

The group's focus area is the operation of kindergartens 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 238 kindergartens as of 31 March 2020 with approximately 19 000 children.

In Sweden, the Group operates approximately 80 kindergartens and schools, with capacity for 2 000 students (schools) and 3 850 kindergarten children.

The group has in 2020 also entered Germany and operated 10 kindergartens with a capacity of 600 children in Germany as of 31 March 2020.

Since 2018, The Group also includes a minor business related to operations of a rehabilitation health centre in Norway as well as a business operating three schools in Norway with an English-speaking concept.

Material events in Q1-2020

With effect from 1 January 2020 the Group acquired a German kindergarten group with 10 kindergartens in operations. The Group considers the German market an exiting market with good growth potential. Germany has a considerable deficit on kindergarten places, and it is expected that a huge number of new places needs to be established in the future. With the basis in the acquired platform Læringsverkstedet Gruppen expects to grow further in Germany, primarily by establishing new entities.

As of 31 March 2020, the Group has also acquired two kindergartens in Norway and two kindergartens in Sweden.

The Group has had five construction projects ongoing in Norway during the period. Three of the projects were started in 2019, and two in 2020. One of the projects is a rehabilitation project on an existing entity, two is an expansion and move of existing kindergartens that is currently operating in rented buildings, and two is establishing of new kindergartens. All projects are expected to be completed in 2020.

The group has had an undrawn credit facility with DnB. During Q1 2020 the Group has drawn up NOK 61,5 million on this facility and converted the facility to a down payment loan. There is no remaining undrawn credit facility after this.

Corona virus outbreak

In 2020 the coronavirus has spread throughout the world and is defined as a global pandemic.

In Sweden, schools and kindergartens have not been closed as of May 2020. The Swedish business has thus maintained its operations, and no general closures have been imposed for the purpose of infection control.

On March 12, the government in Norway introduced the most stringent measures introduced in Norway in peacetime to prevent the spread of coronary infection. Strong restrictions on outside activity were introduced and many industries had to close or greatly reduce their business. All Norwegian kindergartens were required to

close from March 13, and only maintain a care provision for children of parents in defined socially beneficial functions. This closure lasted until Friday, April 17 (5 weeks). As of April 20, kindergartens have reopened, and been strongly encourage to deliver an ordinary offer as soon as possible within normal opening hours.

At the same time as the kindergartens were required to close, the government confirmed that private kindergartens would maintain their income, even during the closed period. A prerequisite for maintaining revenue was that kindergartens did not lay off employees.

In relation to revenues, costs and cash flow, the corona situation has had a limited effect on the company and the group so far and based on information as of the end of May, no significant effect is expected.

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. 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 was a hearing period until 26th July 2019 and the ministry received over 200 hearing answers. Several of the suggested changes is disputed and the Ministry has since the expiration of the hearing period considered the feedback received and the composition of the final suggestion to new legislation.

On 29th of April 2020 the Ministry submitted a suggestion to changes in parts of the legislation of private kindergartens in Norway to the Norwegian Parliament. The Parliament is expected to decide upon the suggestion on 8th June 2020. The suggested changes in the law does not contain all the areas from the original suggestion in 2019. The most disputed changes have not been included, as the Ministry has stated that they need more time to evaluate these areas. The main change that will be voted upon now is how the financial supervision of the industry shall be organized. The suggestion is that this will be moved from the municipality today and to a centralized unit in the future. This suggestion is not controversial and Læringsverkstedet expects that the Parliament will approve this.

Staffing norm in Norway

As informed about in previous financial reports, a Staffing norm was implemented in Norway with effect from august 1st 2019.

The norm applies to the entire industry, both private and municipal kindergartens. The income model for private kindergartens is such that the income is dependent on the municipality's costs for the operation of municipal kindergartens in the relevant municipality. When the norm is fully implemented, it will affect both revenue and the cost composition for the Norwegian part of the group.

The revenue for private kindergartens is to a large extend based on the cost in the municipal's own kindergartens. The current technical practice of the income model means that the municipal costs that generate income are based on the last available financial year, ie two years difference. The revenue for 2020 is thus based on the

relevant municipality's 2018 accounts. With the current income model, the introduction of a norm entails a 2-year difference from the introduction of the norm until it is fully reflected in the municipal costs that form the basis for the income payments to private kindergartens.

