AcadeMedia

# Annual Report 18/19

# We are AcadeMedia

**AcadeMedia is the leading and single largest independent education provider in Northern Europe, and the second largest education provider in Sweden (second only to the City of Stockholm).**
**In Sweden, we operate across the entire education spectrum: preschool, compulsory school, upper secondary school and adult education. In Norway and Germany, AcadeMedia only operates preschools.**

CHILDREN, STUDENTS AND ADULT PARTICIPANTS*

**179,500**

EMPLOYEES*

**16,900**

UNITS*

**657**

SALES
SEK million

**11,715**

OPERATING PROFIT
SEK million

**635**

*Average per year.

# Our operations

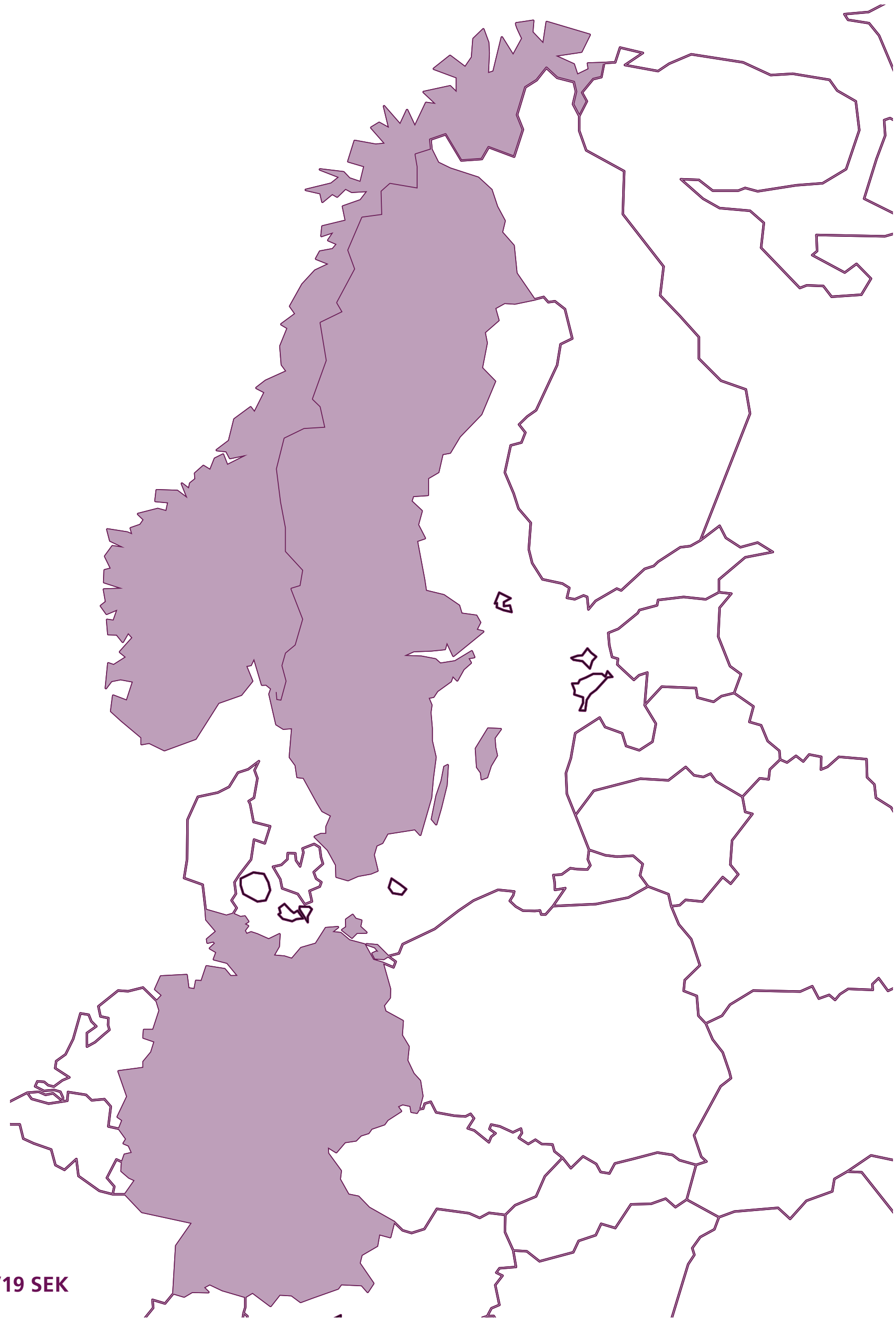
**SWEDEN** In Sweden we have 154 preschools and 74 compulsory schools. About one quarter of AcadeMedia's preschools, 35, are integrated with a compulsory school.

AcadeMedia has 144 upper secondary schools, making it Sweden's largest independent provider of upper secondary schools.

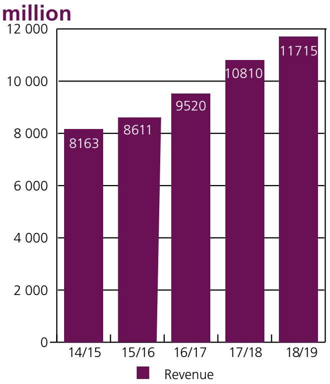
We provide adult education at 150 units across Sweden.

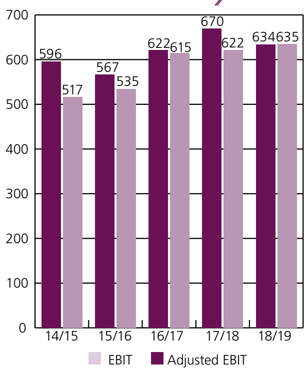
**NORWAY**
Since 2014, AcadeMedia has been running preschools in Norway under the Espira brand. We currently have 101 preschools.

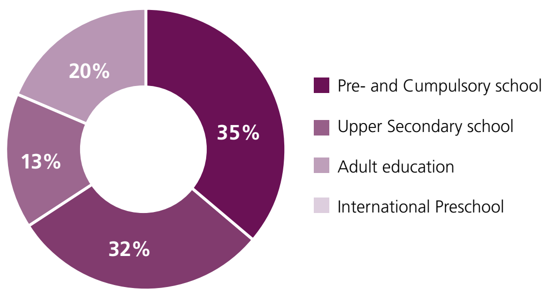
**GERMANY**
AcadeMedia entered the German market in 2016 with the acquisition of Joki. Since then our German operations have expanded rapidly, both through organic growth and acquisitions. AcadeMedia now has a total of 38 preschools in Germany.

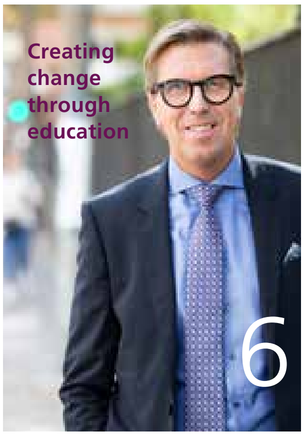


**FINANCIAL PERFORMANCE 2014/15–2018/19 SEK million**



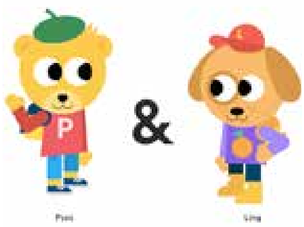












16 Pyss & Ling start preschool



## THIS IS ACADEMEDIA



## ANNUAL AND CONSOLIDATED ACCOUNTS



**About the annual and sustainability report.** This is AcadeMedia's annual and sustainability report. The formal annual accounts can be found on pages 52–119. The statutory sustainability report is part of AcadeMedia's sustainability report and can primarily be found on pages 25–51. The sustainability report adheres to Global Reporting Iniatives Standards and meets sustainability reporting requirements stipulated by the Swedish Annual Reports Act.

# The year in brief

**Net sales:** SEK 11,715 MILLION (10,810)

**Operating profit/loss:** SEK 635 MILLION (622)

**Operating profit/loss adjusted for items affecting comparability:** SEK 634 MILLION (670)

**Profit for the year** SEK 431 MILLION (430)

**Earnings per share:** SEK 4.09 (4.30) basic, and SEK 4.09 (4.29) diluted

**The Board of Directors proposes an ordinary dividend of SEK 1.25 per share (0) for the 2018/19 financial year.**

| | 2018/19 | 2017/18 | CHANGE |
|---|---|---|---|
| Net sales, SEK m | 11,715 | 10,810 | 8.4% |
| EBITDA, SEK m | 931 | 872 | 6.8% |
| EBITDA margin | 7.9% | 8.1% | -0.2 p.p |
| EBIT, SEK m | 635 | 622 | 2.1% |
| EBIT margin | 5.4% | 5.8% | -0.4 p.p |
| Adjusted EBIT, SEK m | 634 | 670 | -5.4% |
| Adjusted EBIT margin | 5.4% | 6.2% | -0.8 p.p |
| Net financial items, SEK m | -69 | -68 | -1.5% |
| Profit/loss before tax, SEK m | 566 | 555 | 2.0% |
| Profit/loss for the period, SEK m | 431 | 430 | 0.2% |
| Earnings per share basic (SEK) | 4.09 | 4.30 | -4.9% |
| Earnings per share, diluted (SEK) | 4.09 | 4.29 | -4.7% |
| Number of children and students | 79,493 | 73,366 | 8.4% |
| Number of full-time employees | 12,405 | 11,863 | 4.6% |

## SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR

- Over the course of the financial year we enhanced AcadeMedia's strategic framework. Roadmap 2020 has been refined into a new version, which is called Roadmap 2023. You can find out more about Roadmap 2023 on pages 9-11, 28 and 34.
- In June 2019 the decision was taken to bring all of the Group's preschools into a new group-wide Preschool segment, initially managed by AcadeMedia President and CEO Marcus Strömberg. As a result of this reorganisation, AcadeMedia's compulsory schools will form their own segment under the management of Jens Eriksson, who also leads the Upper Secondary School segment. The new organisation takes effect on 1 July 2019 and will then comprise four segments: Preschool, Compulsory School, Upper Secondary School and Adult Education. Please refer to Note 11 for further information.
- The German business has established a very strong foundation for growth. Organic growth has taken off over the year, with nine new establishments, one of which was under the Espira brand that has now been launched in Germany. Going forward, plans for additional establishments are well under way, with plans to open 12–15 new preschools in 2019/20.
- Quality management is key to all AcadeMedia operations. During the year, Norway-based Espira implemented the new joint follow-up tool Espira Blikk at all 101 preschools. Development of Espira Blikk was inspired by AcadeMedia's Swedish preschools to follow up on the the extent to which national goals for the preschool are achieved.
- The count at the start of the new 2019/20 financial year showed healthy growth in the number of students attending AcadeMedia's preschools, compulsory schools and upper secondary schools, and that AcadeMedia had a record number of students in its school operations. In total, the average number of children and students increased by 3.4 percent organically.
- In the Adult Education segment some of our operations related to the Swedish Public Employment Service faced continued challenges as a result of the agency's cutbacks and reorganisation. The main reasons for weak performance are contractual obligations in combination with lower income per participant and a substantial decline in volume.
- In September 2019 it was announced that Katarina Wilson will be AcadeMedia's new CFO. Eola Änggård Runsten, CFO since 2013, decided to leave the company. Katarina Wilson will begin her time as AcadeMedia CFO on 1 November 2019.

CEO'S COMMENTS

# Creating change through education

**For me education is key to development. I never want to stop learning, because new knowledge and new understanding helps me progress as an individual. The same approach is true of society as a whole. An effective education system is vital for the development of society. AcadeMedia has close to 17,000 employees in Sweden, Norway and Germany. For all of us this approach is a vital driver; we want to contribute to change people's lives for the better and create sustainable societies in which every person's right to education is upheld.**

But we still have some way to go to achieve this. In Sweden, AcadeMedia works across the entire education spectrum, from preschool to adult education. We realise, and research has shown, that the Swedish school systems faces significant challenges. A school system should provide a comprehensive basis for students to develop and succeed, and those of us who have some sort of influence over how schools operate need to work together to bring this about. Sweden gives everyone the opportunity to choose the school they go to, regardless of family income. Sweden has a wide range of education providers that use the power of development and innovation. Together, we need to continue creating long-term solutions to ensure that schools improve.

A long-term approach requires stable finances. AcadeMedia's earnings and margins in our Swedish school operations both improved for the full fiscal year. However, the Adult Education segment is still in a transition phase. The Preschool International segment is experiencing rapid growth, particularly in Germany. During the year we took the decision to bring all our preschools under a single segment. This enables us to focus more on preschools and strengthen our growth opportunities on the European preschool market, which is showing significant growth.

## Practical education gives more people opportunities

Our students often tell us how AcadeMedia's vocational upper secondary schools and job-related programmes have been a stepping stone to working life. How meeting mentors at school and workplaces led to non-attenders wanting to further their education. Students like Ayman, who after only four years in Sweden graduated from Hermods vocational training with high marks. Or Rina, who fled the war in Syria with her family, leaving everything behind. When she started at Praktiska Gymnasiet in Liljeholmen three years ago, she barely knew a word of Swedish. She has now graduated with top marks and is working as an assistant nurse. But she wants to progress, and has set herself the goal of training to be a dentist. You can find interviews with both of these students on AcadeMedia's website.

Currently about 13,000 upper secondary school students are enrolled in apprenticeship-focused training programmes in Sweden. AcadeMedia wants Sweden to set an international example when it comes to apprenticeship training. This is one of the keys to ensuring more people complete upper secondary school, which will provide business with the workforce it needs. So we are continuing to develop apprenticeship training. Apprenticeship training also needs expanded content and other improvements.

Apprenticeship programmes need a better, more advanced framework for collaboration with companies. Stability in the systems is also important. An example of the opposite is the unannounced reduction of grants to the companies that receive apprentices announced in spring.

## AcadeMedia leading on distance education

Rapid changes in society provide opportunities for new possibilities using digital tools. For AcadeMedia, digitalisation is one of the biggest issues for developing teaching, and provides both us and our students with the tools required to manage this paradigm shift that has already begun. Online education is one of the areas of greatest interest in this field. AcadeMedia has been developing distance education through Hermods for over 100 years, with hundreds of thousands of students over the years. We are now taking distance education to the next level.

We believe online teaching will become increasingly important and will be used by more and more people. This is in part because online teaching makes things easier for students who cannot physically be at school, and it also represents a considerable improvement for students who need teachers with specialist expertise often hard to find in smaller towns and more rural areas. It could also help us overcome the teacher shortage. Teacher-led online training is organised similar to a traditional school, with a timetable and teams of teachers who work together.

Of course there are some key differences. Teaching takes place online and is usually more adaptable to individual needs than classroom teaching. Through digitalisation, innovation and the right strategy we can make processes and tools more efficient while also creating outstanding education for all AcadeMedia students.

## AcadeMedia advancing positions in Europe

AcadeMedia operates preschools in three countries; Sweden, Norway and Germany. There is rapid expansion of preschools, especially in Germany, where this development has resulted in rapid growth for AcadeMedia. In July 2017 we had 17 preschools in three federal states. In June 2018, we had 29 preschools in four federal states. The pace of expansion will continue to be fast. One factor behind the need for preschool places is that German women increasingly want to return to work after maternity leave. Previously, many women chose to stop working or to take a long career break after having children, often due to insufficient preschool places.

This is an important business opportunity for AcadeMedia. Germany currently has a shortage of about 350,000 preschool places, and we are contributing to greater gender equality in Europe by building more preschools.

## Growth and development

In the spring we took the decision to create a separate segment for all our preschools in the three countries in which we operate. We view this change both as a way to focus on and create even better opportunities for growth within our markets and a way to identify and assess opportunities on new markets.

We are doing this because we believe that universal access to first-rate preschool is vital to a country's sustainable development. AcadeMedia has established itself as the leader in Preschool International and we are seeing an interest in the Nordic preschool model, based on a combincation of learning and childcare from additional countries to those we currently operate in.

The reorganisation means our compulsory schools will become a separate segment, with the same management as the Upper Secondary Schools segment. We believe these two levels of school, which we only exists in Sweden, have a lot in common and will benefit from close cooperation, both in terms of teaching work at schools and work relating to how these operations are managed at staff level.

The need for preschools, compulsory schools and upper secondary schools in Sweden is increasing. According to an estimate by the Swedish Ministry of Finance made in 2018, almost 1,400 preschools and schools are needed by 2026. Of this figure Minister for Finance Magdalena Andersson said: "It's going to be a real challenge but also a fantastic opportunity". I can only agree with her. The challenge is so great that we, both private sector and public sector providers, will need to collaborate.

## All students are entitled to school vouchers of equal value and to choose the school they attend

This calls for private and public sector providers to operate on equal terms. It is currently not unusual for independent school students to receive less resources in the form of school vouchers than students in municipal schools. The Swedish school voucher model is a brilliant concept. But we now need to take the next step and create a clearer system in which public and private sector providers are treated equally – for the sake of students.

Another issue where regulations require review is the free choice of schools in Sweden. Currently everyone is entitled to choose which school they attend. There are significant positive impacts for those that make this choice. But we can't ignore the fact that many don't choose, and not everyone knows that they are entitled to make this choice. In this regard, independent providers have a significant responsibility to provide information. We would also like to propose that the free choice of school be made mandatory. Everyone should receive information about the schools they can choose between and only those who actively say they do not want to choose will have their children placed in preschools and compulsory schools by the local municipality. We believe that such a reform would result in substantial improvements for the entire Swedish school system. It would put much needed pressure on all schools to demonstrate what they offer, which would also benefit quality and development at system level.

## Our core business is a global sustainability issue

The UN has established 17 Sustainable Development Goals. Number four is Quality Education. Everything we do, whether it's an English lesson at school in Helsingborg, planning an outing at a preschool in Berlin, or organising the management of a support function at our headquarters in Stockholm, is about this very thing. But sustainability work is much more than our core business, although this accounts for most of it. We have chosen to focus on the areas of learning, employees, environment and transparency in our sustainability work. You can read more about how we work with these issues on pages 32–47 in this integrated annual and sustainability report.

The sustainability report contains a stakeholder analysis, which identifies our main stakeholders and analyses what the key issues are for these different groups. The issue that many highlight is quality education.

Just as important are our 16,900 employees. Their job satisfaction, recommending their workplace to others, and the pride they feel in their workplace are crucial to our business. Employee satisfaction has risen for the fifth consecutive year. Some 85 percent of all our employees in Sweden are proud of their workplace. And 84 percent have significant confidence in their manager. Eight out of ten would recommend their workplace to others. These are high figures and they indicate our movement in the right direction. But we can never rest on our laurels. We are currently based in three countries and across the education spectrum. This provides us with unique opportunities to offer skills development, numerous forums for shared learning and exciting career paths. That's how we create exceptional education for everyone who chooses us.

*Marcus Strömberg*
*President and CEO*

*Stockholm, October 2019*

BUSINESS CONCEPT, VISION AND GOALS

# Change Through Education

**AcadeMedia was founded by, and is still comprised of, people who are passionate about creating a better, more sustainable society through learning. People who believe in change through education.**

To make this even clearer and to demonstrate the international expansion that AcadeMedia began in 2014 with the acquisition of Norway-based Espira, over the past year we developed a new mission; Change through Education. Work on this mission has been conducted as part of our strategic framework, Roadmap 2023.

Our group-wide objective is for everyone who chooses one of our schools to succeed. Preschool children should be prepared to start school, both in terms of knowledge and emotional readiness. We want them to be eager to start school, enter the classroom on their first day, and meet their classmates and teachers full of anticipation.

Compulsory school students should be eligible for upper secondary school and develop from children into teenagers. When they enter upper secondary school, we want them to have the same sense they had when the started compulsory school; anticipation, excitement and perhaps a few nerves. At upper secondary school they become young adults and prepare for work or higher education.

Our adult learners are studying to take the next step in life. This may involve further education, a change of career or learning something completely new, such as a new language or a culture. All of this is supported by our vision, our mission and our business concept.

## Our business concept

AcadeMedia develops and conducts leading, distinct educational institutions under various brands across the education system. We offer attractive, first-rate preschools, schools and adult education.

## Our vision

AcadeMedia's vision is to lead the development of education for the future.

## Our values

AcadeMedia's values are courage, passion and trust. We often add the phrase "We are stronger together", as this is exactly the way we view ourselves. The slogan "We are stronger together" was used at a management conference in 2012 and has been an important concept, and approach, for the Group ever since. Many of our brands also have their own values alongside those of AcadeMedia.

## Our goals

AcadeMedia's goal is to be a leader in learning, attracting personnel and students, efficiency and innovative development. The main indicator in the area of learning is '100% – should achieve their educational objectives'. We can only achieve this by providing the highest quality education in the areas in which the Group operates. By 2023 we aim to be the leading and most influential education provider in Europe, which brings us closer to our vision of being a leader in the development of tomorrow's education.

To support us in this objective, we have developed our strategic framework, Roadmap 2023, which builds on Roadmap 2020. Roadmap 2023 is based on four target areas: learning, attractiveness (both for employees and participants), efficiency and innovation.

We are guided in these goals by the strategies described overleaf.

## Financial targets

AcadeMedia's financial targets remain unchanged compared with previous years.

AcadeMedia's overall goal is to deliver the best educational quality in the areas where the Group operates. AcadeMedia intends to grow organically by using the available spare capacity in existing units and by launching new units. AcadeMedia also intends to continue to grow by taking over education units and to continue the consolidation of the market through acquisitions. AcadeMedia's growth target for the Group's net sales is to grow by 5 to 7 percent annually, excluding larger acquisitions. AcadeMedia's proftability target for operating proft (EBIT) excluding non-recurring items shall amount to 7–8 percent of net sales over time.

With respect to indebtedness, AcadeMedia's target is to have an interest-bearing net debt in relation to operating proft before depreciation and amortization (EBITDA) excluding non-recurring items with a maximum factor of three. During brief periods, however, there may be deviation from this target, for example in connection with larger acquisitions.

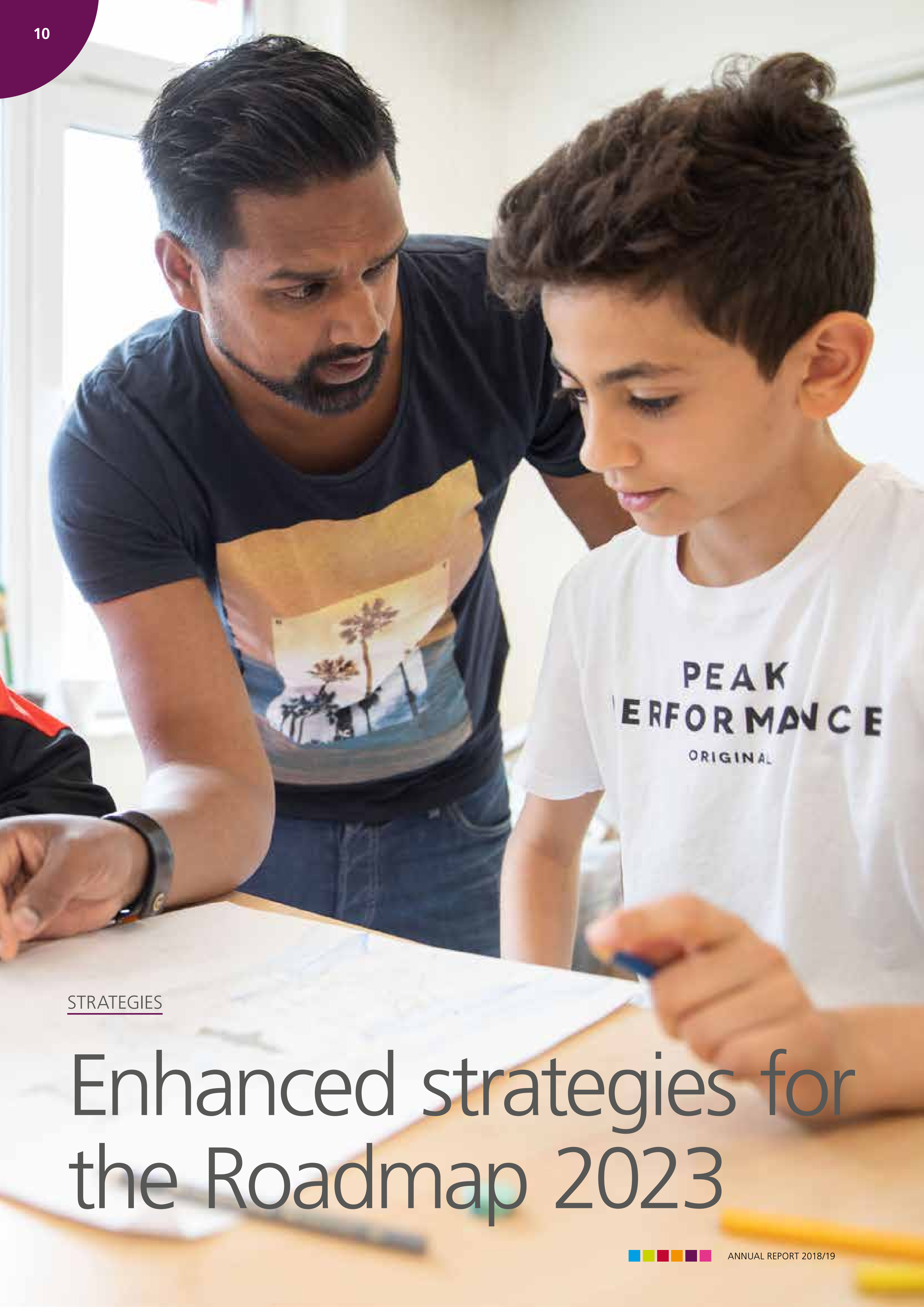
Due to the new accounting regulation for leases, IFRS 16, AcadeMedia will be reviewing its financial targets during the forthcoming financial year. See Note 39 on page 117 for further information.

## Dividend policy

AcadeMedia's main responsibility is to provide a good education for the reimbursement received. This must be done as effciently as possible. AcadeMedia's unrestricted cash flows will primarily be reinvested in the operations in order to maintain high quality and finance future growth. The surplus may be distributed to the shareholders, provided that AcadeMedia's targets relating to quality and financial position are met.

| | | TARGET | OUTCOME 18/19* |
|---|---|---|---|
| Growth | 5–7% | AcadeMedia's target for net sales growth is 5–7 percent annually for the Group, excluding major acquisitions. | 4.4% (5.8%) |
| Profitability | 7–8% | AcadeMedia's profitability target for operating profit (EBIT) excluding items affecting comparability should amount to 7–8 percent over time. | 5.4% (6.2%) |
| Capital structure | <3.0x | AcadeMedia's target is for net interest-bearing debt to be no more than three times operating profit before depreciation and amortisation (EBITDA) excluding items affecting comparability. During brief periods, however, deviation from this target may occur, such as in connection with major acquisitions. | 2.4x (2.4x) |
| Use of free cash flow | | Free cash flow should primarily be reinvested. The surplus may be distributed to the shareholders, provided that AcadeMedia meets its targets relating to quality and financial position. | SEK 1.25/ share (0) |

* Figures in parentheses relate to the previous year




STRATEGIES

# Enhanced strategies for the Roadmap 2023

# AcadeMedia's five strategies

**AcadeMedia's strategic framework Roadmap 2020 was launched four years ago, since which it has formed the basis for our strategic focus. In spring 2019 we took the next step. Following on from successful completion of Roadmap 2020, Roadmap 2023 was created.**

**The new roadmap has enhanced existing strategies and organised them in a new way. They have not been fundamentally altered and largely expand upon previous goals.**

## Clear focus on education and strong brands

Offering excellent education is crucial for AcadeMedia. We aim to focus on welcoming children, students and adult learners with high expectations and a strong belief in their ability, and offer stimulating and supportive learning environments and excellent teaching.

AcadeMedia aims to meet the requirements and expectations that students, guardians, adult learners and clients have of us. We should have strong brands and we aim to develop and clarify our group-wide AcadeMedia brand as an overall guarantee of quality, stability and transparency.

## Talented and dedicated people

We aim to be the most attractive employer in the education industry because talented employees are key to good teaching and achieving higher goals. We need good managers who contribute through their leadership to creating motivation, enthusiasm and a culture in which we learn and gain inspiration from one another. We also need to inspire more people to choose to train as teachers, to remain in teaching, or to return to the teaching profession.

We offer good opportunities for professional development and clear career paths in order to attract and retain committed employeesand managers. We do this by actively working on structured collegial learning and various types of skills development and management programmes.

*For further information on this, see the Employees section of our sustainability report on page 38.*

## Comprehensive Quality Assurance Model

Since its introduction in 2011, our group-wide quality model, known as the AcadeMedia Model, has helped us guide the Group towards established goals and identify what needs improving at different levels. This is now being refined into a quality management model intended to help ensure that we are moving in the direction of continued improvement and achievement of goals that evolve to create the best preschools, schools and adult education institutions.

This creates a holistic approach to our quality management efforts. We systematically follow up and identify where we need to apply resources. We identify successful ways of operating and developing operations, and systematically share good examples within the Group. The AcadeMedia Model helps us ensure a high standard across our operations and that we are constantly developing as a learning organisation.

## Continuous improvement and innovative solutions

Innovation often emerges from day-to-day, practical quality development measures, but also has something new or a significant improvement. It involves an element of creativity and a new approach, which we want to encourage.

Our improvement efforts should be reflected in everything from our teaching mission to our way of utilising the opportunities offered by digitalisation in different processes and how we work with skills development for employees and managers. We cooperate with, take inspiration and learn from other parties, including researchers and other sectors and countries. We encourage all operations to develop, trial, evaluate and introduce new methods, ideally together with other parties. Sharing knowledge, experience and smart solutions at different levels ensures AcadeMedia is an organisation in which shared learning supports innovative development.

## Long-term and sustainable growth

Through a constant focus on quality, we are generating long-term sustainable growth. This creates the opportunity for development and initiatives to improve our operations. All resources should be used efficiently and responsibly, so sustainability is a natural aspect of AcadeMedia's way of working.

Continued growth in the Upper Secondary area and Preschool International business is a priority. With regard to the Preschool International business, we are continuing to assess different paths, and we are also reviewing the conditions for internationalising other brands andofferings.

