

INTERNATIONELLA ENGELSKA SKOLAN

ANNUAL REPORT 2017/18

Internationella



Engelska Skolan

A culture where everyone
is seen and can reach their
full potential

Successful partnership
with the municipality of
Landskrona

25 years
34 schools
24,000 students

Strong leadership – our foundation



A SCHOOL SHOULD BE A WORKPLACE THAT CREATES HABITS FOR A LIFETIME

IES has a long-term perspective when it comes to creating schools of the highest quality. We put a great emphasis on identifying, hiring, retaining and developing skilled principals, teachers and other staff. Our overall goal is to give children and young people the opportunity to reach their full potential whatever their background, and to form character traits that will last a lifetime. At the time of inception in 1993, our founder Barbara Bergström formulated three core convictions that still define our organization:

- A safe and orderly school environment where teachers can teach and students learn
- Commanding the English language
- High academic expectations and ambitions

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“We prepare our students for success by providing a safe and orderly school environment where teachers can teach and students learn. IES overall goal is to give children and young people the opportunity to reach their full potential, whatever their background.”

Internationella Engelska Skolan

Internationella Engelska Skolan (IES) is the largest independent provider of compulsory education in Sweden. IES operates 17 of the 20 largest free schools in Sweden. Focus is on grades 4–9, or middle school, but operations are gradually being expanded to include the lower grades. IES also operates an upper secondary school in Stockholm, as well as schools in Spain and in the UK.

97%

of the students completed ninth grade in spring 2017 with qualification for upper secondary school. The national average was 83 per cent.

72%

of IES's students achieved grades A–C in national tests in Swedish. The national average was 53 per cent.

24,000

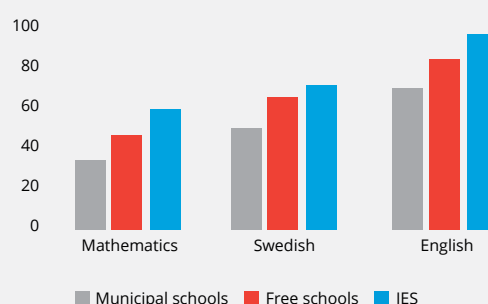
students attended IES's schools in the academic year 2017/18.

Since the start 25 years ago in Stockholm, IES has grown continuously by expanding its operations in existing schools, in parallel with starting up schools in new locations around Sweden. Meanwhile, the waiting list for IES's compulsory schools has continued to grow. By 30 June 2018, there were 190,000 registrations.

The key to IES's business success is based on the three convictions that schools should provide a safe and orderly environment, that students should command the English language, the key to the world, and encounter high academic expectations. Similar concepts also define IES Spanish and UK schools.

IES's growth strategy is founded on growing in the area as where IES possesses core competence, i.e. in the middle school grades, by expanding existing schools downwards through the F–3 grades, and by starting schools in new locations across Sweden. IES is also continuing its prudent international expansion on attractive markets, most recently by making another acquisition in Spain.

Share of students with top grades (C+) in core subjects



Source: Swedish National Agency for Education and data reported to Statistics Sweden. National tests 2016.

FIVE-YEAR SUMMARY

	2017/18	2016/17	2015/16	2014/15	2013/14
Number of students in IES's schools	24,000	21,400	19,775	17,471	15,420
Number of students with a foreign-born parent, %	38	36	36	35	35
Number of waiting list registrations, at year-end	190,000	144,000	112,000	100,000	77,000
Number of schools in Sweden	34	30	29	26	23
Number of new schools in Sweden	4	1	3	3	3
Operating income, MSEK	2,347.9	2,043.3	1,806.8	1,547.3	1,319.1
EBIT, MSEK	152.4	198.0	169.5	155.5	130.3
Equity/assets ratio, %	72.9	74.2	62.6	61.8	52.8

The year in brief

In August 2017, IES opened four new schools – in Helsingborg, Landskrona, Södertälje and Årsta. This means that a total of some 24,000 students started the new school year in the Swedish operation's 34 schools.

During the year, IES prepared to open two new schools in August 2018, in Länna/Huddinge and Sundbyberg, both in the Stockholm region. IES also signed a contract to open a school in Luleå, starting in the academic year 2019/20. These operations cover the middle school grades, 4–9. The municipality of Skellefteå also announced that IES is welcome to open a school there in 2019.

Expansion in Spain continued. At the beginning of July 2018, IES acquired the remaining 50 per cent of the shares of the joint venture International Education Partnership, IEP, incorporated in May 2018. This means that three schools in Spain are wholly owned subsidiaries, located in Asturias, Castellon and La Nucia. IES's fourth school, located in Valencia, is still 50:50 owned by IES and its collaborative partner, the Monzonis family.

In spring 2018, 97 per cent of all students at IES's compulsory schools qualified for further studies at upper secondary school. The corresponding share for Sweden's ninth graders was 83 per cent.

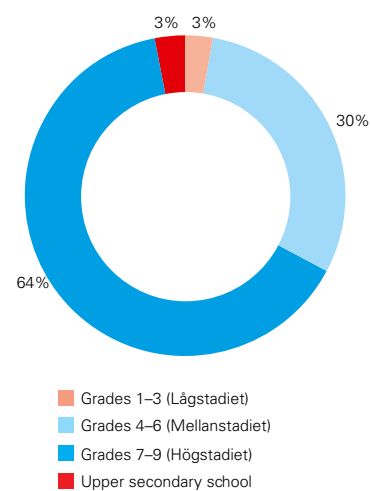
94 per cent of the parents with a child in an IES school would recommend it to another parent, according to the yearly survey. 96 per cent of IES schools attracted no comment in the Swedish Schools Inspectorate's scheduled inspections of compulsory schools, compared with the national average of 74 per cent.

In October 2017, the Swedish Schools Inspectorate granted IES permits to start up and operate another five schools for preschool and compulsory school operations in the F–9 grades, and to expand its current operations in the F–3 grades in two existing compulsory schools. Additionally, in July 2018, the Inspectorate announced that all applications IES had filed in early 2018 for permits to start up and expand schools had been approved.

Anette Brodin Rampe took up position as CEO and president in March 2018.

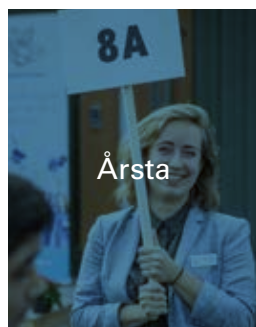
Operating income for the financial year 1 July 2017 – 30 June 2018 increased by 14.9 per cent on the previous year, to MSEK 2,347.9 (2,043.3). EBIT for the full year decreased by 23.1 per cent to MSEK 152.4 (198.0), equivalent to an EBIT margin of 6.5 per cent (9.7).

IES STUDENTS IN SWEDEN, JUNE 2018



Source: IES

New schools in the financial year



Årsta

This school with 445 students in grades 4–7 opened in August 2017. At capacity, the school will accommodate 768 students.



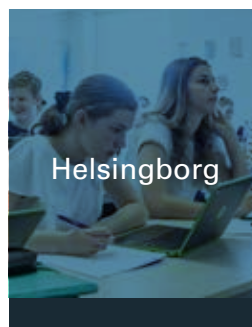
Södertälje

This school opened in August 2017, with 369 students in grades 4–7. At capacity, the school will accommodate 564 students in grades 4–9.



Landskrona

465 students in the F–8 grades joined this new school in Borstahusen, Landskrona in August 2017. At capacity, the school will accommodate 608 students.



Helsingborg

IES started up in Helsingborg in August 2017, welcoming 306 students in grades 4–7. At capacity, the school will accommodate 552 students.



Asturias

In May 2018, IEP acquired the Spanish holding company English School of Asturias. When IES acquired the remaining 50 per cent of IEP in July 2018, the School became one of IES's wholly owned operations. The school has 690 students aged 3 to 18.

+12%

Increase in IES
Swedish student base
in the year.

+14.9%

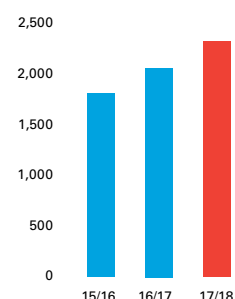
Operating income increase
in the year.

+32%

Increase in waiting
list registrations since
June 2017.

During the year, IES joint venture acquired English School of Asturias, located in northern Spain. The school has 690 students aged 3 to 18. It is a fee-paying private school, and operations are largely based on the convictions of focusing on English, high-quality teaching and an orderly classroom environment.

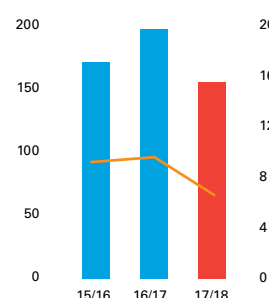
OPERATING INCOME, MSEK



BUSINESS ACHIEVEMENT OF THE YEAR 2018

IES's founder Barbara Bergström received Swedish newspaper Svenska Dagbladet's Business Achievement of the Year award.

The statement read: "For challenging the establishment with a clear vision, the stamina of a champion and sheer bloody-mindedness when a clear need had been identified. This year's recipient of SvD's Business Achievement of the Year award has scored straight A's in creating a calm study environment for students, benefit to the community, and helped prepare Sweden for a better future."

EBIT, MSEK AND
OPERATING MARGIN, %

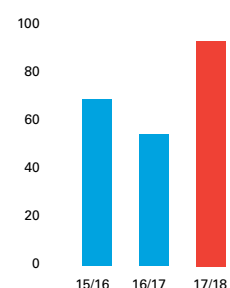
NATIONWIDE TV QUIZ SHOW WINNER

Two IES Sundsvall students won the nationwide TV quiz final for fifth graders, while class 8A got to the regional final of the eighth grader nationwide STEM competition. The school also placed high in Sweden's Language Olympics in four languages.

TEAM FINALISTS IN MIDDLE SCHOOL MATHS

IES Täby and Lund qualified for the national finals of Pythagoras Quest. IES Nacka and Uppsala came first and second in the previous academic year.

INVESTMENTS, MSEK



We are part of the solution for Sweden's school system

Students that graduate from school as confident individuals with the skills they need for adult life. A society that has understood that teaching works best in an orderly environment, and where our schools set an example. Major initiatives to improve social integration. IES's contribution to Swedish society in the 25 years since our inception can hardly be overrated. I'm really proud of the assignment to take on leadership for such an operation. Now I'm looking forward to continuing its evolution. Our goal is to create world-class compulsory schools.

As soon as I entered the position as CEO of IES in March 2018, I started a tour of all our schools. My aim was to form my own impression of our business – to see if we really are as good as we say we are, and whether we live up to our core values. I was impressed.

To understand our culture, all you need to do is cross the threshold of an IES school. Principals who are there every morning welcoming students. Hats removed as a matter of course. Mobile phones put away without a word. Waste picked up almost before it hits the floor. All our passionate and committed principals, teachers and other professionals, doing their utmost every day for every student to be seen, and get the help they need to reach their full potential. And not least all the students that confidently, and with positive enthusiasm, meet the eye of an unknown adult and say hello.

This has reinforced my impression that IES is making a decisive difference to students in a variety of ways. The academic foundation is obviously critical – but so is the social one.

But I also saw that our schools have significant development potential, and can become even better through sharing best practice.

Part of the solution

We can now offer 26,000 students places

at our schools – and have some 200,000 waiting list registrations for a place in the coming years. This is unequivocal proof that many parents believe we're doing a good job. It's also the reason we're continuing to grow. The faster we grow, the more children we can offer a safe and orderly environment for learning. And the bigger we get, the more we can exercise a positive influence on the whole of society.

We really want to help, utilizing our position as the main representative of Sweden's free schools by becoming a social force that makes a positive contribution to developing Sweden's school system, which now faces huge challenges.

Estimates indicate that over the next ten years, another 1,000 schools will be needed in the country, and 80,000 more teachers. This shortage of schools and teachers should be viewed against the background of the estimated growth of the student population by 350,000 over the next 20 years. Meanwhile, the quality of schools has deteriorated for a number of years, skills standards have become progressively less clear, and students are unhappier.

Long-term, sustainable action is necessary to address these challenges. One important measure is to increase the status of the teaching profession, and ensure that schools offer an orderly and structured environment so that teachers can perform their job. We also need to think outside

“We want to utilize our position as the main representative of Sweden's free schools by becoming a social force that makes a positive contribution to developing Sweden's school system, which now faces huge challenges.”

the box in terms of bringing in skills, and expose schools to external influence in new ways.

For example, there is an enormous untapped potential in skilled professionals from other segments like engineers, which our schools could benefit from. We could also use our buildings for more activities.

The teacher shortage is a problem. But we are coping better than many municipal and private school operators by successfully recruiting qualified, skilled teachers from English-speaking countries worldwide, thus attracting competence to Sweden's school system.

We could also help positive progress through our values, not least in terms of strong leadership. We've demonstrated that



our core values, like creating a safe and orderly school environment, and having high academic expectations of our students, do work. We are totally dependent on strong leaders, principals, to ensure that these core values are maintained.

Contributing to social integration

Additionally, our operations help boost integration in Swedish society by offering every student equal opportunities for a positive school career, whatever their socioeconomic background. Many of our new schools are located in areas usually considered non-privileged. In some of them, the share of students with foreign backgrounds is as high as 70 per cent. Several of our schools are ranked 'best in

class' in their municipalities. An average of 38 per cent of our students have foreign backgrounds, compared to 24 per cent in municipal schools.

This demonstrates that a school culture built on strong leadership and clear values determines how successful students will become – rather than their backgrounds or school ownership structures.

Continued growth

The waiting list for IES schools is continuously growing. Through the coming years, we plan to start more schools to address this pressing demand. In autumn 2018, we opened two new schools in the Stockholm region, one in Länna, and one in Sundbyberg. At the end of June, we also

signed an agreement to open a new school in the northern Swedish city of Luleå, starting in 2019. Simultaneously, we're in advanced discussions with the municipality of Skellefteå, which has put one of its school buildings at our disposal. We are also in discussions to open schools in locations including Staffanstorps, Österåker, Vallentuna, Solna and Södra Änggården in Gothenburg in 2020 or 2021.

In tandem, we're focusing on expanding our operations downwards through the grades to also cover grades F-3. We want to offer our students the opportunity to attend the same school from grade F-9.

To grow outside Sweden is another way for IES to expand. We continued our expansion in Spain in the year by acquiring



the remaining 50 per cent of the shares of the joint venture International Education Partnership, which was incorporated in May 2018. This makes English School of Asturias and two of Grupo Educativo Elians's three school operators in Spain, located in Castellon and La Nucia, wholly owned subsidiaries. The acquisition gives us full control over the operations and offers a solid foundation for continued improvement and expansion in Spain. Our fourth school, located in Valencia, is still 50:50 owned by IES and our collaborative partner, the Monzonis family.

Spain is an attractive market for us, where there are more acquisition opportunities thanks to the high demand for English-language education. Meanwhile, we're continuing to evaluate other European markets.

Financial development

Operating income for the full year increased by 14.9 per cent to MSEK 2,347.9. Full-year EBIT was down by 23.1 per cent to MSEK 152.4, equivalent to an EBIT margin of 6.5 per cent. The decrease is mainly due to us opening four new schools, compared to only one school in the previous year, which generated start-up costs. Moreover, as these schools were not running at full capacity in their first year, they were

loss-making. Other important reasons include IES not receiving any central government subsidy for Lärhjälp (home-work support) for the calendar year 2018, and school voucher funding not reflecting teacher salary increases.

Changes for future success

We are in the midst of a change process, both in the Swedish school market and at IES. In the short-term, profitability is under pressure from internal and external factors, but in time, we see excellent potential for long-term profitable growth on an expanding market. A growing number of municipalities and urban planners are taking a positive view of our operations. This, notably, is easing our search for suitable premises, which has been one of the prime challenges to our growth to date.

I'd like to take this opportunity to give praise to Barbara Bergström, IES's founder. The success of our business is built on her courage and stamina. Ever since the start 25 years ago, and regardless of trends and social sentiment, she has stood by her principles. Her values have become IES's primary success factor. The safe environment that our schools offer and the proven excellent academic performance of our operations have resulted in continuously growing

"I'd like to take this opportunity to give praise to Barbara Bergström, IES's founder. The success of our business is built on her courage and stamina."

waiting lists for our schools. I am proud and grateful to have been entrusted to take on the leadership of this outstanding operation – the best job I've ever had.

I have high ambitions. My goal is that IES shouldn't just be best in Sweden, but one of the world's leading compulsory schools. We have the potential. I want to say a big thank you to shareholders, our board, students, parents and my colleagues for being part of this journey.

Annette Brodin Rampe
CEO

Stockholm, Sweden, 28 September



Excited students on their first school day at IES new school in Länna, outside Stockholm, after the inauguration ceremony.



25
years of
Tough
love

IES 25 YEARS

“Changed the lives of tens of thousands of students”

“I know that the school organization I started 25 years ago has radically transformed the lives of tens of thousands of students by providing them with a safe and orderly environment that promotes learning. I also know this wouldn’t have been possible without my personal drive. This conviction has given me a strong sense of meaning in everything we’ve been through,” says IES’s founder Barbara Bergström. In this interview, with husband and working partner Hans Bergström, she talks about the emergence of the most successful free school operator in Sweden’s compulsory school system.

Major academic successes. An operation that has expanded from 1 to 34 schools and a total of 24,000 students, which has expanded geographically from Stockholm to Umeå and Sundsvall in the north, and to Landskrona and Lund in the south, as well as from Sweden into the UK and in Spain. Continuously growing waiting lists of prospective students. A raft of awards, and not least, a major contribution to altering the perception of education in Sweden, while leaving a lasting impression in Sweden’s schooling history.

– This is tangible and gratifying evidence of our successes over the past 25 years. But the most important validation for me is all the personal testimonies I get from students and parents about what our schools have meant for them. This applies not least to students who perhaps have been bullied, or badly treated, in their previous schools and thanks to the school environment we provide have regained a sense of security in their lives and confidence about their future, says Barbara Bergström.

– Just recently at an event held by the Stockholm Chamber of Commerce, a tall young man with an African background came up and thanked me: “You saved my life,” he said, “and the same applies to so many other people I know.” He gave me an amazing African scarf, bracelet and necklace from his mother as a sign of appreciation. It turns out that he was a nominee for an award for successful entrepreneurship, and heads up a promising Swedish IT business. He attributes that can-do attitude to his IES school, and to me as its principal.

To commemorate the 25th anniversary of IES, Barbara and Hans Bergström have jointly written a book to document their story, and what it takes to build a school that helps students reach their full potential – academically and personally – regardless of their background. The book documents the leadership style, featuring discipline and warmth, that distinguishes IES’s schools, and that Barbara Bergström often calls “tough love.”

A history of strong entrepreneurship

For IES, the first 25 years has been a history of strong entrepreneurship, progress and a winding path to success. It all started back at the time of Sweden’s independent schools reform in 1992. The first English School opened the year after that, in 1993. Without any assets, Barbara Bergström was able to start realizing her dream of a school based on command of the English language, high academic ambitions and an orderly environment with clear rules, “where teachers can teach and students learn.”

Over the years, there have been many clashes with the authorities. A major confrontation occurred in the year 2000, and centered around the fact that Barbara gave grades early in order to identify and rectify gaps in knowledge. It was during this episode that she crossed paths with Hans Bergström. During his years as Editor-in-Chief of Swedish newspaper Dagens Nyheter, Hans Bergström had been conducting a persistent campaign against ‘progressivism’ in education.



– We immediately realized that we shared values about what makes a good school. In this context, it's notable that what Barbara built based on her common sense is now backed strongly by research, adds Hans Bergström, a qualified researcher who is also an associate professor, and chairman of the IES Academic Advisory Board.

– It's also interesting that in most of the conflicts we've had with the authorities, IES has been strongly supported by parents and

public opinion in Sweden. In this way, disputes have turned into effective marketing for IES, he continues.

Students most important

Several of the routines IES introduced early on – which attracted criticism from the authorities at the time – have also now been introduced into municipal school standards, such as grade-setting in earlier years, regular check-ins with students and parents, and banning mobile phones in the classroom.

– There's been a broad perception in the Swedish school system that creativity and discipline are contradictory. This is a misconception – in fact, good order provides a sense of security that stimulates creativity. There's a lot of laughter in a school where order prevails, where everyone knows the ground rules. It's also far easier to focus on your creativity without noise and disorder competing for your attention, continues Hans Bergström.

– For me, students always come first. They don't have to become attorneys, physicians or professors. But I want them to develop into skilled and responsible individuals who can go out into life with self-confidence. That's the generation we're bringing up, Barbara Bergström adds.

Hard to let go

Now, Barbara and Hans Bergström feel

ready to take another step back from the business. But the process is neither easy nor painless, admits Barbara Bergström.

– Obviously, it's tough emotionally, because I've put so much of myself into IES.

– I'll never stop worrying about my baby. But just like in 2012 when it was a logical decision to sell when Hans and I started to get on in years and didn't have any of our own children that could take over, we now need to trust that other people can nurture what we've built. But I also know how easy it is for the strong culture our operation rests on to start sliding. Our principals are vital as culture bearers, and if anyone in that position starts to doubt our core values, what we've built up could quickly be torn down.

– That's why I've always been so scrupulous about details, she says, as her husband agrees, adding “there's nothing as costly as allowing quality to drop.”

Building quality into the system

To ensure that quality is built into the system, every year since 2006, IES has been systematically analyzing data on academic performance, and how well schools live up to our promises to parents when it comes to safety and order in school.

– But simultaneously, we've avoided the bureaucracy and paper-pushing that only delay action, action above documentation as



In May 2018, Hans and Barbara Bergström launched Tough Love – the first 25 years of IES at a research seminar held by the Royal Swedish Academy of Engineering Sciences (IVA). The theme of the seminar was learning and school ideas, as well as the leadership and entrepreneurship that IES successfully exemplifies.



“For challenging the establishment with a clear vision, the stamina of a champion and sheer bloody-mindedness when an urgent need had been identified. This year’s recipient of SvD’s Business Achievement of the Year award has scored straight A’s in creating a calm learning environment for students, to the benefit of the community and for a better future for Sweden.”

Jury citation for Svenska Dagbladet’s “Business Achievement of the Year”. Award presented by Prince Daniel in May 2018.

how our previous CEO put it.

– But the most important thing of all is our selection of principals. Leadership is everything, says Barbara Bergström. This is also the heading of a whole chapter on school leadership in Tough Love.

– Hiring principals, and then being face-to-face with them and motivating them, is what I’ve put most energy into over the years. Our principals need to feel that IES is a close family, where everyone supports everyone else to bring energy to our collective mission. At the same time, they need their own space and responsibility, to feel proud of what they’re achieving in their schools. When I speak to our principals, I express myself in terms of “your school,” the school “you” lead. Our conviction is shared, as is our feeling of being a family, but it can, and must, reconcile with our principals having an essential feeling of ownership.

– Leaders must deal with difficult situations. And for me, the most problematic has been what to do when a principal fails. When leadership doesn’t work, neither does the school – that’s why I have been compelled to let a number of principals go over the years. Meanwhile, we’ve succeeded in hiring principals who are amazing culture bearers, who have a real feeling for IES’s values, Barbara Bergström says.

– The security that a visible leader brings must not be underestimated. That’s why

they’re encouraged to avoid attending too many meetings or locking themselves away in their offices. They should be out there, getting to know students and staff, so everyone knows that there’s someone here who’s boss. They should be picking up garbage from the floor, rubbing out the graffiti from walls, and always being a role model, continues Hans Bergström.

Worth the struggle

The Bergströms’ vision for IES is that it should continue to be a high-quality school with the same strengths and goal-orientation – even if they’re no longer part of the organization.

In response to the question of whether it’s been worth all the work, setbacks and struggles, Barbara Bergström says:

– If I had the chance, I’d do it all again – alongside Hans. We’ve been a great team and complemented each other. His analytical skills and unlimited work capacity have been crucial to the progress of our organization, just as much as my conviction and soul.

IES – history

1993 First English School opens in August.

1998 Barbara Bergström relocates the operations to Gubbängen, Stockholm, with grades 6–9, and also opens an upper secondary school.

2002 upon the active request of the municipality, Järfälla becomes the next new school.

2003 Gävle, Linköping and Örebro – the first wave of expansion.

2009 Karlstad, Sundsvall and Jönköping start the second wave.

2012 TA Associates, backed by US universities, acquires a majority of IES. Barbara Bergström remains chairman and a minority shareholder. The company exceeds SEK 1 billion of operating income.

2016 Major move into Spain. Per Bätelson becomes chairman. IES listed on Nasdaq Stockholm in September. The company passes SEK 2 billions of operating income.

2018 Takeover of Spanish operation completed.

Awards received by Barbara Bergström

2009 Sweden’s Business person of the Year (the Swedish Federation of Business Owners).

2013 EY Entrepreneur of the Year, as Female Rising Star of the Year. Statement from the jury: “Without compromising on quality, this lady supernova has produced strong growth in recent years. Her exceptional performance is based on an independent mind and a strong personality. This year’s winner is unequalled and a role model for the entire school system in Sweden. A job well done!”

2017 Most Powerful Female Entrepreneur in Sweden, business magazine Veckans Affärer.

Founders’ Alliance: Entrepreneurial Role Model of the Year.

2018 Business Achievement of the Year, from Svenska Dagbladet in partnership with Carnegie.

Boost the Capital award for initiatives in the capital city from the Stockholm Chamber of Commerce.



Fast growing market

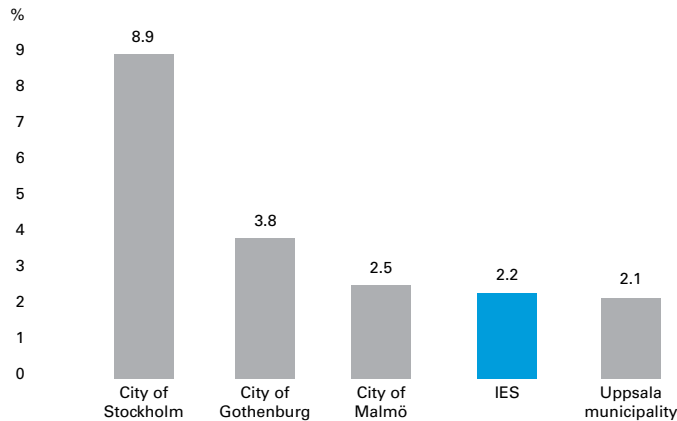
Sweden's population is estimated to reach 11 million in 2025, and the number of compulsory school students will continue to increase annually by some 2 per cent. Simultaneously, municipalities in the country's metropolitan areas will face major problems in funding school construction, and the number of applications to start new schools is reducing. In tandem, demands to increase the quality of compulsory schools are increasing.



Source: Statistics Sweden

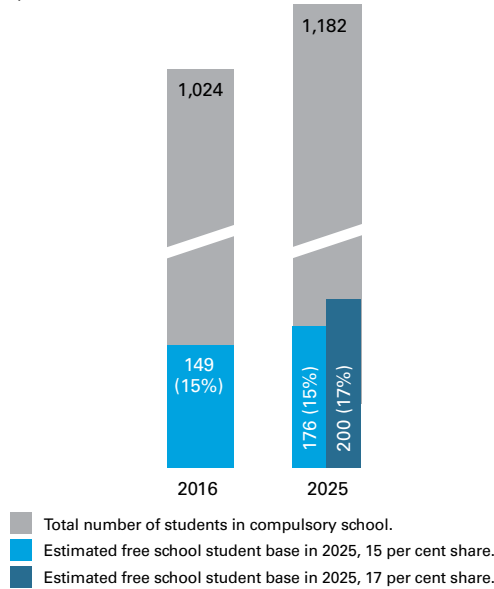
Since autumn 2010, the student population has grown by an average of 1.5 per cent yearly. In the same period, the number of students who attend free schools has increased by an average of 6 per cent yearly. In autumn 2017, the share attending an independent compulsory school was some 15 per cent.

IES is Sweden's fourth-largest compulsory school operator. 2.2 per cent of all compulsory school students attend an IES school



Source: Statistics Sweden

Estimated growth of compulsory and free school students in Sweden, by the thousand.



Estimated on the current free school share of total compulsory school student population (15 per cent), the forecast number of students in free schools will be 176,000 in 2025.

Alternatively, based on an assumption of the free school student population increasing at the same rate as in the past ten years, the free school student population is estimated at 200,000 (17 per cent) by 2025.

Sources: IES, The Swedish Association of Independent Schools, The Swedish National Agency for Education, Statistics Sweden.



Increasing interest in free schools on a growing market

Sweden's population grows in line with rising birth rates and immigration. This means that the need for investment in schooling and education also increases. In tandem, there is a rising interest in the free choice of which school to attend as a result of factors including documented deteriorating performance of Sweden's students, which has put focus on the quality of compulsory schooling.

Sweden's school system covers preschool to adult education. Since the early 1990's, Sweden's 290 municipalities have been responsible for funding schooling, and ensuring that all students have access to equivalent education. In the academic year 2017/18, there were 3,990 municipal schools in Sweden, five Sami schools, 820 free schools, and 16 international school units at compulsory school level. In the same period, just over 1,050,000 students attended compulsory school, up by 26,000 students, or 2.5 per cent, on the previous academic year.

Schooling is compulsory for all children in Sweden. Previously, this obligation covered grades 1–9. Additionally, from the

autumn term 2018, the preschool grade is also obligatory. This means that children resident in Sweden must attend school from the autumn term when they reach the age of six. Accordingly, Sweden's compulsory schooling is extended by one year, and will basically be for ten years, or by the time the student reaches the age of 18. Sweden's municipalities bear the main responsibility for fulfilling this obligation and for students being offered a place in a compulsory school, as well as responsibility for funding their schooling.

This universal obligation means that the compulsory school student base will largely track the population growth of children of school age. Since autumn 2010, the student

base has increased by an average yearly rate of some 2 per cent. In the same period, the number of students choosing a free school increased by an average yearly growth rate of around 6 per cent. The share attending a free compulsory school was some 15 per cent in autumn 2017.

Total municipal expenses for compulsory schooling amounted to some SEK 103.9 billion in the calendar year 2016, an increase of 10.4 per cent on the previous year.

School voucher funding that follows students

Sweden's free school reform was implemented in 1992, which enables parties other than municipalities to operate

schools. Free school choice was implemented simultaneously, enabling students and their guardians to choose freely between municipal and free schools.

Primarily, free schools are financed via municipalities from school voucher funding, pursuant to the ground rules stipulated by central government with the aim of ensuring equal terms for free and municipal schools. Reimbursement of free compulsory schools is stipulated by the Swedish Education Act, and is disbursed from students' home municipalities. According to the 'principle of equal treatment,' compensation should be objectively calculated independent of school operator, and follow the student whether they attend a municipal or free school. To enable schools with a higher share of students expected to have greater needs for support and stimulus to receive more resources, municipalities also provide socioeconomically based supplements to school vouchers. Each municipality can choose freely the methodology and criteria for allocating socioeconomic resources, and the scale of this compensation.

Public and free school operators that

manage compulsory schools can also apply for central government subsidies to develop their operations and continue staff training. The purpose of these subsidies is to improve student potential to learn and achieve established curriculum goals. Examples of these subsidies are karriärtjänster (career positions), lärarlönelyftet (teacher salary boost) and läxhjälp (homework support).

A fragmented market

Free school operators represent a segment of the Swedish education market that is becoming more important, and larger.

The entitlement of freedom of choice in schooling means that IES is competing with public and free school operators in compulsory schooling. All 290 municipalities offer compulsory schooling, and a total of 85 per cent of the students attended a compulsory school with a municipal operator in the academic year 2017/18.

Operating a free school requires approval from the Swedish Schools Inspectorate. For the academic year 2017/18, there were 581 approved free school operators, which managed a total of 820 compulsory schools.

IES is the largest free school operator of compulsory schools in terms of student population, with 17 of the 20 largest free schools. Including municipal operators, IES manages eight of the 25 largest compulsory schools. Other major players include Pysslingen Förskolor och Skolor AB, Kunskapsskolan i Sverige AB and Vittraskolorna AB. In the academic year 2017/18, some 2.2 per cent of all compulsory school students attended a school managed by IES.

Major challenges facing metropolitan municipalities – more students, a teacher shortage and fewer new operators

As the population grows, compulsory school populations are expanding. Statistics provider Statisticon forecasts Sweden's population at 11 million in 2025. In the autumn term 2023, the Swedish National Agency for Education estimates that some 1.1 million students will attend compulsory school, equivalent to an average yearly growth rate of 1.5 per cent from autumn 2010.

Meanwhile, the number of applications



Expected growth of the compulsory school population until 2028.

Stockholm

14%

Malmö and Gothenburg

11%

Rest of Sweden

2%

Source: Statistics Sweden and Vertikals



65

applications to start up or expand compulsory schools were received by the Swedish Schools Inspectorate in 2017. 22% were granted. 100% of IES's applications were granted.

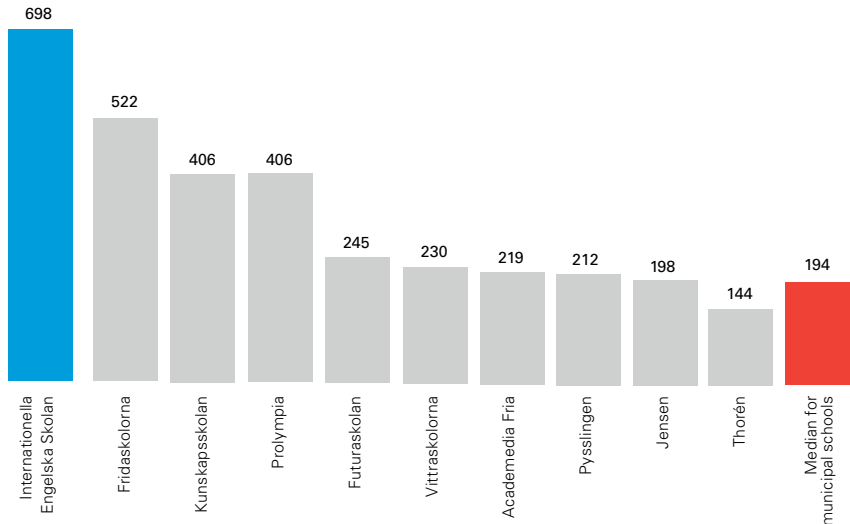
Source: Swedish Schools Inspectorate

1.1

million students in compulsory schools by 2025.

Source: Swedish National Agency for Education

Median* student base of an average compulsory school in the academic year 2017/18



* Median – half of the schools are larger and half smaller than the stated student basis for each operator.

Source: Statistics Sweden

to start new schools is falling. The reason is more stringent standards applying to the operators' ability to satisfy challenging teaching and financial stability standards. For example, to be permitted to conduct school operations, principals must be able

to hire and retain qualified teachers and principals, sign lease contracts on premises and fund necessary investments. This means that new, smaller operators face higher start-up thresholds. Estimates indicate that over the next ten years, another 80,000

teachers will be needed in Sweden.

Quality standards applying to compulsory schools are simultaneously increasing. National and international research has demonstrated that the performance of Sweden's compulsory schools has been declining for many years, and the share of students qualifying for nationwide upper secondary school programs has contracted. The findings of OECD research from 2015 included anxiety and classroom disruption being one of the factors for Sweden's under-performance compared to other OECD countries. Sweden also ranked lower than other OECD countries in terms of expectations of students and students' feeling of responsibility for their studies. The OECD also identified a low interest in the teaching profession and poor teacher recruitment as a problem.

Growing demand for commanding the English language

Sweden is increasingly integrating into the global economy, with many Swedish businesses operating worldwide. Foreign companies are present in many Swedish municipalities. Talented individuals from other countries are also immigrating to Sweden, and Sweden's young people want the freedom to pursue education and work

anywhere. English has become the world's second language, which in practice, also applies in the EU. A young generation with full command of English holds the key to the world. Greater inner confidence expands opportunities in life immensely. And parents, as well as municipal leadership, have realized this.

Spain – a substantial market

Spanish schooling covers children from birth to age 18. The number of school-age students was some 8.2 million in 2017, up by just over 8,000 on 2016. A total of 70,000 students attend a school that teaches the UK national curriculum in 2018, up by 8 per cent in a year.