One of the uncertainties when implementing the norm has been to what extent this two-year gap will be compensated. On the state level some compensation will be given to small preschools, but not enough to fully compensate the increased costs for these entities. Other type of preschools will not be compensated from the state level. A few municipalities have stated that they will give some compensation with regards to this, but most of the municipalities will not give any special compensation and the grants for 2020 are based on the ordinary rules for grant calculation. This creates a temporary and abnormal gap between revenue and cost for the Norwegian kindergartens in the Group in this period, affecting the margins in Norway.

Læringsverkstedet supports the introduction of a staffing norm but finds it unfortunate that the norm is not financed for private kindergartens in the first 2 years. The Group will continue its policy of combining healthy economic operations with delivering high quality kindergartens services in line with legislation and general governmental expectations.

Overview of development and profits for Q1

Total revenue has increased with approximately 10% compared to same period 2019. This is mainly due to increase in grants per child.

Operating profit margin is 6,5%, compared to 7,3% in Q1 2019 and 6,1% totally in 2019. The margin in Sweden is better in 2020 compared to Q1 2019. The margin in Norway is in 2020 affected by the staffing norm and the unfinanced part of it created by the temporary 2-year gap in how grants is calculated. The underlying operations in Norway has been in accordance with plan.

Cash flow from operations in Q1 2020 is materially affected by changes in pension premium payments. The pension plan in Norway was changed with effect from 1st January 2020. Previously the employees in the kindergartens in Norway had a defined benefit plan. This was changes for all employees under 52 years, and from 1st January they changed from a defined benefit to a defined contribution plan. The net profit/loss effect of the termination of the pension plan was included in the 2019 accounts. However, when terminating a plan, the company must pay an administration fee to the insurance company. A provision of 70 million to cover this fee was included in the 2019 accounts. In Q1 2020 approximately 60 million of this fee has been paid and the remaining fee were paid in April.

Also the timing of payment of ordinary pension premiums have changed. In 2019 the pension plan was a defined benefit plan and premiums were paid twice a year, in May and November. In 2020 payments is made monthly for the defined contribution plan, and quarterly for the remaining defined benefit plan.

Læringsverkstedet Gruppen AS –Q1 Financial report 2020

Investments in fixed assets is primarily related to construction activity.

Financing activities includes a drawdown of 64,5 million on a credit facility with DnB as well as drawn on construction loans. As part of business development of the group, the appropriateness of organization and funding is assessed on an ongoing basis. As mentioned in the Q4 2019 report the board has started a strategic process with a goal to create more flexibility with regards to possible refinancing of the group.

Jessheim, 29 May 2020

Gunnar Johansson
Chairman of the Board

Hans Jacob Sundby
Board Member/CEO

Læringsverkstedet Gruppen AS - Group

Income statement

| Numbers in NOK 1 000 | Unaudited Q1 2020 | Unaudited Q1 2019 | Audited Full year 2019 |
|---------------------------------|----------------------|----------------------|---------------------------|
| Total revenue | 1 199 008 | 1 102 007 | 4 101 782 |
| Cost of goods sold | 661 | 0 | 3 166 |
| Employee benefits expense | 869 332 | 779 475 | 2 942 955 |
| Depreciation | 64 714 | 62 514 | 251 704 |
| Other operating expenses | 186 350 | 179 092 | 653 831 |
| Total operating expenses | 1 121 057 | 1 021 081 | 3 851 656 |
| Operating profit | 77 951 | 80 926 | 250 126 |
| Net finance | -45 014 | -42 622 | -169 100 |
| Profit before income tax | 32 937 | 38 304 | 81 026 |
| Income tax expense | 3 620 | 5 046 | 8 873 |
| Net profit | 29 317 | 33 258 | 72 153 |
| Total majority share | 29 317 | 33 289 | 72 153 |
| Total minority share | 0 | -31 | 0 |