We support our operations to develop and innovate, and are establishing business models for the schools of the future on existing and new markets. We are also endeavouring to modernise and leverage digitalisation to enable access to education and related functions.

MARKET OVERVIEW

# Group continuing to grow

**AcadeMedia is consolidating its position as one of Europe's leading education companies. The number of children and students in independent preschools and schools in Sweden has increased compared with the previous year, and this has been a sustained trend over several years. At the same time, our international business is growing considerably, particularly our preschool operations in Germany.**

To further advance our focus on leveraging opportunities in a growing sector, the Group has brought all preschool operations together in a single segment as of the 2019/20 financial year. Our preschools in Sweden, Norway and Germany now form the Preschool segment.

Independent providers account for a significant and increasing share of the education market. Two of the underlying drivers behind this are that many people desire a choice of their children's school and its educational focus, and that independent providers often maintain higher quality, making them extremely competitive.

## Demographic trend generating increased demand in Europe

Demand for preschool places for 0–3 year-olds is growing throughout Europe. Our rapid growth in Germany is just one of many indications of this. France also has a significant need, with a shortage of around 400,000 preschool places over the next few years. This is due to both demography and new legislation.

For Europe as a whole there will be a shortage of 1.2–2 million preschool places over the next few years. In other words, there is a significant need for our services, particularly as the Nordic preschool model is generates interest in more countries than we currently operate in.

We presently see a large number of companies emerge on the European preschool market. There are many companies in several countries and AcadeMedia is currently one of the larger companies in Europe.

## Continued growth in Sweden

Demographic trends imply a significant growth in the need for school places in Sweden. In Stockholm alone 52 new municipal preschools will have to be built over the next few years. A large number of schools will also be expanded. This is the result of larger student cohorts, mainly in slightly older years. The same trend can be seen elsewhere in the country. In Sweden the number of children and young people of school age (1–18) is expected to rise by around 136,000 individuals (source: Statistics Sweden) between 2019 and 2029.

## Rapid expansion in Germany

Germany has a shortage of around 350,000 preschool places. The German preschool market has expanded considerably for a number of years, owing in particular to the law introduced in 2013 entitling all children over the age of one to a preschool place. The legislation regarding the right to a preschool place is intended to improve gender equality in the labour market, as well as to reverse the recently falling birth rate.

Since 2007 the number of children enrolled at preschool in Germany has increased from less than 2,197,000 to more than 2,719,000 children in 2018, corresponding to an average growth rate of two percent. This increase is largely attributable to the growing number of children enrolled at an early age. A trend which appears to be continuing.

## New staff density norm in Norway

From 1 August 2019, a new requirement for higher staff density come into effect in Norwegian preschools. The new rules, referred to as the staff density norm, applies to both municipal and independent education providers and stipulates a requirement for more trained preschool teachers and other staff. Our Norwegian business is being adapted to cope with the resulting increase in costs. The new rules will give rise to higher school voucher funding in municipalities where staffing is increased. AcadeMedia estimates that the new regulation will result in a temporary earnings decline until school voucher funding is gradually raised in 2021–2022.

The gap in funding for private preschools is due to each municipality in Norway setting its own school vouchers based on national guidelines and actual costs, but calculated on figures that are two years old. This means school vouchers for 2019 are calculated on the municipalities' costs for the 2017 financial year and adjusted using an index for 2018 and 2019.  All preschools have to introduce the staff density norm by 1 August 2019. Private preschools in certain municipalities will therefore not be able to cover their costs for the introduction of this norm until 2021.

## Adult Education undergoing change

AcadeMedia is the leading provider on the Swedish adult education market, with one overarching brand and 12 strong niche brands. Our market share is around 10 percent.

AcadeMedia's Adult Education segment is aimed at three main customer groups: labour market training programmes procured by the Swedish Public Employment Service, Higher Vocational Education and adult education provided by municipalities. Demand is influenced by factors such as newly arrived immigrants, economic conditions on the labour market, and by political decisions and priorities. The operations focused on the Swedish Public Employment Service are a typically countercyclical business and should be considered over an economic cycle; it increases as economic conditions worsen.

Between 2015 and 2017 average annual market growth was around 8 percent. In 2018 the market changed. A strong labour market and a lower number of newly arrived immigrants have reduced the need for training programmes. There was also significant uncertainty on the Swedish market over the autumn and winter as there was an interim government in Sweden following the election in September 2018. This uncertainty was clearly reflected within the adult education market. During the year the Swedish Public Employment Service began a major reorganisation, which has had a negative impact on demand for labour market training. At the same time, demand for skilled labour has grown, increasing the need for training in new skills. This is leading to an expansion of higher vocational education.  Over the long term, AcadeMedia holds a strong position in an attractive market. A key factor will be balancing development within our different business areas within adult education.

Sales and profitability in the Adult Education segment have decreased over the past 12 months. This is a direct result of weakening volumes and a change in contract structure in the part of the business relating to the Swedish Public Employment Service. Restructuring costs to address this were recognised in the fourth quarter of 2017/18 in an amount of SEK 38 million and in the second quarter 2018/19 in an amount of SEK 15 million.

## Political situation

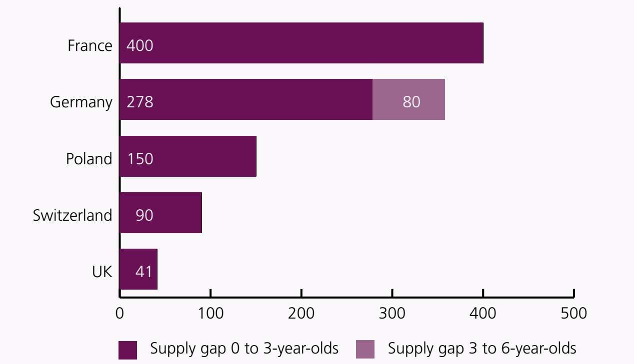
Following the 'January Agreement' under which Sweden's Liberals, Centre Party, Social Democratic Party and the Green Party agreed on 73 points to be implemented over this term, there has been less discussion about profit in the welfare system and criticism of companies in the welfare sector.

Despite debate over recent years about the role of companies in welfare, especially in Sweden, the number of students to independent providers has increased. As we see it, the debate does not effect the choices people make about school and education.

Political and media debate has grown in Norway over recent years as a result of the new staff density norm, and a number of proposals for changes in the Preschool Act. Private-sector providers were also debated during the spring and summer before the Norwegian local government elections September 2019. The Labour Party, which lost votes, has changed its rhetoric and stance on this issue and has become more sceptical about what they call commercial welfare operators. Espira is addressing this debate with transparent and fact-based information about its business, and is also in close dialogue with politicians from most parties about this issue.

## The potential of the European market

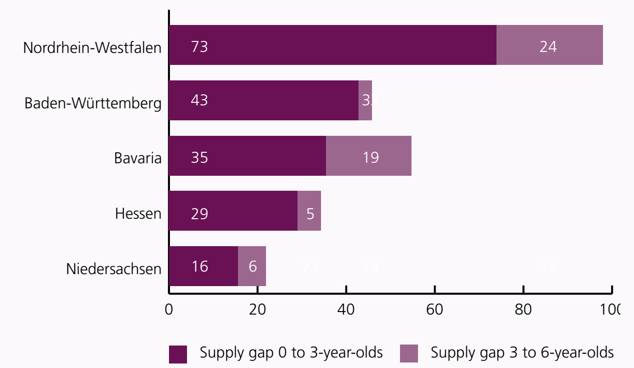
**The disparity between supply and demand is expected to increase in many countries.**




*France and Germany are the countries where the gap between supply and demand for preschool places is greatest. Both countries rely in part on private sector companies to solve this situation.*

Source: Evalueserve

**Supply and demand for preschool places in five German states**




*AcadeMedia currently operates in North Rhine-Westphalia, Bavaria, Berlin, Brandenburg and Baden-Württemberg. These are the five German states with the greatest difference between access to and need for preschool places.*

Source: Institut der deutchen Wirtschaft

OUR SEGMENTS

# Overview


**At the end of the 2018/19 financial year the decision was taken to change how AcadeMedia's segments are organised from 2019/20. The next page refers to the structure that applied in 2018/19.**

**From the current year independent preschools in the three countries in which we operate were brought together into a single segment.**

**As a result of this, compulsory schools now also constitute a separate segment. The Upper Secondary School and Adult Education Segments are not affected by this change.**

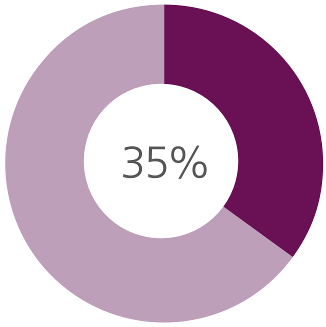
**The main objective of this change is to provide the Pre-school Segment with even greater growth opportunities on the three markets in which the segment operates. See also Note 11 on page 98.**

# Segment overview 2018/19

## Pre- and Compulsory School

AcadeMedia's Pre- and Compulsory School segment operates throughout Sweden. We offer educational diversity and a variety of teaching approaches.

### Share of sales, %




### Quick facts

228 UNITS*

3 BRANDS

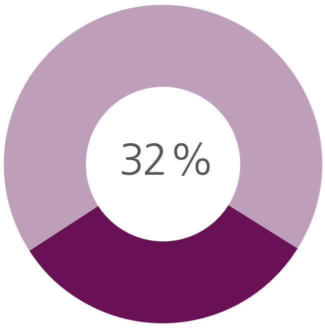
32,988 CHILDREN AND STUDENTS*

4,785 EMPLOYEES*

## Upper Secondary School

AcadeMedia's Upper Secondary School Segment provides upper secondary education throughout Sweden, offering both university preparatory and vocationally oriented programmes.

### Share of sales, %




### Quick facts

143 UNITS*

16 BRANDS

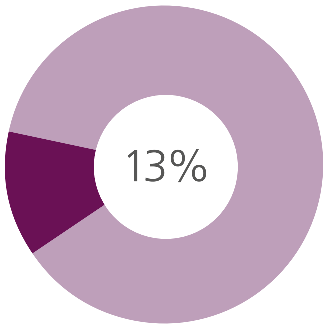
34,653 STUDENTS*

3,123 EMPLOYEES*

## Adult Education

AcadeMedia's Adult Education Segment is Sweden's largest provider of adult education with solid expertise in working with, integrating and educating adults.

### Share of sales, %




### Quick facts

150 LOCATIONS*

13 BRANDS

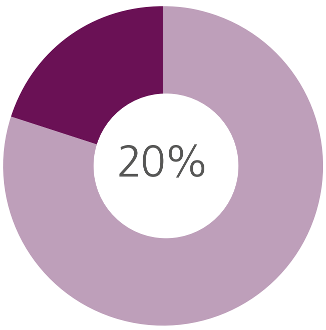
100,000 PARTICIPANTS*

1,452 EMPLOYEES*

## Preschool International

AcadeMedia's Preschool International Segment operates in Norway and Germany.

### Share of sales, %




### Quick facts

136 UNITS*

5 BRANDS

11,852 STUDENTS*

2,886 EMPLOYEES*

*Average per year.

PRESCHOOL AND COMPULSORY SCHOOL SEGMENT

# Focus on clear and attractive brands

**During the year we decided to fundamentally change this segment, resulting in the segment being divided in two. This organisational structure came into effect on 1 July 2019 and means that all independent preschools in Sweden, Norway and Germany will come under their own segment, while compulsory schools will form a different segment.**

Bringing the preschool business under a single segment allows us to focus more on preschools and strengthen our growth opportunities on the European preschool market, which is growing significantly (see also the market overview on page 12). We aim to concentrate efforts and create an international platform for growth.

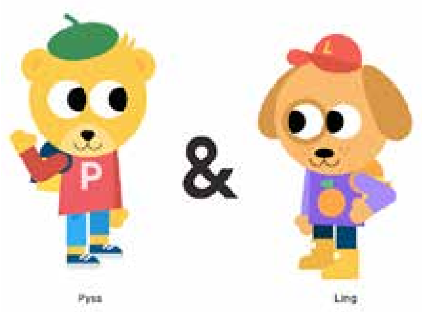
The Compulsory School segment will have the same segment manager as the Upper Secondary School segment. The aim of having shared management is to provide the two segments together (Compulsory Schools and Upper Secondary Schools) with significant development capabilities with the objective of setting new standards and adopting a more aggressive role in developing new teaching methods and tools.

## New brand platform for Pysslingen Preschools

During the year Pysslingen Preschools posted good results, with a high recommendation level from guardians and employees. Pysslingen Preschools are also showing rising results on functional quality, which measures how well the preschools are achieving national targets set for these types of school. We are constantly working to ensure quality at our preschools. A key shared driver for Pysslingen Preschools is the desire to improve and find new opportunities to develop.

The Pysslingen brand is one of the strongest preschool brands in Sweden. This has been developed over the year and a shared brand platform has been created. This aims to create a shared basis for all employees with a clear purpose (to answer the question 'what is our mission?') and values that generate pride and a shared focus.

As part of these efforts, we have also developed Pyss & Ling. These are two characters who are intended to be used in different ways in educational work, for teaching, describing feelings and encouraging inquisitiveness and enjoyment. Those children starting our preschools in autumn 2019 term will receive an illustrated book about Pyss & Ling starting preschool.




## Pysslingen Schools

During the year, Pysslingen Schools focused on high levels of goal achievement across all units. On average these schools are above the national average for both assessment level and the number of students with the lowest grade E (E is the first level for a pass grade). They are also above the national average on upper secondary school eligibility for Swedish year 9 students.

One of the reasons for these positive results is that the 50 schools within Pysslingen Schools have worked hard to increase goal achievement by using our strategies within ICT (information and communication technology) and mathematics. We have arranged networking events so employees can collectively gain understanding of the scientific basis and proven experience that should be at the root of all teaching. The aim has been to strengthen equivalence across AcadeMedia operations.

## Vittra – sustained development work

Vittra has similar results as Pysslingen Schools in terms of the percentage of students achieving pass grades and eligibility for upper secondary school for those completing year 9. For the second year in a row the recommendation level and level of satisfaction has increased for students, guardians and employees. The employee recommendation level increased in recent years and employee turnover has decreased.

In 2017/18 Vittra implemented an extensive development initiative, Vittra Core, for closer integration with the business and to strengthen the brand. This resulted in a shared identity and teaching focus to work from. In connection with Vittra's 25th anniversary in 2018, Vittra Core was renamed Vittra 2.5. A fundamental aspect of Vittra 2.5 is the digital forum "Vittrahubben", to which all employees have access. "Vittrahubben" contains support structures for teaching, organisation, quality assurance and communication.

## Financial Performance 2018/19

The Pre- and Compulsory School Segment showed stable organic volume growth of 3 percent during the year, generated mainly by adding students to existing compulsory schools. In 2019 the voucher increase for compulsory schools was also favourable (3.5 percent), while the voucher increase for preschools was only 2.0 percent.

Adjusted EBIT improved to SEK 199 million (178) as a result of more students enabling higher capacity utilisation, although some units continue to face challenges that require focused efforts. In addition to organic volume growth, steady school voucher increases and lower employee turnover also contributed to improved profitability.

A review of the unit portfolio was conducted during the year. Please refer to page 52 of the Administration Report for further information about this and the segment's earnings performance.

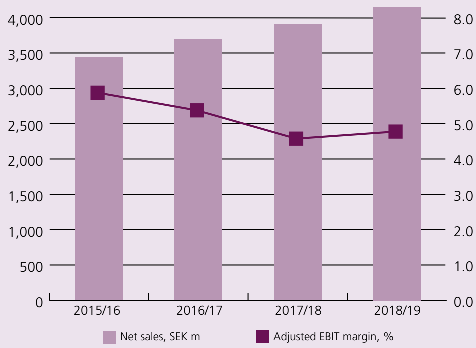
**32,988**

**children and students in our preschools and compulsory schools**

## THE NUMBERS

| PRESCHOOL AND COMPULSORY SCHOOL (SWEDEN) | 2018/19 | 2017/18 | CHANGE |
|---|---|---|---|
| Net sales, SEK m | 4,147 | 3,912 | 6.0% |
| EBITDA, SEK m | 270 | 239 | 13.0% |
| EBITDA margin, % | 6.5% | 6.1% | 0.4 p.p |
| Depreciation/amortisation SEK m | -72 | -61 | -18.0% |
| Acquisition-related depreciation/amortisation, SEK m | -2 | – | – |
| Operating profit/loss (EBIT), SEK m | 195 | 178 | 9.6% |
| EBIT margin, % | 4.7% | 4.6% | 0.1 p.p |
| Items affecting compara-bility, SEK m | -4 | – | – |
| Adjusted EBIT, SEK m | 199 | 178 | 11.8% |
| Adjusted EBIT margin, % | 4.8% | 4.6% | 0.2 p.p |
| Number of children/ students* | 32,988 | 32,101 | 2.8% |
| Number of units* | 228 | 229 | -0.4% |
| Capacity utilisation | 90.5% | 88.7%** | |

**NET SALES AND ADJUSTED EBIT MARGIN**




**SHARE OF INDEPENDENT MARKET*****

| | 2018/19 | 2017/18 |
|---|---|---|
| Preschools | 11.1% | 11.2% |
| Compulsory schools | 12.2% | 12.2% |

**SHARE OF TOTAL MARKET*****

| | 2018/19 | 2017/18 |
|---|---|---|
| Preschools | 2.2% | 2.2% |
| Compulsory schools | 1.8% | 1.8% |

*) Average per year.
**) Capacity utilisation has been updated compared with previously published annual reports.
***) Source: The National Agency for Education's SIRIS database of the number of students in independent and municipal schooling, as well as the number of students enrolled with AcadeMedia.

## OUR BRANDS

Pysslingen FÖRSKOLOR

Pysslingen Skolor

VITTRA

UPPER SECONDARY SCHOOL SEGMENT

# Stepping into the adult world

**Completion of upper secondary education is usually key to starting adult life. It is necessary in order to progress in professional life or to access university. Upper secondary school should provide teenagers with what they need to take that step into the adult world.**

At the end of the 2018 spring semester, 111,000 students completed year nine of compulsory school. In all, 13,500 of them were admitted to one of AcadeMedia's then 150 upper secondary schools.

## Significant opportunities from digitalisation

We can see significant opportunities offered by digitalisation in our upper secondary schools. In order to drive development we coordinate things such as digitalised national tests and ICT teachers (information and communication technology). Their task is to inspire, guide and develop the use of digital possibilities in teaching. This function has been strongly welcomed. We have also increased computer density in our schools and are also able to provide digital system support in our systematic quality assurance efforts. We have begun an initiative to digitalise upper secondary schools because we believe there is a strong possibility that the new government will approve advanced forms of online teaching.

In addition, we developed a common digital marketing function for this segment during the year. This is an important part of our work to increase attractiveness and correctly identify target groups.

## Students recommend our schools

Our annual customer satisfaction survey is key to developing AcadeMedia's operations. This year more than 63,000 students and parents participated in the survey, aimed at preschools, compulsory schools and upper secondary schools.

The trend for upper secondary schools is positive in a number of areas. This is particularly true for those upper secondary schools that have been part of AcadeMedia for an extended period, which show improvment across all areas. This relates to factors including satisfaction, study environment, and safety and security. Part of the survey relates to whether students would recommend their school to others. The recommendation level has risen by two percentage points to 70 percent, which is encouraging.

## Praktiska Gymnasiet meets important need for society

Praktiska Gymnasiet has become an integral part of AcadeMedia over the past year. The acquisition was made in 2017 and the organisation's new management has been in place since 1 August 2018. Praktiska Gymnasiet has an extremely clear focus: all 33 of its upper secondary schools work to get students into employment.

Some quality deficiencies have been identified over the past year, in part through criticism from the Schools Inspectorate. Operational and school management have worked intensively to rectify these deficiencies. Turning a school around takes time, but we can clearly see that many of the initiatives we have implemented are already generating results. AcadeMedia's systematic quality assurance work can ensure that those schools facing challenges meet the Schools Inspectorate's requirements and our student receive the best possible education. We believe these operations have promising potential and we are adding additional resources to these schools.

## Apprenticeship training key to future occupation

Praktiska Gymnasiet is one of Sweden's leading apprenticeship training providers. Many upper secondary school students perform parts of their studies at a workplace where they learn their future occupation as part of their course. These courses are often in trades facing labour shortage, which means that these upper secondary schools fill an important societal function. In other words, apprenticeship training is key for the supply of skills in Sweden.

## Attendance a priority issue

Just under a quarter of all students who start upper secondary school do not graduate within three years. Some drop out of school, while others do not pass their exams. This is not just a serious problem for individual students, it is also a real issue for society. We know that absence from school increases the risk of unemployment, mental illness and substance abuse later in life.

Therefore, one of the Upper Secondary School segment's focal areas has been developing efforts to ensure attendance. This has included a number of well-received conferences that were a continuation of previous initiatives. We have also focused on good examples of how successful schools operate and how we should work with this issue.

According to the Swedish National Agency for Education's figures, the percentage of upper secondary school students graduating within three years is showing a positive trend, and this has is also the case for AcadeMedia. In 2014, 68.3 percent of AcadeMedia's upper secondary school students graduated within three years. By 2018 this figure was 74.2 percent, an increase of 5.9 percentage points. The national average rose by 4.7 percentage points over the same period.

## New establishments

Over the past year we have established three upper secondary schools; LBS Stockholm Norra, NTI-gymnasiet Gävle and LBS Örebro. In addition to these, we have also acquired Helixgymnasiet in Borlänge, which offers science, engineering, business and economics, arts and IT programmes.

## Financial Performance 2018/19

The 2018/19 year was another record year for the Upper Secondary School segment, with very good growth and margin performance. The number of students was almost 35,000 and net sales rose by 16.4 percent to SEK 3,757 million (3,229). This increase was due in part to the acquisition of Vindora (November 2017), new establishments in 2017 and 2018, higher numbers of students in existing units, as well as higher school voucher funding.

Operating profit (EBIT) increased substantially to SEK 364 million (276). The EBIT margin also improved, to 9.7 percent (8.5). The improvement in profit and margin was due to the acquisition of Vindora. Last year, Vindora was included in eight of the twelve months.

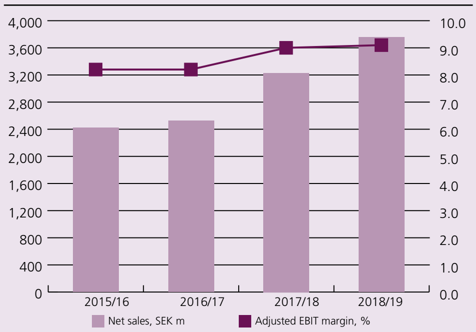

# 34,653

students in our upper secondary schools

## THE NUMBERS

| UPPER SECONDARY SCHOOLS (SWEDEN) | 2018/19 | 2017/18 | CHANGE |
|---|---|---|---|
| Net sales, SEK m | 3,757 | 3,229 | 16.4% |
| EBITDA, SEK m | 506 | 397 | 27.5% |
| EBITDA margin, % | 13.5% | 12.3% | 1.2 p.p |
| Depreciation/amortisation SEK m | -138 | -119 | -16.0% |
| Acquisition-related depreciation/amortisation, SEK m | -4 | -1 | – |
| Operating profit/loss (EBIT), SEK m | 364 | 276 | 31.9% |
| EBIT margin, % | 9.7% | 8.5% | 1.2 p.p |
| Items affecting comparability, SEK m | 20 | -16 | – |
| Adjusted EBIT, SEK m | 344 | 292 | 17.8% |
| Adjusted EBIT margin, % | 9.2% | 9.0% | 0.2 p.p |
| Number of children/ students* | 34,653 | 30,582 | 13.3% |
| Number of units* | 143 | 133 | 7.5% |
| Capacity utilisation | 88% | 92% | |

### NET SALES AND ADJUSTED EBIT MARGIN




### MARKET SHARE** OF

| | 2018/19 | 2017/18 |
|---|---|---|
| Independent market | 35.7% | 33.2% |
| Total market | 9.8% | 8.8% |

*) Average per year.
**) Source: The National Agency for Education's SIRIS database of the number of students in independent and municipal schooling, as well as the number of students enrolled with AcadeMedia.

## OUR BRANDS

NTI GYMNASIET
Helix GYMNASIET
HAGSTRÖMSKA GYMNASIET
FRAMTIDSGYMNASIET
KLARA TEORETISKA GYMNASIUM
LBS KREATIVA GYMNASIET
DESIGN GYMNASIET
SJÖLINS
PRAKTISKA Gymnasiet
DROTTNING BLANKAS GYMNASIESKOLA
RH INTERNATIONELLA HOTELL- OCH RESTAURANGSKOLAN
:rytmus MAKE | MUSIC | LIVE
DIDAKTUS GYMNASIUM
PROCIVITAS PRIVATA GYMNASIUM
Hermods Gymnasium TRADITION OCH INNOVATION
Plusgymnasiet

ADULT EDUCATION SEGMENT

# Swedish adult education undergoing change

**Access to first-rate adult education is a vital element in helping individuals and societies adapt to the changing circumstances. This may involve continuing education, changing careers or learning something completely new, such as a new language or new culture. For AcadeMedia this also means designing courses for new skills needed for the future.**

In 2018 the adult education market changed. Cutbacks at the Swedish Public Employment Service have had a negative impact on labour market training programmes. The number of participants registered on these programmes fell sharply, while both municipal adult education and higher vocational education grew. However, many companies are facing significant skills shortages following rapid technological developments. This has meant a greater focus on training in new skills to meet the demand for skilled labour. For this reason, higher vocational education has expanded and adult education provided by municipalities has evolved.

## Secured growth through record allocation

In January 2019 the Swedish National Agency for Higher Vocational Education announced that AcadeMedia's higher vocational education had received a record-high allocation of programmes for autumn 2019, a total of 71 scheduled programmes. This is an increase of 29 programmes compared with the previous year. By 2022 the Swedish National Agency for Higher Vocational Education aims to expand the number of programme places nationally by 45 percent, from 30,000 to 44,000 annually. This could have a positive impact on AcadeMedia's Adult Education segment. For the 2019 application round the Swedish National Agency for Higher Vocational Education has prioritised three areas of education in particular: urban planning and structural engineering, engineering and manufacturing, and data/IT. AcadeMedia may offer programmes within all of these areas.

## Municipal adult education undergoing change

Demand for municipal adult education has progressed, as it has in higher vocational education. AcadeMedia has a record level of students in municipal adult education now. In 2018/19 AcadeMedia took measures to increase efficiency and raise margins. This has included planning for the market for Swedish for Immigrants students to stabilise at lower levels as a result of decreasing immigration. Those who have completed their Swedish for Immigrants language training can move up the education ladder to basic and upper secondary level courses within AcadeMedia. In addition to Swedish for Immigrants teaching, the market for adult education provided by municipalities is expected to grow as a result of higher demand for skilled labour over the next few years.

## Restructuring of the Swedish Public Employment Service

The market for labour market training programmes was significantly impacted by the political uncertainty in autumn 2018 when Sweden was without a government. Under the 'January Agreement' between the Liberal Party, Centre Party and the governing Social Democratic Party and Green Party, the Swedish Public Employment Service is being fundamentally reformed from spring 2019 onwards. The government will retain regulatory responsibility for labour market policy through the Swedish Public Employment Service, but work relating to matching and training jobseekers with and job vacancies will be subcontracted to independent providers. This restructuring will be completed by 2021.

The Swedish Public Employment Service has started adapting to its new mission and focus. AcadeMedia's business relating to labour market training programmes and primarily the agreement on vocational and preparatory modules remains unprofitable because of low capacity utilisation. This is due to a strong labour market and the significant cutbacks being made to labour market initiatives by the Swedish Public Employment Service. Over the past year AcadeMedia has made cost adjustments to the business, and we are continuing to make such adjustments.

## Certified management systems

AcadeMedia's adult education operations developed their management system and achieved certification under quality and environmental standards ISO 9001:2015 and ISO 14001:2015. The first institutions to achieve certification were KUI, Eductus, Hermods, NTI School and Movant.

Alongside the ISO process, our companies have been approved for authorisation by the Association of Private Education Providers. The companies authorised thus far are KUI, Eductus, Hermods, Movant and Plushögskolan, which includes Teknikhögskolan, Vårdyrkeshögskola and Affärshögskolan.

## Digitalisation

A number of initiatives were taken in 2018/2019 to leverage the opportunities offered by digitalisation to increase the efficiency and quality of adult education. This included several projects relating to automation and robotisation. The focus was on streamlining administration to create scope for more teaching. We started work on developing our learning platforms to meet student need for increased availability of first-rate education. These developments also mean that teaching could become more responsive, with the learning platform adapting information and content to students' development.

## Success with Linguista

AcadeMedia Språkcentrum was renamed Linguista and incorporated into the NTI School. Linguista offers schools support in areas such as mother-tongue teaching using digital platforms. An area that is expected to grow is online teaching. In this regard we are also seeing that the Swedish National Agency for Education's updated regulations on 'Distance Learning Contracting' provides opportunities for distance learning being offered more widely that at present, which is positive.

## Financial Performance 2018/19

In the Adult Education segment, Swedish Public Employment Service operations faced continued challenges as a result of the agency's cutbacks and reorganisation. Contractual obligations in combination with lower revenue per participant and a substantial decline in volumes are the main reasons for the weak performance. Other operations in this segment performed well.

Net sales for the full year decreased by 11.3 percent to SEK 1,478 million (1,666). Operating profit declined to SEK 17 million (75). The profit margin was 1.2 percent (4.5). Adjusted operating profit was SEK 32 million (137).