High youth unemployment in Spain has been a contributor to more parents demanding education following the UK national curriculum. Their hope is that skills

in English will improve their children's prospects. Since the first English school was founded in Madrid in 1940, the number of independent permits to conduct education according to the UK national curriculum has increased to 118.

As a rule, operating schools in accordance with the UK national curriculum requires approval from the regional authority, and the school being able to produce certification from the UK confirming that it is conducting education according to the country's current curriculum. Critical factors the regions consider in applications are curriculum, premises, resources and documentation regarding bullying and student safety, for example. Schools are regulated by national legislation and guidelines formulated by central government, while other school issues, such as approvals to establish new schools, are generally

managed regionally. Schooling is obligatory for students aged 6 to 16 and education is either free or fee-paying depending on the school the student attends. There are three types of school: state-funded (free and publicly funded), concertado (private schools supported by public funding) and fully fee-paying. In 2014/15, 68 per cent of the schools were state-funded, some 19 per cent were concertado and some 13 per cent were fully fee-paying.

In order to secure public funding and public subsidies, schools must comply with the Spanish curriculum. Schools that opt to follow another approved curriculum, such as the UK national curriculum, are fully fee-paying. Examples of fees schools charge are tuition, meals, transportation and after-school activities.

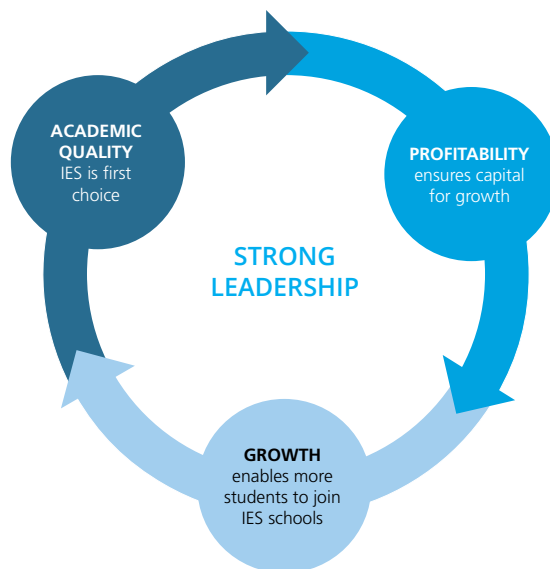


Quality pays off

IES's overall goal is to help students to develop into skilled and responsible individuals that can face life with self-confidence. The school's strategies are divided into three overall areas: Academic Quality, Profitability & Growth. Backed by its strong leadership, IES provides a safe and orderly school environment, which produces good academic results with the aim that all students should qualify for further studies.

ACADEMIC QUALITY

- A safe and orderly school environment where teachers can teach and students learn
- High academic expectations and ambitions
- Strong leaderships in each school
- Recruit skilled teachers worldwide
- Quality control systems



PROFITABILITY

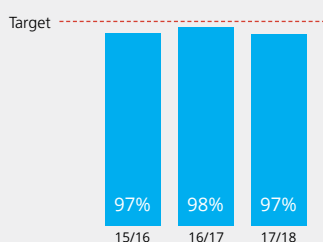
- Ensure that procedures are streamlined to allow school staff to focus on the academics
- Work long-term on premises needs to ensure cost-efficient solutions
- Large number of students per school and effective central admin leads to lower overheads per student

GROWTH

- Focus on starting new schools that can benefit from other, already established IES schools
- Expand existing compulsory schools down into F-3, where market shares are lower, and add parallel classes, mainly in Stockholm, south of Sweden and Gothenburg
- Develop dialogue with municipalities
- Expand the Spanish operation

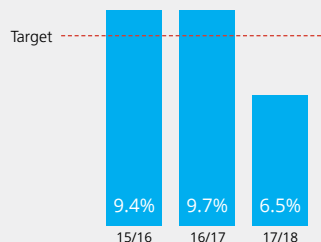
ACADEMIC QUALITY

Target: 100% qualified for upper secondary school
Performance 2017/18: 97%



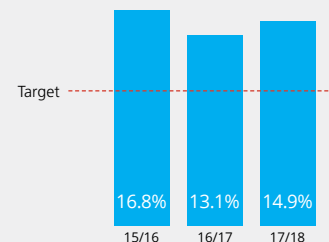
PROFITABILITY

Target: minimum operating margin 8%
Performance 2017/18: 6.5%



GROWTH

Target: 10% organic growth
Performance 2017/18: 14.9%



The Swedish society is fundamentally transforming, with increasing urbanization creating needs, including more schools in the country's metropolitan areas. Increasing segregation across society is jeopardizing the trust in the social contract. There is a strong correlation between schooling that works well and a nation's competitiveness and economic development. Accordingly, for a small, export-dependent country like Sweden, competitive schooling is vital. IES is a contributor to addressing social challenges through channels including setting up new schools, hiring teachers and principals internationally, improving study performance across the country and countering segregation.

SOCIAL CHALLENGE	IES'S CONTRIBUTION	IES'S PERFORMANCE												
<p>Growing metropolitan student populations</p> <p>The compulsory school student base expanded by just over 26,000 students in the year, compared to the academic year 2016/17. Most of these students live in the country's metropolitan areas. By 2028, Sweden will need to build nearly 1,000 new schools to accommodate growing student batches.</p>	<p>IES has clear processes for starting up new schools. Free schools enable a municipality to deal with growing student populations and avoid costly investments in new production or refurbishment.</p>	<p>NO. OF IES SCHOOLS IN SWEDEN</p>  <table><tr><th>Year</th><th>No. of IES Schools</th></tr><tr><td>15/16</td><td>29</td></tr><tr><td>16/17</td><td>30</td></tr><tr><td>17/18</td><td>34</td></tr></table>	Year	No. of IES Schools	15/16	29	16/17	30	17/18	34				
Year	No. of IES Schools													
15/16	29													
16/17	30													
17/18	34													
<p>Teacher shortage</p> <p>Estimates indicate that 80,000 more teachers will be needed in Sweden over the next ten years. To address the situation, schools are compelled to hire teachers that do not hold qualifications.</p>	<p>Over half of IES teachers qualified in countries other than Sweden. The level of qualified teachers within IES is above the national average.</p> <p>Source: Statistics Sweden, Sweden's national statistics and IES</p>	<p>SHARE OF QUALIFIED TEACHERS</p>  <table><tr><th>Year</th><th>IES (%)</th><th>National average (%)</th></tr><tr><td>15/16</td><td>89.0%</td><td>74.4%</td></tr><tr><td>16/17</td><td>86.0%</td><td>70.7%</td></tr><tr><td>17/18</td><td>86.0%</td><td>81.3%</td></tr></table>	Year	IES (%)	National average (%)	15/16	89.0%	74.4%	16/17	86.0%	70.7%	17/18	86.0%	81.3%
Year	IES (%)	National average (%)												
15/16	89.0%	74.4%												
16/17	86.0%	70.7%												
17/18	86.0%	81.3%												
<p>Declining school performance</p> <p>Sweden's future welfare heavily depends on the education, knowledge and competence that today's children – tomorrow's adults – acquire.</p>	<p>IES delivers high academic performance thanks to its safe and orderly school environment, clear leadership and high academic expectations.</p> <p>Source: Swedish Agency of Education (SIRIS) and IES</p>	<p>AVERAGE QUALIFICATION LEVEL, GRADE 9</p>  <table><tr><th>Year</th><th>IES</th><th>National average</th></tr><tr><td>15/16</td><td>271</td><td>224</td></tr><tr><td>16/17</td><td>271</td><td>223</td></tr><tr><td>17/18</td><td>272</td><td>224</td></tr></table>	Year	IES	National average	15/16	271	224	16/17	271	223	17/18	272	224
Year	IES	National average												
15/16	271	224												
16/17	271	223												
17/18	272	224												
<p>Growing discrepancies between children</p> <p>Parental educational standards are becoming more significant to how well students achieve compulsory school targets. Children of parents with a lower level of educational qualifications find it more difficult to satisfy these targets.</p>	<p>95 per cent of the students of parents with a lower level of educational qualifications¹ leaving IES's ninth grade in 2016 qualified for upper secondary school. The corresponding share for the country overall was 78 per cent. Thanks to its orderly school environment, more parents of children with special needs are also applying to IES.</p> <p>Source: Swedish Agency of Education (SIRIS) and IES</p>	<p>UPPER SECONDARY SCHOOL-QUALIFIED STUDENTS WITH PARENTS WITH A LOWER LEVEL OF EDUCATIONAL QUALIFICATIONS</p>  <table><tr><th>Year</th><th>IES (%)</th><th>National average (%)</th></tr><tr><td>14/15</td><td>96%</td><td>79%</td></tr><tr><td>15/16</td><td>94%</td><td>81%</td></tr><tr><td>16/17</td><td>95%</td><td>78%</td></tr></table> <p>IES National average</p>	Year	IES (%)	National average (%)	14/15	96%	79%	15/16	94%	81%	16/17	95%	78%
Year	IES (%)	National average (%)												
14/15	96%	79%												
15/16	94%	81%												
16/17	95%	78%												

¹ Parents with a lower level of educational qualifications are defined as those whose highest educational level is junior high school/compulsory school or upper secondary school.



Principals – clear and committed leadership is the key to success

IES's success is founded on its capability to create schools that are good workplaces, where teachers can teach and students learn. It produces the right culture by having clear procedures that become self-evident conduct. A key mission for the principals is to get everyone in the school to head in the same direction, focusing on knowledge and learning. It is the duty of the principals to ensure that IES's core values become realities. Principals hire teachers and other professionals who believe in what IES stands for, and who are ready to go the extra mile.

In the following section, you will meet two of our principals, who embody precisely this ability.

BARBARA BERGSTRÖM'S KEYS TO SUCCESSFUL LEADERSHIP:

- | | |
|--|---|
| • Be present | • Radiate energy, humor and happiness at work |
| • Be visible | • Take every opportunity to promote the significance of education |
| • Be stable | • Deal with difficult situations immediately |
| • See your colleagues | • Take full responsibility yourself, don't pass the buck |
| • Show attention to detail | |
| • Get everyone to head in the same direction | |
| • Be fair, don't show favoritism | |
-

“Encouraging good behavior works better than nagging”



Three years after Racheal-Ann Björk became head of the maths department at IES Bromma in 2011, the share of students receiving grades A, B or C had risen from 53 per cent to 92 per cent. This dramatic improvement clearly demonstrates the dynamism and drive of this principal, who was born into a family of teachers in Trinidad, trained in New York, met the love of her life in Sweden, and took the scenic route to IES Stockholm, via Östersund.

Now she heads IES Älvsjö, which opened to 376 students in 12 classes in autumn 2016. One year later, its student base had expanded to 600, in 19 classes. The students have 38 different first languages and some 30 per cent only spoke English when they started at the school. Meanwhile, the teaching team includes professionals from Sweden, Canada, the US, UK, Ireland, New Zealand, Antigua, Australia and South Africa.

– There are lots of individual differences here, and everyone has had widely different experiences in life. This makes clear leadership and a strong, collective culture even more important. When I took on this

“If I don’t know where I’m heading myself, how can I lead others?” This is how Racheal-Ann Björk, principal of IES’s school in Älvsjö outside Stockholm, defines her view of the importance of clear leadership. When she got the job as head of this new school, she formulated her vision for the operations: ‘Aim for the A.’ “It doesn’t mean every student should get an A – but rather, that everyone should get the opportunity to find what’s best in themselves and reach their full potential,” she explains.

job, I formulated the vision of ‘Aim for the A’ for the school – this doesn’t just mean students, but also myself, teachers and other staff. The intention is that we should always endeavor to find the best in ourselves and go as far as we can, according to our own unique circumstances. And this doesn’t just apply to individuals, but also to the team – it snowballs, and everyone gets involved, continues Racheal-Ann Björk.

“Our culture is based on mutual respect. When new students join the school, we take the time to explain to them that we’re a family here, and school is our home.”

A culture based on respect

One important element of the school’s culture, she says, is to see and validate each other, to encourage good conduct rather than nag and penalize bad behavior.

– Our culture is based on mutual respect. When new students join the school, we take the time to explain to them that we’re a family here, and school is our home. That’s why it’s just as natural for us to show each other respect, as it is to care for our environment. At home, we don’t bully each other – nor do we drop litter or scribble on the walls.

– But at the same time, it’s important that I’m a clear leader to my staff – if I don’t know where I’m heading myself, how can I lead others?

When this former office block in Älvsjö, south of Stockholm, was converted into a school, Racheal-Ann Björk reserved a small space for her desk in the middle of the dusty building site so she could monitor every part of the construction process herself. This is also characteristic of this principal, who views every detail as important for creating a positive environment for the students.

– When I got the opportunity to participate in designing a new school, I wanted to be on site to ensure that we got as much light and color into the building as possible. School environments have an enormous impact on students. If they’re clean and tidy, students want to keep them that way. If they experience their environment as warm and welcoming, they’ll enjoy going to school more.

Prevent and develop

In response to the question of how she succeeded in transforming maths performance so radically at the Bromma school in just three years, her response is that one important reason is that the classes were divided during lessons so that those students encountering difficulties with specific problems could get extra help and support.

– All students were working on the same topics, but tailored to each individual. In addition, our teachers collaborated and no groups remained constant, but rather, we re-formed teams continuously according to needs, so no-one ever felt they were ‘bad’ at maths.

– I think this is part of the reason IES is so successful generally – we view students as individuals, she says.

“A culture where every one is seen and nobody gets left behind”

“Our mission is to teach our students to see possibilities – not limits,” is how Maria Segerstedt, principal of the popular IES School in Huddinge, south of Stockholm, puts it. The school currently has 640 students, the majority with foreign backgrounds, some commuting from 50 km away. “Our school assembly is like a mini-UN,” she adds, laughing.



IES Huddinge is located in an area with small-scale industries on the outskirts of Flemingsberg, a multicultural suburb south of Stockholm. Operations started in 2013 with eight classes and 250 students, but have grown rapidly since. Currently, there are nearly 7,000 students on the waiting list to the school, which has been a top academic performer in the municipality ever since it opened.

– One of our primary missions – and success factors – is that we teach students that where they come from makes no difference to their chances of success in life. We have to get them to understand that they’re entitled to set high expectations of themselves, and of life. And when they’re in doubt, or in difficulty, they need to be surrounded by supportive adults who can show them they care, and help them regain belief in their own abilities, says Maria Segerstedt.

– This is also a key reason for us having another 20 professionals, apart from the teachers, who are there for the students, dealing with everything from specific subjects to social or health-related support. We put a great focus on student care and development in a holistic perspective.

Influencing attitudes right from the start

Whenever Maria Segerstedt walks around in the school, students flock to their popular principal. She’s an IES veteran, who was originally attracted by Barbara Bergström’s view of the importance of setting clear frameworks at school. Her previous experience was as a Swedish teacher at Barbara Bergström’s first school and as teacher and assistant principal at IES Enskede. Since the start of the school in Flemingsberg

five years ago, she’s been in charge of the operations there. Every morning, come rain or shine, she personally welcomes students to school – simultaneously a reminder that school rules apply from that point on.

“It’s of vital importance that parents believe in what we’re doing. I’m grateful that so many of them get involved in our school.”

– One of the major challenges of heading a school with so many nationalities is that we’re bringing students from very different cultures together in a fairly tight space. This does sometimes involve clashes between traditions, religions and social perspectives. But it also creates opportunities.

– For example, everyone is just as new when they arrive here – and most of them are new to the fact that half of the lessons are in English. This means we can influence attitudes and counter segregation right from the start. One way is dividing students into different houses – a bit like Harry Potter – with their own colors and badges, which means they identify with their house rather than their background, she says.

Individual responsibility

Maria Segerstedt regards her most important mission as principal as leading educational operations. But her endeavor to get students performing to the best of their unique abilities also includes creating a

culture where everyone is seen and nobody gets left behind.

– If we see that a student is in difficulty, and maybe reacting by getting rowdy, we take action fast. But at the same time, it’s important that students understand that they need to take responsibility for their own futures. We’ve seen a lot of examples of students from vulnerable families arriving at the school with a lot of attitude, but with the support of the self-confident adults they encounter, they make amazing progress, academically and socially, she explains.

One of the school’s critical success factors is its ability to attract good teachers. Its teaching staff of 38 individuals includes skilled professionals from Canada, Scotland, England, the US, Spain, Belgium and South Africa.

An active parental association

Maria Segerstedt also highlights the active parental association as an important reason for the school’s success.

– It’s of vital importance that parents believe in what we’re doing. I’m grateful that so many of them get involved in our school.

– We can contribute a great deal to social integration – and when parents support student leisure activities, we can do even more, she says.



Sweden's leading free school operator

Since its inception nearly 25 years ago, IES has evolved into Sweden's leading free school operator in grades 4–9. Focus is now on expanding operations down through the age groups, i.e. in grades F–3. IES also intends to grow in the segment where it is already strong, the middle school grades, and through geographical expansion. The company sees a great potential in continuing to apply its successful concept in these segments. Balance and control are fundamental to IES's growth strategy, which will always center on education quality.

2,465

employees at the end of the 2017/18 school year, up by 13 per cent on 2016/17.

89%

of employees say they would recommend IES as a workplace.

97%

of students leaving IES compulsory schools qualify for upper secondary school. The national average is 83 per cent.

By creating a calm and orderly learning environment, teachers enjoy the best potential to teach, and students to learn. The consistent attitude is that schools are a workplace and should display the features of a well-functioning workplace.

725

Average number of students (i.e. number of students/number of schools) in IES compulsory schools, which is some three times larger than schools managed by other operators.

No. of students in IES schools per municipality*

Municipality	No. of students in grades 1–9
Borås	487
Eskilstuna	1,277
Falun	400
Gävle	1,182
Gothenburg	1,033
Halmstad	589
Helsingborg	306
Hässleholm	375
Jönköping	833
Karlstad	821
Landskrona	465
Linköping	759
Lund	711
Greater Stockholm	11,279
Sundsvall	832
Umeå	463
Uppsala	735
Västerås	761
Örebro	619
	23,927

* and greater Stockholm

Source: IES, June 2018



OPERATIONS IN SWEDEN

Sweden's largest independent compulsory school operator

IES has a clear profile with three core convictions: that schools should have a safe and orderly environment, where teachers can teach and students learn, that students should learn to command English, the key to the world, and that students should encounter high academic expectations and ambitions.

Up to half of the teaching is conducted in English by teachers whose native language is English. Some 700 teachers qualified in foreign countries, mainly the US, Canada and the UK, practice in IES schools. IES has a total of some 1,700 teachers. Achieving strong leadership in each school and hiring skilled teachers from various English-speaking countries is central to IES's business. This creates the potential for schools with an international character that offer high quality. By creating a safe and orderly school environment, teachers enjoy the best potential to teach, and students to learn. The consistent attitude is that a

school is a workplace and should display the features of a well-functioning workplace. In grade 9 national tests, IES students significantly outperform the national average in the core subjects of Swedish, English and mathematics year after year, and are above the free school average.

Parents positive according to surveys

In the yearly anonymous survey of parents with students in IES schools conducted in spring 2018, 29 per cent responded that they selected IES mainly because they want their children to learn English, 36 per cent for the "Tough Love" concept of an orderly school

environment, while 25 per cent selected IES because they appreciate the high academic expectations. In the survey, 94 per cent of the respondents stated that they would recommend IES to another parent.

Sweden's leading free school

With some 25,600 students from over 53 per cent of Sweden's municipalities in 846 classes at 36 schools at the start of the 2018/2019 school year, IES is the leading free school operator in Sweden, in terms of student base.

Operations are expanding rapidly in terms of student base, with an average organic

94%

of teachers state that lessons start on time.



IES is the leading operator in Sweden's compulsory school segment.

growth of 18 per cent annually over the past decade.

IES's operations extend from grades F–12. The emphasis is on middle school, with 49 per cent of IES students in grades 4–6, and 48 per cent in grades 7–9.

School locations extend from Umeå in the north of Sweden to Lund in the south, with focus on the country's growth regions. In the financial year 2018/19, IES operated 17 schools in the Stockholm region. IES's working methods, combined with its positive school results, have created an excellent reputation.

IES complies with the Swedish curriculum and holds permits from the Swedish Schools Inspectorate. Schooling is free of charge and operations are publicly financed via school voucher funding. Schools are chosen actively by parents and students in accordance with the principles of Sweden's

free school system. Admittance is strictly in date order as applications are received, supplemented by sibling priority.

Quality focus

Documented high teaching quality is one of IES's prime competitive edges. To ensure it maintains quality as its operations grow, IES has developed a system based on the CEO being overall responsible for quality issues within the company, while the head of academics and quality is responsible for the quality process.

The quality process is also an essential component of the board of directors' work and the yearly quality report is the main subject of the board's autumn meeting. Extensive data is compiled each year, firstly from results in national tests, and secondly from surveys of parents, students and staff. The survey researches how well schools are

“In our survey, 94% of parents stated that they would recommend IES to another parent.”

satisfying the organization's targets and values, and how stakeholders perceive the quality of operations.

The results are compared between schools to identify the need for remedial action, both over time for the same unit, and within IES and Swedish schools generally. An extensive data file is compiled for each school, which is the subject of oral review at meetings between management and school leaderships in August/September, which agree the main points for focused improvement work. This work is oriented towards



“Thanks to its efficient central organization of support functions, IES can continue to expand and maintain high academic quality at limited cost.”

the shortest possible distance between diagnosis and action.

As a component of measuring student progress in learning, IES introduced a metric named ‘positive school effect’ in 2016. This measures the skills difference in core subjects in national grade 6 tests between IES and municipal schools, and the corresponding difference in grade 9 national tests for the same students. If the difference has increased, this means that students in IES’s schools have made more progress than those in municipal schools in grades 7–9. As the following graph illustrates, IES’s positive school effect is high in mathematics and Swedish. In English, IES students’ performance was already so high by grade 6 that there was little scope for any relative improvement. One of the

benefits of this metric is that it eliminates factors like students’ social backgrounds and grading differences. Percentage shares stated for performance are the share of students graded A–C in national tests.

Large schools

In the academic year 2017/18, IES operated 17 of Sweden’s 20 largest free compulsory schools. The student base of a compulsory school managed by IES is about three times larger than schools managed by other operators. The high demand for places in IES’s schools means classes can be kept full and new schools can expand quickly to fill their buildings. The rapid volume growth of new schools means operations are often profitable by their second year, and sometimes even from their first.

IES’s schools satisfy stringent standards applying to support resources for student care, such as school healthcare, counselors and teaching assistants, as well as management support for principals, which help enable teachers to focus on teaching. The size of IES’s schools contributes to make this possible.

At the end of the academic year 2017/18, the waiting list for IES’s compulsory schools had some 190,000 registrations. IES manages individual waiting lists for each school, and applications are permitted in several schools’ waiting lists simultaneously, which means that this total does not equate to the number of unique individuals.

The “first come, first served” principle applies with the exception of sibling priority, which means that students with a sibling already in an IES school may be given priority.

Centralized processes and support functions

IES has an efficient central organization, which integrates support functions like academic development, school healthcare, HR, accounting, payroll, IT, expansion and

Positive school effect

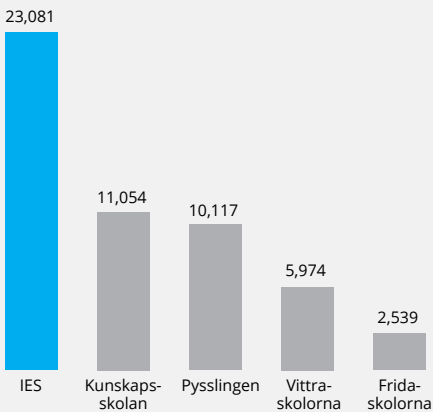
Share of students with grade C or above in national tests in mathematics. Difference between IES and municipal school contribution to student skills development.

	IES	Municipal schools	Difference
Grade 6 spring 2013	65%	54%	11%
Grade 9 spring 2016	64%	35%	29%
Change in difference = IES school effect in relation to municipal schools			+18%

Share of students with grade C or above in national tests in Swedish. Difference between IES and municipal school contribution to student skills development.

	IES	Municipal schools	Difference
Grade 6 spring 2013	59%	47%	12%
Grade 9 spring 2016	75%	51%	24%
Change in difference = IES school effect in relation to municipal schools			+12%

The five largest free school operators in compulsory schooling based on student populations



Source: Statistics Sweden, 15 October 2017

building, marketing and legal services. IES also operates through central framework agreements in IT, licensing, telephony, electricity and security. Each school's principal and staff focus on their most important assignment, i.e. running their schools. Principals bear full responsibility for the school's operations and staff, and report directly to one of the two COOs.

Thanks to its efficient central organization of support functions, IES can continue to expand and maintain high academic quality at limited cost.

Growth opportunities in Sweden

Stockholm is the fastest growing region in the country, and in autumn 2018, 17 of IES's 36 schools will be located in Greater Stockholm. Otherwise, IES is mainly present in university towns.

IES still enjoys healthy growth opportunities, thanks partly to favorable demographic and structural trends, and partly to its successful concept. Its primary focus

is on organic growth by starting up new schools and increasing the number of classes in existing schools in growth regions and university towns. IES also judges that there is healthy growth potential in grades F–3. There are several advantages in expanding in this segment: students can start studying English at an earlier stage, and IES will be able to attract students as soon as they begin compulsory school. Some schools also have the potential for further expansion in existing or nearby premises, where organizational structures are already in place.

IES has good potential for a positive reception in municipalities, even if political regulation and sentiment surrounding free schools generally could be a limiting factor. This is associated with IES's reputation as a well-established, professional school organization, which offers high-quality schools with an international character to municipalities.

IES's concept is clear, and supplements



existing school offerings. Through its long-term and positive collaborations with major real estate companies, IES is able to decrease municipalities' investments.

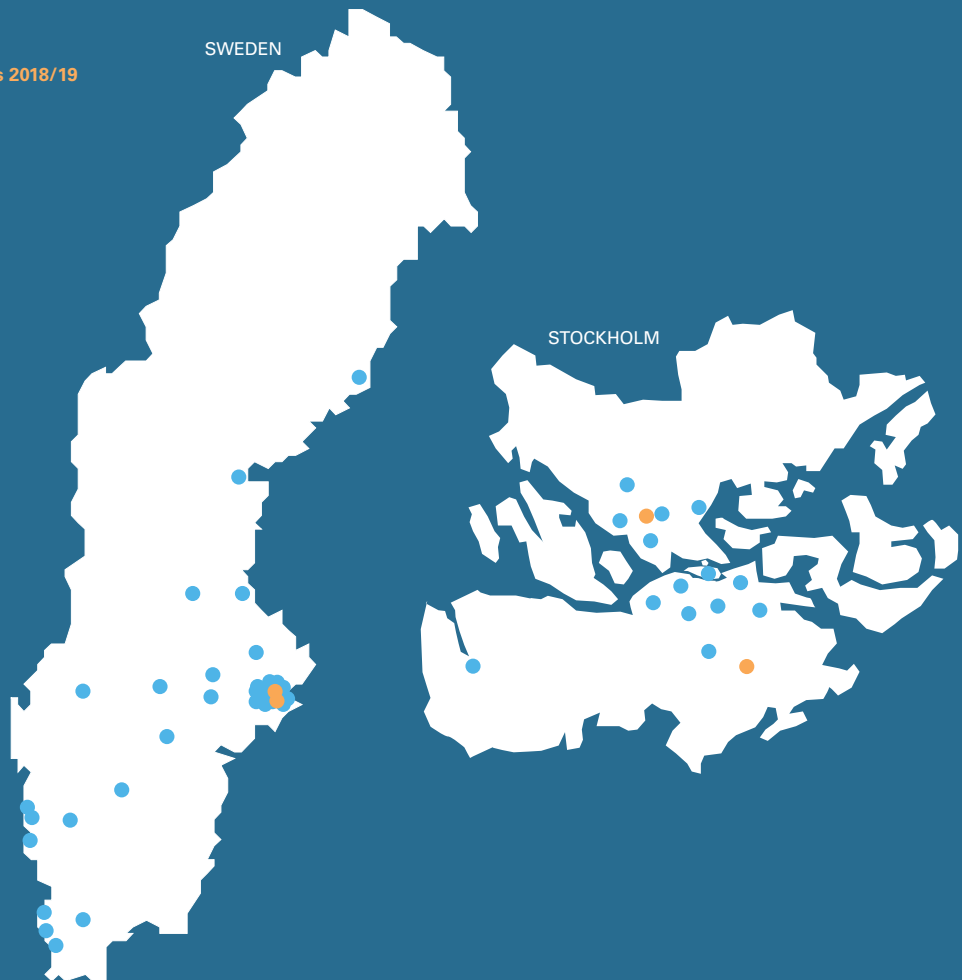
SCHOOLS

Existing schools

Borås
Bromma
Enskede
Eskilstuna
Falun
Gävle
Halmstad
Helsingborg
Huddinge
Hässelby Strand
Hässleholm
Johanneberg (Gothenburg)
Järfälla
Jönköping
Karlstad
Kista
Krokslätt (Gothenburg)
Landskrona
Liljeholmen
Linköping
Lund
Nacka
Skärholmén
Sundsvall
Södermalm
Södertälje
Tyresö
Täby
Umeå
Uppsala
Västerås
Årsta
Älvsjö
Örebro

New schools 2018/19

Länna
Sundbyberg



A visit to Landskrona

“IES has become an important factor in attracting people to Landskrona”

“My primary mission is to reverse the negative trend in Landskrona, and make the municipality attractive to businesses and people. And a good school like IES is an important part of this process,” says Torkild Strandberg, liberal politician and chair of the municipality of Landskrona’s executive board, who has been lobbying intensively to get IES to start a school in the municipality ever since 2008. Today, he’s pleased: “IES has become an important factor in attracting people to Landskrona,” he notes.

With a shipbuilding industry which has relocated to South Korea, and textiles industry which has outsourced to Portugal, the once bustling industrial city of Landskrona in southern Sweden has lost thousands of jobs in recent decades. The working population moved out during the severe crisis of the 1990s, and their empty houses soon filled by refugees fleeing the war in the former Yugoslavia.

“To attract people to the municipality, we also need to offer good schools. This is why I contacted IES back in 2008.”

– This was the basis of a deep social imbalance in the municipality, including reduced tax base, more welfare dependency, lack of integration and rising crime rates. While our neighboring municipalities flourished with the emergence of the Öresund region, Landskrona became a dump for social problems, Torkild Strandberg says.

– But in reality, Landskrona’s potential to attract people and businesses is just as good, with its amazing location by Öresund, attractive nature and potential for waterfront housing, he continues.

‘Save Landskrona’

When Torkild Strandberg became the chair of the municipal executive board in 2006, he

began an extensive process to identify the problems and formulate an action-plan for the municipality entitled ‘Save Landskrona.’

– What I quickly realized was that building attractive homes was a critical success factor for attracting a stronger tax base to the municipality. That’s why we set a target of planning at least 1,500 high-quality homes close to the waterfront.

One of the districts that is currently being developed is the former fishing port of Borstahusen in the northern part of the municipality, where various types of housing are being constructed – from exclusive waterfront houses with sea views to apartments. Borstahusen is also the location of IES’s local school, which opened to its first students in autumn term 2017.

– To attract people to the municipality, we also need to offer good schools. This is why I contacted IES back in 2008. IES definitely wasn’t interested back then, but I didn’t give up, and over the years, I continued intensive lobbying to prove that we were on the way to reversing the negative trend in the municipality. In the end, it paid off. When the school opened, I gave Barbara Bergström the restaurant bill from our first meeting in 2008, which I’d had framed,” he says in a content manner.

And Barbara Bergström has, on her part, acknowledged that IES has been impressed by “Landskrona’s foresighted leadership with its hands-on plans to make the municipality into one of southern Sweden’s most attractive places to live and work in.”

Torkild Strandberg says that today he sees a positive future for Landskrona, which in recent years also has succeeded in attracting



new, major industries to the municipality, including German wind power giant Enercon.

– We still have some way to go, but we’re definitely heading in the right direction.

LANDSKRONA – KEY FACTS

Population: 44,000

Average age: 40.5

Forecast population 2027: 56,000

No. of compulsory schools: 13

“A great partnership with the municipality of Landskrona”

When IES's school opened in Landskrona in the autumn term 2017, it attracted a lot of interest. The 465 places in the 17 classes filled immediately – and today the waiting list is long. “Our reputation has spread quickly. Parents are now putting children on the waiting list for a place at the school as early as possible. We've also seen cases of families relocating to the municipality of Landskrona to get their children closer to the school,” says principal Chris Nilsson.

Attractively located with a new sports center on the doorstep and just a few hundred meters from the sea front, IES's new grade F–9 school is located in Borstahusen, a former fishing port in northern Landskrona, currently undergoing transformation into an attractive residential area. The airy, bright and shining new premises will accommodate 575 students in 19 classes in the autumn 2018.

– The pressure is high, says Chris Nilsson, who after ten years with IES at its schools in Bromma, Nacka and Hässelholm has moved south to lead the Landskrona operation.

– It's also great that it's been so easy to attract new teachers. We completed the appointment of our 27 teachers in just four months. About half of them are from Sweden, and half from other countries including Canada, the US, UK, Ireland, and South Africa, he explains.

Help from the municipality to find housing

According to Chris Nilsson, the municipality has been helpful in assisting his teachers and other staff to find housing, which has eased the recruitment process.

– We've got a great partnership with the municipality of Landskrona, which makes our work easier, he says.

Apart from his teachers, a total of nearly



30 other support staff work at the school. These include a social worker specializing in behavior. This English staff member used to work in the prison service, and is an expert in identifying and dealing with behavioral problems before they get out of control.

The challenge of creating a collective culture

According to Chris Nilsson, one of the biggest challenges in starting an all-new school is creating a strong, collective culture.

– It's a time-consuming and laborious process. Everyone here at the school is new, and we need to put a lot of time and focus on getting IES's fundamentals set in stone, he says.

– But we've already made good progress, and after just a year, the survey we conducted at the end of the school year showed that parents and students are satisfied.

The Landskrona school is the first whose operations also includes grade F. Chris Nilsson thinks that it's a great advantage that the students become accustomed to IES right from the start.

– The earlier the better. The best thing is that the children are with us right from preschool, as adapting to IES's distinguishing features – respect both for each other and for learning – then becomes natural.

IES BORSTAHUSEN, LANDSKRONA

465

students

97%

of parents
recommend IES

6

different first
languages for teaching

27

teachers from
18 countries

100%

of students feel
safe at school



Growth opportunities outside Sweden

Expansion outside Sweden presents IES with the opportunity of further growth. IES wants to operate on markets where there is demand for bilingual education, with English in addition to the local language. IES's competitive advantages on new markets include its many years of skills and experience of teaching English as one of two languages, an established methodology for hiring teachers that are native English speakers and developed methods to enhance the quality of operations.

IES also provides efficient financial control that supports operational expansion. Apart from contributing to positive financial progress, international expansion means IES becomes an even more attractive employer, because having operations in several countries creates attractive career opportunities for teachers and principals.

Acquisition-led growth in Spain

In fall 2016, IES moved into the Spanish market by acquiring 50 per cent of the Spanish school group Grupo Educativo Elians. Its operations are largely based on the same convictions as IES in Sweden. The intention was for this acquisition to become the foundation of IES's continued expansion in Spain. Subsequently, IES has improved the quality system of the Spanish operation, appointed a strong management and improved financial controls. Accordingly, the foundation for continued expansion has been laid.

IES's objective is to offer bilingual education in Spain, compliant with its national curriculum or the UK National Curriculum, as is permitted in the country. Schools that teach in accordance with approved – but non-Spanish – curricula such as the UK's, are fully fee paying. The fees schools charge include tuition fees and expenses for meals, transport and after school activities.

IES took its next step into the Spanish market in spring 2018 when it acquired the fee-paying private English School of Asturias, located in Asturias, through a jointly owned entity, International Education Partnership, SL, IEP. This School's operations extend from preschool to

upper secondary school.

