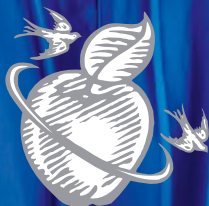




Internationella



Engelska Skolan

ANNUAL REPORT 2016/17

A young man with short, dark, wavy hair is smiling and looking towards the camera. He is wearing a dark, textured sweater. The background is slightly blurred, showing what appears to be a classroom or office setting with a whiteboard or chalkboard. The entire image has a blue color overlay.

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

IES is working for the long term to create the best schools. 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 fulfill their 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 principles 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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Financial calendar 2017/18

The AGM will be held at 4 p.m. on 17 November, 2017 at IES's premises at Isafjordsgatan 39, Kista, Sweden.

Interim Report July-September, 17 November, 2017

Interim Report July-December, 22 February, 2018

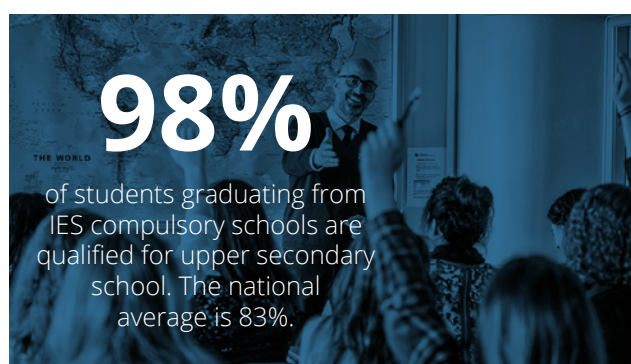
Interim Report July-March, 25 May, 2018

Year-end Report 2017/18, 29 August, 2018

Shareholder contact

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This is a translation of the original Swedish version. In the event of any discrepancies between the two versions, the original Swedish version shall take precedence.





Internationella Engelska Skolan in brief

Internationella Engelska Skolan (IES) has extensive experience in education, operating free schools in Sweden since 1993. Most of our schools are in the 4-9 grade segment (middle schools), gradually adding also the lower grades. IES operates one upper secondary school (high school) in Stockholm.

Apart from schools in Sweden, IES provides management services for a school in the UK and holds 50% of the shares of three Spanish school operators that form Grupo Educativo Elians.

IES schools focus on students learning to command the English language in an orderly environment with high academic expectations. Up to half of the teaching is in English with native English teachers.

On national tests, IES achieves results that are significantly higher than the test results of municipal schools, and also higher than other free schools in Sweden. IES is able to show a major positive “school effect” when comparing test results in grade 6 with the corresponding test results in grade 9 for the same student body.

98%

of students achieved grades qualifying them for upper secondary school. The national average is 83%.

144,000

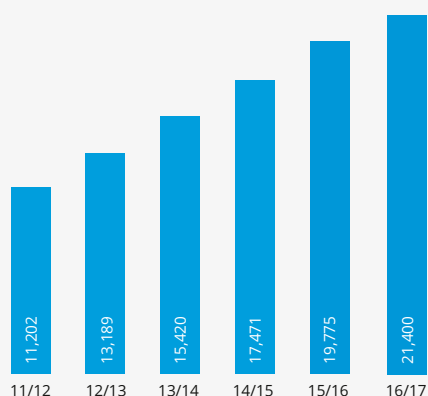
applications registered on waiting lists for IES's compulsory schools in Sweden.*

21,400

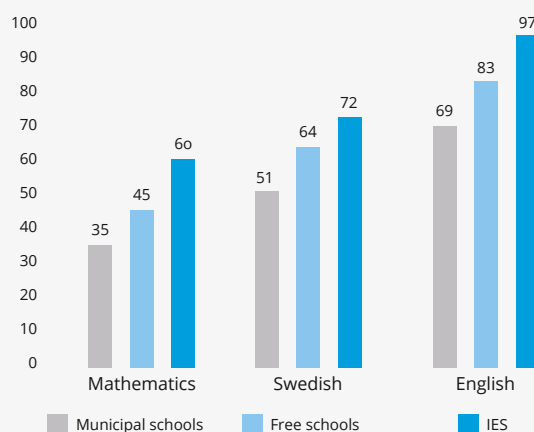
students attended IES schools during the academic year 2016/17.


*as of 30 June 2017, for the coming year.

Student base in IES schools in Sweden



Students achieving grades A-C on national tests in grade 9, 2016, %



A photograph of four women in a hallway, seen from behind. They are all embracing each other in a group hug. The woman on the left is wearing a black long-sleeved top and black pants. The woman in the center is wearing a bright red blazer and a matching red skirt. The woman on the right is wearing a grey sweater and grey track pants with black stripes down the side. A fourth woman is partially visible behind the woman in the red outfit. They are standing on a dark, reflective floor. The background shows a hallway with blue and red walls and a door with a blue sign.

*"Our aim is to create a
secure environment where
adults show tough love
and where true teaching
is possible."*

BARBARA BERGSTRÖM

Tough love

Having pleasant talks with the students, giving hugs, picking up trash almost at once from the highly polished floors. This is what a tour of the school in Enskede, outside of Stockholm, with Barbara Bergström and the school's principal Robert Clark is like. The tour gives a clear look at the culture which Barbara Bergström has established at IES, since its inception in 1993. "We are all about respect for the student with the understanding that time at school should be a preparation for a successful transition into adulthood in terms of knowledge and social skills", says Barbara Bergström. "We provide a safe environment where each adult embodies what we term as 'tough love' and where teachers are actually able to exercise their profession."

It is obvious that the school in Enskede, Gubbängen, in the southern part of Stockholm, has a special place in Barbara Bergström's heart. It is the mother school where she served as principal. There she installed the culture and the routines which have become the norm for all IES schools. 12 years ago, the torch was passed on to Robert Clark. Mr. Clark spent mid-term school break on his knees laying the floor in the library to get it ready for the school's younger students. This is just one of the many signs of his dedication and passion for the meticulously maintained school and its students.

"This is my extended family, and for me, creating the best environment possible for everyone feels natural. In a pleasant environment, we are also motivated to take care of our school. It is my responsibility to be a role model for everyone at school. We expect a strong commitment from our teachers and students. As the leader of the school, I have the same commitment.

Leadership is everything

It is very clear that Robert Clark is exactly the kind of principal Barbara Bergström is looking for.

"Finding leaders like Robert, and making sure that they stay with us, is one of our biggest challenges. Leadership is everything. We depend on strong and effective leaders who ensure that we live up to our core values and who are able to attract and retain the very best teachers. A process of deterioration can otherwise happen quickly. Sometimes through the years, changing principal became necessary. We have to work hard to retain our culture at all times".

Working hard to achieve your goals is something Barbara Bergström considers natural. As an American who immigrated to Sweden and started to work as a Science teacher, she became frustrated by the lack of leadership she encountered in public schools. When the opportunity arose with the school voucher system, she decided to start her own school. The aim was to provide a safe school environment where teachers can teach and students learn. High academic standards and expectations became part of the concept, and with a high percentage of teaching performed in English by native English teachers.

"Of course, I hoped that my ideas would attract students, parents and staff. When I first looked at the building in Gubbängen, I became really apprehensive. The sheer size of the building was intimidating. Will I be able to fill the building with students, I wondered.", Barbara recalls.



Principal Robert Clark has taken on Barbara Bergström's mantle at Enskede School outside Stockholm.

It took quite a bit of courage to do something that went contrary to the prevailing trends in teaching. "At the time, one could hardly pronounce the word discipline in public. It was intentionally misunderstood as something that resembled draconian measures and infringed on the rights of the students. Furthermore, teachers were to be buddies to the students and not leaders in the classroom. This was definitely contrary to the concept and culture which I advocated.

The culture of a school founded on discipline, order and the command of the English language proved attractive to parents and students. The promise of peace and quiet in the classroom, our commitment of dealing with bullying issues, having high expectations for everyone was appealing and IES soon had long waiting lists.

First step on expansion

Reputation spread, and in 2002 we were asked by the city council of Järfälla to take over a failing public school in Jakobsberg. Barbara describes her shock when visiting the school for the first time. The event was a parent and student information evening in preparation for the school start.

"I was met by total chaos. One student was hanging by his feet

from the gutter outside the window and was banging on the window. Another student was charging down the corridor on his skateboard, completely disregarding the fact that visitors were in the building. It was a disaster.”

In just a few years, with a management team dedicated to the ethos of IES, the school turned around and became the best school in the area.

The mission is to give every student, regardless of background, the very best possible tool to reach their full potential, states Barbara.

“A school is a tremendously meaningful institution, a vital part of forming a civil society. What message and values are we giving young people for their future?”

“A school is not a battlefield. It is a tremendously meaningful institution, a vital part of forming a civil society. This might seem obvious. However, in many schools the direct opposite applies. How can students learn anything when working in an environment of fear of bullying, unruliness and lack of discipline? What message and values are we giving young people for their future?”

Adds Robert Clark: “Students are expected to communicate with one another and members of staff throughout the school day. Cell

phones are placed in lockers or in special boxes in the classrooms. No caps or hoods are allowed. Students should interact with one another, be listened to and help each other when needed.”

Gratitude to Sweden and pride in results

Even if Barbara Bergström sold 75% of her school group in 2012, and the company is now listed, she remains on the Board of Directors, as Deputy Chairman, and continues her involvement in its operations. She also remains as the second largest shareholder after TA Associates. After her visit to Enskede, she is off to headquarters to meet and interview principal candidates for 2 of the 33 compulsory IES schools in Sweden. IES is the leading free school operator of Sweden’s compulsory schools with 24,000 students at the beginning of the academic school year 2017. As of June 30th 2017, 144 000 applications have been registered on the waiting list for a place in the coming years.

“I am so grateful to Sweden for giving me the opportunity to realize my dream and to make a difference in the lives of so many. It would have been impossible for me to do this in the US due to the incredible bureaucracy. I am also proud of having created schools that have given so many young people a chance for the future.”

The primary challenge Barbara identifies for the future is to retain and develop the IES culture when the organization grows. “We cannot allow ourselves to be complacent and rest on our laurels; to maintain a culture demands daily acts of confirmation and reinforcement.”





Swedish business weekly *Veckans Affärer* recognized IES's founder Barbara Bergström as the "Most Powerful Female Entrepreneur in the Business Community" in 2017. This award, made on International Women's Day, recognized 25 years of success for IES. The award is long established as the ultimate accolade for women in Swedish business.

As it says in the citation: "Barbara Bergström, from the US, saw the need for English skills and discipline in Swedish schools, and took matters into her own hands."



+8%

Increase in student base
in the year

+13.1%

increase in operating
income in the year

+ 29%

Growth in waiting-list
registrations since
30 June 2016

Strong growth continues, high quality and broadened ownership

In August 2016, IES opened its doors to some 21,400 students, an 8% increase year on year. In total, 51 new classes started in August, of which 12 were in the new school that IES opened in Älvsjö, a southern Stockholm suburb, for grade 4-9 students.

This took place simultaneously with IES's preparations for its initial public offering on Nasdaq Stockholm, which was executed on 29 September. Through this IPO, IES broadened its ownership, attracting 21,000 new shareholders. Over 400 IES employees decided to subscribe for IES shares in tandem with the IPO. Other subscribers included Swedbank Robur fonder, investment company Öresund, Norron Asset Management, 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). IES's largest shareholder remains TA Associates of the US (via ownership vehicle Internationella Engelska Skolan i Sverige Holdings I AB), which has close links to leading universities and trusts in the US, as well as IES's founder Barbara Bergström.

Expansion outside Sweden represents an opportunity for IES on markets where bilingual education is in demand, with English as one language in addition to the local language. On 9 November, IES completed its acquisition of 50% of the shares of the three Spanish school operators that form Grupo Educativo Elians, for a purchase price of MEUR 5. The three schools have operating income of MEUR 12.4, and some 1,600 students.

In spring 2017, 98% of all the students at IES compulsory schools qualified for entry to upper secondary school education. The corresponding share for 9th graders in Sweden overall was 83%.

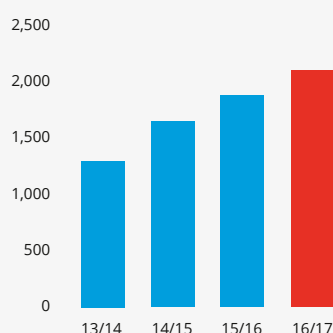
In the fourth quarter 2016/17, 94% of respondents to the yearly anonymous survey of parents of IES students stated that they would recommend their school to another parent.

In the second quarter, IES conducted its first measure of how IES contributes to raising student performance. Results in national tests for 2016 (grade 9) and 2013 (grade 6) were compared. IES's contribution from grades 6-9, what we designate as the "School Effect," was significant, and above the national average—regardless of the socioeconomic background of the student cohort. The positive school effect was 18% in mathematics and 12% in Swedish compared to municipal schools.

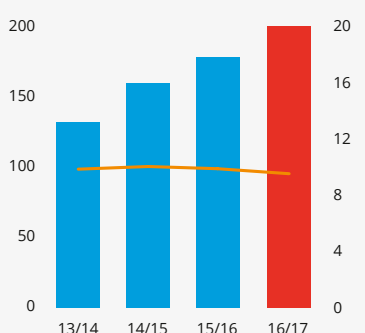
The Swedish Schools Inspectorate scheduled inspections of IES concluded as planned in June. All our 30 school units were reviewed. The results from inspections were positive, underscoring how IES satisfies the standards and expectations the regulator places on us. 27 of our schools attracted no observation to report, while only three attracted any form of comment.

Operating income in the financial year 1 July 2016 - 30 June 2017 increased by 13.1% year on year to MSEK 2,043.3 (1,806.8). EBIT adjusted for items affecting comparability was up by 11.6% in the period in year-on-year terms, to MSEK 198.7 (178.1). Accordingly, the adjusted operating margin was 9.7% (9.9%).

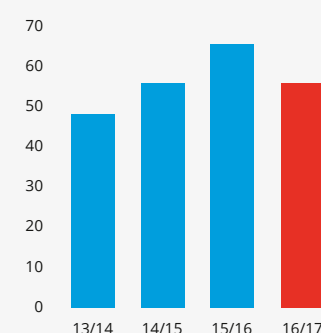
Operating revenues, MSEK



Adjusted operating margin, MSEK and adjusted EBIT margin, %



Investments, MSEK



Quality leads to its own rewards

During our first year as a listed company we have demonstrated in many different ways that quality leads to its own rewards. Our schools are regularly highlighted as a success story in the debate around free schools and under intense scrutiny we have proven ourselves, time and time again. The results are unequivocal; we offer some of the best schools in Sweden, where children, whatever their background, can achieve their full potential. By focusing our resources on providing quality in our schools, where the core of our work takes place, we've also succeeded in achieving this in a way which is cost-effective, as is reflected in our figures. We will continue to grow in Sweden and abroad, without ever compromising quality.

From a single school to 34. From Enskede to Valencia. From a single-owner to a listed company. Viewed from the outside, IES has undergone a radical transformation since Barbara Bergström founded the company in 1993. But our ethos—which is central to our success—is as strong as ever: offering students the choice of a school where they learn to command the English language in a safe and orderly environment which provides high academic expectations and aspirations. These ideas have led to success thanks to a woman who left her job without any financial backing to create an organisation which made a real difference, and which has become Sweden's fourth largest and most successful operator of compulsory schools, with only the cities of Stockholm, Gothenburg and Malmö responsible for the education of a larger number of students in this age-group.

In August 2016, IES opened its doors to some 21,400 students, an 8% increase on 2015. At the same time the organisation prepared for an IPO on Nasdaq Stockholm in September 2016. We were delighted by the high level of interest from the Swedish people and from Swedish and foreign institutional investors when it came to buying shares, so our offering was heavily oversubscribed. We were also proud that almost 20% of our employees showed their great engagement in the organisation by subscribing.

There is clearly a lot of confidence in the quality IES delivers to students, parents, employees and investors. The waiting list for a place in our 33 compulsory schools—with 144,000 applications to the queues for our schools as of 30 June 2017—provides further clear evidence of this.

Clear leadership

Our operations are characterized by clear leadership, our principals are figureheads who share our culture with all stakeholders. We will continue to work closely with our principals as they safeguard and improve quality. As well as actively managing and taking responsibility for the operations of each school, our principals are also critical in the process of hiring and retaining the best teachers. Half of the education in our schools is conducted using the English language, by English-speaking teachers recruited from around the world. Among others, we attract foreign teachers in subjects where finding qualified teachers in Sweden is difficult, such as mathematics and natural sciences. Bringing qualified teachers to Sweden is a notable

contribution to society at a time when there is a lack of teaching staff nationwide.

Promoting Integration

Our efforts to counter Sweden's current issues with housing segregation are another key societal contribution. Many of our new schools are in areas usually seen as “underprivileged”. 36% of the 3,000 students who graduated from 9th grade in spring 2016 had a foreign background, compared to 23% at municipal schools. In some of our new schools, the share of students with a foreign background was as high as 70%. Another example of this demography is our school in Borås, which you can read more about later in our Annual Report.

In 2016, IES measured for the first time how we contribute to increasing student performance. This measurement was made by comparing the national tests results for 2016 (grade 9) and 2013 (grade 6). The result clearly demonstrates that students improve their results more in our schools than in those run by municipalities.

It is also clear that teaching, competence, culture, leadership and other such factors determine the outcome of education, rather than teacher density or form of incorporation. Daily support and help with homework are natural components of what we offer in all our schools. These components provide our students with the opportunity to develop further and realize their full potential, whatever their background or level of help at home.

Growth potential

We see strong potential for further growth in Sweden, particularly considering the constant growth in the queues for our schools. The level of interest for our four new schools in Årsta, Landskrona, Södertälje and Helsingborg, which opened in autumn 2017, was substantial. We plan to open new schools in Sundbyberg and Huddinge/Länna in 2018, and have also been granted permits to operate schools in a number of other locations nationwide, from Luleå in the north, to Malmö in the south.

To date, our primary focus has been on grades 4-9, but we also see strong potential for downward growth through to junior school and preschool level by extending our operations at existing school sites. Our permits include expanding the numbers of year groups offered at our existing schools in Borås and Sundsvall, where an extension of the school building has begun.

“Our biggest challenge is to keep finding and developing skilled school leaders and teachers.”



Expansion outside Sweden presents IES with another growth opportunity. We are focusing on markets with demand for bilingual education, i.e. English in addition to the local language. The acquisition of 50% of the shares of Grupo Educativo Elians in Spain is a small but momentous move into the interesting Spanish market. During this year, our focus in Spain was on enhancing quality systems and financial controls. We are now considering opportunities to continue our acquisition-led growth in Spain. In tandem with this process, we are examining the potential of other European markets including Germany, France and Italy. Just as in Spain, one key strategy for international expansion is to identify well-established, reputable partners with a good knowledge of the market and school system.

Results and organization

Operating income for the financial year 2016/17 increased by 13.1% to more than SEK 2 billion. The growth was primarily due to IES Älvsjö, a new school for the academic year, as well as new central government subsidies such as läxhjälp (homework support) and lärarlönelyfter (teacher salary boost), and an increase in the number of classes at our existing schools when compared to the previous year. Operating profit was up by 13.6%, to more than MSEK 192.

Our personnel expenses per student increased more than revenue per student during the year. Total revenue per student grew by 4.5%, while personnel expenses per student rose by 8.1% year on year. As far as possible, we are countering the combined effect of rising personnel expenses and low growth in school voucher funding by exploiting economies of scale in our operations. Our successful hiring program of qualified teachers from English-speaking countries means that we experience less financial impact from pay growth in Sweden while at the same time attracting highly qualified teachers despite shortages in Sweden.

On 7 August, our principal owners and Board of Directors reported that the time was right to change CEO, and Ralph Riber left his position as CEO and Managing Director, with myself appointed as Acting CEO until a new permanent replacement is appointed.

Scheduled inspections

The Swedish Schools Inspectorate's scheduled inspection of IES concluded as planned in June. All 30 school units were inspected. The results from inspections were positive, underscoring how IES

satisfies the standards and expectations which the regulator places on us. 27 of our schools attracted no comments, while only three attracted any form of criticism.

After the end of the financial year, the Swedish Schools Inspectorate reported that IES had not been granted permits for five applications to start up and operate preschool and compulsory school operations. An action-plan has been formulated to address the Inspectorate's concerns. A request for a review of the Inspectorate's decision on these permits has also been filed.