**For further information search for AcadeMedia/Adult Education**

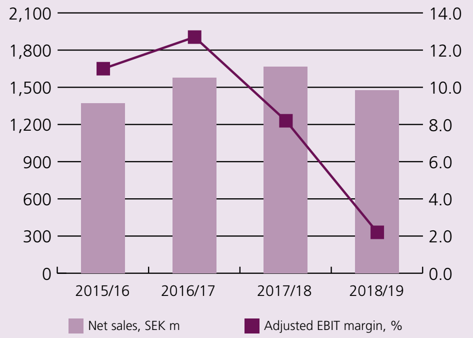
**100,000**

**participants in our adult programmes**

## THE NUMBERS

| ADULT EDUCATION (SWEDEN) | 2018/19 | 2017/18 | CHANGE |
|---|---|---|---|
| Net sales, SEK m | 1,478 | 1,666 | -11.3% |
| EBITDA, SEK m | 32 | 83 | -61.4% |
| EBITDA margin, % | 2.2% | 5.0% | -2.8 p.p |
| Depreciation/amortisation SEK m | -10 | -8 | -25.0% |
| Acquisition-related depreciation/amortisation, SEK m | -5 | – | – |
| Operating profit/loss (EBIT), SEK m | 17 | 75 | -77.3% |
| EBIT margin, % | 1.2% | 4.5% | -3.3 p.p |
| Items affecting comparability, SEK m | -15 | -61 | -75.4% |
| Adjusted EBIT, SEK m | 32 | 137 | -76.6% |
| Adjusted EBIT margin, % | 2.2% | 8.2% | -6 p.p |

**NET SALES AND ADJUSTED EBIT MARGIN**




| KPI | 2018/19 | 2017/18 |
|---|---|---|
| Number of participants* | 100,000 | 100,000 |
| Number of units* | 150 | 150 |

| OPERATION'S PERCENTAGE OF THE SEGMENT | 2018/19 | 2017/18 |
|---|---|---|
| Swedish for immigrants | 20% | 21% |
| Municipal adult education | 44% | 30% |
| Company training programmes | 2% | 2% |
| Higher vocational education | 18% | 13% |
| Swedish Public Employment Service | 17% | 33% |
| Other | 0% | 1% |

*) Average per year.

## OUR BRANDS

Hermods
ECUTBILDNING
TGA THE GAME ASSEMBLY
nti skolan
eductus
th. teknikhögskolan
vh. vårdyrkeshögskolan
ah. affärshögskolan
COACHNING & UTVECKLING EN DEL AV HERMODS
SÄLJ & MARKNADS HÖGSKOLAN
Linguista
movant
KompetensUtvecklingsInstitutet www.kui.se

PRESCHOOL INTERNATIONAL SEGMENT

# International growth

NORWAY

# New regulations create new potential

**Espira's 101 preschools in Norway all follow the same concept. Employees adopt a holistic approach to childcare, play and learning with a particular focus on language development, physical movement and science.**

Many countries around the world are interested in the Nordic preschool model. Meanwhile, in the Nordic region we have gone from regarding preschool as childcare to viewing it as part of the education to which everyone is entitled. The difference between preschool and school is how the teaching is conducted, with young children being encouraged to develop and learn according to their abilities and needs. While many other countries place more emphasis on childcare, the Nordic region focuses on learning and development.

## Everyone is entitled to a place

Over the past year two preschool units in Norway have been expanded, two small units have been merged and one unit was acquired.

In 2002, the Norwegian government announced that all children are entitled to a place at preschool and gaurenteed that all children between the ages of one and five should have a place. Since then. the Norwegian preschool market has shown considerable growth.

## Quality improvement

For many years, Espira has reported high quality assurance figures and aims to raise these even further. In the past year, Espira has implemented the new common quality assessment tool Espira Blikk at all of its 101 preschools. Espira Blikk was inspired by AcadeMedia's Swedish preschool practice of following up on to what extent national goals for each preschool are achieved.

Another thing that is prioritised is raising awareness of Espira preschools with the goal that Espira preschools should be the first choice for parents and carers selecting a preschool for their child.

## Focus on science, language and movement

Espira's methodology, involving a holistic approach to childcare, play and learning with a particular focus on language development, physical movement and science, has been strengthened over the year, primarily through employee training. The goal is to introduce children to the world of science and mathematics in a way that is fun and appealing.

One example of Espira's approach to science education is their cooperation with Forskerfabrikken, a company that endeavours to spark children's interest in science. So far employees at 70 of Espira's 101 preschools have undergone training through Forskerfabrikken. The preschools have also installed on-site research labs tailored to children.

## New staff density norm

On 1 August 2019 Norway introduced a new staff density norm which outlined requirements for staffing density. Under the new staffing standard, preschools must have at least one teacher for every three children under the age of three, and one teacher for every six children over the age of three. The new requirements must be met by 1 August 2019. Espira has launched a variety of measures to sustainably implement this change. You can find out more about this on pages 12-13 of the Market Overview section and on page 52 of the Administration Report.

**For further information search for AcadeMedia/Preschool International**

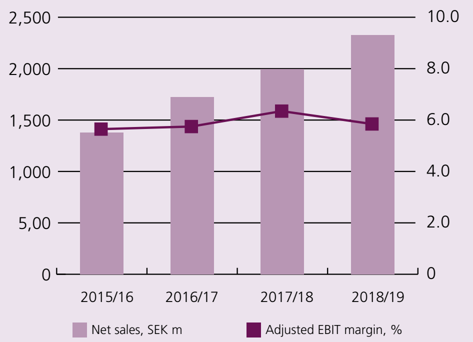
**11,852**

**students in our international preschool operations**

## THE NUMBERS

| PRESCHOOL INTERNATIONAL | 2018/19 | 2017/18 | CHANGE |
|---|---|---|---|
| Net sales, SEK m | 2,328 | 1,998 | 16.5% |
| EBITDA, SEK m | 194 | 218 | -11.0% |
| EBITDA margin, % | 8.3% | 10.9% | -2.6 p.p |
| Depreciation/amortisation SEK m | -55 | -52 | -5.8% |
| Acquisition-related depreciation/amortisation, SEK m | -4 | -4 | – |
| Operating profit/loss (EBIT), SEK m | 135 | 162 | -16.7% |
| EBIT margin, % | 5.8% | 8.1% | -2.3 p.p |
| Items affecting comparability, SEK m | – | 37 | – |
| Adjusted EBIT, SEK m | 135 | 125 | 8.0% |
| Adjusted EBIT margin, % | 5.8% | 6.3% | -0.5 p.p |
| Number of children and students* | 11,852 | 10,684 | 10.9% |
| Number of units* | 136 | 123 | 10.6% |

**NET SALES AND ADJUSTED EBIT MARGIN**




## NORWAY

## FACTS 2018/19

**Number of children*: 9,367**

**Number of units*: 100**

## OUR BRANDS

espira KUNNSKAPSBARNEHAGEN

## GERMANY

## FACTS 2018/19

**Number of children*: 2,485**

**Number of units*: 36**

## OUR BRANDS

joki

espira kinderbetreuung

STEPKE Richtig gute KiTa.

*) Average per year.

GERMANY

# Opening nine new preschools

**AcadeMedia's operations in Germany are growing rapidly, increasing from 29 to 38 preschools over the year. The first quarter also saw the opening of the first Espira-branded preschool in Germany. This marks AcadeMedia's launch of the Nordic preschool model in Germany.**

The rapid growth is due in part to national legislation introduced in Germany in 2013, entitling all children over the age of one to a preschool place. The system and funding model are similar to the Swedish system of preschool vouchers. However, the model varies significantly from region to region, particularly in terms of the proportion paid by parents.

Of AcadeMedia's 38 preschools, 15 are in North Rhein-Westphalia, 18 are in Bavaria, four are in Berlin/Brandenburg and one is in Baden Württemberg.

## AcadeMedia is expanding

Some 10–15 new establishments are planned for Germany in 2019/20. There is also a series of upcoming, approved new establishments that secure an increase of a further 10–15 units with room for a total of around 1,000 children in the 2020/21 financial year.

Over the next few financial years the first Espira preschool, which opened in Karlsruhe, will be followed by a further six. The roll-out of Espira has been well received in Germany, both by employees and parents.

As well as working on new establishments, we are also constantly assessing new acquisitions in Germany. Acquisitions will either strengthen us in areas in which we already operate or provide us with opportunities to enter new regions with a significant need for preschools.

The goal for AcadeMedia's German business is to continue to grow over the next few years. There is a shortage of around 350,000 preschool places in Germany, so there is substantial potential. As a result of AcadeMedia's rapid growth in Germany, management has been firmly focused on the processes in place to ensure all new establishments are operated effectively and to a high standard.

Over the year in Germany we established and maintained contact with municipalities, property owners and investors to lay the groundwork for continued successful expansion.

## Sustained focus on quality

All the Group's preschools apply quality control and improvement measures. All AcadeMedia's preschools meet all regulatory requirements in the relevant country or region, and they also need to adhere to our own quality requirements. The results of the customer and employee survey conducted in the countries in which we operate can be found in AcadeMedia's quality report. The table regarding non-financial KPIs on page 50 of this year's annual and sustainability report includes the most important figures.

## The segment's financial performance 2018/19

The Preschool International segment showed positive growth, with sales growth of 16.5 percent and sales of SEK 2,328 million (1,998). This performance was mainly due to organic growth in Germany where nine new preschools opened, and the average number of children increased by 10.9 percent for the full year. The translation effect from SEK/NOK and SEK/EUR also had a positive SEK 82 million, or 4.1 percent, impact on sales.

Operating profit (EBIT) for the full year amounted to SEK 135 million (162) and the operating margin was 5.8 percent (8.1). Adjusted operating profit increased to SEK 135 million (125), while the margin declined to 5.8 percent (6.3). The improvement in adjusted operating profit was primarily attributable to Germany; however, the new establishments provide lower margins. Higher pension expenses in Norway, SEK 15 million, also had a negative impact on the margin.

# Sustainability Report


# Sustainability Report

**AcadeMedia's main contribution to a sustainable society are our core operations, through which we provide everyone who chooses one of our schools with qualitative and equitable education. We often say that AcadeMedia was founded by people who were passionate about creating a better, more sustainable society, based on education and learning. Today, everyone who works here shares that view.**

The vast majority of our sustainability work is pursued locally at our units in Sweden, Norway and Germany. We have a joint sustainability strategy and a number of policies to guide us, and at Group level we have identified our key stakeholders and carried out our materiality analysis (see page 29). The areas we have identified as being of particular importance in our materiality analysis are Learning, Employees, Environment and Transparency. On pages 32–47, we provide an overview of our work within each of these four areas, along with examples from our units of what we do on a daily basis in order to fulfil our targets.

The Sustainability Report for the financial year does not contain any measurable targets within our four focus areas. Relevant targets will be established during the forthcoming 2019/20 financial year.

The AcadeMedia Group is a focused education company, with operations in Sweden, Norway and Germany. In Sweden, we operate across the education system, from preschool to adult education, and approximately 80 percent of our sales are generated from our Swedish business. In Norway, we only operate preschools, primarily in the southern part of the country. Norway accounts for 16 percent of our sales. The remaining four percent is derived from our operations in Germany, where we have preschools in five federal states. Further information about our various operations is provided on pages 14–24 and under Note 11.

Our cost base is mainly made up of personnel and property costs, but also includes IT, educational material and food expenses via 200 framework agreement suppliers and a number of small-scale suppliers for whom framework agreements are not applicable. Our work with the supply chain is described in more detail on pages 30 and 44.

AcadeMedia's most important target is for everyone who chooses us to succeed with their education. We want 100% of our students to achieve their goals. To accomplish this, we must provide the highest quality education in the areas where the Group operates. Our vision is to be at the forefront of the developments that lead to the future of education, and our mission is to contribute to essential and positive changes, both for individuals and for society as a whole – Change through Education.

This Sustainability Report has been produced by AcadeMedia AB (publ), with registered offices in Stockholm, which is the listed parent company in the Group. Support functions and teaching operations are via subsidiaries owned by AcadeMedia AB (publ). Financial reporting applies to all companies within the Group.

STRATEGY

# Sustainability – part of our strategy

**All AcadeMedia employees work to deliver quality education for all, which is also one of the UN's Sustainable Development Goals. This means that our entire operation contributes towards a sustainable society. However, there is still plenty more to do.**

We must apply a sustainable apprpach to runnning our businees through constant work on development, continual improvement,and a responsible and long-term outlook.

Our new strategic framework, Roadmap 2023, describes our organisation and the people behind it as follows: "AcadeMedia is made up of people who are passionate about creating a better and more sustainable society, based on education and learning. We equip our children, students and adult learners with education and knowledge, and give them a foundation to help them shape their own future."

All the countries in which AcadeMedia operates – Sweden, Norway and Germany – have a number of policy documents that our units are obliged to follow. These relate to laws established by

the parliaments of Sweden, Norway and Germany; regional and local rules and regulations; and various regulations and requirements from authorities. As a company we also comply with the rules that apply to listed companies.

Much of our day-to-day work, and therefore sustainability work, is built on the ten principles of the UN Global Compact and the 17 Sustainable Development Goals (SDGs). We work with sustainability issues within four priority areas, which are: Learning (Goals 1, 3, 4, 5, 10 and 16), Employees (Goals 5, 8, 10, 16), Environment (Goal 13) and Transparency (Goals 8, 10, 16). As an organisation we also share the aims of a number of the 17 SDGs established by the UN.

## Human rights

The 17 SDGs are based on the Universal Declaration of Human Rights, which is considered to be a milestone in the history of mankind. All sustainability work aims to reinforce these human rights. For AcadeMedia, this is mainly about the 'right to education' and the 'right to education that is directed to the full development of the human personality'.
In everything we do, AcadeMedia shall maintain an ethical approach in which everyone who is in any way affected by our operations can be confident that their rights will be respected. We have a clear Code of Conduct to which all employees must conform, and we have a whistleblower function that is not only accessible to our own employees but also to anyone who wishes to alert the company to a particular matter (more on page 38). Eleven reports were received through this system during the year.

## Solving society's challenges

Our business helps build a sustainable society by solving a number of different social challenges.

- **Skills supply.** Every year, we provide education and training for approximately 180,000 children, young people and adults.
- **Shortage of leaders in the education system**. Good leadership is essential in order for a school to succeed with its mission. AcadeMedia has a number of programmes that develop leadership at several levels (see page 39).
- **Teacher shortage.** Sweden has a shortage of qualified teachers. We to be an attractive employer, irrespective of where in our organisation an employee is working. Teacher trainee programmes and various further education initiatives will help tackle the shortage of teachers at AcadeMedia.
- **Integration.** We maintain a strong focus on cutting the time from arrival in Sweden to entering the job market and self-sufficiency via our investment in apprenticeship training.
- **Welfare system under pressure from ageing population.** We work to provide outstanding education for the resources allocated by society.

*"The daily efforts of our employees are our most important contribution to our efforts to achieve the UN's Sustainable Development Goals."*
*Paula Hammerskog, Head of Safety and Security and Sustainability Manager*

## Extract from the UN Sustainable Development Goals

**Goal 1. No Poverty.** Education is one of the most important routes out of poverty, regardless of whether poverty is economic or relates to lack of freedom, health or safety.

**Goal 3. Good Health and Well-being.** Mental ill health among young people is a growing social problem. School plays a pivotal role in turning this trend. Children and young people are also exercising less, and school can be a key resource in this area as well.

**Goal 4. Quality Education.** AcadeMedia's entire core operations are focused on this area.

**Goal 5. Gender Equality.** This is included in the national regulatory systems of all the countries in which we operate. Preschools and schools must contribute to gender equality.

**Goal 8. Decent Work and Economic Growth.** We will be an attractive employer, with a strong focus on employee well-being. We will contribute to economic growth in Sweden by educating people and by being a successful company.

**Goal 10. Reducing Inequality.** No-one should be excluded; an equal society is built on the principle that everyone has equal rights and opportunities. In Sweden we call this 'equitable school'.

**Goal 13. Climate Action.** For a service company, AcadeMedia's climate impact is relatively small. However, collaboration with landlords regarding environmentally sustainable leases, a good awareness of climate-friendly travel and constant improvement efforts with regard to food wastage at our units make a difference.

**Goal 16. Peace, Justice and Strong Institutions.** Education is not just about acquiring knowledge in various subjects. It is also about values. Everyone's equal value and everyone's right to freedom from violence are values that permeate our teaching as well as AcadeMedia as a company.

STRATEGY

# Materiality analysis

**Our materiality analysis details the importance of various elements for our stakeholders, and the extent to which AcadeMedia can influence these elements.**

AcadeMedia has selected four main sustainability areas to focus on. One of them, Transparency, has several subareas in our materiality analysis. The sustainability concepts in which both the main and subareas are included are shown in brackets.

Our main areas are:

**Learning** (human rights).

**Employees** with subareas ethics and integration/equivalence (social issues and anti-corruption).

**Environmental impact** (environment).

**Transparency** (human rights and anti-corruption).

These focus areas are described in greater depth on pages 32–47, where we also provide more detailed examples of how this work is conducted in practice.

## LEARNING

By offering a superior learning environment, AcadeMedia helps people and communities develop and grow. All students have the same right to a quality education, regardless of place of residence or background. A good atmosphere for learning is also about determining the needs of and opportunities for each individual student. We will also be a learning organisation, where both employees and leaders can develop professionally.

## EMPLOYEES

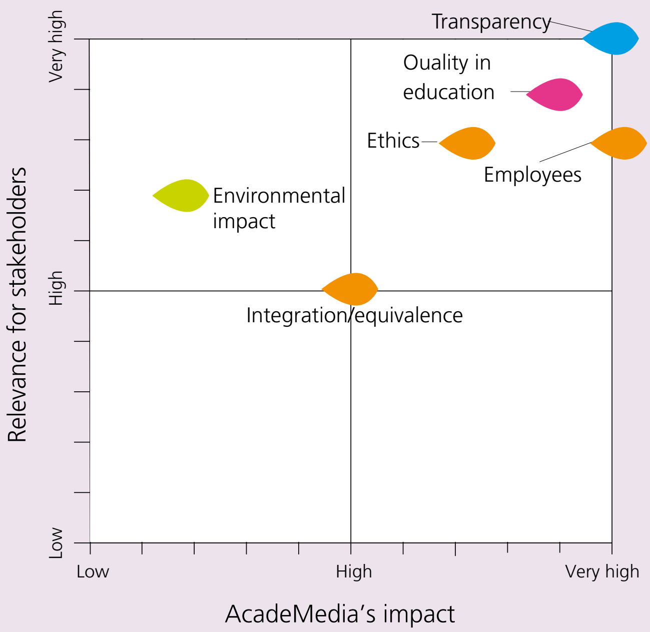
AcadeMedia will recruit, develop and motivate the best educators and school leaders. We want our employees to enjoy their work and be given opportunities to develop professionally. We also want to create opportunities to pursue leadership positions via our talent and mentor programmes, which are unique in the education sector. We will always strive to adopt an ethical approach to the workplace, guided by clear policy documents and ongoing discussion.

## ENVIRONMENT

AcadeMedia pledges to use resources responsibly and to be a model of environmental sustainability within the education sector. We are working to reduce the environmental impact of our business over time, including our investment in healthy and climate-friendly meals. We are also working to reduce the environmental impact of our travel and premises.

## TRANSPARENCY

As our income is largely comprised of public funds, maintaining public confidence in AcadeMedia's work is of critical importance. An ethical approach to everything we do, and open and proactive communication are embedded in AcadeMedia's way of working. We demonstrate openness by sharing information via social media and maintaining good contacts with traditional media. We also choose to give the outside world insight into our operations and policies by keeping large parts of AcadeMedia's intranet public.



# Effective management of sustainability work

**The four areas we focus on in our sustainability work are Learning, Employees, Environment and Transparency.**

AcadeMedia's stakeholders determine which sustainability areas are particularly important for them in relation to AcadeMedia. Our stakeholders are listed here. Their questions and contributions have fed into our materiality analysis, which details the importance of various issues for our stakeholders, and the extent to which AcadeMedia is able to influence these issues.

## Stakeholder dialogue

Maintaining public confidence in AcadeMedia's work is critically important, particularly since income comes largely from public funds. Open and proactive communication is an essential aspect of AcadeMedia's approach. We demonstrate openness by sharing information via social media and maintaining good contacts with traditional media. We also choose to give the outside world insight into our business and our policies, by keeping large parts of AcadeMedia's intranet (employee web service) public.

## Risks in our operating environment

The way we manage various kinds of risks in our operations is a key issue in our stakeholder engagement. The purpose of this work is to pre-empt and/or mitigate risk and damage. In order to do this, efforts are continually underway to identify, manage and report various types of risk, at a strategic, operating and financial level. Two of the most obvious risks from a sustainability perspective are risks related to the supply of qualified employees (skills shortage) and risks related to premises. Premises that are fit for purpose are a prerequisite for both existing and new schools. A shortage of appropriate premises creates problems in terms of work environment, a good setting for development and learning and a long-term approach. Overall, there is a risk of impacting on the individual unit, business and Group's brand, which in turn can have a significant impact on employees (individuals and teams) and on AcadeMedia as a company.

A detailed description of our risks and how they are managed is provided in the Administration Report on page 60-62.

In order to minimise damage in the event of a crisis, there are crisis management plans in place at several different levels in the Group. Each unit has a person responsible for crisis management, who is supported by crisis leaders at operational and Group level. The plans that are in place and the exercises that are carried out will ensure good preparedness and robust capacity, which will reduce any acute damage in situations where the normal organisation and standard procedures are insufficient.

## A sustainable supply chain

AcadeMedia in Sweden mainly orders goods and services from just over 200 framework

| Stakeholder | | Channel for dialogue | Key issues for stakeholder group |
|---|---|---|---|
| Children, students, adult learners and guardians | With committed employees and effective study environments, we are equipping our children, students and adult learnerss with knowledge and education to shape their own futures – Change through Education. | Daily meetings at preschools, schools and education units.<br>Development reviews<br>Mentor time<br>Parents' meetings<br>Learning platforms<br>Social media<br>Fairs and other public arenas | High-quality education<br>A good environment for development and learning<br>Knowledgeable and committed employees<br>Low employee turnover<br>Student health<br>Opportunity to influence/responsive approach<br>Good food |
| Employees | AcadeMedia will recruit, develop and motivate the best educators and school leaders. We also want to create an effective organisation and continual collegial learning. | Meetings<br>Internal communication<br>Performance reviews<br>Employee satisfaction surveys<br>Union meetings<br>Internal training | Work environment, working conditions and health<br>Opportunity to influence/responsive approach<br>Professional development<br>Leadership<br>Attract and develop employees |
| Suppliers | AcadeMedia aims to lead by example and based on our size, negotiate good terms in relation to financial and sustainability aspects in the contracts we conclude. | Procurement<br>Purchases<br>Meetings<br>Monitoring | Work environment, working conditions and health<br>Anti-corruption and bribery<br>Environment/sustainability |
| Shareholders | AcadeMedia will create long-term sustainable operations and a robust return for its shareholders. | Meetings<br>Board representation<br>Annual General Meeting<br>Financial statements<br>Investor presentations | Robust and sustainable growth and profitability<br>Attract and develop employees<br>Transparency<br>Responsible conduct from management and Board of Directors |
| Society | AcadeMedia will live up to society's expectations via a responsive approach, high level of transparency and good accessibility.<br>AcadeMedia will also contribute to society's need for skilled citizens by providing relevant education programmes of high quality. | Traditional media<br>Social media<br>Meetings and seminars | High-quality education<br>Development of the school of the future<br>Responsible use of tax revenue<br>Low employee turnover<br>Transparency<br>Student health |

agreement suppliers. The German and Norwegian businesses have similar systems with central agreements.

Our framework agreements contain a number of requirements that are part of our sustainability work. Suppliers must comply with our Code of Conduct and give relevant guarantees for us to be able to conduct operations without disruption. For certain business-critical systems, such as WAN (Wide Area Network, the computer network that covers an entire region), we have two suppliers that can cover each other should one of them go down. For our central IT systems, we have requirements for suppliers when it comes to uptime, response time, acceptable data loss, backup and recovery times.  We work constantly to evaluate various risks in our IT systems, and in our continuity planning to assess which systems are the most critical in order to make the right priorities during extended business interruptions.

Another sensitive part of our supply chain is food delivery, whether it concerns raw ingredients for our own kitchens, or ready-to-serve meals delivered to schools. In order to secure deliveries, we use large framework agreement suppliers as much as possible. In addition, we have opted to work with several suppliers that can often cover for one another should one of them experience problems. We also have several in-house kitchens that have capacity to help additional units. We work closely with all our food suppliers. Delivery performance is one of the issues that is monitored by both our meal managers at head office and by our purchasing support function.

## Cooperation partners

AcadeMedia is one of Europe's biggest education companies, and as such we have a considerable responsibility to contribute to both the sector and society. One way of doing this is through transparency, while another is to work with other companies and organisations.

Examples of organisations of which we are members:

- Swedish Association of Independent Schools
- Private Barnehagers Landsförbund (PBL) in Norway
- Deutscher KiTA Verband
- Association of Private Education Providers
- Ifous, which is an independent research institute that focuses on creating benefit for Swedish schools and preschools
- Confederation of Swedish Enterprise

The following pages contain a description of our management approach, what we are working on and our achievements during the year in efforts relating to our key sustainability issues within Learning, Employees, Environment and Transparency. Management is conducted in accordance with policies and monitoring at Group level. Group level also establishes overriding goals and ambitions; , . however, operative and specific work to achieve these goals is pursued at all our preschools, compulsory schools, upper secondary schools and adult education units. It is in the actions of each individual person within AcadeMedia that we carry out the most important work in our efforts to achieve the UN's fourth SDG: Quality Education.

## Generated and distributed economic value

AcadeMedia provides education for 180,000 individuals every day. We are also a workplace for 16,900 employees. We rent a total space of just under 850,000 m$^2$ from around 560 landlords in Sweden, Norway and Germany. We pay salaries and tax, tax that benefits our employees, society and central government finances. This creates flows, and a level of prosperity that affects all AcadeMedia stakeholders.

Tax is an important sustainability issue for all societies and their citizens. AcadeMedia has had a tax policy since 2014. It states that in areas where the rules are unclear, the Group must act wisely, cautiously and transparently.

| Economic value distributed 2018/19 | | (SEK m) |
|---|---|---|
| Society | Social security costs, pension costs, income taxes, value-added taxes, withholding taxes, property tax | 3,747 |
| Suppliers | Cost of food, teaching materials, rents (leasing fees) etc | 3,205 |
| Employees | Salaries and compensation | 4,106 |
| AcadeMedia | Total investments | 525 |
| Shareholders | Dividend (proposed by the Board of Directors) | 131 |

## AcadeMedia's policies

The following policies govern AcadeMedia's work and are available on AcadeMedia's employee web service.

- Anti-drugs policy
- Work environment policy (page 32)
- Cookie policy
- Data protection policy (page 32)
- Company car policy
- Information security policy

  *– Information security policy for student health service's medical interventions – AcadeMedia's Upper Secondary School segment*

  *– Information security policy for student health service's medical and psychological interventions – Pre- and Compulsory School segment*

  *– Policy for use of digital tools*

  *– Procedure for digital investigations*
- Purchasing policy (pages 42, 44)
- IR policy
- Gender equality policy
- Communication policy (page 46)

  *– Guidelines and agreements relating to internet use*

  *– Inside information policy*

  *– Social media guidelines*

  *– Crisis management guidelines*

  *– Internal communication policy*
- Salary policy
- Pension policy
- Staff car policy
- Staff safety policy (page 32)
- Event/meeting policy
- Bonus policy
- Photo management rules
- Recruitment policy
- Travel policy (page 43)
- Guidelines for own teaching material
- Guidelines for work at home

  *– Guidelines for insurance when working abroad within AcadeMedia Group*
- Tax policy (page 31)
- Duty of confidentiality
- Code of Conduct (page 38)
- Dividend policy (page 9)
- Whistleblower policy (page 38)

  *– Submitting a whistleblower report (page 38)*

SUSTAINABILITY REPORT | LEARNING

# Everyone has the right to superior quality education

**Education is one of the most important issues for all communities. AcadeMedia's mission is formulated as follows: *"by offering a superior learning environment, AcadeMedia helps people and communities develop and grow. All students have an equal right to a quality education, regardless of place of residence or background. A good atmosphere for learning is about determining the needs of, and opportunities for each individual student."***

The non-financial KPIs on page 50 include a selection of our most significant outcomes in the 'Learning' target area.

## Privacy and new legislation

A major issue for employees, students/participants, guardians and for AcadeMedia as a company during the year has been the new legislation regarding the handling of personal data, GDPR, which entered into force on 25 May 2018. The legislation was implemented during the 2018/19 financial year, and a considerable proportion of AcadeMedia's employees have undergone web-based GDPR training developed by us, training that is available to everyone, including external individuals and organisations.

The Corporate Governance Report on page 63 provides details of the measures that have been implemented in order to satisfy the requirements contained in the data protection regulation.

AcadeMedia's data protection policy governs the way in which we manage personal data and any breaches that arise.

During the year, we had eight personal data breaches that were reported to the Swedish Data Protection Authority. None of these breaches led to any action from the Swedish Data Protection Authority, however we have learned from them in order to prevent similar incidents happening again.

In order to help everyone understand the nature of a personal data breach, AcadeMedia has decided to highlight several of the breaches that occurred on the company's GDPR web page (https://trygg.academedia.se/incidenter/). Visitors can read about what happened and what action was taken. Transparency helps everyone understand our approach to personal data.

When a personal data breach is reported, the data protection officer contacts the individual who has submitted the report to ensure that the breach has been correctly reported, and that there are no details missing. Following this, the personal data controller is informed of the breach. If the breach applies to automated processing of personal data, the data protection officer ensures that AcadeMedia's IT support function has been contacted to help address the problem. The data protection officer then decides whether the investigation reveals there is a risk of encroachment of the data subject's rights and freedoms, and whether the breach should be reported on to the Swedish Data Protection Authority, and also whether the data subject should be informed. The data protection officer submits their recommendation to the personal data controller, who makes a decision. The case is documented in AcadeMedia's case management system.

One (1) complaint was received during the year regarding management of a personal data breach. The complaint related to the lack of reprimands for the breach that occurred.

## AcadeMedia's annual Quality Report

Together with this integrated Annual and Sustainability Report, AcadeMedia also publishes an annual Quality Report. The report describes how we work with systematic quality management, areas that have performed well during the year and what needs to be addressed going forward. The report also contains details of our quality performance at Group level. The results for our various providers/operations are available on their respective websites.

AcadeMedia's first Quality Report was published in 2011. This year marks the publication of our eighth consecutive Quality Report. All quality reports are available on AcadeMedia's website, www.academedia.se. Every year, the new report is distributed to a number of stakeholders either in printed or digital format. Such stakeholders include MPs, government authority personnel, opinion leaders and the media.