On 9 July 2018, IES acquired the remaining 50 per cent of the shares of the Spanish ownership company IEP. IEP holds 99.55 per cent of the shares of English School of Asturias, and 100 per cent of the shares of two of Grupo Educativo Elians's three school operators in Spain, located in Castellon and La Nucia. The operations within IEP was consolidated into IES effective July 2018, and are expected to generate revenue of MEUR 15.3 and EBITDA of MEUR 2.9 in the financial year 2018/19. The fourth Spanish school, that IES has a participating interest in, is located in Valencia, and is still 50:50 owned by IES and the Monzonis family.

IES's intention is to keep expanding in Spain through new platform acquisitions in major cities. Subsequently, organic growth will proceed from the acquired schools.

The IES brand is completely unknown in Spain. Accordingly, operations will be managed under recognized and local brands represented by acquired operations.

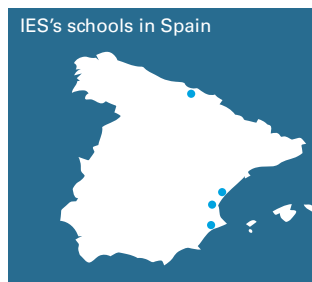
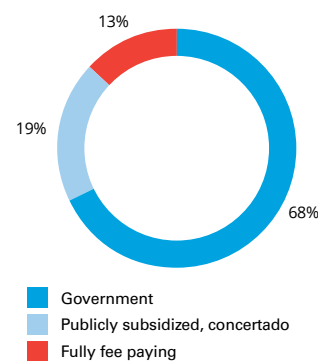
UK school

Since 2012, IES has also been conducting operations in the UK, when it entered an agreement with Sabres Educational Trust to take over and operate a school in Brandon, Suffolk, north of London. The intention was to gain an insight into the UK school system to prepare for expansion there, when and if UK regulations governing free school operations are reformed.

8.2

million students of school age in Spain

SPANISH SCHOOL TYPES





A visit to Asturias

More Spanish parents are investing in their children's education

As a consequence of Spain's high unemployment rate, parents choose to invest more in their children's education. "The tradition used to be for parents to save up for a home for their children, but nowadays, they're getting an education instead. This means that our student base is growing, and it's not just wealthy parents that are putting their children through private school," explains Zoe Roberts, principal of The English school of Asturias.

With its dramatic mountains, emerald green valleys and steep cliffs soaring above the seafloor on the Bay of Biscay, Asturias is a mecca for outdoors enthusiasts and surfers alike. It has also been one of Spain's key industrial centers, with the three cities of Oviedo, Avilés and Gijón forming a hub for the steel, defense and textile industries. But the recession has hit the region hard, and focus has now shifted into developing the region's untapped tourist potential.

- I've witnessed a major transformation in the years I've been here. The recession has had a lot of consequences, not least higher unemployment. In turn, this has meant far more parents deciding to invest money earmarked for their children in education instead of – as traditionally – in housing. One of the signs of diversification of our student base is that when I started at the school 14 years ago, most of them arrived in BMWs, Mercedes and Audis. Now, most of them come by bus, says Zoe Roberts.

High growth since the start

The English School of Asturias in north-western Spain is centrally and scenically located at the center of a golden triangle formed by the three key cities in the region, embedded in natural landscapes, with goats and cattle feeding on the land around the attractive building. The school was founded by a group of parents in 1997, with the intention of offering high-quality bilingual education according to the UK model. Initially, operations were supported by the British Council, which is a government cultural organization. Now, it is one of Spain's longest-established British schools, and a member of the NABSS (National Association of British Schools in Spain). The original 88 students have grown into 736, with first-class teaching and high academic performance attracting parents from right across the region.

Zoe Roberts has been principal for four years, after starting as a preschool teacher

at the school, which provides education for students aged 3–18. Because it's unusual for Spanish parents to relocate children during their school years, this means that most students spend all their schooling there.

- It's a big advantage to educate children right through their upbringing. We get to know them really well, know their strengths and weaknesses, and we know when and how they need extra support. Not only do I know the first name of all my students, but also their middle names, and their parents' first names, says Zoe Roberts and laughs.

Enjoyment for learning

The vast majority of students – over 90 per cent – have Spanish parents. In Zoe Roberts' view, their parents have realized that learning English well will open doors for their children to more secure futures with better employment opportunities.

Zoe Roberts' vision for the school is to create enjoyment for learning. This joyful



tone is evident everywhere in the school, from the text and images of student projects covering the walls, to the way teachers and students interact. Many of the school's principles are closely consistent with IES's operations in Sweden, such as teaching in English, high academic targets and the emphasis of an orderly environment featuring mutual respect.

– The goal is the same for all children; i.e. to be as successful as possible given their unique circumstances. But the ways they achieve this are different. Because we get to know children from such a young age, it's easier for us to find the best approach for each individual, Zoe Roberts says.

British teachers

One precondition for success is finding good pedagogues – as well as good support staff – who are an important part of the school's total of 83 personnel. Most teachers are from the UK, and many of them have worked at the school for many years. When Zoe Roberts needs to appoint a new teacher, she puts an ad in *The Times*.

– Although salaries here are certainly lower than the UK, a lot of people are attracted by the fact that apart from our school operating and performing well, we can also offer beautiful, untouched natural surroundings and the possibility of a rich outdoor life, she adds.

Academic performance is important, but Zoe Roberts simultaneously emphasizes the importance of creating confident, happy and socially functional individuals.

– Social skills are high on our list of priorities. Our mission is to ensure that

children are happy at school and develop socially – a requirement for them developing academically. They are the only ones that haven't chosen to be here themselves. Their parents select school and our colleagues have decided to work here. That's why we have such a big responsibility to create a positive experience for the children, she says.

The best thing about this school is that we've learned such good English

A student showing a great amount of social skills is Pablo Ardines Salomon, 17, who is currently in the penultimate year of the school. With his equally eloquent classmate Inés Suárez Gonzáles, he was recently selected to represent the school in a project arranged by the European Parliament,

attracting 110 Spanish students to Córdoba where they worked on generating ideas with a potential to improve society.

– It was an amazing experience. Apart from learning so much, I made a lot of new friends, says Pablo, who's been offered scholarships both in the US and the UK due to his high grades, and has decided to go to England for his university studies.

Both students, along with Guillermo Martín Tunón in grade 13, say they've enjoyed their years at the school enormously. They also agree that one of the best skills they have acquired from their studies is fluent command of English.

– Sometimes we speak to each other in English outside school, because it's just so natural, says Inés and laughs.





A vital role in society

IES's overall role is to provide children and young people with the opportunity to reach their full potential – regardless of background – when it comes to knowledge as well as social skills. IES focuses its sustainability work on segments where the school can make a real difference to the communities, on identifying, hiring, retaining and developing school staff, on satisfying the high expectations from parents and students on the education offered, and on creating safe and orderly school environments.

95%

of the students of parents with lower level of educational qualifications that left grade 9 were qualified for upper secondary school. The corresponding share for the country overall was 78 per cent.

94%

of parents state that they would recommend IES to another parent.

97%

of students leaving IES's compulsory schools qualify for upper secondary school. The national average is 83 per cent.

Of the 3,000 students that completed grade 9 in spring 2018, 38 per cent were from foreign backgrounds, against 24 per cent for municipal schools. In some IES schools as many as 70 per cent of the students come from foreign backgrounds.

154

municipalities were in the catchment areas for IES's 34 schools in the academic year. Active school choices benefit schools that recognize students' differing wants and needs.



“I think it's positive that there are so many different nationalities. This makes us good at meeting different types of people with different backgrounds. It's something we'll benefit from in the future.”

Anastasia, former grade 9 graduate of IES Borås

Good education is good for society

IES's main contribution to society is preparing students for adult life by providing them with the best possible toolbox, both when it comes to knowledge and social skills, through successful education. The students' future prospects improve, while they're raised to be good citizens. The operations also help improve social integration. Many IES schools are located in socially vulnerable areas and their share of students with foreign origins is above the Swedish average.

IES's board of directors has adopted ethical guidelines, and the company also complies with the ethical guidelines of Friskolornas Riksförbund, the Swedish Association of Independent Schools. From the previous financial year onwards, IES is also subject to FAR (the Institute of the Accounting Profession in Sweden) rules on sustainability and diversity reporting. For a more detailed review of IES's sustainability work, see page 70 of this Annual Report.

Society faces educational challenges

National and international surveys reveal that skills levels in Sweden's compulsory schools have declined. The number of students qualifying for upper secondary school national programs has decreased, and Swedish students' results in PISA (the Program for International Student Assessment) have been deteriorating for many years. This has come under public scrutiny, so much so that the Swedish population rates schooling among the four most important political issues, alongside refugees, law and order, and healthcare.

The OECD's PISA assessment of Swedish compulsory schools published in 2015 highlighted serious shortcomings in respect of attendance and good order. Classroom unrest and disruption was one area where Sweden underperformed other European countries. Sweden was also low ranked in terms of expectations on students. There is also less than one application per teacher training place. According to the Swedish National Agency of Education, the shortage of qualified teachers equates to an estimated 25,000 full-time equivalents until 2019. The Swedish Teachers Union has also highlighted an acute need to hire more

principals with four out of ten of those currently serving being over 55.

Apart from quality shortcomings, the Swedish National Agency of Education estimates indicate that the compulsory school student population will grow nationwide, and by as much as 20 per cent in some metropolitan municipalities. Estimates indicate that some 1,000 new schools will need to be built in the coming decade.

A concept producing high academic performance

IES's recipe for resolving schooling issues is to offer a clear school concept, focused on producing good academic performance in an orderly environment.

IES students perform above the national average academically. Additionally, operations help improve social integration. Many IES schools are located in socially vulnerable areas, and the concept of good order has proven attractive to many families with foreign backgrounds. A total of 38 per cent of IES students are from foreign backgrounds, against 24 per cent in Sweden's municipal schools. The fact that half of the lessons are in English creates a more neutral environment linguistically, which promotes the social integration process.

An organization founded on strong leadership

Strong leadership in schools and a focus on academic work are central to the operations. IES's operations rest on an organizational structure of well-defined duties and clear procedures for dealing with problems. Principals bear far-reaching responsibility for operations in each school, while central functions provide administrative support

such as accounting, HR, legal services, payroll, IT, building and marketing.

Every school has an academic manager, who focuses on assisting students academically. Gathering information about students from teachers to be able to identify any problems, and then take appropriate support measures quickly, is a key part of these duties. Students also have staff members responsible for their physical and psychological health.

“Many IES schools are located in socially vulnerable areas, and the concept of good order has proven attractive to many families with foreign backgrounds.”

IES concentrates on hiring the most qualified and best English-speaking teachers available internationally. This produces excellent potential for high performance, because teachers can also practice in an orderly environment. For example, in the employee survey in spring 2018, 94 per cent of the teachers stated that they can normally start lessons on time without any difficulty.

IES's good reputation as a well-established, professional school organization that offers municipalities a high-quality school and complementary option, means that most municipalities welcome IES. A



38%

of IES students have foreign backgrounds, against 24 per cent in Sweden's municipal compulsory schools.

good school can also attract families to relocate to the municipality, expanding its tax base. IES also has long-term, well-functioning partnerships with major real estate companies, which relieve municipalities of investments in refurbishing premises or new production.

Monitoring the quality process

IES conducts surveys of students, staff and parents every year to investigate whether operations are achieving their quality targets. IES has appointed two COOs, former principals with long-term, in-depth experience, to follow up survey results with each principal. The results are then compared with the targets set in the previous year to identify potential discrepancies and discuss actions.

Values founded on personal responsibility

IES's operations are based on three core

convictions:

- Students and staff should have a safe and orderly school environment
- Students should learn to command English
- Students should encounter high academic expectations

IES's practical approach to these core convictions is stated in its basic defining policy documents, which also express the operation's values, strategies and academic goals. All staff members sign this document.

Largely, IES's values are about creating the best possible studying and working environment for students and staff.

Every employee of IES bears personal responsibility to conduct him- or herself so that IES's culture is regenerated and affirmed every day, in every action. Questions the school expects its staff to be posing themselves every day include:

- Is my conduct and thinking consistent

with IES's core values?

- Does how I interact with students and colleagues contribute to a positive, energetic and constructive atmosphere at school?
- Could I explain and justify my actions with a clear conscience if they were subject to public scrutiny, in the media or at a school inspection, for example?
- Am I making a positive contribution to IES's strong and good reputation? This also includes how I conduct myself outside school, if I were to meet parents in a public environment. Impressions aren't just created in schools, but also by what is visible outside schools, including my presence on social media. What could the consequences of my conduct be for IES and my school? Stay on track, and have the courage to stand up for strong values. Try to set a good example, even when you're outside school.

A visit to Krokslätt

“Everyone’s proud that the school’s so international”

“About 62 per cent of our students are of foreign origins. Many of them come from socially vulnerable areas and have selected our school proactively to get a better education than in the municipal system,” explains Carl Waddington, principal of IES’s school at Krokslätt in Gothenburg. “We’ve realized that we can make a difference to these children, and make a positive social contribution. Apart from offering them a good academic foundation, we can also help raising them to be good citizens,” he continues.



Every morning, the trams in the Krokslätt quarter of Gothenburg are full of students on the way to school chatting in English. IES started up in Gothenburg in 2010, and three years later, operations divided into two schools – Krokslätt for grades 3–6 and Johanneberg for grades 7–9.

Krokslätt now has 484 students. When Carl Waddington was appointed as principal in 2014, the school was in decline, with growing behavioral problems.

– We had evolved into a hybrid between IES and a regular school. Doubt about our core values had crept into the minds of our staff. So when I took over, I decided to go back to our roots – what IES stands for, and our ethos.

– My first two years as principal were a boot camp for the whole school, where we didn’t focus on academic performance at all, but rather on IES’s methodology for creating a safe and orderly environment. But the effect was that academic performance did improve, while our school became far more popular, and its waiting list grew, he explains.

A gatekeeper of IES’s culture

The fact that as many as 93 per cent of the

students, parents and teachers regard the teaching quality as high in the recently published survey is clear evidence of the school’s nowadays good reputation. The corresponding figure was down at 53 per cent four years ago. Meanwhile, 100 per cent of respondents stated that they felt safe at school, and that they were aware of IES’s ethos.

“These years of a young person’s life are fantastic because they come before superficiality and attitudes can offset our influence. If you can reach a student then, it really produces results.”

Additionally, 97 per cent would recommend the school as a workplace. At present, its waiting list is five years long.

– I view myself as a gatekeeper of IES’s culture, so I’m really delighted about these numbers, Carl Waddington says.

He also says that in principle, IES takes a

conservative approach to teaching methods, but is always open to anything that can produce genuine improvements to teaching and education. One example he offers is that the school has adopted a model for teaching maths based on the way maths is being taught in Singapore, so-called Singapore Maths. The distinguishing features of this model are problem-solving utilizing smart visual tools, a well-considered and structured teaching approach emphasizing collaboration, dialogue and reasoning.

Teachers from 18 countries

The school’s almost 500 students have 51 nationalities, as well as a variety of religions – but at the same time, there’s none, as Carl puts it. Meanwhile, the 35 teachers are from 18 different countries, including Slovakia, Somalia, South Africa, Iraq, Turkey, the US, Australia and Canada.

– Everyone’s proud that the school’s so international. Actually, our view is that having such an exciting and multicultural background is a status symbol, says Carl Waddington, who himself has an English father and Swedish mother, and whose educational background includes a Catholic school in Japan.

IES KROKSLÄTT, GOTHENBURG

484

students

97%

of parents
recommend IES

32

different first
languages for teaching

35

teachers from
18 countries

100%

of students feel
safe at school

Parents that appreciate good order



"The difference is almost indescribable. The municipal school in Västra Frölunda my daughters attended was a catastrophe. The lessons were total chaos, my youngest daughter was bullied relentlessly, and the teachers and principal just didn't care. But at the Krokslätt school, there's good order – and the children are happy when they come home from school, which is such a relief for a worried dad," says Zackary Chiragwandi.

Trust, security and respect are some of the words Zackary Chiragwandi uses when answering what distinguishes the operations of this IES school. Although originally Kurdish, he's lived in Sweden 30 years, and

has a background as a research scientist at Chalmers University of Technology. He currently works for ESS, the European Spallation Source in Lund, southern Sweden.

– Academic ambition is important to me. And when the fifth graders in the school my daughters were at didn't know their multiplication tables I got really worried. But obviously the worst thing was the bullying my daughter was exposed to.

– We considered filing a police report, but decided to find another school instead. When I googled it, all my searches gave the same results – the IES school at Krokslätt was the best in Gothenburg. I told IES about our situation, they listened and I'm delighted to say, offered our children a place here, Zackary Chiragwandi says.

Safety at school is obviously something he wants for his children. But another important aspect he emphasizes is that school should provide the children with a vision and a belief in their futures.

– This school has really high teaching standards. It's clear that IES is following progress; a good example is adopting the methods of Singapore Maths. Our eldest daughter Tala is interested in technology, while our youngest Loubaba is more into natural sciences – and both are developing academically here. The most important thing of all is how they've both flourished and are happy when they come home after the school day, Zackary Chiragwandi says.

With three children at school and chairing the parent's association, Katarina Nordström is one of IES's most important parental ambassadors in Gothenburg. I attended an informative event that Barbara Bergström held in Borås in 2009 before the start of the school year, and immediately felt that her philosophy and principles of good order were closely consistent with what I and my British husband believe in," she says.

In 2009, the family's eldest daughter Sonia started at the IES school in Borås, where the family lived at the time. But Katarina Nordström and her husband wanted to move to Gothenburg, and when Sonia got a place at Krokslätt two years ago, the family decided to relocate.

– You could say we moved thanks to Sonia. I found a job as a Communications Executive – my husband is a consultant and can work anywhere – and our younger daughter Alice and son Tim got into the school quickly.

– They're now in the third, fifth and seventh grades. They're all different, which means that I can see how the school meets the needs of different types of children. Our

youngest daughter is incredibly studious, never misses homework or the tram, our oldest daughter is super-ambitious and dissatisfied with a B, while our son has a slightly more relaxed attitude to school. But all three are happy and are progressing according to their potential, she says.

One thing that Katarina Nordström says that she appreciates about the school is the close contact with teachers, the principal and other staff.

– It works really well. Having continuous follow-ups on how your children are progressing, and finding out about any problems immediately, makes me feel secure as a parent, she adds.





Investing in skilled principals and teachers

IES's ability to identify skilled, committed principals and teachers is the primary reason for its academic success and strong brand. Great care is taken in identifying the right principals, who gain overall responsibility for the operations and performance of their respective school. In turn, they are key to successful search and selection of teachers and other staff to their schools.

IES's concept is founded on maintaining high academic quality by investing resources in what's critical to the operations – schools and education, and limiting administrative expenses. Principals get full responsibility for school operations and staff, and report directly to the COOs on quality issues.

International teacher competence, search and selection

About half of the education is conducted in English, by teachers with foreign backgrounds and whose native language is English. Of IES's 1,700 teachers, about one half qualified outside Sweden – mainly in Canada, the US and UK. They are an important complement to IES's Swedish teachers because they practice in subjects like mathematics and natural sciences, where there is a major teacher shortage in Sweden.

Using its extensive network, IES hires some 400 new teachers each year. To facilitate international search and selection, IES has various ways of facilitating foreign teacher arrivals into Sweden. For example, new staff members from other countries are provided with basic information on how Swedish society works, and where they can turn with questions or if they need practical help in arranging visas, opening bank accounts or finding housing. They work on two-year contracts, but many choose to stay longer.

In tandem with this process, IES is working intensively on hiring skilled teachers in Sweden, where IES is the subject of constantly increasing interest among

teachers as a result of the strengthening of the brand.

Developmental opportunities

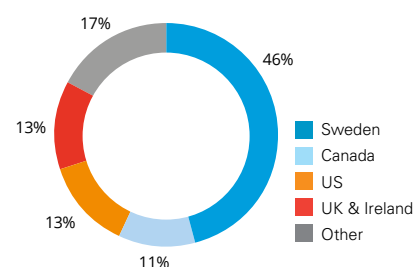
All new teachers, whatever their nationality, take induction program days at the school where they'll be working. The program includes a review of the Swedish schooling system and curriculum, as well as IES's core values and methodology.

To ensure high teacher quality and support for professional development, IES has introduced a teacher mentorship program. Teachers exhibiting excellence and that possess experience in different subjects attend lessons and offer counsel to their colleagues in an atmosphere of mutual professional trust.

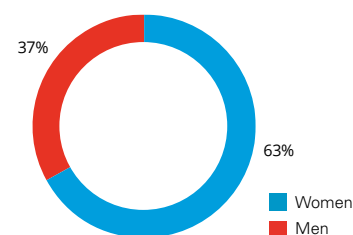
IES's size and geographical reach enables the organization to offer its teachers placements in other locations, temporarily or for longer periods, as well as in Spain. Partnerships with universities offer other exciting developmental opportunities. Regional conferences are arranged to bring teachers in the same subject from different IES schools together to discuss topics including shared issues, exchange ideas and educational materials. Because a high share of IES's teaching is in English, IES benefits readily from the substantial flow of ideas and materials sourced from the English-speaking world.

IES has also created "The Barbara Bergström School Leadership Academy," a one-year skills development program led by experienced professionals, designed to develop future leaders within IES.

IES'S TEACHER ORIGINS, 2017/18



IES'S EMPLOYEES, GENDER DIVISION



92%

of IES's staff say their work is stimulating and rewarding.

86%

of IES's teachers are qualified in Sweden or other countries.

Strong solidarity between teachers from many countries

HALLEE HABEEB AND KATIE LAGATARE
ENGLISH TEACHER, AND MATHS TEACHER

English teacher Hallee Habeeb and her maths colleague Katie Lagatare have a lot in common. Both joined IES straight from university in the US, both work at IES Älvsjö, and both are really enthusiastic about their profession.

– We get a chance to make a difference for the students here – while it's also really stimulating and instructive for us to work in such a multicultural environment, they agree.

Habeeb and Katie Lagatare exude warmth when talking about the welcome from their school and its principal, Racheal-

Ann Björk, when they arrived in Sweden a few years ago.

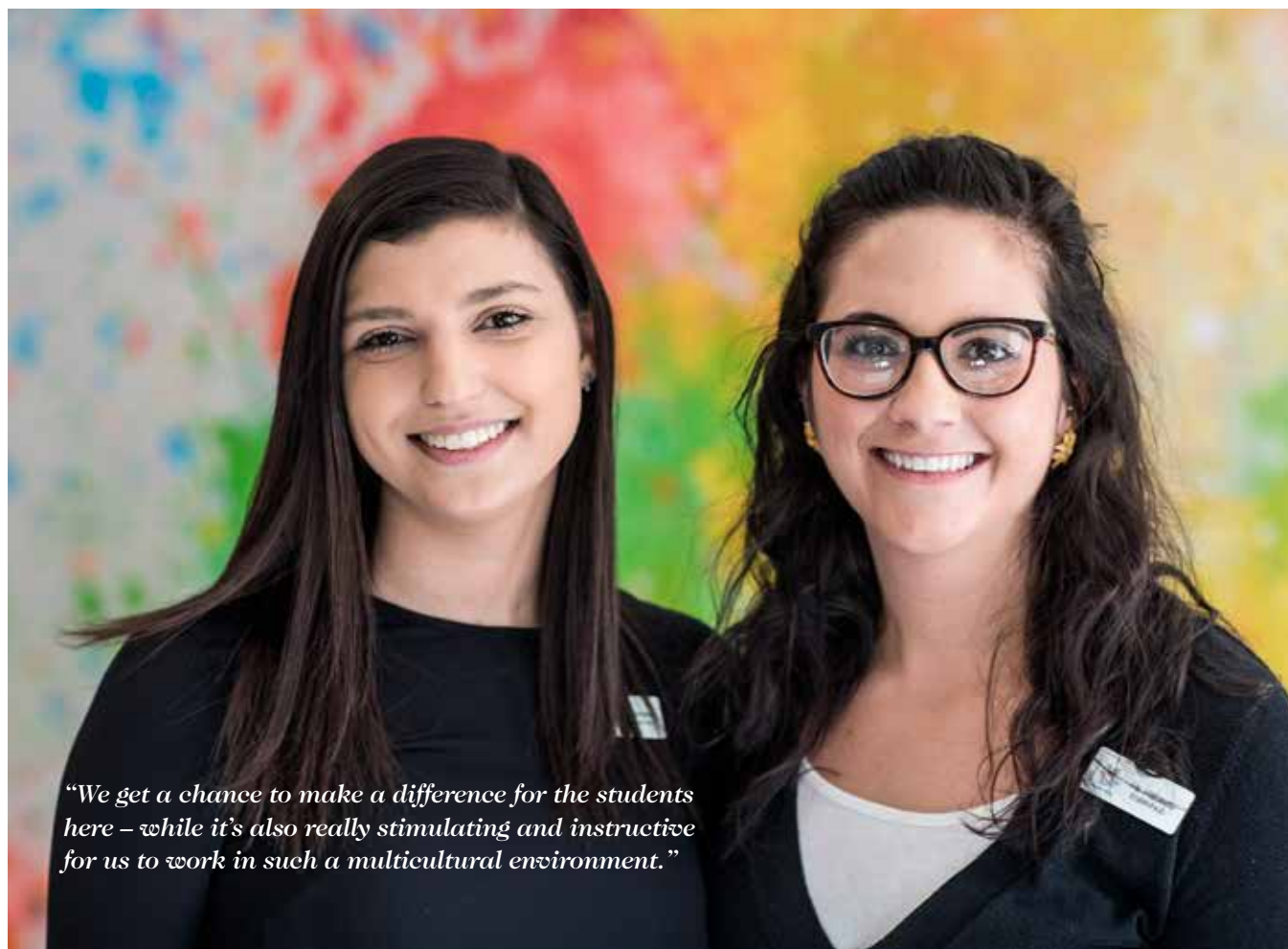
– I was really nervous about coming here, a foreign country, and didn't know anyone. But we had a lot of help to quickly integrating into Swedish society, as well as the school environment. I'm working on my Swedish right now, which is a challenge," admits Katie Lagatare, laughing.

Hallee Habeeb describes the school as a melting pot – where students, staff and teachers represent a diversity of cultures.

– It creates a great atmosphere. When

everyone's roots are so different, backgrounds become less significant, with the individual become important instead. We learn so much from each other – from our encounters with colleagues, students and parents.

– It also creates strong solidarity between the teachers, because many of us are in the same situation in a foreign country. It also means we spend a lot of time together outside work, she adds.



"We get a chance to make a difference for the students here – while it's also really stimulating and instructive for us to work in such a multicultural environment."

KEVIN BUCKLEY

GRADE 6 MENTOR

– I never want to teach in the US again. I'm having such a great time in Sweden, and with IES's philosophy, which is based more on encouraging good behavior than punishing bad behavior. These are the words of Kevin Buckley, from Nashville, Tennessee. Kevin Buckley is an English teacher and grade six mentor at IES's school in Huddinge. He says he's decided to settle in Stockholm for good.

Kevin Buckley was recently voted the most popular person at IES Huddinge. It's obvious how much students like him, as they flock to him as soon as he arrives at school. And the feeling is mutual.

– I'm delighted that I took this step. My wife and I had talked about working in a foreign country, and when this opportunity came up, I thought it might be right for us straight away. Even at the time of my first Skype meeting with my principal, Maria Segerstedt, I felt at home with the teaching principles and view of students.

– In the US schools where I've taught, a lot was centered on punishment. Here, we focus more on finding the reasons why a student is acting the way he or she is, offering support and finding solutions, Kevin Buckley explains.

He recently revealed to Maria Segerstedt the good news that he and his wife, who has a job at Electrolux, have bought a house near the school and intend to settle in Sweden.



CARA PROCTOR

ENGLISH TEACHER

– There's more focus on academic performance here than in the US, says Cara Proctor from California, soon to complete her first academic year as an English teacher for grades 5–7 at IES's new school in Landskrona. She thinks that one of the most important parts of the job is not only to contribute to children's academic development, but also their personal development.

Qualified in the US, and also with teaching experience from Thailand, Cara Proctor says she immediately had a "really good feeling about the school in Landskrona, and IES."

– Students tell me that they're enjoying school, and that it's better than their previous schools because it's calmer. They're also happy that nobody is allowed to use their cell phones, because it means they actually talk to each other on their breaks, she continues.

Cara Proctor is used to a multicultural school environment, as 70 per cent of the students in the school in California where she previously worked had Latin American parents.

– We have a number of students who arrived to Sweden during the wave of refugee immigration a few years ago. We've taken a number of special measures to improve our understanding of their situation, based on imagining what would happen if the same thing that has occurred in Syria happened in Sweden.

– The students got really engaged in the project. The opportunity to engage children and young people in important issues is one main reason why I love my job, says Cara Proctor.

The share

IES's share is listed on Nasdaq Stockholm. The share is on the Mid Cap list. In the financial year, the share price increased by 14.29%. Based on the closing price on 30 June 2018 of SEK 80, IES's total market capitalization was SEK 3.2 (2.8) billion.

Share price performance

The IES share's closing price on 30 June 2018 was SEK 80. The total yield on the share including dividend paid (SEK 1.14 per share) was 15.91% in the period 1 July 2017 to 30 June 2018. The share price high was SEK 86, which was in January, and the low was SEK 62.8, in April.

Share turnover and trading

11,508,917 IES shares were traded on Nasdaq Stockholm in the financial year 2017/2018, a rate of turnover of 28.74%.

Authorization from shareholders' meetings

The AGM on 17 November 2017 authorized the board of directors to decide on the acquisition of treasury shares of up to 10% of all the shares of the company, and to take decisions on the issue of shares corresponding to a maximum dilution of 10% of the number of shares outstanding at the time of convening the Meeting. There are no pre-emption clauses.

The EGM on 13 June 2018 authorized the board of directors to issue a maximum of 80,000 class C shares, repurchase issued class C shares, and to transfer the repurchased shares, after reclassification

to ordinary shares, into participants in the program. In addition, and pursuant to the board of directors' proposal, the EGM resolved to adopt a long-term incentive program in the form of a share warrant program for senior managers of IES.

Share capital

The share capital of IES amounted to SEK 1,001,250 at the end of the financial year, divided between 40,050,000 shares, each with a quota value of SEK 0.025. Each share carries one vote. All shares carry equal rights to dividends.

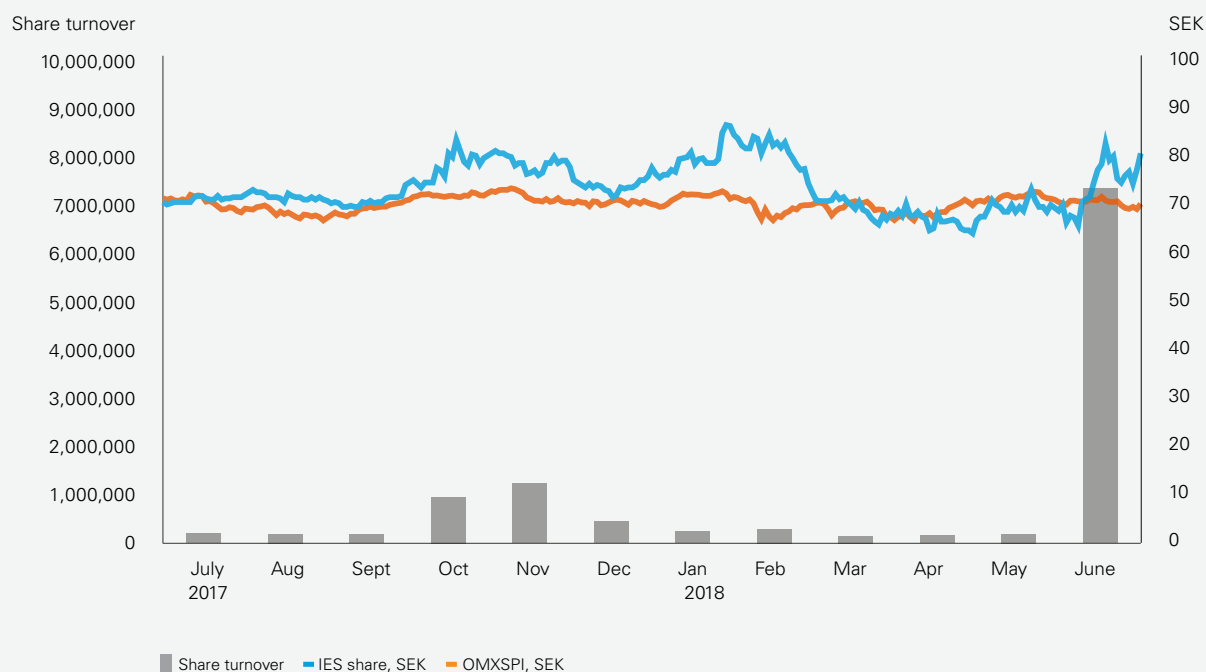
Treasury shares

At 30 June 2018, IES held no treasury shares. On 2 July 2018, the board of directors decided to execute a new share issue, and then immediately repurchase 80,000 class C shares.

Ownership structure

The number of known shareholders as of 30 June 2018 was 5,748. Foreign shareholders represented 24.6% of the capital and votes.

Share price and turnover



Source: Euroclear/Monitor

Largest shareholders, 30 June 2018

Shareholder	No. of shares	Share of capital, %	Share of votes, %
Bock Capital	12,790,045	31.9	31.9
Greenbush Förvaltnings AB	7,677,092	19.2	19.2
Paradigm Capital Value Fund SICAV	3,305,621	8.3	8.3
Investment AB Öresund	2,368,640	5.9	5.9
Paradigm Capital Value LP	2,010,536	5.0	5.0
Swedbank Robur Fonder	2,005,000	5.0	5.0
Tuna Holding AB	631,954	1.6	1.6
Third Swedish National Pension Fund	594,493	1.5	1.5
SEB Fonder	542,664	1.3	1.3
AMF Försäkring & Fonder	523,289	1.3	1.3
Total shareholdings – 10 largest	32,449,334	81.0	81.0
Other shareholders	7,600,666	19.0	19.0
Total number of shares	40,050,000	100.0	100.0

Division of shareholdings

Ownership by size of holding	No. of shares	Capital. %	Vote. %	No. of shareholders	Proportion of shareholders. %
1 – 500	448,504	1.1	1.1	5,350	93.1
501 – 1,000	152,016	0.4	0.4	218	3.8
1,001 – 2,500	139,450	0.4	0.4	86	1.5
2,501 – 5,000	79,171	0.2	0.2	23	0.4
5,001 – 10,000	213,572	0.5	0.5	27	0.5
10,001 – 25,000	205,661	0.5	0.5	13	0.2
25,001 – 50,000	107,877	0.3	0.3	3	0.1
50,001 – 100,000	413,909	1.0	1.0	6	0.1
100,001 – 250,000	1,193,907	3.0	3.0	7	0.1
250,001 – 500,000	1,481,533	3.7	3.7	5	0.1
500,001 – 1,000,000	2,292,400	5.7	5.7	4	0.1
1,000,001 – 2,500,000	6,384,176	15.9	15.9	3	0.1
2,500,001 –	23,774,358	59.4	59.4	3	0.1
Anonymous shareholdings	3,163,466	8.0	8.0	N/A	N/A
Total	40,050,000	100.0	100.0	5,748	100.0

Shareholders by region

Country	No. of shares	Capital, %	Vote, %	No. of shareholders
Sweden	30,195,161	75.4	75.4	5,673
Luxembourg	3,596,184	9.0	9.0	8
Cayman Islands	2,010,536	5.0	5.0	1
US	413,965	1.0	1.0	4
UK	357,516	0.9	0.9	6
Other countries	255,948	0.6	0.6	58
Anonymous shareholdings	3,220,690	8.0	8.0	N/A
Total	40,050,000	100.0	100.0	5,748

Director's Report

Information on operations

The company has a financial year from 1 July 2017 to 30 June 2018, which is consistent with the school year. The past school year was the 25th in the organization's history.

The group's (Internationella Engelska Skolan/IES) business is to conduct high-quality school operations. The group parent company is Engelska Skolan i Sverige Holdings II AB (publ). Operating activities in Sweden are conducted through wholly owned subsidiary Internationella Engelska Skolan i Sverige AB, with corporate identity number 556462-4368. This company also holds all the licenses to operate schools in Sweden. UK subsidiary International English Schools UK Ltd manages one school in the UK on assignment from Sabres Trust through a ten-year management contract. IES reports geographical markets as operating segments. The two segments are Sweden and the UK, of which Sweden represents over 99% of operating income and EBIT.