Challenges and future

Our biggest challenge is to keep finding and developing skilled school leaders and teachers. The international hiring process we have developed is an asset, but we also continue to improve our recruitment processes for qualified Swedish teachers. The limited availability of good school premises in growth areas presents another challenge. To succeed, we need good relationships with municipalities which see the real value of attracting a high-quality school with an international character. Our new school in Landskrona is a great example of this kind of collaboration at work. As we continue to grow, especially internationally, we must also ensure the quality of education symbolized by our brand.

We have come a long way in the quarter of a century since our inception. While there are political concerns, most of the evidence indicates that we have laid a strong foundation for continued growth. I would like to thank our shareholders, Board of Directors and employees for joining us on our journey. But first and foremost, I would like to thank Barbara Bergström for pursuing her dream of a better school, as well as our passionate employees for not only enabling us make her dream a reality, but also for helping that dream to evolve.

Stockholm, Sweden, 22 September 2017

Fredrik Åkerman
CEO



Rising interest in free schools on a growth market

Sweden's population is growing at a pace with a rising birth rate and increasing immigration. This also means a growing need for investment in schools and education. In tandem with this process, people are becoming more motivated towards freedom of choice and orientation in schooling, for reasons including the documented deterioration of results achieved by Swedish students, which has put the focus on quality and equal opportunity in compulsory schools.

Sweden's schooling system covers education from preschool to adult education. Sweden's 290 municipalities have been liable for funding schooling since the early-1990s, and for ensuring that all students have access to equivalent education. In the academic year 2016/17, there were 4,007 municipal schools, 5 Sami schools and 820 free schools at compulsory school level. In the same period, there were over 1,023,000 compulsory school students, up by nearly 39,000 on the previous academic year.

In Sweden, compulsory schooling is compulsory for all children from the calendar year they reach age 7. Compulsory schooling then continues for nine years, or at the latest, until the student reaches 18. Sweden's municipalities bear the main responsibility for ensuring attendance at compulsory school, that all students are offered a compulsory school place, while also being liable for funding through school grades.

Compulsory school attendance means that the student base in compulsory schools basically tracks the population growth of children of school age. Since autumn 2010, student bases have expanded by average annual growth of about 2%. In the same period, the number of students deciding to join free schools increased by an average annual growth rate of some 7%. In autumn 2016, about 15% of the student base attended free schools.

In the calendar year 2016, total municipal expenses for compulsory schools were some SEK 96 billion.

School voucher funding that follows students

Sweden's free school reform, which enabled parties other than municipalities to operate schools, was implemented in 1992, simultaneous with the introduction of free school choice, enabling students and guardians to choose freely between municipal and free schools.



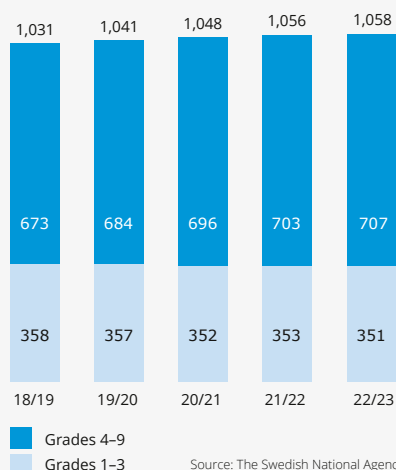
Share of IES applications to start schooling approved by the Swedish Schools Inspectorate in 2016:

100%

National average: 30%

Source: Swedish Schools Inspectorate

Forecast compulsory school student base growth, 000



Primarily, free schools are financed via municipalities through what is termed school voucher funding, in accordance with rules determined by central government to ensure equal terms between free and municipal schools. The compensation to free compulsory schools proceeds from the Swedish Education Act and is disbursed by the student's home municipality. According to what is known in Sweden as 'The Principle of Equal Treatment,' this compensation should be objectively calculated, independent of operator, and follow the student regardless of whether they attend a municipal or a free school. For schools with a higher share of students expected to have greater needs for support and stimulus to receive increased resources, municipalities also provide socioeconomically based supplements within school voucher funding. Municipalities are entitled to select the methodology and criteria for this allocation of socioeconomic resources, and the amount of compensation, independently.

Sweden's 20 largest free schools, by compulsory school student base, Oct. 2016

School	Number of students
Engelska Skolan in Eskilstuna	1,307
Engelska Skolan in Gävle	1,208
Engelska Skolan in Täby	1,174
Engelska Skolan in Bromma	947
Engelska Skolan in Nacka	893
Engelska Skolan in Enskede	892
Engelska Skolan in Tyresö	857
Engelska Skolan in Liljeholmen	840
Engelska Skolan in Jönköping	837
Fryxelliska Skolan in Västerås	827
Engelska Skolan in Karlstad	822
Engelska Skolan in Sundsvall	795
Engelska Skolan in Linköping	779
Engelska Skolan in Kista	761
Engelska Skolan in Västerås	746
Engelska Skolan in Uppsala	738
Västerholms friskola	722
Engelska Skolan in Skärholmen	688
Futuraskolan in Bergtorp	662
Franska Skolan	644

Source: Statistics Sweden, 15 Oct. 2016

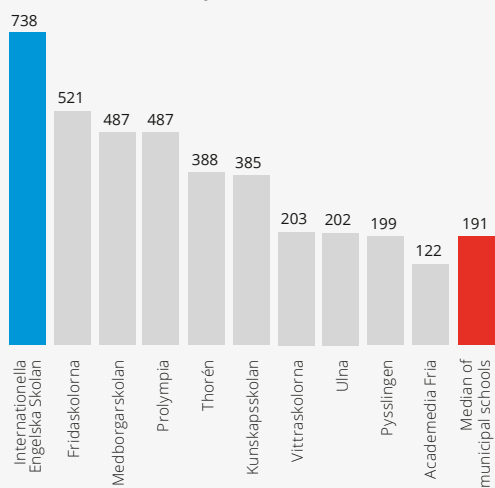
Sweden's top five free compulsory school operators by student base

School	Number of students
Internationella Engelska Skolan	20,719
Pysslingen	10,719
Kunskapsskolan	10,505
Vitraskolorna	5,800
Fridaskolorna	2,532

Source: Statistics Sweden, 15 Oct. 2016



Median student base per school, top ten free school operators, academic year 2016/17



Source: Statistics Sweden

Municipal and free school compulsory operators are also permitted to apply for central government subsidies to develop their operations and for continuing staff training. The purpose of these subsidies is to provide students with better conditions for learning, and achieve the targets set in Sweden's curriculum. These subsidies have names including *karriärtjänster* (career positions), *lärarlönelyftet* (teacher salary boost) and *läxhjälp* (homework support). In Sweden, national average school voucher funding per student in preschool, compulsory school and upper secondary school grew by an average of 3% annually between 2007 and 2014.

A fragmented market

Free schools are becoming a more important part of Sweden's education market.

The right of free school choice means that IES is competing with municipal and free school operators in compulsory school education. All 290 municipalities offer compulsory schooling and a total of 85% of students decided to attend compulsory schools with municipal operators in the academic year 2016/17.

Permits are required from the Swedish Schools Inspectorate to operate a free school. In the academic year 2016/17, there were a total of 574 approved free school operators, which managed a total of 820 compulsory schools. The largest independent operators in compulsory schools in terms of student bases are Internationella Engelska Skolan i Sverige AB, Pysslingen Förskolor och Skolor AB, Kunskapsskolan i Sverige AB and Vitraskolorna AB. In the academic year 2016/2017, about 2% of all compulsory school students attended a school operated by IES.

The market for free school operators is fragmented, with some 90% operating only one school. This is simultaneous with a growing number of students opting for a school managed by one of the ten largest free school operators. In autumn 2016, some 38% of students attended a free school managed by one of the top ten free school operators, an increase of some 10 percentage points since 2009.

Trends—more students and fewer operators

The student base in schools is growing at a pace with the rising population. Statistics agency Statisticon's population forecasts indicate the Swedish population reaching 11 million by 2025. In the 2023 autumn term, the Swedish National Agency for Education expects some 1.1 million students to be in compulsory school, corresponding to an average annual growth rate of 1.5% from autumn 2015 onwards.

Population growth rates differ between municipalities, which



affects the demand for places in compulsory schools. Between 2015 and 2020, the highest population increase is forecast in Sundbyberg (+25%). Of the top five municipalities, four are in Greater Stockholm, and one in the County of Uppsala. The populations of the municipalities of Gothenburg and Malmö are forecast to increase by 7% and 9% respectively in the corresponding period.

Meanwhile, the number of applications to start up new schools is declining, the reason being the higher standards applying to operators' capacity to satisfy the stringent standards of education and financial stability. For example, operators need to hire and retain qualified teachers and principals, enter lease contracts on premises and fund necessary investments in order to gain permission to operate schools. These factors create higher barriers to entry for new, small-scale operators.

One clear trend is the documented deterioration of study results of Swedish students increasing the focus on quality and equal opportunity in compulsory schools. Skills levels in compulsory schools have been declining for many years, and the share of students qualifying for national upper secondary school programs has contracted, evident in national and international surveys. OECD research from 2015 reported findings including classroom unrest and disruption being one respect where Sweden underperformed other OECD countries. Sweden was also low ranked compared to other OECD countries in terms of expectations of students and students' feeling of responsibility for their studies. The OECD identified low interest in becoming teachers and poor teacher recruitment as another problem area.

The Spanish schools market

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.

In 2014/15, there were British schools in 11 of Spain's 17 regions. Many of the schools are in major cities such as Madrid or Barcelona, or tourist regions like the Costa Blanca, Costa Del Sol or the Canary Islands. The demand for English-language education is also persuading government schools in certain regions to conduct 30-40% of education in English.

As a rule, operating schools in accordance with the UK National Curriculum requires approval from the region, 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: government (free and publicly funded), Concertado (private schools supported by public funding) and fully fee-paying. In 2014/15, 68% of schools were government, some 19% were Concertado and some 13% 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. Some of the fees schools charge are for tuition, meals, transportation and after-school activities.

Spanish schooling covers ages 0 to 18. The school age population was around 8.8 million in 2013, an increase of over 700,000 since 2005. Some 65,000 students attended a school following the UK National Curriculum in 2015/16.

Business model, strategies and targets

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

IES is one of Sweden's leading free school operators. Our operations are based on schools having an international character and high education quality. Strong leadership in schools, and hiring skilled

teachers from different countries, is critical to achieving this. If school principals and staff have the potential to focus on critical school operations, IES can achieve its high quality targets.

BUSINESS ENVIRONMENT AND SOCIAL NEEDS

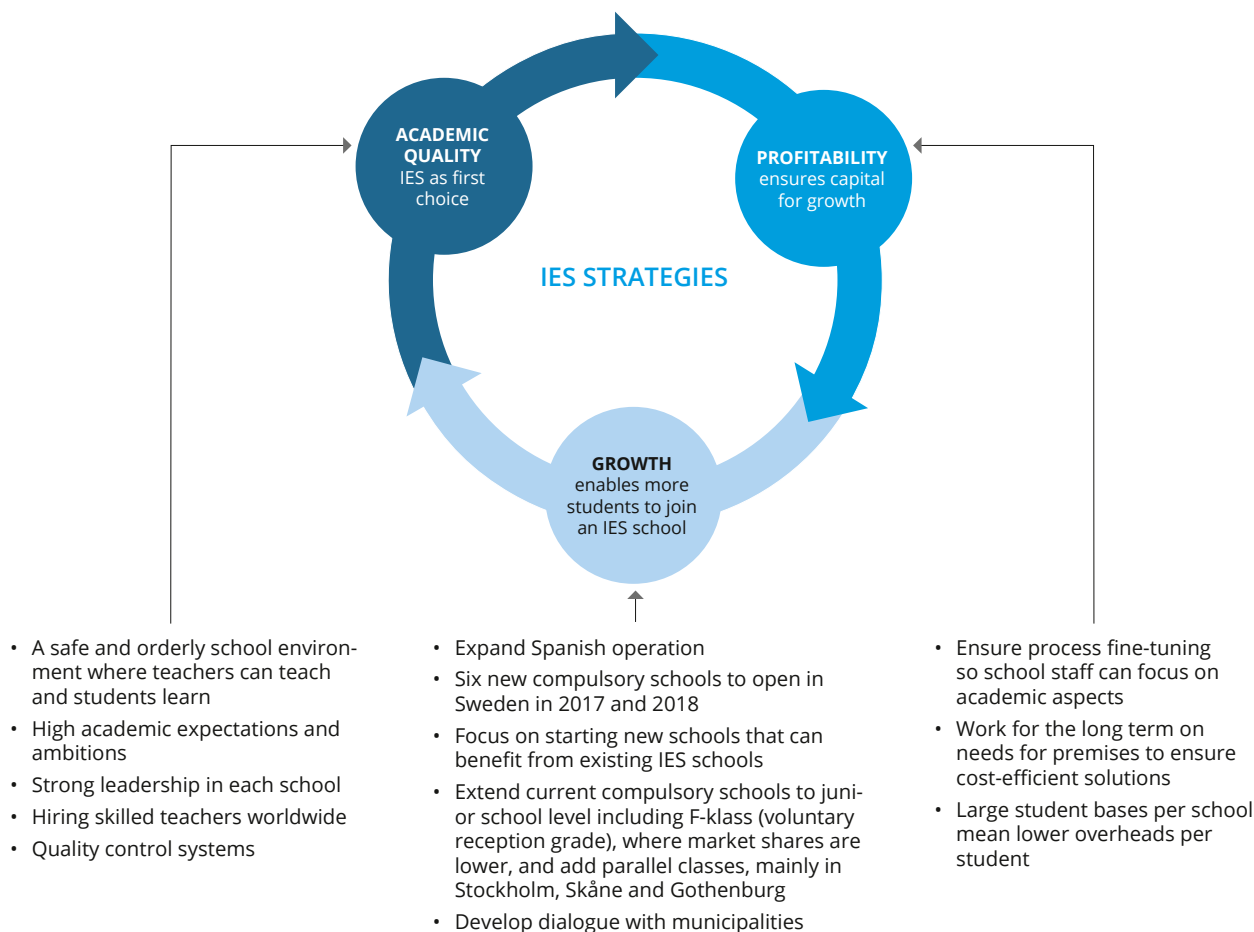
- Families and wider society are demanding good schools
- More stringent regulatory standards for new free school operators favor larger players
- Growing school age population, and waiting lists for IES
- Teacher shortage

IES

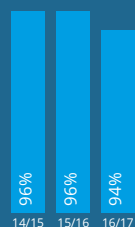
- Good reputation with parents and municipalities
- Good collaborations with real estate companies
- Effective organization that allows school leaderships to focus on teaching
- Favorable utilization of resources
- Strong brand in major cities

VALUE CREATION

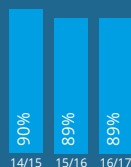
- High academic performance
- Contribute to integration with a high share of foreign-born students
- Safe school environment
- Alternative to municipalities
- Qualified teachers from foreign countries
- Healthy profitability



PARENT SATISFACTION



TEACHER QUALIFICATION



ACADEMIC PERFORMANCE



IES creating value

94% of respondents to the yearly anonymous survey of parents of IES students conducted in the fourth quarter 2016/17 stated that they would recommend their school to another parent (one of the top two alternatives on a four-point scale).

89% of IES's teachers have qualifications satisfying standards for teaching in Sweden, or in the country where they graduated.

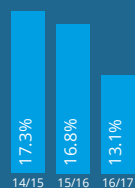
The average qualification level (an aggregate measure applied by the Swedish National Agency for Education) at the end of grade 9 of compulsory schooling in spring 2016 was 271 points for IES, against the national average of 229.

98% of all students graduating from IES compulsory schools in 2016 qualified for further study at upper secondary level. The corresponding level for grade 9 students across Sweden was 83%.

FINANCIAL TARGETS

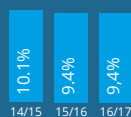
GROWTH

Target: 10% annual growth
Actual 2016/17: 13.1%



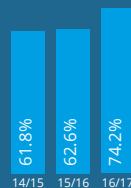
OPERATING MARGIN

Target: Minimum 8%
Actual 2016/17: 9.4%



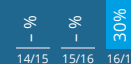
EQUITY/ASSETS RATIO

Target: 40%
Actual 2016/17: 74.2%



DIVIDEND

Target: 30% of net profit
Actual 2016/17: 30%



Target fulfillment

Operating income increased by 13.1% in 2016/17, which is above the Board's decided target of 10% yearly growth. The EBIT margin was 9.4%, which is above the 8% target.

The equity/assets ratio was 74.2% at the end of the financial year 2016/17, which is significantly above the equity/assets ratio target of 40%.

After the end of the financial year, the Board of Directors took a decision to propose that IES's AGM on 17 November 2017 approves a dividend of SEK 1.14 per share for 2016/17. The proposed dividend is a total of MSEK 45.7, which is 30% of profit after tax, consistent with the dividend target set by the Board.



A leader in grades 4–9—now focusing on younger students and new geographical markets

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

IES has a clear profile with three core convictions:

- That our schools shall offer an orderly environment, where teachers can teach and students learn
- That students should learn to command English, the key to the world
- That students should encounter high academic expectations and ambitions.

Up to half of education is conducted in English by teachers whose native language is English. Some 700 teachers qualified in foreign countries, mainly Canada, the USA and UK, practice in IES schools. 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 an orderly teaching environment with peace and quiet, teachers enjoy the best potential to educate, and students to learn. The consistent attitude is that schools are 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.

94%

of parents say they
would recommend IES to
another parent

Source: anonymous parent survey, spring 2017



With some 21,400 students from more than 50% of Sweden's municipalities in 711 classes in 30 schools at the end of the academic year 2016/2017, IES is the leading free school operator in Sweden's compulsory school segment.

"Tough love"

IES is in demand by parents that want their children to command English, the global language. They are looking for an orderly school environment and endeavor to create the best possible academic potential for their children. In the yearly anonymous survey of parents of students in IES schools conducted in spring 2017, 30% responded that they selected IES mainly because they want their children to learn English, 36% for the "Tough Love" concept of an orderly school environment, and 25% selected IES because they appreciate the high academic expectations. In the survey, 94% of respondents stated that they would recommend IES to another parent.

One of the leading free schools

With some 21,400 students from over 50% of Sweden's municipalities in 711 classes at 30 schools at the start of the 2016/2017 academic year, IES is one of the leading free schools in Sweden, in terms of student base. Operations grow fast in terms of student base, with an average organic growth of 19% per year over the past decade. IES's operations extend from the first grade of compulsory school until the third grade of upper secondary school. The emphasis is on middle school, with 47% of IES students in grades 4-6, and 47% in grades 7-9.

School locations extend from Umeå in the north of Sweden to Lund in the south, with their center of gravity in the country's growth regions. At present, IES operates 14 schools in Stockholm. 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 funded 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 education quality is one of the IES's primary competitive edges. To ensure it maintains quality as its operations grow, the company has developed a system which builds on the CEO being responsible for quality issues within the company, while school leaderships bear management responsibility for the quality process.

These quality processes are also an essential component of the Board of Directors' work and its 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 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 the shortest possible distance between diagnosis and action, rather than the production of paperwork—action above documentation.

As a component of measuring student progress in learning, IES introduced a metric we call 'positive school effect' in 2016. This measures the difference in top grades 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 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 2016/17, IES operated nine of Sweden's ten largest free compulsory schools. The median size of a compulsory school managed by IES is 738 students, which is about three times larger than schools managed by other operators. The high demand for places in IES schools means classes can be kept full and new schools can expand quickly to fill their buildings. The rapid volume growth of new school start-ups means operations are often profit-

able 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 education. The size of IES schools is a contributor in this respect.

At the end of the academic year 2016/17, the waiting list for IES's compulsory schools had some 144,000 registrations. IES manages individual waiting lists for each school, and applications are permitted in several schools' waiting-list simultaneously, which means that this total does not equate to the number of unique applications. 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 a compact central organization, which integrates support functions like academic development, school healthcare, HR, accounting, payroll, IT, expansion and building, marketing and legal services. IES also operates through central master agreements in IT, licensing, telephony, electricity and security. Each school principal and staff focus on the critical issue—running their schools. Principals bear full responsibility for the school's operations and staff, and report directly to the CEO.

Because of this working method, IES can continue its expansion and maintain high academic quality without increasing the costs for support functions because these are managed through its central organization.

