The group's focus area is the operation of preschools. The goal is to develop a quality concept in the field of child development and learning to create market demand.

In Norway, the Group operated almost 200 kindergartens as of 31 December 2017 with approximately 16 500 children. This is an increase with 38 kindergartens and 3 000 children compared to year-end 2016.
In august the Group also entered the Swedish marked and now operates 74 kindergartens and schools there, with capacity for approximately 750 students (schools) and 3 700 kindergarten children.

Material events in 2017

On 1 August, the Group completed the acquisition of the Swedish kindergarten/school group Inspira. Two additional Swedish groups, Palmlunds and Helianthus, was acquired 1 September 2017.

During 2017 the Group has acquired 35 kindergartens in Norway. Five of these is by acquiring the operations directly, the others is acquisitions of shares.

The group has completed the construction of five new preschools during the year. Two opened in august 2017 and three opened in October. At year-end the construction of one new preschool is ongoing and is due to open in august 2018. Three rehabilitation and expansion projects is also ongoing.

A refinancing of the company was completed during the first half of 2017. A bond loan of NOK 1,2 billion was issued on 1 June. The bonds were listed on the Oslo ABM on 17 October. Approximately 800 million of the proceeds from the bond were used to repay existing DnB loans. The remaining net proceeds is for general corporate purposes, primarily acquisitions. As part of the refinancing a revolving credit facility of NOK 300 million is also made available.

The Group has for the period of 1 September 2017 to 1 June 2022 (due date of the bond) entered into an interest swap agreement, swapping 3 month NOK Nibor for a fixed interest rate of 1,36% on an amount of 800 million. This secures the floating part of the interest on 800 million of the bond loan. For this part of the loan, the interest will therefore be fixed at 5,36%.

Material events in Q4 2017
During Q4 the group has acquired 8 kindergartens in Norway. 2 of these is by acquiring the operations directly, the others is acquisitions of shares.

The group has opened three newly build kindergartens in the quarter.

Overview of development and profits for the year

The employees in the Norwegian preschools have a defined benefit pension plan. The cost and liability is based on a yearly actuary calculation made in December each year. In 2016 a change in laws regarding financing of a disability pension was implemented. The actuary calculation for 2016 contained a minor gains related to this change for employees still active. The 2017 calculation shows that the change in 2016 also relates to employees already on disability pension. The gain related to such employees is approximately NOK 43,4 million.
The Group has in accordance with the accounting standard chosen to treat this as an error in the 2016 accounts. The 2016 column in this report has therefor been adjusted to also include this gain. This effect both the Q4 2016 and full year 2016 column. Total gain related to the change is presented in a separate line, included in the operating profit.

Total revenue has increased with 55% compared to 2016. This is due to full period effect of the acquisitions made in 2016 and the acquisitions made in 2017. Operating profit margin is 9,2%. Profit margin in 2016, adjusted for the gain on pension, is 9,4%. All the entities in Sweden is in rented locations, while most of the locations in Norway is owned. This means that the EBITDA and operating margins in Sweden is lower than in Norway.

The Groups equity ratio is stable on approximately 6.0%. Total assets has increase with 1,1 billion, due to acquisitions made and the new build activity.

Cash flow from operations in 2017 is negatively affected by payment of pension premium. Payments is approximately 43,2 million higher than the pension cost. Except for this cash flow from operations is comparable to profit plus depreciation.

Investments in fixed assets is mainly related to construction activity. Cash flow from financing activity is materially affected by the refinancing made in the year. Ordinary amortization on loans also includes down payment on loans that later has been repaid in the refinancing.

Overview of development and profits for Q4

Total revenue has increased with 40% compared to 2016. This is due to acquisitions made in 2017. Operating profit margin is 7,4%, which is lower than Q4 2016. All the entities in Sweden is in rented locations, while most of the locations in Norway is owned. This means that the EBITDA and operating margins in Sweden is lower than in Norway. This is the main reason for the reduction in profit margin compared to Q4 2016.

Cash flow from operations in Q4 is weak. Pension premiums is mainly paid in two installments during the year, one is in Q4 and covers 6 month of premium. Timing of payment of subsidies from the municipalities can highly effect our cash flow during a quarter. At the end of September 2017 we had received more advance payment than we have at year end. This gives a negative effect on the cash flow in Q4.