In November 2016, the group acquired a 50% holding in Elians (three school companies) through the parent company, which comprises three school operators. The joint venture International Education Partnership, S.L. ("IEP") was incorporated in May 2018. IEP is 50:50 owned by IES and IES's collaborative partner in Spain, the Monzonis family. In tandem with incorporation, IEP also took over 100% of the shares of two of Grupo Educativo Elians's three school providers in Spain, located in Castellon and La Nucia, while the school in Valencia is still directly held by IES (50%) and the Monzonis family (50%). Immediately after this, IEP acquired 99.55% of school operator ESA, which operates a school in northern Spain. The Spanish holding is accounted according to the equity method.

On 9 July 2018, IES acquired the remaining 50% of IEP from the Monzonis family, which means that going forward, IEP's accounts will be incorporated into the IES group, and that Spain will be IES's third operating segment.

Internationella Engelska Skolan i Sverige AB conducts school

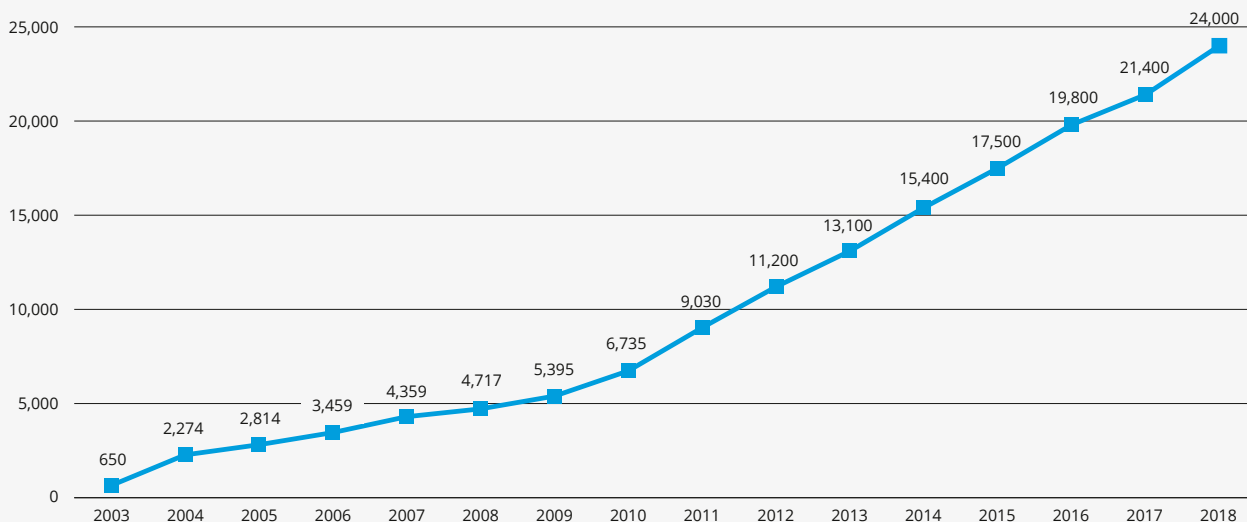
operations from when students start education, the year they turn six, until the end of upper secondary school. Ever since its inception in 1993, IES's focus has been on students learning to command English, the global language, in a safe and calm school environment with high academic expectations. This implies a clear skills focus in schools and instilling practices and values that last students a lifetime, including working to overcome challenges, even against resistance, (or having grit). It is this clear fundamental attitude, that also characterizes schools in practice, has made IES attractive to families and a much-needed education alternative in Sweden. In the anonymous survey conducted in spring 2018, 94% of parents stated that they would recommend their IES school to other parents (one of the top two alternatives on a four-point scale). The median for our schools is 95%.

The defined focus of creating a safe and calm workplace – where teachers can teach and students learn – is the main reason parents state for choosing IES. This focus has passed the test of time, through changing fashions and directions from politicians and regulators. On 30 June 2018, there were some 190,000 waiting list registrations for a place at IES for the academic year 2018/19 and beyond, over and above students already accepted. This is an increase of 46,000 on the corresponding point of 2017, or 32%.

In May 2018, the company's founder Barbara Bergström and Hans Bergström jointly published a book entitled Tough Love (published by Ekerlids) chronicling the organization's first 25 years. The in-depth documentation of IES's founding concepts, progress and definitive practices is of considerable value for the future. IES's continued growth needs to take root in the founding culture that has created its success. This book will be utilized in contexts including in-house training of school leaders.

In all its operational years, IES's core segment has been middle school – the sensitive transitional years from childhood to young adult. In the academic year 2017/18, 33 of the 34 schools in

IES's student base



Free schools in the compulsory school sector, 2017/18

Operator	Student base	No. of schools	Median school size
Internationella Engelska Skolan	23,081	33	698
Kunskapsskolan	11,054	29	406
Pysslingen	10,117	42	212
Vittra	5,974	25	230
Fridaskolorna	2,539	5	522
Futuraskolan	2,131	7	245
Prolympia	1,678	4	406
Thorén	1,653	9	144
Academedia Fria	1,340	6	219
Jensen	1,294	6	198

Source: Statistics Sweden, official statistics reported as of 15 October 2017

Sweden were compulsory schools, mainly covering grades 4–9. A few IES schools have started to migrate downwards through the grades. The organization also operates one theoretically focused senior high school, Internationella Engelska Gymnasiet in Södermalm, Stockholm. Our schools are open to all pupils. Acceptance is according to strictly objective criteria, without any element of selection. Schooling is free, with operations funded by the school voucher system. Schools are selected by parents and students, in accordance with Sweden's free school system.

This year, the number of students amounted to nearly 24,000, up by some 2,500 on the previous academic year, the largest increase to IES's student base in its history. This is mainly explained by four all-new compulsory schools being opened in autumn 2017 in Helsingborg, Landskrona, Södertälje and Årsta. All of them had an excellent first year, securing positive reputations, which will enable them to expand quickly to full capacity for their buildings.

As is apparent, the schools IES operates are significantly larger than the average of other operators. At the corresponding date of 2017/2018, municipal schools had an average size of 194. The ability to grow rapidly is a key explanation for IES being able to maintain good profitability and secure sustainable strength. Larger student bases enable the efficient utilization of more costly premises for subjects such as crafts, home economics and chemistry. Administrative expenses are divided over more students, and student care functions can operate at capacity. Classes can be filled. All of this requires high parental interest in IES, founded on its positive reputation and high quality. Profitability can only be achieved with quality.

In the academic year 2017/18, IES operated nine of the ten largest free schools among Sweden's compulsory schools, and 17 of the 20 largest.

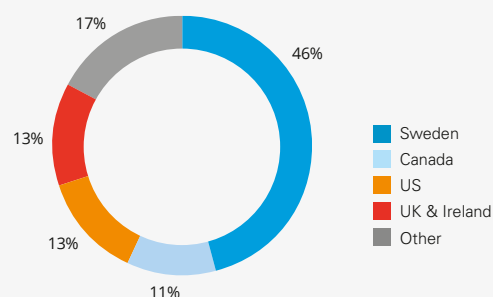
Many of IES's schools are located in areas usually rated 'less privileged.' All our compulsory schools in the City of Stockholm, for example, are in districts lying in the lower half of municipal

The largest free schools in the compulsory school sector, 2017/18

School	No. of students
IES Eskilstuna	1,252
IES Täby	1,214
IES Gävle	1,193
IES Bromma	944
IES Liljeholmen	926
IES Tyresö	902
IES Enskede	902
IES Nacka	894
IES Kista	891
Fryxellska Skolan Västerås	841
IES Jönköping	834
IES Sundsvall	833
IES Karlstad	821
IES Linköping	769
IES Västerås	760
IES Uppsala	731
Västerholms friskola	725
IES Lund	707
IES Skärholmen	698
Futuraskolan Bergtorp	662

Source: Statistics Sweden, student statistics, 15 October 2017

IES teacher origins, 2017/18

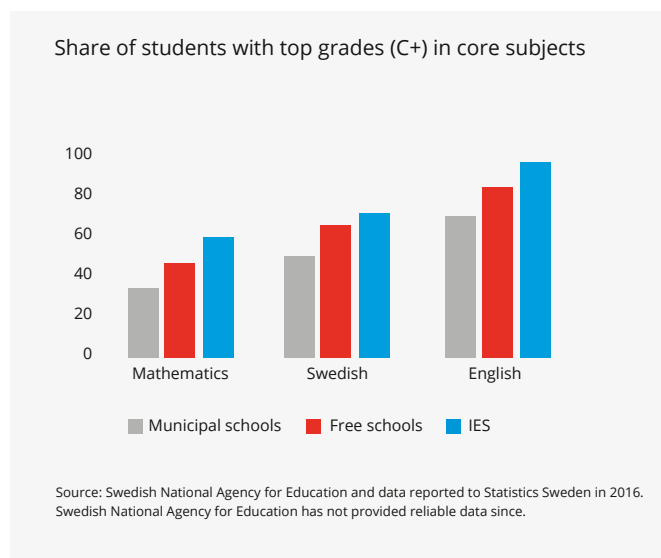


social status statistics. According to Statistics Sweden's definition, the share of IES students with foreign backgrounds increased from 36 to 38% in the year, while the average for Sweden's municipal schools is 24%. IES makes a significant contribution to enhancing districts across many municipalities, apart from improving each municipality's general attractiveness. Crucially, our schools offer thousands of children opportunities in life that they would be very unlikely to receive otherwise.

A significant part of what creates the character and quality of our schools is the appointment of excellent teachers from

other countries. Up to half of teaching is conducted in English (basically, our schools are bilingual) by teachers whose native language is English. Some 700 teachers qualified in foreign countries – mainly Canada, the US, UK and South Africa – taught in IES schools in the academic year 2017/18. They provide a major contribution of skillful and well-trained teachers in subjects including mathematics, science and languages for Sweden's school system, teachers that are difficult to find in Sweden. With its extensive recruitment of foreign teachers, IES is also helping counter Sweden's current severe teacher shortage. 86% of IES's teachers were qualified in the financial year 2017/18, which is above the national average. 40% qualified in Sweden, 46% in other countries.

The main academic goal IES's board of directors has adopted is for schools to achieve exceptional results in English, significantly outperform the Swedish schools average in mathematics and outperform the average in Swedish. Our quality system mainly compares performance in national tests, which sees identical tests conducted at the same time across all Sweden's compulsory schools. Unfortunately, in the past two years, the Swedish National Agency for Education has not succeeded in ensuring the integrity of these tests, which in many cases have been leaked in advance. Accordingly, the most recent reliable comparisons are from the national grade 9 tests conducted in spring 2016, which had the following results:



Every year, IES overall has achieved the board's stated goals for academic performance. It is important to be able to demonstrate that our schools' bilingual character does not adversely affect student performance in mathematics (taught by many foreign teachers) or Swedish.

97% of IES graduates from grade 9 in spring 2017 were qualified for senior high school. The national average was 83%. The students' average qualification level –reached by combining

final grade credits – was 272 points for IES students, against the national average of 224.

In Sweden's election debate in 2018, the three largest free school operators – Academedia, IES and Kunskapsskolan – were accused of grade inflation. The board of directors and management have carefully considered their standpoint on this assertion on IES's behalf. The allegation is that in addition to performance in national tests stated above, the schools increased the final grades, compared to municipal schools.

The assertion is baseless in the core subjects of mathematics, Swedish and English, which are the only subjects for which all schools take the same national tests. Each year the Swedish National Agency for Education compiles statistics showing the difference between national test results and final grades from grade 9. These indicate that IES has significantly lower incidence of grade increase between national test results and final grades when compared to municipally operated schools, as well as a lower incidence than the free school group. A follow-up study utilizing individualized data from Statistics Sweden demonstrates that IES does not have grade inflation in the core subjects.

It is also important to note that the share of students actually taking the national tests is significantly higher for IES than schools run by municipalities. As an education organization, IES has decided to counter any inclination to allow low-performing students to be absent during national tests, which seems to occur elsewhere.

Differences between national test results and final grades cannot be considered to constitute grade inflation. IES schools are expected to effectively use all the time available during the academic year for teaching and learning. Ambitious students who are at the boundary between, for example, a D and C grade have the opportunity to work hard to make the grade of C right up until the end of the school year, long after national tests were taken (mid-March for Swedish).

The reasonable definition of grade inflation is that students are awarded grades which are not justified in terms of their knowledge and skills. As far as we are aware, there is only test which attempts to measure this, with qualified success, namely the 'Stockholm Test' in mathematics, designed by researchers and used as directed by City of Stockholm's office for statistics. A measurement is taken at the start of senior high school in the autumn, whether student performance is consistent with what can be predicted using their results from compulsory school in the spring of the same year. The Stockholm Test in autumn 2017 indicated that students from all six participating IES compulsory schools achieved results which exceeded expectations based on their final grades from compulsory school in spring 2017. The implication is that all IES's compulsory schools in Stockholm experienced some grade deflation. As Professor Jonas Vlachos concluded, "performance in mathematics is strongly correlated to overall educational performance across subjects," (Vlachos, IFN Working Paper No. 1217, 2018).

As we wrote in last year's director's report, IES has also been at the forefront of developing a metric of value-added, i.e. a pure measure of the value each school adds, adjusted for other

background factors. We have been able to monitor how specific individuals within IES performed in national tests in grade 6, and then three years later, in grade 9. The first measurements were conducted for the three years 2013–2016. In relation to a comparison with the average for all municipal schools, it showed the discrepancy in top grades (C+) for IES students during those three years increased by 18 percentage points in mathematics and by 12 percentage points in Swedish. Unfortunately, we were unable to repeat the computation for the years 2014–2017, due to a leak of national tests in spring 2017. A comparable leak occurred in spring 2018. It is remarkable, and regrettable, that the Swedish National Agency for Education has been unable to maintain the integrity of the national test system. In the past two years, these circumstances have compromised a central component of IES's academic quality control systems.

As a school operator, IES always formulates stringent directives for its principals that grades should be awarded according to the best professional judgement of qualified teachers. Teachers also know that the principals and IES as an education provider support their judgement in the face of any external pressure. This is expressed unequivocally in the "Ethical guidelines for IES" which the board adopted in 2017. One of its points states: "Honesty shall characterize everything we do. We do not say one thing in public and deliberately act differently in practice. We set correct grades in our schools after a professional assessment, not bending to undue pressure." Teachers' trade union representatives also attest that this is the prevailing culture within IES.

Examining tendencies towards grade inflation, and actively countering any such tendencies where discovered, has been a critical part of the organization's systematic quality work for many years. Such tendencies are mainly a risk in esthetic subjects, where there is no fixed reference in the form of national tests, while grading criteria are extremely vague.

One characteristic of a quality-oriented organization is that it does not go on the defensive if shortcomings are discovered, but on the contrary, identifies, recognizes and actively rectifies that which is not correct. This kind of open and self-critical attitude is a fundamental part of genuine quality work. In a large organization with thousands of employees and millions of human encounters in a year, shortcomings of one kind or another are bound to arise. What is important is the attitude expressed in the following way in the ethical guidelines for IES:

"We take with utmost seriousness our assignment to operate a school, plan responsibly and respond quickly and forcefully to correct problems. No organization can avoid problems, but our organization shall be dedicated to not let them persist without taking action."

IES created two new central roles on 1 October 2017 to focus work, together with principals, to ensure school quality. These two positions were filled by two experienced principals who have successfully led IES schools for many years. This strengthening of support to our schools is something our principals really appreciate. At the same time it has relieved the rest of management of this role, improving its capacity to address the company's growth.

For the same reason, during the spring of 2018, the organization's head office was also strengthened by the addition of a qualified professional to work full-time on building issues. This is crucial to the possibility for expansion. However, existing schools also have questions around the need for refurbishment, renewal of contracts, planning permission etc. for which principals need support from our nationwide organization.

Finding and motivating outstanding school leaders remains central to our organization. In May 2018, the largest cohort of teachers to date, 29, graduated from our internal one-year "Barbara Bergström School Leadership Academy" program. No methodology for also embedding the IES culture in newly started schools is more effective than including individuals that have already operated in this culture in the school's leadership.

In August 2017, after a review of quality data, the board decided to sharpen the focus on consistent application of the routines that have created a calm and orderly environment, under the formula of 'Back to Basics.' This work was facilitated by the collection of defining documents all employees are now expected to sign and is also set out in an appendix of the book 'Tough Love.' Another area of focus set out by the board of directors is to give more attention to middle management in the schools, such as heads of year and heads of department. Stability and consistency from heads of department in each school is even more important due to a lot of young teachers from countries such as Canada and the US, who may return home after several years of rich experience with IES.

The harsher cultural climate that is emerging – with gangs and other groupings whose influence extends into schools – requires greater vigilance in the application of IES's core structure of good order and control by adults. This is social trend has also led to extensive efforts to increase security in the built environment of our schools. Substantial resources have been invested this year, through both investigations and actions, to improve safety and readiness in our schools. Our schools are also applying the internationally recognized concept of the closed campus – students stay at school during school hours, and visitors are not permitted without first signing in at reception.

We have noticed increased worry from parents about what might happen to their children, not only at school, but also as they travel to and from school. These concerns are exacerbated by media coverage. Because IES schools have large numbers of students who have long commutes, IES is especially affected by the increasing level of societal concern.

Led by IES's central IT Manager, our organization has worked extensively during the year to ensure that IES satisfies the EU's GDPR standards, a directive which came into effect on 1 May 2018. For obvious reasons, schools retain a large amount data about individuals, and the management of this data is directly affected by this new regulatory system. The board of directors has been continuously updated on this process and is confident that IES satisfies the new standards.

Academic advisory board

The academic board created by the board of directors in 2014

has served as an inspirational and important sounding-board for academic progress during this financial year. Not least it has been possible to scrutinize the validity of fashionable ideas in the debate, and the standpoint of the Swedish National Agency for Education within this qualified group. This applies to ideas such as having coding as a new school subject, and the assertion that students' understanding of a subject diminishes due to them being taught in English.

This financial year the board members have been:
 Professor Hans Albin Larsson, Jönköping University, education and communication faculty
 Professor Sangeeta Bagga-Gupta, Jönköping University
 Professor Torkel Klingberg, Karolinska Institute
 Professor Hugo Lagercrantz, Karolinska Institute
 Education advocate and IES teacher Isak Skogstad has also taken part in the board's work during the year.

The board was chaired by associate professor Hans Bergström.

Share capital and ownership

Internationella Engelska Skolan i Sverige Holdings II AB (publ) is listed on Nasdaq Stockholm. The largest shareholders are the US firm TA Associates (indirectly), IES's founder Barbara Bergström (indirectly), and funds within Paradigm Capital, which became a major shareholder in spring 2018. At the end of June 2018, the ten largest shareholders also included investment company Öresund, Swedbank Robur fonder, the Third Swedish National Pension Fund and AMF Pension (owned jointly by LO, the Swedish Trade Union Confederation and the Confederation of Swedish Enterprise to secure the pensions of LO members).

As of 30 June 2018, there were 40,050,000 shares, see pages 50–51.

Financials

IES continued its rapid organic growth in 2017/18. Operating income increased by MSEK 305 to MSEK 2,348, and by 15% on the previous financial year. In total, the number of classes increased to 798, from 711 in the academic year 2016/17. School voucher funding plus other revenue per student increased by 2.8%. Some central government subsidies were added to the slowly growing school voucher funding from municipalities, mainly for läxhjälp (homework support) in 2017 (which impacted the first half of the financial year). In previous years, IES has met the cost of offering students additional support outside teaching hours each afternoon. The Swedish National Agency for Education decided to not to grant IES a central government subsidy for läxhjälp again in 2018, despite the fact that many of our schools have a socioeconomic composition that is more demanding than many of the schools which received this subsidy. This decision was based on the questionable method of prioritizing not based on individual schools but rather, the collected schools of the education provider.

The group's EBIT amounted to MSEK152 (198), equivalent to an EBIT margin of 6.5% (9.7). The EBIT adjusted for items affecting comparability, such as expenses for the change of CEO and acquisition expenses in Spain, was MSEK 155 (204), equat-

ing to an EBIT margin of 6.6% (10.0). Three factors in particular led to the decreased EBIT margin. Opening four new schools in August 2017 meant costs in their first year, but obviously, is an investment in the future. The läxhjälp central government subsidy was only paid for half of the financial year, rather than the whole of the previous financial year. A third, significant, factor is the shortage of teachers in Sweden resulting in extensive teacher wage creepage, an average 8% increase in personnel expenses per student when compared to the previous year. The teacher shortage also resulted in increased expenses for supply teachers from agencies. These increasing costs were not covered by a corresponding rise in municipal school voucher levels, despite the fact that the teacher shortage obviously also affects municipal schools. The principle of "equal terms" for both free schools and municipal schools is fundamental to Sweden's school system.

Cash flow from operating activities was MSEK 197.2 (260.8). The lower cash flow compared to the previous year can be explained by lower earnings and higher tax paid. Cash flow for the period was MSEK -76.5 (-35.1). The difference on the previous year, excluding that due to cash flow from operating activities, mainly consists of repayment of a loan in the previous year and payment of dividends, a short-term loan to the then 50%-owned ownership vehicle IEP in Spain for the acquisition of ESA, and higher investments in school operations in the current year.

The board of directors' objective is for IES to maintain a minimum equity/assets ratio – equity in relation to total capital – of 40%. The equity/assets ratio as of 30 June 2018 was 72.9% (74.2). The company's financial strength provides security and stability for parents, students, employees and society. At the end of the financial year, the group had a positive net cash position and no outstanding loans to banks.

The continued rapid expansion of operations has required substantial investment, especially in our four new schools but also in those already established. MSEK 89 (55) was directly invested in schools for the financial year 2018/19 in furniture and other equipment, refurbishment, IT infrastructure, outdoor spaces, etc. Even larger investments are funded by our landlords, and spread over lease terms as part of the rent we pay for each building.

A four-year summary is on page 60.

Sustainability report

See page 70.

Risk and uncertainty factors

See page 74.

Significant events during the financial year

Annette Brodin Rampe became CEO on 1 March 2018.

On 1 January 2018 IES implemented a new queue system which prevents parents from registering their children "from the maternity ward". The reason for the change is to create complete fairness between children born in the same year, regardless of when in that year they are born. Children born in 2018 cannot be registered in the queue for an IES school before 1 February 2019. The equivalent will apply in future years.

Plans to start IES schools in both Skellefteå and Luleå from autumn 2019 continued with active support from the municipalities in these towns. In June 2018 a contract was signed with Diös to lease a centrally-located school building in Luleå. In recent years, Skellefteå and Luleå have both successfully attracted global corporations and networks, with Facebook's data center in Luleå being the most notable example. Forward-thinking municipal councils who working in partnership with the business community understand that the continued success of their municipalities will be supported by the addition of internationally oriented, high-quality, schools.

This financial year investigation proposals for potential parliamentary bills and political processes have attracted substantial attention and active input from IES. Official replies were formulated and presented to the School Cost Inquiry, the Reepalu Inquiry's second phase on school quality, and the main findings of the Swedish Government's School Commission.

Working with other major education providers, IES tasked consulting practice Deloitte during this financial year to conduct an extensive and focused audit of the major municipalities' financial statements for 2017. Friskolornas Riksförbund, the Swedish Association of Independent Schools, is acting as the client. The purpose of this assignment was to ensure a fair allocation of school voucher funding. The school voucher level that a municipality allocates for a calendar year is, by law, based upon the municipality's budgets for the coming year. In cases where more resources are consumed than had been assigned for the year, causing a deficit in municipal school budgets, free schools have a legal right to compensation to uphold the vital principle of equal terms. The same school voucher funding should be available for students with similar backgrounds, regardless of whether their families have chosen municipal schools or free schools.

In May 2018, IES sent an extensive report to the general director of the Swedish National Agency for Education in response to its report to the government at the start of the year about teaching in English. The study behind the agency's report related to teaching in English, often by Swedish teachers, in subjects other than English, at senior high schools. The agency then decided to express to the government that its main view is that the current exemption in the Swedish Education Act for IES and other education providers (including municipal operators) to teach partly in English in compulsory schools should be abolished in time.

This position involves a complete U-turn from the agency, which supported the exemption being introduced into Sweden's new Education Act in 2011. It is not based on any research into how teaching English is conducted within IES, which is the main education provider utilizing the exemption. Nor was it preceded by any audit of performance in subjects such as Swedish and mathematics for an organization such as IES. This position is based on the view from one educational institution; a view which has been criticized strongly by international research into bilingualism. In this time of severe teacher shortage in Sweden, it would be almost unthinkable stupidity to prevent the recruitment of good foreign teachers to Sweden. IES has gained strong support from sources including Professor Hugo Lagercrantz,

Sweden's pre-eminent researcher into children's early-stage brain development and language, and Professor Sangeeta Bagga-Gupta, Sweden's most internationally-recognized researcher in multilingualism.

IES has invited the agency into closer dialogue on this vital issue. Its new view is clearly not the result of careful consideration.

In May, the newly incorporated joint venture International Education Partnership, S. L. ("IEP") acquired 99.55% of the shares of English School of Asturias (ESA). At the date of this acquisition IEP was owned 50% by IES and 50% by IES's collaborative partner in Spain, the Monzonis family. The purchase price was MEUR 13.5, and includes school buildings. The English School of Asturias is a fee-paying private school and became IES's second acquisition in Spain, after the acquisition of 50% of the shares of Grupo Educativo Elians during fall 2016.

The school is run on largely the same convictions as IES in Sweden with a focus on English, high education quality and an orderly classroom environment. Teaching follows a British international curriculum, and is mainly conducted in English. The school currently has 690 students aged 3 to 18, most of them from Spain. The school is located in central Asturias, in Pruvia de Abajo, within convenient distance of the cities of Oviedo, Gijón and Avilés.

At an EGM on 13 June, the shareholders resolved to implement a long term incentive program, firstly in the form of a share matching program for principals and other key individuals within IES, and secondly stock options and the issue of stock options for group management.

The EGM resolved to authorize the board to execute a directed placement of a maximum of 80,000 class C shares, authorized the repurchase of issued class C shares, and resolved to transfer the repurchased shares to participants in the program, after conversion to ordinary shares.

In May 2018, IES founder Barbara Bergström received Swedish daily newspaper Svenska Dagbladet's "Business Achievement of the Year" prize. The award was presented by Prince Daniel. The citation read: "For challenging the establishment with a clear vision, the stamina of a champion and sheer bloody-mindedness when an urgent need had been identified. This year's recipient of SvD's Business Achievement of the Year award has scored straight A's in creating a calm learning environment for students, to the benefit of the community and for a better future for Sweden." During months of election fever – when ideologically and tactically motivated attacks without any basis grounded in the reality of how our schools operate were legion – this award demonstrates that IES is "a benefit to society," and has helped "prepare Sweden for a better future."

Post balance sheet events

On 2 July, the Swedish Inspectorate of Schools notified IES that it had approved all the applications filed in early-2018 for permits to start and expand schools. These permits relate to opening schools with grades F–9 in Gothenburg and Solna, and expansion of existing operations to include grades F–3 in Täby,

Västerås, Örebro and Södertälje. IES has not yet taken any definitive decisions on the above potential new schools or expansions.

On 2 July, the board of directors for IES decided to issue new shares and then immediately repurchase 80,000 class C shares. The shares are being issued and repurchased in accordance with the share matching program implemented by the EGM on 13 June 2018.

IES acquired the remaining 50% of the Spanish ownership vehicle IEP for the maximum and expected purchase price of MEUR 12, of which MEUR 9.5 was paid on 9 July.

IEP holds 99.55% of the shares of English School of Asturias, as well as 100% of the shares of two of Grupo Educativo Elians's three school operators in Spain, located in Castellon and La Nucia. Effective July 2018, the operations within IEP will be consolidated into IES, and in the financial year 2018/19, are expected to generate revenue of MEUR 15.3 and an EBITDA of MEUR 2.9. The fourth Spanish school that IES has a participating interest in is located in Valencia, and is still owned 50% by IES and 50% by the Monzonis family.

Two new compulsory schools were started in August 2018, one in Länna/Huddinge with 13 classes and 400 students in a completely newly-built school, and one in Sundbyberg, with six classes and 190 students. Both schools filled according to plan with no difficulties in their first year. This corroborates that very substantial parental interest in IES remains in the Stockholm region.

The company's expected future progress – board of directors' opinion

The reality confirms the excellent potential for IES's continued expansion. The need for new schools will be far greater over the next ten years, given pressure from immigration and high birth rates. This also influences the behavior of realistic municipal leaders.

They understand that new schools opened by a professional education provider like IES but should not be viewed as competition, but rather help in meeting the immense need to come. Additionally, schools with an international character, offering high quality, also make a municipality more attractive, not least for the business community. This is the motivation of municipal managements like Luleå and Skellefteå who reach out to IES and welcome us into their cities.

The teacher shortage is a huge concern for Sweden. Annually, there is a need for more than double the number of new teachers who graduate from Swedish teaching colleges each year. Expanding education programs is not enough, especially if this were also to imply a weaker selection of potential teachers. IES also has a lot to offer in this area, due to our extensive recruitment of excellent teachers from English-speaking countries. This financial year, we strengthened our international recruitment network, so that around half of our teachers can be recruited from countries like Canada, the US, UK and South Africa, which generally have better teacher training programs than Sweden.

The difficulty in finding housing, particularly in Stockholm, is a major concern for IES and our recruitment of foreign teachers, as it is for the whole of the business community.

Tougher requirements around financial strength and compe-

tence benefit established organizations like IES. We have welcomed the higher standards for evaluating applicants for school permits from the Swedish Inspectorate of Schools which the Swedish parliament approved in spring 2018. Anyone who wants to start a school should be professional and knowledgeable about education as well as preferably having a secure financial base. No one is served well when charlatans and opportunists apply to run free schools. This damages the credibility of the whole free school system. There has been an increase in genuine obstacles to starting new schools, in the form of regulatory systems and financial requirements, but also in that trusting, long-term partnerships between school providers, real estate companies and municipalities are now required. The model for this, developed in a partnership between IES, real estate company Hemsö and the municipality of Landskrona has attracted substantial interest, and the tendency is to replicate it.

The board of directors held a two-day strategy meeting in March 2018. One of its main conclusions was that IES should develop its concept for grades F–3 of compulsory school. As there are ten mandatory years of compulsory schooling, these grades make up 40% of compulsory schooling. IES has a modest presence in this huge and growing segment, which requires dedicated building solutions, which can also be used for after-school care. First and foremost, IES needs to clarify how it introduces the English language, and increases students' overall basic knowledge and skills at this early stage, and how to produce effective results working alongside this after-school care. Another reason for IES covering all the years of compulsory schools is that municipalities seeking to partner for new schools generally want them to cover all grades.

Additionally, it is now apparent that the scope for starting new schools is greater than the board previously estimated, with our new planned schools in Skellefteå and Luleå highlighting this fact. Gothenburg needs more new international schools of the sort operated by IES, over and above the two already in place. In Malmö and its surrounding municipalities there is also substantial parental demand for an international school in the style of IES. In Greater Stockholm, the limiting factor is finding suitable premises for a reasonable price – there is parental interest, as evidenced by the queues for the 16 compulsory schools we already operate in and around Stockholm.

Queues to IES schools continue to grow. We have reinforced our central organization to handle continued growth. A critical concern is that we maintain quality, through the use of strong leadership and consciously safeguarding the internal culture which has already been successful for many years.

The board of directors' opinion is that many objective factors indicate continued strong growth for IES in Sweden. Parents have also become accustomed to having the control over their lives, such as the right to select schools. Margins have been squeezed by municipalities increasingly useless handling of the principle of "equal terms". Municipalities have two roles; firstly as the public authority making objective school voucher funding decisions, while also being an education provider whose interests lie in providing their own schools with more funding.

Uncertainty regarding the future has been created by a national political debate that has lurched away from reality. The 2018 elections have also included an ideological anti-business rhetoric that has not been heard in Sweden since 1968. Fundamental components of this system, such as parental freedom of choice and equal terms for school voucher levels regardless of school choices, have been questioned. Below the surface, we have heard suggestions of implementing compulsory bussing of pupils to schools that families have not chosen, harbored even by government ministers.

It is our hope and belief that the conditions of the new government produced by the election results in September 2018 will enable a return of pragmatism and realism in practical decision making.

Sweden's schools require reform, involving more stringent and clearly formulated knowledge requirements in the national curriculum, significant improvement to teacher training, more routes into the teaching profession, stronger school leadership, greater possibilities for school leaders to protect the working environment for the majority of students from sabotage by a few, practical guarantees of the principle of "equal terms", and the creation of a national tests and grading system that is more reliable than the one we presently have.

It is high time that politicians and public authorities focus on these important tasks, which are vital for the schooling system and critical to Sweden's future. IES will remain a positive and growing influence in this process. IES is part of the solution to Sweden's problems.

Compensation, terms and conditions of senior managers

The board of directors applies the following guidelines for compensation of the chief executive officer and senior managers: IES will offer overall compensation at market levels that enables the hiring and retention of qualified senior managers. Compensation within IES should be based on principles of performance, competition and fairness. Variable compensation is not permitted. Share-based incentive programs were introduced by the board of directors after authorization from a shareholders meeting. The board of directors may depart from these guidelines in special circumstances. In the event of major departures, shareholders should be informed of this at the following AGM.

Compensation for the chief executive officer and other senior managers is comprised of a basic salary, pension, company car and healthcare benefits. Senior managers mean the 11 individuals that make up management jointly with the chief executive officer. Other benefits are permitted in accordance with the customary terms and conditions in the countries where we operate. Such benefits may not however represent a larger share of the overall compensation.

The chief executive officer has a notice period of six months and severance pay of 12 months for termination initiated by the company. If the chief executive officer decides to terminate employment, the notice period is six months. Other senior managers have maximum notice periods of six months and maximum

severance pay of six months.

Compensation guidelines for senior managers

The following principles were approved by the most recent AGM and are proposed to remain unchanged at the next AGM. IES should offer overall compensation at market level that enables the hiring and retention of qualified senior managers. Compensation within IES should be based on principles of performance, competition and fairness. There will be no variable compensation. Share-based incentive programs were introduced by the board of directors after authorization from a shareholders meeting.

Authorization for the board of directors to depart from the guidelines

The board of directors is entitled to depart from these guidelines in special circumstances. In the event of any major departure, the shareholders will be informed of the reason at the following annual general meeting.

Parent company

The parent company Internationella Engelska Skolan i Sverige Holdings II AB bills management services to subsidiaries and joint ventures. On a few occasions, the parent company has also arranged loans from banks and issued intragroup loans. In November 2017 dividends were paid for the financial year 2016/17, the first time the company paid dividends to shareholders.

The parent company's operating income amounted to MSEK 7.8 (4.4). EBIT was MSEK -9.9 (-10.7) and profit for the year was MSEK 21.9 (61.9). The financial position at year-end remained strong, with an equity/assets ratio of 85.7% (89.7).

Proposed appropriation of profit

The following profit is at the disposal of the Annual General Meeting:

Retained earnings	376,121,610
Profit for the year	21,941,379
Total	398,062,989

The board proposes that:

Dividends to shareholders of SEK 0 (1.14) per share	0
Carried forward	398,062,989
Total	398,062,989

The board proposes to the AGM that no dividend is paid for the financial year 2017/18 due to the substantial need for new investments in compulsory schools across Sweden in the short term, and attractive acquisition opportunities in Spain.

Key Performance Indicators

Four-year summary, group*	2017/18	2016/17	2015/16	2014/15
Operating income (MSEK)	2,347.9	2,043.3	1,806.8	1,547.3
EBIT, MSEK**	152.4	198.0	169.5	155.5
EBIT margin, %	6.5	9.7	9.4	10.1
Adjusted EBIT, MSEK**	155.1	204.2	178.1	155.5
Adjusted EBIT margin, %	6.6	10.0	9.9	10.0
Profit for the year, MSEK	116.5	152.1	127.0	116.5
Net margin, %	5.0	7.4	7.0	7.5
Total assets, MSEK	1,306.8	1,189.3	1,166.1	976.0
Equity/assets ratio, %	72.9	74.2	62.6	61.8
FTE	2,455	2,129	1,937	1,684
Investments in school operations, MSEK	89	55	64	55

** Includes share of profits from Spanish joint venture.

Four-year summary, parent company*	2017/18	2016/17	2015/16	2014/15
Operating income, MSEK	7.8	4.4	0.5	0.0
EBIT, MSEK	-9.9	-10.7	-8.9	0.0
Profit for the year, MSEK	21.9	61.9	-1.1	0.0
Total assets, MSEK	465.7	471.1	542.9	361.9
Equity/assets ratio, %	91.9	89.8	66.5	100.0
FTE	1	0	0	0

* See definitions on page 111.