## Health and safety

In order for our children, students, adult participants and employees to enjoy their time with us, we must have a work environment that promotes good health, and that is safe and secure. A good environment for development and learning is two of the most important issues for good study results, which is why the matter is fundamental to our entire operations.

## Work environment policy

The focus of our work environment efforts is set out in the introduction to our work environment policy. The policy states: "A good work environment is a competition issue and therefore a strategic matter for AcadeMedia and its operations."

The aim of our work environment efforts is to create a physically, mentally and socially positive and stimulating workplace for all employees and students/participants, where the risk of occupational injuries and work-related ill health is prevented.

## Staff safety policy

In order for all employees to be aware of our view of, and how we respond in relation to security issues, we have a staff safety policy. Our employees do jobs that affect

lots of people. These jobs sometimes involve communicating decisions, or handling situations that may cause emotional stress or are challenging for other reasons. We are increasingly experiencing people losing control in our encounters with them as part of our work. Some of those who lose control display threatening behaviour towards our employees, or subject them to stalking or other situations that are perceived as unpleasant. Our staff safety policy provides tools for all AcadeMedia's workplaces to help manage such situations. The policy is on AcadeMedia's open employee website, and it is also available for others to use either in part or in its entirety.

## Training to minimise consequences

During the previous financial year, AcadeMedia launched a training initiative in ODF, a police term that is an acronym for Ongoing Deadly Force. The definition of ODF is one or more perpetrators who want to kill as many people as possible in as short a period of time as possible. The purpose of the training is to give all employees at our compulsory and upper secondary schools knowledge and insight to minimise injury during such attacks. Almost 6,000 employees have now completed the training. Despite the subject being difficult and unpleasant to think and talk openly about, the training was very much appreciated and highly rated by participants.

## Newly established position – Head of Safety and Security

On 1 December 2018, the position of Head of Safety and Security was created, with responsibility for safety and security issues. Responsibilities cover everything from crisis management, to physical security at preschools and schools, as well as management of AcadeMedia's whistleblower function. The role of Head of Safety and Security is held by Paula Hammerskog, who was previously Head of Communication and Public Affairs for the Group. Her previous role also included responsibility for crisis management and issues relating to security at our units.

The number of incidents in operations is rising, partly due to the fact that AcadeMedia is growing, and partly because society is changing and conflicts in society are also reflected in our schools. Work during the year has been both strategic and operative. The aim of the position is mainly prevention, and the most important tool in preventive work is education. How do we prevent conflicts from escalating? What action do we take when a situation suddenly flares up?

The majority of cases relate to threats, conflict management and basic safety issues. If a unit gradually becomes less safe, and this insidious development is detected too late, it is difficult to turn the trend. Taking action at an early stage can be pivotal for the future of a unit.

## Policy documents

All levels of education are governed by the laws and regulations that apply in the countries in which we operate – Sweden, Norway and Germany. Germany has different regulations in individual federal states. In Sweden, where AcadeMedia has its largest and most extensive operations, the governing policies are the Education Act, various regulations, curricula for the different levels of school and the course syllabi. These are binding.

AcadeMedia always aims for 100% of our students and participants to achieve their educational goals. We therefore also have a number of our own guidelines that clarify our approach to various issues in practice. For example, one internal document describes the fundamental principles of equitable assessment and grading, which is posted on AcadeMedia's open employee website.

SUSTAINABILITY REPORT | LEARNING

# Joint learning creates development

**Four target areas are identified in AcadeMedia's strategy document, Roadmap 2023. The first reads 'Leading at learning'. Learning through teaching. Learning as a student. Or learning from your own experiences and those of others.**

Roadmap 2023 states: "Leading at learning is not just about achieving results in terms of factual knowledge and values. It is also about AcadeMedia as a whole needing to be at the forefront as an organisation, and having effective professional development."

## Central collegial learning

"Our most important contribution to creating a learning organisation is our collective initiative in collegial learning at all levels. The introduction of networks and various collaborative forums with opportunities to share knowledge and experience, which means we become better at our jobs," says Ingela Gullberg, Head of Quality at AcadeMedia.

Collegial learning fuels AcadeMedia's development work. In simplified terms, it is about various skills development initiatives in which employees, through organised cooperation, acquire new skills and insights that they can use to make improvements in their own work. Critically examining, analysing and evaluating their work alongside others makes for an organisation that is constantly improving.

"In the past, the education sector has been regarded as inflexible and conservative, and there has certainly been some truth in that view. But things are very different now, with both managers and employees being more open and sharing their experiences, and discussing their strengths and weaknesses with others," says Ingela Gullberg.

## Our size creates opportunities

Owing to its size, AcadeMedia is in a good position to pursue development issues and find ways for the structured exchange of experiences on a large scale.

"The unique thing about us is that we have such breadth and diversity, from preschools to adult education. We're talking about some 30 different education companies that have come together under one roof as a Group," explains Ingela Gullberg.

"But in order to be a learning organisation, we also need a culture and a structure that allows us to pursue systematic quality management work, with leaders who push for improvements and employees who systematically enhance their way of working. And it's important that all this is done with a student-centred approach," she adds.

## Everyone to achieve their goals

The Groupwide target for 'Leading at learning' is for children, students and adult learners to achieve their goals for each level of school. In other words, 100% – everyone achieves their goals.

In order to accomplish this, teaching quality throughout all AcadeMedia's operations needs to be continuously evaluated and developed. Some of the methods used include observations, auscultations, internal inspections, surveys and self-evaluation. Self-evaluation involves various ways of providing feedback to teachers and reflecting on what could be further improved in teaching approaches to better respond to student needs. And for regular internal inspections, we look at the opportunities that emerge for what we call collegial learning.

"The reason we have such a strong focus on learning is that we know quality of teaching and employees' opportunities for professional development are pivotal to the experience for our children, students and adult learners," says Ingela Gullberg.

"If we are to achieve better results in Sweden's schools, we don't just need learning students but also learning teachers, learn-

*Ingela Gullberg, Head of Quality*

ing school leaders and learning education providers."

## *Leaders who enthuse and convey vision*

One prerequisite for creating the learning organisation that Ingela Gullberg is talking about is to have all leaders on board. They need to be good role models, have knowledge of, and demand systematic improvement work.

Furthermore, leaders need to believe in and convey a shared vision that enthuses employees.

"It's important for leaders to encourage initiative and allow people to fail. Development doesn't happen unless people try new things. And much can be learned from making mistakes as well, so there must be a culture of allowing failure. But it's important to learn from these mistakes and not sweep them under the carpet," says Ingela Gullberg.

## *Structured exchange of experiences on a broad front*

AcadeMedia is sitting on a vast amount of knowledge capital. The combined know-how and experience of almost 17,000 employees is huge. At the same time, the company and its employees are not an island.
"The fact that we are such a large, multi-faceted organisation means we have a great deal to learn from one another internally. To paraphrase a quote that is actually about the company Siemens: 'If only AcadeMedia knew what AcadeMedia knows'.

"But we also need to be inquisitive and open, and share with the research community, external expertise and colleagues in the education sector, both independent and municipal. We have such a lot to learn from one another," says Ingela Gullberg.

### Ingela Gullberg's three top tips for creating a learning organisation

1

- *Invest heavily in leaders at various levels. Without good leaders, it is hard to get things in place.*

2

- *Take control of the calendar and agenda to create and plan ideas and forums for regular meetings within and between professions, where learning and structured exchange of experiences are the focus.*

3

- *Work to create a safe workplace where showing your strengths and weaknesses is OK, and encouraged. It is about practising what you preach.*

SUSTAINABILITY REPORT | LEARNING

# Everyone achieves their goals – LBS in Helsingborg

**At LBS Kreativa Gymnasiet in Helsingborg, goal achievement is 100% for the second year running, meaning all students graduate, passing with good grades.**

AcadeMedia aims to be leading at learning. Achieving this is not only about providing students with the conditions for good knowledge and value results; it is also about us being a learning organisation where professional development is a natural and important element. Or as Anders Johnsson, who has been principal of LBS Helsingborg for ten years, describes his job:

"As principal, it's my job to create a school where learning is at the heart of things for both students and staff. My focus is on collegial learning, professional development and close cooperation between management, the student health service, teaching staff and in particular, students."

On the school's website there is a 'Welcome to us' letter from the principal that is addressed to students. In it, Anders Johnsson writes: "When you have finished at our school, I want you to leave with plenty of knowledge that you can use in your future professional careers, friends for life and great memories to look back on". This approach is reflected in almost everything that takes place at the school, from how the educators work with each individual lesson, to student influence.

## *Every lesson is important*

"The students must feel that their studies are meaningful and rooted in reality. It generates confidence in the future. We believe that incisive projects for genuine clients, study visits and information on post-upper secondary pathways are an important aspect of the education programme. It is this that empowers our students to focus on their studies, which is why we place great emphasis on it," says Anders Johnsson.

This approach makes every lesson meaningful. It is the lessons that make students come to school, and attendance is the single most significant factor in making a success of the school years. Students' opportunities to succeed increase with their desire to learn. The approach creates an environment for teachers and students that is sustainable long term, and that is continually developed.

"We are making improvements to teaching all the time, with the sole aim of boosting the desire to learn. For example, this year we tested various teaching methods and adapted them in order to capture students' interest. Raising their motivation and knowledge acquisition boosts their grades."

The method used is called action research, which is about combining theoretical knowledge with practical skills, which can then be applied, or actioned.

*Anders Johnsson, Principal of LBS in Helsingborg*

All teaching staff have time set aside each week for development work. This time is devoted to projects across several subjects, joint lectures, action research discussions, joint literature reading, educational discussion and cooperation around individual students and classes.

## Students provide feedback

For the 2018/19 academic year, a teaching council has been introduced with students from all classes and with different strengths. The purpose of the council is to discuss and evaluate in real time the school's ongoing educational development work. Management, representatives from the student health service, selected teaching staff and students meet to discuss what is happening in the classrooms right now.

"The feedback we get there is highly significant for our work. What the students say is reported directly to the various teachers, inspiring them to develop new actions and adapt their teaching approaches to what students feel they need more or less of," says Anders Johnsson.

Another fundamental issue at the school is the approach to student welfare.

"At LBS Helsingborg, our fundamental outlook is that all students are everyone's responsibility, which means that we must all work together to support our students in achieving their educational goals."

It's easy to say, but harder to do in practice. In order for this to work, all employees have to work together towards the same goals.

## Knowledge, friends and great memories

"All teaching staff respond when students want, or we feel they need additional educational support. Everyone also shares the view that we must together support all our students, otherwise it's just not possible to work here."

This shared outlook also creates a positive work environment, in which everyone is working in the best interests of the students.

"One key success factor for our high level of goal achievement is that teachers work systematically alongside the student health service and school management team with those students who are at risk of failing to achieve proficiency requirements. Of course the action required in each individual case varies hugely, however the systematic approach of the method is always there," says Anders Johnsson.

Measures can involve anything from additional adjustments in teaching and compulsory resource afternoons, to investigations early on if there is a suspicion of a need for special support and motivational discussion. What needs to be done, and how, is determined on a case by case basis.

"Our approach has meant that our students want to go to their lessons, they are keen to learn. They want, as I write on the website, to take away with them plenty of knowledge, friends for life and great memories from school."

Håkan Stenström is Quality and Development Manager for AcadeMedia's creative upper secondary school area. He identifies stability, a systematic approach and structures as the three key factors underpinning the success enjoyed by LBS in Helsingborg.

"Stability in management and employee teams is vital." The principal has been at the school for ten years and provides strong, inspiring leadership," he says.

"LBS in Helsingborg has embraced a systematic approach in proactive follow-up of knowledge and the long-term focus we as a provider have had in putting teaching quality front and centre. We use this to hone working practices and further enhance the school.

"Structures are also key. Particularly chain-of-command structures, i.e. how the provider and unit work together to continually create a better school."

The three concepts of stability, systematic approach and structures recur when discussing quality at the school. Håkan Stenström highlights another area that is perhaps more unusual - warmth.

"There's also a warmth in the work with our students that I feel you can sense throughout the school, and of course that's also related to leadership. The structures and systematic approach are based on values in which warmth and care are key watchwords."

SUSTAINABILITY REPORT | EMPLOYEES

# We want our employees to enjoy their jobs and stay with us

**We have an unshakeable belief at AcadeMedia in the ability of education to change lives, create hope in the future and promote social integration. Our employees are our most important resource in achieving this aim. We have a collegial approach in helping one another grow – together we are stronger.**

AcadeMedia has a sustainable way of viewing its employees. We want our employees to stay with us and to enjoy their jobs, because we know that this fuels quality and good results. We aim to have a long-term approach to how we relate to our personnel, with forms of employment that build lasting relationships based on the conditions of the business.

## Balance and development

Employees should feel that there is a balance and that they benefit from going to work. Each individual should see opportunities to develop professionally in their role, and within our Group. Furthermore, we want to create opportunities to pursue a career as a leader via our talent and mentor programmes, which are unique in the education sector. Diversity should be promoted and differences harnessed as a resource.

## Code of Conduct and whistleblower function

AcadeMedia's Code of Conduct forms the foundation of our efforts to encourage an ethical approach in everything we do. One key area is anti-corruption work.

Important control functions for this is our whistleblower policy and whistleblower function, which is managed by an independent supplier. This function is open to all; anyone can submit reports either via a web-based service, by writing a letter or by telephone. The code for the web service is completely open, and the address and phone number are also published on AcadeMedia's open website.

During the year, 11 reports were submitted. Of these reports, one has been defined as eligible according to the description provided on our website. Eligible cases are investigated either by AcadeMedia's legal support function or by an external independent party. How the case will be investigated is determined by AcadeMedia's Whistleblower Committee, the members of which include representatives from various support functions and the Board of Directors.

## Anti-corruption

AcadeMedia will combat all forms of corruption and bribery on all markets in which we operate. We do this by means of clear regulations and policies that are followed up by the relevant support function. We also address these risks in internal training. Sectors where we deem the risks to be an issue include construction, cleaning and consulting services. One important way of tackling these risks is to sign framework agreements with suppliers in these sectors. We constantly analyse where the greatest risks of corruption and bribery could be within the organisation.

## Social responsibility among our suppliers

The Employees area also covers an inspection of our suppliers' social responsibility. This task is the job of the purchasing department, which inspects various suppliers when procuring services to ensure that we avoid the risk of them using undeclared labour. Quotations and agreements may not contain terms at a level that makes it difficult or impossible for the supplier themselves to run a sustainable business.

## Trade unions

AcadeMedia's Swedish operations have collective agreements with the Employers' Organisation for the Swedish Service Sector (independent school agreement covering National Union of Teachers, Swedish Teachers' Union, Swedish Municipal Workers' Union and Vision) and the Association of Private Education Providers (education agreement covering Swedish Association of Graduate Engineers and Unionen). In the framework of the independent school agreement, AcadeMedia has signed a local partnership agreement with the Swedish Teachers' Union and National Union of Teachers. The Swedish Teachers' Union has a National Division with 4.6 full-time positions and the National Union of Teachers has a group association of 3.8 positions within AcadeMedia. These positions are paid for by AcadeMedia. The associations also have seats on AcadeMedia's Board of Directors.

## Equal pay

During the year, AcadeMedia looked into the matter of equal pay for teachers within the Group. The investigation covers roughly 3,150 of the Group's 5,200 teachers at our compulsory schools and upper secondary schools. The review reveals that AcadeMedia has equal pay at its compulsory and upper secondary schools, where the salary differences are under one percent. During the forthcoming financial year the review will be conducted in more detail.

**Submitting a whistleblower report**
**Web address: wb.2secure.se**
**Code: EMS274**

**Post: 2Secure, Box 34037, 100 26 Stockholm**
**Telephone: 0771-77 99 77, weekdays 8am–4pm**

## Activities during the year

**EMPLOYEE SATISFACTION SURVEY**

- This annual survey gives us a sense of how our employees feel about their workplace, their work environment and leadership. The aim is to be an attractive employer that our employees will recommend to others, which is something that was confirmed by this year's survey. We also want to offer our leaders good conditions to further develop their workplace based on their results.

**TRAINING WEBSITE**

- Skills development is a high priority and an essential element in creating a learning organisation. In order to reach more employees with internal training, and reduce the amount of travel, we want to increase the number of distance education courses. Of the 263 training sessions offered last year, 12 percent were webinars. The equivalent percentage in 2017/18 was eight percent.

**SKILLS DEVELOPMENT WORK ENVIRONMENT INITIATIVES**

- To improve manager health and safety skills in theory and practice, various work environment courses are offered. Based on a structured programme, the initiatives have also provided opportunities to highlight practical examples from their own operations and to discuss them together.

**TEACHER TRAINEE PROGRAMME – A DEVELOPMENT PROGRAMME FOR GRADUATE TEACHERS**

- During the academic year, AcadeMedia launched a development programme in pilot form, in which students in their final term of teacher training were employed on a part-time basis at a school. The teaching students were assigned an experienced teacher as mentor to help consolidate their skills, and joint networking meetings were arranged. In the 2019 autumn term, they were offered the chance to continue at the same school as a qualified teacher. A total of eight students participated in the programme.

**TALENT PROGRAMME FOR FUTURE MANAGERS**

- The talent programme is an exclusive development programme for employees considered to have the potential to take on managerial roles. During the academic year, 26 individuals graduated from the programme.

**MENTOR PROGRAMME FOR SENIOR MANAGERS**

- During the 2018/19 academic year, 12 senior managers have had the chance to develop their leadership skills alongside a mentor from another part of AcadeMedia. The purpose of the mentor programme is to create mutual learning between two senior managers; one in the role of mentee and one in the role of mentor.

**INITIATIVES TO IMPROVE QUALITY OF HR DATA**

- During the year, the Swedish organisation replaced its HR system and over the course of the this process, input and output data was reviewed and existing data quality assured. Correlation analyses were carried out using data from employee and customer satisfaction surveys in relation to other key performance indicators, in order to identify those areas that need to be focused on to develop operations. The Group has created a data repository that brings together all the HR data, and has decided to begin working in the business intelligence system PowerBI to produce analyses and visualise this data.

SUSTAINABILITY REPORT | EMPLOYEES

# Sickness absence drops by 50 percent in four months

**At Joriel School in southern Stockholm, sickness absences dropped by 50 percent in four months during the 2019 spring term. From 10.3 percent in December to 5.1 percent in May.**

"Much of what we have done is about consideration and job satisfaction. It has touched on everything from people, to work environment," says Cecilia Hansen, Principal at Joriel School.

Joriel School is a compulsory school and school for students with learning disabilities, with 61 students. The school has 70 of its own employees, and several hundred personal assistants. There is little statistical data, but sickness absence figures have remained the same for some time and the trend here is clear: our efforts have had an impact.

The school is celebrating its 20th anniversary. It was established in 1999 by two parents whose children had neurological disabilities. The school's name is derived from the children's names – Joakim and Gabriel – Joriel.

It is possible to divide the measures that Cecilia Hansen introduced to reduce sickness absence into a few different groups. The first is maintaining continual contact with colleagues who are ill. Everyone receives a text message or phone call on the first day of sickness and on the third. This is done out of consideration for others.

"It's about colleagues knowing that I care and want to do what I can to ensure they return as soon as possible," says Cecilia Hansen.

If someone is ill for more than five working days, Cecilia Hansen schedules a meeting for their first working day after sick leave.

## Finding the right balance

"In these meetings we discuss the reason for the sick leave and what we can do to find a constructive way forward. It might concern stress-related issues, a normal cold or something else. Everyone appreciates having the time to talk and together we are trying to create a work environment that is sustainable, with the emphasis on everyone finding a good balance."

The other area that Cecilia Hansen has worked on is psychosocial work environment. This is another area where consideration for others is key. A rearranged staff room with different areas for socialising and relaxation is one of the measures implemented.

"Being able to choose between being sociable or being able to retire to an armchair and put your headphones on is vital. We also have an area where you can be quiet or just have a few people. I've also bought back and foot massage machines, which have been very popular."

There's always fresh fruit in staff meeting and work rooms, and the storeroom has a small but tasty selection of biscuits and sweets for when people fancy a treat.

## Helping heavy lifting

The third area is the physical work environment and physical well-being. A lot of heavy lifting goes on at this unit, so two employees

Cecilia Hansen, Principal of Joriel School

attended a course so they can train people in correct lifting techniques. The aim has been to reduce physical strain for everyone. The trial has been so successful that more people will now attend the training course. On Wednesdays there is fitness (tabata or yoga) for anyone who wishes to attend, and every meeting at school also includes movement and ergonomic exercises.

"It doesn't matter whether it's a staff meeting for everyone, a team meeting or a management group meeting, we need to make sure we move. It's gone really well, and is both a really popular and fun aspect of all meetings," says Cecilia Hansen.

The fourth and final area is organisation. Almost all Joriel School's students have significant medical needs. A stress factor for many employees has been some uncertainty over what each of them needs to do and sometimes how this needs to be done. So the school has assigned a medical coordinator who has an overview of contacts and ensures that all guidelines are followed and that everyone who works with students has adequate knowledge and feels confident.

## Vital self-care

"We have a lot of self-care for our students that could be vital for them, so the medical coordinator is hugely appreciated," says Cecilia Hansen.

Other measures to boost security and safety include an expansion of the school nurse service and improvements to documentation at the school.

"The risk in an operation like ours is that things become dependent on individuals, with one or two people knowing all the routines needed for a particular student. If they aren't present, everything needs to be written down, we need written procedures and documentation so that several people cover for each other if necessary. That's how things are now organised.

"This has allowed me to be more involved as a teaching manager, which is my main role. While the students at Joriel School have some disabilities, we need to focus on students' learning rather than their disabilities. They have their specific needs, but our task is to provide them with education of equal value as they have the same rights as everyone else to a quality education," says Cecilia Hansen.

Cecilia Hansen's approach involving lots of small measures in a number of areas has had a major impact. How does she know what's most important? What does she need to do more of, what does she need to do less of?

"I think the overall impact is what's important. You can't just work on organisational actions or documentation; those little everyday things are also important. Obviously it's time consuming to always contact employees who are on sick leave, the concern is that you might miss someone, which would send a terrible message, but it's worth the time. Everyone needs to know they are important, that's what we're trying show," says Cecilia Hansen.

SUSTAINABILITY REPORT | ENVIRONMENT

# Stepping up our focus on the environment

**Premises, responsible purchasing, travel and food are the four key areas to target to reduce AcadMedia's environmental impact. Our progress around travel and food is positive, and we are improving every year.**

AcadeMedia aims to set an example regarding environmental responsibility in the education sector. We are working to reduce the environmental impact of our business over time, including our investment in healthy and climate-friendly meals. We also need to endeavour, together with our landlords, to compile information about our energy consumption. We can use this as a foundation from which to take bigger, faster steps towards reducing our carbon footprint.

Both our purchasing and property departments have new managers who bring a focus on sustainability from their previous workplaces. You will find interviews with our purchasing manager and our property director on their approach to sustainability overleaf.

## Purchasing policy provides guidance

AcadeMedia's purchasing policy is about making ethical decisions throughout the purchasing process. We aim to select the most environmentally friendly products, to choose the best supplier and select the correct amounts in order to reduce waste. Our size allows us to negotiate favourable agreements with suppliers, on both price and sustainability.

The purchasing policy needs to be easy to follow. How it is designed and how we use it in practice is highly relevant to how well we manage our own, society's and the planet's resources.

The facilities management support function will provide support for systematic environmental initiatives within AcadeMedia's Swedish operation. The targets are to:

- Create healthy indoor and outdoor environments.
- Create efficient food handling and waste management (transportation and storage).
- Ensure that properties and equipment do not contain hazardous substances.
- Aim to have the smallest possible carbon footprint.

## Travel

Our school managers and directors of education in particular do a lot of travelling as part of their work. They visit preschools, schools and adult education units to support them in their work. Some of this can be done by phone and online meetings, which we also do. However, to fully understand the business, which is important, you have to spend time together with management, employees and students at the units for which you are responsible.

Our travel policy is very clear; we always need to choose the mode of travel that is cost effective, safe and that limits our environmental impact. For domestic travel, we recommend taking the train instead of flying, and public transport instead of taxis.

Travel within the Group is increasing as we grow. There is an increase in both train and air travel. We need to work hard to cut the number of flights, as well as to reduce overall travel.

During the year, head office purchased company bicycles to reduce the number of trips by taxi, bus and metro. They also promote employee health.

## Healthy food and minimal waste

AcadeMedia maintains its focus on serving healthy food with minimal environmental impact, and limited waste. Every week, we serve around 75,000 lunches from our own kitchens. We continually measure the percentage of environmentally labelled raw ingredients. We also aim to have two fully vegetarian days a week at units with their own kitchen, and to reduce the percentage of meat served by 50 percent. One of the many initiatives we are conducting is in-house training for chefs, emphasising plant-based ingredients.

## Precautionary principle

AcadeMedia applies the precautionary principle to the second chapter of the Swedish Environmental Code. It states that the very risk of negative impact on human health and the environment confers an obligation to take action to prevent disturbance. This principle is applied in part by us banning foods containing nuts in many of our premises. The risk of people with nut allergies suffering allergic shock is so great that we usually opt to completely prohibit nuts in premises.

## Supplier dialogue

Every year a support function assessment is conducted, involving managers of our operations evaluating our support functions, which provides valuable information for developing work within the support functions. Our operations also have to evaluate suppliers and their range of products or services, either through multi-party discussions or using questionnaires. This work enables our suppliers to adjust and improve both their processes and their range of products and services.


AcadeMedia

Lars Petersson, Purchasing Manager

SUSTAINABILITY REPORT | ENVIRONMENT/PURCHASING

# Increased use of framework agreements for sustainability

**There are lots of reasons to use framework agreements. It's easier. It's cheaper. It ensures quality. Quality assurance also includes an environmental aspect, as AcadeMedia as an organisation aims to minimise its environmental footprint as much as possible.**

AcadeMedia's purchasing manager, Lars Petersson, started in June 2018 and has extensive experience of similar positions at Hilton Hotels, Scandic Hotels and Swedish Match. His first year working at AcadeMedia has involved encouraging more people in the organisation to use our framework agreement suppliers.

"The consequences of not doing this are significant. It's more expensive, it's more likely that it won't be the best choice from an environmental point of view, and it also increases the risk of corruption," says Lars Petersson.

"We should know our suppliers, but equally we shouldn't use suppliers just because we know them."

In November 2018, Lars Petersson analysed what percentage of purchasing within preschools, compulsory schools and upper secondary schools in Sweden was made through framework agreements. For preschools it was 89 percent, for compulsory schools 77 percent and upper secondary schools 60 percent. In the winter, he started conducting monthly analyses of framework compliance, which he sent to Group management.

## Six months later

Six months on from the November measurement, all figures improved. In preschools, the percentage of purchasing via framework agreements in May 2019 was 94 percent, at compulsory schools it was 81 percent and at upper secondary schools it was 64 percent. The figure for May also included the Adult Education segment, which was 60 percent.

The total amount on which the calculation was made was approximately SEK 80 million in November and around SEK 78 million in May.

"Our preschools are leading the way on this; 94 percent is an excellent result."

AcadeMedia has just over 200 framework agreement suppliers, and in many industries we have several framework agreements with competing companies. So purchasing via framework agreements does not necessarily mean being restricted to a single supplier. There are exceptions to this, such as the agreement with our travel agent.

"Our assessment was that we should use a single travel agent for all Swedish bookings. This is by far the most efficient approach. Having two booking agents would probably be more expensive, and I can't imagine anyone would think it's a good idea," says Lars Petersson.

These framework agreements are an important aspect of sustainability work, as they are always entered into following extensive negotiations covering a wide range of issues. Sustainability is an important part of these discussions. They include talks on social responsibility by the supplier; in order to sign a framework agreement with us the supplier's employees, for example, need to have the right collective agreement.

## Clear purchasing policy

"Framework agreements are an excellent tool for operating more sustainably. It's hard to believe that people making individual purchases have time to consider sustainability aspects."

AcadeMedia's purchasing policy is very clear about framework agreements.

Point one of our approach is 'Wherever possible, purchase from a framework agreement supplier'.

"We aim to improve these figures even more. The more people find out what's good about framework agreements, the easier it will be to encourage employees to choose framework agreements. We need to do this, as these are better contracts for us and for the environment. They enable us to buy the right things, at the right price, and they incorporate sustainability issues as an important factor," says Lars Petersson.

SUSTAINABILITY REPORT | ENVIRONMENT/PROPERTY

# Secure and future-proof school environments

**Peter Andersson, AcadeMedia's Property Director, has strategic responsibility for an area of 1 million square metres in three countries. The cost of these premises is the second-largest single cost that AcadeMedia has, second only to salaries. Our premises also constitute our single largest environmental impact.**

Peter, who took up the role of Property Director in April 2019, views this as a significant opportunity to make a difference for the environment.

"Although we don't own our premises, we can do a lot to reduce the environmental impact they cause. If we ensure the schools have their full capacity of students, this reduces each individual's environmental impact, as more people are sharing the same resource. Using existing environmentally efficient premises is better than building new premises. None of this is difficult or expensive, quite the contrary," says Peter Andersson.

## Significant interest in sustainability

The first thing Peter Andersson did upon becoming Property Director was to enhance and strengthen the property organisation in Sweden and then develop strategic aspects of AcadeMedia's property supply. Before joining AcadeMedia, Peter Andersson was CEO of ABT-Bolagen, a privately owned company in the construction industry. He has in-depth experience, both from the property sector and as a manager. His previous roles have included CEO of Uppsala Skolfastigheter.

Peter Andersson has a genuine passion for sustainability issues. When talking about sustainability in relation to property and premises, he divides the discussion into three areas: premises' function, finances and environment.

Function includes things like capacity utilisation, flexibility and, if possible, using the existing stock instead of building new property.

## Financial management and social sustainability

Financial management is about carrying out building work correctly: choosing the right property owners, the right contractors and the right suppliers. It also involves purchasing goods and services, and energy consumption. And, perhaps more surprisingly, ethics, morals and social sustainability.

"Socioeconomic and cultural aspects are also important to consider, not only inside the school but also outside the school gates."