Investments in fixed assets is mainly related to construction activity. Cash flow from financing activity is materially affected by the refinancing made in the year. Ordinary amortization on loans also includes down payment on loans that later has been repaid in the refinancing.

Jessheim, 16 February 2018

Gunnar Johansson Board Chairman	Torill Eskeland Board Member	Charlotte Wego Board Member
Linn Christensen Board Member	Hilde Martinsen Board Member	Hans Jacob Sundby Board Member/CEO

Læringsverkstedet Gruppen AS - Group

Income statement

Numbers in NOK 1 000	Unaudited Q4 2017	Unaudited/ adjusted* Q4 2016	Unaudited Full year 2017	Adjusted* Full year 2016
Total revenue	**821 071**	**586 697**	**2 702 589**	**1 742 891**
Cost of goods sold	782	0	1 164	6 028
Employee benefits expense	579 219	400 633	1 873 304	1 240 514
Gain on termination pension plan)*	0	-49 711	0	-49 711
Depriciation	57 602	36 104	187 016	110 586
Other operating expenses	123 111	84 076	393 017	221 156
Total operating expenses	**760 714**	**471 102**	**2 454 501**	**1 528 573**
Operating profit	**60 357**	**115 595**	**248 088**	**214 318**
Net finance	**-34 497**	**-30 458**	**-131 948**	**-76 071**
Profit before income tax	**25 860**	**85 137**	**116 140**	**138 247**
Income tax expense	6 160	19 052	27 863	35 886
Net profit	**19 700**	**66 085**	**88 277**	**102 361**

*)The actuary calculation for 2017 has shown that an error was made in the 2016 calculations. A defined benefit pension plan regarding disability was terminated. Total gain regarding this termination has now been calculated by actuary to be TNOK 49 711. Only 6 330 of these was included in the annual accounts for 2016. In the 2017 accounts this error is corrected and the 2016 numbers have been adjusted.

Læringsverkstedet Gruppen AS - Group

Balance sheet

Numbers in NOK 1 000	Unaudited 31.12.2017	Adjusted * 31.12.2016
Assets		
Non current assets		
Total intangible assets	**674 880**	**402 809**
Total fixed assets	**4 054 519**	**3 325 898**
Financial assets		
Loan to group companies	60 598	50 423
Investment in associated companies	25	
Investment in shares and units	1 458	1 406
Long term receivables	28 428	30 485
Pension asset	25 756	0
Total financial assets	**116 265**	**82 314**
Total non current assets	**4 845 664**	**3 811 022**
Current assets		
Inventories	**651**	**628**
Receivables		
Accounts receivables	13 942	12 396
Other receivables	140 532	69 447
Total receivables	**154 474**	**81 843**
Cash and cash equivalents	**196 320**	**162 856**
Total assets	**5 197 109**	**4 056 349**

Læringsverkstedet Gruppen AS - Group

Balance sheet

Numbers in NOK 1 000	Unaudited **31.12.2017**	Adjusted * **31.12.2016**
Equity and liabilities		
Equity		
Owners equity		
Share capital	100	100
Total paid inn equity	**100**	**100**
Retained earnings		
Other equity	318 445	234 249
Total accumulated profits	**318 445**	**234 249**
Total equity	**318 545**	**234 349**
Liabilities		
Provisions		
Pensjon obligations	0	3 877
Deferred tax	280 414	209 435
Total provisions	**280 414**	**213 312**
Other non current liabilities		
Bond loans	1 200 000	
Liabilities to financial institutions	2 845 014	3 208 360
Other non current liability	26 037	6 636
Total other non current liabilities	**4 071 051**	**3 214 996**
Current liability		
Accounts payable	67 175	42 437
Income tax payable	45 502	27 669
Public duties payable	132 626	97 855
Other current liabilities	271 796	220 139
Dividend/group contribution	10 000	5 592
Total current liability	**527 099**	**393 692**
Total liabilities	**4 878 564**	**3 822 000**
Total equity and liabilities	**5 197 109**	**4 056 349**

*) As a result of the error made in the actuary calculation in 2016 the 2016 balance sheet numbers have been adjusted. The additional gain of TNOK 43 381 has reduced the pension liability. The tax effect has been adjusted towards deferred tax liability. The net effect has increased the equity.