Corporate Governance Report

Internationella Engelska Skolan i Sverige Holdings II AB (publ) ("Internationella Engelska Skolan" or "IES") is a Swedish public limited company whose shares are quoted on Nasdaq Stockholm's Mid Cap list.

Corporate governance within IES

Corporate governance is intended to ensure that the board of directors and management are working for the company's operations to develop to create long-term value for shareholders and other stakeholders such as students, parents, employees and wider society. This includes ensuring: – a proper organization – quality management, risk management and internal control systems and – transparent internal and external reporting.

Responsibility for governance, management and controls is allocated between the shareholders, board of directors, its elected committees and the chief executive officer. External regulatory frameworks consist of the Swedish Companies Act, Nasdaq Stockholm's Rulebook for Issuers and the Swedish Corporate Governance Code (the "code"), as well as other applicable Swedish and foreign legislation and regulation (such as the Swedish Education Act). This corporate governance report has been prepared in accordance with the Swedish Annual Accounts Act. IES did not report any instances of non-compliance from the code for the financial year 2017/2018.

In addition, the company has control instruments such as its articles of association, rules of procedure for the board, instructions for the board's committees, instructions for the CEO, approvals list, finance policy, corporate communication policy, insider policy and ethical guidelines.

The board has decided not to create a dedicated internal audit function. The board considers that the company's quality management system and each principal's and unit manager's responsibilities, combined with the company's CFO, satisfy the need for sufficient controls and monitoring including reporting to the board of directors. However, the board does consider the need for an internal audit function each year.

In addition, the company has decided not to establish a remuneration committee since the entire board determines compensation matters for senior managers.

Annual general meeting

The Annual General Meeting (AGM) is IES's chief decision making body. Shareholders exercise their voting rights on key issues at the AGM, such as adoption of the income statements and balance sheets, allocation of the company's profits, discharging the board members and CEO from liability, electing board members and auditors, and compensation to the board of directors and auditor. Potential amendments to the articles of association are also resolved by the AGM. The AGM must be held within six months of the end of the financial year. IES's AGM will be held on 20 November 2018. Extraordinary General Meetings (EGM) can also be convened in addition to the AGM. The articles of association stipulate that notice convening shareholders' meetings should be announced in the Swedish Official Gazette and also on the company's website. The company should announce that the notice has been published through an advertisement in the Swedish

daily newspaper Svenska Dagbladet, placed at the same time. One EGM has been held in 2018, on 13 June, to introduce an incentive program for management.

Entitlement to participate in shareholders' meetings

Shareholders that wish to participate in shareholders' meetings must firstly be included in the share register as designated in chapter 7, section 28 third paragraph of the Swedish Companies Act regarding ownership five days prior to the meeting, and secondly notify the company by no later than the date stated in the notice to the meeting. This latter day may not be a Sunday, public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve, and may not fall before the fifth working day prior to the meeting. Shareholders may bring one or two assistants to meetings, although only if said shareholder has notified the company of this pursuant to the previous paragraph. Shareholders may notify their participation in several different ways, as stated in more detail in the notice convening each meeting. Shareholders are entitled to vote for all shares held.

Initiatives from shareholders

Shareholders that wish to have a matter considered at a shareholders' meeting must submit a request thereof to the board of directors. The board must have received such request in good time prior to the shareholders' meeting, in accordance with what is stated on the company's website regarding notification of the timing and location of the shareholders' meeting.

Nomination committee

The AGM on 17 November 2017 decided to adopt the following principles for the appointment of a nomination committee for the AGM 2018. The nomination committee should consist of the chairman of the board and one representative of each of the three largest shareholders based on ownership of the company as of the end of the third quarter of the financial year. If any of the three largest shareholders declines to appoint a representative on the nomination committee, this right defers to that shareholder which, after the three shareholders, has the next largest shareholding of the company. The board will convene the nomination committee.

That member representing the largest shareholder shall be appointed as chairman of the nomination committee, unless the nomination committee unanimously appoints someone else. Should a shareholder, having appointed a representative to the nomination committee, no longer be among the three largest shareholders at a point in time falling three months before the AGM at the latest, that representative shall resign and the shareholder who has now become one of the three largest shareholders shall have the right to appoint one representative to the nomination committee.

Should a change in the ownership occur during the three-month period prior to the annual general meeting, the already established

composition of the nomination committee shall remain unchanged. Should a member resign from the nomination committee before his or her work is completed, the shareholder who has appointed such member shall appoint a new member, unless that shareholder is no longer one of the three largest shareholders, in which case the largest shareholder in turn shall appoint the substitute member. A shareholder who has appointed a representative to the nomination committee shall have the right to discharge such representative and appoint a new representative.

If changes occur to the composition of the nomination committee it shall be announced immediately. The term of the office for the nomination committee ends when the next nomination committee has been appointed. The nomination committee shall carry out its duties as set out in the Swedish Code of Corporate Governance. The work of the nomination committee should assure the board has the competence, experience and background its assignment requires. The committee should also consider the versatility and breadth and that the board has an even gender distribution. Consistent with the above, IES's nomination committee has the following members as of 30 June 2018:

- Birker B. Bahnsen, Bock Capital
- Hans Bergström, Greenbush Förvaltnings AB.
- Øystein Engebretsen Investment AB Öresund, replaced by Jan Hummel, Paradigm Capital, on 21 August 2018.
- Per Bätelson, chairman of IES.

Shareholders

The largest shareholders and their holdings are stated in the section on the IES share on pages 50–51.

Name	Position	Elected in	Independent of:	
			Company & management	Principal owner**
Per Bätelson	Chairman	2016	Yes	Yes
Barbara Bergström	Director, deputy chairman	2012	No	No
Birker Bahnsen	Director	2012	No	No
Cecilia Marlow	Director	2016	Yes	Yes
Maria Rankka*	Director	2017	Yes	Yes
Gunilla Carlsson*	Director	2017	Yes	Yes
Albert Lauschus	Employee representative	2017	No	Yes
Jessica Fryksten	Employee representative	2017	No	Yes

* Joined the board on 17 November 2017.

** Ownership greater than 10%.

Board of directors

Composition of the board of directors

IES's articles of association state that, the board of directors which is elected by the AGM shall consist of a minimum of three (3) and a maximum of ten (10) board members with a maximum of three (3) deputy board members. The articles of association contain no special provisions on appointing or dismissing board members.

The AGM on 17 November 2017 authorized the board of directors to authorize repurchase and transfer of treasury shares, of up to 10% of total number of shares of the company, and to take decisions on the issue of new shares corresponding to maximum dilution of 10% of the number of shares outstanding of the time of the notice to the AGM.

The EGM on 13 June 2018 authorized the board to issue a maximum of 80,000 class C shares, repurchase issued Class C shares, and to transfer the repurchased shares to participants under the program following the reclassification into ordinary shares.

At present, IES has six board members elected by the AGM including the chairman of the board, and no deputy board members, who have been elected for the period until the end of the AGM 2018. The unions have appointed two representatives and two deputy representatives. The following table gives an overview of IES's board of directors elected by the AGM, which year they were elected and whether those they are independent of the company, its management and/or main shareholder. The composition of IES's board complies with the code's requirement regarding independence. None of the members of IES's management has shareholdings in the company exceeding 0.5% of the shares, or significant ownership of entities that the company has material business relationships with.

Per Bätelson has been chairman of IES's board since 2016. The chairman is elected by the AGM and leads the work of the board, and ensures that it is conducted in an effective, well-organized manner.

The board of directors' segregation of duties

The board follows written rules of procedure which are reviewed yearly and adopted by the board meeting following election each year. The rules of procedure regulate matters including board practice, functions and the segregation of duties between board and the CEO, and between the board and the board committees. At the statutory board meeting following the AGM, the board also

Director	Attendance, board meetings
Per Bätelson	11
Barbara Bergström	11
Birker Bahnsen	11
Cecilia Marlow	11
Maria Rankka*	6
Gunilla Carlsson*	5
Albert Lauschus	11
Jessica Fryksten	11

* Joined the board of directors on 17 November 2017.

approves instructions for the CEO, which include instructions of financial reporting. The board of directors meet according to a plan set each year. As well as these board meetings, further meetings may be convened to resolve on matters that cannot be referred to a scheduled meeting. In addition to the board meetings, the chairman and CEO have a continuous dialogue regarding the operations of the company. For more details about the board of directors, refer to pages 68–69.

The work of the board of directors in the financial year 2017/18

Eleven board meetings were held in the year. Board members' attendance is illustrated in the table on page 62. Hans Bergström served as secretary at the board meetings. Before the meetings the board members receive written material regarding the matters to be considered at each meeting. During the year, apart from the customary monitoring of quality issues and finances, much of the board's time was assigned to work on appointing and introducing the new CEO. The board also worked actively in consultation with management on various strategic issues.

Audit committee

IES has established an audit committee consisting of two members: Cecilia Marlow (chairman) and Birker Bahnsen. The audit committee's duties include monitoring the company's financial reporting, the efficiency of the company's internal controls, keeping informed about the audit of the annual accounts and consolidated accounts, reviewing and monitoring auditor impartiality and independence, keeping informed about the conclusions of the Swedish Inspectorate of Auditors' quality control of the company's auditors, and especially, verifying whether the auditor has rendered the company with other services apart from auditing (and where necessary, and to the extent permitted and considered appropriate, approving services other than auditing). Another of the committee's duties is to evaluate the audit efforts and provide this information to the nomination committee, and provide assistance on the preparation of proposals for AGM resolution regarding electing auditors, including administering the tendering process.

Board attendance

The unions have two representatives on the board of directors. The audit committee held four meetings in the financial year 1 July 2017 to 30 June 2018.

Appraisal of the work of the board of directors

The work of the board of directors is appraised each year through a structured process in which all board members and deputy board members respond to questions regarding how they perceive that the work of the board has progressed in a number of relevant areas. The areas appraised include whether the board's competence and composition is sufficient, the orientation and focus of the work of the board. The chairman of the board is responsible for this appraisal process and to ensure that its results are presented to, and discussed within, the board and nomination committee. Accordingly, this appraisal process provides supporting data for the board of directors' work and progress, and for the work of the nomination

committee. The appraisal of the board's work in 2017/18 was presented and discussed at the board meeting on 28 September 2018. All board members elected by shareholders' meetings responded to the survey, which was reviewed orally, with various developmental areas discussed.

Compensation to directors and shareholdings

Fees and other remuneration to board members including the chairman are resolved by the AGM. The AGM on 17 November 2017 approved fees of a total maximum of SEK 1,350,000 to be payable for the period until the end of the following AGM, with the following allocation. The chairman of the board should receive SEK 500,000, the chairman of the audit committee should receive SEK 350,000 and the other members not employed by the company should each receive SEK 250,000, apart from Birker Bahnsen and Barbara Bergström. No fees should be paid to Birker Bahnsen and Barbara Bergström.

The board members are not entitled to any benefits after they have left the board. In her capacity as a key culture bearer for the school's operation, Barbara Bergström serves an executive role within IES. This work relates to issues such as recruitment of teachers in North America, monitoring English-language education resources, conducting Skype interviews with candidates for positions such as principal and assistant principal, contributing to the evaluation of various policy documents for the school's operations, and mentoring of school leadership via phone from the US. She receives a monthly gross fee of SEK 25,000 for these efforts.

For information on compensation paid to the in the financial year 2017/18, refer to note 7. More information on the board of directors and their shareholdings is stated on pages 68–69.

Chief executive officer and other senior managers

Annette Brodin Rampe has been CEO and president of IES since March 2018. The segregation of duties between the board of directors and CEO is stated in the rules of procedure for the board of directors and instructions for the CEO. The CEO is also responsible for preparing financial reports and compiling information from management for board meetings, and reports on this material at board meetings. Pursuant to the instructions for financial reporting, the CEO is responsible for the company's financial reporting, and accordingly, should ensure that the board of directors receives sufficient information to evaluate the company's financial position continuously. The CEO should keep the board continuously informed of the progress of the company's operating activities, operating income and results, and its financial position, liquidity and credit position, significant business events and any other business event, circumstance or relationship that could be assumed to be of material significance to the company's shareholders.

The CEO is supported by a the management team, which since 1 July 2018, consists of the vice CEO, the CFO, two COOs, the HR manager, head of academics and quality, school lawyer, CIO, head of communication, and IR manager. For more information on the CEO and other senior managers, and their shareholdings, refer to pages 70–71.

For a review of the CEO's and the rest of the management

team's compensation, terms and conditions in the financial year 2017/18, refer to note 7.

Internal controls and risk management

Framework governing internal controls

IES's work on internal control is based on two perspectives: firstly, internal controls and risk management regarding operations, and secondly internal controls and risk management relating to financial reporting. Internal governance and control should ensure that IES's financial reporting provides an accurate view of the company's financial position and that at any time, operations satisfy the standards and expectations applying to a company with publicly financed operations.

Control environment

IES's board of directors is ultimately responsible for the company satisfying the standards of good internal governance and control over financial reporting. Each year, the board of directors approves a number of policy documents which shall provide support to management and all employees on how to work to ensure accurate, complete and relevant reporting. Central documents include the board of directors' rules of procedure and instructions regulating the duties of the chairman and CEO, and the segregation of duties between them, as well as overarching policies.

Through delegation from the CEO, the company's CFO is responsible for ensuring compliance with approved guidelines for financial reporting, and implementation and compliance with internal controls.

Apart from the company's finance policy and other policies, IES's finance manual is essential in this respect. The finance policy and finance in tandem with accounting and financial reporting procedures, IES's internal controls and risk management are based to a high degree on systematic and far-reaching quality processes. Through its own processes, IES has created a quality system. Additionally, operations are regularly reviewed by the Swedish Schools Inspectorate.

Within the framework of IES's quality systems, internal controls include controls of the company's and the group's organization, school performance in national tests and conducting the yearly survey of students, parents, and staff at school level. Performance below specified thresholds results in action-plans and further investigation and follow-up actions.

For several years, internal audits have also been conducted into the group's operations intended firstly to verify that operations satisfy legislative, regulatory and other standards, and secondly to serve as tools for learning, development and quality processes. These audits are executed by management and central resources and include documentary studies, inspection visits and interviews with school managements, staff and students, and if short-comings are identified, action-plans are formulated.

With the aim of gaining overview and verifying current inspections and reporting procedures, logs of all current cases are also maintained. The group's academic manager and the group's school lawyer provide regular reports on units where there are risks of significant shortcomings. These are reported to group management, which decides on whether specific actions are necessary.

IES features rapid growth through new schools. IES has highly developed routines for new schools designed to integrate, and ensure that they comply, with the company's quality and accounting processes.

In summary, IES's control environment is based on:

- governance and monitoring by the board of directors and its audit committee
- policy documents such as rules of procedure, finance policy and other policies
- regular monitoring and audits
- the company's organizational resources, clear delegation of authority and execution of responsibility
- well-implemented ethical guidelines and the company's core values, as well as
- a well-established internal quality management system.

Risk assessment

IES evaluates the operational risks each year. Operations feature fairly low risk within areas such as credit risk (high share of public customers/counterparties), market risk (stable markets and revenue flows based on a continuous need for education services, demographic growth and rate of price increase) and a low risk of corruption or financial impropriety. The company judges that the most important risks to manage are quality risk, i.e. the risk that quality does not live up to regulators' or students' standards, as well as political risks, inherent in the fact that the fundamental governing operations are largely based on politically decided frameworks. Both these risks are best managed through a good quality management model, clear ethical guidelines and a high degree of transparency regarding the company's operating activities. The audit committee bears responsibility for providing a process for risk assessment and risk management in financial reporting.

Control activities

IES conducts regular monitoring and control of the company's operating activities towards financial targets. The board of directors' monitoring is largely conducted by the audit committee, including through monitoring the reporting carried out by management and external auditors. The external auditors review selected parts of the internal control and report their findings to the audit committee.

Internal control systems are designed to ensure accurate financial reporting and consistent monitoring of the group's quality results, and to guarantee the necessary monitoring of compliance with the group's policies, principles and instructions. Internal controls should also ensure that the group's financial reporting is prepared in accordance with legislation and applicable accounting standards, and that the group is complying with other relevant standards. Internal controls covering financial reporting consist of several key components:

- the internal authorization structure, which is based on, and documented in, the approvals list, and requires at least two individuals reviewing and approving transactions and expenses
- the documentation of financial processes and policies in the group's finance manual and finance policy
- the process whereby individuals at several levels in the organization analyze financial results before external reporting is

compiled, and the audit committee's duty of monitoring financial reporting and internal controls.

Information and communication

IES utilizes communication and information channels designed to enable the rapid and accurate dissemination of relevant information externally and internally. The company has established routines enabling it to publish complete and transparent financial reporting. IES has policies and processes to prevent the release of inaccurate or unauthorized disclosure of information.

The board of directors receives regular monthly reporting, operational and financial. The board is responsible for external interim reports and annual accounts in accordance with legislation and the code. The board has previously decided to adopt modified policies and procedures to satisfy the stipulations of the EU Market Abuse Regulation, which came into effect on 3 July 2016.

Financial reports are published on the company's website. Internal policy documents are in the company's management system. The outcome of the yearly quality survey is published for the group overall each year.

Monitoring

IES works on internal controls and risk management primarily through management's regular monitoring of operations towards established targets, and key performance indicators, as well as through a focus on early warning signals.

The company's key processes governing financial reporting and their properness is regularly evaluated by the CFO and his organization. Compliance with the finance manual, policies and legislation is scrutinized, and potential deviances either result in remedial action or enhancement of processes and procedures. A summary and status of identified actions is reported to the board of directors via the audit committee.

Internal audit

Based on the audit committee's evaluation, the board of directors has decided against establishing a dedicated internal audit function. The board considers that IES's quality management system, each principal's and unit manager's clear responsibilities, and the CFO's continuous reporting to the board of directors satisfies the necessary control and monitoring standards. However, the board considers the need for an internal audit function each year.

Audit

The auditor should review the company's annual accounts and accounting records, and the board of directors and CEO's administration. After each financial year, the auditors should submit an audit report and consolidated audit report to the AGM. IES's articles of association stipulate that IES should have a minimum of one, and a maximum of two, auditors, with or without deputies. IES's auditor is Ernst & Young AB, with Daniel Öberg as auditor in charge. The audit committee appraises the auditors' work and independence each year. For information on compensation to auditors in the financial year 2017/18, refer to note 4.

For more information on the principles applied:

- Swedish Companies Act, www.regeringen.se
- Swedish Code of Corporate Governance, www.corporategovernanceboard.se

More information at www.engelska.se

- Articles of Association
- Reports from previous AGMs
- Information on the Nomination Committee
- Information about the AGM 2018

Board of Directors

PER BÅTELSON

Chairman of the board since 2016.
Independent.
Born in 1950.

Education: BSc in Engineering Physics from Chalmers University of Technology and Business Administration Studies at the University of Gothenburg.

Current directorships: Chairman of Humana, IVBAR Institute, Nordic Network for Personalized Lifestyle Medicine, BC Business Creation and Cellavos. Director of Sakura and Medgroup. Deputy director of Lycke GK Fastighet and Lycke GK Marstrand.

Selected previous positions: CEO and chairman of GHP Specialty Care (publ). Chairman and CEO of Capio. Chairman of Apoteket AB and Karolinska University Hospital. Director of Oriola and Permobil.

Shareholding, personal and related parties: 10,000 shares.



BARBARA BERGSTRÖM

Deputy chairman
Director since 2012.
Non-independent.
Born in 1946.

Education: Undergraduate studies at Buffalo, NY, and Coral Gables, Miami, followed by a BA from Stockholm University.

Current directorships: –

Selected previous positions: Chairman of Internationella Engelska Skolan i Sverige.

Shareholding, personal and related parties: 1,600 shares. In addition, Hans and Barbara Bergström control 19.2% of the vote via Mountainstream Holding I s.ä.r.l.



BIRKER BAHNSEN

Director since 2012.
Non-independent.
Born in 1977.

Education: MSc in Behavioral and Cognitive Science, University of Oxford, M.Eng. from University of Cambridge, French studies at Lyon Catholic University, accounting studies at the International Business College.

Current directorships: Director of PhysiOL and Biocomposites.

Selected previous positions: Managing director of TA Associates (current position).

Shareholding, personal and related parties: 0 shares.
TA Associates is an advisor to Bock Capital, which holds 31.9% of the shares of IES Holdings II AB.



CECILIA MARLOW

Director since 2016.
Independent.
Born in 1960.

Education: MBA from Stockholm School of Economics.

Current directorships: Chairman of Kivra and Svenska Handelsfastigheter. Director of MatHem i Sverige, Fazer Group and Nordea Funds Ltd.

Selected previous positions: CEO of Kronans Droghandel Apotek and Polarn O. Pyret. Director of Clas Ohlson, Midsona and Platzer Fastigheter.

Shareholding, personal and related parties: 10,000 shares.



GUNILLA CARLSSON

Director since 2017.
Independent.
Born in 1963.

Education: Graduate of S:t Lars School, Linköping accounting/auditing program.

Current directorships: Director of Tundra Fonder and Boxholms Skogar AB.

Selected previous positions: Member of the Swedish Parliament and European Parliament. Government minister for international Development Cooperation. Deputy chairman of the Moderate Party. Deputy chairman of vaccine alliance Gavi. Director of IFS and NGS.

Shareholding, personal and related parties: 0 shares.



MARIA RANKKA

Director since 2017.
Independent.
Born in 1975.

Education: BSc (pol. sci.), Uppsala University and graduate of the Stanford Executive Program at Stanford Graduate School of Business.

Current directorships: Director of Pop Hose Sweden AB and Circus Cirkör

Selected previous positions: CEO of the Stockholm Chamber of Commerce and Timbro.

Shareholding, personal and related parties: 2,475 shares.



ALBERT LAUSCHUS

Employee representative, the National Union of Teachers in Sweden (LR), since 2017. Independent of IES's major shareholders, but non-independent of IES and group management. Born in 1970.

Education: B.E.d., Slippery Rock University; in English, University of Gävle. Qualified teacher of German, English, mathematics and handicrafts, University of Gothenburg. Diploma for employee representatives, PTK (the Swedish council for negotiation and cooperation).

Current directorships: –

Selected previous positions: Compulsory School Teacher of German, English, mathematics, as well as woodwork and metalwork at IES Gävle since 2003. Safety Representative at IES Gävle since 2003, Local Representative of LR at IES Gävle 2005-2014, LR chairman/Union Representative within Internationella Engelska Skolan AB 2013-2016.

Shareholding, personal and related parties: 727 shares.

**JESSICA FRYKSTEN**

Employee representative, the National Union of Teachers in Sweden (LR), since 2017. Independent of IES's major shareholders, but non-independent of IES and group management. Born in 1983.

Education: Qualified teacher of history and religious studies, Karlstad University. Practical executive English course, English language Centre, Brighton. Diploma for employee representatives, PTK (the Swedish council for negotiation and cooperation).

Current directorships: –

Selected previous positions: Career teacher since 2008 within municipal and free schools. Working at IES Gävle since 2011. Chairman of the National Swedish Federation of Teachers' dedicated association within IES since 2016.

Shareholding, personal and related parties: 288 shares.

**GUSTAV HENRIKSSON.**

Employee representative (deputy), the National Union of Teachers in Sweden (LR), since 2018. Independent of major shareholders, but non-independent of IES and group management. Born in 1990.

Education: Qualified teacher of history and social sciences, Stockholm University.

Current directorships: –

Selected previous positions: Compulsory School Teacher of history, social sciences, religious studies and geography at IES Liljeholmen. Local representative of LR at IES Liljeholmen since 2016. Deputy Safety Representative of IES Liljeholmen and deputy of the National Swedish Federation of Teachers' dedicated association within IES.

Shareholding, personal and related parties: 0 shares.

**LINDA SVENMAN**

Employee representative (deputy), the National Union of Teachers in Sweden (LR), since 2017. Independent of major shareholders, but non-independent of IES and group management. Born in 1972.

Education: Qualified teacher of social sciences, history, geography and religious studies. Practical executive English course, English language Centre, Brighton. Diploma for employee representatives, PTK (the Swedish council for negotiation and cooperation).

Current directorships: –

Selected previous positions: Served as a teacher within the municipal system since 1996, and that IES Örebro since 2003. Local LR representative, Örebro.

Shareholding, personal and related parties: 0 shares.



Shareholdings are as of 30 June 2018.

Management

Effective 1 July 2018

ANNETTE BRODIN RAMPE

CEO since 2018.
Born in 1962.

Education: MSe in Industrial Chemistry, Chalmers University of Technology, Gothenburg.

Other current positions: Director of Ferronordic Machines AB and Senior Advisor to Brunswick group. Chairman of Global Child Forum.

Selected previous positions: Managing Partner Europe, Brunswick Group.

Shareholding, personal and related parties: 200,000 shares.



JÖRGEN STENQUIST

Deputy CEO since 2010.
Born in 1965.

Education: Swedish Armed Forces Officer graduate, Swedish National Defence College Staff Officer Program and NATO Joint Command, General Staff Course, Estonia.

Other current positions: Deputy CEO of IES Sweden. Deputy director of TriHealth Fitness.

Selected previous positions: Principal of IES Täby. Officer, Amphibious Regiment AMF1, Swedish Armed Forces.

Shareholding, personal and related parties: 52,647 shares.



FREDRIK ÅKERMAN

CFO since 2013.
Born in 1962.

Education: MBA from the Stockholm School of Economics and history studies at Stockholm University.

Other current positions: Director of English Summer School AB and director of IES International English Schools UK Ltd.

Selected previous positions: CEO and CFO of Bisnode AB and Bisnode Business Information Group. CEO of Dagens Nyheter, chairman of Bisnode Venture & Development Aktiebolag and Kompass Sverige Aktiebolag.

Shareholding, personal and related parties: 84,898 shares.



JOHAN HÄHNEL

IR Manager since 2016.
Born in 1965.

Education: BSc in marketing and accounting from Stockholm University, political science studies at Lund University, German studies at the University of Marburg and Arabic studies at Jordan University.

Other current positions: IR manager of Bygghemma Group and Cavotec. Director of Jolorito and CEO of Comir.

Selected previous positions: Head of communication of the Stockholm Stock Exchange, Atle, Unilever, 3i, Nordea Asset Management, Q-Med and EQT Partners.

Shareholding, personal and related parties: 14,925 shares.



EVA ANDERSSON

School Lawyer since 2013.
Born in 1960.

Education: LL.B., Stockholm University, Graduate in Music Education and studies in Voice and Speech Education at Stockholm University College of Music Education, and school legal studies at University of Skövde.

Other current positions: –

Selected previous positions: Director of education, The Swedish Schools Inspectorate. Chairman of the Dalhalla Friends' Association.

Shareholding, personal and related parties: 576 shares.



DAMIAN BRUNKER

Head of Academics and Quality since 2009.
Born in 1975.

Education: National Leadership Qualifications, Sweden, from Stockholm University. PGCE, Manchester University. BA (Hons.) Goldsmith's College, University of London.

Other current positions: –

Selected previous positions: Deputy principal, IES Eskilstuna. Academic coordinator, IES Eskilstuna. Teacher in the UK.

Shareholding, personal and related parties: 8,197 shares.



JAN DAHLIN

Chief Operating Officer since October 2017.
Born in 1959.

Education: Graduate in market economics and Russian from Stockholm University. Qualified principal and graduate qualifications for principals, Karlstad University.

Other current positions:
Chairman of the Swedish Tennis Association, Western region.

Selected previous positions:

Hotel director of Elite Hotels, Västerås, 1990-1994; Business Area Manager, American Express, 1994-1996; Hotel director of Elite Hotels, Karlstad, 1994-2003; Manager of SEB Karlstad, 2003-2009. Member of the board of Värmland Chamber of Commerce, 2005-2009. Principal at IES, 2009-2017.

Shareholding, personal and related parties: 351 shares.

**SCOTT MELNYK**

CIO since 2007.
Born in 1970.

Education: MSc (Eng.), Chalmers University of Technology, Stockholm. BSc in Psychology from University of Alberta.

Other current positions: –

Selected previous positions: –

Shareholding, personal and related parties: 550 shares.

**ROBIN KIRK JOHANSSON**

Chief Operating Officer since October 2017.
Born in 1963.

Education: BA in international economics from Gustavus Adolphus College, USA. BS in education/English from Winona State University, USA. Qualified principal, Karlstad University.

Other current positions: –

Selected previous positions:
Principal of IES Borås.

Shareholding, personal and related parties: 8,999 shares.

**MELANIE PRINSLOO**

HR Manager since 2014.
Born in 1963.

Education: BSc in Behavioral Sciences from University of South Africa.

Selected previous positions:
Global head of talent acquisition and development, Nokia Siemens Networks.

Other current positions: –

Shareholding, personal and related parties: 576 shares.

**EMMA RHEBORG**

Head of Communication effective September 2018.
Born in 1972.

Education: MSc in finance from University of Gothenburg.

Other current positions: –

Selected previous positions:
Head of communication, Nordea Sweden and head of external communication, Nordea Group. Head of communication, Ratos; Communication consultant, JKL.

Shareholding, personal and related parties: 0 shares.



Shareholdings are as of 30 June 2018.

Sustainability Report

The following sustainability report is based on stakeholder dialogues and materiality analysis conducted in spring 2018, as well as the provisions of the Swedish Annual Accounts Act (årsredovisningslagen, ÅRL) governing sustainability reporting. This report covers the parent company and subsidiaries in Sweden. In the financial year 2017/18, IES conducted no operating activities in subsidiaries outside Sweden. A more general review of IES's standpoint on sustainability issues is described in the section 'IES's social role' on pages 41–45.

IES has a comprehensive quality program to ensure that its organization fulfils its pledges and imparts the skills and behavioral standards on students that make them productive citizens. Employees and parents stand at the center of IES's operations, and each year, these three groups respond to questions in a number of areas central to the success of students, teachers and IES. Results are also compared between each year, and between schools, and departures from established targets are identified and rectified. Student performance in national tests is monitored closely to ensure that young people gain the knowledge and skills they need to continue their education, and for their working lives.

Other stakeholders play a supporting role, or create the framework IES takes its standpoint on. This group includes municipalities, workplace representatives, trade unions, real estate companies, suppliers, the Swedish National Agency for Education, the Swedish Schools Inspectorate, the Swedish Association of Independent Schools and IES's owners. The evaluation of what is critical to the stakeholders from a sustainability perspective proceeds from IES's experiences of its day-to-day operations, regulations and laws, and in certain cases, more in-depth discussion.

IES'S BUSINESS MODEL



IES's overall objective is to help students to develop into skilled and responsible individuals with self-confidence to get on in life. School strategies are divided into three overall areas: Academic Quality, Profitability and Growth. For more information on IES's business model, see pages 22–23.

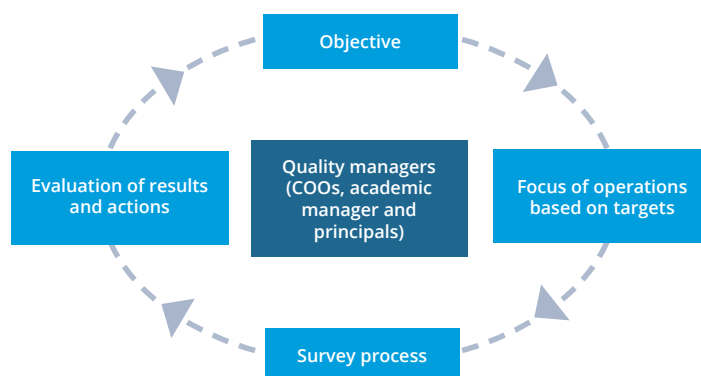
Structured quality monitoring and action plans

IES's quality work proceeds from its Basic Defining Policy Documents, which clarify school objectives, expectations and ethical guidelines. The ethical guidelines, which are one of these policies, are signed by all parents and students, as well as teachers, who then implement these policies through their actions during the school day. School principals are responsible for implementing policies in schools.

Yearly surveys are conducted to investigate how well operations satisfy the objectives stated in the basic defining policy documents. All students, employees and parents respond to some ten questions in segments including the working environment, such as how often lessons start on time and how many employees regard their work as stimulating, and that they would recommend IES as a workplace to an acquaintance. Questions to parents and students include to what extent they experience an orderly environment at school. For more information, see page 72 under Environment, health & safety, as well as Social conditions and human resources.

IES's education and quality manager, as well as two school managers, who are responsible for operating activities, follow up survey results with each principal and school. Results are compared to targets set in the previous year, and any variances and actions are discussed. Each school can work in its own way to ensure policies have more impact.

IES'S QUALITY MONITORING



Material issues for IES's stakeholder groups:

Stakeholder	Stakeholder's role for IES	Material issues for stakeholder	Stakeholder	Stakeholder's role for IES	Material issues for stakeholder
Parents	Parents are decision makers on choices of school and critical to student success.	<ul style="list-style-type: none"> • A safe and orderly study environment where teachers can teach and students learn • High academic expectations and ambitions • Commanding English 	Workplace representatives and trade unions	IES appreciates a structured and professional relationship with employee representatives.	<ul style="list-style-type: none"> • MBL (Swedish Co-determination at Work Act) procedures and collective bargaining agreements • Compliance with IES's ethical guidelines
Students	IES can play a decisive role in providing children and young people with the opportunity to reach their full potential whatever their background, and form character traits that last a lifetime.	<ul style="list-style-type: none"> • A safe and orderly study environment where teachers can teach and students learn • High academic expectations and ambitions • Commanding English • Good habits and standards for life • Food quality at school 	Real estate corporations/other suppliers	Close and long-term collaborations with real estate companies are important for new schools, and thus IES's capability to start up new schools.	<ul style="list-style-type: none"> • Strong project management • IES maintaining long-term stable finances
Teachers	Teachers and other staff are critical in work on creating the right conditions for students to reach their full potential.	<ul style="list-style-type: none"> • A safe and orderly study environment where teachers can teach and students learn • High academic expectations and ambitions • Grounded values • The opportunity to progress 	The Swedish National Agency for Education	Defines skills standards, ordinances, general guidelines, national tests, monitoring and evaluation.	<ul style="list-style-type: none"> • National tests • Subsidy applications • Supporting data for reports • Segregation
Municipalities	Municipalities are IES's collaborative partners in the collective endeavor of providing high-quality education. The level of each municipality's school voucher is critical to the potential for establishing IES.	<ul style="list-style-type: none"> • IES should be a complement to municipal schools • IES should enhance a municipality's attraction 	The Swedish Schools Inspectorate	Audits IES and considers applications to start up and expand schools.	<ul style="list-style-type: none"> • Supporting data for granting permits • Managing cases • Inspections and follow-ups
			The Swedish Association of Independent Schools	IES's advocate on sector-wide issues. States official opinions. Activities include addressing Sweden's teacher shortage.	<ul style="list-style-type: none"> • Commitment and support in stating official opinions • Support in opinion building work
			Owners	Decision makers, supply capital and appoint the board of directors.	<ul style="list-style-type: none"> • Quality of IES's operations • Growth • Stable profitability

Reporting liability and identified risks

Apart from the above reporting on IES's and material factors for operations from a sustainability perspective identified by stakeholders, IES is also subject to the reporting standards of ÅRL, which are reviewed below in the Environment, Social conditions

& human resources, Respect for human rights and Anti-corruption sections.

The following summary refers to policy documents, risks and performance indicators pursuant to the provisions of ÅRL.