Growth opportunities in Sweden

Stockholm is the fastest growing region in the country, and in autumn 2017, 14 of IES's 34 schools will be located in greater Stockholm. Otherwise, IES is mainly present in university towns. IES still enjoys healthy growth opportunities, thanks partly to

Positive school effect

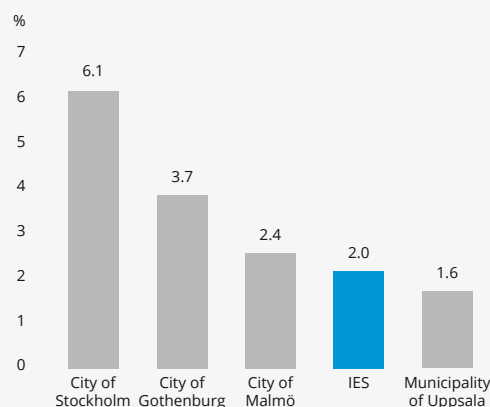
Percentage of students of mathematics with grade C or above in national tests, difference between IES's and municipal schools' contribution to student progress.

	IES	Municipal schools	Difference
Grade 6 spring 2013	65%	45%	11%
Grade 9 spring 2016	64%	35%	29%
Change in difference = IES school effect in relation to municipal schools			+18%

Percentage of students of Swedish with grade C or above in national tests, difference between IES's and municipal schools' contribution to student progress.

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

IES is Sweden's fourth-largest compulsory school operator, but has only 2% of compulsory school students



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 1-3. 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. There is also potential for further expansion in existing premises, because 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 schools organization, which offers high-quality schools with an international character to municipalities.

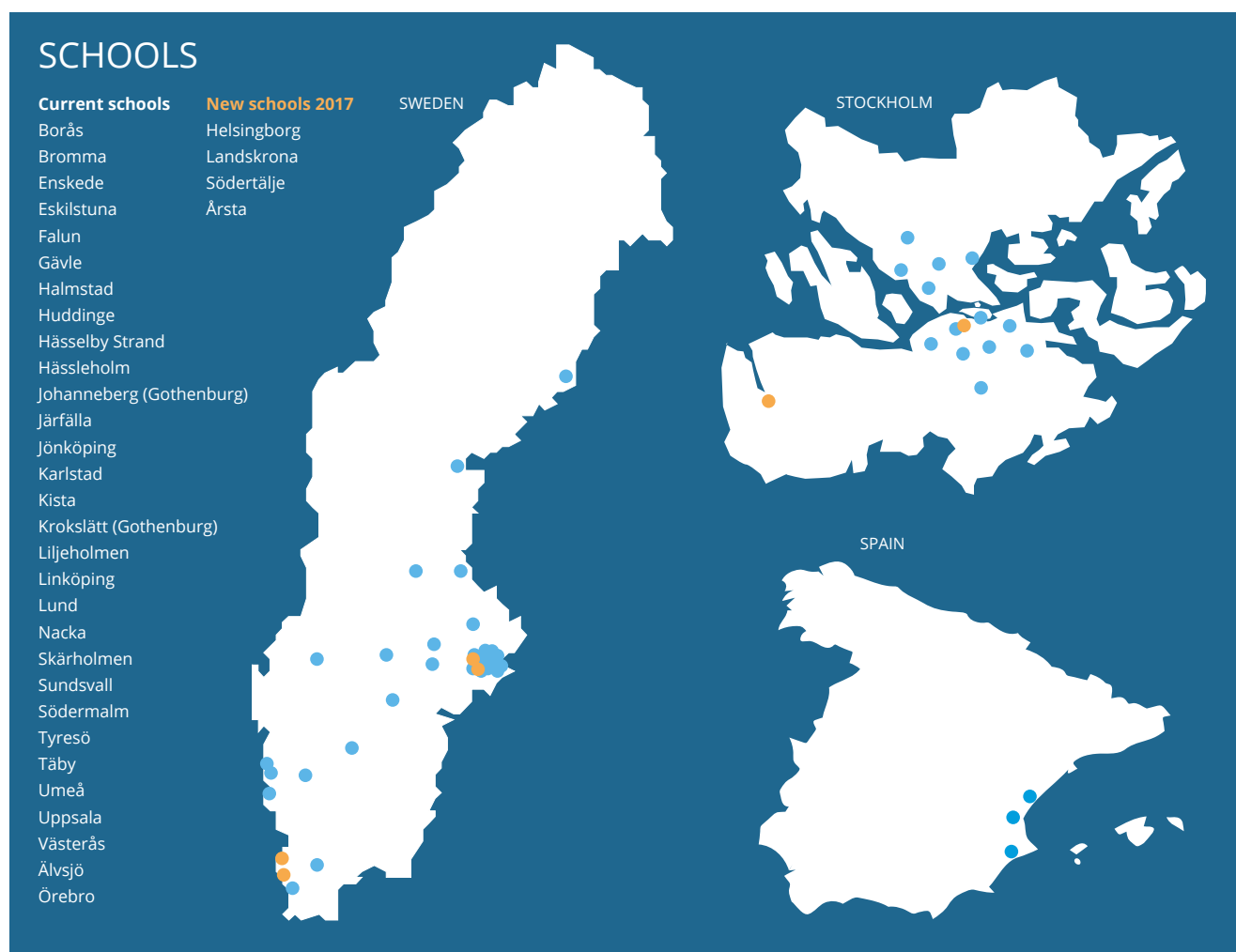
IES's concept is clear, and supplements existing school offerings. Through its long-term and positive collaborations with major real estate companies, IES is able to alleviate a municipality's investment requirement on start-up.

Growth opportunities outside Sweden

Expansion outside Sweden presents an opportunity for IES to keep growing. IES will operate on markets where there is demand for bilingual education, with English in addition to the local language. IES's competitive edges on new markets include its competence and experience of teaching English as one of two languages, accumulated methodology for hiring English-speaking teachers, and highly developed methods to enhance the quality of operations. Additionally, IES provides effective financial controls that support operational expansion.

Since 2016, IES has held 50% of the shares of the three school operators that form Grupo Educativo Elians in Spain, with operations in Valencia, Castellón, and La Nucia (Alicante), extending from preschool to upper secondary school grades.

IES has also been conducting operations in the UK since 2012, when it entered an agreement with Sabres Educational Trust to take over and operate a school in Brandon, Suffolk, north-east of London. The intention was to gain an insight into the UK schooling system to prepare expansion when, and if, the country's regulatory structures for operating free schools are reformed.



We're growing in Sundsvall, in successful partnership with the municipality

With nearly 900 students, IES Sundsvall is the largest school in the County of Västernorrland: "The municipality recently approved a substantial expansion of our operations, one reason being the constant growth of the queue for our popular school. A second is the shortage of education places for older students across the municipality. But the most important reason is the fact that we can demonstrate that we deliver quality. You just can't argue with our students' results in national tests," says principal Pascal Brisson.



When IES Sundsvall started operations in 2009, it had 250 students. Since then, its reputation for success has not only spread across the town, but way outside the city limits. The school now attracts students from a wide catchment area, who come by car, coach and mainline train.

The evidence of success is signposted by the school's main entrance, whose walls are lined with trophies and diplomas. Any remaining space is taken up by posters and notices about current and future activities.

"There's no such thing as a normal day here—there's always something happening in the school, from special theme days to academic competitions," adds Pascal.

Another 540 students

On our tour of the school with Pascal, it's obvious that the premises are stretched to the limit coping with this burgeoning and transforming school, currently accommodating nearly 900 grade 4-9 students. But the construction going on right outside clearly demonstrates that space is about to expand significantly—5,000 new square meters won't just give the current students more room, but will also be able to house 540 more once the extension opens in 2018.

"We always want to grow—and because of our successful partnership with the municipality, we can do that. It's just so stimulating," continues Pascal.

The expansion involves six parallel classes over and above those already running, and the addition of grade 3. The school will also be divided into two smaller units. The current premises are being converted to house a larger dining hall, art studios and classrooms for grades 6-9. There will also be three gymnasiums and a catering kitchen.

"Because we'll be taking in grade 3 students, this will give us

another year to identify those that need extra support, and make sure they'll get it," explains Pascal.

An optimal solution for the municipality

João Pinheiro of the Social Democratic party who chairs the municipal children and young people's committee, was interviewed on the decision to support IES's initiative in local paper *Sundsvall Tidning*. One of the decisive factors in the decision to support the initiative was "IES's intention to take in more students with diverse social backgrounds, and thus improve integration in schools."

"IES now has a waiting list and is ready to extend its school, and this will help us out. We're not here for students in a waiting list, we're here for everyone. But because we need more spaces, we thought this solution was best for the municipality of Sundsvall overall. This partnership demonstrates that we are shouldering our responsibility as a committee," said João to the paper.

"We'll be offering information in different languages to reach more target groups, which is also new for us," responds Pascal.

But the school's international character is far from new. The school has succeeded in attracting teachers from a number of different countries, notably Canada, Pascal's birthplace, ever since start-up.

It was love that brought Pascal from Canada to Sundsvall in Sweden once upon a time, and he now regularly assists IES in sourcing teachers from his homeland.

"Canadian teachers are showing great interest in Sweden. A lot of them think the two cultures have a lot in common, in everything from values to natural surroundings," he explains.

"Although we hire our foreign teachers on two-year contracts, many of them stay longer," he concludes.



Everyone takes school seriously here

"The students are more ambitious here," says Filippa Elf, a member of class 9A at IES Sundsvall, and is promptly backed up by classmate Tilde Eriksson. "Everyone here takes school seriously, and that affects the atmosphere. I was a bit panicky when I moved from my previous school. It's so different, far more demanding. But I quickly got used to it, and I'm having a great time now," she says.

A safe and orderly environment—a phrase that comes up time and again in conversation with Filippa and Tilde. Filippa has been attending IES's school in Sundsvall since grade 4, while Tilde started two years later, in sixth grade.

"For me, there's a big contrast to my old school, which was far rowdier. It's calmer here, in the classrooms and corridors, and it feels safer too. The school knows exactly who's here and who's not," says Tilde.

"It's also obvious that teachers pay more attention if someone needs extra help, and make sure they get it," she adds.

More socializing without mobile phones

The fact that students can't use their mobile phones during the day is also something that—somewhat surprisingly—they view as a positive, distinguishing feature from their previous schools.

"I think it's good. It makes our breaks more sociable; we talk to each other instead of being glued to our phones," notes Filippa.

"Overall, we socialize more with each other, the school organizes a lot of activities and almost everyone takes part. We run a design fair and fashion show every academic year, as well as a range of weeks on special themes. The theme right now is anti-stress, and we can try activities like yoga. When it's time for national tests, we get breakfast beforehand," she continues.

"For me, there's a big contrast to my old school, which was far rowdier. It's calmer here, in the classrooms and corridors, and it feels safer too."

Thinking in English

But Filippa and Tilde agree that the biggest difference compared to peers of the same age in other schools is their level of English skills.

"Sometimes I catch myself speaking English in private, and I often think in English. It feels just as natural as thinking in Swedish," says Tilde.

They have mixed feelings about starting upper secondary school in the autumn, when Filippa will join a social sciences program, and Tilde, natural sciences.

"I'm a bit nervous. I've got used to this safe environment where it feels like our teachers and principal really see us as individuals and care about us," says Filippa.



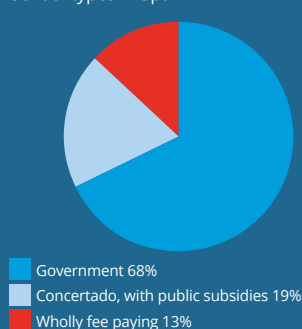


8.8

million students of
school age in Spain.

Source: Unicef

School types in Spain



Spain presents IES with growth opportunities

In autumn 2016, IES moved into the Spanish market by acquiring 50% of Spanish schools group Grupo Educativo Elians. Operations are largely based on the same principles as IES Sweden, focusing on English, high education quality and an orderly classroom environment. IES intends this acquisition to serve as the foundation for more expansion in Spain, leveraging an established team with experience of education and the Spanish schooling system.

Spain has a highly developed private education system, which makes it an attractive market for IES outside Sweden. IES evaluated a range of options for entering the Spanish market for a considerable time before acquiring 50% of the three Spanish school operators that form Grupo Educativo Elians, which operates schools in Valencia, Castellon and La Nucia (outside Alicante), in July 2016. The combined operating income of these three schools is just over MSEK 100. One key reason for choosing this operator was the owning family's long-term experience of running schools, another being that education is conducted in accordance with principles that are a close fit with IES.

IES's goal is to offer bilingual education in Spain, both compliant with the Spanish curriculum, and the UK National Curriculum, as is permitted in Spain. Schools teaching in accordance with approved but non-Spanish curricula—such as the UK's—are fully fee-paying. Some of the fees schools charge are for tuition, meals, transportation and after-school activities.

A substantial market

Spanish schooling covers ages 0 to 18. The school age population was around 8.8 million in 2013, an increase of over 700,000 since 2005.

Some 65,000 students attended a school following the UK National Curriculum in 2015/16. 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.

Acquisition-led growth

IES intends to expand in Spain through platform acquisitions in major cities. Organic growth will follow, spawned from the acquired schools. Apart from contributing to positive financial performance, this will make IES an even more attractive employer, because operations in several countries create attractive career opportunities for teachers and principals.

IES has no brand presence in Spain. Accordingly, operations will be conducted under recognized, local brands represented by the acquired operations.



A visionary family business —and our partner in Spain

“In the first year, we spent a lot of time getting to know each other, and now we’re ready to start growing together,” says Alejandro Monzonis Marin, the second generation managing Spanish schools group Grupo Educativo Elians. “My parents were visionaries—when they started their first school in the 1960s, they quickly decided to introduce English instead of French as the second language, because they were convinced that good English language skills would be a critical success factor on the labor market of the future.” And they were right.

Ignacio Monzonis and Marisa Marin, a couple, founded the Iale School in Valencia in 1967. In the 50 years that have passed since then, what has become Grupo Educativo Elians now includes another two schools in Valencia, and one summer school in Ireland. Ignacio Monzonis passed on a few years ago, but Marisa Marin remains highly active in the group. Now, three of their children are also active in the company, with her son Alejandro Monzonis Marin serving as CEO. The family remain just as passionately engaged in education and teaching issues.

“The satisfaction of seeing children grow and develop in our schools from a tender age to become young people with self-confidence and the tools to be able to create a good future for themselves is a big driver for me.”

“Our decision to sell half our operation in Spain to IES wasn’t easy. The reason we decided to go through with it was that we wanted to protect our business for our children and forthcoming generations. Myself and my siblings were minded of the expression ‘from rags to riches and back in three generations,’ and we wanted to make sure this didn’t happen to our business.”

“Because we’re taking on a professional, competent and experi-

enced partner, we’re ensuring the group’s future, and enhancing our potential to be able to create something greater than we could have done on our own,” adds Alejandro.

A wealth of growth opportunities

He regards the growth opportunities Spain presents as positive.

“Firstly, there’s pressing demand for good English-language education, and secondly, there are a number of attractive acquisition candidates, such as the independent English schools started about 30 years ago, whose founders are approaching retirement.”

“We’re also considering starting up operations in areas where there isn’t access to an English school. We’re thinking of replicating the concept IES uses in Sweden, i.e. converting existing premises, such as offices. This will be something completely new to Spain, where every school is purpose built in accordance with the stringent standards and regulations that apply here.”

“We spent the first year getting to know each other, and now I’m looking forward to growing together. And to keep developing our business in my parents’ visionary spirit,” concludes Alejandro.



La Nucia students view English as the key to the world

La Nucia school is located in a tranquil residential estate perched high over the coastline with sweeping views over the dramatic mountain range north of Alicante. This well-regarded school, which boasts many years of high-flying academic results in the region, currently has 680 students aged 1½ to 18.

The keywords when building the school in the early-1980s, originally a preschool, were light, space and safety. Over the years, operations have grown progressively, and the student age range has expanded. The most recent extension, which is awaiting inspection, brings the maximum student base to 800, and in future, operations will also include the very youngest students. Apart from first-class academic education supported by skilled teachers and state-of-the-art facilities, the school also offers a swimming pool, tennis courts and a football pitch.

“We always have a waiting list. Our reputation is spread by parents and neighbors. One advantage in Spain is that when children begin at a school, parents are very reluctant to move them. Because we cover the whole age range right up to 18, we can take care of students right through their schooling,” explains Tim Lakin, who heads up IES’s Spanish operation.

“Most of our students have Spanish parents, but we’re also admitting children from the growing Russian and Ukrainian population in Spain. Most of them live within a half-hour’s drive,” he explains.

Perfect English

Two of the students in the final year of the School are 18 year-old David Alberro Hackett and Jorge Torres Sanchez. David has done his entire schooling here, while Jorge is now in his fifth year. Both speak strikingly perfect English, expressing themselves fluently in the language when they talk about their plans.

In David’s view the school’s operations have undergone a major transformation while he’s been there, getting better all the time.

“That applies to everything from equipment like computers and iPads, to facilities and the option of trying different sports,” he explains.

“The chance to learn English well opens so many doors worldwide.”

“Opening doors worldwide”

David and Jorge agree that the most important thing they gained from their time at La Nucia is their English.

“The chance to learn English well opens so many doors worldwide. I’m planning to study IT at one of Spain’s foremost universities, I will hope to follow up with a master’s somewhere in Asia or the US,” says Jorge.

“Like myself, a lot of my classmates plan further studies in foreign countries,” he continues.

“I want to be a pilot, and my first move will be pilot training, followed by a university degree in Spain or a foreign country,” adds David.



IES—making a contribution to social integration

Through successful education, IES's primary social contribution is to improve the prospects of Sweden's schoolchildren whatever their origin and background. Our schools make a contribution to social integration. Many of them are located in socially vulnerable areas, and their share of children with foreign origins is above the Swedish school's average.

IES's Board of Directors has adopted ethical guidelines, stated in full on page 84 of this Annual Report. The company also follows the ethical guidelines of Friskolornas Riksförbund, the Swedish Association of Free schools.

The challenge facing schools in wider society

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 since 2006. 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 & 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. The number of applications per teacher training place has also decreased. According to the Swedish National Agency for Education, the shortage of qualified teachers equates to an estimated 25,000 full-time equivalents until 2019. The Swedish Union of Teachers also highlighted an acute need to hire more principals with four out of ten of those currently serving being over 55.

Swedish National Agency for Education estimates indicate that the compulsory school student population will grow nationwide, and by as much as 20% in some major city municipalities. Estimates indicate that some 1,000 new schools will need to be built in the coming decade.

IES has a recipe to resolve schooling issues

Barbara Bergström's strong drive and core convictions for how to manage schools have produced a clear school concept with high academic performance, combined with satisfied students and parents.

GOAL	CONVICTIONS	WHAT WE DO
WE PREPARE STUDENTS FOR SUCCESS BY PROVIDING A SAFE AND ORDERLY SCHOOL ENVIRONMENT WHERE TEACHERS CAN TEACH AND STUDENTS LEARN	GOOD LEARNING ENVIRONMENT THROUGH GOOD ORDER	STRONG LEADERSHIP
	COMMAND ENGLISH	ENGLISH-SPEAKING TEACHERS
	HIGH ACADEMIC EXPECTATIONS	VALUES WE COMPLY WITH

Strong school leadership, and a focus on academic work, form the core of IES's operations. Principals bear far-reaching responsibility for operations at their schools, while centralized functions deal with administrative support such as accounting, HR, legal services, payroll, IT, construction and marketing.

Well-trained teachers—the best available from various countries—offer the potential for high performance when they are able to teach in a school environment featuring peace and quiet. In our spring 2017 staff survey, 94% of our teachers stated that they were normally able to start lessons on time without any problems.

IES's reputation as a well-established, professional school organization that offers municipalities a high-quality school and complementary option, means that most municipalities welcome IES. IES also has long-term, well-functioning partnerships with major real estate companies, which relieve municipalities of investments in refurbishing premises or new production.

Values based on personal responsibility

It is impossible to micro-manage a culture based on strong values in word and action, which is precisely why it is termed a 'culture.' Everybody within IES's organization bears personal responsibility to conduct themselves 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?
- Am I contributing to a positive, energetic and constructive atmosphere in school in the way I conduct myself towards students and colleagues?
- Could I explain and justify my actions with a clear conscience if they were subject to public scrutiny, in the media or a school inspection, for example?

- Am I making a positive contribution to IES's strong and positive 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 be a good example, even when you're outside school.