Under environment, he adds issues such as security and safety, playground gender equality and solar energy.

"Secure environments are an incredibly important issue for society, as well as being a sustainability issue. Within the school it's absolutely vital; without a secure environment we can't create a good school," says Peter Andersson.

"The playground should be a place for everyone, whatever your circumstances. There might be students with various disabilities. It's also important for the playground to accommodate a number of activities; there should be room for everything from football to a moment of peace and calm."

Solar energy and energy consumption are important environmental issues where there is a lot to do.

"Heating and electricity are usually included in our tenancy agreements. We need to work a lot closer with our landlords to measure and improve our KPIs. We need to constantly reduce our energy consumption, that goes without saying. I think it would also be really interesting to explore opportunities for greater use of solar energy" says Peter Andersson.

*Peter Andersson, Property Director*

SUSTAINABILITY REPORT | TRANSPARENCY

# Transparency is key

**AcadeMedia is financed by tax revenues, so transparency is an important part of everything we do. This is particularly key in our communication with our stakeholders, from students and parents to all 16,900 employees in the Group. Work to ensure transparency is mainly determined by AcadeMedia's communication policy.**

The fact that we are present across the education spectrum, from preschool to adult education, located in several different countries, means we occupy a unique position from which to develop working practices and values that our employees share and work according to.

AcadeMedia believes in a long-term, supportive approach, with capacity and preparedness that ensure we are ready for unforeseen events. Our size means we have a significant responsibility to inform others about what we do, both Swedish public sector education and other independent school providers, nationally and internationally.

## Sharing knowledge

One example of how we encourage and create conditions for our employees to systematically share knowledge and experiences with one another is our in-house AcadeMedia Academy. This supports development, collegial learning and day-to-day innovation between our employees. Another example is that we have started using a brand new dialogue tool (social intranet), Workplace.

Our transparent approach helps us ensure our active involvement in developing the education of the future together with other actors in society. We expect the same high standards of transparency from our partners, regardless of whether they are in the private or public sector, as they have of us. Our requirements for transparency with regard, for example, to how school vouchers are calculated by municipalities, are just as stringent as our cooperation partners' requirements for us to explain how we use school voucher funding. We worked intensively over the year to encourage greater transparency among municipalities on their calculation of school vouchers.

We are also transparent in our relationships with the media. Our goal is to be regarded as an open organisation, and as part of this we publish our quality results in AcadeMedia's annual Quality Report.

## News flow

Our website academedia.se and our social media channels have a constant flow of news and articles, as we publish editorial content about what is happening in the Group. Under the name *'AcadeMedia Shares'* we participate in various outward-facing activities, organised both by us and by other parties. *AcadeMedia Shares* reflects our core values and allows both us and other parties to be involved in shaping the education of the future. We need to be always open to discussing difficult issues as well, and inviting dialogue with everyone who wants to talk with us.

## Media relations strengthen our brand

Our relationship with the media should be characterised by openness and a service-minded approach. It is important for us to build trust in the long and the short term with those media outlets that are interested in AcadeMedia's business. We should therefore respond quickly and be helpful to journalists. Our media service is on standby 24/7 and ensures that we are available to both national and local media.

Being proactive and involved in public debate demonstrates openness and is a way for us to clarify AcadeMedia's stance on various points. During the year, the Group wrote and had opinion pieces published in several major national media outlets about free choice of schools, funding, school vouchers and apprenticeship grants. We regularly issue press releases and also have a significant flow of articles and videos produced in house and released through our own channels. Positive events are, of course, highlights, but we also address issues that may be perceived in a negative light. One example of this is that we report the closure and relocation of units, just as we promote new establishments. To ensure that AcadeMedia acts professionally and credibly, we provide annual training for our managers in media relations and our core values. This emphasises the importance of a high level of service-based approach, openness and transparency in relationships with the media.

## AcadeMedia Academy

AcadeMedia Academy is the Group's in-house training and skills development academy. It offers hundreds of training opportunities every academic year within a range of different areas, including teaching, student health and communication, as well as media relations and health and safety. The courses are free and open to all employees and managers.

Our online GDPR course is available to everyone, not just AcadeMedia's employees, and is a further example of transparency.

## Workplace – our new dialogue forum to complement our intranet

During the year, we established a brand new dialogue forum, Workplace, within the Upper Secondary School segment, our largest segment. It is a forum where all employees can start discussions, add news and form groups within specific areas and subject categories. Workplace is guided entirely by those employees involved and the purpose is to establish a transparent dialogue forum based on employees' own participation. Workplace complements our intranets and encourages employees to engage in dialogue and openness. We also have an open intranet, which provides internal information, guidelines and policies that are available to everyone, including those who are not employed by the Group.

# School vouchers – greater transparency by municipalities is vital

The principle of equal terms means that a student should receive the same amount of what is known as 'school vouchers' from their home municipality, regardless of the school the student chooses. School vouchers are determined each calendar year by the municipality in which the student is registered and are calculated based on the municipality's schools budget per student. So school vouchers are the amount per student that AcadeMedia receives to run its school operations. Because school vouchers are based on budgets and student forecasts, this means that school vouchers per student from the same municipality can vary from year to year.
All schools operated by individual providers (independent schools) are legally entitled to be informed of the municipality's school voucher calculations. The majority of significant municipalities, where AcadeMedia has 100 or more students, only send a price list with total amounts per student and year and/or upper secondary programme. There is no statutory requirement for municipalities to follow up the outcome of budgeted school vouchers and the student forecasts. Neither is there any explicit legal requirement for a municipality to compensate independent schools for deficits that arise in their own schools operations, where the budget has been too small and additional money has been contributed. In practice, this means that students attending municipal schools may receive higher school vouchers than those who choose to attend independent schools if the municipality's budget turns out to be too low and additional funds are contributed.
When municipalities do not provide details of their basis for calculations, it makes it difficult for us to tell if equal terms apply.
Only a few municipalities fulfil this statutory requirement.

## Examples of activities undertaken:

- AcadeMedia was one of the initiators of a seminar in the Swedish parliament to debate school vouchers and the report entitled 'Impossible to tell if equal terms apply', which was produced together with the Swedish Association of Independent Schools. *http://www.friskola.se/opinion/rapporter/omojligt-avgora-om-lika-villkor-rader*

  AcadeMedia was one of the signatories to an opinion piece published in Dagens Samhälle.

  *https://www.dagenssamhalle.se/debatt/friskolorna-likvardig-skolpeng-maste-sakras-26785*

  We were also one of the organisers of a follow-up seminar on school vouchers, which was also filmed and communicated on social media.
- A number of meetings with the Swedish Association of Local Authorities and Regions (SALAR) to get SALAR to update its recommendations for all municipalities regarding the calculation of school vouchers.
- Meetings with various municipalities about their calculation of school vouchers.
- Increased participation and input into reviews and legislation proposals relating to school vouchers and equal terms, as well as drawing lawyers' attention to deficiencies in equal terms legislation.
- Appealed non-transparent voucher decisions from key municipalities.
- Wrote two referrals relating to equal terms.
- Participated in the Swedish National Agency for Education's pilot project on unit reporting, which is expected to have an effect on municipalities' opportunities to increase transparency.
- Participated in a seminar on equal terms at the Institute for Education Law, Uppsala University with a lecture by our Chief Legal Officer, Jonas Nordström.
- Reviewed and appealed almost 20 school voucher decisions for 2019 from priority municipalities in 2018/19.

# GRI index

**The Global Reporting Initiative (GRI) is an independent organisation that has created a standard for sustainability reporting. AcadeMedia's Sustainability Report is based on GRI. The GRI index below contains references to where in our Annual and Sustainability Report each GRI disclosure can be found.**

| GRI Standards | Disclosure | Contents | Page reference | Comment/Reservation |
|---|---|---|---|---|
| **GENERAL DISCLOSURES** | | | | |
| GRI 102 | 102-1 | Name of the organisation | Back cover | |
| | 102-2 | Activities, brands, products and services | 9, 14–24 | |
| | 102-3 | Location of headquarters | 52, back cover | |
| | 102-4 | Location of operations | 2, 3, 52, 99 | |
| | 102-5 | Ownership and legal form | 52, 126-127 | |
| | 102-6 | Markets served | 3, 15, 26 | |
| | 102-7 | Scale of the organisation, including number of employees, operations, sales and capital | 2-3, 52-53, 92-94, 128-129 | |
| | 102-8 | Information on employees and other workers | 92-94 | Reporting covers all Group employees, including all subsidiaries in the three countries in which we operate |
| | 102-9 | Supply chain | 38, 44–45 | |
| | 102-10 | Significant changes to the organisation and its supply chain | 4, 7, 16, 99, 128-129 | During the year, a decision was taken to implement a significant reorganisation whereby all of the Group's preschools were brought under a single segment |
| | 102-11 | Precautionary principle or approach | 42 | |
| | 102-12 | External initiatives | 28,30 | |
| | 102-13 | Membership of associations | 31 | |
| | 102-14 | Statement from senior decision-maker | 6-7 | |
| | 102-16 | Values, principles, standards and norms of behaviour | 9, 31, 38 | |
| | 102-18 | Governance structure | 63-67 | The CEO has overall responsibility for sustainability work. Support function managers are responsible for analyses and measures, whereas the sustainability manager is responsible for reporting and communication. |
| | 102-40 | List of stakeholder groups | 30 | |
| | 102-41 | Collective bargaining agreements | 38 | Norway and Germany have similar systems to the Swedish collective agreement, known as a tariff agreement. Both our Norwegian and German operations use these. |
| | 102-42 | Identifying and selecting stakeholders | 30 | |
| | 102-43 | Approach to stakeholder engagement | 30 | |
| | 102-44 | Key topics and concerns raised | 30 | |
| | 102-45 | Entities included in the consolidated financial statements | 26, 52, 106-108 | |
| | 102-46 | Defining report content and topic boundaries | 26–31 | |
| | 102-47 | List of material topics | 29–30 | |
| | 102-48 | Restatements of information | | This is AcadeMedia's first sustainability report that uses a GRI index |
| | 102-49 | Changes in reporting | | This is AcadeMedia's first sustainability report that uses a GRI index |
| | 102-50 | Reporting period | 52 | |

| GRI Standards | Disclosure | Contents | Page reference | Comment/Reservation |
|---|---|---|---|---|
| **GENERAL DISCLOSURES** | | | | |
| | 102-51 | Date of most recent report | | This is AcadeMedia's first sustainability report that uses a GRI index. Our most recent annual accounts with statutory sustainability report were published on 26/10/2018. |
| | 102-52 | Reporting cycle | Annual | |
| | 102-53 | Contact point for questions regarding the report | Back cover | Sustainability Manager Paula Hammerskog, paula.hammerskog@academedia.se |
| | 102-55 | GRI content index | 48-59 | |
| | 102-56 | External assurance | 51 | The auditor has stated their opinion on the statutory Sustainability Report. This statement of opinion does not include a check against GRI standards. |
| **Management approach** | | | | |
| Management approach | 103-1 | Explanation of the material topic and its boundary | 29 | |
| | 103-2 | The management approach and its components | 28–31 | |

**SPECIFIC DISCLOSURES**

| GRI standards | Disclosure | Contents | Page reference | Comment/Reservation |
|---|---|---|---|---|
| **ECONOMY** | | | | |
| **Economic performance** | | | | |
| GRI 201 | 201-1 | Direct economic value generated and distributed | 31 | |
| | 201-3 | Defined benefit plan obligations and other retirement plans | 95-96 | |
| **Anti-corruption** | | | | |
| GRI 205 | 205-1 | Operations assessed for risks related to corruption | 38 | |
| **Supplier environmental assessment** | | | | |
| GRI 308 | 308-1 | Supplier environmental assessment | 38, 44 | |
| **SOCIAL ISSUES** | | | | |
| **Employment** | | | | |
| GRI 401 | 401-1 | New employee hires and employee turnover | 51, 57 | |
| **Occupational health and safety** | | | | |
| GRI 403 | 403-1 | Occupational health and safety management system | 31, 38 | |
| **Diversity and equal opportunities** | | | | |
| GRI 405 | 405-1 | Diversity of governance bodies and employees | 92 | |
| | 405-2 | Ratio of basic salary and remuneration of women to men | 38 | |
| **Participants health and safety** | | | | |
| GRI 416 | 416-1 | Participants health and safety | 32-33, 38-39, 57 | Assessment of the health and safety impacts |

NON-FINANCIAL KPIS – SUSTAINABILITY REPORT

# Learning

| | FULL YEAR | | | | |
|---|---|---|---|---|---|
| | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
| **PRESCHOOL INTERNATIONAL** | | | | | |
| Recommendation level – Norway | 84.7% | 83.9% | 86.5% | – | – |
| Recommendation level – Germany (Joki) | 88% | 92% | 99% | – | – |
| Recommendation level – Germany (KTS) | 79% | – | – | – | – |
| Recommendation level – Germany (Stepke) | 76% | 61% | – | – | – |
| **PRESCHOOL (SWEDEN)** | | | | | |
| Recommendation level | 83% | 82% | 81% | 82% | 86 |
| Satisfaction with the preschool's operation | 84% | 84% | – | – | – |
| **COMPULSORY SCHOOL** | | | | | |
| Percentage eligible for upper secondary school | 91.3% | 90.6% | 90.1% | 93.4% | 92.0% |
| Percentage with lowest passing grade (A–E) in all subjects | 82.3% | 83.0% | 82.7% | 85.9% | 84.0% |
| Average assessment level | 242.3 | 245.8 | 241.9 | 241.7 | 240.4 |
| Recommendation level – students | 65% | 64% | 64% | 66% | 66% |
| Recommendation level – parents | 74% | 73% | 72% | 75% | 75% |
| Satisfaction with teaching – students | 70% | 69% | – | – | – |
| Satisfaction with teaching – parents | 77% | 76% | – | – | – |
| **UPPER SECONDARY SCHOOL** | | | | | |
| Percentage graduated[1)] | 89.6% | 88.7% | 89.4% | 89.6% | 87.4% |
| Average grade point[1)] | 14.1 | 14.1 | 14.1 | 14.1 | 13.9 |
| Flow rate (percentage students with diploma within three years)[2)] | – | 74.2% | 73.6% | 72.5% | 72.1% |
| Recommendation level – students[3)] | 70% | 68% | 66% | 66% | 70% |
| Satisfaction with teaching – students[3)] | 72% | 69% | – | – | – |
| **ADULT EDUCATION** | **2018** | **2017** | **2016** | **2015** | **2014** |
| Average number of hours per completed course/'learning curve' – SFI | 240 | 270 | 255 | 231 | – |
| Percentage with lowest grade E – basic adult education | 88.0% | 90.2% | 89.8% | 91.4% | – |
| Percentage with lowest grade E – upper secondary school for adults | 83.3% | 85.0% | 83.0% | 83.2% | – |
| Percentage with diploma – higher vocational education | 69.0% | 70.0% | 65% | 66% | 64% |
| Percentage in jobs/continued studies after completed education/ activity (total) | – | 78% | 79% | 75% | – |
| Recommendation level – students/participants (total)[4)] | 86.4% \| 84.3% | 84.0% \| 82.9% | 84.6% \| 84.9% | 82.5% \| – | – \| – |

1) Preliminary results 2019.
2) 2018/19 reflects the percentage of students who began their studies in academic year 2016/17 who received their diploma.
3) The 2018/19 results include the results from Vindora for the first time. Excluding Vindora the recommendation level is 70 percent (68) and the satisfaction with teaching is 72 percent (69).
4) The recommendation rate in adult education is monitored once each term.

# Other

| | Note | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|---|---|---|---|---|---|---|
| | | FULL YEAR | | | | |
| **EMPLOYEES** | | | | | | |
| Average number of full-time employees | | 12,405 | 11,863 | 10,564 | 9,714 | 9,159 |
| Average number of women (SE) | 1) | 68.1% | 69.6% | 69.3% | 69.6% | 69.6% |
| Employee turnover (SE) | 1) 2) | 22.6% | 26.3% | 25.9% | 25.7% | 22.8% |
| Absence due to illness (SE) | 1) 3) | 4.4% | 4.8% | 4.9% | 4.6% | 4.4% |
| Employee Satisfaction Index (SE) | | 71 | 71 | 72 | 71 | 71 |
| Employee satisfaction (NO) | 4) | 4.4 | 4.4 | 4.4 | 4.4 | – |
| Leadership index | 1) | 77 | 79 | 79 | 78 | – |
| **ENVIRONMENT** | | | | | | |
| Percentage of organic produce | | 21.5 | 22.3 | 21.1 | 20.9 | 16.3 |
| **TRANSPARENCY** | | | | | | |
| Number of unique visits to AcadeMedia's public intranet | | 267,780 | 100,541 | 71,787 | – | – |
| Number of unique visits to AcadeMedia's Code of Conduct | | 470 | 410 | 357 | – | – |
| Number of whistleblower reports | 5) | 11 | 9 | 7 | 5 | 6 |
| Number of eligible whistleblower reports | 5) | 1 | 6 | 4 | 3 | 3 |

1) Statistics are only available for the Swedish operation.
2) Number of permanent and probationary employees who left/Average number of permanent and probationary employees.
3) Aggregated average short-term absence <90 days.
4) Espira measures employee satisfaction on a five-point scale as of 2018/19. As previous years used a six-point scale, past years has been restated on a five-point scale.
5) Whistleblower reports are received and handled by an external party, which ensures whistleblower anonymity and makes an initial assessment. During the year, 10 ineligible whistleblower reports were submitted.

## Auditor's opinion on the statutory Sustainability Report

**To the Annual General Meeting of AcadeMedia AB (publ), corp. ID no. 556846-0231**

**Duties and allocation of responsibilities**
The Board of Directors is responsible for the Sustainability Report for the financial year 1 July 2018 – 30 June 2019 on pages 25-51 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

**Focus and scope of review**
Our review was conducted in accordance with FAR recommendation RevR 12: Auditor's opinion regarding the statutory sustainability report. This means that our examination of the Sustainability Report is substantially different and 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 provided a sufficient basis for our opinion.

**Opinion**
A sustainability report has been prepared.

Stockholm, 22 October 2019, PricewaterhouseCoopers AB

Patrik Adolfson
Authorised Public Accountant
Principal auditor

Eva Medbrant
Authorised Public Accountant

# Administration Report

**The Board of Directors and the Chief Executive Officer of AcadeMedia AB (publ), referred to below as AcadeMedia, with corporate registration number 556846-0231 and headquartered in Stockholm, Sweden, hereby submit the Annual Report and consolidated financial statements for the financial year 1 July 2018–30 June 2019.**

## Business Overview

AcadeMedia is the largest independent education provider in northern Europe. In 2018/2019, approximately 80,000 children and students attended AcadeMedia's preschools, compulsory schools and upper secondary schools. A further 100,000 people participated in one of AcadeMedia's education programmes for adults. On average, during the 2018/19 financial year, AcadeMedia had approximately 660 preschools, compulsory schools, upper secondary schools and adult education units, located throughout Sweden, Norway and in parts of Germany.

AcadeMedia operates througout the entire educational spectrum, from preschool to adult education. Operations are divided into four segments: Preschool and Compulsory School, Upper Secondary School, Adult Education and Preschool International. The education programmes are in principle exclusively commissioned by customers from the public sector, such as municipalities in Sweden, Norway and Germany, as well as the Swedish Public Employment Service and the National Agency for Higher Vocational Education in Sweden.

### Significant events during the financial year

A number of important events occurred during the 2018/19 financial year.

#### New loan agreement

On 6 July 2018, a new loan agreement came into force. The agreement has been signed with AcadeMedia's financial providers, and offers greater financial flexibility and an interest expense saving of approximately SEK 10 million per year.

#### Change to unit portfolio

Our unit portfolio has grown during the year. We have opened 13 new units across all our segments. Of these, three are upper secondary schools and ten are preschools, including one preschool in Sweden and nine in Germany. In addition, two units have been acquired – one preschool in Norway and one upper secondary school in Sweden.

At the end of June, seven units were closed: three upper secondary schools, one compulsory school and three preschools. Furthermore, nine preschools have been transferred in Sweden and three upper secondary schools have been consolidated into one. Divestments and closures will impact on the first quarter of 2019/20.

#### Record number of students attending AcadeMedia's schools

The count at the start of the new 2019/20 financial year showed healthy growth in the number of students attending AcadeMedia's preschools, compulsory schools and upper secondary schools, and that AcadeMedia had a record number of students in its school operations. In total, the average number of children and students increased by 3.4 percent organically.

#### New political landscape

A new government was formed in Sweden following an extended period of negotiations between various political parties. The government is now made up of a coalition with a programme that has been negotiated with the Centre Party and the Liberals, which means a clear improvement in conditions for independent providers and brings politicians' efforts to restrict profits to a conclusion. This has led to more stable political conditions going forward.

In Norway, the introduction of new staffing requirements in Norwegian preschools began. As of 1 August 2018, a requirement was introduced for there to be a minimum preschool teacher to child ratio. As of 1 August 2019, a requirement was introduced regarding staff density, i.e. the ratio of adults to children. The new staffing requirements apply to both municipal and independent preschools. Due to Norwegian school voucher funding being based on accounts that are two years old, there will be a temporary decline in profitability, since school vouchers during the transition period do not compensate for the cost increase.

### Mixed trend within Adult Education

The Public Employment Service, which has been one of the Adult Education segment's biggest customers, has significantly cut its resources and allocation of training placements for job seekers during the year. This was compounded by a substantial drop in government funding for the service. This market decline has had a significant impact on the Adult Education segment, which had secured several major contracts with the Public Employment Service, but since been left with unutilised teaching resources and premises. Substantial and increasing capacity adjustments were initiated during the year. The market decline and cost adjustment have had a substantial impact on the segment and the Group's financial earnings for 2018/19.

At the same time, other parts of Adult Education have grown and improved their profitability compared with the previous year.

In January, AcadeMedia's higher vocational education received a record-high allocation of programmes for autumn 2019. The total number of scheduled programme starts is 71 – an increase of 29 programmes compared with last year. The programmes that have been allocated vary in length, from one to three years. The allocation presents an opportunity for AcadeMedia to win market share within higher vocational education. The financial effect will not be realised until students have been recruited to the programmes.

### Swedish Schools Inspectorate inspects Praktiska Gymnasiet

Praktiska Gymnasiet's 33 schools were included in AcadeMedia's acquisition of Vindora in November 2017. During the year, the Swedish Schools Inspectorate carried out planned inspections of a number of schools within Praktiska Gymnasiet, as well as of the provider, Praktiska Gymnasiet AB. AcadeMedia and Praktiska's management have done and continue to do, their utmost to address the quality deficiencies that exist, but have been obliged to note that their efforts have not been adequate. The Schools Inspectorate has imposed a conditional fine on some of the schools and the provider, which means that if these deficiencies are not rectified within a certain period of time, the fine will be imposed. The company was aware at the time of acquisition that some of the units were facing quality challenges, and this was reflected in the purchase consideration. During the year, AcadeMedia has brought in additional resources within various areas in order to address the problems.

### Equal terms for students in independent schools

According to the Education Act, students attending an independent school are entitled to the same allocation of resources as students in municipal schools. In order to ensure this happens, AcadeMedia stepped up efforts during the year to examine and question municipalities' school voucher funding decisions. An external review by Deloitte, commissioned by Friskolornas Riksförbund (Swedish Association of Independent Schools) has identified significant defects with regard to municipalities' transparency, and notes that it is very difficult to demonstrate 'equal terms'. During the year a number of extended processes were concluded, generating retroactive revenue totalling SEK 45 million from several municipalities.

### New premises secured in Uppsala

In spring 2019, a new lease was signed with Akademiska Hus for larger premises in Uppsala. This will enable an increase in the number of upper secondary places in Uppsala, and thus boost growth in student numbers. The premises will now be adapted to upper secondary school operations, and completion is scheduled for autumn 2020. Once the schools have been fully extended in 2024, they will have capacity for approximately 860 students. This corresponds to around 450 more students than today.

### Changes to Group management

A number of changes were made to Group management during the year. In August, Veronica Rörsgård took on the role of Head of AcadeMedia's preschools in Sweden, and also joined AcadeMedia's Group management. In December, Paula Hammerskog took up a newly-created position at AcadeMedia: Head of Safety and Security. Her most recent position prior to this was Head of Communication and Public Affairs at AcadeMedia. She was replaced as Head of Communication and Public Affairs by Annette Lilliestierna, former Head of AcadeMedia Academy. Tommy Jarnemark, former COO at AcadeMedia, left the company on 31 December 2018.

### New preschool segment to harness growth

In June 2019, a decision was made to gather all preschools in Sweden, Norway and Germany under a new combined preschool segment. The purpose of the change is to optimise opportunities to harness growth in the rapidly growing European preschool market. AcadeMedia has solid expertise within preschool operations, based on a combination of teaching approaches and childcare and a number of appealing concepts and methods. The preschool segment will initially be led by AcadeMedia's CEO, Marcus Strömberg. As a consequence, AcadeMedia's compulsory schools will form their own segment under the management of Jens Erikssson, who will also lead the Upper Secondary School segment. The new organisation was effective as of 1 July 2019 and since then has comprised four segments: Preschool, Compulsory School, Upper Secondary School and Adult Education. For further information, please refer to Note 11.

### Katarina Wilson to join AcadeMedia as new CFO on 1 November 2019

In September, Eola Änggård Runsten, CFO at AcadeMedia since 2013, announced her decision to leave the company. Eola Änggård Runsten will step down from her position on 1 November 2019, and Katarina Wilson will join us as the new CFO on the same date. Katarina Wilson will be a member of AcadeMedia's Group management and report to CEO Marcus Strömberg.

## Revenue and earnings

| GROUP | FULL YEAR | | | | |
|---|---|---|---|---|---|
| | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
| Net sales, SEK m | 11,715 | 10,810 | 9,520 | 8,611 | 8,163 |
| EBITDA, SEK m | 931 | 872 | 827 | 722 | 720 |
| EBITDA margin | 7.9% | 8.1% | 8.7% | 8.4% | 8.8% |
| Operating profit/loss (EBIT), SEK m | 635 | 622 | 615 | 535 | 517 |
| EBIT margin | 5.4% | 5.8% | 6.5% | 6.2% | 6.3% |
| Adjusted operating profit/loss EBIT*, SEK m | 634 | 670 | 638 | 567 | 596 |
| Adjusted EBIT margin | 5.4% | 6.2% | 6.7% | 6.6% | 7.3% |
| Net financial items, SEK m | -69 | -68 | -80 | -127 | -269 |
| Profit before tax, SEK m | 566 | 555 | 535 | 408 | 248 |
| Profit for the period, SEK m | 431 | 430 | 416 | 319 | 222 |
| Basic earnings per share (SEK) | 4.09 | 4.30 | 4.41 | 3.74 | 2.63 |
| Diluted earnings per share (SEK) | 4.09 | 4.29 | 4.40 | 3.74 | 2.63 |
| Number of children and students** | 79,493 | 73,366 | 66,070 | 63,151 | 60,897 |
| Number of full-time employees | 12,405 | 11,863 | 10,564 | 9,714 | 9,159 |

*) See KPI definitions on pages 130–131 **) excl. Adult Education

### *Volume trend and net sales*

Net sales increased by 8.4 percent, amounting to SEK 11,715 million (10,810). Organic growth, including bolt-on acquisitions, was 4.4 percent. Excluding the Adult Education segment, which saw a decline in sales, organic growth amounted to 7.7 percent. Sales growth relating to acquisitions amounted to 3.2 percent and includes Vindora (Nov. 2017) and KTS (March 2018). The currency translation effect had a positive impact on sales of 0.8 percent.

The average number of students, excluding the Adult Education segment, increased by 8.4 percent to 79,493 (73,366).

### *Operating profit/loss (EBIT) and adjusted operating profit/loss*

Operating profit (EBIT) increased by 2.1 percent and amounted to SEK 635 million (622). All segments, except the Adult Education segment, improved their operating profit. The EBIT margin was 5.4 percent (5.8). Adjusted operating profit EBIT amounted to SEK 634 million (670), corresponding to an adjusted EBIT margin of 5.4 percent (6.2).

Previous years' efforts to ensure adherence to equal terms in school voucher funding generated positive non-recurring reimbursement during the year. At the same time, strategic decisions connected to the unit portfolio generated restructuring expenses. These are classified as items affecting comparability. Underlying operations have developed well, with the exception of the labour market training programmes within the Adult Education segment. Healthy volume growth, higher capacity utilisation and a stabilised personnel cost trend underpins the margin improvement in the Swedish school segments. However, the margin in Preschool International was negatively impacted by new establishment costs and higher pension expenses in Norway.

At the start of the financial year, the useful life of our brands was reassessed, resulting in higher amortisation for the brands of SEK 10 million for the full year.

### *Items affecting comparability*

Operating profit (EBIT) for the full year includes items affecting comparability of SEK 1 million (-48). These items consist mainly of retroactive revenue from prior years in the amount of SEK 45 million, and restructuring costs of SEK 44 million. For further information, please refer to note 10.

### *Net financial items*

Net financial items for the full year amounted to SEK -69 million (-68). Interest expenses decreased to SEK -51 million (-62). The lower interest expense is a result of lower interest-bearing liabilities and lower interest margins following the refinancing carried out in July 2018. Net financial items also includes a capital loss of SEK 5.5 million relating to the sale of shares in Schoolido.

### *Profit and comprehensive income for the period*

Profit after tax for the year amounted to SEK 431 million (430). Tax totalled SEK -136 million (-124), which corresponds to an effective tax rate of 24.0 percent (22.4). The increase in tax was related to higher profit in Germany.

Comprehensive income was SEK 324 million (416), where actuarial losses had a negative impact, SEK -104 million (-71) after tax, related to revised actuarial assumptions for defined benefit pensions in Norway.

Basic earnings per share totalled SEK 4.09 (4.30), and diluted earnings per share amounted to SEK 4.09 (4.29).

## Profitability, financial position and cash flow

### *Cash flow*

Cash flow from operating activities before changes in working capital during the financial year amounted to SEK 785 million (707). Cash flow from changes in working capital amounted to SEK -101 million (221). This development was in part caused by unusually favourable working capital at the beginning of the year following delayed payments to suppliers due to calendar effects, amounting to approximately SEK 130 million. In addition, in spring 2018 AcadeMedia's biggest customer changed from quarterly to monthly prepayments. The effect of this change on working capital was about SEK 90 million. The change in working capital was also negatively affected due to a calendar effect on prepaid income in Norway, amounting to SEK 58 million. Cash flow from operating activities amounted to SEK 684 million (928).