Sustainability segments with references

Environment, health & safety	Referral, risk and performance indicators
<p>IES's greatest potential to reduce environmental impact is during the acquisition of new school buildings, where IES collaborates with real estate companies, which possess substantial know-how on the effective utilization of public premises.</p> <p>IES does not have an internal policy on limiting energy consumption, waste, food wastage, emissions etc., because such environmental footprints are primarily associated with the real estate where IES conducts operations, or with IES's subcontractors. IES's agreements with subcontractors include undertakings to comply with environmental legislation.</p> <p>IES's critical stakeholders regard occupational health & safety as central to school success. The basic defining policy documents define what is necessary to achieve good occupational health & safety. IES works consistently to ensure compliance with its policies, with one example being the yearly survey stating questions on the degree to which teachers are able to start lessons on time, and the extent to which employees experience an orderly working environment.</p> <p>IES's work on student health, safety and the physical working environment is regulated by its Checklist Health and Safety, and responsibility for follow-ups rests with school principals. The results of the Swedish Schools Inspectorate's inspections provide support in this process.</p>	<p>Policies</p> <ul style="list-style-type: none"> • Basic defining policy documents • Checklist Health and Safety <p>Risks</p> <p>Risk 6, Compliance with IES's concept on page 75 in the Risk and uncertainty factors section, explains how the company utilizes its yearly quality monitoring process.</p> <p>Performance</p> <ul style="list-style-type: none"> • In the 2018 survey, 94% of teachers stated that lessons start on time. • The survey generates some 30 indicators for each school, which are then used for school planning.
Social conditions and human resources	Referral, risk and performance indicators
<p>It is critical for students that IES can attract, develop and retain teachers with the right subject skills, teaching skills and leadership.</p> <p>Sweden currently has a teacher shortage, which IES has basically compensated for by hiring teachers from foreign countries. In terms of teaching qualifications, IES stipulates that if an employee is not qualified, gaining qualification is scheduled. In the academic year 2016/17, 86% of school teachers were qualified. 46% of teachers held Swedish teacher qualifications and 40% held teaching qualifications from an English-speaking country.</p> <p>Each school's academic manager assists teachers on identifying students that need additional resources or require other forms of special attention. Student health coordinators ensure the availability of non-educational resources.</p> <p>High staff turnover can result in a shortage of resources. To ensure that IES remains an attractive employer, IES works actively on human resources, centrally and locally.</p> <p>IES has an ombudsman who can be contacted anonymously to report suspected breaches of school ethical guidelines.</p> <p>Students and parents sign IES's code of conduct.</p>	<p>To find out more about how IES works on identifying, integrating and training foreign teachers with the right profiles, see the Human resources section on pages 47–49.</p> <p>Risks</p> <ul style="list-style-type: none"> • Risks 5 (Staff and management) and 7 (Brand and reputation) on page 75 review how IES works on its brand and recruitment to ensure it possesses the right skills. <p>Performance</p> <ul style="list-style-type: none"> • In the 2018 survey, 92% of IES's employee state that their work is stimulating and 89% state that they would recommend IES as a workplace to an acquaintance.

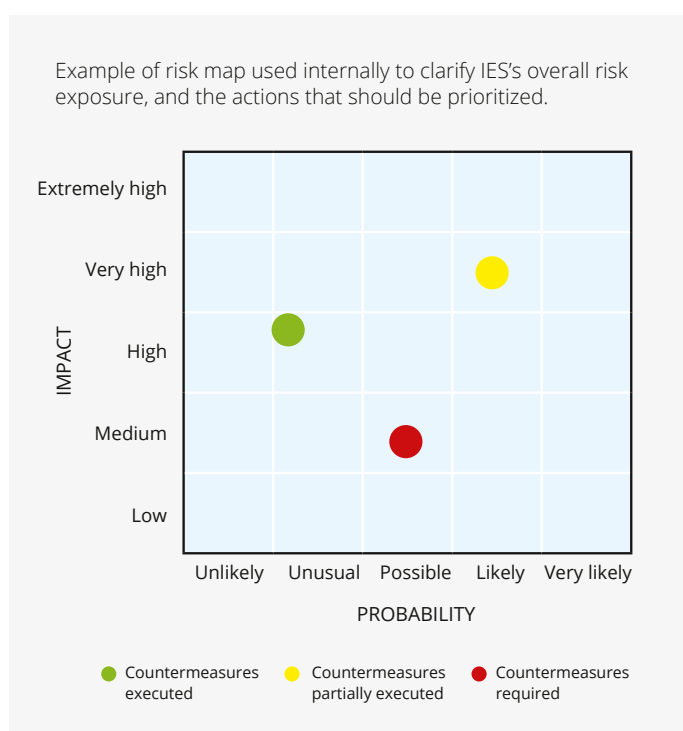
Human rights	Referral, risk and performance indicators
<p>All students and parents sign a code of conduct to ensure that everyone is treated with respect and is entitled to a calm study environment. IES's ethical guidelines and code of conduct are part of its Basic defining policy documents and clearly stipulate zero tolerance of all types of harassment and bullying.</p> <p>IES complies with chapter 6 of the Swedish Education Act regarding a school's liability for reporting, investigation and action. In addition, school principals formulate a more detailed plan on countering and managing bullying. Procedures build on each school's local plans against offensive treatment. This is then followed up through a yearly survey of students about whether they feel safe at school.</p>	<p>Policies</p> <ul style="list-style-type: none"> • Basic defining policy documents <p>Risks</p> <ul style="list-style-type: none"> • Risk 4 (Scrutiny and negative publicity) on page 75 states how IES acts to avoid negative publicity. <p>Performance</p> <ul style="list-style-type: none"> • 92% of students stated that they felt safe and were not afraid of bullying in the 2018 survey.
Business ethics and anticorruption	Referral, risk and performance indicators
<p>The importance of anticorruption is clearly stated in the ethical guidelines. Any action bordering on corruption is strictly prohibited. This includes, but is not confined to, any attempt to offer benefits to friends or relatives in terms of admittance to schools, accepting benefits to award higher grades than justified, using a position within IES for personal advantage, purchasing equipment or services for the school based on personal relationships.</p>	<p>Policies</p> <ul style="list-style-type: none"> • Ethical guidelines <p>Risks</p> <ul style="list-style-type: none"> • Risk 4 (Scrutiny and negative publicity) on page 75 states how IES works to avoid negative publicity. <p>Performance</p> <ul style="list-style-type: none"> • The survey does not monitor this item. No cases were recorded in the year.

Risks and Uncertainty Factors

IES's operations involve risks, which can adversely affect the group to varying degrees. They can be divided between operationally related, market-related and financial risks. These risks can affect IES's ability to achieve the targets in the company's business plan in the short and long term.

By creating awareness of the risks of operations, they can be controlled, limited and managed. Additionally, appropriately managed risks can present opportunities and add value in operations. IES works continuously to update the group's risk position, and achieves this through a documented systematic process that identifies, evaluates, manages and reports risks. It prioritizes those risks judged to represent the greatest adverse impact on the basis of probability of incidence and potential impact on operations. This classification also assumes well executed countermeasures achieving the desired level, indicated in green, yellow and red. This work is conducted by management. Measures executed and changes to risk assessments are reported internally to the board yearly, and when required, more regularly.

Risks are compiled in risk maps, as to the right, to clarify overall exposure and the measures that should be prioritized. This mapping process is conducted at group level and is an important component of management's and the board of directors' strategic and operational controls. Work on compiling, coordinating and developing risk management is conducted by the group's Audit Committee. As operations grow and develop, this work will retain a high priority.



Market-related risks

Risk	Description	Risk management
1. Demand for independent operators	A reduction in demand for IES's school operations due to alternative education programs, lower levels of ambition in education, altered political sentiment or other factors, may exert a material negative impact on IES's operations, financial position or results of operations.	IES focuses on satisfying the ethos ¹ of its operations and on delivering high education quality so it is perceived as a competitive education alternative.
2. Deteriorating conditions affecting public finance, reform of legislation, regulation and interpretation and practice or limitations to for-profit school operations.	A downturn in general economic conditions, altered reimbursement systems, the reform of laws and regulations and/or their interpretation, or limitations applying to independent operators' potential to cover costs and/or generate earnings may obstruct or prevent IES from conducting viable operations.	<p>IES puts a big emphasis on running its business with sufficient profit margin to address temporary economic downturns, and monitors school voucher funding decisions being consistent with applicable legislation. Where necessary, decisions are subject to appeal.</p> <p>In addition, IES continuously monitors political debate and actively promotes the benefits of having independent schools that offer IES's ethos, and deliver high education quality, to Swedish society.</p>

¹) Ethos is what distinguishes a culture, manifest in values and ambitions. IES's ethos stands for its capacity to be credible and professional.

Market-related risks, cont.

Risk	Description	Risk management
3. Competition	If IES is unable to compete successfully with the public sector and other independent operators, this may cause IES to lose market shares and students to competing operators, with its share of students and parents selecting IES reducing, which in turn, may result in IES's revenues and profitability decreasing.	IES focuses on satisfying the ethos ¹ of its operations and on delivering high education quality so it is perceived as a competitive education alternative.
4. Scrutiny and negative publicity	<p>Actual or perceived problems arising from scrutiny or other sources may result in adverse media publicity. In tandem with such events, further investigation and legal action may be taken against IES and its employees.</p> <p>The aforementioned scenarios could result in IES losing students and growth potential, which could have a material negative impact on IES's operations, financial position and results of operations.</p>	<p>IES conducts its operations with a high degree of transparency. The group's management operates in direct contact with COOs and principals and its school principals gain assistance from central support functions on managing specialist issues company wide.</p> <p>IES's ethos is a central component of its work at school and central level, which is communicated and monitored regularly. In addition, IES has a well-established communication policy and provides its principals with media training.</p>

Operationally related risks

Risk	Description	Risk management
5. Staff and management	If IES is unsuccessful in attracting and retaining competent staff on reasonable compensation and employment terms, there is a risk that IES is unable to conduct its operations effectively, or achieve its operational and financial targets. Salary increases may result in increased costs for current and future appointments. There is a risk that IES is unable to adapt its operations to these increased pay levels	IES focuses on satisfying the ethos ¹ of its operations, on delivering high education quality and provides clear responsibility and well-defined authorization, so it is perceived as a competitive education alternative, and provides clear responsibilities and well-defined authorizations, so it is perceived as an attractive workplace for staff and managers. In addition, the group offers salaries at market levels.
6. Compliance with IES's concept	IES's concept rests on convictions including a safe and orderly school environment that features good order, structure and safety. There is a risk that principals, teachers or other staff, or students, breach regulations or depart from internal guidelines, which could have a negative impact on IES's operations.	IES conducts a yearly quality control process, which focuses on stakeholder perceptions of each school's quality. Its outcomes are discussed with schools on a regular basis through the year. IES's management also visits schools regularly, participates in lessons and discusses school quality with COOs, teachers and other staff.
7. Brand and reputation	IES's brand is not only affected by the direction and strategy IES decides to pursue, the quality of the selected directions and strategies maintained, or the criticism or praise IES continuously attracts. Failures by, and other negative publicity relating to, other operators in schooling, especially independent operators, may impact IES's brand and operations negatively, regardless of whether IES has been involved in such failure.	IES always prepares well-substantiated applications for the Swedish Schools Inspectorate for expansion of existing sites, or starting up new schools, and only establishes new schools that fully satisfy the Inspectorate's standards on initial inspection.
8. Approvals and permits	IES is dependent on securing and retaining permits from the Swedish Schools Inspectorate and other regulators in order to be able to conduct operations. If the granting of permits and approval is delayed or not forthcoming, or if IES does not satisfy the terms applying to any of the permits and approvals IES has obtained, this could have a material negative effect on IES's operations, financial position or operating profit.	IES always prepares well-substantiated applications for the Swedish Schools Inspectorate for expansion of existing sites, or starting up new schools, and only establishes new schools that fully satisfy the Inspectorate's standards on initial inspection.

Operationally related risks, cont.

Risk	Description	Risk management
9. Potential for organic growth	There is a risk that IES is unable to execute its growth plans at the intended pace and extent, due to factors such as it being unable to secure new or extended permits or approvals, or the supply of premises in the relevant geographical markets being limited. There is also the risk in tandem with the integration of expanded operations and projects with IES's existing operations. For example, start-up costs may be higher than expected, and adaptation to IES's existing operations may be more problematic than anticipated.	IES conducts extensive analysis of population growth, infrastructure, zoning plans and other factors, regionally and locally, which determine the demand for education in accordance with IES's concept. In all cases, it also maintains close dialogue with relevant municipalities to identify needs and opportunities. Once opportunities are identified, IES conducts an in-depth analysis of construction costs, rent levels and investment requirements relating to new schools.
10. Labor conflicts	Many of IES's employees are covered by collective bargaining agreements. There is a risk that disputes and differences of opinion may arise in future, which may cause strikes or other disruption. There is also risk that after the expiry of applicable collective bargaining agreements, IES is unable to enter new collective bargaining agreements on satisfactory terms without the incidence of strikes or similar disruption.	IES is a member of Almega, the General Group of the Swedish Employers' Confederation, and complies with collective bargaining agreements. Additionally, IES's ambition is to participate actively in Almega's continuous dialogue with IES's union representatives. Two Union representatives and two deputies from the National union of Teachers in Sweden are members of IES's board of directors.
11. IT systems	There is a risk that IES's systems are affected by downtime or disruptions, due to factors such as sabotage, computer viruses, software bugs or human error. IES is governed by data protection laws and despite security measures, there is a risk that data integrity may be compromised. This may result in increased expenses for regulatory compliance, damages claims and fines, impaired competitiveness and the loss of business opportunities.	IES's policy is to operate in cloud computing environments, using off-the-shelf systems from established vendors. In addition, IES stays informed and re-engineers its business processes to comply with applicable data protection regulations.
12. Security risks	The incidence and severity of exogenous factors and unforeseeable safety risks such as criminal damage, threats, violence or other similar events, may limit IES's potential to conduct its operations, and may also result in IES incurring losses due to consequential losses in its operations or damages.	The deputy CEO is IES's designated security manager, and leads security work at management level. Operational security managers work daily on evaluating security risks and proposed preventative measures in IES schools. The yearly budgetary process includes a specific discussion of security and assigns resources for appropriate measures when necessary.
13. Supplier risks	IES is dependent on the availability, production, quality assurance and deliveries of external suppliers, for example teaching equipment, IT, furniture, catering and maintenance. Incorrect, delayed or non-delivery by suppliers of various kinds may mean that IES's obligations to students, employees and other parties are also delayed or need to be discontinued, are inadequate or erroneous.	IES applies central contracts with suppliers in those segments critical to operations. Suppliers are closely evaluated in terms of financial and operational capacity. Contracts are signed, or close partnerships with multiple suppliers are entered in mission-critical segments.
14. Pay inflation	Pay increases may result in increased costs for existing and new appointments. There is a risk that IES is unable to adapt its operations to the resulting increased pay levels.	Agreed salary increases and contracts of employment are subject to central approval by management, which means good cost control. In addition, as far as possible, IES offsets salary increases by operating its business efficiently, through means including signing central agreements and exploiting economies of scale.

Financial risks

Risk	Description	Risk management
15. Long-term lease contracts	<p>The lease contracts of schools have terms of up to 20 years. The long maturities of lease contracts expose IES to the risk that premises do not satisfy the needs of its operations throughout their term. This may occur if the number of students of a school is lower than anticipated, and premises are not utilized as intended, or if the student cohort offers scope for expansion, but premises are unable to accommodate a larger student base.</p> <p>Additionally, IES is exposed to the risk that due to the effect of environmental factors such as fire or water incursion and/or parties involved in operations, leased premises are damaged, so that there is a risk of termination by the landlord, or sub-letting to IES cannot be arranged due to the necessity of relocating operations.</p>	<p>IES focuses on satisfying the ethos¹ of its operations and on delivering high education quality so it is perceived as a competitive education alternative, and thereby maintains demand from students and parents. IES also continuously examines its potential to expand existing operations into new age groups.</p> <p>IES regularly conducts thorough reviews of zoning plans for the surroundings of leased premises to ensure that its operations will be in place for the long term.</p> <p>In those municipalities where operations are conducted, IES maintains close contact with municipal representatives to facilitate alternative solutions for its operations in crisis situations.</p>
16. Financing	Factors such as market conditions, the general availability of credit and IES's creditworthiness impact on the supply of further finance and the potential for refinancing.	IES works actively on maintaining good relationships with lenders and has a secure financial position, with a target minimum equity/assets ratio of 40%.
17. Legal proceedings	Legal disputes and proceedings may have a material negative impact on IES. In tandem with such proceedings, IES may incur substantial costs not covered by insurance.	IES is not currently subject to legal disputes, apart from IES's appeal against an administrative decision. But in general, IES attempts to resolve disputes at an early phase through negotiation.
18. Occupational health & safety	Unforeseen exogenous factors may create health and safety problems despite preventative action. If IES does not comply with applicable health and safety regulations for its operations, this may result in fines or other consequences for IES, as well as negative publicity.	IES complies closely with occupational health & safety legislation and has monitoring systems, routines and processes in this segment in place, which are monitored by an employee responsible for safety at schools and head office.
19. Changes to tax legislation	Because laws, agreements and other regulations governing taxation, as well as other fiscal charges, have been subject to repeated reform and alteration historically, further change can be expected in the legislatures where IES is active in future, potentially with retroactive effect. All such changes may have a significant impact on IES's tax burden, and a material negative impact on IES's operations, financial position and results of operations.	IES continuously monitors the proposals under consultation in this segment and actively influences government enquiries and proposals through its own official comments and proposals, and participation in commenting by the Swedish Association of independent schools.

1) Ethos is what distinguishes a culture, manifest in values and ambitions. IES's ethos stands for its capacity to be credible and professional.

Consolidated Income Statement

MSEK	Note	1 Jul. 2017 – 30 Jun. 2018	1 Jul. 2016 – 30 Jun. 2017
<i>Operating income</i>			
Revenue	2	2,243.1	1,940.2
Other operating income	3	104.8	103.1
Operating income		2,347.9	2,043.3
<i>Operating expenses</i>			
Teaching and meal expenses		-293.3	-258.9
Other external expenses	4, 5, 6, 25	-489.0	-417.9
Personnel expenses	7	-1,348.2	-1,118.8
Depreciation and amortization	13, 14, 15	-65.2	-55.1
Profit from joint venture	17	0.1	5.4
		-2,195.6	-1,845.3
Operating profit		152.4	198.0
<i>Profit from financial items</i>			
Financial income	8	7.7	5.5
Financial expenses	9	-6.5	-7.4
Net financial items		1.3	-1.9
Pre-tax profit		153.7	196.2
Current tax	10	-37.1	-44.1
Profit for the year		116.5	152.1
Profit for the year attributable to			
– Equity holders of the parent		116.5	152.1
– Non-controlling interests		–	–
<i>Earnings per share, basic and diluted, SEK</i>		2.91	3.80

Consolidated Statement of Comprehensive Income

MSEK	Note	1 Jul. 2017 – 30 Jun. 2018	1 Jul. 2016 – 30 Jun. 2017
Profit for the year		116.5	152.1
Other comprehensive income			
<i>Items re-classifiable to profit or loss</i>			
Translation difference for the year		0.1	0.2
Other comprehensive income net of tax for the year		0.0	0.2
Comprehensive income for the year		116.6	152.3
Comprehensive income for the year attributable to:			
Equity holders of the parent		116.6	152.3
Non-controlling interests		–	–

Consolidated Statement of Financial Position

MSEK	Note	30 Jun. 2018	30 Jun. 2017
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Goodwill	12	661.0	661.0
		661.0	661.0
<i>Property, plant and equipment</i>			
Buildings	13	4.6	4.9
Machinery and equipment	14	132.1	110.6
Leasehold improvements	15	32.4	30.1
		169.1	145.6
<i>Financial assets</i>			
Participations in joint venture	17	54.1	55.2
Receivables, joint venture	18	22.0	20.4
		76.1	75.6
Total non-current assets		906.2	882.3
Current assets			
Accounts receivable	19, 20	12.9	10.4
Current tax asset		–	5.2
Other receivables	19	20.2	1.5
Receivables, joint venture	17	140.7	–
Prepaid expenses and accrued income	19, 21	104.9	91.6
Cash and cash equivalents	19, 22	121.9	198.3
Total current assets		400.6	307.0
TOTAL ASSETS		1,306.8	1,189.3

Consolidated Statement of Financial Position, cont.

MSEK	Note	30 Jun. 2018	30 Jun. 2017
EQUITY AND LIABILITIES			
Equity	23		
Share capital		1.0	1.0
Other paid-up capital		360.9	360.9
Translation reserve		0.5	-0.2
Retained earnings including profit for the year		590.8	520.4
Equity attributable to equity holders of the parent		953.3	882.3
Equity attributable to non-controlling interests		–	–
Total equity		953.3	882.3
Non-current liabilities			
Deferred tax liability	10	54.1	48.6
Total non-current liabilities		54.1	48.6
Current liabilities			
Accounts payable	19, 20	77.2	72.1
Current tax liabilities		6.8	–
Other current liabilities		72.2	70.8
Accrued expenses and deferred income	24	143.2	115.5
Total current liabilities		299.4	258.3
TOTAL EQUITY AND LIABILITIES		1,306.8	1,189.3

For information on pledged assets and contingent liabilities, refer to note 26.

Consolidated Statement of Changes in Equity

MSEK	Share capital	Other paid-up capital	Translation reserve	Accumulated profit or loss including profit for the year	Non-controlling interests	Total
Opening balance, 1 July 2016	0.5	361.4	0.3	367.9	-	730.2
Closing balance, 1 July 2016	0.5	361.4	0.3	367.9	0.0	730.2
Profit for the year	-	-	-0.2	152.1	-	151.9
Other comprehensive income for the year	-	-	-	0.2	-	0.2
Comprehensive income for the year	0.5	361.4	0.1	520.2	0.0	882.3
<i>Transactions with owners</i>						
Bonus issue	0.5	-0.5	-	-	-	0.0
Total transactions with owners	0.5	-0.5	0.0	0.0	0.0	0.0
Closing balance, 30 June 2017	1.0	360.9	0.1	520.2	0.0	882.3
Opening balance, 1 July 2017	1.0	360.9	0.1	520.2	0.0	882.3
Profit for the year	-	-	-	116.5	-	116.5
Other comprehensive income for the year	-	-	0.4	-0.3	-	0.1
Comprehensive income for the year	-	-	0.4	116.3	0.0	116.6
<i>Transactions with owners</i>						
Dividend paid	-	-	-	-45.7	-	-45.7
Total transactions with owners	0.0	0.0	0.0	-45.7	0.0	-45.7
Closing balance, 30 June 2018	1.0	360.9	0.5	590.8	0.0	953.3

Consolidated Cash Flow Statement

MSEK	Note	1 Jul. 2017 – 30 Jun. 2018	1 Jul. 2016 – 30 Jun. 2017
Operating activities			
Operating profit		152.4	192.6
Interest received		5.4	5.5
Interest paid		-5.0	-3.8
Adjustment for non-cash items			
Depreciation and amortization		65.2	55.1
Other		-0.9	-3.0
Income tax paid		-24.9	-35.4
Cash flow from operating activities before changes in working capital		192.2	210.9
<i>Cash flow from changes in working capital</i>			
Change in operating receivables		-29.2	13.0
Change in operating liabilities		34.2	36.9
Cash flow from changes in working capital		5.0	49.9
Cash flow from operating activities		197.2	260.8
<i>Investing activities</i>			
Acquisition of property, plant and equipment		-88.6	-54.7
Acquisition of financial assets		1.2	-66.2
Cash flow from investing activities		-87.4	-120.9
<i>Financing activities</i>			
Amortization of loans, credit institutions		–	-175.0
Short-term loan to joint venture		-140.7	–
Dividend paid		-45.7	–
Cash flow from financing activities		-186.3	-175.0
Cash flow for the year		-76.5	-35.1
Cash and cash equivalents at beginning of year		198.3	233.4
Exchange rate difference in cash and cash equivalents		0.1	0.0
Cash and cash equivalents at end of year	22	121.9	198.3

Parent Company Income Statement

MSEK	Note	1 Jul. 2017 - 30 Jun. 2018	1 Jul. 2016 - 30 Jun. 2017
<i>Operating income</i>			
Revenue	30, 39	3.2	2.8
Other operating income	31	4.6	1.7
Operating income		7.8	4.4
<i>Operating expenses</i>			
Other external expenses	32, 33, 39	-9.8	-11.9
Personnel expenses	34	-7.8	-3.2
		-17.7	-15.1
Operating profit		-9.9	-10.7
<i>Profit from financial items</i>			
Other interest income and similar profit/loss items		1.3	5.8
Interest expenses and similar profit/loss items		-2.4	-7.7
Profit after financial items		-11.0	-12.6
Year-end appropriations	35	40.2	92.6
Current tax	36	-7.3	-18.1
Profit for the year		21.9	61.9

Parent Company Statement of Comprehensive Income

MSEK	Note	1 Jul. 2017 - 30 Jun. 2018	1 Jul. 2016 - 30 Jun. 2017
Profit for the year		21.9	61.9
Other comprehensive income		-	-
Comprehensive income for the year		21.9	61.9

Parent Company Balance Sheet

MSEK	Note	30 Jun. 2018	30 Jun. 2017
ASSETS			
Non-current assets			
<i>Financial assets</i>			
Participations in group companies	37	361.9	361.9
Participations in associated companies and jointly controlled entities	38	53.2	54.4
Non-current receivables, associated companies	40	22.0	20.4
		437.1	436.7
Total non-current assets		437.1	436.7
Current assets			
Receivables, group companies		8.1	33.3
Other receivables		19.1	0.6
Prepaid expenses and accrued income	41	1.5	0.5
		28.6	34.4
Total current assets		28.6	34.4
TOTAL ASSETS		465.7	471.1

MSEK	Note	30 Jun. 2018	30 Jun. 2017
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	42	1.0	1.0
		1.0	1.0
<i>Non-restricted equity</i>			
Retained earnings		376.1	359.8
Profit for the year		21.9	61.9
		398.1	421.8
Total equity		399.1	422.8
Untaxed reserves		37.2	27.4
		37.2	27.4
Current liabilities			
Accounts payable		0.7	1.0
Current tax liabilities	43	25.3	18.0
Other liabilities		1.5	0.6
Accrued expenses and deferred income	44	1.9	1.4
Total current liabilities		29.4	20.9
Total liabilities		66.6	48.3
TOTAL EQUITY AND LIABILITIES		465.7	471.1

For information on assets pledged and contingent liabilities, refer to note 47 and note 26 in the consolidated accounts.

Statement of Changes in Parent Company Equity

MSEK	Share capital	Retained earnings	Profit for the year	Total
Opening balance, 1 July 2016	0.5	361.4	-1.1	360.9
Transfer of profit from previous year	–	-1.1	1.1	0.0
Profit for the year	–	–	61.9	61.9
Other comprehensive income for the year	–	–	–	0.0
Comprehensive income for the year	–	-1.1	61.9	61.9
Bonus issue	0.5	-0.5	–	–
Closing balance, 30 June 2017	1.0	359.9	61.9	422.8
Opening balance, 1 July 2017	1.0	359.9	61.9	422.8
Transfer of profit from previous year	–	61.9	-61.9	0.0
Profit for the year	–	–	21.9	21.9
Other comprehensive income for the year	–	–	–	0.0
Comprehensive income for the year	0.0	61.9	-40.0	21.9
<i>Transactions with owners:</i>				
Dividend paid		-45.7		-45.7
Closing balance, 30 June 2018	1.0	376.1	21.9	399.1

Parent Company Cash Flow Statement

MSEK	1 Jul. 2017 – 30 Jun. 2018	1 Jul. 2016 – 30 Jun. 2017
Operating activities		
Operating profit	-9.9	-10.7
Adjustments for non-cash items – exchange rate gains/losses	-1.9	–
Interest received	0.7	5.8
Interest paid	-2.4	-7.7
Income tax paid	0.0	3.2
Cash flow from operating activities before changes in working capital	-13.5	-9.4
<i>Changes in working capital</i>		
Change in operating receivables	-18.4	3.5
Change in operating liabilities	1.2	-4.1
Cash flow from changes in working capital	-17.2	-0.6
Cash flow from operating activities	-30.7	-10.0
<i>Investing activities</i>		
Acquisition of property, plant and equipment	–	-54.4
Acquisition of financial assets	1.2	0
Cash flow from investing activities	1.2	-54.4
<i>Financing activities</i>		
Amortization of intragroup loan	-50.0	60.0
Group contribution received	50.0	9.8
Issuance of loans to associated companies and jointly controlled entities	–	-20.4
Intragroup loan arranged	50.0	120.0
Amortization of external borrowings	–	-175.0
Dividend paid	-45.7	0.0
Cash flow from financing activities	4.3	-5.6
Cash flow for the year	-25.2	-70.0
Cash and cash equivalents at beginning of year	33.3	103.3
Cash and cash equivalents at end of year	8.1	33.3

Cash is deposited in a central account with Handelsbanken and reported under 'Receivables with group companies.'

Notes to the Financial Statements

(group)

Amounts in millions of Swedish kronor (MSEK) unless otherwise stated.

Note 1 Accounting policies

These annual accounts and consolidated accounts include Swedish parent company Internationella Engelska Skolan i Sverige Holdings II AB (publ.) (Internationella Engelska Skolan or IES), corporate identity number 556900-7254 and its subsidiaries. The main activities are to conduct school operations.

IES is listed on Nasdaq Stockholm, Mid Cap, with the ticker "ENG." The largest shareholder (indirectly) is TA Associates of the US, which has close links to leading universities and trusts in the US, and IES's founder Barbara Bergström. At the end of June 2018, the ten largest shareholders also included Paradigm Capital, investment company Öresund, Swedbank Robur fonder, the Third Swedish National Pension Fund and AMF Försäkring & Fonder (owned jointly by LO, the Swedish Trade Union Confederation and the Confederation of Swedish Enterprise).

The parent company is a limited company, which is registered and has its registered office in Täby, Sweden. The address of the head office is Nytorpsvägen 5B, 183 71 Täby, Sweden.

These annual accounts and consolidated accounts were approved by the board of directors on 28 September 2018, and will be submitted for approval at the Annual General Meeting (AGM) on 20 November 2018.

Basis of preparation of the financial statements

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretation statements from the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the European Union (EU). Accordingly, the consolidated accounts comply with recommendation RFR 1 "Supplementary Accounting Rules for Groups" issued by the Swedish Financial Reporting Board (RFR).

Circumstances when preparing the consolidated financial statements

The parent company's functional currency is Swedish kronor (SEK) which is also the presentation currency of the parent company and group. This means that the financial statements are presented in SEK. Unless otherwise stated, all amounts are rounded to the nearest million Swedish kronor (MSEK). The consolidated accounts have been prepared in accordance with the cost method, and assets, provisions and liabilities are based on historical cost.

Unless otherwise stated, the following accounting policies have been applied consistently to all periods presented in the consolidated financial statements. The group's accounting policies have been applied consistently by group companies.

Application of new and amended accounting policies

No new or amended IFRS and IFRIC interpretation statements that come into effect from 1 January 2017 have had any material effect on the consolidated financial statements.

Issued standards and interpretation statements that have not yet come into effect

A number of new and amended IFRS have not yet come into effect and have not been applied prospectively in the preparation of IES's financial statements.

The following standards come into effect on 1 January 2018 or later, which for IES, means that IFRS 9 and IFRS 15 will be applied effective 1 July 2018. IFRS 16 will be applied effective 1 July 2019.

IFRS 9 Financial Instruments

IFRS 9 deals with the recognition of financial assets and liabilities, and replaces IAS 39 Financial Instruments: Recognition and Measurement. As in IAS 39, financial assets are recognized in different categories, some of which are measured at amortized cost, and others at fair value. IFRS 9 introduces different categories to those of IAS 39. Recognition pursuant to IFRS 9 is based firstly on instruments' contracted cash flows, and secondly on the company's business model. The provisions of IFRS 9 regarding the recognition and measurement of the group's financial instruments will not materially affect the group's financial position at the transition date, because the standard does not imply any significant change in terms of the measurement of those financial instruments in the Consolidated Balance Sheet at this date.

IFRS 9 also introduces a new model for impairing financial assets. The

purpose of this new model is to recognize credit losses earlier than according to IAS 39. For financial liabilities, IFRS 9 is generally consistent with IAS 39. The group does not consider that this new impairment model will have any material effect on the group's financial position. The reserve for expected credit losses is expected to affect equity by less than MSEK 1.0 in the opening balance sheet for the following reporting period. The impact on the opening balance as of 1 July 2018 was MSEK 0.4. The group does not apply hedge accounting.

The standard will be applied for the financial year beginning directly after 1 January 2018. The group will not be restating comparative figures for previous financial years pursuant to the transition provisions of the Standard.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 Revenue from Contracts with Customers replaces all previously issued standards and interpretation statements dealing with revenue with one integrated model of revenue recognition.

The intention of this Standard is for everything to proceed from a contract for the sale of a good or service between two parties. Initially a customer agreement should be identified, which generates an asset with the seller (right, or promise to receive compensation) and liability (undertaking, a promise to transfer goods/services). Pursuant to this model, revenue should then be recognized, and thus demonstrate that the undertaking to deliver the promised goods or services to the customer has been fulfilled, which can occur over time or at one specific time. Revenue should consist of the amount the company expects to receive as compensation for transferred goods or services. This standard is endorsed by the EU and will be applied from the financial year beginning directly after 1 January 2018. IFRS 15 will not materially affect the group's results of operations and financial position on an annualized basis, but may involve some minor re-allocation of revenues between quarters. The financial statements will be impacted in the form of materially increased disclosure requirements.

IFRS 16 Leases

IFRS 16 Leases replaces all previously issued standards and interpretation statements covering lease arrangements. The current standard, IAS 17 Leases, is based on the lessee classifying its lease arrangements either as finance or operating leases, which are recognized differently. Operating arrangements involved the lessee's contracted assets and liabilities being recognized off-balance sheet and payments being recognized as an operating expense included in external expenses. Briefly, IFRS 16 means that operating leases with terms of more than one year should instead be recognized as an asset in the Balance Sheet based on a discounted present value of future payments. The corresponding amount should be recognized as a liability. The Income Statement will be charged with interest expenses on the lease liability and depreciation over the asset's useful life, which normally, is consistent with the term of the lease arrangement.

Lease payments made are recognized partly as payment of interest and partly as amortization of the lease liability. This standard exempts leases with a term of less than 12 months and leases of assets of lesser value. The standard also involves more extensive disclosure requirements for the lessor and lessee.

IFRS 16 is approved by the EU and will come into effect for the financial year beginning directly after 1 January 2019. On transition to the new standard IFRS 16 on 1 July 2019, the company's accounting will be materially affected. The expense for operating leases for the financial year 2017/18 amounted to MSEK 336.7. As of 30 June 2018, undiscounted amounts for payment obligations for operating leases were MSEK 5,047.4.

The exemption in RFR 2 regarding leases will be applied in the parent company. This means that the parent company's policies for recognizing lease arrangements will remain unchanged.

Other amendments of standards and interpretation statements coming into effect from 1 January 2018 are not expected to have any material effect on IES's financial statements.

Judgements and estimates

Preparing these financial statements in accordance with IFRS requires management to make judgments and estimates, and make assumptions that influence the application of the accounting policies and the reported amounts of assets, liabilities, revenues and expenses.

The company's estimates and judgements are based on historical experience and assumptions that management and the board of directors regard

as reasonable in prevailing circumstances. The judgements and estimates stated in this section have been limited to segments material to the degree of influence and underlying uncertainty.

The estimates and judgements are evaluated regularly. Amendments to estimates are recognized in the period the amendment is made if the amendment only affects that period, or in the period the amendment is made and future periods, if the amendment affects both the current and future periods. Actual outcomes may differ from these estimates.

Critical judgements

The group allocates school voucher funding and teachers' holiday pay over the periods that education is conducted, including periods of work before and after term time. Otherwise, the group has not identified any other critical accounting estimates made in the application of the group's accounting policies.

Key sources of estimation uncertainty

The causes of uncertainty in estimates that involve a significant risk of the value of assets or liabilities needing material restatement during the forthcoming financial year are goodwill impairment tests.