The most multi-cultural school in Borås—and the most successful

Nearly 500 students with 60 different national origins and from widely differing social backgrounds. Teachers from Sweden, the US, UK, Portugal, Republic of the Congo, Switzerland, Lebanon and Australia. IES's school in Borås is like a mini-UN, and a successful example of integration at work in practice — with the municipality's top academic performance, year after year.



“Our mix has a great dynamic. We’ve never experienced any culture clashes or bullying in the seven years the school has existed. Whatever our background and appearance, we stay focused on our mission of gaining knowledge. We also deliberately mix up our students—they never get to choose who they work with themselves,” explains Principal Robin Kirk Johansson.

Never advertised

The yellow, art nouveau brick building, with its impressive entrance fronted by pillars, located a stone’s throw from Borås’s flagship sports center, has housed various types of school since it was built in the 1930s, and IES has occupied it since 2010. When operations commenced, there were 230 students in grades 4-9. Now, the base has more than doubled to 490—and the waiting list is growing constantly.

“We’ve never advertised or marketed in any way. But obviously, our results speak for themselves, while our reputation has spread among parents and neighbors. We want to grow even more—but our big challenge right now is that our premises are too small and so far, the municipality hasn’t granted us access to more space. So we need to be innovative and use every square inch optimally,” explains Robin Kirk Johansson.

Top performance in national tests

Robin comes from the Swedish community in Minnesota, US, and by the time she was appointed to start up and manage operations in Borås, she had spent 20 years in Sweden as an English teacher. IES Borås has far more students with immigrant backgrounds than the City of Borås average, while also boasting the municipality’s best performance in national tests. It also achieves the best graduation results of all Borås’s compulsory schools, as well as the closest consistency between results in national tests and grades awarded—no other school even comes close.

“The critical success factor is IES’s core principle of an orderly school environment and that we set challenging academic standards for our students. I also think the international atmosphere within the school, and the fact that half of the education is in English, are contributors to all our students feeling at home, even if they don’t even speak a word of Swedish when they start in grade 4. It is also vital that we never sweep problems under the carpet, but deal with them as soon as they arise,” continues Robin.

“These years are a fantastic time in a young person’s life because they are before appearance and attitude oppose our influence. If you can reach a student, then it really gets results.”

“That’s why I love working in the middle school grades. It’s just so satisfying to see students develop and flourish time after time, whatever their social circumstances and background.”

Reading—the key to knowledge

Just as in other IES schools, the focus is on bilingualism, with English, natural sciences, mathematics, art and music all taught in English, by teachers whose native language is English. The school also offers courses in Spanish, French, German and Mandarin.

“We’re a language academy, and in our view, the key to learning is reading, reading, and more reading. Although we have fairly few foreign-language textbooks, we have plenty of literature. As soon as any student expresses a desire to read a book, we buy it,” adds Robin.

***Footnote:** Robin Kirk Johansson is also an important contributor to the search and selection of new, skilled teachers from the US for all IES’s schools. She’s just back from a recruitment trip to Minnesota, which attracted great interest, manifested in 20 interviews and 40 CVs that were handed in.*



Teachers here show far more commitment

"We learn how to cope with so many different situations, and are always getting new perspectives from each other," says Anastasia Najm, a member of class 9C at IES's school in Borås. "The foundation is mutual respect," adds Abdullah Mohammed, from 8A. With schoolmates Louisa Eskelson of 8B and Benjamin Golshan of 9A, they have roots in seven different cultures—Iran, Lebanon, Poland, Russia, Somalia, Germany and Austria.

What's the biggest difference between this school and those you've previously attended?

Louisa: Teachers here show far more commitment. They really see and take care of us in a completely different way. They join us on breaks and at lunch. They're always there.

Benjamin: It's mostly positive, but it can be a bit hard sometimes when everything you do is seen and noted by teachers. Another difference is it's far stricter, with more rules such as not being allowed to use our mobiles while we're here.

The classes are big. Do you still think you get the support you need?

Anastasia: Our teachers are really good at seeing who needs extra help. There are also a lot of other ways to get help, such as homework support outside the classroom.

Abdullah: Because the classrooms are so calm, teachers can focus on teaching, instead of just trying to maintain discipline.

Louisa: Actually, heading to upper secondary school feels daunting, because we know we won't have the support we get here. It's a bit like being shut out in the cold. We'll be forced to take far more individual responsibility.

How would you describe the atmosphere at school?

Benjamin: It's good. Everyone accepts each other as they are. It's also clear that our teachers love working together, which is infectious.

Anastasia: I think the fact that there are so many different nationalities is positive. This means we get good at dealing with different types of people, with different backgrounds, which is something we'll benefit from in future.

Louisa: It's also great that there's no clothing or brand hysteria. Everyone wears what they like and no one really minds. I like that. And that's something else that will probably change at upper secondary school.

What are your plans for the future?

Anastasia: I want to become a doctor, and I want to study in Stockholm, at the Karolinska Institute. I've applied for a natural sciences program starting at an upper secondary school in Gothenburg in the autumn, where my family has relocated.

Benjamin: Anastasia and I will be neighbors, so I've applied to the same upper secondary school in Gothenburg, but I'll probably do the business program. I have no idea what career I want.

Abdullah: I still have a year of compulsory school left, but I've decided I want to follow in my brothers' footsteps and become a doctor, so I'll take the natural sciences program here in Borås, where I live.

Louisa: I also want to become a doctor, so it's the natural sciences program at upper secondary in Borås for me too.



Committed principals and teachers —the critical success factor

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

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

International teacher competence, search and selection

About half of the education is conducted in English, by teachers whose native language is English. Of IES's 1,400 teachers, about one half are qualified outside Sweden — mainly Canada, the US and UK. They are an important complement to the Swedish schooling system because they teach subjects like mathematics and natural sciences, where there is a 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. New staff from other countries receive a definitive information pack on how Swedish society works, and where they should turn to 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 our brand becomes more and more respected.

Developmental opportunities

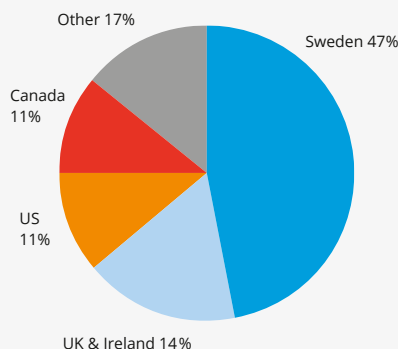
All new teachers, whatever their nationality, take a week-long induction program at the school where they'll be working. This program includes a review of the Swedish schooling system and curriculum, as well as IES's core values and methodology.

To ensure high teacher quality and support for professional development, IES has introduced a teacher mentorship program. Especially skilled and experienced teachers in various subjects attend lessons and offer counsel to their colleagues in an atmosphere of mutual professional trust.

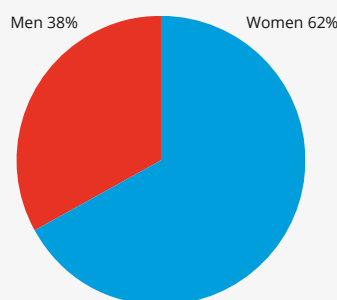
IES's size and geographical reach enables the organization to offer its teachers placements in other locations, temporarily or for longer periods, as well as in Spain. Partnerships with universities offer other exciting developmental opportunities. Regional conferences are arranged to bring teachers in the same subject from different IES schools together to discuss common issues, exchange ideas and educational materials, etc. 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 mentorship program led by experienced principals, with the mission of developing future leaders within IES.

IES teachers' country of origin 2016/17



IES employees, division between sexes



91%

of IES's teachers state that their work is stimulating and rewarding

89%

of IES teachers are fully qualified in Sweden or foreign countries

Our baseline—every student should get an A

SCOTT GATES PE TEACHER

“The teachers are far more committed here than in the Scottish school I previously taught in,” comments PE teacher and former professional footballer Scott Gates, the latest addition to the Borås teaching team. “I was curious about Sweden. I like the nature, and the country’s national mentality, and when I saw this opportunity, I took it immediately,” he continues.

Although the transition from being a professional footballer in Dundee to the south-western Swedish city of Borås might seem a big jump, Scott Gates feels that he’s come to the right place.

“My previous school was in an area with huge social problems. There was a lot of classroom indiscipline, without any clear structure. Here, everyone follows the same rules, creating order and making teaching far easier,” says Scott.

He continues by explaining how the school helped him find a home when he arrived in Borås. But because he also found a soul mate among the teachers at this school quite soon, they’re now house-hunting in the city together.

“That’s nothing unusual, apparently,” comments Scott.

The Borås school is crowded, and has no suitable sports or gymnastics facilities on site because of difficulties securing permits for building extension. But because it is close to the city’s major sports arenas like Ryavallen, there is still great potential for good teaching, and Scott adds, he does as much teaching as possible outdoors.

In answer to the question about how the focus of PE differs from Dundee, he thinks it’s largely similar.

“The big difference is the obsession with floor ball in Sweden. When I arrived, I’d never tried it—so I had to join a team and develop my skills,” he says, laughing.



“The big difference compared to Scotland is committed teachers—and obsession with floor ball.”

MALIN RIISE SWEDISH TEACHER

“My goal is for every student to get an A. That’s my baseline. The biggest kick I ever got was when one student, whose results in Swedish were very poor, and had an E when he started seventh grade here, graduated from ninth grade with an A,” says Malin Riise, senior school Swedish teacher in grades 7-9 in Borås.

Malin Riise was one of the first teachers hired at the Borås school, and has been on the staff since operations started in 2010.

“It’s been fantastic to see the school grow and evolve. It’s also been great to welcome our foreign teachers. We’ve succeeded in creating a truly international atmosphere, which will open a lot of doors for our students in the future. They’re great at meeting new people.”

“Everyone brings something from their home country, cultures and competences. One important reason the school works so well is that all this happens in a highly structured context, with clear procedures and processes,” she explains.

Malin teaches nearly 100 students, and also serves as a mentor for a group of grade 9 students.

“I work hard. This is a critical age in a young person’s life. Providing children with good education in Swedish is obviously my top priority—but being a good example is almost as important. This is the age when your identity emerges, and the thought that I can be part of creating strong, independent individuals with good self-confidence and openness to the world gives me enormous satisfaction,” she concludes.



JONAS BÄCKLUND SENIOR SCHOOL SO TEACHER

“The reason I applied to IES was partly coincidence, but also because of the challenge. After a year at the school, I’m becoming more and more fascinated by the strong culture that permeates everything and is already evident in our youngest, grade 4, students,” says Jonas Bäcklund, a SO teacher at Borås.

Responsibility, trust and appreciation are some of the reasons Jonas gives for why he enjoys his work at the school so much, which he joined a year ago after having spent eight years at school in Märsta outside Stockholm.

“Arguably, the biggest differences compared to my previous school are the clear leadership, stricter rules, more structured practices, and better order. But after a while, I began to notice more subtle differences such as the camaraderie between colleagues. We do a lot together outside school, such as keeping fit. This helps create a cohesive culture and a great atmosphere between colleagues,” he continues.

“There’s also a tradition of affirming and encouraging each other, which I really like.”

Jonas rates giving all his students attention—within and outside school—as the biggest challenge he faces at work.

“The strongest and the weakest are highly visible, but there’s a risk that the in-betweeners get forgotten. My tactic is to concentrate on a new student every hour.”

“I often take a seat somewhere in the corridor during breaks—there’s always a student that wants to chat.”

The share

IES's share has been listed on Nasdaq Stockholm since 29 September 2016. The share is on the Mid Cap list. In the financial year, the share price increased by 34.62%. Based on the closing price on 30 June 2017, of SEK 70, IES's total market capitalization was SEK 2.8035 (-) billion.

Share price performance

The price at the public listing was SEK 52. IES's share price rose by 34.62% to SEK 70 (-) from the first day of trading until 30 June 2017 increased. The total yield for the share including proposed dividend was 36.81%. The share price high was SEK 75, in September 2016, and the low was SEK 59.5, in November 2016.

Share turnover and trading

11,089,973 IES shares were traded in the financial year 2016/17, a rate of turnover of 27.69%.

Share capital

At the end of the financial year, IES's share capital was SEK 1,001,250, divided between 40,050,000 shares, each with a quotient value of SEK 0.025. Each share carries one vote. All shares have equal rights to dividends.

Treasury shares

IES holds no treasury shares.

Ownership structure

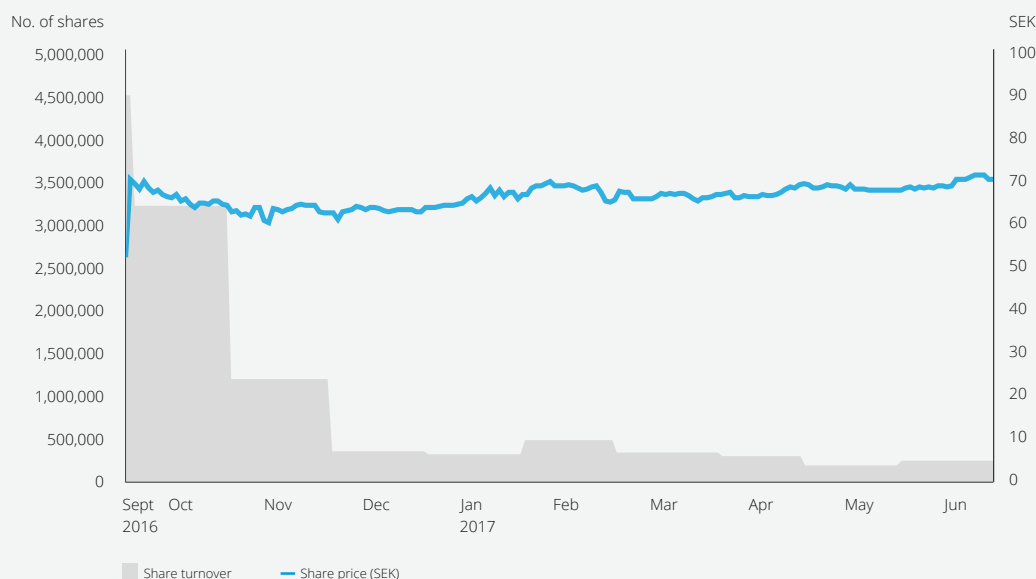
IES had 6,685 shareholders as of 30 June 2017. Non-Swedish shareholders held 1% of the capital and votes.

Dividend policy and dividends

IES's dividend policy is that 30% of net profit after tax is paid as dividend, with exceptions by the Board of Directors permitted if, for example, there are attractive acquisitions that could create value-added for shareholders.

The Board of Directors is proposing a dividend of SEK 1.14 (0.00) per share for the financial year 2016/17. The proposed dividend is a total of MSEK 45.7 (-), which is 30% (-) of profit after tax for the financial year.

Share price and share turnover since IPO



Largest shareholders, 30 June 2017

Shareholder	No. of shares	Share of capital, %	Share of votes, %
IES Holdings I *	28,535,625	71.2	71.2
Öresund Investment AB	2,334,324	5.8	5.8
Swedbank Robur Fonder	2,005,000	5.0	5.0
Norron Fonder	1,567,858	3.9	3.9
Third Swedish National Pension Fund	1,074,873	2.7	2.7
AMF Försäkring & Fonder	575,000	1.4	1.4
SEB Fonder inkl. Lux	306,549	0.8	0.8
Lazard	290,000	0.7	0.7
XACT Fonder	203,309	0.5	0.5
Nordnet Pensionsförsäkring	202,918	0.5	0.5
Total shareholdings —10 largest	37,095,456	92.6	92.6
Other shareholders	2,954,544	7.4	7.4
Total number of shares	40,050,000	100.0	100.0

*TA Associates holds 75.99% of IES shares and Barbara Bergström holds 23.64%. The remainder are held by IES's Management.

Division of shareholdings

Size of holding	Proportion of shareholders, %	Share capital, %
1 – 500	93.3	1.3
501 – 1,000	4.0	0.5
1,001 – 2,500	1.5	0.4
2,501 – 5,000	0.4	0.3
5,001 – 10,000	0.3	0.3
10,001 – 25,000	0.2	0.5
25,001 – 50,000	<0.1	0.1
50,001 – 100,000	0.1	1.1
100,001 – 250,000	0.1	3.5
250,001 – 500,000	<0.1	1.5
500,001 – 1,000,000	<0.1	1.4
1,000,001 – 2,500,000	0.1	17.4
2,500,001 –	<0.1	71.3
Anonymous shareholdings		0.3
Total	100.0	100.0
Total number of shareholders and shares	6,685	40,050,000

Shareholders by region

	Proportion of shareholders, %	Votes and capital, %
Sweden	99.0	97.9
US	<0.1	0.9
UK	0.1	0.4
Spain	<0.1	0.4
Belgium	<0.1	<0.1
Total, five largest countries	99.1	99.6
Total other countries	0.8	<0.1
Anonymous shareholdings		0.3
Total	100.0	100.0

Source: Modular Finance and Euroclear Sweden, 30 June 2017

Key performance indicators

Four-year summary, group*	IFRS 2016/17	IFRS 2015/16	IFRS 2014/15	IFRS 2013/14
Operating income (MSEK)	2,043.3	1,806.8	1,547.3	1,319.1
EBIT (MSEK)	192.6	169.5	155.5	130.3
EBIT margin (%)	9.4	9.4	10.1	9.9
Adjusted EBIT	198.7	178.1	155.5	130.3
Adjusted EBIT margin (%)	9.7	9.9	10.0	9.9
Profit for the year (MSEK)	152.1	127.0	116.5	53.6
Margin (%)	7.4	7.0	7.5	4.1
Total assets (MSEK)	1,189.3	1,166.1	976.0	921.8
Equity/assets ratio (%)	74.2	62.6	61.8	52.8
FTE	2,129	1,937	1,684	1,446
Investments in school operations (MSEK)	55	64	55	49

Four-year summary, parent company*	IFRS 2016/17	IFRS 2015/16	IFRS 2014/15	IFRS 2013/14
Operating income (MSEK)	4.4	0.5	0.0	0.0
EBIT (MSEK)	-10.7	-8.9	0.0	0.0
Profit for the year (MSEK)	61.9	-1.1	0.0	0.0
Total assets (MSEK)	471.1	542.9	361.9	361.9
Equity/assets ratio (%)	89.8	66.5	100.0	100.0
FTE	1	0	0	0

* See definitions on page 89

For the past four years overall, investments in schools, corporation tax and dividend have been allocated as follows:

Investments in schools	MSEK 223 (landlords' investments additional)
Corporation tax to central government	MSEK 138
Dividends	MSEK 45.7 (MSEK 45.7 dividend for 2016/17 disbursed in November 2017).



Statutory Administration Report

Information on operations

The company has a split financial year (1 July 2016 - 30 June 2017), which is consistent with the school year. The past school year was the 24th in the organization's history.

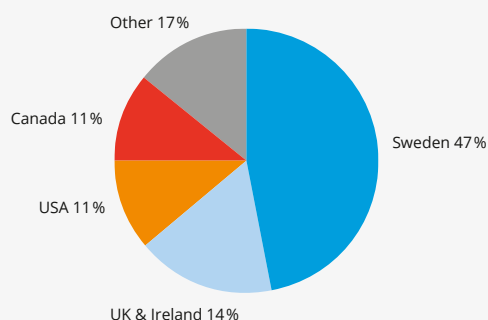
The group's (Internationella Engelska Skolan/IES) business is to conduct high-quality school operations. The group parent company is Engelska Skolan i Sverige Holdings II AB. Operating activities in Sweden are conducted through wholly owned subsidiary Internationella Engelska Skolan i Sverige AB, with corporate identity number 556462-4368. This company also holds all the Swedish school permits. 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 (a group of companies other than the definition applying in the Swedish Companies Act) through the parent company, which comprises three school operators. Like IES, Elians's schools have a high-quality profile, with their operations founded on the English language. The Spanish holding is reported in IES in accordance with the equity method. Internationella

Engelska Skolan i Sverige AB conducts school operations from grade 1 until the third grade of upper secondary school. The focus is on grades 4-9, known internationally as middle school. These schools feature students learning to command English, the global language, in an orderly school environment with high academic expectations. Up to half of teaching is in English by teachers whose native language is English. Some 700 teachers qualified in foreign countries—mainly Canada, the US, UK and South Africa—practice in IES schools. This represents a significant asset to the Swedish school system: skilled, well trained teachers in subjects including mathematics, natural sciences and languages, teachers where there are shortages in Sweden. With its extensive hiring of foreign teachers, IES's operations help counter Sweden's current severe teacher shortage.