Læringsverkstedet Gruppen AS - Group

Balance sheet

| Numbers in NOK 1 000 | Unaudited 31.03.2020 | Unaudited 31.03.2019 | Audited 31.12.2019 |
|----------------------------------|-------------------------|-------------------------|-----------------------|
| Assets | | | |
| Non current assets | | | |
| Total intangible assets | 948 167 | 864 562 | 846 189 |
| Total fixed assets | 4 682 250 | 4 592 848 | 4 614 798 |
| Financial assets | | | |
| Loan to group companies | 55 912 | 60 598 | 60 598 |
| Investment in shares and units | 802 | 1 708 | 350 |
| Long term receivables | 50 120 | 32 468 | 37 945 |
| Pension asset | 72 992 | 0 | 58 969 |
| Total financial assets | 179 826 | 94 774 | 157 862 |
| Total non current assets | 5 810 243 | 5 552 184 | 5 618 849 |
| Current assets | | | |
| Inventories | 1 019 | 1 064 | 1 019 |
| Receivables | | | |
| Accounts receivables | 23 728 | 42 087 | 25 295 |
| Other receivables | 225 209 | 193 720 | 168 854 |
| Total receivables | 248 937 | 235 807 | 194 149 |
| Cash and cash equivalents | 339 869 | 301 976 | 371 886 |
| Total assets | 6 400 068 | 6 091 031 | 6 185 903 |

Læringsverkstedet Gruppen AS - Group

Balance sheet

| Numbers in NOK 1 000 | Unaudited 31.03.2020 | Unaudited 31.03.2019 | Audited 31.12.2019 |
|--|-------------------------|-------------------------|-----------------------|
| Equity and liabilities | | | |
| Equity | | | |
| Owners equity | | | |
| Share capital | 100 | 100 | 100 |
| Total paid inn equity | 100 | 100 | 100 |
| Retained earnings | | | |
| Other equity | 539 619 | 431 696 | 472 581 |
| Total accumulated profits | 539 619 | 431 696 | 472 581 |
| Total equity | 539 719 | 431 796 | 472 681 |
| Liabilities | | | |
| Provisions | | | |
| Pensjon obligations | 0 | 1 587 | 0 |
| Deferred tax | 294 167 | 312 265 | 286 624 |
| Total provisions | 294 167 | 313 852 | 286 624 |
| Other non current liabilities | | | |
| Bond loans | 1 500 000 | 1 500 000 | 1 500 000 |
| Liabilities to financial institutions | 3 248 943 | 3 141 761 | 3 158 220 |
| Other non current liability | 28 700 | 15 876 | 16 582 |
| Total other non current liabilities | 4 777 643 | 4 657 637 | 4 674 802 |
| Current liability | | | |
| Accounts payable | 36 355 | 76 691 | 75 512 |
| Income tax payable | 6 787 | 13 724 | 31 736 |
| Public duties payable | 146 043 | 113 391 | 182 744 |
| Other current liabilities | 593 654 | 478 883 | 456 104 |
| Dividend/group contribution | 5 700 | 4 057 | 5 700 |
| Total current liability | 788 539 | 686 746 | 751 796 |
| Total liabilities | 5 860 349 | 5 658 235 | 5 713 222 |
| Total equity and liabilities | 6 400 068 | 6 090 031 | 6 185 903 |