Goodwill impairment tests

A number of material assumptions and judgments must be considered when testing goodwill for impairment in order to be able to measure the value in use of cash-generating units. These assumptions and estimates relate to expected future discounted cash flows. Forecast future cash flows are based on the best possible estimates of future revenues and operating expenses, based on historical experience, general market conditions, progress and forecasts for the sector, and generally available information. These assumptions are prepared by management and reviewed by the board of directors. For more information on goodwill impairment testing, refer to note 12 Goodwill.

Recognition

Essentially, non-current assets and non-current liabilities consist of amounts expected to be recovered or paid after more than 12 months from the reporting date. Essentially, current assets and current liabilities consist of amounts expected to be recovered or paid within 12 months of the reporting date.

Consolidated accounts

Basis of consolidation

The consolidated accounts include the parent company and its subsidiaries. Subsidiaries are companies under the control of Internationella Engelska Skolan i Sverige Holdings II AB. An investor exerts control over a company when the investor is exposed, or is entitled, to variable compensation from its involvement in the company and can affect returns through its influence.

Subsidiaries are reported in accordance with acquisition accounting. This method means that the acquisition of a subsidiary is treated as a transaction whereby the group indirectly acquires the subsidiary's assets and takes over its liabilities. The acquisition analysis measures the fair value of the acquired identifiable assets and liabilities taken over, as well as potential non-controlling interests, on the acquisition date. Transaction expenses, apart from transaction expenses attributable to the issuance of equity instruments or liability instruments that occur, are recognized directly in profit or loss for the year. In business combinations where payment made exceeds the fair value of the acquired assets and liabilities taken over that are recognized separately, the difference is recognized as goodwill. When the difference is negative, in what is known as a bargain purchase, this is recognized directly in profit or loss for the year.

Purchases from and sales to non-controlling interests are recognized as a transaction within equity, i.e. between the parent company's owners (within retained earnings) and non-controlling interests. Accordingly, no goodwill arises in these transactions. The change in non-controlling interests is based on their proportional share of net assets.

Subsidiaries' financial statements are included in the consolidated accounts effective the acquisition date until the date control ceases.

Transactions eliminated on consolidation

Intra-group receivables and liabilities, revenue or expenses and unrealized gains or losses arising from intra-group transactions between group companies are eliminated wholly when preparing the consolidated accounts. Unrealized gains arising from transactions with associated companies are eliminated to the extent corresponding to the group's participating interest in the company.

Unrealized losses are eliminated in the same way, but only to the extent there is no impairment.

Foreign currency transactions and balance sheet items

Foreign currency transactions are translated to the functional currency at the rate of exchange ruling on the transaction date. Foreign currency monetary assets and liabilities are translated to the functional currency at the rate of exchange ruling on the reporting date. Exchange rate differences arising in translations are recognized in other comprehensive income. Exchange rate gains and losses on trade receivables and trade liabilities are recognized in operating profit or loss, while exchange rate gains and exchange rate losses on financial receivables and liabilities are recognized as financial items.

Translation of foreign operations

Assets and liabilities in foreign operations, including goodwill and other consolidated surpluses and deficits, are translated from the functional currency of the foreign operation to the group's presentation currency, SEK, at the rate of exchange ruling on the reporting date. The revenues and expenses of a foreign operation are translated to SEK at an average rate that is an approximation of the rates of exchange ruling at each transaction date. Translation differences that arise on currency translation of foreign operations are recognized in other comprehensive income and accumulated in a separate component of equity termed the translation reserve. On the sale of a foreign operation, they are realized at the related translation differences attributable to the operation, whereupon they are reclassified from other comprehensive income to profit or loss for the year.

Revenue

The group recognizes revenue when its amount can be measured reliably, it is likely that future economic rewards will flow to the company and specific criteria have been satisfied for each of the group's operations. Revenues include the fair value of what is to be received, or will be received, for services rendered in the group's operating activities. Revenues are recognized excluding value added tax, returns and discounts, and after the elimination of intra-group sales.

Rendering services

The majority of net sales consist of student voucher funding received monthly over 12 months of the year and socioeconomic compensation. Both student voucher funding and socioeconomic subsidies are compensation for rendering a service assignment, and accordingly, are recognized as revenue by referring to the degree of completion during the periods education is conducted.

Revenue for goods or services sold is recognized on delivery to students.

Financial revenue

Financial revenue consists of interest income and potential exchange rate gains. Interest income is recognized in accordance with the effective interest method. Effective interest is the interest rate that discounts estimated future payments received and made during the expected term of a financial instrument, at the reported net value of the financial asset or liability. Measurement includes all expenses paid or received by contract parties that are a portion of effective interest, transaction expenses, and all other surpluses and deficits.

Dividend received is recognized when the right to receive dividend is determined.

Exchange rate gains and exchange rate losses are not netted.

Central government subsidies

Subsidies are recognized at fair value when there is reasonable certainty that these subsidies will be received and that IES will meet the conditions attached to the grant. Subsidies intended to cover costs are recognized in the Income Statement as other operating income or through a reduction of the appropriate expense item.

Employee benefits

Short-term benefits

Short-term benefits for employees such as salary, social security contributions and holiday pay are expensed in the period when employees render services.

Pensions

The group has defined contribution and defined benefit pension plans. A defined contribution pension plan is a pension plan according to which the

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group pays fixed fees to a separate legal entity. The group has no legal or informal obligations to pay further charges if this legal entity does not possess sufficient assets to pay all compensation to employees associated with them rendering service during current or previous periods. Accordingly, the group bears no further risk. For the group's obligations regarding expenditure for defined contribution plans, an expense item is recognized in profit or loss for the year at the rate accrued by employees rendering services for the group in a period.

Defined benefit plans are plans other than defined contribution plans for compensation after terminated employment. The defined benefit pension plan in the group consists of the collectively agreed ITP (Supplementary Pensions for Salaried Employees) plan's ITP 2 component. This pension obligation is fully vested through Insurance with Alecta. The group does not have access to information to enable reporting of its proportional share of the plan's obligations, assets under management and expenses for the longer term, which means it has not been possible to account this plan as a defined benefit plan. Accordingly, the ITP 2 pension vested through insurance with Alecta is recognized as a defined contribution plan, and accordingly, no accounting of defined benefit pensions in the group is conducted pursuant to the *projected unit credit method*.

Compensation on termination

An expense for compensation in tandem with termination of staff is only recognized if the company has a demonstrable obligation with no realistic possibility of withdrawal, pursuant to a formal, detailed plan to terminate employment before the normal time. When compensation is made as an offer to encourage voluntary redundancy, an expense is recognized if it is likely that the offer will be accepted and the number of employees that will accept the offer can be reliably measured.

Leases

Finance leases, where the group essentially takes on all risks and benefits associated with ownership of the leased item, is recognized in the Statement of Financial Position at the fair value of the leased item, or if this value is lower, at the present value of future minimum lease payments. Lease payments are recognized as finance expenses and amortization of debt. Finance lease assets are depreciated over their anticipated useful life of the asset.

Lease arrangements where the lessor essentially retains all risks and benefits associated with the right of ownership are classified as operating leases. Lease payments are expensed on a straight-line basis in profit or loss during the lease period. Initially, consideration is given to potential incentives obtained on entering the lease arrangement.

The group only has lease arrangements reported as operating leases.

Financial expenses

Financial expenses mainly consist of interest expenses on loans and exchange rate losses. Interest expenses on loans are reported in accordance with the effective interest method.

Exchange rate gains and exchange rate losses are not netted.

Income tax

Income tax consists of current tax and deferred tax. Income tax is reported in profit or loss for the year apart from when underlying transactions are recognized in other comprehensive income or in equity, whereupon the associated tax effect is recognized in other comprehensive income and equity.

Current tax is tax to be paid or received in the current year, by applying those tax rates that are enacted or substantively enacted as of the reporting date. Current tax also includes restatements of current tax related to previous periods.

Deferred tax is recognized in total on all temporary differences arising between taxable values of assets and liabilities and their carrying amounts pursuant to the balance sheet method. Temporary differences not considered in consolidated goodwill. Nor are temporary differences attributable to participations in subsidiaries not expected to be reversed within the foreseeable future considered. The measurement of deferred tax is based on how underlying assets or liabilities are expected to be realized or settled. Deferred tax is computed by applying those tax rates and tax rules that are enacted or substantively enacted on the reporting date and are expected to apply when the affected deferred tax assets are realized or the deferred tax liability is settled.

Deferred tax assets related to deductible temporary differences and loss carry-forwards are only recognized to the extent it is likely that it will be

possible to utilize them. The value of deferred tax assets is reduced when it is no longer likely that they can be utilized.

Intangible assets**Goodwill**

Goodwill is measured at cost less potential accumulated impairment losses.

Goodwill is allocated to cash-generating units and subject to impairment tests at least once yearly.

Property, plant and equipment

Property plant and equipment in the group is measured at cost less deductions for accumulated depreciation and any impairment. The cost includes the purchase price and expenditure directly attributable to the asset to bring it to the location and condition for use in accordance with its purchase.

The carrying amount of an asset is derecognized from the balance sheet on disposal or sale, or when no future economic rewards are expected from use or disposal/sale of the asset. Gains or losses arising from sale or disposal of an asset consist of the difference between the sales price and the carrying amount of the asset after deducting for direct selling expenses. Gains and losses are recognized in other operating income/expenses.

Leasehold improvements

When conducting leasehold improvements, a judgment of the useful life of the improvement is conducted. However, as a maximum, this period may be the estimated remaining term of the lease contract. Estimates should take special consideration of the fact that school operations involve substantial wear and tear on premises. Depreciation is then on a straight-line basis over the anticipated useful life of the asset.

Incremental expenditure

Incremental expenditure is added to cost only if it is likely that the future economic rewards associated with the assets will flow to the group and the cost can be reliably measured. All other additional expenditure is recognized as an expense in the period it arises. Repairs are expensed immediately.

Depreciation principles

Anticipated useful life of the assets are:

Property on leasehold sites

Permanent equipment, service facilities etc. in buildings	10 years
Roof	25 years
Structure	30 years
Frontages	25 years
Inner surfaces such as floors, walls and ceilings	15 years
Installations such as electrical, plumbing and ventilation	18 years
Leasehold improvements	5–20 years
Other equipment	5 years
Photocopiers/printers	4 years
IT equipment	3 years

Depreciation is on a straight-line basis over the asset's anticipated useful life. The group applies component depreciation, which means that depreciation is based on the anticipated useful life of components.

Depreciation methods, residual values and useful life of the assets are re-evaluated at each year-end.

Amortization of non-financial assets

Assets with indefinite useful life such as goodwill are not impaired, but subject to impairment tests at least yearly. Assets impaired are judged on the basis of impairment whenever events or changed circumstances indicate that their carrying amount is not recoverable.

Impairment is executed at an amount whereby the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the greater of the asset's fair value less selling expenses and value in use. Measurement of impairment involves assets being grouped at the lowest level where there are separate identifiable cash flows (cash-generating units) when impairment has been identified for a cash-generating unit (group of units), impairment is primarily allocated to goodwill. A proportional impairment loss of other assets included in the unit (group of units) is then taken.

Previously reported impairment is reversed if the estimated recoverable

value exceeds carrying amount. However, no reversal greater than the carrying amount, to what it would have been if the impairment had not been recognized in previous periods is taken. Goodwill impairment is never reversed.

Financial instruments

A financial asset or financial liability is recognized in the Balance Sheet when the group becomes party to the instrument's contracted terms. Trade accounts receivable are recognized when invoices are sent. Liabilities are recognized when the counterparty has performed and there is a contracted liability to pay, even if no invoice has yet been received. Trade accounts payable are recognized when invoices are received.

A financial asset is derecognized from the Balance Sheet when the rights in the contract are realized, become due or the group loses control over them. The same applies to part of a financial asset. A financial liability is derecognized from the Balance Sheet when the contractual obligations are fulfilled or otherwise cease to exist. The same applies to part of a financial liability.

A financial asset and financial liability are offset and recognized as a net amount in the balance sheet only when there is a legal right to offset these amounts and there is an intention to settle the items with a net amount or simultaneously realize the asset and settle the liability.

Purchases and sales of financial assets are recognized on the transaction date. The transaction date is the date the company undertakes to purchase or sell the asset.

Recognition and measurement

Financial instruments are initially recognized at cost corresponding to the instrument's fair value with a supplement for transaction expenses for all financial instruments within the group. A financial instrument is classified on first-time recognition on the basis of considerations including the purpose for which the instrument was purchased. Recognition determines how the financial instrument is measured after first-time reporting. The group holds financial instruments in the following categories:

- Loan receivables and trade accounts receivable
- Other financial liabilities

Loan receivables and trade accounts receivable

Loan receivables and trade accounts receivable are non-derivative financial assets that have determined or determinable payments and that are not quoted on an active marketplace. These assets are measured at amortized cost. Amortized cost is measured on the basis of the effective interest computed at the acquisition date. Trade accounts receivable are recognized at the amount expected to be received, i.e. after deducting for doubtful debt.

Other financial assets

Loans and other financial liabilities are included in this category. These liabilities are measured at amortized cost.

Impairment of financial assets

The group evaluate whether there is objective evidence of impairment of a financial asset or group of financial assets at each reporting date. A financial asset or group of financial assets are impaired and are written down only if there is objective evidence of impairment due to one or several events occurring after the asset was recognized for the first time (a "loss event"), and this event (or events) exert an influence on the estimated future cash flows of the financial asset or group of financial assets that can be measured reliably.

The criteria the group utilizes to determine whether there is objective evidence of impairment include significant financial difficulties with the issuer or debtor, a breach of contract, such as defaulted or delayed payments of interest or principal, or if it is likely that the lender will become insolvent, or undergo financial restructuring.

In the loan receivables and trade accounts receivable category, impairment is computed as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not occurred), discounted by the original effective interest of the financial asset. The asset's carrying amount is impaired and the impairment amount is recognized in the group's profit or loss.

If the impairment reduces in a subsequent period and the decrease can be objectively attributed to an event that occurred after the impairment has been recognized, a reversal of the previously recognized impairment is reported in the group's profit or loss.

Cash and cash equivalents

Cash and cash equivalents consist of cash funds and immediately available balances with banks and corresponding institutions, as well as short-term, liquid investments with maturities of less than three months that are exposed only insignificant risk of value fluctuations.

Dividends

Dividends to parent company shareholders are recognized as a liability in the consolidated financial statements in the period when the dividend was approved.

Provisions

A provision differs from other liabilities because of the uncertainty prevailing on the timing of payment or the amount required to settle the provision. A provision is recognized in the Balance Sheet when there is an existing legal or informal obligation resulting from an event that has occurred, and it is likely that an outflow of economic resources will be necessary to fulfill the obligation and the amount can be measured reliably. A provision is made of an amount that is the best estimate of what is necessary to settle the existing obligation on the reporting date. Where the effect of when in time the payment is executed is material, provisions are estimated by discounting expected future cash flow.

Pledged assets and contingent liabilities

Pledged assets are floating charges for subsidiaries submitted as collateral for credit agreements with credit institutions and parent company guarantees for real estate mortgages in the Spanish joint ventures, which are reported in note 26. A contingent liability is recognized when there is a possible obligation sourced from an event that has occurred and whose incidence is only confirmed by one or several uncertain future events, or where there is an obligation not recognized as a liability or provision due to it not being likely that an outflow resources will be necessary.

Operating segments

IFRS 8 Operating Segments stipulates that operating segments are reported in a manner that is consistent with internal reporting presented to the chief operating decision maker (CODM).

IES's board of directors is responsible for setting the group's overall targets, progress and monitoring the company's overall strategy, making decisions on major business combinations, divestments and investments, and continuous monitoring of operating activities.

IES's CEO is responsible for leading and managing operations in accordance with the strategy set by the board of directors. Accordingly, the CEO is IES's CODM, and serves the function that allocates resources and evaluates results of operations within the group. The CODM evaluates the progress and performance of operating segments based on operating profit before financial items and non-recurring items. Financial items and tax are reported for the group as a whole.

IES's operations are organized, managed and reported on the basis of two operating segments, Sweden and the UK.

These two segments have differing monitoring and reporting structures, as well as customer bases, and accordingly, differentiated risk exposure. The segments apply the same accounting policies as the group. Internal reporting within IES is structured in accordance with this segment division, which also serves as the basis for in-depth analysis.

Cash Flow Statement

The Cash Flow Statement has been prepared in accordance with the indirect method. Reported cash flow only includes transactions that involve payments received or made. This means that there may be a departure due to changes in individual balance sheet items.

Note 2 | Allocation by segment

Segments have been identified on the basis of the monitoring and reporting structures to the board of directors and CEO. The group's operating income and EBIT are allocated by geographical markets/operating segments as follows. The segment in Sweden has one customer whose revenue exceeds 10% of total. Total revenue in the year was MSEK 488.1.

Geographical markets/Segments

Revenue	2017/18	2016/17
Sweden	2,241.9	1,940.2
UK	1.2	0.0
Group total	2,243.1	1,940.2

EBIT	2017/18	2016/17
Sweden	152.8	193.6
UK	-0.5	-1.0
Share in earnings from joint ventures (Spain)	0.1	5.4
Group total	152.4	198.0

EBT	2017/18	2016/17
Sweden	154.0	191.8
UK	-0.5	-1.0
Share in earnings from joint ventures (Spain)	0.1	5.4
Group total	153.6	196.2

Non-current assets by country	2017/18	2016/17
Sweden	906.2	882.3
UK	-	-
Group total	906.2	882.3

Investments by country	2017/18	2016/17
Sweden	88.8	54.7
UK	-	-
Group total	88.8	54.7

Depreciation and amortization by country	2017/18	2016/17
Sweden	65.2	56.1
UK	-	-
Group total	65.2	56.1

Note 3 | Other operating income

	2017/18	2016/17
Subsidy for "Karriärtjänster"	15.6	13.2
Subsidy for "Lärlärlönelift"	34.2	28.5
Subsidy for "Läxhjälp"	10.5	19.6
Junior Club	28.9	27.0
Other income	15.6	14.9
	104.8	103.1

Note 4 | Remuneration to auditors

	2017/18	2016/17
Ernst & Young AB		
Audit assignment	1.2	1.5
Auditing services over and above audit assignment	0.8	1.7
Tax advisory services	0.2	0.1
	2.2	3.3
Harmer Slater Ltd		
Audit assignment	0.1	0.1
	0.1	0.1

Note 5 | Items affecting comparability

Items affecting comparability consists of non-recurring revenues and expenses. These items are disclosed separately to improve comparability between periods.

	2017/18	2016/17
Expenses relating to planned acquisition in Spain	0.1	0.9
Expenses for IFRS implementation, enhanced corporate governance processes and IPO on NASDAQ	-	5.2
Severance pay, CEO	2.7	-
	2.8	6.1

Note 6 Leases**Operating lessee**

Lease expenses for operating lease arrangements in the year primarily consist of rent for premises and office equipment, and amount to MSEK 336.7 (287.4). There are no leases in the parent company.

Expensed lease payments for operating leases	2017/18	2016/17
Premises	329.1	279.3
Other equipment	7.6	8.1
	336.7	287.4

Future minimum lease payments for non-cancellable operating leases – premises	2017/18	2016/17
To be paid within 1 year	385.4	326.9
To be paid within 1–5 years	1,343.8	1,322.2
To be paid after more than 5 years	3,318.2	3,104.7
	5,047.4	4,753.8

Future minimum lease payments for non-cancellable operating leases – other equipment	2017/18	2016/17
To be paid within 1 year	7.6	8.1
To be paid within 1–5 years	3.8	12.1
To be paid after more than 5 years	0	0
	11.4	20.2

Note 7 Personnel expenses

Average number of employees	2017/18		2016/17	
	No. of employees	Of which men, %	No. of employees	Of which men, %
Sweden	2,456	37	2,129	38
UK	0	0	0	0
Group total	2,456	37	2,129	38

Salaries and remuneration	30 Jun. 2018	30 Jun. 2017
CEO, board of directors and senior managers	15.8	10.8
Other employees	930.3	776.8
	946.1	787.6

Expenses for social security contribution and pension obligations	30 Jun. 2018	30 Jun. 2017
Pension expenses for CEO, board of directors and senior managers	3.8	2.5
Other social security expenses for CEO, board of directors and senior managers	5.4	3.6
	9.3	6.1
Pension expenses for other employees	65.3	52.8
Other social security expenses for other employees	306.9	254.7
	372.2	307.5

Proportion of women and men, senior managers, %	30 Jun. 2018	30 Jun. 2017
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Share of female directors elected by shareholders' meetings	67	50
Share of male directors elected by shareholders' meetings	33	50
Share of women of other senior managers	46	30
Share of men of other senior managers	54	70

Information is as of the reporting date.

Pensions

The group has defined contribution and defined benefit pension plans. These plans consist of the ITP plan (Supplementary Pensions for Salaried Employees), which includes both ITP 1 defined contribution pensions and an ITP 2 defined benefit pensions.

The defined benefit pension obligations of ITP 2 for retirement and survivors' pensions are fully vested through insurance with Alecta. This plan is a defined benefit multi-employer plan, but because there is no information for reporting as a defined benefit plan, it is reported as a defined contribution plan. Expected expenditure to Alecta next year amounts to MSEK 36.9. The group's share of the total expenditure on the plan amounts to 0.17%.

The collective consolidation ratio consists of the market value of Alecta's assets as a percentage of insurance commitments measured in accordance with Alecta's actuarial methods and assumptions, which are not consistent with IAS 19. At year-end 2017, Alecta's surplus in the form of the collective consolidation ratio was 154% (149).

The group's aggregate expense for defined contribution pension plans amounted to MSEK 28.7.

Disclosures regarding remuneration to the Board of Directors and senior managers

The CEO has been an employee of Internationella Engelska Skolan i Sverige Holdings II AB since April 2016. All senior managers are employees of Internationella Engelska Skolan i Sverige AB.

2017/18	Basic salary, directors' fee	Pension expense	Other compensation	Other benefits	Total
Chairman					
Per Båtelson	0.5	–	–	–	0.5
Directors elected by shareholders' meetings					
Barbara Ann Bergström	0.3	–	–	–	0.3
Birker Berthold Bahnsen	–	–	–	–	–
Cecilia Marlow	0.4	–	–	–	0.4
Maria Rankka (elected 16 November 2017)	0.2	–	–	–	0.2
Gunilla Carlsson (elected 16 November 2017)	0.2	–	–	–	0.2
Senior managers					
CEO	2.3	1.0	2.0	0.0	5.3
Other senior managers (12)	10.1	2.8	–	0.3	13.1
Total	13.8	3.8	2.0	0.3	19.8

* Other compensation to the CEO is severance pay.

Note 7, cont.

2016/17	Basic salary, directors' fee	Pension expense	Other compensation	Other benefits	Total
Chairman					
Per Båtelson	0.5	–	–		0.5
Directors elected by shareholders' meetings					
Barbara Ann Bergström	0.3	–	–		0.3
Birker Berthold Bahnsen	–	–	–		–
Cecilia Marlow	0.4	–	–		0.4
Senior managers					
CEO	1.8	0.6	–	0.0	2.4
Other senior managers (9)	7.6	1.9	–	0.2	9.7
Total	10.6	2.5	0.0	0.2	13.3

Compensation, terms and conditions of senior managers

The board of directors applies the following guidelines for compensation of the chief executive officer and senior managers:

IES will offer overall compensation at market levels that enables the hiring and retention of qualified senior managers. Compensation within IES should be based on principles of performance, competitiveness and fairness. Variable compensation is not permitted.

Compensation to the chief executive officer and other senior managers consists of basic salary, pension, company car and healthcare benefits. Other senior managers mean the 12 individuals that make up management jointly with the chief executive officer.

The chief executive officer has a notice period of six months and severance pay of 12 months for termination initiated by the group, and if the chief executive officer decides to terminate employment, the notice period is six months. Other senior managers have maximum notice periods of six months and maximum severance pay of six months.

Ralph Riber left his position as CEO and President effective 7 August. CFO Fredrik Åkerman became interim CEO and President effective the same date. Annette Brodin Rampe became CEO and President on 1 March 2018.

Incentive programs

At an EGM of Internationella Engelska Skolan i Sverige Holdings II AB (publ) on 13 June 2018, shareholders resolved to implement two long-term incentive programs in the form of a share matching program for a maximum of 50 principals and other key individuals within the group, and a share warrant program for a maximum of ten senior managers.

These programs have been designed to motivate and retain competent professionals, improve consistency between the individual's and the company's objectives, and increase motivation to achieve, and exceed, the company's financial targets.

Share matching program

The EGM resolved on a share matching program for a maximum of 50 principals and other key individuals within the group. This program was offered to participants at the end of June 2018, and at the end of the subscription period on 11 July 2018, nine people were participating in the share matching program.

Participation requires the participants to acquire shares of IES with their own funds, or alternatively allocate previously held shares acquired after 1 January 2018 to the program, termed savings shares. With certain exceptions, participants that retain savings shares during the term of the program from 2 July 2018 until the publication date of the interim report for the period 1 July 2020 to 31 March 2021 inclusive, and are also employed by IES throughout the term, will receive one matching share for each saving share at the end of the period. However, the total value per right to receive a matching share is limited to three times the share price at the date of the program's implementation. If the value of such a right exceeds this ceiling, the number of matching shares reduces proportionally.

As of 11 July 2018, principals and other key individuals within the group had decided to participate in the program to an extent implying that the total number of shares that could be granted pursuant to the share matching program could amount to a maximum of 11,415 shares, corresponding to some 0.03% of the number of outstanding shares. The expenses for the share matching program will be reported in accordance with IFRS 2, and measurements of entitlement to share matching and social security expenses will be based on a customary valuation model (Monte Carlo simulation). The group's expense for the share matching was SEK 0 in the financial year because implementation was not executed until July 2018.

Going forward, the following parameters will be applied to the valuation model (Monte Carlo simulation) in full-year and quarterly financial statements:

- The share price on the reporting date in SEK/share
- Expected volatility, %
- Expected share dividend is a parameter of the simulation. IES's dividend policy is stated in the directors' report, and the board of directors is proposing no share dividend for the financial year 2017/18
- Risk-free interest rate, %
- Estimated staff turnover, %
- Maximum outcome, three times share price on implementation
- Exercise date, at the end of May 2021
- Number of shares remaining in the program at the reporting date.

Share warrant program

The EGM on 13 July 2018 also resolved on the issue of share warrants within the auspices of an incentive program for the group's senior managers. A maximum of ten senior managers, including the CEO, are entitled to participate in this program. The issue involved a total of 468,000 share warrants that confer entitlement to subscribe for the same number of new shares of the company. This offering, which expired on 11 July 2018, was utilized by nine senior managers, who acquired a total of 284,000 share warrants. Participants acquired share warrants at SEK 5.00 per share warrant, a total of SEK 1,420,000, which is considered as market value pursuant to external valuation according to the Black & Scholes model.

If a maximum number of acquired share warrants are exercised and the total number of subscribed matching shares are granted, this would imply dilution corresponding to some 0.71% of the company's total number of shares and votes.

The share warrants have a subscription price per share of SEK 89.10 per share. The share warrants can be exercised in a period of two weeks directly after publication of the company's interim report for the period July 2020 – March 2021 (Q3), or a period of two weeks directly after publication of the company's quarterly report for the period July 2020 – June 2021 (Q4).

Subject to certain exceptions, the company has reserved the right to repurchase share warrants if the participant's employment with the company terminates, or if the participant wishes to transfer share warrants before the share warrants can be exercised.

Note 8 Financial income

Financial income	2017/18	2016/17
Profit participation from joint ventures	-0.1	5.4
Other interest income and similar profit/loss items	7.7	5.5
	7.6	10.9

All interest income is sourced from financial items measured at amortized cost.

Note 9 Financial expenses

Financial expenses	2017/18	2016/17
Other interest expenses and similar profit/loss items	6.5	7.4
	6.5	7.4

All interest expenses are sourced from financial items measured at amortized cost.

Note 10 Tax on profit for the year

	2017/18	2016/17
Current tax	29.5	34.5
Adjustment for previous year	2.2	–
Change in deferred tax relating to temporary differences	5.5	9.6
Reported tax	37.1	44.1
Reconciliation of effective tax rate		
Pre-tax profit	153.7	196.2
Tax at applicable rate for the group (22%)	33.8	43.2
Tax attributable to the previous year	2.2	–
Non-deductible expenses	0.9	0.8
Standard earnings, tax allocation reserve	0.2	0.1
Reported tax	37.1	44.1
Average effective tax rate, %	24.1	22.5

The group has no tax items recognized in other comprehensive income or directly against equity.

Disclosures on deferred tax asset and tax liability

The following table specifies the tax effect of temporary differences:

Deferred tax liability	30 Jun. 2018	30 Jun. 2017	1 Jul. 2016
Tax allocation reserve	54.1	48.6	39.5
Carrying amount	54.1	48.6	39.5

Specification of change in deferred tax liability:

Opening carrying amount	48.6	39.5	31.6
Change in temporary differences	5.5	9.1	8.0
Closing carrying amount, deferred tax liability	54.1	48.6	39.5

Note 11 Earnings per share

	30 Jun. 2018	30 Jun. 2017
Earnings per share, basic and diluted		
Profit for the year, MSEK	116.5	152.3
Average number of shares before and after dilution, million	40.1	40.1
Earnings per share before and after dilution, SEK	2.91	3.80

Note 12 Goodwill

	30 Jun. 2018	30 Jun. 2017
Opening cost	661.0	661.0
Closing accumulated cost	661.0	661.0
Closing carrying amount	661.0	661.0

Impairment test

Consolidated goodwill of MSEK 661 (661) arose on the acquisition of Internationella Engelska Skolan i Sverige AB and subsidiaries. Goodwill is subject to impairment tests at the lowest levels where there are separate identifiable cash flows (cash-generating units). As of 30 June 2018, the group has two cash-generating units, the operation in Sweden and the operation in the UK. The reported goodwill item relates to the operation in Sweden only.

The impairment test consists of estimating whether an entity's recoverable amount is greater than its carrying amount. Recoverable amount is measured on the basis of the entity's value in use, which is the present value of the entity's expected future cash flows without considering future operational expansion and restructuring. These computations proceed from estimated cash flows based on financial budgets and cover a four-year period. Cash flow beyond the four-year period are extrapolated using estimated growth rates according to the following information.

Material assumptions utilized for measuring the value in use:

%	30 Jun. 2018	30 Jun. 2017	1 Jul. 2016
EBITDA margin *	10.0	10.5	11.4
Growth rate **	2.0	2.0	2.0
Discount rate ***	11.3	11.4	11.8

* Estimated average gross margin for the next four years.

** Weighted average growth rate applied to extrapolate cash flows after the budget period.

*** Discount rate before tax applied for calculating the present value of estimated future cash flows.

The discounted cash flow model involves forecasting future cash flows from operations including estimates of revenue volumes and production expenses. The material assumptions governing estimated cash flows over the next four years are EBITDA margin and growth rate. Values of these variables have been estimated, primarily based on, and in accordance with, historical experience. These measurements reveal no impairment and do not indicate that any reasonable potential change in material estimates would result in impairment.

A sensitivity analysis demonstrates that:

- a one percentage point reduction in EBITDA margin in the model would negatively affect value in use by MSEK 335;
- a one percentage point reduction in the growth rate beyond the four-year budget period would negatively affect value in use by MSEK 37;
- a one percentage point increase in the discount rate would negatively affect value in use by MSEK 329.

Note 13 Property on leasehold sites

	30 Jun. 2018	30 Jun. 2017
Opening cost	8.4	8.4
Accumulated cost, closing balance	8.4	8.4
Opening depreciation	-3.5	-3.2
Depreciation for the year	-0.3	-0.3
Accumulated depreciation, closing balance	-3.8	-3.5
Carrying amount, closing balance	4.6	4.9

Note 14 Machinery and equipment

	30 Jun. 2018	30 Jun. 2017
Opening cost	380.3	332.5
Purchases in the year	84.2	55.0
Sales/retirements	-26.5	-7.2
Accumulated cost, closing balance	438.0	380.3
Opening depreciation	-269.6	-223.9
Depreciation for the year	-62.5	-52.6
Sales/retirements	26.2	6.9
Accumulated depreciation, closing balance	-305.9	-269.6
Carrying amount, closing balance	132.1	110.6

Note 15 Leasehold improvements

	30 Jun. 2018	30 Jun. 2017
Opening cost	44.8	44.8
Purchases in the year	4.6	0.0
Accumulated cost, closing balance	49.4	44.8
Opening depreciation	-14.7	-12.5
Depreciation for the year	-2.3	-2.2
Accumulated depreciation, closing balance	-17.0	-14.7
Carrying amount, closing balance	32.4	30.1

Note 16 Group companies

Entity	Main activity	Participating interest 2017/18 (2016/17), %
Internationella Engelska Skolan i Sverige Holdings II AB	Owning and managing shares in subsidiaries	–
Internationella Engelska Skolan i Sverige AB	Conducting school operations	100 (100)
IES UK Schools LLP, UK	Owning and managing shares in subsidiaries in the UK	100 (100)
IES International English Schools Ltd	Educational provider	100 (100)
English Summer School AB	Conducting summer school operations	100 (100)

There are no non-controlling interests in the group.

Note 17 Joint ventures

Entity	Main activity	Participating interest in joint venture 30 Jun. 2018	Participating interest 2017/18 (2016/17), %
International Education Partnership S.L.	Owning and subsidiaries	37.3	50 (0)
Colegio Iale, S.A	Conducting school operations	15.9	50 (50)

Participations in joint ventures	30 Jun. 2018	30 Jun. 2017
Opening cost	55.2	55.2
Repayment, acquisition escrow	-1.2	–
Participation in earnings for the year	0.1	–
Closing accumulated change	-1.1	–
Closing carrying amount	54.1	55.2

Entity	Profit, 100%	Profit, IES's share, 50%	Other comprehensive income	Total comprehensive income
Colegio Iale, S.A	1.6	0.8	–	0.8
International Education Partnership S.L.	-1.3	-0.6	–	-0.6
	0.3	0.1	–	0.1

Joint ventures are regarded as immaterial in relation to the size of the group.

Note 18 Non-current receivables		
	30 Jun. 2018	30 Jun. 2017
Receivables with joint ventures	22.0	20.4
	22.0	20.4
Non-current receivables, joint ventures	30 Jun. 2018	30 Jun. 2017
Opening balance	20.4	-
Issuance of loan to joint venture*	-	20.4
Exchange rate fluctuation for the year	1.5	-
Carrying amount, closing balance	22.0	20.4

*The non-current receivable from the joint venture becomes due for payment on 5 July 2019.

Note 19 Financial assets and liabilities			
Financial assets and liabilities as of 30 June 2018	Loan receivables and trade accounts receivable	Other financial liabilities	Total carrying amount
Financial assets			
Receivables with joint ventures	22.0		22.0
Trade accounts receivable	12.9		12.9
Other current receivables	0.0		0.0
Accrued income	104.9		104.9
Current receivable, joint venture	140.7		140.7
Cash and cash equivalents	121.9		121.9
	402.4		402.4
Financial liabilities			
Trade accounts payable		77.2	77.2
Other current liabilities		3.3	3.3
Accrued expenses		17.2	17.2
		97.7	97.7
Financial assets and liabilities as of 30 June 2017	Loan receivables and trade accounts receivable	Other financial liabilities	Total carrying amount
Financial assets			
Receivables with joint ventures	20.4		20.4
Trade accounts receivable	10.4		10.4
Other current receivables	1.0		1.0
Accrued income	91.6		91.6
Cash and cash equivalents	198.3		198.3
	321.7		321.7
Financial liabilities			
Trade accounts payable		72.1	72.1
Other current liabilities		3.5	3.5
Accrued expenses		115.5	115.5
		191.1	191.1

Management judges that there is no material difference between carrying amount and fair value.

The table below illustrates financial instruments, classified in the following value hierarchy:

Level 1 – Listed prices (unadjusted) on active marketplaces for identical assets or liabilities.

Level 2 – Other observable input data for the asset or liability than listed prices included in level 1, either directly (i.e. price quotations) or indirectly (i.e. resulting from price quotations).

Level 3 – Input data for the asset or liability not based on observable market data (i.e. non-observable input data).