IES focuses on creating high-quality schools founded on strong

leadership and highly skilled and dedicated teachers from different countries. In the academic year 2016/17, 89% of our teachers were qualified, which is above the national average. Teachers get the best possible potential to teach, and students, to learn, in teaching environments featuring discipline, peace and quiet. The school is a workplace and should have the features of a well-functioning workplace. According to our surveys, this factor is what parents appreciate most—they rate it even higher than English language. All adults in the school must pull in the same direction.

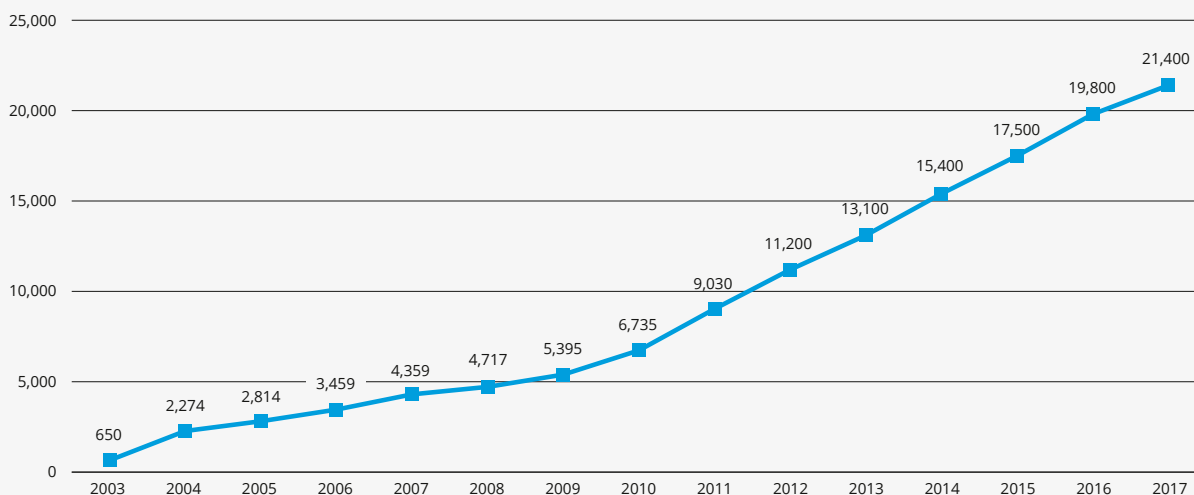
IES teachers' country of origin 2016/17



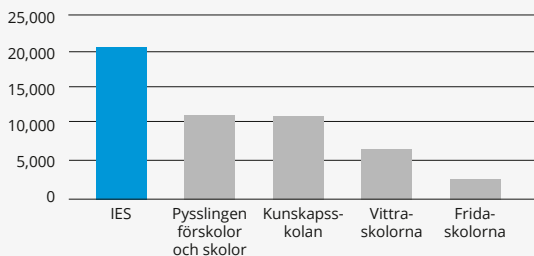
IES follows the Swedish curriculum and holds permits from the Swedish Schools Inspectorate including separate permits to conduct up to half of teaching in English, by English-speaking teachers. Schooling is non fee-paying, with operations financed by school voucher funding. Schools are selected by parents and students in accordance with the principles of Sweden's free school system.

IES schools are open to everyone—admission is in accordance with strict objective criteria: date of application, supplemented by sibling priority. IES has a significantly higher share of students with foreign backgrounds than the Swedish compulsory school average. Many of our schools are located in areas usually rated as "non-privileged."

IES number of students



Sweden's top five free compulsory school operators by student base, academic year 2016/17



Source: Statistics Sweden, 15 October 2016

In the financial year, IES operated 29 compulsory schools and one upper secondary school in Sweden (Internationella Engelska Gymnasiet in Södermalm, Stockholm). A new compulsory school located in Älvsjö, a southern Stockholm suburb, started up in autumn 2016. Expansion continued simultaneously with other, more recently established schools in locations including Umeå, Hässleholm and Kista. In the academic year 2016/17, IES's schools in Sweden had a student base of some 21,400, an increase of some 1,600 on the previous academic year.

Since IES commenced its expansion in 2003, it has enjoyed high student base growth, as illustrated in the graph on page 42.

At the end of the financial year on 30 June 2017, in addition to the students already admitted, there were some 144,000 applications registered on waiting lists for the academic year 2017/18 onwards, against some 112,000 at the same point of the previous year. This means over 32,000 more waiting list registrations in one year, a 29% increase.

Internationella Engelska Skolan i Sverige AB is Sweden's largest free school operator, and a larger compulsory school operator than all of Sweden's municipalities apart from Stockholm, Gothenburg and Malmö.

In the academic year 2016/17, IES operated 15 of the 16 largest free schools in Sweden.

The Board of Directors and Management has maintained its focus on ensuring and enhancing school quality. The fundamental convictions that have been at the core of IES ever since inception in 1993 need to be retained as the organization grows. These are the foundation of our schools' high performance.

The Board of Directors' and Management's directive to principals for the academic year 2016/17 and for the coming academic year, is "Back to Basics." We know that the fundamental direction and working methods that IES has applied for a quarter of a century work well if maintained consistently, and have stood the test of time. To keep these working methods alive in all schools, we consolidated our core documentation into these four statements in spring 2017:

- 1. What we stand for**, the three cornerstones of good order, English and high academic expectations.
- 2. Policy for a good learning environment**, with the ten central points for good order at school (including no mobile phone use during the school day), and the research that underpins them.
- 3. What all IES schools do**, with the working methods utilized to realize our goals for good order, English and academic performance.

Sweden's 20 largest free schools, by compulsory school student base, Oct. 2016

School	Number of students
Engelska Skolan in Eskilstuna	1,307
Engelska Skolan in Gävle	1,208
Engelska Skolan in Täby	1,174
Engelska Skolan in Bromma	947
Engelska Skolan in Nacka	893
Engelska Skolan in Enskede	892
Engelska Skolan in Tyresö	857
Engelska Skolan in Liljeholmen	840
Engelska Skolan in Jönköping	837
Fryxelliska Skolan in Västerås	827
Engelska Skolan in Karlstad	822
Engelska Skolan in Sundsvall	795
Engelska Skolan in Linköping	779
Engelska Skolan in Kista	761
Engelska Skolan in Västerås	746
Engelska Skolan in Uppsala	738
Västerholms friskola	722
Engelska Skolan in Skärholmen	688
Futuraskolan in Bergtorp	662
Franska Skolan	644

Source: Statistics Sweden, 15 Oct. 2016

4. Ethical guidelines for IES. A new policy, written in straightforward language, that expresses IES's ethos, which all members of our organization are expected to follow.

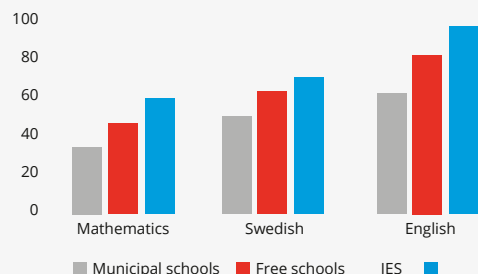
The harsher cultural climate that is emerging—with gangs and other groupings whose influence extends into schools—requires greater vigilance in the application of IES's core structure of good order and adult control.

Identifying and motivating outstanding school leaderships remains central to our organization. The number of internally appointed future leaders who have been through the Barbara Bergström School Leadership Academy doubled in the year to 25. No method is more effective for embedding IES's culture in new schools than having the right people that have already operated in this culture serving on school leaderships.

On the suggestion of Management, the Board of Directors decided to reinforce the staffing of our quality work significantly by creating two new central positions to work on schools and their managements in spring 2017. These positions will be filled internally by candidates that have achieved exceptional success themselves as school managers. All principals have also been assigned to conduct systematic planning for future internal succession. The aim of these and other actions is to enhance the quality of our organization as IES expands.

Our enhanced international search and selection process, which South Africa has been a key addition to, has been a major strength during many years of severe teacher shortage in Sweden. IES and

Share of students with top grades (C+), i.e. A, B or C in the new six-level grade scale in national grade 9 tests, spring 2016, %



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

other school operators face substantial challenges in finding enough qualified Swedish teachers. IES has made special efforts to demonstrate IES's merits and to clarify that as a bilingual school, IES also needs skilled Swedish teachers.

The Board of Directors has decided that IES's main goal is for schools to achieve exceptional results in English, significantly outperform the Swedish schools average in mathematics and outperform the average Swedish. For comparability, our quality system mainly uses performance in national tests, with identical tests conducted at the same time across all Sweden's compulsory schools. Once again, IES scores in the core subjects were on target in national grade 9 tests in spring 2016.

In the year, IES introduced another quality metric, designated the 'school effect,' which measures our performance in grade 6 and grade 9 national tests of how the difference vs. the benchmark of municipal schools changes through three years of study at lower secondary school. Implementing this metric has become possible because students now sit national tests in core subjects in grade 6 and 9. In our systems, we have been able to identify the IES students that sat both tests. The first measure of school effect for the years 2013-2016 indicates the difference in top grades increased by 18 percentage points in mathematics in lower secondary school for IES students, and by 12% in Swedish. Accordingly, attending an IES school gives students a significant boost during the course of lower secondary school compared to attending an average municipal school.

In English, the difference increased by one percentage point (due to an effective 'cap,' where IES's share of top-grade students was so high in grade 6, at 95%, that statistically, little increase was possible).

IES's new systems to measure progress—what its schools contribute—have attracted substantial interest extending to current government enquiries. This metric eliminates the effect of student social backgrounds, as well as potential discrepancies in grading. We were very disappointed to discover that the spring 2017 national results were unusable because many of the tests had been leaked to other schools across Sweden. Clearly, the Swedish National Agency for Education needs to implement more stringent management of its national tests. The share of IES students that graduated from grade 9 in spring 2016 qualifying for upper secondary school was 98% compared to 81% for municipal schools.

The average qualification level, an aggregate measure, was 271 points for IES, against the national average of 229. Preliminary results for IES in Spring 2017 were also 271 points. IES is achieving a significant positive residual, implying that academic results exceed the Agency's predictions based on a correlation between student socioeconomic backgrounds and expected school performance. Our quality system very actively counters any grade inflation tendency.

In the yearly anonymous IES parent survey in 2017, 94% of respondents stated that they would recommend the school to another parent (one of the top two response alternatives on a four-point scale).

Academic Advisory Board

The scientific Board created by the Board of Directors in 2014 served inspirational and sounding-board roles in the context of academic progress. The Board has taken the initiative in matters including developing the school effect metric, and to add 'grit' (tenacity and the ability to overcome resistance) to our formulation of what Internet IES stands for. The Board members are:

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

The Board is Chaired by Associate Professor Hans Bergström.

Ownership

Internationella Engelska Skolan i Sverige Holdings II AB has been listed on Nasdaq Stockholm since the end of September 2016. Through ownership vehicle Internationella Engelska Skolan i Sverige Holdings I AB, the largest independent shareholders are TA Associates of the US, and IES's founder Barbara Bergström. Other major shareholders include Swedbank Robur fonder, investment company Öresund, Norron fonder of Norway, the Third Swedish National Pension Fund and AMF Pension (owned jointly by LO, The Swedish Trade Union Confederation and the Confederation of Swedish Enterprise).

Financials

2016/17 was another successful year for IES, when operating income increased by MSEK 236, to pass SEK 2 billion for the first time. This is a 13.1% increase on the previous financial year. The whole increase is organic, and mainly due to the start-up of a new compulsory school in Älvsjö, and more classes in schools that have opened in recent years. In total, IES taught 711 (660) classes. School voucher funding plus other revenue per student increased by 4.5% in 2016/17 compared to 2015/16 and is sourced from school voucher funding increases per student from municipalities, but also due to more, and increased, central government subsidies, as well as a higher share of students in the Stockholm region, where voucher funding is somewhat above the group average.

The group's expenses increased by MSEK 214 to MSEK 1,851 (1,637). Personnel expenses are the largest cost item, increasing by 8.1% per student year on year. Improved purchasing agreements and economies of scale thanks to the high growth in our number of schools and classes countered the increased to personnel expenses per student. EBIT was MSEK 193 (170), or 9.4% (9.4) of operating income. After

adjusting for items affecting comparability, the group's EBIT was MSEK 199 (178) or 9.7% (9.9) of operating income.

Our earnings are satisfactory, especially in the context of IES's salaries—especially teacher salaries—increasing far more in percentage terms than revenues from school voucher funding. The reduced social security contribution for younger employees was completely abolished in May 2016—IES has a high share of employees aged under 25.

Our organization's high quality and positive reputation enables us to attain a large student base in new school start-ups rapidly, especially in the Stockholm region. IES Kista is a notable example. This school only opened in autumn 2015 but had already become the country's 14th-largest free school with 762 students by autumn 2016. In a system incorporating school voucher funding and freedom of choice for parents, high quality also determines financial results. This enables us to fill classes and premises, and quickly attain a threshold volume enabling expenses for administration and costly special facilities to be shared across a large student base. IES's average school size is now 738 students, 2-4 times larger than other compulsory school operators'.

Cash flow from operating activities was MSEK 260.8 (180.8), of which MSEK 54.7 (63.8) was applied to investments in school operations.

The Board has set the objective of IES maintaining a minimum equity/assets ratio of 40%. As of 30 June 2017, the equity/assets ratio was 74.2 % (62.6). The company's financial strength creates security and stability for parents, students and employees. At the end of the financial year, the group had a positive net cash position and no outstanding loans from credit institutions.

The company's continued brisk expansion has required substantial investment, especially in new schools, but also existing units. MSEK 55 was directly invested in schools in the financial year 2016/17 for refurbishment, furnishings another equipment, IT infrastructure, and schoolyards etc. Major investments funded by our landlords against rent supplements are additional. Because there was only one full new school start-up in autumn 2016, the investment level in the past financial year was somewhat lower than the previous year. This will change in the next financial year, when we start up four new schools. Ever since inception in 1993, IES has been guided by the principle that school leadership should focus on education, while ancillary functions—like the ownership and management of real estate—should be dealt with by other parties.

A four-year summary is on page 40.

Significant events in the financial year

All IES schools and the operator were subject to scheduled inspections by the Swedish Schools Inspectorate in spring 2017. 27 of IES's 30 schools attracted no comment from the Inspectorate (90%), three received some feedback, of which two were minor. For the operator itself, the Inspectorate had no comments regarding academic performance, good order within schools and the usage of English. The Inspectorate did require more widespread usage of psychologists in preventative student health, and development of the systematic quality process in after-school recreation centers. The Inspectorate also noted that two of our most successful principals, employed before Sweden's new Education Act came into effect in 2011 lacked certain teacher training qualifications. IES issued its response on actions as early as August 2017. The Inspectorate then confirmed that the shortcomings it had identified had been rectified in compulsory school.

Just before summer, the agency decided to grant IES MSEK 21 of central government subsidies for the homework support program for the calendar year 2017. Designated as 'surgeries,' extra support to students after the school day has been part of the IES concept for many years. The corresponding central government subsidy was also paid in 2016. Half of the central government subsidy relates to the spring term 2017 and is accounted in the financial year 2016/17, the second half relates to the autumn term 2017, and will be accounted in the financial year 2017/18.

IES made significant efforts in the year to provide impartial and comprehensive responses to the major government enquiries dealing with the fundamental conditions governing our existence. The main enquiries are the Reepalu enquiry, the 'school costs enquiry' and 'schools commission.'

In early December 2016, the OECD published the results of its 2015 PISA program, which positively, and consistent with Timss (Trends in International Mathematics and Science Study) survey of mathematics and natural sciences, indicated that Swedish students' academic performance has turned around after many years of decline. Unfortunately, the subsequent debate went along familiar political lines, instead of focusing on what knowledge of a subject and discipline at school can achieve to improve Swedish schools.

On 15 June 2006, IES drew the Swedish Ministry of Education's attention to the interpretation of the exemption to the Swedish Education Act applying to using foreign teaching in our type of school organization. A poorly formulated paragraph caused the National Agency for Education's lawyers to decide that the exemption applying to subjects such as mathematics and natural sciences should not apply to English-speaking teachers that teach the subject of English, in English. Quite simply, this is an aberration in a complex legal framework. Similarly, the Agency decided to no longer accept our foreign teachers of English as being qualified for first-time employers for the teacher salary boost subsidy. We are yet to receive the Ministry's decision regarding a restatement of this legislation.

In November 2016, the group completed the acquisition of 50% of Spanish school group Elians, whose background resembles IES's, a transaction that has initiated a stimulating exchange. IES held its January 2017 principals' conference in Spain, hosted by Elians, which was very well received by delegates. English is also a fundamental component of Elians's profile, while in IES schools, Spanish is the second most popular language subject after English.

Post balance sheet events

IES opened four new schools in Helsingborg, Landskrona, Södertälje and Årsta in August 2017. IES opened its first preschool classes in Landskrona. A total of some 24,000 students started the new academic year in our Swedish operation's 34 schools.

The Swedish Schools Inspectorate notified IES that for the present, it would not be granting permits for five applications to start up and operate F-9 preschool and compulsory school operations in Huddinge (Länna), with scheduled start in 2018, in the Municipalities of Österåker, Östersund, Skellefteå and Ekerö, with earliest possible start in 2019 and F-3 in Halmstad and Huddinge (Flemingsberg), with earliest start in 2019.

In its decision regarding the operator, the Inspectorate's requirements included more widespread usage of psychologists in preventative

student health, and found that two of IES's current total of 33 compulsory school principals lacked certain teacher training qualifications.

IES prepared an action plan for the use of psychologists and the affected principals, and the Inspectorate's other viewpoints. A request to review the Inspectorate's decision on these permits has been filed.

Ralph Riber left his position as CEO and President effective 7 August 2017. CFO Fredrik Åkerman became Interim CEO and President effective the same date. The search and selection of a permanent CEO and President has commenced.

The company's expected future progress — Board of Directors' opinion

Four new compulsory schools started up in August 2017: Helsingborg, starting with 11 classes, Landskrona starting with 16 classes, Södertälje starting with 12 classes and Årsta starting with 15 classes. This is the largest expansion in any single academic year of IES's history. Planning proceeded positively, managed by four skilled new principals, and attracted substantial interest from parents. The model of close partnerships between municipalities, real estate companies and IES applied in Landskrona may also be replicated in other municipalities in years when there is a substantial need for new schools, and free schools need reasonable reimbursement for the cost of premises in order to establish a presence.

Experiences gathered from work on starting up these four new schools attests to how IES attracts substantial trust, which creates confidence for the coming years.

The demographics favor continued expansion. Credible forecasts indicate that 1,000 new schools will be needed over the next ten years. Unless all of them are municipal, compensation must be secured for free schools that enables costly new projects for independent operators.

The shortage of qualified teachers in Sweden is a substantial and growing problem, exacerbated by the 2015 wave of immigration and its after-effects. For example, many teachers of Swedish are now gaining additional qualifications to teach Swedish as a second language, with an impact on the scope to access full-time Swedish teachers. This dramatic teacher shortage has also triggered substantial salary competition, especially in major cities where teacher mobility is normally significant. The average increase in compensation (salary plus central government subsidies) for IES teachers has been some 9% in the past year, while the industry benchmark is just over 2%, while school voucher funding has only risen by 2%. The situation is not sustainable. According to Sweden's legislated principle of equal terms, sooner or later, school voucher funding must come into line with cost growth. We are putting significant effort into identifying municipalities that have not provided free schools with the voucher funding they are entitled to. This may concern compensation for deficits in municipal operations, where a budgeted expense item used for computing school voucher funding has been incorrectly calculated. In some municipalities, an incorrect computation method has been applied to calculate reimbursement for the cost of premises. The proposal from the government school costing enquiry in autumn 2016 was intended to increase transparency. The revealing title of the enquiry's findings is "More Equal Terms."

In spring 2017, the Board of Directors set aside two meetings to discuss continued strategies for IES's continued expansion. The Board

decided to prioritize expansion in the three major city regions of Stockholm, Gothenburg and the Scania region. Remaining university towns Luleå and Växjö are also attractive, providing conditions are right.

