

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 230 kindergartens as of 31 December 2018 with approximately 18 000 children. This is an increase with 30 kindergartens and 2 000 children compared to year-end 2017.

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 2018**

As of 31 December 2018, the Group has acquired 30 kindergartens in Norway. Four of these is by acquiring the operations directly, the others by acquisition of shares. Five of the kindergartens in Norway was acquired in Q1, 10 in Q2, five in Q3 and the rest in Q4.

The Group has had a total of six construction projects ongoing in Norway during the period. Two of these was rehabilitation and expansion projects, whereof 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 will be completed in the first half of 2019.

In Norway the group has also during the year made a minor investment in the health industry as well as a minor investment in the private school industry.

The Group has made three acquisitions in Sweden during the year. One in April, one in October and one in December.

Læringsverkstedet 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 1<sup>st</sup> 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 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.

---

### **Overview of development and profits for Q4**

The fourth quartal has been challenging both in Norway and Sweden and is in addition also effected by one-time cost. The one-time cost is mainly related to organizational changes.

Total revenue has increased with approximately 20% compared to same period 2017. This is due to full period effect of the acquisitions made in 2017 and the acquisitions made in 2018.

Operating profit margin is 5 %, compared to 7,4% in Q4 2017. Some of the Norwegian acquisitions made in 2018 is in rented buildings and this has an effect on the operating margin compared to entities in fully owned buildings. The main reason for the reduction is however increased personal cost levels in both Sweden and Norway. The Norwegian entities has started the adoption towards the Staffing norm and this has temporary created an imbalance between revenue and personal cost. We expect the personnel level in Norway to normalize during first half of 2019. Some of the Swedish entities has experienced reduction in revenue during the second half of the year and has not been able to timely adjust the cost level accordingly. As a result, the margin level in Sweden in Q4 2018 is considerably lower than Q4 2017.

The board and Group management is not satisfied with the margin development in Q4 and has full attention on normalizing the margins.

Cash flow from operations in considerably better than Q4 2017. Timing of payment of subsidies from the municipalities highly effects our cash flow during a quarter particularly related to prepayments made in the previous quarter and prepayments received relating to the next quarter. This has given a negative effect both in 2018 and 2017, however smaller in 2018 than 2017. Pension premium payments in Norway is mainly paid twice a year and Q4 is affected by such a half yearly payment.

Investments in fixed assets is primarily related to construction activity. The Group has in the period drawn approximately 95 million from its RCF. Other 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 the full year**

The relatively weak Q4 also affects the total results for the year.

Total revenue has increased with approximately 30% compared to 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 7,6% compared to 9,3 % in 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 first Swedish entities was acquired in august 2017 and is therefore not included fully in 2017.

---

## Læringsverkstedet Gruppen AS –Q4 Financial report 2018

---

The operating margins both in Norway and in Sweden in 2018 is weaker than in 2017. The main reason is the weak Q4 and is commented above.

The margin is also effected by one-time cost related to organizational changes as well as administrative investments, mainly related to IT systems. Total additional cost compared to a normal year is around 20 million.

The Groups equity ratio is stable on approximately 6.5%. Total assets have increase with 800 million, due to acquisitions made and new build activity.

With regards to cash flow from operations, this is highly affected by the timing of payment of subsidies from the municipalities, particularly the level of prepayments at the beginning and end of the year. The level has been relatively stable in 2018 compared to 2017. Cash flow from operations during the year is solid, the main improvement from 2017 is related to difference between pension cost and pension premium paid.

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 year drawn approximately NOK 180 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.

