

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 232 kindergartens as of 31 March 2019 with approximately 18 000 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 31 March 2019, the Group has acquired two kindergartens in Norway and one kindergarten/school in Sweden which is for children with special needs.

The Group have two construction projects ongoing in Norway during the period. The projects were started in 2018 and will be completed in the first half of 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. 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 is a hearing period until 26th July 2019. After this the Ministry will evaluate the feedback and might 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 Q1

Total revenue has increased with approximately 20% 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 8,3%, compared to 9,5% in Q1 2018 and 7,5% totally in 2018. The margin in Sweden is better in 2019 compared to Q1 2018, but the margin in Norway is lower than Q1 2018. As commented in the Q4 report the Group experienced reduced operating margins in the second half of 2018. The margins have improved compared to Q3 and Q4 in 2018, and group management will continue its focus and supervision of this area.

Cash flow from operations is slightly weaker than Q1 2018. Timing of payment of subsidies from the municipalities highly affects our cash flow during a quarter particularly related to prepayments made in the previous quarter and prepayments received relating to the next quarter. In 2018 we received a larger portion of Q2 payments in March, but in 2019 we received a larger portion in April. This is the main reason for the difference in cash flow from operations in Q1 2019 compared to Q1 2018.

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.

Jessheim, 22 May 2019

Gunnar Johansson
Board Chairman

Hans Jacob Sundby
Board Member/CEO

Læringsverkstedet Gruppen AS - Group

Income statement

Numbers in NOK 1 000	Unaudited Q1 2019	Unaudited Q1 2018	Audited Full year 2018
Total revenue	1 102 007	895 645	3 517 454
Cost of goods sold	0	0	1 264
Employee benefits expense	769 475	630 451	2 476 283
Depreciation	62 514	51 163	221 815
Other operating expenses	179 092	128 674	553 332
Total operating expenses	1 011 081	810 288	3 252 694
Operating profit	90 926	85 357	264 760
Net finance	-42 622	-36 423	-158 706
Profit before income tax	48 304	48 934	106 054
Income tax expense	7 246	12 233	15 852
Net profit	41 058	36 701	90 202
Total majority share	41 089		90 222
Total minority share	-31		-19

Læringsverkstedet Gruppen AS - Group

Balance sheet

Numbers in NOK 1 000	Unaudited 31.03.2019	Unaudited 31.03.2018	Audited 31.12.2018
Assets			
Non current assets			
Total intangible assets	864 562	673 658	871 016
Total fixed assets	4 592 848	4 069 202	4 598 648
Financial assets			
Loan to group companies	60 598	60 598	60 598
Investment in associated companies	0	23	0
Investment in shares and units	1 708	1 458	1 708
Long term receivables	32 468	32 973	32 862
Pension asset	0	0	9 526
Total financial assets	94 774	95 052	104 694
Total non current assets	5 552 184	4 837 912	5 574 358
Current assets			
Inventories	1064	498	1083
Receivables			
Accounts receivables	42 087	14 541	25 916
Other receivables	193 720	156 793	160 804
Total receivables	235 807	171 334	186 720
Cash and cash equivalents	301 976	276 495	258 248
Total assets	6 091 031	5 286 239	6 020 409

Læringsverkstedet Gruppen AS - Group

Balance sheet

Numbers in NOK 1 000	Unaudited 31.03.2019	Unaudited 31.03.2018	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	440 131	353 678	413 885
Minority share	365		396
Total accumulated profits	440 496	353 678	414 281
Total equity	440 596	353 778	414 381
Liabilities			
Provisions			
Pensjon obligations	1 587	1 125	0
Deferred tax	314 465	284 097	308 501
Total provisions	316 052	285 222	308 501
Other non current liabilities			
Bond loans	1 500 000	1 200 000	1 500 000
Liabilities to financial institutions	3 141 761	2 827 959	3 163 033
Other non current liability	15 876	20 130	17 846
Total other non current liabilities	4 657 637	4 048 089	4 680 879
Current liability			
Accounts payable	76 691	64 232	71 641
Income tax payable	13 724	31 063	47 195
Public duties payable	113 391	92 326	163 945
Other current liabilities	468 883	411 529	328 810
Dividend/group contribution	4 057		5 057
Total current liability	676 746	599 150	616 648
Total liabilities	5 650 435	4 932 461	5 606 028
Total equity and liabilities	6 091 031	5 286 239	6 020 409

Læringsverkstedet Gruppen AS - Group

Cash Flow statement - Indirect method

Numbers in NOK 1 000	Unaudited Q1 2019	Unaudited Q1 2018	Audited Full year 2018
Cash flow from operating activities			
Profit before income tax	48 304	48 934	106 054
Income tax payable	-41 748	-26 248	-43 081
Depreciation	62 514	51 163	221 815
Difference on pension expense and paid pension premium	11 113	23 978	-10 538
Change in inventory, accounts receivable and accounts payable	-5 728	-1 038	-6 975
Change in other accruals	58 612	88 534	-3 386
Net cash flow from operating activities	133 067	185 323	263 889
Cash flow from investing activities			
Proceeds from disposal of fixed assets			9 126
Purchase of fixed assets	-37 973	-31 528	-265 726
Net payment in acquisition of subsidiaries	-24 002	-31 069	-353 161
Purchase of intangible assets	-1 169	-8 475	-15 075
Proceeds from disposal of other shares)			
Net effect other shares and loans			
Net cash flow from other investments			-201
Net cash flow from investing activities	-63 144	-71 072	-625 037
Cash flow from financing activities			
Proceeds from recent borrowings	98 494	39 935	776 685
Full down payment of borrowings	-89 696	-33 435	-212 044
Repayment (ordinary amortization) of borrowings	-31 951	-29 737	-131 899
Net change participants deposit in group accounts			
Net payment (-), proceeds (+) group companies			
Payment of group contribution	-1 000	-8 763	-8 763
Net cash flow financing activities	-24 153	-32 000	423 979
Net change in cash and cash equivalents	45 770	82 251	62 831
Currency effect on cash at the beginning of the period	-2 042	-2 030	-857
Cash and cash equivalent at the beginning of the period	258 248	196 274	196 274
Cash and cash equivalent at the end of the period	301 976	276 495	258 248

NOTES TO THE FINANCIAL REPORT 31.03.2019 (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. 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 be subject to change
3. 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	-	41 089	-31	41 058
Currency translation effect		-14 843		-14 843
As of 31.03	100	440 131	365	440 596

Financial covenants

All figures in NOK 1 000

Covenant 1; Minimum liquidity of NOK 100 million

	31.03.2019
Booked value cash and cash equivalents	301 976
-less restricted cash	-46 940
Undrawn credit facilities	<u>65 150</u>
Total liquidity according to loan terms definition	<u>320 186</u>

Covenant 2; Interest cover ratio > 3,0

	As at 31.03.2019
Operating profit (last 12 months)	271 246
+ Depreciation (last 12 months)	233 185
+/- Adjustments according to loan terms definitions*	<u>13 530</u>
= EBITDA according to loan terms definitions	517 961
Net finance (last 12 months)	164 664
EBITDA / Net finance (Interest cover ratio)	3,15

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