 693	88 660	541 133	1 602 462	1 778 374
Full down payment of borrowings	-643	-70 579	-112 374	-1 004 738	-1 050 939
Repayment (ordinary amortization) of borrowings	-28 723	-10 266	-89 715	-69 953	-119 473
Net change participants deposit in group accounts					
Net payment (-), proceeds (+) group companies					
Payment of group contribution		-5 592	-8 763	-5 592	-5 592
Net cash flow financing activities	271 327	2 223	330 281	522 179	602 370
Net change in cash and cash equivalents	58 810	-310 294	205 199	91 495	33 418
Currency effect on cash at the beginning of the period	396		-2 560		
Cash and cash equivalent at the beginning of the period	339 707	564 645	196 274	162 856	162 856
Cash and cash equivalent at the end of the period	398 913	254 351	398 913	254 351	196 274

NOTES TO THE FINANCIAL REPORT 30.09.2018 (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 2017 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 2017. At year end an actuarial calculation for 2018 will be made and pension cost might be subject to change in the annual statement.

See the annual report for 2017 for a full description of the account principles.

Equity

	Share capital	Other equity	Total
Equity 01.01.	100	331 609	331 709
Net profit	-	76 244	76 244
Currency translation effect		-20 000	-20 000
As of 30.09	100	387 853	387 953

Financial covenants

All figures in NOK 1 000

Covenant 1; Minimum liquidity of NOK 100 million

	30.09.2018
Booked value cash and cash equivalents	398 913
-less restricted cash	-55 000
Undrawn credit facilities	157 800
Total liquidity according to loan terms definition	501 713

Covenant 2; Interest cover ration > 3,0

	As at 30.9.2018
Operating profit (last 12 months)	278 628
+ Depreciation (last 12 months)	214 101
= EBITDA	492 729
Net finance (last 12 months)	151 109
EBITDA / Net finance (Interest cover ratio)	3,26