Jessheim, 25 February 2019

Gunnar Johansson  
Board Chairman

Hans Jacob Sundby  
Board Member/CEO

---

# Læringsverkstedet Gruppen AS - Group

## Income statement

Numbers in NOK 1 000	Unaudited Q4 2018	Unaudited Q4 2017	Unaudited Full year 2018	Audited Full year 2017
<b>Total revenue</b>	<b>995 598</b>	<b>821 071</b>	<b>3 524 181</b>	<b>2 718 976</b>
Cost of goods sold	1 264	782	1 264	1 164
Employee benefits expense	719 762	579 219	2 479 137	1 869 870
Depreciation	65 345	57 602	221 844	186 708
Other operating expenses	160 719	123 111	588 157	408 112
<b>Total operating expenses</b>	<b>947 090</b>	<b>760 714</b>	<b>3 257 402</b>	<b>2 465 854</b>
<b>Operating profit</b>	<b>48 508</b>	<b>60 357</b>	<b>266 779</b>	<b>253 122</b>
<b>Net finance</b>	<b>-43 005</b>	<b>-34 497</b>	<b>-159 617</b>	<b>-131 208</b>
<b>Profit before income tax</b>	<b>5 503</b>	<b>25 860</b>	<b>107 162</b>	<b>121 914</b>
Income tax expense	1 376	6 160	26 791	22 998
<b>Net profit</b>	<b>4 127</b>	<b>19 700</b>	<b>80 371</b>	<b>98 919</b>

# Læringsverkstedet Gruppen AS - Group

## Balance sheet

	Unaudited 31.12.2018	Audited 31.12.2017
Numbers in NOK 1 000		
<b>Assets</b>		
<b>Non current assets</b>		
<b>Total intangible assets</b>	<b>870 601</b>	<b>675 159</b>
<b>Total fixed assets</b>	<b>4 597 688</b>	<b>4 054 609</b>
<b>Financial assets</b>		
Loan to group companies	60 598	60 598
Investment in associated companies		25
Investment in shares and units	1 708	1 458
Long term receivables	32 904	28 428
Pension asset	9 619	22 863
<b>Total financial assets</b>	<b>104 829</b>	<b>113 362</b>
<b>Total non current assets</b>	<b>5 573 118</b>	<b>4 843 130</b>
<b>Current assets</b>		
<b>Inventories</b>	<b>1 083</b>	<b>651</b>
<b>Receivables</b>		
Accounts receivables	38 396	16 748
Other receivables	158 692	140 379
<b>Total receivables</b>	<b>194 088</b>	<b>157 127</b>
<b>Cash and cash equivalents</b>	<b>258 165</b>	<b>196 274</b>
<b>Total assets</b>	<b>6 026 454</b>	<b>5 197 182</b>

# Læringsverkstedet Gruppen AS - Group

## Balance sheet

Numbers in NOK 1 000	Unaudited 31.12.2018	Audited 31.12.2017
<b>Equity and liabilities</b>		
<b>Equity</b>		
<b>Owners equity</b>		
Share capital	100	100
<b>Total paid inn equity</b>	<b>100</b>	<b>100</b>
<b>Retained earnings</b>		
Other equity	402 544	331 609
<b>Total accumulated profits</b>	<b>402 544</b>	<b>331 609</b>
<b>Total equity</b>	<b>402 644</b>	<b>331 709</b>
<b>Liabilities</b>		
<b>Provisions</b>		
Pensjon obligations	0	0
Deferred tax	337 389	275 995
<b>Total provisions</b>	<b>337 389</b>	<b>275 995</b>
<b>Other non current liabilities</b>		
Bond loans	1 500 000	1 200 000
Liabilities to financial institutions	3 164 778	2 845 014
Other non current liability	19 392	26 037
<b>Total other non current liabilities</b>	<b>4 684 170</b>	<b>4 071 051</b>
<b>Current liability</b>		
Accounts payable	85 103	66 926
Income tax payable	26 495	42 085
Public duties payable	163 831	130 958
Other current liabilities	326 822	269 695
Dividend/group contribution	8 763	8 763
<b>Total current liability</b>	<b>602 251</b>	<b>518 427</b>
<b>Total liabilities</b>	<b>5 623 810</b>	<b>4 865 473</b>
<b>Total equity and liabilities</b>	<b>6 026 454</b>	<b>5 197 182</b>