Additionally, consideration must be given to the potential for securing close and constructive partnerships with municipalities of the type seen in Landskrona, where the Municipality was closely involved in, and enabled, IES's start-up. Existing schools also present expansion opportunities. Major projects of this type are being planned in Sundsvall and Borås. IES may also expand downwards through the age groups, to F-3, which is now starting to create a four-year "junior school" within compulsory schools. The Board also wants to see research into the potential for opening more upper secondary schools going forward. The concept is in place, with academic focus and teaching in English exclusively as the best preparation for university.

IES has been granted a large number of school permits, which according to the Swedish Schools Inspectorate's current interpretation of legislation are not time finite. However, an enquiry proposal does recommend a time limit being set for their validity in future.

IES serves a positive role in Swedish schools with its high academic performance, hiring many hundreds of qualified foreign teachers year during years of severe teacher shortage, and presenting a good example of maintaining an orderly teaching environment and developing character traits for life. IES also contributes innovations of lasting value, such as a new system to measure progression in schools and the introduction of diagnostic testing in grade 4 designed to rectify shortcomings early rather than too late. Parent interest in our schools remains high and rising, as is indicated in growing registrations in our school waiting lists.

Uncertainty surrounding the fundamentals governing our operation created by Sweden's parliamentary situation need to be resolved by the inception of a more stable coalition in the pragmatic political center after the 2018 general election, and if not, sooner. The intense political and media debate about 'for-profit companies' is completely detached from the reality within schools. IES has lease contracts that extend for 15-20 years, and which at present, involve a long-term financial undertaking of over SEK 4 billion. Our time horizon as a school organization is very long term. Our operations are professional and require dogged efforts to maintain high quality. We follow relevant schools research closely, and in the past year have made significant contributions regarding the significance of 'grit' (tenacity and the ability to overcome resistance, Torkel Klingberg), the significance of leadership (Henrik Jordahl, Nicholas Bloom) and the meaning of an organization to school performance (Maria Jarl et al., most recently in her book *Organisera för skolf framgång*, 'Organizing for School Success,' 2017).

With positive resolution to the parliamentary situation, creating more stability in terms of the fundamentals, the Board still sees substantial opportunities for IES—actuality enhanced because municipalities are now seeking professional, secure partners to address the enormous need for new, high-quality schools across Sweden over the coming years.

Risks and uncertainty factors

Please refer to the separate section on page 56.

Corporate Governance Report

Please refer to the separate section on page 48.

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. Pensions should either be based on the ITP system, or if outside this, be defined contribution and then maximized at 30% of basic salary.

Compensation to the Chief Executive Officer and other senior managers consists of basic salary, pension, company car and healthcare benefits. Senior managers mean the nine 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 operations are conducted. Some however, such benefits may not represent a higher share than overall compensation.

The Chief Executive Officer has a notice period of six months and severance pay of six 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.

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, competitiveness and fairness. There will be no variable compensation. Incentive programs may be approved by the Board of Directors subsequent to authorization by shareholders' meetings.

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

In 2014/15, the parent company Internationella Engelska Skolan i Sverige Holdings II AB did not conduct operating activities. In August 2015, the parent company arranged a loan from a credit institution, and issued intragroup loans to subsidiaries. Effective April 2016, the parent company has started billing management services to the subsidiary Internationella Engelska Skolan i Sverige AB, and effective July 2016, to Elians in Spain. The parent company also issued a MEUR 2.1 working capital loan to Elians in July 2016. The group rearranged financing in August 2016, with the parent company first repaying the outstanding loan to the credit institution and then arranging a new loan with a lower principal from the same credit institution, and an intragroup loan from subsidiary Internationella Engelska Skolan i Sverige AB. The acquisition of Elians of Spain was completed in November 2016. Then, in March

2017, the parent company arranged another intragroup loan from the same subsidiary as previously whereupon the outstanding loan to the credit institution was fully repaid. On 30 June 2017, the full outstanding intragroup loan was repaid to Internationella Engelska Skolan i Sverige AB by the parent company receiving a group contribution of the corresponding amount.

A bonus issue was executed in September 2016 whereby share capital increased to SEK 1,001,250, and the number of shares increased to 40,050,000, with the quotient value per share reducing to SEK 0.025.

Parent company operating income amounted to MSEK 4.4 (0.5). EBIT was MSEK -10.7 (-8.9) and profit for the year was MSEK 61.9 (-1.1). The financial position at year-end remained strong, with an equity/assets ratio of 89.8% (66.5).

Proposed appropriation of profit

The following funds are at the disposal of the Annual General Meeting	
Profit brought forward	359,849,813
Profit for the year	61,928,797
Total	421,778,610

The Board proposes that:

Dividends to shareholders of SEK 1.14 (-)	45,657,000
Carried forward	376,121,610
Total	421,778,610

The proposed dividend amounts to a total of SEK 45,657,000 (-), which is 30% (-) of consolidated profit after tax for the financial year.

21 November 2017 is the proposed record date for the dividend. If approved, the dividend resolved by the AGM is scheduled for disbursement on 24 November 2017.

Regarding the above, and to the best of the Board of Directors' knowledge otherwise, the Board's opinion is as follows: an overall judgment of the parent company's and group's financial position indicates that the dividend is justifiable considering the requirements the nature, scope and risks of operations set on the parent company's and group's equity and liquidity. The group's equity/assets ratio is 74.2% before the dividend and 73.2% after the dividend. In the Board's opinion, this is a satisfactory equity/assets ratio even considering forthcoming expansion.

Regarding the company's results of operations and financial position otherwise, the reader is referred to the following Income Statements and Balance Sheets, with the associated notes.

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 have been quoted on Nasdaq Stockholm's Mid Cap list since 29 September 2016.

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:—an expedient 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 Code of Corporate Governance (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.

In addition, the company has control instruments such as its Articles of Association, Rules of Procedure for the Board of Directors, Instructions for the Board's Committees, Instructions for the Chief Executive Officer, Approvals List, Finance Policy, Corporate Communication Policy, Insider Policy and Ethical Guidelines.

The Board of Directors has decided not to create a dedicated internal audit function. The Board of Directors 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 necessary controls and monitoring, through channels including reporting to the Board of Directors. However, the Board of Directors does consider the need for an internal audit function each year.

Apart from this, the company has decided not to establish a remuneration committee because the whole Board of Directors deals with compensation issues 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 adopting Income Statements and Balance Sheets, appropriation of the company's profits, discharging the Directors and Chief Executive Officer from liability, electing Directors 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 17 November 2017. Extraordinary General Meetings (EGM) can also be convened in addition to the AGM. The Articles of Association stipulate that notices convening shareholders' meetings should be through announcements in the Swedish Official Gazette and by uploading the notice convening the meeting to the company's website. Simultaneous with publishing notices convening the meeting, the company should report that the notice has been issued through an advertisement in Swedish daily newspaper *Svenska Dagbladet*.

Entitlement to participate in shareholders' meetings

Shareholders that wish to participate in shareholders' meetings must firstly be included in a hard copy or other statement of the complete 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 convening 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 are also entitled to attend meetings in different 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 of Directors 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 24 August 2016 decided to adopt the following principles for the appointment of a Nomination Committee for the AGM 2017. 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 of Directors will convene the Nomination Committee.

That member representing the largest shareholder will be appointed as Chairman of the Nomination Committee, unless the Nomination Committee unanimously agrees to appoint another member. If shareholders that have appointed a member of the Nomination Committee are no longer one of the three largest shareholders at the time occurring no later than three months prior to the AGM, that member appointed by the shareholder will place his or her seat at the Committee's disposal and the shareholder that has joined the three largest shareholders will be entitled to appoint a representative to the Nomination Committee.

If such change of control occurs during the three months prior to the AGM, the previously constituted membership of the Nomination Committee will not be altered. If a member leaves the Nomination Committee before its work is complete, that shareholder that has appointed the member should appoint a new member. If said shareholder is no longer one of the three largest shareholders, a new member will be appointed in the aforementioned order. Shareholders who have appointed a represent-

ative as a member of the Nomination Committee are entitled to dismiss such member and appoint a new representative as a member.

Amendments to the composition of the Nomination Committee should be reported immediately. The Nomination Committee's term of office is until the succeeding Nomination Committee has been appointed. The Nomination Committee should perform the duties incumbent on a Nomination Committee pursuant to the code.

Consistent with the above, IES's Nomination Committee has the following members:

- Birker B. Bahnsen, IES Holdings I AB
- Per Båtelson, Chairman of IES's Board
- Øystein Engebretsen, Investment AB Öresund (5.8% of the vote)
- Marianne Flink, Swedbank Robur Fonder (5.0% of the vote)

The Nomination Committee's Secretary is Hans Bergström.

Shareholders

The largest shareholders and their holdings are stated in the section on the IES share on page 38.

Board of Directors

Composition of the Board of Directors

IES's Articles of Association state that to the extent it is appointed by the AGM, the Board of Directors will consist of a minimum of three (3) and a maximum of ten (10) Directors with a maximum of three (3) Deputy Directors. At present, IES has four Directors elected by shareholders' meetings including the Chairman of the Board, with no Deputies, who have been elected for the period until the end of the AGM 2017. Employees' organizations have appointed two Representatives and two Deputy Representatives. The following illustrates IES's Directors, the date of their election and whether those Directors elected by shareholders' meetings are independent of the company, Management and/or principal shareholder. The composition of IES's Board of Directors complies with the Code's requirement regarding director independence. None of the members of Group Management has significant shareholdings in, or partnerships with, entities that the company has significant business relationships with.

Per Båtelson has been Chairman of IES's Board since 2016. The Chairman is elected by the AGM and leads the work of the Board of Directors, and insures that it is conducted in an effective, well-organized manner.

Name	Position	Elected in	Independent of:	
			Company & Management	Principal owner
Per Båtelson	Chairman	2016	Yes	Yes
Birker Bahnsen	Director	2012	Yes	No
Barbara Bergström	Director, Deputy Chairman	2012	No	Yes
Cecilia Marlow	Director	2016	Yes	Yes

Board of Directors' segregation of duties

The Board of Directors has written Rules of Procedure that 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 Directors and the

Chief Executive Officer, and between the Board of Directors and the Board's Committees.

At the Board meeting following election after each AGM, the Board also approves instructions for the Chief Executive Officer, which include instructions governing financial reporting. The Board of Directors meets according to a schedule adopted each year. Over and above these Board meetings, further meetings may be convened to deal with issues that cannot be referred to a scheduled meeting. In addition to the Directors, the Chairman and Chief Executive Officer maintain continuous dialogue regarding the company's management. For more detail on the Board of Directors, refer to pages 52-53

The work of the Board of Directors in the financial year 2016/17

Nine Board meetings were held in the year. Director attendance is illustrated in the adjacent table. Hans Bergström served as Secretary at Board meetings. For Board meetings, Directors receive written material regarding the matters to be considered at each meeting. During the year, apart from the customary monitoring of quality issues and accounting, much of the Board's time was assigned to work on the initial public offering. The Board 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.

Directors' attendance

Director	Attendance, Audit Committee	Attendance, Board meetings
Per Båtelson, Chair.	1	9
Barbara Bergström, Deputy Chair.	0	9
Birker Bahnsen	3	9
Cecilia Marlow	4	9
Albert Lauschus, Employee rep.*	N/A	1
Jessica Fryksten, Employee rep.*	N/A	1

*Joined the Board of Directors on 17 May 2017

The trade unions have had two representatives on the Board of Directors.

The Audit Committee held four meetings since its establishment in May 2016 until 30 June 2017 inclusive.

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 Directors and Deputies respond to questions regarding how they perceive that the work of the Board has progressed in a number of relevant segments. The segments appraised include whether the Board of Directors' competence and composition is expedient, the orientation and focus of the work of the Board of Directors. The Chairman of the Board is responsible for this appraisal process and ensures that its results are presented to, and discussed within, the Board of Directors and Nomination Committee. Accordingly, this appraisal process provides supporting data for the Board of Directors' work and progress, and for the nomination work of the Nomination Committee. The appraisal of the Board of Directors' work in 2016/17 was presented, and discussed, at the Board meeting on 22 August 2017. All Directors elected by shareholders' meetings responded to the survey, which was reviewed orally, with various developmental segments discussed.

Compensation to Directors and shareholdings

Fees and other remuneration to Directors including the Chairman are resolved by the AGM. The AGM on 24 August 2016 approved fees of a total maximum of SEK 850,000 to be payable for the period until the end of the following AGM, with the following allocation. The Chairman of the Board would receive SEK 500,000 and the other Directors not employed by the company should each receive SEK 350,000, apart from Birker Bahnsen and Barbara Bergström. No fees would be payable to Birker Bahnsen and Barbara Bergström.

Directors are not entitled to any benefits after their directorships have terminated. In her capacity as a key culture bearer for the schools operation, Barbara Bergström serves an executive role within IES. This work relates to issue such as teachers search and selection in North America, monitoring English-language education resources, conducting Skype interviews with candidates for positions such as principals and deputy principals, contributing to the evaluation of various policy documents for school operations, and teleconferenced mentoring of school managements from the US. She receives a monthly gross fee of SEK 25,000 for these efforts.

For information on compensation paid to Directors in the financial year 2016/17, refer to note 7. More information on Directors and their shareholdings is stated on page 52.

Chief Executive Officer and other senior managers

Fredrik Åkerman has been CEO and President of IES since August 2017. The segregation of duties between the Board of Directors and Chief Executive Officer are stated in the rules of procedure for the Board of Directors and instructions for the Chief Executive Officer. The Chief Executive Officer 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 Chief Executive Officer 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 Chief Executive Officer should keep the Board of Directors continuously informed of the progress of the company's operating activities, operating income, the results of the company's operations and its financial position, liquidity and credit position: significant business events and any other business event, circum-

stance or relationship that could be assumed to be a material significance to the company's shareholders.

The Chief Executive Officer is supported by a Group Management consisting of the Deputy CEO, the CFO, the Deputy CFO, the HR Director, Education Manager, School Lawyer and IR Manager.

For more information on the Chief Executive Officer and other senior managers, and their shareholdings, refer to pages 54-55. For a review of the Chief Executive Officer's and Management's compensation, terms and conditions in the financial year 2016/17, refer to note 7.

Internal controls and risk management

Framework governing internal controls

IES's work on internal control is founded on two perspectives: firstly internal controls and risk management regarding operations, and 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 that should provide support to Management and all employees to conduct themselves to promote accurate, complete and relevant reporting. Central documents include the Board of Directors' Rules of Procedure and instructions regulating the duties of the Chairman and Chief Executive Officer, 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 very largely based 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 auspices 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, where performance below specified thresholds results in action-plans and further investigation and follow-up actions.

For several years, internal audits have also been conducted on 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 shortcomings 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 School Lawyer regularly provide

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 school start-ups. IES has highly developed routines for new start-ups 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-supported ethical guidelines and the company's core values, as well as
- a well-extended internal quality management system.

Risk assessment

IES evaluates the risks of its operations each year. Operations feature fairly low risk within segments 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 improbity. 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 fundamentals 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 will be largely conducted by the Audit Committee effective from the date of its stock market listing, through channels including monitoring management and external Auditors' reporting. The external Auditors review selected portions of internal controls 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 over financial reporting consist of a number of 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 utilizes a structure enabling it to publish complete and transparent financial reporting. IES has policies and processes to prevent the release of inaccurate or improper information.

The Board of Directors receives regular monthly reporting, operational and financial. The Board of Directors is responsible for external interim reports and annual accounts in accordance with legislation and the Code. The Board of Directors has decided to adopt modified policies and processes 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 Group Management's regular monitoring of operations towards established targets, and the production of key performance indicators, as well as through a focus on early warning signals.

The company's key processes governing financial reporting and their expedience is regularly evaluated by the CFO and his organizational resources. Compliance with the Finance Manual, policies and legislation is scrutinized, and potential departures either result in remedial action or enhancement of processes and routines. 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 of Directors 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 Chief Executive Officer'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 2016/17, refer to note 4.

Board of Directors



PER BÅTELSON

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

Education: B.Sc. 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.



BIRKER BAHNSEN

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

Education: M.Sc. 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 Amann Girsch, MIS Implants Technologies and PhysiOL.

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

Shareholding, personal and related parties: 0 shares. TA Associates is an advisor to Mountainstream Holding II S.à.r.l. (71.0% of the vote in IES Holdings I) and Bock Senior Capital Investors S.à.r.l. (4.9% of the vote in IES Holdings I).



BARBARA BERGSTRÖM

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

Education: Undergraduate studies at Buffalo, NY, and Coral Gables, Miami, followed by a B.A. 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 23,6% of the vote in IES Holdings I AB via Mountainstream Holding I S.à.r.l.



CECILIA MARLOW

Director since 2016.
Independent. Born in 1960.

Education: MBA from Stockholm School of Economics.

Current directorships: Chairman of Kivra. Director of Platzer Fastigheter Holding (publ), Clas Ohlson Aktiebolag, MatHem i Sverige, Midsöna, Fazer Group and Nordea Funds Ltd.

Selected previous positions: CEO of Kronans Droghandel Apotek and Polarn O. Pyret. Chairman of SA Service. Director of Forex Bank Aktiebolag and Svenska Spel.

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



ALBERT LAUSCHUS

Employee Representative, The National Union of Teachers in Sweden, since 2017. Independent of IES's major shareholders, but non-independent of IES and Group Management. Born in 1970.

Education: B.Ed., Slippery Rock University; in English, University of Gävle. Qualified teacher of German, English, mathematics and handicrafts, University of Gothenburg.

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: 592 shares.



JESSICA FRYKSTEN

Employee Representative, The National Union of Teachers in Sweden, 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.

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.



CECILIA HILONEN

Deputy Employee Representative, The National Union of Teachers in Sweden, since 2017. Independent of major shareholders, but non-independent of IES and Group Management. Born in 1982.

Education: Qualified teacher of Swedish and Swedish as a second language.

Current directorships: –

Selected previous positions: Previous work experience in municipal and independent schools, with IES Järfälla since 2010.

Shareholding, personal and related parties: 0 shares.



LINDA SVENMAN

Deputy Employee Representative, The National Union of Teachers in Sweden, since 2017. Independent of IES major shareholders, but non-independent of IES and Group Management. Born in 1972.

Education: Qualified teacher of social sciences, history, geography and religious studies.

Current directorships: –

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

Shareholding, personal and related parties: 0 shares.

Group Management



FREDRIK ÅKERMAN

Interim CEO since 2017 and CFO since 2013.
Born in 1962.

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

Other current directorships: 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: 576 shares*.



JÖRGEN STENQUIST

Deputy CEO since 2012.
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 directorships: Deputy CEO of Internationella Engelska Skolan i Sverige AB. Deputy Director of TriHealth Fitness.

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

Shareholding, personal and related parties: 0 shares*.



ANNIKA DOHRMAN

Deputy CFO since 2013.
Born in 1962.

Education: Undergraduate studies in Company Law and Accounting at Lund University.

Other current directorships: Deputy CFO of Internationella Engelska Skolan i Sverige AB. Director of English Summer School and IES International English Schools UK Ltd. Partner of Ryberg Consulting.

Selected previous positions: Accounting & HR manager, Smiths Medical Sweden. Accountant at MTG.

Shareholding, personal and related parties: 192 shares*.



JOHAN HÄHNEL

IR Manager since 2016.
Born in 1965.

Education: B.Sc. 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 directorships: IR Manager of MedCap. Director of JOLORITO and CEO of Comir.

Selected previous positions: Director of Theeducation. Corporate Communication Consultant at Studsvik, Duni and EQT Partners.

Shareholding, personal and related parties: 0 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.

Selected previous positions: Deputy Principal, IES Eskilstuna. Academic Coordinator, IES Eskilstuna. Teacher in the UK.

Other current directorships: –

Shareholding, personal and related parties: 576 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.

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

Other current directorships: –

Shareholding, personal and related parties: 576 shares.



MELANIE PRINSLOO

HR Manager since 2014.
Born in 1963.

Education: B.Sc. in Behavioral Sciences from University of South Africa.

Selected previous positions: Global Head of Talent Acquisition and Development, Nokia Siemens Networks.

Other current directorships: –

Shareholding, personal and related parties: 576 shares.

* At the date of signing this Annual Report, Fredrik Åkerman, Jörgen Stenquist, Annika Dohrman and Damian Brunker hold IES shares indirectly through holdings in Internationella Engelska Skolan i Sverige Holding I AB ("IES Holding I"). These holdings will transfer to direct ownership of IES in tandem with the division of IES Holding I's holdings. For more information on these holdings, refer to the section entitled The Share—major shareholders, 30 June 2017 on page 39.