Cash flow from investing activities for the full year totalled SEK -559 million (-970), with investments primarily consisting of preschool buildings in Norway, investments in rented property and equipment. Compared with the previous year, property-related investments increased, while acquisition-related investments were significantly lower. Last year, several investments were made, including Vindora, which was included in cash flow from investing activities. Cash flow from financing activities totalled SEK -296 million (144) relating to repayment of loans. Overall, cash flow for the financial year amounted to SEK -172 million (102).

### *Financial position*

Consolidated equity amounted to SEK 4,589 million (4,262) at 30 June 2019, and the equity/assets ratio increased to 47.2 percent (45.4). The increase in equity and improved equity/assets ratio were attributable to the net profit for the last 12 months. However, a revaluation of the pension liability in Norway following revised actuarial assumptions had a negative effect on equity amounting to SEK -104 million (-71) after tax for the financial year, which also gave rise to increased pension liabilities.

Consolidated interest-bearing net debt at 30 June 2019 amounted to SEK 2,266 million (2,179). Interest-bearing liabilities were somewhat lower compared with last year and the slightly higher level of net debt is therefore attributable to lower cash funds. Excluding property loans, adjusted net debt amounted to SEK 1,533 million (1,528). Property loans, which consist of both non-current loans in the Norwegian State Housing Bank (Husbanken) and current construction loans, have increased over the past 12 months by SEK 82 million to SEK 733 million (650). Building assets increased during the equivalent period by SEK 181 million, to SEK 1,129 million (948). The increase was attributable to extensions and acquisitions of new preschools in Norway.

Non-current interest-bearing liabilities amounted to SEK 2,205 million (2,209) and consist of loans from banks and the Norwegian State Housing Bank, as well as lease agreements. Current interest-bearing liabilities consist of current portions of long-term loans, as well as construction loans, amounting to SEK 592 million (673). Net debt in relation to adjusted EBITDA (rolling 12 months) was consistent with the previous year, amounting to 2.4 (2.4), which was better than the Group's financial target of a maximum of 3.0. This KPI follows a seasonal pattern and is normally at its lowest in the fourth quarter, as the Group's cash flow is strongest in the last quarter and then net debt decreases. Property-adjusted net debt divided by adjusted EBITDA decreased, amounting to 1.6 (1.7).

In the fourth quarter, an impairment test regarding goodwill and other intangible assets with indefinite useful lives was performed on some of the Group's cash-generating units based on long-term business plans. No cash-generating unit had a book value in excess of assessed value, for which reason no impairment of goodwill or other intangible assets with indefinite useful lives was reported for 2018/2019.

## Trend by segment

The Group has reported its operations for many years in the segments Pre- and Compulsory School (Sweden), Upper Secondary School (Sweden), Adult Education (Sweden) and Preschool International. The table below shows the distribution of sales revenue and operating profit by segment. See also Note 11 Segment reporting, with comparative figures.

### *Pre- and Compulsory School segment (Sweden)*

AcadeMedia's Pre- and Compulsory School segment runs preschools and compulsory schools in a large number of municipalities in Sweden under the brands Pysslingen Förskolor, Pysslingen Skolor and Vittra. Operations are run entirely based on the school voucher system. The segment had 228 units in the fourth quarter.

The average number of children and students increased by 2.8 percent, primarily as a result of growth in existing units. Net sales increased by 6.0 percent and amounted to SEK 4,147 million (3,912), mainly due to increased student numbers but also due to the annual school voucher adjustment and increased subsidies for students with special educational needs and state subsidies.

Operating profit (EBIT) improved by 9.6 percent and amounted to SEK 195 million (178), with an operating margin of 4.7 percent (4.6). Earnings during the financial year were impacted by items affecting comparability of net SEK -4 million (0); SEK 10 million (0) in retroactive revenue and SEK -14 million (0) in restructuring expenses. The adjusted operating profit rose to SEK 199 million (178) as an effect of more students contributing to greater capacity utilisation, although some units continue to experience challenges requiring targeted efforts.

Capacity utilisation has seen a slight improvement during the year, totalling approximately 90.5 percent (88.7).[1)]

In total, the number of units declined by two during the financial year following closure of two smaller preschools and one smaller compulsory school prior to the 2018/19 academic year, while a new preschool opened in the Stockholm area in the third quarter. During the year, a number of strategic decisions were taken that impacted the segment portfolio: divestment of nine preschool units and closure of one compulsory school and three preschool units. Divestments and closures will impact on the first quarter of 2019/20.

From 1 July 2019, all preschool operations in Sweden, Norway and Germany will be gathered in one segment. This reorganisation also includes compulsory schools, which will form their own separate segment. See Note 11 for restated financial information for the new segments.

The average assessment level in AcadeMedia's compulsory schools was 242.3 (245.8) during the 2018/19 academic year. The percentage eligible for upper secondary school and the percentage of students with passing grades in all subjects rose to 91.3 percent (90.6) and 82.3 percent (83.0). All grade scores in compulsory schools remain substantially above the national average.

In June, the results of the Swedish preschools' own assessments of goal achievement were also compiled in relation to the national mandate. Improvements were achieved in the curriculum areas 'development and learning' and 'norms and values', 4.9 (4.8) and 5.2 (5.1) respectively, while 'children's influence' remained at the same level as last year, 5.1 (5.1). A score of four indicates that goal achievement is acceptable in relation to the requirements in the policy documents.

## *Upper Secondary School (Sweden)*

AcadeMedia's Upper Secondary School segment provides upper secondary education throughout Sweden under 16 different brands, offering both university preparatory and vocationally oriented programmes. Operations are run entirely based on the school voucher system. The segment had 144 units during the quarter.

During the financial year, the number of students increased by 13.3 percent and net sales grew by 16.4 percent to SEK 3,757 million (3,229). Growth was due to a number of factors, including the acquisition of Vindora (November 2017), new establishments in 2017 and 2018, a higher number of students in other existing units, as well as higher school voucher funding.

Operating profit (EBIT) saw a sharp increase, amounting to SEK 364 million (276). The operating margin also improved and amounted to 9.7 percent (8.5). The improvement in profit and the margin was due to the acquisition of Vindora. Last year, Vindora was only included in eight of the twelve months. Items affecting comparability of SEK 20 million (-16) have also contributed to the improvement. In total, retroactive revenue relating to prior financial years contributed SEK 34 million (0), while restructuring expenses of SEK -14 million (+3) had a negative effect. Adjusted operating profit increased to SEK 344 million (292).

During the year, capacity utilisation declined from 92 percent to 88 percent. Last year's capacity utilisation was temporarily higher due to new establishments in autumn 2017 opening in existing premises. They have since been relocated to their own premises. Furthermore, Vindora was not included in last year's calculated capacity utilisation.

One unit was closed prior to the 2018/19 academic year and three new units were opened. One school, Helix Gymnasiet in Borlänge, was acquired in the fourth quarter. As a result, the number of units increased by three during the financial year. Three units were closed at the end of June 2019, and on 1 July three units in Falun were consolidated into one. Divestments and closures will impact on the first quarter of 2019/20.

The Upper Secondary School segment plans to open four new schools ahead of autumn 2019. The new units are only accepting first-year students and are located in Nacka, Solna and Helsingborg.

In AcadeMedia's upper secondary schools, excluding Vindora, the percentage of students who graduated increased to 90.7 percent (88.7). In addition, the average final grades for students who graduated with full diplomas improved to 14.3 points (14.1). The study results are slightly above, and consistent with last year's national average. However, there is considerable variation between AcadeMedia's upper secondary schools.

When Vindora is included in the study results, the percentage of students who graduated is 89.6 percent (-), and the average final grades for students who graduated with full diplomas amount to 14.1 points (-). These results are preliminary.

## *Adult Education segment (Sweden)*

Net sales for the financial year declined by 11.3 percent and amounted to SEK 1,478 million (1,666). Operating profit declined to SEK 17 million (75), and the operating margin was 1.2 percent (4.5). Adjusted operating profit was SEK 32 million (137). The weak trend during the year was solely attributable to the labour market training business and its loss-making contracts. These contracts replaced previously highly profitable contracts. Contractual obligations in combination with lower prices per participant and a substantial volume decline are the main reasons for the weak development. Significant cutbacks have been made with regard to staff numbers and premises. During the year, demand for mu-

| | STUDENT ENROLMENT (AVERAGE) | | NET SALES, SEK M | | ADJ. OPERATING PROFIT/LOSS (EBIT), SEK M | | ADJ. EBIT MARGIN | | OPERATING PROFIT (EBIT), SEK M | | EBIT MARGIN, % | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 | 2018/19 | 2017/18 |
| Pre- and Compulsory School (Sweden) | 32,988 | 32,101 | 4,147 | 3,912 | 199 | 178 | 4.8% | 4.6% | 195 | 178 | 4.7% | 4.6% |
| Upper Secondary School (Sweden) | 34,653 | 30,582 | 3,757 | 3,229 | 344 | 292 | 9.2% | 9.0% | 364 | 276 | 9.7% | 8.5% |
| Adult Education (Sweden) | –* | –* | 1,478 | 1,666 | 32 | 137 | 2.2% | 8.2% | 17 | 75 | 1.2% | 4.5% |
| Preschool International | 11,852 | 10,684 | 2,328 | 1,998 | 135 | 125 | 5.8% | 6.3% | 135 | 162 | 5.8% | 8.1% |
| Group adj., parent company | – | – | 4 | 5 | -76 | -62 | – | – | -76 | -70 | – | – |
| **Total** | **79,493** | **73,366** | **11,715** | **10,810** | **634** | **670** | **5.4%** | **6.2%** | **635** | **622** | **5.4%** | **5.8%** |

*) The volume of adult education is not measured based on the number of participants since the length of the programmes varies from individual occasions to several academic years.

1) Capacity utilisation has been updated compared with previous years' published annual reports.

nicipal adult education and higher vocational education has developed well. Both sales and EBIT have shown growth.

The Swedish Public Employment Service is currently adjusting to new directives. In the short term, this means challenges for AcadeMedia's operations, where local dialogue is a prerequisite for planning of our services. In the fourth quarter, the authority further revised down its forecasts in response to lower than expected volumes. In the long term, the Swedish Public Employment Services' work will be more focused on job matching, and these services will be tendered to private players – which could lead to opportunities for AcadeMedia.

An extensive procurement process is underway with the City of Stockholm within municipal adult education. Prices in parts of this contract are expected to decline. The allocation decision is expected in autumn 2019, starting in January 2020 at the earliest. The procurement with the City of Gothenburg, where AcadeMedia received a good allocation, is still in an appeal process. Existing contracts have been extended until 31 December 2019. Further extensions may be applied if the appeal is delayed.

In January, the Swedish National Agency for Higher Vocational Education awarded AcadeMedia a record number of training programmes for autumn 2019, where each permit runs for 3–5 years.

AcadeMedia's Adult Education segment conducts a customer survey once a term. The survey conducted in the spring, among roughly 30,000 participants, showed that both the recommendation and satisfaction rates remain high at 86.4 percent (84.0) and 82,6 percent (80.0), respectively. Adult Education also completed its annual follow-up of what previous participants were doing six months after completion of their programme.

### *Preschool International segment (Norway and Germany)*

AcadeMedia's Preschool International segment operates preschools in Norway and Germany under the Espira, Joki, Stepke and KTS brands. Espira is Norway's third largest preschool provider, with 101 units. In Germany, preschools are operated at 38 units.

The average number of children for the financial year increased by 10.9 percent, and sales rose by 16.5 percent to SEK 2,328 million (1,998). The currency translation effect from SEK/NOK and SEK/EUR had a positive impact on sales of SEK 82 million, 4.1 percent.

Operating profit (EBIT) for the full year amounted to SEK 135 million (162), and the operating margin was 5.8 percent (8.1). Adjusted operating profit increased to SEK 135 million (125), while the margin declined to 5.8 percent (6.3). The positive trend for adjusted earnings is primarily attributable to Germany, but the new establishments render lower margins. Higher pension expenses in Norway, SEK 15 million, also negatively impacted the margin.

From 1 August 2019, requirements for a higher staff density come into effect. The new rules will give rise to higher school voucher funding in municipalities where staffing is increased.
AcadeMedia estimates that the new regulation will result in a temporary earnings decline until school voucher funding is gradually raised in 2021–2022.

In addition, changes in actuarial assumptions will result in higher reported pension expenses in Norway next year. In total, the staffing requirement and pensions are expected to increase costs by around SEK 35 million net for the 2019/20 financial year.

AcadeMedia's three German operations all conducted their annual parent satisfaction surveys in the spring. The percentage of parents who would recommend our schools to others was 79 (-) percent for KTS, 88 (92) percent for Joki and 76 percent (61) for Stepke.

The results from AcadeMedia's Norwegian preschools indicate that the percentage of parents who would recommend their child's preschool remains at a high level and has increased since last year to 84.7 percent (83.9).

## Seasonal variations

AcadeMedia's four segments experience different seasonal variations. The three school segments have a stable seasonal variation, while the Adult Education segment is exposed to a less regular seasonal variation.

The first quarter of the Group's financial year includes the schools' summer holidays. During this period, when no operations are conducted, the Group's revenues are lower than in the other quarters. Staff costs are also lower since personnel are on holiday. This also applies to our Norwegian operations.

The salaries of the Group's employees are adjusted annually. The largest proportion of the Group's employees is made up of teaching staff, whose salaries are adjusted as of 1 September each year. After this date, personnel expenses increase without a corresponding increase in school voucher funding. This means that margins are usually lower in the second quarter of the financial year. School voucher funding is not adjusted until the end of the calendar year in Sweden, Norway and Germany. Consequently, revenues increase during the third and fourth quarters without any actual change in the cost structure. The fourth quarter is usually the strongest in terms of profit, partly for the above reason and partly because of decreases in direct costs, such as for food services, and the start of the holiday period, while revenues do not reduce at the same rate. Within the Preschool and

## New establishments – financial profile

AcadeMedia works with organic growth by opening new preschools and schools within its various segments. The new establishments within the various segments have different financial profiles, details of which are provided below. The fastest and most profitable growth is currently happening in Germany. The significant capacity shortage means that the preschools can operate at full capacity and break even within the first year of establishment. New establishments require limited investment, with the exception of Norway, and also require little or no working capital, because school voucher funding is paid by municipalities in advance.

The table below provides an overview of the financial profile for a new establishment in each segment. It should be noted that for preschools in Norway, a property is owned and built by AcadeMedia, which requires more capital and also means that the EBIT margin is necessarily higher to cover interest expenses.

| | COMPULSORY SCHOOLS | UPPER SECONDARY SCHOOLS | PRESCHOOLS SWEDEN | PRESCHOOLS NORWAY | PRESCHOOLS GERMANY |
|---|---|---|---|---|---|
| Start-up investment | SEK 5–8 million | SEK 2–3 million | SEK 1.5–2.0 million | NOK 38 million* | EUR 0.3–0.5 million |
| Break-even point | 4 years | 3 years | 2 years | 1 year | 1 year |
| Time until turning a profit | 5 years | 5 years | 3 years | 2 years | 2 years |
| Number of students when mature | 400–500 | 200–350 | 90–120 | 80–90 | 75 |
| Sales target | SEK 45 million | SEK 20–35 million | SEK 14–18 million | NOK 13 million | EUR 1.0–1.5 million |
| EBIT margin target | 12–13% (excluding allocated fixed costs) | 13–14% (excluding allocated fixed costs) | 12–13% (excluding allocated fixed costs) | ~15% (excluding allocated fixed costs and interest* ) | ~12% (excluding allocated fixed costs) |
| Rental agreement (contract length) | 5-15 years | 5-10 years | 5-10 years | 10-20 years | 15-30 years |
| New establishments 2019/20 | - | 4 units | 3 units | 2 units | 12–15 units |

*Espira owns its properties during an initial phase. The property investments are fully financed by loans with the Norwegian State Housing Bank.

Compulsory School segment, the positive effect in the fourth quarter is reinforced by the fact that children join on an ongoing basis during the year, especially in May and June, which increases revenues accordingly. In the spring, certain retractive compensation from municipalities may be paid because their accounts show higher expenses than had been budgeted for when calculating school voucher funding.

Seasonal variations are somewhat different for preschools in Norway, partly because of the Norwegian rules on staff density that require greater personnel density for younger children than for older children. At the beginning of autumn, the older children transfer to school and younger children come into the units. This leads to increased personnel to meet the staff density requirements. In January the next year the voucher levels increase.

The Adult Education segment does not experience recurring seasonal patterns in the same way as the school segments. Seasonal variation is influenced primarily by the contract portfolio and public spending. The number of working days or education days in the period may also have some effect. They are governed by factors such as holiday periods and major holidays (e.g. Christmas, New Year and Easter).

## Employees and quality

AcadeMedia's employees are its most important resource. The average number of full-time employees for the year was 12,405 (11,863), an increase of 4.6 percent. The proportion of women in Swedish operations was 67.5 percent (69.4) in the quarter. Employee turnover in Sweden, measured as the number of individuals who resigned, amounted to 22.6 percent accumulated over 12 months July–June, compared with 26.3 percent for the corresponding period the previous year. In Swedish school operations, pre-, compulsory and upper secondary schools, there is a positive trend with declining employee turnover. Meanwhile, in the Adult Education segment, employee turnover has increased following the recent contract transitions and staff cutbacks, negatively impacting the Group totals. Absence due to illness for AcadeMedia employees in Sweden (aggregated average short-term absence <90 days) decreased to 4.4 percent (4.8) for the full year.

Additional information about how AcadeMedia works with employee satisfaction can be found on pages 38–39.

One of AcadeMedia's most important objectives is for all students to achieve the goals of the educational programme. Quality management and achieved results are briefly described on pages 32–35 and in greater detail in AcadeMedia's quality report.

## Sustainability Report

Sustainability Report AcadeMedia's clearest contribution to a sustainable society is our core operation, education. Our employees' main task is to deliver robust education for all, which is also one of the UN's Sustainable Development Goals. We want to be a responsible employer, we work to reduce our carbon footprint and our firm focus on transparency responds to society's demands and objectives of private players operating in a public market.

We pursue our sustainability work within four focal areas: Learning, Employees, Environment and Transparency. During the 2018/19 financial year we developed and clarified our collective sustainability work and our way of reporting on this work. Sustainability work is integrated into our operations and is pursued to a great extent via our units. Governance in relation to sustainability work is conducted via a number of policies, of which the Code of Conduct is the overriding document, all of which are published on AcadeMedia's public employee web service. Group management are ultimately responsible for AcadeMedia's sustainability work. AcadeMedia's Sustainability Report can be found on pages 25–51 of this integrated Annual and Sustainability Report.

## Guidelines for remuneration of senior executives 2018/19

At the Annual General Meeting on 22 November 2018, shareholders resolved to adopt guidelines for remuneration of the Chief Executive Officer and other senior executives essentially in accordance with the following:

AcadeMedia shall offer a total remuneration package based on market norms in order to recruit and retain talented senior executives. Remuneration within AcadeMedia shall be based on the principles of performance, competitiveness and fairness.

Senior executives includes the CEO, as well as segment managers and support function managers included in Group management. These guidelines shall apply to employment contracts entered into, as well as to any changes made to existing terms. Remuneration of senior executives may consist of a base salary, variable remuneration, share and share-based incentive programmes, pensions and other benefits. If local conditions warrant variations in remuneration principles, such variations may occur.

### *Fixed and variable remuneration and other benefits*

Fixed remuneration shall reflect the individual's responsibilities and experience, and will be reviewed annually. Senior executives may be offered cash bonuses. Variable remuneration paid in cash may not exceed 50 percent of the annual fixed remuneration. Variable remunerations shall be connected to predetermined and measurable criteria, designed with the aim of promoting the company's long-term value creation. Note 6 in the financial statements reports remuneration paid during the 2018/19 financial year.

Senior executives may be awarded other customary benefits, such as a company car, company health care, etc. Such other benefits shall not constitute a substantial portion of the total remuneration. To the extent a Board member conducts work for the company, in addition to Board work, consulting fees and other compensation for such work may be payable.

### *Termination and severance pay*

Between the company and the Chief Executive Officer, the notice period shall be twelve months upon notice by the company. Upon notice being given by the Chief Executive Officer, the notice period is six months or, alternatively, twelve months if the Chief Executive Officer intends to take new employment in a company engaged in competitive activity. For other senior executives, notice periods of four to twelve months apply. During the notice period, normal salaries shall be paid. Upon notice by the company, the Chief Executive Officer shall be entitled to severance pay corresponding to twelve months' salary. Other senior executives may, upon being given notice by the company, be entitled to severance pay of up to twelve months' salary. Severance pay is not holiday or pension-qualifying income and is normally deductible against future employment income received during the period when severance pay is paid.

The Board of Directors is entitled to deviate from the guidelines in individual cases if the Board deems that there are good reasons for such deviation.

### *Pensions*

Pensions shall be defined contribution based where possible. For the Chief Executive Officer and other senior executives, the contribuition may amount to a maximum of 30 percent of the fixed salary in situations where a definied contribution based pension is applicable. The Board of Directors is entitled, notwithstanding the above, to offer other solutions which are equivalent to the above in terms of cost.

### *Proposal to the Annual General Meeting regarding guidelines for remuneration of senior executives for 2019/20*

The Annual General Meeting resolves on guidelines for remuneration to the CEO and other senior executives. The Board of Directors proposes that the current guidelines for remuneration of senior executives, as described above, be left unchanged for 2019/20.

'Senior executives' consist of the CEO, as well as segment managers and support function managers included in Group management.

### *Long-term incentive programmes*

Share and share-price related incentive programmes shall be decided, where appropriate, by the shareholders' meeting. During the 2018/19 financial year, a share-matching plan expired and a new convertible programme was launched. The rationale for the incentive programmes is to motivate and retain competent employees, align the participants' goals with those of the company, as well as to increase the motivation to meet and exceed the company's financial targets. At the end of the financial year, AcadeMedia had four long-term incentive programmes. The Board of Directors has evaluated the four incentive programmes with respect to these objectives and found that the programmes meet their purposes.

At the Extraordinary General Meeting of the company on 1 June 2016, the shareholders resolved to introduce two long-term incentive programmes in the form of a share-matching plan, aimed at a maximum of 70 managers and other key employees in the Group, and a warrant programme aimed at a maximum of eight senior executives who are invited to invest in this programme in addition to the investment in the share-matching plan. The share-matching plan for 2016 expired in the second quarter of 2018/19, and since all criteria for the programme were satisfied, 76,758 shares were allocated to managers at AcadeMedia.

At the Annual General Meeting on 24 November 2017, it was resolved that an additional new warrant programme and a new share-matching plan would be launched in the third quarter 2017/18. The programmes are aimed at senior executives in Group management and senior executives and key individuals in the Group.

At the Annual General Meeting on 22 November 2018, a decision was taken to issue convertible shares to AcadeMedia's employees following publication of the Q2 report. Convertible shares totalling SEK 20 million were issued on 15 March 2019.

In November 2018, principal owner Mellby Gård AB offered Group management cash-settled synthetic options. The principal owner's purpose in launching the programme is to promote the company's long-term development and earnings. AcadeMedia AB has not participated in the offer and the company will not be affected by any costs attributable to the offer. The programme will not lead to any dilution of AcadeMedia's shares.

A more detailed description of the incentive programmes is provided in Note 6.

## The Group's related party transactions

During the year, the members of AcadeMedia AB's Group management were offered the opportunity to acquire synthetic share options in AcadeMedia issued by the company's principal owner, Mellby Gård AB. AcadeMedia AB has not been involved in the transactions. The options have been acquired at a price deemed to correspond to the market value of the options.

Further descriptions of the Group's transactions with related parties are provided under Note 37.

## Authorisation

The 2018 Annual General Meeting authorised the Board of Directors to resolve to issue new shares corresponding to a dilution of a maximum of five percent. This authorisation was not exercised during the year.

## Parent company

The parent company AcadeMedia AB (publ) is listed on the stock market and has certain management functions such as the CEO and CFO. Sales during the financial year amounted to SEK 5 million (9). Operating earnings (EBIT) amounted to SEK -19 million (-19) and profit after tax totalled SEK 0 million (11). The parent company's assets essentially consist exclusively of participations in Group companies and Group receivables. Operations are financed by equity and bank loans. Equity in the parent company at 30 June 2019 was SEK 2,738 million (2,735). The parent company's current assets have increased compared to last year due to increased lending to Group companies in the cash pool. The parent company's interest-bearing liabilities at 30 June 2019 totalled SEK 1,357 million (94). The increase in relation to the previous year is because the Swedish debt was moved to the parent company in connection with signing a new loan agreement in July 2018.

Operations are conducted in individual subsidiaries, directly or indirectly, that are wholly owned by the parent company. At the end of the year, AcadeMedia had 144 (151) wholly owned subsidiaries, which are listed in Note 24. All education services are provided by subsidiaries owned under AcadeMedia AB, referred to below as the AcadeMedia Group.

**ACADEMEDIA'S 10 LARGEST SHAREHOLDERS AT 30 JUNE 2019**

| Name | Number of shares | Capital, % | Votes, % |
|---|---|---|---|
| Mellby Gård | 22,178,141 | 21.03% | 21.07% |
| Nordea Fonder | 8,251,012 | 7.82% | 7.84% |
| JP Morgan Asset Management | 5,542,832 | 5.26% | 5.27% |
| Fidelity International | 5,254,816 | 4.98% | 4.99% |
| Handelsbanken Fonder | 4,047,000 | 3.84% | 3.85% |
| Norron Fonder | 3,320,108 | 3.15% | 3.15% |
| Försäkringsbolaget PRI | 3,047,339 | 2.89% | 2.90% |
| Third National Swedish Pension Fund | 2,492,491 | 2.36% | 2.37% |
| Janus Henderson Investors | 2,299,660 | 2.18% | 2.19% |
| Swedbank Robur Fonder | 2,082,578 | 1.97% | 1.98% |

Source: Monitor av Modular Finance AB.

**NUMBER OF SHARES**

| | ORDINARY SHARES | CLASS C SHARES |
|---|---|---|
| Opening balance, shares 1 July 2018 | 105,138,885 | 325,000 |
| Conversion, 01/11/2018 | 76,758 | -76,758 |
| **Closing balance, shares 30 June 2019** | **105,215,643** | **248,242** |

### *Share capital and shareholders*

AcadeMedia AB (publ) is a public limited company that has been listed on Nasdaq Stockholm since 2016. At 30 June 2019, share capital was SEK 105,463,885 and the number of shares amounted to a total of 105,463,885, including 105,215,643 ordinary shares and 248,242 C-shares. The quota value is SEK 1.00 per share.

During the second quarter, AcadeMedia fulfilled its obligation in accordance with the share-matching plan launched in 2016 to senior managers at AcadeMedia. 76,758 C-shares were converted to ordinary shares and distributed to the managers who participated in the share-matching plan. As a result of the conversion, the number of votes has increased by 69,082, from 105,171,385 to 105,240,467. The total number of shares is unchanged.

The 2018 Annual General Meeting resolved on a private placement of convertibles (Convertible programme 2019/2023) to AcadeMedia's employees, primarily in Sweden. The convertible scheme was taken up by approximately 270 employees, with a total value of SEK 20 million, and will carry interest as of 15 March 2019.

Mellby Gård AB is the largest shareholder in AcadeMedia, with 21.0 percent of the shares at 30 June 2019.

## Dividend policy and proposal

AcadeMedia's main responsibility is to provide a good education for the reimbursement received. This must be done as effciently as possible. AcadeMedia's unrestricted cash fows will primarily be reinvested in the operations in order to maintain high quality and finance future growth. The surplus may be distributed to the shareholders, provided that AcadeMedia's targets relating to quality and financial position are met.

### *The Board of Directors' proposal to the AGM*

The Board proposes that the Group's income statement and balance sheet be presented to the Annual General Meeting on 26 November 2019 for adoption.

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 1.25 per share be paid for the 2018/19 financial year.

**AT THE DISPOSAL OF THE AGM**

| PARENT COMPANY | SEK |
|---|---|
| Retained earnings | 25,209,828 |
| Share premium reserve | 2,607,630,054 |
| Earnings for the year | -58,802 |
| **Amount to be carried forward** | **2,632,781,080** |

The Board of Directors proposes that retained earnings be appropriated as follows:

| | |
|---|---|
| Dividend to shareholders | 131,519,554 |
| Carried forward | 2,501,261,526 |
| **TOTAL** | **2,632,781,080** |

### *The Board of Directors' statement regarding the proposed dividend*

The Board hereby issues the following statement regarding the dividend proposal, in accordance with Chapter 18, Section 4 of the Swedish Companies Act. The company's available profit at 30 June 2019 amounts to SEK 2,632,839,882 and earnings for the year amount to SEK -58,802. A profit of SEK 2,632,781,080 is therefore at the disposal of the AGM before the decision regarding a dividend for the 2018/2019 financial year. Provided that the 2019 AGM resolves in accordance with the Board's proposal on the appropriation of profits, SEK 2,501,261,526 will be carried forward. Full coverage is available for the company's restricted equity following the proposed appropriation of profit.

Regarding the proposed dividend, the Board has taken into account the consolidation requirements and liquidity of the company and the Group through a comprehensive assessment of the financial position of the company and the Group, and the ability of the company and the Group to fulfil their commitments in the long term. The proposed dividend and Group contributions paid to subsidiaries do not jeopardise the company's ability to make the investments deemed necessary. The company's financial position does not give rise to any other conclusion than that the company is able to continue operating, and that the company is expected to fulfil its obligations in the short and long term. In addition to the assessment of the company's consolidation requirements and liquidity, the Board of Directors also took into account all other known circumstances that may have significance for the financial position of the company. With reference to the above, the Board of Directors considers that the proposed dividend is justifiable considering the requirements which the type of operations, size and risks of the company and the Group place on the size of the company and the Group's equity, consolidation requirements, liquidity and position in general.