	Level 1	Level 2	Level 3	Total
30 Jun. 2018				
Financial assets				
Receivables with joint ventures	0.0	163.7	0.0	163.7
	0.0	163.7	0.0	163.7
Financial liabilities				
Liabilities to credit institutions	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0

30 Jun. 2017				
Financial assets				
Receivables with joint ventures	0.0	20.4	0.0	20.4
	0.0	20.4	0.0	20.4
Financial liabilities				
Liabilities to credit institutions	0.0	0.0	0.0	0.0
	0.0	0.0	0.0	0.0

Note 20

Financial risks

As a result of its operations, the group is exposed to various types of financial risk; credit risk, market risks (currency risk, interest risk and other price risk) and liquidity risk. The group's overall risk management is focused on the unpredictability of the financial markets and endeavors to minimize potential unfavorable effects on the results of the group's operations.

The group's financial transactions and risks are managed centrally by the group's central accounting function. The overall objective of financial risks is to provide cost-efficient financing and liquidity management.

Credit risk

Credit risk is the risk that the group's counterparty in a financial instrument is unable to fulfil its obligations and thus cause a financial loss to the group. The group has no material concentration of credit risks.

Credit risk in trade accounts receivable

Bad debt amounts to insignificant sums in relation to the group's operating income.

The age analysis of trade accounts receivable on the reporting date is stated below. Trade accounts receivable are invoiced voucher funding and expenses for Junior Club.

	30 Jun. 2018	30 Jun. 2017
Trade accounts receivable – not overdue	12.6	10.4
Trade accounts receivable overdue by 31–90 days	0.3	–
Carrying amount	12.9	10.4

Market risk

Market risk is the risk that the fair value of, or future cash flows from, a financial instrument vary due to fluctuations in market prices. IFRS classifies market risks in three types: currency risk, interest risk and other price risks.

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The market risk affecting the group primarily consists of currency risk and interest risk.

The group's objective is to manage and control market risks within parameters set by the board of directors.

Currency risk

Currency risk is the risk that the fair value of, and future cash flows from, a financial instrument vary due to fluctuations in foreign exchange rates. The primary exposure is sourced from the group's sales and purchases in foreign currency. This exposure is termed transaction exposure. Currency risk also exists in the translation of assets and liabilities in foreign currencies, and in the translation of the assets and liabilities of foreign operations to the functional currency of the parent company, termed translation exposure. Because only a minor portion of the group's operating income and assets are outside Sweden, the currency risk is currently very limited.

Transaction exposure

Currency risk related to fluctuations in contracted payment flows is judged as fairly limited because the foreign operation is a very minor share of the group's total operating income.

	Operating income, %	Operating expenses, %
Currency exposure 2017/2018		
EUR	0.14	0.04
GBP	0.01	0.08
Currency exposure 2016/2017		
EUR	0.08	0.05
GBP	0.00	0.05

As stated in the above table, the group's transaction exposure is in EUR and GBP. A 10% fluctuation of the SEK against the EUR would have an impact on profit after tax and equity of approximately MSEK +/-0.2 (0.1). A 10% fluctuation of the SEK against the GBP would have an impact on profit after tax and equity of approximately MSEK +/-0.1 (0.1).

Translation exposure

The group also has translation exposure arising from the translation of assets and liabilities in foreign currencies and the results of operations and net assets of foreign operations into SEK. The translation exposure is to the EUR and GBP, where exposure on the reporting date for EUR amounts to MSEK 162.7 (20.4), and for GBP, to MSEK 3.9 (3.2). A 10% fluctuation of the SEK against the EUR would have an impact on profit after tax and equity of approximately MSEK +/- 11.5 (1.5), and a 10% fluctuation of the SEK against the GBP would have an impact on profit after tax and equity of approximately MSEK +/- 0.4 (0.3).

Interest risk

Interest risk is the risk that the fair value of, or future cash flows from, a financial instrument changing due to fluctuations in market interest rates. A significant factor affecting interest risk is fixed-interest terms. Over and above equity, the group's operating activities are also financed through borrowings from credit institutions, with more information under "Terms & conditions and repayment dates".

Liquidity risk

Liquidity risk is the risk of the group encountering difficulties in fulfilling the obligations associated with financial liabilities. The board of directors manages liquidity risks by continuously monitoring cash flow to reduce liquidity risk and ensure solvency. To some extent, the group also has the potential to alter the rate that investments are executed to attempt to adapt its yearly capital requirement to the group's actual financial resources. Additionally, the parent company possesses a MSEK 100 overdraft facility to be able to manage unexpected liquidity contingencies.

Refinancing risk means the risk that cash and cash equivalents are not

available and that finance can only be arranged partly, or is not available, or alternatively, is subject to increased cost. Because at year-end come, the company is in a positive net cash position with an unutilized overdraft facility of MSEK 100, refinancing risk is considered low.

The group's contractual and undiscounted interest payments and repayments of financial liabilities are stated in the following table. Amounts in foreign currency have been translated to SEK at closing day rates. Financial instruments accruing variable interest have been measured at the interest rate applying on the reporting date. Liabilities have been included in the earliest period when repayment can be demanded.

	30 Jun. 2018	
Maturity analysis	<1 yr.	1–3 yr.
Trade accounts payable	77.2	
Other current liabilities	3.3	
Accrued expenses	17.2	

	30 Jun. 2017	
Maturity analysis	<1 yr.	1–3 yr.
Trade accounts payable	72.1	
Other current liabilities	3.5	
Accrued expenses	115.5	

Credit agreements

At year-end, the group had a credit agreement involving an overdraft facility of MSEK 100. As of 30 June 2018, MSEK 0 (0) of this facility was utilized.

Covenants

The following financial commitment (covenants) was determined in tandem with rearranging an existing funding facility on 29 June 2018, and apply going forward.

Covenant, leverage = net debt/EBITDA.

The group had satisfied the covenant with a comfortable margin as of 30 June 2018.

Capital management

The group's target for its capital structure is to maintain an optimal asset and capital structure over time that is well adapted to the group's operating activities. Capital is defined as equity, which amounts to MSEK 953.3 (882.3). The board of directors has set a financial target of the group's minimum equity/assets ratio being 40%. At the end of the financial year 30 June 2018, the equity/assets ratio was 72.9% (74.2).

Parent company

The parent company's operations consist of the sale of management services and the issuance of certain working capital loans to subsidiaries, associated companies and jointly controlled entities. The scope of these operations is limited, and accordingly, financial risks are not considered material.

Note 21 Prepaid expenses and accrued income

	30 Jun. 2018	30 Jun. 2017
Prepaid rent	89.5	75.4
Prepaid licenses and applications	4.6	4.4
Prepaid educational materials	0.7	1.8
Accrued interest income, joint venture	1.3	–
Other prepaid expenses	7.8	10.0
	104.0	91.6

Note 22 Cash and cash equivalents

	30 Jun. 2018	30 Jun. 2017
<i>Cash in hand</i>		
Bank balances	121.9	198.3
	121.9	198.3

Note 23 Equity

Share capital and other paid-up capital, in SEK

	No. of shares	Share capital	Other paid-up capital
As of 30 June 2017	40,050,000	1,001,250	360,904,777
As of 30 June 2018	40,050,000	1,001,250	360,904,777

Share capital

All shares are fully paid up and no shares are reserved for transfer. Each share carries one vote. The quotient value is SEK 0.025 (0.025).

Other paid-up capital

Other paid-up capital consists of capital provided by the company's owner in August 2012 for the acquisition of subsidiaries.

Translation reserve

The translation reserve covers all exchange rate differences arising from the translation of the financial statements of foreign operations.

Translation reserve	2017/18	2016/17
Opening carrying amounts	0.2	0.3
Change for the year	0.4	-0.1
Closing carrying amount	0.6	0.2

Note 24 Accrued expenses and deferred income

	30 Jun. 2018	30 Jun. 2017
Accrued holiday pay liability	90.3	74.2
Accrued social security contributions on holiday pay liability	28.4	23.3
Accrued other personnel-related expenses	7.2	6.2
Accrued central government subsidies	4.5	2.1
Other accrued expenses	12.8	9.7
	143.2	115.5

Note 25 Transactions with related parties

As of 30 June 2018, the group had a related party relationship with ownership vehicle IEP in Spain through its 50% ownership, and through its 50% direct ownership of IALE, one of the three Elians companies in Spain. A management fee of MSEK 0.9 was debited to the Spanish companies in the period. Additionally, the parent company previously issued loan totaling MEUR 2.1 to the Spanish companies. The interest on these loans was an amount corresponding to MSEK 1.3 in the period. In May 2018, the subsidiary Internationella Engelska Skolan i Sverige AB issued a short-term MEUR 13.5 loan to IEP in Spain. Accrued but undue interest on this loan in the period was an amount corresponding to MSEK 1.2.

For information on remuneration to senior managers, see note 7 Personnel expenses.

Through a Board member, the group has a related party relationship with Internationella Engelska Skolan i Sverige AB. A consulting fee and reimbursement for monitoring the schools market and business intelligence of MSEK 0.4 (0.4) was paid, which is judged to be on market terms.

In May 2018, the subsidiary Internationella Engelska Skolan i Sverige AB issued a short-term MEUR 13.5 loan to IEP in Spain. Accrued but undue interest on this loan in the period was an amount corresponding to MSEK 1.2.

Note 26 Pledged assets and contingent liabilities

Chattel mortgages for the subsidiary Internationella Engelska Skolan i Sverige AB were submitted for credit agreements with credit institutions, at an amount of MSEK 62.5 (62.5).

The parent company guarantees 50% of the property loans of the three Spanish Elians companies Colegio IALE, Elian's Boston and Elian's Londres. These property loans amounted to MEUR 13.7 at the end of the period.

Internationella Engelska Skolan i Sverige AB guarantees its subsidiary IES International English Schools UK Ltd.'s compliance with a management agreement with Sabres Educational Trust for a school in the UK, with some 500 students and a contract term until 31 August 2022 inclusive.

From time to time, the group is party to various proceedings and legal cases that have arisen during the course of day-to-day business operations. These claims relate, but are not limited, to the group's business practice and HR issues. Regarding issues that do not require any provision, from information currently available, the group considers that these will not exert any material adverse impact on the results of the group's operations.

Note 27 | Post balance sheet events

On 2 July, the Swedish Inspectorate of Schools notified IES that it had approved all the applications IES had filed in early-2018 for permits to start and expand schools. These permits are for new schools for grades F–9 in Gothenburg and Solna, and expansion of existing operations to grades F–3 in Täby, Västerås, Örebro and Södertälje. IES has not taken any definitive decisions on the above potential new schools or expansions.

On 2 July, IES's board of directors decided to execute a new share issue and then immediately repurchase 80,000 class C shares. The shares are being issued and repurchased in accordance with the share matching program adopted by the EGM on 13 June 2018.

IES acquired the remaining 50% of the shares of Spanish ownership vehicle IEP for a maximum and expected purchase consideration of MEUR 12, of which MEUR 9.5 was paid on 9 July. IEP holds 99.55% of the shares of English School of Asturias, and 100% of the shares of two of Grupo Educativo Elians's three school operators in Spain, located in Castellon and La Nucia. Effective July 2018, the operations within IEP will be consolidated into IES, and in the financial year 2018/19, are expected to generate revenue of MEUR 15.3 and EBITDA of MEUR 2.9. The fourth Spanish school that IES has a participating interest in is located in Valencia, and is still 50:50 owned by IES and the Monzonis family.

Two new schools were opened in August 2018, one in Länna, Huddinge, and one in Sundbyberg. Accordingly, a total of some 25,600 students started the new school year in the 36 schools within the Swedish operations.

Note 28 | Business combinations

On 9 July 2018, IES successfully completed the acquisition of the remaining 50% of former joint venture International Education Partnership, S. L. (IEP) in Spain. This acquisition means that most of the operations in Spain, three of four schools, become subsidiaries of IES, and that IES becomes one of the major players on the Spanish market for private bilingual (English and Spanish) high-quality schooling.

The preliminary acquisition analysis follows:

Preliminary acquisition analysis	EUR 000	SEK 000
Property, plant and equipment	30,065	307,568
Intangible assets	29	297
Cash and cash equivalents	996	10,189
Current receivables	2,450	25,064
Provisions and liabilities	-31,111	-318,269
Other liabilities	-4,282	-43,805
Net identifiable assets and liabilities	-1,853	-18,956
Fair value of previous holdings	3,760	38,465
Purchase consideration, remainder of IEP	12,000	122,761
Total purchase consideration	15,760	161,226
Acquired net assets	-1,853	-18,956
Goodwill/customer relations*	17,613	180,183
Total acquired assets	15,760	161,226

* Work on allocating the acquisition price between various types of intangible asset is ongoing.

The fair value of previous holdings has been estimated at EUR 3,760,000. This value consists of the original purchase consideration of the two Elians companies within IEP in November 2016 of EUR 3,433,000, and total share of profits from former joint ventures within IEP amounting to EUR 327,000. The purchase consideration for the remaining share of IEP of EUR 12,000,000, of which an EUR 2,500,000 estimated additional purchase price will be paid in December 2019 at the earliest, is affected by the acquisition of ESA, Asturias, completed by IEP in May 2018, prior to IES acquiring the remaining 50% of IEP.

With the acquisition, IES's parent company takes over 100% of the guarantees for real estate mortgages in the two Elians companies, which have now become subsidiaries, of MEUR 12.0. The guarantee for 50% of the real estate mortgage, of MEUR 1.7, for the Elians company still 50%-owned by IES, remains.

Effective July 2018, the operations within IEP will be consolidated into IES, and are forecast to generate revenues of MEUR 15.3 and EBITDA and EBITA of MEUR 2.9 and 2.1 respectively in the financial year 2018/19.

Notes to the Financial Statements

(parent company)

Amounts in millions of Swedish kronor (MSEK) unless otherwise stated.

Note 29 Accounting policies

Accounting standards applied

The parent company applies the Swedish Annual Accounts Act and RFR's (the Swedish Financial Reporting Board) recommendation RFR2 "Accounting for Legal Entities." This recommendation implies the parent company applying the same accounting policies as the group apart from instances where the Swedish Annual Accounts Act or applicable tax regulation limit the scope to apply IFRS.

Differences between the group's and parent company's accounting policies are stated below. The following accounting policies for the parent company had been applied consistently to all periods presented in the parent company's financial statements, unless otherwise stated.

The parent company's revenues are for management services and interest from subsidiaries and associated companies.

Receivables with jointly controlled entities are items including bank balances in central accounts.

Subsidiaries

Participations in subsidiaries and associated companies are recognized in the parent company in accordance with the cost method, which means that transaction expenses are included in the carrying amount of participations and subsidiaries.

Financial assets and liabilities

Due to the relationship between accounting and taxation, the regulations governing financial instruments pursuant to IAS 39 are not applied in the parent company as a legal entity, but rather, the parent company applies the Swedish Annual Accounts Act's stipulated cost method. Accordingly, the parent company's financial non-current assets are measured at cost less potential impairment, and financial current assets are measured in accordance with the lower of cost or market principle.

Leases

The parent company recognizes all lease arrangements as operating leases regardless of their economic substance.

Group contributions and shareholders' contributions

The parent company applies the alternative rule for group contributions, and recognizes group contributions received and paid as year end-appropriations. Shareholders' contributions are reported directly against equity of the recipient and capitalized in shares and participations of the issuer, to the extent impairment is not required.

Tax

The parent company recognizes untaxed reserves including deferred tax liability on the basis of the relationship between accounting and taxation.

Note 30 Revenue

	2017/18	2016/17
Management fee to group companies	3.2	2.8
	3.2	2.8

Note 31 Other operating income

	2017/18	2016/17
Management fee to associated companies and jointly controlled entities	0.9	1.2
Exchange rate gains	3.3	–
Other income	0.4	0.4
	4.6	1.7

Note 32 Remuneration to auditors

	2017/18	2016/17
Ernst & Young AB		
Audit assignment	0.8	0.8
Auditing in services over and above to audit assignment	0.5	0.6
Tax advisory services	0.0	1.0
	1.3	2.4

Note 33 Leases

There are no lease arrangements within the company.

Note 34 Personnel expenses

Average number of employees

The average number of employees is based on hours of attendance paid by the company in relation to normal working hours. There were no other employees of the company apart from the CEO.

Average number of employees	2017/18	2016/17
Men	0.7	1.0
Women	0.3	0.0
	1.0	1.0

Salary and remuneration

	2017/18	2016/17
Board of directors and chief executive officer	5.4	2.6
	5.4	2.6

Expenses for social security contribution and pensions obligations

	2017/18	2016/17
Pension expenses for the board of directors and CEO	1.0	0.6
Other social security expenses for the board of directors and CEO	1.6	0.7
	2.6	1.3

*For the gender division in senior management, see note 7.

Note 35 Appropriations

	30 Jun. 2018	30 Jun. 2017
Group contribution received	50.0	120.0
	50.0	120.0
Provision, tax allocation reserve	30 Jun. 2018	30 Jun. 2017
Opening carrying amount	-27.4	-
Provision, tax allocation reserve, 2017	-	-27.4
Provision, tax allocation reserve, 2018	-9.8	-
Closing carrying amount	-37.2	-27.4

Note 36 Tax on profit for the year

	2017/18	2016/17
Current tax	7.3	18.1
Total reported tax	7.3	18.1
Reconciliation of effective tax rate		
Reported profit before tax	29.2	80.0
Tax on reported profit at applicable tax rate (22%)	-6.4	-17.6
Tax effect of:		
Other non-deductible expenses	0.0	-0.5
Non-taxable income	-	0.0
Standard earnings, tax allocation reserves	0.0	-
Tax attributable to previous years	-0.8	0.0
Reported tax	-7.3	-18.1
Effective tax rate, %	24.8	22.6

Note 37 Participations in group companies

	30 Jun. 2018		30 Jun. 2017	
Opening cost		361.9		361.9
Accumulated cost, closing balance		361.9		361.9
Carrying amount, closing balance		361.9		361.9
	Participating interest, %	Share of vote, %	No. of participations	Carrying amount
Company/corporate ID no./Reg. office	2017/18	2017/18	2017/18	2017/18
	(2016/17)	(2016/17)	(2016/17)	(2016/17)
Internationella Engelska Skolan i Sverige AB, 556462-4368, Stockholm	100 (100)	100 (100)	1002 (1002)	361.9 (361.9)
IES UK Schools LLP, UK, OC372913, London, UK	100 (100)	100 (100)	1000 (1000)	0 (0)
IES International English Schools Ltd, 07780308, London, UK	100 (100)	100 (100)	1000 (1000)	0 (0)
English Summer School AB, 556823-4271, Stockholm	100 (100)	100 (100)	50 (50)	0 (0)
			Equity	Profit for the year
Internationella Engelska Skolan i Sverige AB, 556462-4368, Stockholm			360.8	0.9
IES UK Schools LLP, UK, OC372913, London, UK			3.2	-0.1
IES International English Schools Ltd, 07780308, London, UK			1.0	-0.4
English Summer School AB, 556823-4271, Stockholm			1.8	0.2

Note 38 Participations in joint ventures and jointly controlled entities

Participations in joint ventures and jointly controlled entities	30 Jun. 2018	30 Jun. 2017
Opening cost	54.4	54.4
Repayment of acquisition escrow	-1.2	-
Acquisition expenses	0.1	-
Closing accumulated change	-1.1	-
Carrying amount, closing balance	53.2	55.2
Associated companies and jointly controlled entities	30 Jun. 2018	30 Jun. 2017
Elians Boston	-	20.8
Elians Londres	-	17.3
Colegio Iale	15.9	16.2
International Education Partnership S.L.	37.3	-
	53.2	54.4

Entity	Profit, 100%	IES's share of earnings, 50%	Other com- prehensive income	Total com- prehensive income
Colegio Iale, S.A	1.6	0.8	–	0.8
International Education Partnership S.L.	-1.3	-0.6	–	-0.6
	0.3	0.1	–	0.1

Repayment, acquisition escrow:

Elia's Londres: SEK 880,800

Colegio Iale: SEK 327,600

Elia's Boston, Colegio Iale and Elia's Londres were associated companies of IES Holdings II AB in 2016/2017. In May 2018, the net assets of Elia's Boston and Elia's Londres were transferred in kind into newly incorporated holding company International Educational Partnership S.L. (IEP), which in turn, is an associated company of IES Holdings II AB. Colegio Iale is unaffected by this change of control and remains an associated company of IES Holdings II AB.

Company/corporate ID no./Reg. office	Partici- pating interest, % 2017/18 (2016/17)	Share of vote, % 2017/18 (2016/17)	No. of parti- cipations, % 2017/18 (2016/17)	Carrying amount, % 2017/18 (2016/17)
International Education Partnership S.L.	50 (0)	50 (0)	50 (0)	50 (0)
Colegio Iale, S.A, Valencia, Spain	50 (50)	50 (50)	50 (50)	50 (50)
Elia's Boston S.A, Valencia, Spain	0 (50)	0 (50)	0 (50)	0 (50)
Elia's Londres, Valencia, Spain	0 (50)	0 (50)	0 (50)	0 (50)

Note 39 Transactions with related parties

	Sales of goods/ services	Purchases of goods/ services	Interest	Receivable on report- ing date	Liability on reporting date
Subsidiaries 2017/18	3.6	1.9	0.0	8.1	0.0
	3.6	1.9	0.0	8.1	0.0
	Sales of goods/ services	Purchases of goods/ services	Interest	Receivable on report- ing date	Liability on reporting date
Associated companies and jointly controlled entities 2017/18	0.9	0.0	1.3	23.0	0.0
	0.9	0.0	1.3	23.0	0.0

Note 40 Non-current receivables

Non-current receivables – associated companies and jointly controlled entities	30 Jun. 2018	30 Jun. 2017
Opening balance	20.4	–
Issuance of loans to associated companies and jointly controlled entities*	–	20.4
Exchange rate fluctuation in the year	1.5	–
Carrying amount, closing balance	22.0	20.4

* Non-current receivables with joint ventures become due for payment on 5 July 2019.

Note 41 Prepaid expenses and accrued income

	30 Jun. 2018	30 Jun. 2017
Accrued interest income	1.0	–
Other interim receivables	0.4	–
	1.5	0.0

Note 42 Number of shares

The total number of ordinary shares is 40,050,000 (40,050,000) with a quotient value of SEK 0.025 (0.03).

	Outstanding			Total issued		
	Quo- tient value per share, SEK	Ordinary shares	Total	Ordinary shares	Total	Share capital, SEK
Opening balance, 1 Jul. 2017	0.025	40,050,000	40,050,000	40,050,000	40,050,000	1,001,250
New share issue	–	–	–	–	–	–
Closing balance, 30 Jun. 2018	0.025	40,050,000	40,050,000	40,050,000	40,050,000	1,001,250

After the end of the year, on 2 July 2018, the board of directors decided to execute a new share issue, and then immediately repurchase 80,000 class C shares.

Note 43 Current tax

The current tax liability of MSEK 25.3 consists of tax attributable to 2016/17 of MSEK 18.8 and MSEK 6.5 attributable to 2017/18.

Note 44 Prepaid expenses and accrued income

	30 Jun. 2018	30 Jun. 2017
Prepaid personnel expenses	0.2	0.4
Other prepaid expenses	1.7	1.0
	1.9	1.4

Note 45 Appropriation of profit

The following funds are at the disposal of the AGM, SEK:

Retained earnings	376,121,610
Profit for the year	21,941,379
Total	398,062,989

The board of directors and chief executive officer propose that:

SEK 0.00 (1.14) per share is paid as dividend to shareholders	0
Carried forward	398,062,989
Total	398,062,989

Note 46 Earnings per share

Earnings per share, basic and diluted	30 Jun. 2018	30 Jun. 2017
Profit for the year, MSEK	21.9	61.9
Average number of shares before and after dilution, million	40.1	40.1
Earnings per share before and after dilution, SEK	0.55	1.54

Note 47 Pledged assets and contingent liabilities

The parent company guarantees 50% of the property loans to the three Spanish Elians companies Colegio IALE, Elian's Boston and Elian's Londres. These property loans amounted to MEUR 13.7 at the end of the period.

Note 48 Post balance sheet events

On 2 July, IES's board of directors decided to execute a new share issue and then immediately repurchase 80,000 class C shares. The shares were issued and repurchased within the auspices of the share matching program adopted by an EGM on 13 June 2018.

IES acquired the remaining 50% of the shares of Spanish ownership vehicle IEP for a maximum and expected purchase consideration of MEUR 12, of which MEUR 9.5 was paid on 9 July. IEP owns 99.55% of the shares of English School of Asturias and 100% of the shares of two of Grupo Educativo Elians's three school operators in Spain, located in Castellon and La Nucia. The operations included in IEP will be consolidated into IES effective July 2018, and are expected to generate revenue of MEUR 15.3 and EBITDA of MEUR 2.9 in the financial year 2018/2019. The fourth Spanish school that IES has a participating interest in is located in Valencia and is still 50:50 owned by IES and the Monzonis family.

Note 49 Business combinations

See note 28 for the group on page 100.

Signatures

The board of directors and chief executive officer hereby certify that these annual accounts and consolidated accounts have been prepared in accordance with the international accounting standards referred to in the European Parliament and Council Regulation (EC) no. 1606/2002 of 19 July 2002 on the application of international accounting standards and generally accepted accounting principles, and give a true and fair view of the group's and parent company's financial position and results of operations. The directors' reports of the group and parent company give a true and fair view of the group's and parent company's operating

activities, financial position and results of operations, and state the material risks and uncertainty factors facing the parent company and group companies. These annual accounts and consolidated accounts were approved for issuance by the board of directors on 28 September 2018. The Consolidated Income Statement and Consolidated Balance Sheet and the Parent Company Income Statement and Parent Company Balance Sheet will be subject to adoption at the Annual General Meeting on 20 November 2018.

Täby, Sweden, 28 September 2018

Per Båtelson
Chairman of the Board

Barbara Bergström
Deputy Chairman

Birker Bahnsen
Board member

Gunilla Carlsson
Board member

Cecilia Marlow
Board member

Maria Rankka
Board member

Albert Lauschus
Employee Representative
(The National Union of Teachers in Sweden)

Jessica Fryksten
Employee Representative
(The National Union of Teachers in Sweden)

Annette Brodin Rampe
CEO

Our audit report was presented on 2 October 2018
Ernst & Young AB

Daniel Öberg
Authorized Public Accountant

Auditor's Report

To the general meeting of the shareholders of Internationella Engelska Skolan Holdings II AB (publ), corporate identity number 556900-7254.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Internationella Engelska Skolan i Sverige Holding II AB (publ) except for the corporate governance statement on pages 61–65 and the statutory sustainability report on pages 70–73 for the financial year 2017/2018. The annual accounts and consolidated accounts of the company are included on pages 52–105 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30th of June 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 30th of June 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 61–65 and the statutory sustainability report on pages 70–73. The directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent

company and the income statement and the statement of financial position for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition

Description

Revenue for 2017/2018 of MSEK 2,243.1 is recognized in the consolidated income statement. These revenues mainly consist of school voucher funding received from various municipalities, which is based on students' domicile. Revenue recognition associated with items including student voucher funding from municipalities is allocated to periods based on the company's principle for the period education is conducted. Against a background of the scale of the revenue item and the principles for revenue allocation, we judge this to be a key audit matter. A review of revenue recognition is stated in 'Judgements and estimates' and revenue in note 1.

How our audit addressed this key audit matter

In our audit, we considered the principles governing items including revenue recognition, executed analytical reviews, and reviewed and evaluated the process for material revenues. We also reviewed municipal decisions on school voucher funding and conducted random testing of student voucher funding received and allocations executed to evaluate the completeness and allocation of revenue. We also tested the controls the company has prepared. We reviewed the disclosures made regarding revenues in the annual accounts.

Goodwill

Description

Goodwill of MSEK 661.0 was recognized in the consolidated statement of financial position as of 30 June 2018. The company conducts impairment tests each year, to verify that carrying amounts do not exceed estimated recoverable amounts of these assets. Recoverable amounts are measured by calculating the present value of future cash flows per cash-generating unit, and are based on estimates and judgments of a number of factors, including growth and margins, which are based on management's business plan and forecasts. As a result of uncertainty in estimates conducted when measuring recoverable amounts, we judge that goodwill is a key audit matter.

A review of the impairment test is stated in note 12 and in the 'Judgements and estimates' section of note 1.

How our audit addressed this key audit matter

In our audit, we reviewed management's process for preparing impairment tests, through means including evaluating the previous quality of forecasts and assumptions. We also make comparisons with other companies. With the support of our valuation specialists, we reviewed the company's model and methodology for conducting impairment tests and have evaluated the company's sensitivity analyses, as well as executing sensitivity analyses of critical assumptions and potential influences. We review the disclosures made regarding goodwill in the annual accounts.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–51 and 110–112. The board of directors and the managing director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors and the managing director

The board of directors and the managing director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of directors and the managing director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The board of directors and the managing director are responsible for the assessment of the company's and the group's ability to

continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the board of directors and the managing director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control

relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors and the managing director.
- Conclude on the appropriateness of the board of directors' and the managing director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the

disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the board of directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the board of directors and the managing director of Internationella Engelska Skolan i Sverige Holding II AB (publ) for the financial year 2017/2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the directors' report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the board of directors and the managing director

The board of directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The board of directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The managing director shall manage the ongoing administration according to the board of directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the board of directors or the managing director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the board of directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The board of directors is responsible for that the corporate governance statement on pages 61–65 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 *The auditor's examination of the corporate governance statement*. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The board of directors is responsible for the statutory sustainability report on pages 70–73, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Jakobsbergsgatan 24, Box 7850, 103 99 Stockholm, was appointed auditor of Internationella Engelska Skolan i Sverige Holding II AB (publ) by the general meeting of the shareholders on the 17th of November, 2017 and has been the company's auditor since the 31st of August 2012.

Stockholm, 2 October 2018

Ernst & Young AB

Daniel Öberg

Authorized Public Accountant

Ethical Guidelines for Internationella Engelska Skolan

Ever since its inception in 1993, Internationella Engelska Skolan (IES) has been driven by strong values. Basic among those is the conviction that education and enlightenment are the keys to success for young people and to progress for society. In order to provide schools of high quality, IES as an organization carries three core beliefs:

1. The need for a calm and orderly learning environment, in which teachers can teach and students learn.
2. The importance to learn to command the English language, as the key to the world.
3. The value of showing high expectations for every student, irrespective of background, and preach the norm of working hard, through thick and thin, to reach your full potential.

The promise from IES as an organization is to always place these fundamental convictions at the center of everything it does. Leaders at all levels must strive to work towards them, as their foremost task, by recruiting competent people who share these beliefs, by assembling and motivating members of staff to go in this same direction, by supporting people in the organization in these efforts and to constantly make clear that our purpose is about results and character for the students.

As an organization with strong norms and values, IES also is governed by the following basic views:

- **Laws and regulations** are to be followed, even if we may be working to change some of them for the better.
- **Honesty** shall characterize everything we do. We do not say one thing in public and deliberately act differently in practice. We set correct grades in our schools after a professional assessment, not bending to undue pressure.
- When **marketing** our schools, we present what we can offer in education, never offer benefits not relevant to education.
- We show **openness** and a constructive attitude to other forces for the good of the students, like when municipalities, politicians and organizations want to visit, learn and cooperate for valid purposes.
- We take with utmost **seriousness** our assignment to operate a school, plan responsibly and respond quickly and forcefully to correct problems. No organization can avoid problems, but our organization shall be dedicated to not let them persist without taking action.
- We **handle resources** and finances in a responsible way, to secure that we can meet all our obligations and that IES schools can be relied upon as stable and long-term.
- We expect **dedicated and professional efforts** from our employees, with a preparedness to “go the extra mile”, while offering a work environment where members of staff can thrive in exercising their profession and advance in responsibilities when excelling. Every employment, every assignment, every promotion is to be based on merit, only.
- We **uphold a climate of trust and transparency** in the organization, in which wrongdoings or unprofessional behavior can be reported to management, for objective handling.
- We respect the **professional integrity** of different roles, like teachers’ assessment of correct grading and our principals’ sphere of autonomy to be the true leaders of their schools, within the framework of what IES stands for.

Within and beyond what is stated above, each individual working for IES must keep in mind:

- That adult guardianship of young people requires that you never, ever, allow any breakdown in the role as a responsible guardian. Adults in the school are not “buddies”, not “friends on social media”, not “romantically alluring” with students. They are adults.
- That any type of action bordering on corruption is absolutely forbidden. This includes, but is not limited to, any attempt to give favors to friends or relatives in being admitted to a school, accepting benefits for setting higher grades, using the position at IES for personal gain, buying equipment or services based on a personal relationship, etc. In case of any uncertainty on what is bordering on corruption, it is the responsibility of an employee to confer with his or her principal or superior.
- That employment at IES, and embracing its values, entails giving the school your full professional dedication. Anything that interferes with that professional focus should be discussed with your principal. The task of educating and supporting young people for life is a demanding one, requiring full use and focus of your energy.

A culture of strong values in conviction and action cannot be regulated in every detail – that’s why it is called a “culture”. Every member of the IES organization has a personal responsibility to act so that the culture is confirmed and renewed every day, with every action. Ask yourself:

- Is my way of acting and thinking in accordance with the core values of IES?
- Do I contribute to a positive, upbeat and constructive atmosphere in the school, and by my way of interacting with students and colleagues?
- Can I explain and defend my actions with a clear conscience, should they be scrutinized in public, for example in a newspaper article or through a school inspection?
- Do I contribute positively to the strong and good reputation of IES? This entails also how I am perceived outside of school, for example when a parent happens to run into to me in a public environment. Impressions are created not only in school, but also by what others can see outside of school, including how I act on social media.
- What consequences could my behavior have for IES and the school? Go for the good, dare to stand up for strong values. Try to be someone to emulate also in civil life.

As a member of Friskolornas Riksförbund, Internationella Engelska Skolan is also adhering to the “Etiska riktlinjer för Friskolornas Riksförbund”, which is published on its web site <http://www.friskola.se>

Definitions

*Key indicators defined according to IFRS are indicated with**

Alternative key performance indicators

The group uses alternative key ratios to increase the reader's understanding of the progress of operations. We think these alternative key ratios facilitate evaluation and analysis of the group's progress in important segments such as the potential for dividends and execution of future strategic investments, as well as the group's ability to satisfy its various financial obligations. Some alternative key ratios, such as adjusted EBIT and adjusted EBIT margins, also enable investors to better judge the progress of earnings between years, excluding items affecting comparability.

Adjusted EBIT

Earnings after amortization of acquisition-related intangible assets and before financial items and tax, excluding items affecting comparability.

Adjusted EBIT margin

Adjusted EBIT as a percentage of total operating income.

Cash and cash equivalents

Cash and bank balances, and investments in securities.

Earnings per share*

Profit for the period divided by the number of shares.

EBIT

Earnings before interest and taxes.

EBITDA

(Earnings before interest, taxes, depreciation and amortization), operating profit before the amortization of acquisition-related intangible assets and before financial items and tax, excluding items affecting comparability.

Equity/assets ratio

Equity divided by total assets.

FTE

Full-time equivalent, average number of full-time employees.

Heads

Number of employees at the end of the year disregarding utilization.

Investments

Net of investments and disposals of tangible and intangible assets excluding acquisition-related investments.

Items affecting comparability

Items affecting comparability are reported separately to illustrate the performance of underlying operations. Items affecting comparability include costs of advisory services in connection with acquisitions, costs resulting from strategic decisions and significant restructuring of operations. However, central government subsidies such as läxhjälp, lärarlönelyftet and karriärtjänster are not included in items affecting comparability, because they are expected to recur for several years, and are part of operating activities.

Net debt (+)/net cash (-)

Interest-bearing liabilities less cash and cash equivalents.

Net margin

Profit for the year divided by total operating income.

Number of shares*

Number of shares as stated in the share register.

Revenue*

School voucher funding and social subsidies.

Other operating income

Revenues from Junior Club and compensation for karriärtjänster, läxhjälp, lärarlönelyftet and other central government subsidies.

Return on equity

Profit for the period divided by average equity (opening balance plus closing balance divided by two).

Segment

IES reports geographical markets as operating segments.

Working capital

Current assets excluding cash and cash equivalents less operating liabilities.