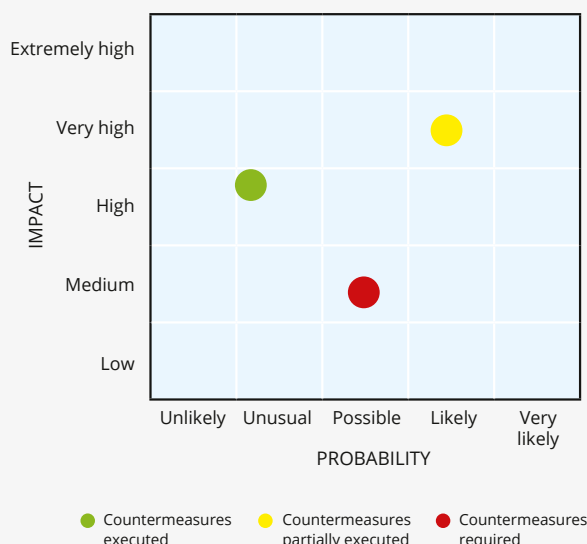
Risks and uncertainty factors

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 predetermined targets, in accordance with 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 on updating 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.

Example of risk map used internally to clarify IES's overall risk exposure, and the actions that should be prioritized.



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 great 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 free schools that offer IES's ethos, and deliver high education quality, to Swedish society.</p>

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 adverse 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 school leaderships 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 school leaderships, teachers and other staff.
7. Brand and reputation	IES's brand is not only affected by the orientation 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 is a member of Friskolornas Riksförbund, the Swedish national federation of free schools, and supports independent operators in difficulty through the federation.
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 maybe 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 start-ups.
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 from the National Swedish Federation of Teachers 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, who 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. Finance	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 a safety committee 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 Friskolornas Riksförbund, the Swedish national federation of free 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. 2016 – 30 Jun. 2017	1 Jul. 2015 – 30 Jun. 2016
<i>Operating income</i>			
Revenue	2	1,940.2	1,753.1
Other operating income	3	103.1	53.7
Operating income		2,043.3	1,806.8
<i>Operating expenses</i>			
Teaching and meal expenses		-258.9	-242.3
Other external expenses	4, 5, 6	-417.9	-386.2
Personnel expenses	7	-1,118.8	-956.7
Depreciation and amortization	13, 14, 15	-55.1	-52.1
		-1,850.7	-1,637.3
Operating profit		192.6	169.5
<i>Profit from financial items</i>			
Profit from joint ventures	8	5.4	–
Financial income	8	5.5	0.1
Financial expenses	9	-7.4	-5.5
Net financial items		3.6	-5.3
Pre-tax profit		196.2	164.2
Current tax	10	-34.5	-29.3
Deferred tax	10	-9.6	-8.0
Profit for the year		152.1	127.0
Profit for the year attributable to			
equity holders of the parent		152.1	127.0
Non-controlling interests		–	–
<i>Basic and diluted earnings per share (SEK)</i>		3.80	3.17

Consolidated Statement of Comprehensive Income

MSEK	Note	1 Jul. 2016 – 30 Jun. 2017	1 Jul. 2015 – 30 Jun. 2016
Profit for the year		152.1	127.0
Other comprehensive income			
<i>Items reclassifiable to profit or loss</i>			
Translation difference for the year		0.2	0.3
Other comprehensive income net of tax for the year		0.2	0.3
Comprehensive income for the year		152.3	127.3
Comprehensive income for the year attributable to:			
Equity holders of the parent		152.3	127.3
Non-controlling interests		–	–

Consolidated Statement of Financial Position

MSEK	Note	30 Jun. 2017	30 Jun. 2016
ASSETS			
Non-current assets			
<i>Intangible assets</i>			
Goodwill	12	661.0	661.0
		661.0	661.0
<i>Property, plant and equipment</i>			
Leasehold buildings	13	4.9	5.2
Machinery and equipment	14	110.6	108.6
Leasehold improvements	15	30.1	32.3
		145.6	146.1
<i>Financial assets</i>			
Participations in joint ventures	17	55.2	–
Receivables, joint ventures	18	20.4	–
Non-current receivables	18	–	3.5
Deferred tax asset	10	0.0	0.5
		75.6	4.0
Total non-current assets		882.3	811.1
Current assets			
Trade accounts receivable	19	10.4	9.3
Current tax asset	19	5.2	0.9
Other receivables	19	1.5	21.4
Prepaid expenses and accrued income	21	91.6	90.1
Cash and cash equivalents	22	198.3	233.4
Total current assets		307.0	355.1
Total assets		1,189.3	1,166.1

Consolidated Statement of Financial Position, cont.

MSEK	Note	30 Jun. 2017	30 Jun. 2016
EQUITY AND LIABILITIES			
Equity	23		
Share capital		1.0	0.5
Other paid-up capital		360.9	361.4
Translation reserve		-0.1	0.3
Retained earnings including profit for the year		520.2	367.9
Equity attributable to equity holders of the parent		882.3	730.2
Equity attributable to non-controlling interests		–	–
Total equity		882.3	730.2
Non-current liabilities			
Liabilities to credit institutions	19	–	93.8
Deferred tax liability	10	48.6	39.5
Total non-current liabilities		48.6	133.3
Current liabilities			
Liabilities to credit institutions	19	–	81.3
Trade accounts payable	19, 20	72.1	69.6
Other current liabilities		70.8	49.8
Accrued expenses and deferred income	24	115.5	102.1
Total current liabilities		258.4	302.7
TOTAL EQUITY AND LIABILITIES		1,189.3	1,166.1

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

Consolidated Statement of Changes in Equity

MSEK	Share capital	Other paid-up capital	Translation reserve	Reserves and retained earnings including profit for the year	Non-controlling interests	Total
Opening equity, 1 July 2015	0.1	361.9	0.1	241.2	-	603.2
Closing equity, 1 July 2015	0.1	361.9	0.1	241.2	0.0	603.2
Profit for the year	-	-	-	127.0	-	127.0
Other comprehensive income for the year	-	-	0.3	-	-	0.3
Comprehensive income for the year	0.0	0.0	0.3	127.0	0.0	127.2
<i>Transactions with equity holders:</i>						
Bonus issue	0.5	-0.5	-	-	-	0.0
Shareholders' contribution received	-	-	-	-	-	-
Dividend paid	-	-	-	-	-	-
Total transactions with equity holders	0.5	-0.5	0.0	0.0	0.0	0.0
Closing equity, 30 June 2016	0.5	361.4	0.3	367.9	0.0	730.2
Opening equity, 1 July 2016	0.5	361.4	0.3	367.9	0.0	730.2
Profit for the year	-	-	-	152.1	-	152.1
Other comprehensive income for the year	-	-	-	0.2	-	0.2
Comprehensive income for the year	-	-	-	152.3	0.0	152.3
<i>Transactions with equity holders:</i>						
Translation difference	-	-	-0.2	-	-	-0.1
Bonus issue	0.5	-0.5	-	-	-	0.0
Total transactions with equity holders	0.5	-0.5	-0.2	0.0	0.0	-0.1
Closing equity, 30 June 2017	1.0	360.9	-0.2	520.4	0.0	882.3

Consolidated Cash Flow Statement

MSEK	Note	1 Jul. 2016 – 30 Jun. 2017	1 Jul. 2015 – 30 Jun. 2016
Operating activities			
Operating profit		192.6	169.5
Interest received		5.5	0.1
Interest paid		-3.8	-5.5
Adjustment for non-cash items			
Depreciation and amortization		55.1	52.1
Other		-3.0	2.3
Income tax paid		-35.4	-31.9
Cash flow from operating activities before changes in working capital		210.9	186.6
<i>Cash flow from changes in working capital</i>			
Changes in operating receivables		13.0	-38.4
Change in operating liabilities		36.9	32.6
Cash flow from changes in working capital		49.9	-5.8
Cash flow from operating activities		260.8	180.8
<i>Investing activities</i>			
Acquisition of property, plant and equipment		-54.7	-63.8
Acquisition of financial assets		-66.2	0
Cash flow from investing activities		-120.9	-63.8
<i>Financing activities</i>			
External borrowings		-	-3.5
Loans arranged with credit institutions		-	225.0
Amortization of loans, credit institutions		-175.0	-200.0
Cash flow from financing activities		-175.0	21.5
Cash flow for the year		-35.1	138.5
Cash and cash equivalents at beginning of year		233.4	94.9
Exchange rate difference in cash and cash equivalents		-	0.0
Cash and cash equivalents at end of year	22	198.3	233.4

Parent Company Income Statement

MSEK	Note	1 Jul. 2016 – 30 Jun. 2017	1 Jul. 2015 –30 Jun. 2016
<i>Operating income</i>			
Revenue		2.8	0.5
Other operating income		1.7	0.0
Operating income		4.4	0.5
<i>Operating expenses</i>			
Other external expenses	31	-11.9	-8.1
Personnel expenses		-3.2	-1.3
		-15.1	-9.4
Operating profit		-10.7	-8.9
<i>Profit from financial items</i>			
Other interest income and similar profit/loss items		5.8	2.2
Interest expenses and similar profit/loss items		-7.7	-4.2
Profit after financial items		-12.6	-10.9
Appropriations	33	92.6	9.8
Tax attributable to previous years		0.0	–
Current tax		-18.1	–
Profit for the year	34	61.9	-1.1

Parent Company Statement of Comprehensive Income

MSEK	Note	1 Jul. 2016 – 30 Jun. 2017	1 Jul. 2015 – 30 Jun. 2016
Profit for the year		61.9	-1.1
Other comprehensive income		–	–
Comprehensive income for the year	34	61.9	-1.1

Parent Company Balance Sheet

MSEK	Note	30 Jun. 2017	30 Jun. 2016
ASSETS			
Non-current assets			
Financial assets			
Participations in group companies	29	361.9	361.9
Participations in joint ventures	30	54.4	–
Non-current receivables, joint ventures		20.4	–
Other non-current receivables		–	3.5
		436.7	365.4
Total non-current assets		436.7	365.4
Current assets			
Receivables, group companies		33.3	173.1
Current tax assets		–	0.1
Other receivables		0.6	1.6
Prepaid expenses and accrued income		0.5	2.6
		34.4	177.5
Total current assets		34.4	177.5
TOTAL ASSETS		471.1	542.9

Parent Company Balance Sheet, cont.

MSEK	Note	30 Jun. 2017	30 Jun. 2016
EQUITY AND LIABILITIES			
Equity	23		
<i>Restricted equity</i>			
Share capital	32	1.0	0.5
		1.0	0.5
<i>Non-restricted equity</i>			
Retained earnings		-1.1	0.0
Shareholders' contribution received		360.9	361.4
Profit for the year		61.9	-1.1
		421.8	360.4
Total equity		422.8	360.9
Untaxed reserves	33	27.4	–
		27.4	0.0
Non-current liabilities			
Liabilities to credit institutions		0.0	93.8
		0.0	93.8
Current liabilities			
Liabilities to credit institutions		–	81.3
Trade accounts payable		1.0	1.6
Current tax liabilities		18.0	–
Other liabilities		0.6	0.1
Accrued expenses and deferred income		1.4	5.2
Total current liabilities		20.9	88.2
Total liabilities		48.3	182.0
TOTAL EQUITY AND LIABILITIES		471.1	542.9

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

Statement of Changes in Parent Company Equity

MSEK	Share capital	Retained earnings	Profit for the year	Total
Opening equity, 1 July 2015	0.1	361.9	0.0	361.9
Transfer of profit from previous year	–	0.0	0.0	0.0
Profit for the year	–	–	-1.1	-1.1
Other comprehensive income for the year	–	–	–	0.0
Comprehensive income for the year	–	0.0	-1.1	-1.1
Bonus issue	0.5	-0.5	–	0.0
Closing equity, 30 June 2016	0.5	361.4	-1.1	360.9
Opening equity, 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
<i>Transactions with equity holders:</i>				
Bonus issue	0.5	-0.5	–	–
Closing equity, 30 June 2017	1.0	359.8	61.9	422.8

Parent Company Cash Flow Statement

MSEK	1 Jul. 2016 - 30 Jun. 2017	1 Jul. 2015 - 30 Jun. 2016
Operating activities		
Operating profit	-10.7	-8.9
Adjustments for non-cash items	-	-
Interest received	5.8	2.2
Interest paid	-7.7	-4.2
Income tax paid	3.2	-0.1
Cash flow from operating activities before changes in working capital	-9.4	-11.0
<i>Changes in working capital</i>		
Change in operating receivables	3.5	-4.3
<i>Change in operating liabilities</i>	-4.1	7.0
Cash flow from changes in working capital	-0.6	2.7
Cash flow from operating activities	-10.0	-8.3
<i>Investing activities</i>		
Acquisition of property, plant and equipment	-54.4	-
Cash flow from investing activities	-54.4	0.0
<i>Financing activities</i>		
External borrowings	-	-3.5
Loan to IES i Sverige AB	-	-60.0
Repayment of loan from IES AB	60.0	-
Payment of group contribution	9.8	-
External borrowings arranged	-	225.0
Issuance of loan to joint ventures	-20.4	-
Intragroup loan arranged	120.0	-
Amortization of external borrowings	-175.0	-50.0
Cash flow from financing activities	-5.6	111.5
Cash flow for the year	-70.0	103.2
Cash and cash equivalents at beginning of year	103.3	0.0
Cash and cash equivalents at end of year	33.3	103.3

Notes Group

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

Note 1 | Accounting policies, Group

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

IES was listed on Nasdaq Stockholm Exchange on 29 September 2016. Prior to the initial public offering, 100% of IES was held by Internationella Engelska Skolan i Sverige Holdings I AB (IES Holdings I). In tandem with the listing, IES Holdings I sold 28.25% of its shares, and from then and until the end of the financial year, continued to hold 71.25% of IES. IES Holdings I is owned by a partnership between IES's founder Barbara Bergström, and leading global growth private equity firm TA Associates, based in Boston and London. Major investors in the funds that have a majority holding include leading American universities, public research foundations and teachers' pension funds. This partnership has worked well during its five first years. TA Associates notes strong support for the emphasis on quality that distinguishes IES.

The parent company is a listed 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 18 September 2017, and will be submitted for approval at the Annual General Meeting (AGM) on 17 November 2017.

Regulations applied

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) 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).

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

Basis of valuation

Assets, provisions and liabilities are based on historical cost.

Currency

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. Unless otherwise stated, all amounts are rounded to the nearest million Swedish kronor (MSEK).

New or revised IFRS that have not yet been applied

A number of new or revised IFRS do not come into effect until forthcoming financial years and have not been adopted prospectively in the preparation of these financial statements. Prospective adoption is not planned for new or amended standards with future application. Those IFRS that are expected to have an impact, or may have an impact, on the consolidated financial statements, are reviewed below. Over and above the IFRS reviewed below, other new developments the IASB has approved as of 30 June 2017 do not have any impact on the consolidated financial statements.

IFRS 9 will replace IAS 39 Financial Instruments: Recognition and Measurement. This contains rules for the classification and measurement of financial assets and liabilities, impairment of financial instruments and hedge accounting. This Standard should be applied effective 1 January 2018 and has been endorsed by the EU. IES has evaluated this new standard, but does not judge that it will have any material impact on the consolidated financial statements.

IFRS 15 Revenue from Contracts with Customers replaces all previously issued standards and interpretation statements dealing with revenue. Accordingly, IFRS 15 contains an overall 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. Additionally, the financial statements will be impacted in the form of materially increased disclosure requirements. This standard should be applied from 1 January 2018 and has been endorsed by the EU. Work on evaluating the effects this new standard will have on IES commenced in 2015/16 and is continuing in 2017. At present, IES does not consider that IFRS 15 will have a material impact on the group's results of operations and financial position.

IFRS 16 Leases. The IASB has decided on a new accounting policy for reporting operating leases, IFRS 16, Leases. Assuming it is endorsed by the EU, IFRS 16 will come into effect for the financial year beginning immediately after 1 January 2019, which for the company, means the financial year beginning 1 July 2019. According to the current regulations, lease payments are recognized as an operating expense included in external expenses. Briefly, IFRS 16 means that operating leases with terms of more than one year should rather 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 depreciation over the asset's useful life, which normally, is consistent with the term of the lease arrangement, and interest expenses. IFRS 16 will have a material impact on the company's accounting. The expense for operating leases for the financial year 2016/17 amounted to a MSEK 287.4. As of 30 June 2017, undiscounted amounts for payment obligations for operating leases was MSEK 4,753.8. However, application of IFRS would mean that a lower amount was recognized as a liability and asset, because portions of lease arrangements may relate to services, and then future lease payment obligations should also be discounted. For more information on the company's lease commitments, refer to note 6.

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. Actual outcomes may differ from these estimates.

The estimates and assumptions 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.

Critical estimates

The group allocates school voucher funding and teachers' recess salary 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.

Critical 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.

Classification

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.

Consolidation

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 acquisition, 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.

Collaborative arrangements

IES's collaborative arrangement in Spain is classified as a joint venture and recognized according to the equity method. The equity method means that participations in a joint venture are recognized at cost on the acquisition date, and subsequently restated by the group's share of the change in the company's net assets. The group's book values of shares in joint ventures correspond to the group's participation in the companies' equity, and potential residual values of consolidated surpluses and deficits.

Currency translation

Foreign currency transactions

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.

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 the group satisfies the terms associated with the subsidy. 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 vacation 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 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 reported as finance expenses and amortization of debt. Finance lease assets are depreciated over their expected useful lives.

Lease arrangements where the lessor essentially retains all risks and benefits associated with the right of ownership are classified as operating leases. Lease charges are expensed on a straight-line basis in profit or loss during the lease term. 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 retirement or sale, or when no future economic rewards are expected from use or retirement/sale of the asset. Gains or losses arising from sale or retirement 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 remaining term of the lease contract. Estimates should take special consideration to the fact that school operations involve substantial wear and tear on premises. Depreciation is then on a straight-line basis over the asset's estimated useful life.

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

Estimated useful lives 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 estimated useful life. The group applies component depreciation, which means that depreciation is based on the estimated useful lives of components.

Depreciation methods, residual values and useful lives are re-evaluated at each year-end.

Depreciation 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 relinquishes 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 all otherwise extinguished. 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. Classification 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 liabilities

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 bad debt that has 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.

Contingent liabilities

A contingent liability is recognized when there is a possible obligation sourced from an event that has occurred and whose incidence is only corroborated 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.

Note 2 Allocation by segment

Statements 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:

Operating income	2016/17	2015/16
Sweden	2,043.3	1,806.0
UK	0.0	0.7
	2,043.3	1,806.8

EBIT	2016/17	2015/16
Sweden	193.6	170.2
UK	-1.0	-0.6
	192.6	169.5

Note 3 Other operating income

	2016/17	2015/16
Subsidy for <i>Karriärtjänster</i>	13.2	10.6
Subsidy for <i>Lärlönelyft</i>	28.5	–
Subsidy for <i>Läxhjälp</i>	19.6	9.2
Junior Club	27.0	22.0
Other income	14.9	11.9
	103.1	53.7

Note 4 Audit fees

	2016/17	2015/16
Ernst & Young AB		
Auditing	1.5	1.7
Auditing in addition to audit assignment	1.7	0.7
Tax consultancy	0.1	0.0
Other	0.0	0.4
	3.3	2.9
Harmer Slater Ltd.		
Auditing	0.1	0.1
	0.1	0.1

Note 5 Items affecting comparability

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

	2016/17	2015/16
Expenses relating to planned acquisition in Spain	0.9	2.3
Expenses for IFRS implementation, enhanced corporate governance processes and IPO on Nasdaq	5.2	6.4
	6.1	8.6

Note 6 Leases—lessee**Operating lessee**

Lease expenses for operating lease arrangements in the year primarily consist of rent for premises and office equipment, and amount to MSEK 287.4 (258.4).