## Outlook and financial targets

### *Market outlook*

There is a considerable need for new preschool places in parts of Europe. AcadeMedia estimates that there is currently a shortage of more than 1.2 million preschool places in Europe. Germany, where AcadeMedia currently runs 38 preschools, has a shortage of more than 350,000 preschool places, with the greatest need in regions such as Nordrhein-Westfalen, Bavaria, and Baden Württemberg. These three regions alone have a shortage of around 200,000 preschool places. The shortage of preschool places is a major problem for society when young people, especially women, struggle to be able to maintain their professional lives while starting a family. Political decisions in Germany are promoting preschool places for all. Free preschool is being introduced in several of Germany's federal states in 2019.

The market for adult education has shifted over the past financial year. For the segment's total portfolio, this has meant that labour market training programmes have declined, while adult education provided by the municipalities (including Swedish for Immigrants) and higher vocational education have increased both relatively and in real terms. The underlying market for adult education is good. Demand for qualified labour is rising among companies, leading to a greater need for training in new skills. This benefits both higher vocational education and adult education provided by municipalities. In the long term, AcadeMedia holds a strong position on an attractive adult education market.

In September 2019, the Centre Party, the Liberals and the Social Democrats agreed to introduce a ten-year elementary school, eliminating the preschool class. Pending Parliamentary approval, this will take place some years in future.

A more detailed description of the market can be found on pages 12–13.

### *Financial targets*

AcadeMedia's financial targets remain unchanged compared with previous years. AcadeMedia's overall goal is to deliver the best educational quality in the areas where the Group operates. AcadeMedia intends to grow organically by using the available spare capacity in existing units and by launching new units. AcadeMedia also intends to continue to grow by taking over education units and to continue the consolidation of the market through acquisitions. AcadeMedia's growth target for the Group's net sales is to grow by 5 to 7 percent annually, excluding larger acquisitions. AcadeMedia's proftability target for operating proft (EBIT) excluding non-recurring items shall amount to 7–8 percent of net sales over time.

With respect to indebtedness, AcadeMedia's target is to have an interest-bearing net debt in relation to operating proft before depreciation and amortization (EBITDA) excluding non-recurring items with a maximum factor of three. During brief periods, however, there may be deviation from this target, for example in connection with larger acquisitions.

The Board of Directors is of the opinion that the financial position is stable and that other objectives have been met. The Board of Directors therefore proposes an ordinary dividend of SEK 1.25 per share (0) for the 2018/19 financial year. This corresponds to SEK 131 million (0), 31 percent (0) of profit for the year.

Due to the new accounting regulation for leases, IFRS 16, AcadeMedia will be reviewing its financial targets during the forthcoming 2019/20 financial year. See Note 39 on page 117 for further information about the effect of IFRS 16 on the financial statements."

## Significant events after the end of the financial year

- In September 2019 it was announced that Katarina Wilson will be AcadeMedia's new CFO as of November 1st 2019. Eola Änggård Runsten, who has been CFO since 2013, has decided to leave the company.
- In October 2019 the number of children and students at AcadeMedia's preschools, compulsory schools and upper secondary schools for the autumn 2019 were communicated. The growth amounted to 3.4 percent organically.

## Annual General Meeting

The Annual General Meeting will be held on 26 November 2019 at 2:00 pm at Näringslivets Hus, Storgatan 19, Stockholm, Sweden.

# Risk and risk management

Exposure to risk is a natural part of business, which is why AcadeMedia has a risk management plan. The focus is on identifying risks, preventing risks and preparing action plans that will make it possible to limit any damage that these risks may cause.

Many risks can be eliminated through internal procedures, while various policies, action plans and training can be used to minimise others, which to a greater extent are beyond the control of the company. Operating risks are the most significant risks for AcadeMedia.

AcadeMedia categorises risks as operating, external and financial. Operating risks include variations in demand and student enrolment, risks relating to the supply of qualified employees and payroll expenses, access to attractive premises, risks relating to quality deficiencies, contractual compliance within adult education, AcadeMedia's reputation and brand, permits, and liability and property risks.

External risks include risks relating to school voucher funding and the economy, political risks, changes in laws and regulations, and dependence on national authorities in the education sector. Political risks may, for example, consist of changes to regulatory requirements imposed on operations, such as staff density or various forms of profit or dividend restriction. A common denominator for the various political proposals is that the processes are often drawn-out, and proposals must be formulated so they are legally feasible and must also pass a parliamentary vote in the respective country.

In addition, there are also financial risks such as credit and currency risks, see Note 28.

From a sustainability perspective, it is primarily risks related to the supply of qualified employees and risks related to premises that are the most significant. How we manage these risks is an important aspect of our stakeholder engagement. In our Sustainability Report on pages 25–51, we give details of our key stakeholders and our dialogue with them.

The most important risks in each category are described below.

## Operating risk

### *Fluctuations in demand and student enrolment*

Demand for education services follows demographic factors and the major trends in society and within the educational system. A growing population, society's desire for increased investment in education services, combined with the public's positive attitude towards freedom of choice in education and independent education providers drive demand for education services from independent providers. This has led to an increasing number of students turning to independent education providers in the countries in which we operate, and to AcadeMedia's schools.

AcadeMedia competes with both public and other private and voluntary education providers. Competition is often highly concentrated to the local area and can increase as new schools/providers get established. A decline in the Group's reputation and attractiveness could cause lower student and participant enrolment, which would affect sales, while low capacity utilisation would affect margins and profitability. AcadeMedia generally has a good reputation and works systematically with quality control and operational development in all segments and operations.

A decline in demand for the Group's education services and student enrolment could have a negative impact on the Group's business, financial position and earnings.

### *Risk related to the supply of qualified employees and payroll costs*

AcadeMedia's operations are labour-intensive, and in 2018/19 personnel expenses accounted for 67 (64) percent of the cost base. Well-educated employees (including senior management, teachers, preschool teachers and other staff) are a critical success factor in order to be able to offer outstanding teaching, as well as to have the relevant permits in AcadeMedia's operations. Access to qualified personnel is a challenge for the industry as a whole in all the countries in which AcadeMedia operates.

In Sweden, increased qualification requirements for teachers, combined with a general teacher shortage and political pressure, has forced teachers' salaries upward. Salary increases, partly negotiated at central level, with or without limited influence from AcadeMedia, may entail increased costs. According to Swedish and Norwegian law, equal terms must apply for independent and municipal providers, and increased costs in general in the industry should not affect AcadeMedia in the long term. However, the application of equal terms and transparency from municipalities is, at times, inadequate. There is no guarantee that any salary increases immediately, or in general, will be compensated by a corresponding increase in school voucher funding.

The German preschool market is in the process of being established and demand for preschool places significantly outstrips supply. There is currently a shortage of qualified employees, which is essential for expansion. AcadeMedia is working actively to create positive workplaces in order to be an attractive employer.

AcadeMedia has highly skilled employees and promotes continuous professional development. However, there is always a risk that individual employees might not perform in accordance with the Group's quality standards and internal guidelines. AcadeMedia carefully monitors trends within operations and has the capacity to efficiently manage employee development.

Because of the Group's decentralised business structure, AcadeMedia is dependent on business segment heads, education directors and principals of the various operations to ensure that employee performance is in line with requirements and internal guidelines.

It is extremely important for AcadeMedia to have good relations with its employees. As in all businesses, however, regular conflicts and discussions in this collaboration may arise and there is a risk that disputes and disagreements may arise in the future, which could result in strikes or other disruption.

Teacher shortages and increased payroll costs can have a negative impact on the Group's operations, financial position and earnings.

### *Risk related to access to premises*

AcadeMedia's operations are primarily conducted in rented premises. A prerequisite for attractiveness, growth and continual operation is access to good premises in attractive locations. Mobility in students and adult participants increases with age. Preschools are dependent on the demography of the surrounding area, while upper secondary programmes in central city locations are perceived as more attractive by students. The current urbanisation trend means access to central locations is harder, which can limit opportunities for expansion.

Access and costs relating to rented premises are linked to the general economic climate. Both public and other independent providers operate in the same market when it comes to access to and cost of premises. According to Swedish and Norwegian law, equal terms must apply for independent and municipal providers, and increased costs in general in the industry should not affect AcadeMedia in the long term. However, the application of the equal terms principle and transparency from municipalities is, at times, inadequate. There is no guarantee that any increases in costs related to premises immediately, or in general, will be compensated by a corresponding increase in school voucher funding.

A shortage of premises and increased costs relating to premises can have a negative impact on the Group's operations, financial position and earnings.

### *Risk related to lease obligations*

AcadeMedia's operations are primarily conducted in rented premises. To assure the use of premises, leases are entered into. The length of the lease is determined by the type of business conducted, stability of the underlying business and the degree of adaptation that is required, as well as to a certain extent the location of the premises and any alternative use. Adult education activities have the shortest lease terms, since the business is unpredictable and the lease term is in many cases related to the length of the contract procured. In school activities, lease terms are generally longer, since the business is stable and is intended to be performed over a longer period. In the cases of preschool and compulsory school, the premises may need to be tailored to the activity and longer lease terms may then be required. In the cities, longer terms may be contracted since the demand for school activities and alternative use is high and as a result the risk is lower.

Longer lease terms offer stability for our activities, since in that case they avoid the need to relocate. At the same time, the leases represent a risk if volumes decline and capacity utilisation deteriorates, in that the costs are fixed. Rental costs are the second highest cost item, representing between 10 and 20 percent of a school's cost base, depending on the size of the rent. This means that efficient use of premises and high capacity utilisation are important in terms of enabling the businesses to maintain a healthy margin. At lower volumes, lease obligations result in limitations to the capability of the business to adapt, and if a lease has to be terminated prematurely the remainder of the lease term may have to be bought out. AcadeMedia operates many schools and there are cases where volume losses at individual schools lead to closure and costs arising from lease obligations. The aggregated lease undertakings for the Group are shown in Note 39 on page 117.

Lease obligations may have a negative impact on the Group's business, financial position and earnings if they require adjustment or are terminated prematurely.

### *Risk related to quality deficiencies or inadequate contractual compliance*

The education services that the Group provides are audited and inspected by the Schools Inspectorate in Sweden, municipalities in respective countries and other purchasers with which the company enters into a contract. AcadeMedia continually monitors operations to ensure that they live up to the Group's high legal and contractual standards. Inadequate external control activities may lead to penalties, fines or other consequences, as well as negative publicity, which would reduce the attractiveness of the Group's education services. AcadeMedia has many education units and individual units may occasionally suffer from quality and/or reputation problems. This can result in a loss of students and the need for extra resources, which has a negative impact on the profitability of the unit. Problems at an individual unit have a limited impact on the Group's sales and earnings.

### *AcadeMedia's reputation and brand*

School and education have an influence on people's futures, and there is a strong commitment and interest from students, parents, authorities, the media and other stakeholders. Dissatisfaction with schools or regulation breaches can mean that individual schools are inspected by authorities, resulting in injunctions or fines. Violations of rules or perceived grievances can also be rapidly disseminated in the media and lead to negative publicity, which could also damage the reputation of individual schools and the brand, making it harder to attract new students. AcadeMedia is well-prepared to act quickly and forcefully and address any media-related risks. The Group's quality control reduces the risk of reputation-related crises on a large scale.

Negative publicity resulting from grievances aimed at other private education providers could indirectly affect AcadeMedia because of the negative impact on the reputation of independent educational institutions in general, and both the authorities and the public would be less willing to allow or use independently managed education services.

### *Permits*

The Group has permits to run preschools in Sweden, Norway and Germany, as well as compulsory schools and upper secondary schools in Sweden.

The Schools Inspectorate in Sweden is the authority that issues permits for opening new compulsory and upper secondary schools in Sweden. There is an extensive regulatory framework for issuing permits. The application process is time-consuming and associated with costs and fees. Permits to run preschools in Sweden, Norway and Germany are issued by the respective municipality.

The Schools Inspectorate in Sweden is also the supervisory authority for compulsory and upper secondary schools, and regularly inspects the Group's various Swedish units. Completed school inspections may lead to injunctions requiring corrective actions. Injunctions must be remedied within the time period allotted by the Schools Inspectorate. If the schools fail to follow the instructions given by the Schools Inspectorate, penalties may be imposed or the permit to provide education services could be revoked. For preschools in Sweden, Norway and Germany, municipalities can similarly issue injunctions and revoke permits if laws and regulations are not complied with. Responsibility for compliance with the authority's requirements rests with the provider. In AcadeMedia's case, different subsidiaries are providers for the units for which they have permits. The practical work of ensuring compliance with legal requirements is delegated to the principal, or similar. Coordination is done at Group and provider level in order to develop and ensure regulatory compliance.

In adult education, conditions and quality requirements for the education programme are regulated by the contract the company has with the Public Employment Service, municipality, or by the permit from the Swedish National Agency for Higher Vocational Education. Parts of adult education (e.g. Swedish for Immigrants) must also comply with the Swedish Education Act.

### *Liability and property risk*

Any errors and deficiencies in operations could lead to claims for damages. Damage to owned or rented property can also incur direct costs and indirect costs relating to shutdowns. The Group has a centrally coordinated insurance policy and external insurance advisors. The Group has adequate insurance coverage and the direct risk is therefore assessed to be limited.

## External risk

### *Risk related to school voucher funding and the economy*

Most of AcadeMedia's revenue comes from public funds. Access to these funds depends on the priorities of society and of the general economic situation in Sweden, Norway, Germany and the rest of the world. A deep and prolonged recession could mean lower tax revenues and thus reduced potential for using public funds to finance the current education system. This, along with other changes in education budgets and grants in each municipality, could lead to lower reimbursement per student, which would negatively impact the entire market, including AcadeMedia.

A limited portion of revenue from preschools in Sweden, Norway and so far to a somewhat greater extent in Germany, as well as before-school and after-school care in compulsory school in Sweden, is covered by revenue from parents, which could also be adversely affected by a general economic downturn.

State subsidies constitute an increasing proportion of revenue since the Swedish central government engages in various initiatives regarding schools. In 2018/19, AcadeMedia received total state subsidies of SEK 343 million (302), see Note 8. The rules and allocation principles for these subsidies are sometimes uncertain. State subsidies can be withdrawn if the terms of the subsidy are not met. State subsidies can also be terminated if a future government sets other priorities in the government budget.

### *Political risk*

Publicly funded independent schools in Sweden and Norway have been, and continue to be, subject to significant scrutiny by authorities and the media, among others. Possible future legislation in Sweden, Norway or Germany restricting independent education providers' opportunities for establishment, operations, cost recovery and/or profit generation could have a material adverse effect on the Group's ability to conduct business and thereby adversely affect the Group's financial position and earnings. On 7 June 2018, the Swedish Riksdag rejected the proposal to limit profits for Swedish welfare companies as set forth in the Reepalu Investigation. The risk of new proposals to limit profits in the near future is deemed to be low. The Riksdag passed a proposal requiring expanded reviews of owners and management of welfare companies, but it is unclear whether this may have any negative impact on AcadeMedia. The Swedish Government Offices are currently reviewing a bill requiring the principle of public access to apply to independent schools as well. If this is passed, it will have a significant impact on AcadeMedia in Sweden, including a greater administrative burden and increased administrative costs.

In Norway, the political debate on private preschools has intensified and staffing regulations have been adjusted.

| RISK CATEGORY | DESCRIPTION | MANAGEMENT |
|---|---|---|
| **Operating risk** | Operating risks mainly include variations in demand and student enrolment, risk relating to the supply of qualified employees and payroll expenses, risk relating to quality deficiencies, AcadeMedia's reputation and brand, access to premises, permits, and liability and property risk. | Systematic quality monitoring and improvement in all segments and activities to ensure a high-quality education. This will also help AcadeMedia become an attractive employer.<br>Proactive property department working with local establishment. |
| **External risk** | External risks include risks relating to school voucher funding and the economy, political risks, changes in laws and regulations, and dependence on national authorities in the education sector. | These risks are primarily managed using business intelligence and well-prepared action plans. |
| **Financial risk** | Financial risks such as credit, interest and currency risks. | AcadeMedia has a positive cash flow and a net debt/EBIDTA ratio of <3xx. The school system model with payment in advance means that the business has a negative working capital. Regular liquidity forecasts and financial monitoring mean that the financial risk is limited and effectively managed. |

### *Changes to laws and regulations*

AcadeMedia operates in a highly regulated market in all countries in which the company operates. Violations of laws and regulations may result in restrictions, increased operating costs or increased costs due to fines or other penalties. In addition, the Group's counter-parties may be given the right to terminate or amend contracts entered into with the Group.

The political, economic and regulatory environment is changing and political factors and/or policy decisions could have a negative impact on the Group's profitability.

AcadeMedia depends on national authorities in the education sector.

Norway has implemented legislation that will regulate staff density in all municipal and independent preschools. We are of the opinion that larger providers such as AcadeMedia will not derive satisfactory compensation during the two-year transition period until school voucher funding reflects the new cost levels.

The Group's operations are dependent on a variety of reimbursement systems and pricing decisions which are determined by local, regional and national authorities. By law, the same conditions shall apply in Sweden and Norway to operations conducted by municipalities and operations conducted by independent operators. However, the pricing procedure exercised by municipalities varies considerably, both between different municipalities and over time. Prices are based on municipal budgets in Sweden and Norway, based on the municipalities' results from two years previously plus indexation. The total cost is divided by student enrolment and is thus also affected by capacity utilisation in the municipalities. Prices can both increase and decrease from year to year for a specific municipality.

There is also a risk that general cost increases, such as increased costs for rent and higher teacher salaries, are not immediately taken into account in public reimbursement to independent education providers. Consequently, AcadeMedia could incur significantly higher costs, but not always expect to be compensated when such costs arise, but at a later stage through, for example, school voucher funding or retrospective reimbursement.

## Financial risk

### *Credit risk*

Operations have a positive cash flow and the school system model with payment in advance means that the business has a negative working capital. The Group's operating assets include accounts receivable, prepaid expenses and accrued income. Bad debt losses may arise if the customer is unable to pay. The Group's receivables are almost exclusively due from central government, municipalities and authorities, where the risk of insolvency is small, for which reason AcadeMedia's credit risk is considered low. Municipalities currently pay school vouchers in advance on a monthly basis. There is a risk that municipalities will change this payment model, which would adversely affect AcadeMedia's working capital. However, this would severely affect small independent providers and perhaps make it impossible for small preschools to maintain liquidity. Consequently AcadeMedia considers this risk to be limited.

### *Risk related to loans*

The Group has external loans from Nordic credit institutions. In addition, the Group has finance leases. These loans pose financial risks such as breach of special loan conditions ("covenants"), interest rate obligations and repayment obligations to credit institutions. In terms of interest rate risk, the Group's operating loans carry six months' IBOR (the IBOR applied depends on the currency in which the borrowing is raised, according to the agreement). See Note 34 for further information about the Group's loans.

The business's healthy cash flow, regular liquidity forecasts and quarterly reconciliations with credit institutions effectively manage and limit the financial risk.

### *Currency risk*

Operations are mainly conducted in Sweden and income and expense flows are therefore mostly denominated in Swedish currency. Some of the Group's assets, liabilities, revenue and expenses are denominated in currencies other than SEK, primarily in NOK and EUR with respect to the Group's Norwegian and German operations. Sales denominated in NOK account for 16 percent and sales denominated in EUR account for 4 percent of the Group's total sales. Operations in Norway and Germany have revenues and costs denominated in local currency, so there is no currency risk. The financial statements of the Norwegian and German subsidiaries must be translated into SEK when preparing the Group's accounts, and there is a certain currency translation risk.

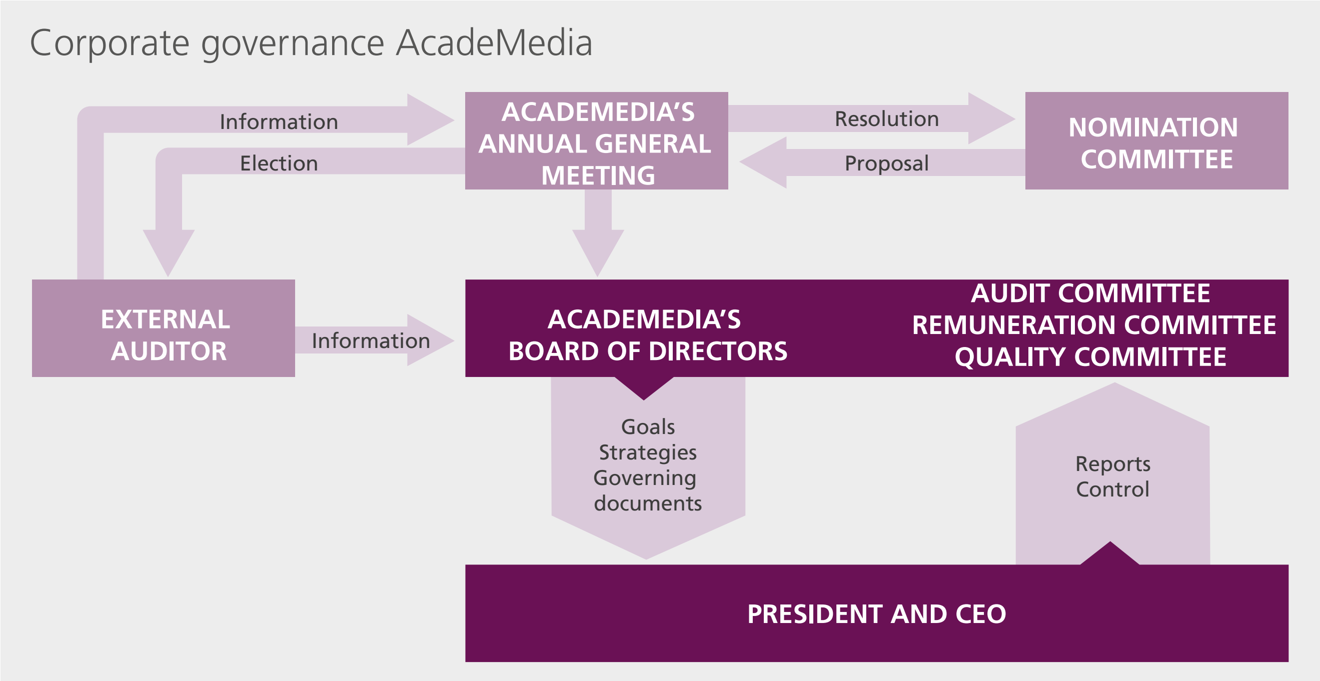
## Sensitivity analysis

A number of important factors that affect the Group's earnings are presented below in a sensitivity analysis. The estimated effect of the changes is based on the Group's results for the 2018/19 financial year and assumes for each individual factor that all other factors are unchanged. The sensitivity analysis illustrates the effects on the Group's earnings as if the changes had occurred during the 2018/19 financial year, but are not a forecast of future effects on results. The table below shows the effect on EBIT from the standpoint of each factor. Sensitivity regarding Equity corresponds to the EBIT effect less taxes.

| FACTOR | CHANGE | EFFECT |
|---|---|---|
| Student enrolment in the three school segments | +/- 1% | +/- SEK 100 million on sales and +/- SEK 35–65 million on operating profit (EBIT)* |
| Average personnel expense per employee | +/- 1% | -/+ SEK 70 million on operating profit (EBIT) |
| Average student voucher (all countries) | +/- 1% | +/- SEK 100 million on sales and operating profit (EBIT) |
| Interest change Group loans** | + 1 percentage point | - SEK 30 million on profit after financial items |
| Exchange-rate fluctuations NOK/SEK | +/- 10% | +/- SEK 190 million on sales and +/- SEK 11 million on operating profit (EBIT) |
| Exchange-rate fluctuations EUR/SEK | +/- 10% | +/- SEK 40 million on sales and +/- SEK 2 million on operating profit (EBIT) |

*) The effect on operating profit depends entirely on where the volume change occurs, whether it is spread or concentrated.
**) Since the Group's major loan agreements have a zero-interest rate floor, the Group's interest expenses will not benefit from further interest rate cuts.

# Corporate Governance Report




**EXTERNAL GOVERNING DOCUMENTS**
- Swedish Companies Act
- Swedish Annual Accounts Act
- Other relevant laws
- Nasdaq Stockholm's rules for issuers of shares
- Swedish Code of Corporate Governance

**INTERNAL GOVERNING DOCUMENTS**
- AcadeMedia's articles of association
- Rules of procedure, instructions for the board of directors/CEO
- Values and culture
- Codes of conduct
- Policies and guidelines

AcadeMedia AB (publ) is a public limited company whose shares were listed on 15 June 2016 on Nasdaq Stockholm's list for Mid Cap companies. AcadeMedia complies with Nasdaq Stockholm's rules for issuers of shares and the Swedish Code of Corporate Governance (the "Code"), which applies to all Swedish companies whose shares are listed on a regulated stock market in Sweden.

## Corporate governance at AcadeMedia

The purpose of corporate governance at AcadeMedia is to ensure that the Board of Directors and management act so that the company's operations focus on development to create long-term value for shareholders and other stakeholders, such as students, employees and customers. This includes ensuring:

- an efficient organisation,
- quality management, risk management and internal control systems; and
- transparent internal and external reporting.

The structure of corporate governance at AcadeMedia is shown in the above illustration

Responsibility for governance, management and control is allocated between shareholders, the Board of Directors, its elected committees and the Chief Executive Officer. The external framework includes the Swedish Companies Act and Nasdaq Stockholm's rules for issuers of shares and the Swedish Code of Corporate Governance (the "Code"), as well as other relevant Swedish and foreign laws and regulations (such as the Education Act). This Corporate Governance Report was prepared in accordance with the Swedish Annual Accounts Act.

In addition, there are internal control instruments such as the articles of association, rules of procedure for the Board, guidelines for the composition of the Nomination Committee, instructions to Board committees, instructions to the Chief Executive Officer, authorisation arrangements, financial policy, communication policy, inside information policy, ethical guidelines, property policy and guidelines for remuneration of senior executives. Some of these documents can be found on AcadeMedia's website. All policy documents are available on AcadeMedia's intranet for employees.

## Deviations from the Corporate Governance Code

During the 2018/19 financial year one deviation from the Code occurred, regarding rule 9.7, under which AcadeMedia reports a deviation with respect to the share-matching plan and the warrant programme that was launched in 2016 and is described below in the sections entitled 'Share capital and shareholders' and 'Long-term incentive programmes'. The deviation consists of the fact that the vesting period for the programmes is less than three years. The intention is that the vesting period in the company's long-term incentive programmes is to run from the first quarter report of the financial year to the corresponding report three years later. Because the current programmes, which were launched in 2016, were adopted in connection with the company's listing on Nasdaq Stockholm in June 2016, the vesting period for this year's programme is slightly shorter. The share-matching plan that was launched in 2016 expired in the second quarter of 2018/19.

AcadeMedia includes qualitative criteria when determining the quality goals in share-matching plans for senior managers, which represents a deviation from the Code. Achieved quality goals are measured extensively with several different quantitative measurements from school unit level up to Group level, and are described in detail in AcadeMedia's annual quality report and on the company's website. AcadeMedia's Board of Directors has determined that it is also appropriate to evaluate whether management has used good judgement in its quality improvement work. This is important to ensure that operations develop in a way that is beneficial for the students and sustainable in the long term, for the company.

In this way the Board of Directors has the opportunity to deny allocation of matching shares if it has determined that management has failed to exercise good judgement and, for example, prioritised profit over quality.

## Shareholders' meeting

The shareholders' meeting is AcadeMedia's highest decision-making body. At the shareholders' meeting, shareholders exercise their voting rights on key issues, such as the adoption of income statements and balance sheets, appropriation of the company's profit, discharge from liability of members of the Board of Directors and the Chief Executive Officer, election of members of the Board of Directors and auditor, as well as remuneration of Board members and the auditor. Amendments to the articles of association are also decided by the shareholders' meeting. The Annual General Meeting of shareholders must be held within six months of the end of the financial year. AcadeMedia's Annual General Meeting will be held on 26 November 2019. In addition to the Annual General Meeting, an Extraordinary General Meeting may also be convened. According to the articles of association, shareholders' meetings are convened by publication of the convening notice in the Swedish National Gazette (Sw. Post och Inrikes Tidningar) and by making the notice available on the company's website. At the time of the notice, information regarding the notice shall be published in Dagens Industri.

### *Right to participate in shareholders' meetings*

Shareholders who wish to participate in a shareholders' meeting must be included in the shareholders' register maintained by Euroclear Sweden on the day occurring five business days prior to the meeting, and notify the company of their participation no later than on the date indicated in the notice convening the meeting. Shareholders may attend shareholders' meetings in person or by proxy and may be accompanied by a maximum of two advisors. Shareholders may register for the shareholders' meeting in several different ways, as indicated in the notice convening the meeting. Shareholders are entitled to vote for all shares in the company held by the shareholder.

### *Shareholder initiatives*

Shareholders who wish to have a matter brought before the shareholders' meeting must submit a written request to the Board of Directors. Such requests must be received by the Board of Directors well in advance of the shareholders' meeting, in accordance with the information provided on the company's website in conjunction with the announcement of the time and place of the shareholders' meeting.

### *Nomination Committee*

In compliance with the Code, AcadeMedia has a Nomination Committee tasked with preparing proposals for the shareholders' meeting regarding the election of Board members and auditors.

According to a resolution from the Annual General Meeting of the company on 22 November 2018, AcadeMedia's Nomination Committee shall comprise the Chairman of the Board and one representative of each of the three largest shareholders and that can be determined from Euroclear's shareholder register based on their holding in the company at the end of the financial year's third quarter. Consequently, AcadeMedia's Nomination Committee consists of:

Rune Andersson, Mellby Gård Limited, 21.1 percent of votes at the end of the third quarter.

Erik Durhan, Nordea Fonder, 8.8 percent of votes at the end of the third quarter.

Malin Björkmo, Handelsbanken Fonder, 3.4 percent of votes at the end of the third quarter.

Anders Bülow, Chairman of the Board, is co-opted.

Rune Andersson is chairman of the Nomination Committee.

### *Shareholders*

The largest shareholders and their holdings are set out both in the Business Overview on page 52, and in the section on the AcadeMedia share on pages 126-127.