Læringsverkstedet Gruppen AS - Group

Cash Flow statement - Indirect method

| Numbers in NOK 1 000 | Unaudited Q1 2020 | Unaudited Q1 2019 | Audited Full year 2019 |
|---|----------------------|----------------------|---------------------------|
| Cash flow from operating activities | | | |
| Profit before income tax | 32 937 | 38 304 | 81 027 |
| Income tax payable | -25 626 | -41 748 | -47 492 |
| Depreciation | 64 714 | 62 514 | 251 704 |
| Difference on pension expense and paid pension premium | -74 023 | 11 113 | 10 700 |
| Change in inventory, accounts receivable and accounts payable | -25 063 | -5 728 | -7 451 |
| Change in other accruals | 63 937 | 68 612 | 47 994 |
| Net cash flow from operating activities | 36 876 | 133 067 | 336 482 |
| Cash flow from investing activities | | | |
| Proceeds from disposal of fixed assets | | | 933 |
| Purchase of fixed assets | -49 805 | -37 973 | -151 045 |
| Net payment in acquisition of subsidiaries | -76 794 | -24 002 | -29 282 |
| Purchase of intangible assets | -910 | -1 169 | -3 179 |
| Proceeds from disposal of other shares) | | | |
| Net effect other shares and loans | -5 452 | | |
| Net cash flow from other investments | -12 175 | | 1 358 |
| Net cash flow from investing activities | -145 136 | -63 144 | -181 215 |
| Cash flow from financing activities | | | |
| Proceeds from recent borrowings | 105 340 | 98 494 | 220 258 |
| Full down payment of borrowings | - | -89 696 | -113 432 |
| Repayment (ordinary amortization) of borrowings | -33 178 | -31 951 | -142 111 |
| Net change participants deposit in group accounts | | | |
| Net payment (-), proceeds (+) group companies | | | |
| Payment of group contribution | - | -1 000 | -5 057 |
| Net cash flow financing activities | 72 162 | -24 153 | -40 342 |
| | | | |
| Net change in cash and cash equivalents | -36 098 | 45 770 | 114 925 |
| Currency effect on cash at the beginning of the period | 4 081 | -2 042 | -1 287 |
| Cash and cash equivalent at the beginning of the period | 371 886 | 258 248 | 258 248 |
| Cash and cash equivalent at the end of the period | 339 869 | 301 976 | 371 886 |

LÆRINGSVERKSTEDET GRUPPEN AS - GROUP

NOTES TO THE FINANCIAL REPORT 31.03.2020 (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 2019 has, with the following exceptions, been applied;

1. The income tax expense is based on preliminary tax calculation for the year.
2. Purchase price allocations of acquisitions of companies is preliminary and might change
3. Provision for pension cost related to the defined benefit plan is based on the estimates made in the actuarial calculation for 2019. At year end an actuarial calculation for 2020 will be made and pension cost might be subject to change in the annual statement.

See the annual report for 2019 for a full description of the accounting principles.

Equity

| | Share capital | Other equity | Total |
|-----------------------------|------------------|-----------------|---------|
| Equity 01.01. | 100 | 472 581 | 472 681 |
| Net profit | - | 29 317 | 29 317 |
| Currency translation effect | | 37 721 | 37 721 |
| As of 31.03 | 100 | 539 619 | 539 719 |

Financial covenants

All figures in NOK 1 000

Covenant 1; Minimum liquidity of NOK 100 million

| | 31.03.2020 |
|--|-------------------|
| Booked value cash and cash equivalents | 339 869 |
| -less restricted cash | -50 560 |
| Total liquidity according to loan terms definition | 289 309 |

Covenant 2; Interest cover ratio > 3,0

| | As at 31.03.2020 |
|--|-------------------------|
| Operating profit (last 12 months) | 247 151 |
| + Depreciation (last 12 months) | 253 904 |
| + Unfinanced staffing norm adjustment | 25 000 |
| +/- Other one-off adjustments from 2019 | 23 000 |
| = EBITDA according to loan terms definitions | 549 055 |
| Net finance (last 12 months) | 171 492 |
| EBITDA / Net finance (Interest cover ratio) | 3,20 |

Other one-off adjustments from 2019 is mainly the net effect of the termination of a defined benefit pension plan in Norway.

A staffing norm was implemented in Norway from 1st August 2019. The staffing norm applies to both private and public kindergartens but will only be fully financed for private kindergartens in 2022. The reason is the technical calculation of grants to private kindergartens. The revenue for private kindergartens is to a large extend based on the cost in the municipal's own kindergartens 2 years earlier. Our revenue for 2020 is thus based on the relevant municipality's 2018 accounts. Many municipalities did not have a staffing in 2018 that was within the staffing norm and its 2018 cost does therefor not fully reflect the cost of staffing within the staffing norm.

This gap between the basis for our revenue and the cost of complying with the staffing norm is considered, in line with the terms and conditions for the bonds issued by the company, as a one-off, non-recurring, unusual item and has therefore been adjusted for in the calculation of the interest cover ratio. This will affect the accounts and be adjusted for until it is neutralized in the grant levels (in 2022 by the latest)

The interest cover ratio before adjustment for the unfinanced part of the staffing norm is 3,06.