Læringsverkstedet Gruppen AS - Group

Cash Flow statement - Indirect method

Numbers in NOK 1 000	Unaudited Q4.2017	Unaudited Full year 2017	Adjusted* Full year 2016
Cash flow from operating activities			
Profit before income tax	25 860	116 140	138 246
Income tax payable	-6 586	-30 216	-20 077
Loss/gain on sale of fixed assets			186
Depreciation	57 602	187 016	121 586
Difference on pension expense and paid pension premium	-50 748	-43 167	-63 417
Change in inventory, accounts receivable and accounts payable	18 151	22 045	1 985
Change in other accruals	-68 408	-12 741	-19 019
Net cash flow from operating activities	**-24 129**	**239 077**	**159 490**
Cash flow from investing activities			
Proceeds from disposal of fixed assets			2 198
Purchase of fixed assets	-61 055	-311 176	-226 119
Net payment in acquisition of subsidiaries	-60 877	-485 177	-668 675
Purchase of intangible assets	-1 849	-1 849	-4 000
Proceeds from disposal of other shares)			
Net effect other shares and loans	319	-10 150	-5 008
Net cash flow from other investments			-13
Net cash flow from investing activities	**-123 462**	**-808 352**	**-901 616**
Cash flow from financing activities			
Proceeds from recent borrowings	230 101	1 823 563	1 231 627
Full down payment of borrowings	-94 002	-1 098 740	-352 733
Repayment (ordinary amortization) of borrowings	-46 539	-116 492	-105 628
Net change participants deposit in group accounts			
Net payment (-), proceeds (+) group companies			
Payment of group contribution	-	-5 592	-6 727
Net cash flow financing activities	**89 560**	**602 739**	**766 539**
Net change in cash and cash equivalents	**-58 031**	**33 464**	**24 412**
Cash and cash equivalent at the beginning of the period	254 351	162 856	138 443
Cash and cash equivalent at the end of the period	**196 320**	**196 320**	**162 856**

*) Due to the changes in the 2016 column in the financial statements, profit before tax and difference between pension expense and paid pension premium has been adjusted in the cash flow statement for 2016.

NOTES TO THE FINANCIAL REPORT 31.12.2017 (Unaudited)

Accounting principles

The financial report have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. The accounting principles described in the Annual report for 2016 has, with the following exceptions, been applied;.

1. The income tax expense is based on preliminary tax calculation for the year.
2. Purchase price allocations of acquisitions of companies is preliminary and might be subject to change

See the annual report for 2016 for a full description of the account principles.

The actuary calculation for 2017 has shown that an error was made in the 2016 calculations. A defined benefit pension plan regarding disability was terminated. Total gain regarding this termination has now been calculated by actuary to be TNOK 49 711. Only 6 330 of these was included in the annual accounts for 2016. In the 2017 accounts this error is corrected and the 2016 numbers have been adjusted;

- The gain regarding the change in the pension plan has been increased with TNOK 43 381 and the total gain of TNOK 49 711 has been presented on a separate line in the operating cost
- The income tax expense has been increased with TNOK 10 411
- The net pension obligation has been reduced with TNOK 43 381
- Deferred tax liability has been increased with TNOK 10 411
- Equity has been increased with TNOK 32 970

A reclassification in the two 2016 columns in the Income statement has been made. Net finance has been reduced with 5 million, depreciation has been reduced with 11 million and other operating expenses has been increased with 16 million. The reclassification has been made in order for the classification in 2016 to be the same as in 2017. The reclassification has no effect on profit before income tax.

Equity

	Share capital	Other equity	Total
Equity 01.01.	100	234 249	234 349
Net profit	-	88 277	88 277
Currency translation effect		3 619	3 619
Distributions	-	-7 700	-7 700
As of 31.12	100	318 445	318 545

Financial covenants

All figures in NOK 1 000

Covenant 1; Minimum liquidity of NOK 100 million

	31.12.2017
Booked value cash and cash equivalents	196 320
-less restricted cash	-62 000
Undrawn credit facilities	245 000
Total liquidity according to loan terms definition	379 320

Covenant 2; Interest cover ration > 2,75

	31.12.2017
Operating profit	248 088
+ Depreciation	187 016
= EBITDA	435 104
Net finance	131 948
EBITDA / Net finance (Interest cover ratio)	3,29