Expensed lease payments for operating leases	2016/17	2015/16
Premises	279.3	252.5
Other equipment	8.1	5.9
	287.4	258.4

Future minimum lease payments for irrevocable operating leases — premises	2016/17	2015/16
To be paid within 1 year	326.9	273.7
To be paid within 1-5 years	1,322.2	1,214.8
To be paid after more than 5 years	3,104.7	2,546.4
	4,753.8	4,034.9

Future minimum lease payments for irrevocable operating leases — other equipment	2016/17	2015/16
To be paid within 1 year	8.1	7.5
To be paid within 1-5 years	12.1	18.8
To be paid after more than 5 years	0.0	0.0
	20.2	26.3

Note 7 Employees and personnel expenses

	2016/17		2015/16	
Average number of employees	No. of employees	Of which men, %	No. of employees	Of which men, %
Sweden	2,129	38	1,937	37
UK	0	0	0	0
Group total	2,129	38	1,937	37

Salaries and other benefits	2016/17	2015/16
Board of Directors, CEO and senior managers	9.7	9.4
Other employees	755.9	645.4
	765.6	654.8

Pension and social security expenses	2016/17	2015/16
Pension expenses for CEO and senior managers	2.5	2.1
Pension expenses, other employees	50.2	42.9
Other social security expenses and other personnel expenses	300.5	256.8
	353.2	301.8

Division between sexes, senior managers, %	30 June 2017	30 June 2016
Share of female Directors elected by shareholders' meetings	50	40
Share of male Directors elected by shareholders' meetings	50	60
Share of women of other senior managers	30	30
Share of men of other senior managers	70	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 28.3. The group's share of the total expenditure on the plan amounts to 0.14 %.

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 2016, Alecta's surplus in the form of the collective consolidation ratio was 149% (153).

The group's aggregate expense for defined contribution pension plans amounted to MSEK 20.2

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. Senior managers are all employees of Internationella Engelska Skolan i Sverige AB.

2016/17	Basic salary, Directors' fees	Pension expense	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

Note 7, cont.

2016/17	Basic salary, Directors' fees	Pension expense	Other benefits	Total
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	0.2	13.3

2015/16	Basic salary, Directors' fees	Pension expense	Other benefits	Total
Chairman				
Per Båtelson (Elected 10 May 2016)	0.1	–	–	0.1
Directors elected by shareholders' meetings				
Barbara Ann Bergström	0.4	–	–	0.4
Christopher Graham Parkin	–	–	–	–
Cecilia Marlow (Elected 10 May 2016)	0.1	–	–	0.1
Senior managers				
CEO	1.7	0.5	0.0	2.2
Other senior managers (9)	7.2	1.6	0.1	9.0
Total	9.5	2.1	0.1	11.8

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:

Internationella Engelska Skolan 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. Pensions should either be based on the ITP system, or if outside this, be defined contribution and then maximized at 30% of basic salary.

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 nine 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 operations are conducted. However, such benefits may not represent a high share of overall compensation.

The Chief Executive Officer has a notice period of six months and severance pay of six 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.

Compensation guidelines for senior managers

The following principles were approved by the most recent Annual General Meeting (AGM) and are proposed to remain unchanged at the next AGM. IES should 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. There will be no variable compensation. Incentive programs are decided by the Board of Directors subsequent to authorization by shareholders' meetings.

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.

Note 8 Financial income

Financial income	2016/17	2015/16
Participation in earnings from joint ventures	5.4	–
Other interest income and similar profit/loss items	5.5	0.2
	10.9	0.2

Note 9 Financial expenses

Financial expenses	2016/17	2015/16
Other interest expenses and similar profit/loss items	7.4	5.5
	7.4	5.5

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

Note 10 Tax on profit for the year

	2016/17	2015/16
Current tax	34.5	29.3
Adjustment for previous year	–	–
Change in deferred tax relating to temporary differences	9.6	8.0
Reported tax	44.1	37.2
Reconciliation of effective tax rate		
Pre-tax profit	196.2	164.2
Tax at applicable rate for the group (22%)	43.2	36.1
Non-deductible expenses	0.8	1.0
Standard earnings, tax allocation reserve	0.1	0.1
Reported tax	44.1	37.2

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. 2017	30 Jun. 2016	1 Jul. 2015
Tax allocation reserve	48.6	39.5	31.6
Carrying amount	48.6	39.5	31.6
Specification of change in deferred tax liability:			
Opening carrying amount	39.5	31.6	24.5
Change in temporary differences	9.1	8.0	7.1
Closing carrying amount, deferred tax liability	48.6	39.5	31.6

Note 11 Appropriation of profit

The following funds are at the disposal of the AGM:

Retained earnings	359,849,813
Profit for the year	61,928,797
Total	421,778,610

The Board proposes that:

SEK 1.14 (-) paid as dividend to shareholders	45,657,000
Carried forward	376,121,610
Total	421,778,610

The proposed dividend amounts to a total of SEK 45,657,000 (-), which is 30% (-) of profit after tax for the financial year.

Note 12 Goodwill

	30 Jun. 2017	30 Jun. 2016
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). 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. 2017	30 Jun. 2016	1 Jul. 2015
EBITDA margin*	10.5	11.4	10.8
Growth rate**	2.0	2.0	2.0
Discount rate***	11.4	11.8	12.6

* Estimated average gross margin for the next four years.

** Weighted average growth rate applied to extrapolate cash flows beyond 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 301;
- a one percentage point reduction in the growth rate beyond the four-year budget period would negatively affect value in use by MSEK 34;
- a one percentage point increase in the discount rate would negatively affect value in use by MSEK 276.

Note 13 Property on leasehold sites

	30 Jun. 2017	30 Jun. 2016
Opening cost	8.4	8.4
Closing accumulated cost	8.4	8.4
Opening depreciation	-3.2	-2.9
Depreciation for the year	-0.3	-0.3
Closing accumulated depreciation	-3.5	-3.2
Closing carrying amount	4.9	5.2

Note 14 Machinery and equipment

	30 Jun. 2017	30 Jun. 2016
Opening cost	332.8	271.2
Purchases in the year	55.0	63.8
Sales/retirements	-7.2	-2.2
Closing accumulated cost	380.6	332.8
Opening depreciation	-224.2	-176.6
Depreciation for the year	-52.6	-49.5
Sales/retirements	6.8	1.9
Closing accumulated depreciation	-270.0	-224.2
Closing carrying amount	110.6	108.6

Note 15 Leasehold improvements

	30 Jun. 2017	30 Jun. 2016
Opening cast	44.8	44.8
Closing accumulated cast	44.8	44.8
Opening depreciation	-12.5	-10.2
Depreciation for the year	-2.2	-2.2
Closing accumulated depreciation	-14.7	-12.5
Closing carrying amounts	30.1	32.3

Note 16 Group companies

Entity	Main activity	Participating interest 2016/17 (2015/16), %
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	Education partner	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. 2017	Participating interest 2016/17 (2015/16), %
Colegio Iale, S.A	Conducting school operations	14.8	50(0)
Elian's Boston, S.A	Conducting school operations	19.3	50(0)
Elian's Londres, S.A	Conducting school operations	15.8	50(0)
		49.9	

Entity	Profit, 100%	Profit, IES's share, 50%	Other comprehensive income	Total comprehensive income
Colegio Iale, S.A	3.3	1.7	–	1.7
Elian's Boston, S.A	5.2	2.6	–	2.6
Elian's Londres, S.A	2.3	1.2	–	1.2
	10.8	5.4	–	5.4

Note 18 Non-current receivables

	30 Jun. 2017	30 Jun. 2016
Receivables with joint ventures	20.4	0.0
External borrowings	–	3.5
	20.4	3.5

Note 19 Financial assets and liabilities

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
Income taxes recoverable	5.2		5.2
Other current receivables	1.4		1.4
Accrued income	91.6		91.6
Cash and cash equivalents	198.3		198.3
	327.4		327.4
Financial liabilities			
Trade accounts payable		72.1	72.1
Tax liabilities		–	0.0
Other current liabilities		70.8	70.8
Accrued expenses		115.5	115.5
		258.3	258.3

Financial assets and liabilities as of 30 June 2016	Loan receivables and trade accounts receivable	Other financial liabilities	Total carrying amount
Financial assets			
Receivables with joint ventures	3.5		3.5
Trade accounts receivable	9.3		9.3
Income taxes recoverable	1.4		1.4
Other current receivables	21.4		21.4
Accrued income	90.1		90.1
Cash and cash equivalents	233.4		233.4
	359.1		359.1
Financial liabilities			
Liabilities to credit institutions — non-current		93.8	93.8
Liabilities to credit institutions — current		81.3	81.3
Trade accounts payable		69.6	69.6
Other current liabilities		49.8	49.8
Accrued expenses		102.1	102.1
		396.4	396.4

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. 2017				
Financial assets				
Receivables with joint ventures		20.4		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
30 Jun. 2016				
Financial assets				
Non-current receivables		3.5		3.5
	0.0	3.5	0.0	3.5
Financial liabilities				
Liabilities to credit institutions		175.1		175.1
	0.0	175.1	0.0	175.1
1 Jul. 2015				
Financial assets				
Non-current receivables		4.9		4.9
	0.0	4.9	0	4.9
Financial liabilities				
Liabilities to credit institutions		150.3		150.3
	0.0	150.3	0.0	150.3

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 fulfill 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. 2017	30 Jun. 2016	1 Jul. 2015
Trade accounts receivable —not overdue	10.4	9.3	9.2
Carrying amount	10.4	9.3	9.2

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. 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 2016/2017 (%)		
EUR	0.08	0.05
GBP	0.00	0.05
Currency exposure 2016/2015 (%)		
GBP	0.04	0.08

As stated in the above table, the group's transaction exposure is in EUR and GBP. 10% appreciation of the SEK against the EUR would have a negative impact on profit after tax and equity of approximately MSEK 0.1 (0.1). 10% appreciation of the SEK against the GBP would have a positive 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 20.4 (0.0), and for GBP to MSEK 3.2 (3.3). 10% appreciation of the SEK against the EUR would have a negative impact on profit after tax and equity of approximately MSEK 1.5 (0.0), and against the GBP, a negative impact on profit after tax and equity of approximately MSEK 0.3 (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. These borrowings accrue variable interest, 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. This facility is normally not used, but is purely a reserve.

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. At present, the company judges this risk as low because the company's financial position and liquidity at the reporting date is very secure.

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. 2017	
Maturity analysis	<1 yr.	1-3 yr.
Liabilities to credit institutions	0.0	0.0
Trade accounts payable	72.1	
Other current liabilities	70.8	
Accrued expenses	115.5	

	30 Jun. 2016	
Maturity analysis	<1 yr.	1-3 yr.
Liabilities to credit institutions	81.3	93.8
Trade accounts payable	69.6	
Other current liabilities	49.8	
Accrued expenses	102.1	

	1 Jul. 2015	
Maturity analysis	<1 yr.	1-3 yr.
Liabilities to credit institutions	150.5	
Trade accounts payable	55.9	
Other current liabilities	52.1	
Accrued expenses	82.1	

Terms & conditions and repayment dates

	Cur- rency	Matu- rity	Inter- est	Carrying amount, 30 Jun. 2017	Carrying amount, 30 Jun. 2016	Carrying amount, 30 Jun. 2015
Liabilities to credit institutions —current	SEK	2017	Variable	0.0	81.3	150.3
Liabilities to credit institutions —non-current	SEK	2018	Variable	0.0	93.8	0.0
				0.0	175.0	150.3

Covenants

The following covenants were determined in tandem with arranging funding on 24 August 2016 and apply going forward.

Covenant 1, leverage = net debt/EBITDA

Covenant 2, debt service ratio = cash flow/net financial items and amortization

Covenant 3, equity/assets ratio

The group had satisfied all covenants with a comfortable margin as of 30 June 2017.

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 882.3 (730.2). The Board of Directors has set a financial target of the group's equity minimum equity/assets ratio being 40%. At the end of the financial year 30 June 2017, the equity/assets ratio was 74.2% (62.6).

Note 21 Prepaid expenses and accrued income

	30 Jun. 2017	30 Jun. 2016
Pre-paid rent expenses	75.4	69.8
Prepaid licenses and applications	4.4	3.3
Prepaid educational materials	1.8	2.7
Accrued expenses (Karriärtjänster)	–	5.0
Other prepaid expenses	10.0	9.3
	91.6	90.1

Note 22 Cash and cash equivalents

	30 Jun. 2017	30 Jun. 2016
Cash in hand		
Bank balances	198.3	233.4
	198.3	233.4

Note 23 Equity

Share capital and other paid-up capital, in SEK

	No. of shares	Share capital	Other paid-up capital
As of 1 July 2015	50,000	50,000	361,856,027
As of 30 June 2016	50,000	500,000	361,406,027
As of 30 June 2017	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 amounts to SEK 0.025 (10.00).

In preparation for the IPO on Nasdaq, in September 2016, the company executed a bonus issue and a number of small-scale equity transactions, whereupon share capital increased to SEK 1,001,250, and the quotient value decreased to SEK 0.025 per share

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	2016/17	2015/16
Opening carrying amounts	0.3	0.1
Change for the year	-0.1	0.2
Closing carrying amount	0.2	0.3

Note 24 Accrued expenses and deferred income

	30 Jun. 2017	30 Jun. 2016
Vacation and recess liability	73.9	63.8
Accrued social security contributions on vacation and recess liability	23.2	20.0
Other accrued expenses	18.4	18.3
	115.5	102.1

Note 25 Transactions with related parties

For information on compensation to senior managers, refer to note 7, Employees and personnel expenses.

Through the parent company, the group has a related party relationship with the three 50%-owned Elians companies in Spain. A management fee of MSEK 0.9 was debited to the three Spanish companies in the period. The parent company has also issued an MEUR 2.1 loan to the three companies. Interest paid in the period was of an amount corresponding to MSEK 1.2.

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 SEK 350,000 (340,000) was paid, which is judged to be on market terms.

Note 26 Assets pledged 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 (50).

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.

The parent company guarantees 50% of the property loans to the three Spanish Elians companies. These property loans amounted to MEUR 15.1 at the end of the period.

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

IES opened four new schools in Helsingborg, Landskrona, Södertälje and Årsta in August 2017, which meant a total of some 24,000 students started the new academic year in the Swedish operation's 34 schools.

Ralph Riber left his position as CEO and President effective 7 August. IES's CFO Fredrik Åkerman became Interim CEO and President effective the same date.

The Swedish Schools Inspectorate has reported that for the present, IES will not be granted permits on five applications to start and operate F-9 preschool and compulsory school operations, and two applications for F-3. IES has prepared an action-plan and filed an application for review of the Inspectorate's decision on the permits.

Notes

Parent company

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

Note 28 Accounting policies, parent company

Accounting standards applied

The parent company has prepared its annual accounts in accordance with the Swedish Annual Accounts Act and RFR's (the Swedish Financial Reporting Board) recommendation RFR2 "Accounting for Legal Entities."

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 group companies are for 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.

Group contributions and shareholders' contributions

Group contributions received and paid are recognized as 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.

Note 29 Participations in group companies

	30 Jun. 2017	30 Jun. 2016
Opening cost	361.9	361.9
Closing accumulated cost	361.9	361.9

Closing carrying amount	361.9	361.9
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Company/corporate ID no./Reg. office	Participating interest 2016/17 (2015/16)	Share of vote 2016/17 (2015/16)	No. of participations 2016/17 (2015/16)	Carrying amount 2016/17 (2015/16)
Internationella Engelska Skolan i Sverige AB, 556462-4368, Stockholm	100% (100)	100% (100)	1002 (1002)	361,9 (361,9)

	Equity	Profit for the year
Internationella Engelska Skolan i Sverige AB, 556462-4368, Stockholm	359.9	-15.7

Note 30 Participations in joint ventures

	30 Jun. 2017	30 Jun. 2016
Opening cost	-	-
Acquisitions	54.4	-
Closing accumulated cost	54.4	-

Company/corporate ID no./Reg. office	Participating interest 2016/17 (2015/16)	Share of vote 2016/17 (2015/16)	No. of participations 2016/17 (2015/16)	Carrying amount 2016/17 (2015/16)
Colegio Iale, S.A, Valencia, Spain	50 (-)	50 (-)	50 (-)	50 (-)
Elian's Boston, S.A, Valencia, Spain	50 (-)	50 (-)	50 (-)	50 (-)
Elian's Londres, S.A, Valencia, Spain	50 (-)	50 (-)	50 (-)	50 (-)

Note 31 Transactions with related parties

	Sales of goods/ services	Purchases of goods/ services	Interest	Receivable on reporting date	Liability on reporting date
Subsidiaries					
2016/17	2.8	0.0	0.3	33.3	0.0
2015/16	0.5	0.0	2.1	173.1	0.0
	3.3	0.0	2.4	206.4	0.0

Joint ventures					
2016/17	0.9	0.0	1.2	20.4	0.0
	0.9	0.0	1.2	20.4	0.0

For information on compensation to senior managers, refer to the group's note 7, Employees and personnel expenses.

Note 32 Number of shares

The total number of ordinary shares is 40,050,000 (50,000) with a quotient value of SEK 0.025 (10).

Note 33 Appropriations

	2017-06-30	2016-06-30
Good contribution received	120.0	-
Provision, tax allocation reserve	-27.4	-
	92.6	-

Note 34 Assets pledged and contingent liabilities

The parent company guarantees 50% of the property loans to the three Spanish Elians companies. These property loans amounted to MEUR 15.1 at the end of the period.

Note 35 Post balance sheet events

IES opened four new schools in Helsingborg, Landskrona, Södertälje and Årsta in August 2017, which meant a total of some 24,000 students started the new academic year in the Swedish operation's 34 schools.

Ralph Riber left his position as CEO and President effective 7 August. IES's CFO Fredrik Åkerman became Interim CEO and President effective the same date.

The Swedish Schools Inspectorate has reported that for the present, IES will not be granted permits on five applications to start and operate F-9 preschool and compulsory school operations, and two applications for F-3. IES has prepared an action-plan and filed an application for review of the Inspectorate's decision on the permits.

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 Statutory Administration 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 22 September 2017. 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 17 November 2017.

Täby, Sweden, 22 September 2017

Per Båtelson
Chairman of the Board

Barbara Bergström
Board member

Birker Bahnsen
Board member

Cecilia Marlow
Board member

Albert Lauschus
Employee Representative
(The National Union of Teachers in Sweden)

Jessica Fryksten
Employee Representative
(The National Union of Teachers in Sweden)

Fredrik Åkerman
CEO

Our Audit Report was presented on 22 September 2017

Daniel Öberg
Authorized Public Accountant
Ernst & Young AB

Auditor's Report

To the general meeting of the shareholders of Internationella Engelska Skolan i Sverige Holding 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) for the year 2016/2017, excluding the corporate governance statement on pages 48-51. The annual accounts and consolidated accounts of the company are included on pages 42-83 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 parent company as of 30 June 2017 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 30 June 2017 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 Report on pages 48-51. The statutory administration 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 group, and the income statement and balance sheet for the parent company.

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 my (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.

Goodwill

Goodwill of MSEK 661.0 was recognized in the consolidated statement of financial position as of 30 June 2017. 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.

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.

Revenues

Revenue for 2016/2017 of MSEK 1,940.2 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.

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.

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 1-41 and 84-88. 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 ISA's 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 or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 2016/2017 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit (loss) be appropriated in accordance with the proposal in the statutory administration 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 the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess 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 the corporate governance statement on pages 48-51 being 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.

Ernst & Young AB, Jakobsbergsgatan 24, Box 7850, 103 99, Sweden, was appointed auditor of Internationella Engelska Skolan i Sverige Holding II AB (publ) by the general meeting of the shareholders on the 24 August 2016 and has been the company's auditor since the 31 August 2012.

Stockholm, Sweden, 22 September 2017

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 has carried 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 Internationella Engelska Skolan 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 Internationella Engelska Skolan?
- 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 Internationella Engelska Skolan? 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 www.friskola.se.

Definitions

Adjusted EBIT

Operating profit are earnings after depreciation 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 profit.

Alternative key performance indicators

The Group uses alternative key performance indicators 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 margin, also enable investors to better judge the progress of earnings between years, excluding items affecting comparability.

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), operating profit are earnings after amortization of acquisition-related intangible assets before financial items and tax.

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 period 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.

Net debt (+)/net cash(-)

Interest-bearing liabilities less cash and cash equivalents.

Net margin

Profit for the period 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 income

Revenues from Junior Club and compensation for star teachers and other central government subsidies.

Return on equity

Profit for the period divided by average equity (opening balance plus closing balance divided by two).

Segments

IES ripples geographical markets as operating segments.

Working capital

Current assets excluding cash and cash equivalents less operating liabilities.





Internationella Engelska Skolan, Nytorpsvägen 5A, 183 71 Täby, Sweden