# Læringsverkstedet Gruppen AS - Group

## Cash Flow statement - Indirect method

Numbers in NOK 1 000	Unaudited Q4.2018	Unaudited Q4.2017	Unaudited Full year 2018	Audited Full year 2017
<b>Cash flow from operating activities</b>				
Profit before income tax	5 503	25 860	107 182	121 914
Income tax payable	-22 810	-6 586	-49 750	-30 216
Loss/gain on sale of fixed assets				
Depreciation	65 346	57 602	221 844	186 708
Difference on pension expense and paid pension premium	-28 863	-47 898	-10 631	-40 317
Change in inventory, accounts receivable and accounts payable	9 965	13 349	-2 993	19 243
Change in other accruals	-28 926	-78 146	-7 453	-27 945
<b>Net cash flow from operating activities</b>	<b>214</b>	<b>-33 819</b>	<b>258 179</b>	<b>229 387</b>
<b>Cash flow from investing activities</b>				
Proceeds from disposal of fixed assets		6 079		6 079
Purchase of fixed assets	-64 932	-55 684	-236 134	-305 807
Net payment in acquisition of subsidiaries	-178 891	-62 287	-350 945	-486 587
Purchase of intangible assets	-2 937	-1 849	-32 477	-1 849
Proceeds from disposal of other shares)				
Net effect other shares and loans	49	294	-201	-10 175
Net cash flow from other investments				
<b>Net cash flow from investing activities</b>	<b>-236 711</b>	<b>-113 447</b>	<b>-619 757</b>	<b>-798 339</b>
<b>Cash flow from financing activities</b>				
Proceeds from recent borrowings	232 341	184 912	773 474	1 778 374
Full down payment of borrowings	-104 532	-46 201	-216 906	-1 050 939
Repayment (ordinary amortization) of borrowings	-33 765	-49 620	-123 480	-119 473
Net change participants deposit in group accounts				
Net payment (-), proceeds (+) group companies				
Payment of group contribution			-8 763	-5 592
<b>Net cash flow financing activities</b>	<b>94 044</b>	<b>89 191</b>	<b>424 325</b>	<b>602 370</b>
<b>Net change in cash and cash equivalents</b>	<b>-142 454</b>	<b>-58 075</b>	<b>62 748</b>	<b>33 418</b>
Currency effect on cash at the beginning of the period	1 706		-857	
Cash and cash equivalent at the beginning of the period	398 913	254 349	196 274	162 856
<b>Cash and cash equivalent at the end of the period</b>	<b>258 165</b>	<b>196 274</b>	<b>258 165</b>	<b>196 274</b>

**NOTES TO THE FINANCIAL REPORT 31.12.2018 (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. 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

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

**Equity**

	<b>Share capital</b>	<b>Other equity</b>	<b>Total</b>
Equity 01.01.	100	331 609	331 709
Net profit	-	80 371	80 371
Currency translation effect		-9 436	-9 436
As of 31.12	100	402 544	402 644

**Financial covenants**

All figures in NOK 1 000

***Covenant 1; Minimum liquidity of NOK 100 million***

	<b>31.12.2018</b>
Booked value cash and cash equivalents	258 165
-less restricted cash	-80 200
Undrawn credit facilities	85 150
Total liquidity according to loan terms definition	<u>263 115</u>

***Covenant 2; Interest cover ratio > 3,0***

	<b>As at 31.12.2018</b>
Operating profit (last 12 months)	265 677
+ Depreciation (last 12 months)	221 844
+/- Adjustments according to loan terms definitions*	<u>13 530</u>
= EBITDA according to loan terms definitions	501 051
Net finance (last 12 months)	158 515
EBITDA / Net finance (Interest cover ratio)	3,16

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