## Board of Directors

### *Composition of the Board of Directors*

According to AcadeMedia's articles of association the Board of Directors, to the extent that it is elected by the shareholders' meeting, shall consist of at least three members and a maximum of ten members. The company's Board of Directors currently consists of seven members, including the Chairman, elected by the shareholders' meeting for the period until the AGM in 2019. Labour organisations are entitled by law to appoint employee representatives to the Board with the same rights and duties as other Board members. The Swedish Teachers' Union and the National Union of Teachers in Sweden appointed a total of two members and two deputies to serve on the Board of Directors. The list below shows AcadeMedia's Board members, when they were first elected to the Board and whether the elected members are independent of the company, executive management and/or the principal owner. The composition of the Board of Directors of AcadeMedia meets the requirements for independent board members. None of the members of Group management have significant shareholdings or partnerships in companies with which the company has significant business relationships.

Anders Bülow has been AcadeMedia's Chairman of the Board since 2017. The Chairman is elected by the Annual General Meeting, leads the Board, and ensures that it is both efficient and well organised.

### *Authorisation*

The 2018 Annual General Meeting authorised the Board of Directors to resolve to issue new shares corresponding to a dilution of a maximum of five percent.

### *Division of work*

The Board follows written rules of procedures that are reviewed annually and adopted at the statutory Board meeting each year. The rules of procedure regulate Board practices, functions and breakdown of duties between Board members and the Chief Executive Officer, as well as between the Board and its various

**BOARD OF DIRECTORS IN 2018/19, POSITION AND INDEPENDENCE**

| BOARD OF DIRECTORS | | | Independent of | |
|---|---|---|---|---|
| Member | Elected | Position | The company and executive management | The company's major shareholders |
| Anders Bülow | 2016 | Chairman of the board | Yes | No |
| Silvija Seres | 2015 | Board member | Yes | Yes |
| Johan Andersson | 2017 | Board member | Yes | No |
| Pia Rudengren | 2017 | Board member | Yes | Yes |
| Anki Bystedt | 2017 | Board member | Yes | Yes |
| Thomas Berglund | 2017 | Board member | Yes | Yes |
| Håkan Sörman | 2017 | Board member | Yes | Yes |
| Peter Milton* | February 2016 | Employee representative | – | – |
| Anders Lövgren | February 2016 | Employee representative | – | – |
| Fredrik Astin* | February 2016 | Deputy employee representative | – | – |
| Pernilla Larsson | November 2016 | Deputy employee representative | – | – |

*Peter Milton resigned ahead of the start of the autumn semester 2019. In connection, Fredrik Astin will be the new employee representative and Sofia Lundström will take up the position of new deputy employee representative.

**BOARD ATTENDANCE DURING THE 2018/19 FINANCIAL YEAR**

| Member | Audit Committee | Remuneration Committee | Board meeting attendance[1] | Quality Committee |
|---|---|---|---|---|
| Anders Bülow | 5 (5) | – | 8 (8) | – |
| Silvija Seres | – | 6 (6) | 8 (8) | 6 (7) |
| Johan Andersson[1] | 2 (3) | 6 (6) | 7 (8) | 3 (3) |
| Pia Rudengren | 5 (5) | – | 7 (8) | – |
| Anki Bystedt | – | – | 8 (8) | 7 (7) |
| Thomas Berglund | – | 5 (6) | 6 (8) | 7 (7) |
| Håkan Sörman | 2 (2) | – | 8 (8) | 4 (4) |
| Peter Milton | – | – | 8 (8) | – |
| Anders Lövgren | – | – | 8 (8) | 7 (7) |
| Fredrik Astin | – | – | 6 (8) | 5 (7) |
| Pernilla Larsson | – | – | 8 (8) | – |

[1] At the 2018 Annual General Meeting, Johan Andersson took over from Håkan Sörman as a member of the Audit Committee and Håkan took up Johan's seat on the Quality Committee. It is for this reason that neither of them have attended all meetings during the financial year.

committees. In connection with the statutory Board meeting following each Annual General Meeting, the Board also adopts the instructions to the Chief Executive Officer, including instructions for financial reporting.

The Board meets annually according to a fixed schedule. In addition to these Board meetings, additional meetings may be convened to deal with issues that cannot be referred to a regular Board meeting. In addition to Board meetings, the Chairman and the Chief Executive Officer conduct a continuous dialogue concerning management of the company.

## The Board's work during the 2018/19 financial year

During the financial year, the Board held eight meetings at which the minutes were recorded. Board member attendance can be seen in the accompanying table. The function of secretary at the Board meetings has been performed by Eola Änggård Runsten, also AcadeMedia's CFO, legal counsel Lars Paulsson, or Chief Legal Officer Jonas Nordström. Before the meetings, Board members received written information on the issues to be discussed at the meeting.

During the year, the Board has devoted its time to following up the Group and segments' performance, quality issues, financial management and financial reporting. Furthermore, time has been spent on analysing the German market and the growth strategy going forward, property strategy and decisions regarding property matters, development of the preschool portfolio in Sweden, development of regulatory framework in Norway, decisions on acquisitions, divestments and new establishments, and organisational changes.

The Board has been working actively with management on various strategic issues and each year devotes an extended Board meeting to a review of the company's strategy.

### *Audit Committee*

AcadeMedia's Board of Directors has established an Audit Committee comprising three members. At the statutory Board meeting after the 2018 AGM, the following members were chosen: Pia Rudengren (chair), Anders Bülow och Johan Andersson. Håkan Sörman, who was elected in autumn 2017, therefore stepped down from the Audit Committee after two meetings during the financial year. The Audit Committee shall, among other things, without prejudice to the responsibilities and tasks of the Board of Directors, monitor the company's financial reporting, monitor the efficiency of the company's internal control, internal auditing and risk management, keep itself informed of the auditing of the annual report and the consolidated accounts, review and monitor the impartiality and independence of the auditor, keep itself informed of the result of the Swedish Inspectorate of Auditors' quality control of the company's auditor and pay close attention to whether the auditors are providing the company with other services besides audit services. The committee is also tasked with evaluating the audit work and providing this information to the Nomination Committee, as well as assisting the Nomination Committee in the preparation of proposals regarding election of auditors and auditors' fees.

During the year, the Audit Committee addressed a number of issues that were specific to this financial year. These included IFRS 16, Norwegian pension assumptions, follow-up of acquisitions and new establishments, the Adult Education segment's transition reserve and internal control.

PricewaterhouseCoopers AB has been serving as auditors for AcadeMedia since the 2017 AGM. Patrik Adolfson is principal auditor with Eva Medbrant as cosignatory. A description of the appointed auditors can be found on page 69.

The Audit Committee has a scheduled annual cycle with five planned meetings each year. Five meetings were also held during the 2018/19 financial year.

### *Remuneration Committee*

The Board of Directors of AcadeMedia has also established a Remuneration Committee comprising three members: At the statutory Board meeting after the 2018 AGM, Thomas Berglund (chairman), Johan Andersson and Silvija Seres were chosen to serve on the Remuneration Committee. The committee therefore has the same members as the previous year. The Remuneration Committee shall prepare proposals concerning remuneration principles and remuneration and other terms of employment for the CEO and senior executives. The Remuneration Committee will also prepare questions relating to the management's succession planning for further discussion and treatment by the Board.

The Remuneration Committee held three meetings during the financial year.

### *Quality Committee*

As of autumn 2017, AcadeMedia's Board of Directors has also established a Quality Committee. The purpose of the Quality Committee is to be able to work more actively with operational issues such as quality improvement, brands and digitalisation. The statutory Board meeting in 2018 elected Silvia Seres (chairman), Anki Bystedt, Håkan Sörman and Thomas Berglund as members, which meant that Håkan Sörman replaced the previous member Johan Andersson, who only participated in three Quality Committee meetings. Employee representatives Fredrik Astin and Anders Lövgren also sit on the Quality Committee. The Quality Committee held seven meetings during the financial year.

### *Evaluation of the work of the Board of Directors*

The Board's work is evaluated annually through a structured process in which all Board members and deputy members answer questions about how they feel the Board performed in a number of relevant areas. The areas assessed include whether the Board's skills and composition are appropriate, as well as the focus and direction of its work. The Chairman of the Board is responsible for the evaluation and ensures that the results are presented and discussed within the Board, as well as in the Nomination Committee. Thus the evaluation serves as a basis for the Board's further work and development, as well as for the Nomination Committee's work. The evaluation of the Board's work in 2018/19 was distributed prior to the Board meeting on 12 June 2019 and was subsequently presented to the Nomination Committee. All Board members elected by the AGM participated in the survey, which was verbally reviewed, and various development areas were discussed.

### *Remuneration of Board members and shareholdings*

The 2018 Annual General Meeting resolved that remuneration until the next Annual General Meeting shall be paid at SEK 600,000 per year to the Chairman of the Board and SEK 250,000 per year to each of the other Board members who are not employed by the Group. In addition, the chairman of the Audit Committee will receive a fee of SEK 150,000 and each of the other members of the Audit Committee who are not employees of the Group will receive SEK 75,000, SEK 50,000 to the chairman of the Remuneration Committee and SEK 25,000 to each of the other members of the Remuneration Committee who are not employees of the Group, as well as SEK 100,000 to the chairman of the Quality Committee and SEK 50,000 to each of the other members of the Quality Committee who are not employees of the Group.

The 2018 AGM also resolved that the members of the Quality Committee that was established by the Board at its statutory meeting in November 2017 would be paid a retrospective fee totalling SEK 250,000 for their work during the 2017/2018 financial year, to be allocated as follows: SEK 100,000 to the chairman of the Quality Committee and SEK 50,000 to each of the other members of the committee.

For information on remuneration paid to Board members for the 2018/19 financial year, see Note 6.

## Chief Executive Officer and other senior executives

Marcus Strömberg has been President and CEO of AcadeMedia since 2005. The division of work between the Board of Directors and the CEO is set out in the rules of procedure for the Board of Directors and the CEO's instructions. The CEO is also responsible for the preparation of financial statements and compiling information from executive management for Board meetings, and for presenting such material at the meetings.

According to the instructions for financial reporting, the CEO is responsible for financial reporting in the company and consequently must ensure that the Board of Directors receives adequate information in order for the members of the Board to be able to evaluate the company's financial position.

The CEO must continuously keep the Board of Directors informed of developments in the company's operations, the net sales development, the company's earnings and financial position, liquidity and credit status, important business events and all other events, circumstances or conditions which can be assumed to be of significance to the company's shareholders.

Group management, consisting of the four segment managers, CFO, Director of Business Development, Human Resources Director, Head of Safety and Security and Head of Communication and Public Affairs, provide support for the CEO.

For further information about the CEO and other senior executives, as well as their shareholdings, see page 70.

For a description of the remuneration and terms of employment for the Chief Executive Officer and senior management for the 2018/19 financial year, as well as outstanding incentive programmes in the company, please refer to Note 6. The evaluations and reports required under the Code are posted on the website, along with descriptions of incentive programmes, criteria for variable remuneration, application of guidelines for remuneration of senior executives, remuneration structures and remuneration levels in the company.

## Internal control and risk management

### *Internal control framework*

AcadeMedia's procedures for internal control are based on two perspectives: internal control and risk management relating to operations and internal control and risk management relating to financial reporting. Internal control shall ensure that AcadeMedia's financial reporting provides an accurate view of the company's financial position, and that operations continuously meet the requirements and expectations of a company that operates within publicly funded operations.

During the year, AcadeMedia completed work on reviewing the Group's risks and risk control work. The project was reported back to the Audit Committee in May 2019. Risk control procedures and work on developing them are now part of day-to-day operations. This means that an annual review of the company's risk register and controls will take place in addition to ongoing risk monitoring that is already established.

Based on the above and the Audit Committee's evaluation, the Board of Directors has decided not to create a dedicated internal audit function and instead to focus on continuing to develop the company's risk analysis and internal control. Alongside established monitoring processes and governance processes, including in the form of reporting to the Board, this is deemed to be sufficient. However, the Board of Directors conducts an annual review of the need for an internal audit function.

### *Control environment*

AcadeMedia's Board of Directors is ultimately responsible for ensuring that the company complies with the requirements for internal control and control of its financial reporting. The Board annually adopts a number of governance documents to support the actions of management and all employees in order to promote correct, complete and current accounting. Central documents, which are available on the company's intranet, include rules of procedure for the Board of Directors, instructions for the CEO and the CEO's duties, the work allocation between them and overall policies. AcadeMedia's CEO has delegated responsibility for implementation and enforcement of formalised routines for financial reporting and internal control to the CFO. In addition to the company's policies, AcadeMedia's accounting manual with authorisation arrangements is a central element and was approved by the Board.

In parallel with the procedures for financial accounting and reporting, AcadeMedia's internal control and risk management is largely based on systematic quality work. AcadeMedia has developed its own quality system through the AcadeMedia Model. The purpose of the quality model is both to minimise risk and to improve quality in our schools. In addition, the Group has a regular risk management process in which various risks that arise are evaluated and monitored. Finally, operations are regularly inspected by various supervisory authorities, including the Schools Inspectorate, the Work Environment Authority, the Public Employment Service, the National Agency for Higher Vocational Education and the Norwegian Directorate for Education and Training, along with the municipalities in which the company operates.

Within the framework of the AcadeMedia Model, internal control includes annual student, parent and employee surveys. This procedure makes it possible to monitor satisfaction and opinions in various areas, providing a basis for improvement so that measures and additional controls can be implemented as needed. Within the Group's preschools, compulsory schools and upper secondary schools, internal audits have been carried out for many years to verify that operations meet the requirements of laws, regulations and other statutes, as well as serving as tools for development and improvement initiatives. Each unit within AcadeMedia is reviewed from the perspective of quality at least every other year (external oversight or internal audit). Internal audits are carried out at the preschool, compulsory school and upper secondary school level in accordance with AcadeMedia's jointly adopted methodology. In adult education, internal audits/self-monitoring are carried out in various ways depending on the type of operation. When deficiencies are identified, an action plan is formulated and in most cases the deficiency must be remedied within three months. In order to monitor and control ongoing regulatory and inspection cases, case logs of all pending cases are kept. On a monthly basis, the Group's Head of Quality and legal counsel prepare a list of units for which specific risks and deficiencies exist. The list is reported to Group management and also to the Board each quarter.

AcadeMedia is characterised by high growth rates due to new establishments, as well as acquisitions. With regards the latter, the company has well-developed procedures for integrating new operations relatively quickly and for ensuring that the operations comply with the company's quality and financial procedures.

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

- Steering and follow-up actions by the Board and its Audit Committee.
- Governing documents such as policies and rules of procedure.
- Accounting manual with authorisation arrangements.
- Ongoing quality monitoring and internal audits.
- Ongoing risk assessment.
- The company's organisation and clear delegation of competence and demands of accountability.
- Well-established ethical guidelines (Code of Conduct) and the company's guarantees to students/participants and society.
- A well-developed system for quality management (the AcadeMedia Model).

### Risk assessment

AcadeMedia conducts a more extensive risk assessment for the business annually. Operations are characterised by relatively low risks in areas such as credit risk (high share of public customers/counterparties), market risk (stable markets and revenue streams based on continuous need for educational services, demographic trends and price inflation) and relatively low risk of corruption or financial irregularities. The type of corruption that can occur is that representatives of attractive schools may come under pressure to ignore the rules that apply for waiting lists. The company regards the following risks to be the most significant:

- Political/regulatory risk, i.e. the risk of new rules or remuneration structures, which are difficult for the company to offset.
- Quality risk, i.e. the risk that quality fails to meet the standards of the relevant laws, contract requirements and customer expectations, causing a subsequent loss in revenue.
- Reputation risk, i.e. the risk that inadequate ethics or transparency cause loss in revenue.

These risks are best managed by a quality management model (AcadeMedia Model), clear ethical guidelines and a high degree of transparency regarding the company's operations.

Find out more about risks and risk management on pages 60–62 and under note 28.

### Control activities

Monitoring and control of the company's operations in relation to stated objectives is ongoing. Monitoring of the Board of Directors is largely conducted via the Audit Committee, including monitoring of reporting by management and the external auditors. The external auditors examine selected areas of internal control regarding the risk of errors in the financial statements and report the results to the Audit Committee.

The internal control system aims both to ensure the reliability of financial reporting and organised monitoring of the Group's quality performance, as well as to ensure the necessary monitoring of compliance with Group policies, principles and instructions. Internal controls shall also ensure that the consolidated financial statements are prepared in accordance with the law and applicable accounting standards, and that the other requirements of the Group are met. Internal control relating to financial reporting consists of a number of main elements:

- The organisational structure of competence developed and documented in the order of attestation, which requires that at least two individuals review and approve transactions and costs.
- Documentation of financial procedures and policies found in the Group's accounting manual, including financial policies etc.
- The procedures by which individuals at several levels in the organisation analyse the financial results prior to external reporting.
- The Audit Committee's duty to supervise financial reporting and internal control.
- Clear guidelines on financial reporting in the company's communication policy and its IR policy.

### Information and communication

AcadeMedia has communication and information channels aimed at enabling relevant information to be quickly and duly spread both internally and externally. The company has a structure for communicating complete and transparent financial reports. There are policies and procedures to prevent incorrect or inappropriate information. The Board of Directors receives monthly business reports, both operational and financial. The Board is responsible for external interim reports and annual accounts in accordance with applicable laws and the Code. The financial reports are published on the company's website. Internal governing documents are found in the company's management system and are posted, where relevant, on AcadeMedia's intranet. The results of the annual quality investigation are published annually for the entire Group, for each provider and for each education unit on their respective websites.

The new General Data Protection Regulation (GDPR) entered into force on 25 May 2018, which strengthened digital security regarding personal data management. Work on implementing GDPR continued during the 2018/19 financial year within AcadeMedia, including via the drawing up of an archiving plan and cookie policy, along with the appointment of suitable data processors and creation of processor agreements. AcadeMedia has continued to manage and develop the shared communication platform for privacy issues. Procedures relating to personal data breaches have also been drawn up to ensure systematic management. On page 32 of the Sustainability Report, we give an account of the systematic management of personal data breaches. AcadeMedia has decided to report eight breaches to the Swedish Data Protection Authority. None of these have led to any measures from the Swedish Data Protection Authority. The personal data breaches indicate an awareness of data protection and privacy issues, and work is continuing on encouraging an understanding of the new regulations and how they should be applied.

### Follow-up

AcadeMedia's efforts within internal control and risk management are primarily carried out through Group management's continuous follow-up of operations in relation to set goals and key ratios, as well as by focusing on early warning signs. The company's key procedures for financial reporting and their appropriateness are continuously assessed by the CFO and the CFO's organisation. Compliance with the financial handbook, policies and legislation is examined and any deviation leads either to corrective actions, or improvement of processes and procedures. The audit committee summarises and reports on the status of identified measures to the Board.

### Internal audit

AcadeMedia's internal governance and control are based on a model of three lines of defence. Based on an evaluation by the Audit Committee, the Board has resolved not to establish a special internal audit function. The company believes that the enhanced risk evaluation and internal control work, combined with the quality management system and the responsibility of each segment head, along with the company's CFO, meet the need for proper control, and that monitoring takes place, including in the form of reporting to the Board. However, the Board of Directors conducts an annual review of the need for an internal audit function. In order to ensure an appropriate organisation for control measures and with respect to relevant permits, the boards of the subsidiaries (providers subject to permits) consist of AcadeMedia's CEO, Deputy CEO, CFO, legal counsel and the relevant segment head and business area head. The company has therefore currently resolved not to establish an internal audit function.

### Auditing

The auditor shall review the company's annual report and financial statements, as well as the Board of Directors and CEO's management of the company. Following the end of each financial year, the auditor shall present an audit report and a consolidated audit report to the AGM.

According to the company's articles of association, the company must have at least one and at most two auditors and at most two deputy auditors. The company's auditors are PricewaterhouseCoopers AB, with Patrik Adolfson as principal auditor and Eva Medbrant as cosignatory. Patrik Adolfson is an authorised public accountant and partner at PwC. He has many years of experience auditing companies listed on a regulated market and companies in the service sector. Patrik has served as auditor for clients such as Attendo, Securitas and Bonava. Eva Medbrant also has many years of experience auditing companies listed on a regulated market. The company's auditors have participated in all Audit Committee meetings since they were appointed in conjunction with the 2017 AGM.

The Audit Committee conducts an annual evaluation of the auditors' work and independence.

The company's auditors are presented in more detail in the section entitled 'Board of Directors, senior executives and auditors' on page 69.

For information on the remuneration paid to the auditors for the 2018/19 financial year, see note 5.

# Board of Directors, senior executives and auditors

AcadeMedia











# Board of Directors

### ANDERS BÜLOW

**About:** Born 1953, Board member since 2016 and Chairman of the Board since 2017. Member of the Audit Committee.
**Education:** MSc in Business, Stockholm University.
**Other current appointments:** Chairman of the board of KappAhl AB (publ) and board member of Mellby Gård AB, Roxtec AB, Älvsbyhus Intressenter AB, Älvsbyhus AB and StudentConsulting Group AB.
**Previous appointments:** Chairman of the board of Duni AB (publ), Feralco Holding AB, Bearsoft AB, S & H Teknik AB and Cale Holding AB. Board member of Meaning Green AB.
**Shareholding in the company:** 15,833 shares held through companies
**Independent in relation to major shareholders:** No
**Independent in relation to AcadeMedia:** Yes

### SILVIJA SERES

**About:** Born 1970. Board member since 2015. Member of the Remuneration Committee and chair of the Quality Committee.
**Education:** PhD in Mathematics, Oxford University, MSc in Computer Science, Oslo University and MBA, INSEAD.
**Other current appointments:** Partner at Technorocks AS and Lørn AS. Board member of Norsk Ringkringkasting AS (NRK), Stiftelsen Det Norske Veritas, Oslo Børs ASA, and Ruter AS.
**Previous appointments:** Board member of Nordea Bank AB, Norsk Tipping AS, Statkraft AS, Aschehoug AS, Data Respons ASA, Dagbladet Medialab AS, Norman ASA. Member of the nomination committee for Telenor ASA.
**Shareholding in the company:** None
**Independent in relation to major shareholders and AcadeMedia:** Yes

### JOHAN ANDERSSON

**About:** Born 1978. Board member since 2017. Member of the Remuneration Committee and Audit Committee.
**Education:** MSc, Chalmers University of Technology. MBA, INSEAD.
**Other current appointments:** CEO of Mellby Gård AB. Chairman of the board of Feralco. Member of the Super Advisory Board of the company Flowbird. Board member of Roxtec AB, Älvsbyhus Intressenter AB, Älvsbyhus AB, Optik Smart Eyes AB, StudentConsulting Holding AB and the Confederation of Swedish Enterprise (Svenskt Näringsliv).
**Previous appointments:** CEO of Smarteyes International AB. Board member of Duni AB (publ) and Chalmers University of Technology.
**Shareholding in the company:** 22,178,141 shares via Mellby Gård AB.
**Independent in relation to major shareholders:** No
**Independent in relation to AcadeMedia:** Yes

### PIA RUDENGREN

**About:** Born 1965. Board member since 2017. Chair of the Audit Committee.
**Education:** MSc in Business and Economics, Stockholm School of Economics.
**Other current appointments:** Board member for KappAhl AB (publ), Boliden AB (publ) and Duni AB (publ). Chair of the board of Social Initiative Norden AB.
**Previous appointments:** CFO at Investor Aktiebolag (publ). Deputy CEO of W Capital Management AB. Board member of Swedbank AB (publ) and Metso Oyj and Tikkurila Oyj.
**Shareholding in the company:** None
**Independent in relation to major shareholders and AcadeMedia:** Yes

### ANKI BYSTEDT

**About:** Born 1967. Board member since 2017. Member of the Quality Committee.
**Education:** MSc in Business and Economics, University of Växjö. Studies at Montana State University.
**Other current appointments:** Head of the external relations and communications office, Stockholm University. Government-appointed auditor for the Royal Swedish Academy of Engineering Sciences, IVA.
**Previous appointments:** Deputy County Governor at the County of Uppsala. Deputy Director General at the Ministry of Enterprise, Energy and Communications. Work within the Ministry of Finance and the Ministry of Employment.
**Shareholding in the company:** None
**Independent in relation to major shareholders and AcadeMedia:** Yes

### THOMAS BERGLUND

**About:** Born 1952. Board member since 2017. Chairman of the Remuneration Committee and member of the Quality Committee.
**Education:** MSc in Business and Economics, Stockholm School of Economics.
**Other current appointments:** Chairman of Akademikliniken AB, Deputy Chairman of ISS A/S
**Previous appointments:** MD and CEO of healthcare group Capio AB (publ), MD and CEO of Securitas AB (publ). Consultant at Swedish Management Group and assignments at the Swedish Government Offices.
**Shareholding in the company:** None
**Independent in relation to major shareholders and AcadeMedia:** Yes

### HÅKAN SÖRMAN

**About:** Born 1952. Board member since 2017. Member of the Quality Committee.
**Education:** MSc in Business and Economics, Stockholm School of Economics.
**Other current appointments:** Chairman of the board of Karolinska University Hospital and Senior consultant, Compass Rekrytering AB.
**Previous appointments:** County governor of Jönköping County. Director General of Swedish Association of Local Authorities and Regions, CEO of Södertälje Municipality and CEO of Täby Municipality. Board member for SOS Alarm Sverige AB, KPA Pension AB, SKL Kapitalförvaltning AB and Dagens Samhälle AB.
**Shareholding in the company:** 444 shares via related party.
**Independent in relation to major shareholders and AcadeMedia:** Yes

### ANDERS LÖVGREN

**About:** Born 1967. Employee representative, Swedish Teachers' Union, since 2016.
**Education:** Vocational teacher training programme, Stockholm University.
**Other current appointments:** None
**Previous appointments:** None
**Shareholding in the company:** 111 shares
**Independent in relation to major shareholders:** Yes
**Independent in relation to AcadeMedia:** No

### PETER MILTON (resigned 1/7)

**About:** Born 1965. Employee representative, National Union of Teachers in Sweden, since 2016.
**Education:** Bachelor of Education, Stockholm Institute of Education.
**Other current appointments:** None
**Previous appointments:** None
**Shareholding in the company:** 10 shares
**Independent in relation to major shareholders:** Yes
**Independent in relation to AcadeMedia:** No

### FREDRIK ASTIN

**About:** Born 1967. Employee representative, National Union of Teachers in Sweden, since 2019. Deputy employee representative from 2016 until 2019**.**
**Education:** Bachelor of Education, University of Gothenburg.
**Other current appointments:** None
**Previous appointments:** None
**Shareholding in the company:** 555 shares via related party.
**Independent in relation to major shareholders:** Yes
**Independent in relation to AcadeMedia:** No

### PERNILLA LARSSON

**About:** Born 1976. Deputy employee representative, Swedish Teachers' Union, since 2016.
**Education**: Bachelor of Education, Kristianstad University, as well as studies at Lund University.
**Other current appointments:** Upper Secondary School teacher at Drottning Blanka, upper secondary school in Helsingborg, Board member for the Swedish Teachers' Union National Division AcadeMedia
**Previous appointments**: None
**Shareholding in the company**: None
**Independent in relation to major shareholders:** Yes
**Independent in relation to AcadeMedia:** No

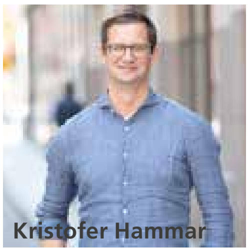
### AUDITORS

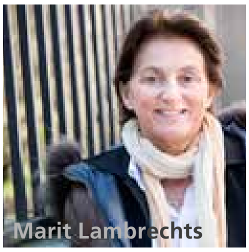
The company's auditors are PricewaterhouseCoopers AB with Patrik Adolfson as principal auditor and Eva Medbrant as cosignatory. PricewaterhouseCoopers AB was elected at the 2018 Annual General Meeting for the period up and until the end of the 2019 Annual General Meeting. Patrik Adolfson (born 1973) is an authorised public accountant and member of FAR (professional association for authorised public accountants). Patrik Adolfson has no shareholdings in the company. Eva Medbrant (born 1966) is an authorised public accountant and member of FAR. Eva Medbrant has no shareholdings in the company.

## Senior executives









### MARCUS STRÖMBERG

**About:** Born 1967. Chief Executive Officer of the Group since 2005.
**Education:** MSc Engineering Physics and Electrical Engineering, Linköping University.
**Other current appointments:** Board member of SIQ and Onepartner-Group.
**Previous appointments:** Board member of Scandinavian Photo, Friskolornas Riksförbund, IFOUS – innovation, research and development in schools and preschools, along with several assignments for Lernia.
**Shareholding in the company:** 264,948 shares, 228 500 warrants and 100,000 synthetic options.

### EOLA ÄNGGÅRD RUNSTEN

**About:** Born 1965. CFO since 2013.
**Education:** MSc in Business and Economics, Stockholm School of Economics.
**Previous appointments:** CFO at EQT Management S.a.r.l., HR director at EQT Partners AB, CFO at SEB Wealth Management and assignments for Alfred Berg and Handelsbanken.
**Shareholding in the company:** 42,349 shares, 94,000 warrants and 75,000 synthetic options.

### ANNETTE LILLIESTIERNA

**About:** Born 1966. Head of Communication and Public Affairs since December 2018. Prior to that, Head of Education, AcadeMedia Academy.
**Education:** Master's in Media and Communication, Stockholm University.
**Previous appointments:** Head of communication at the National Agency for Education, senior consultant and partner at Gullers Grupp, Head of communication SKL, head of communication Skövde Municipality.
**Shareholding in the company:** 0 shares. 26,000 synthetic options.

### PAULA HAMMERSKOG

**About:** Born 1962. Head of Safety and Security since December 2018. Head of Communication and Public Affairs from 2012 until 2018.
**Education:** Journalism degree, Department of Media Studies, Stockholm University.
**Previous appointments:** Chair of the board of World Imagine AB. PR consultant at GCI and Kreab and interim director of communications at Swedish Property Federation, Stockholm department.
**Shareholding in the company:** 14,303 shares, 83,500 warrants and 100,000 synthetic options.

### LISE-LOTTE OLDMARK

**About:** Born 1964. Head of HR since 2014 and Head of AcadeMedia Academy since 2012.
**Education:** A number of different management training programmes held by the City of Stockholm, tutor training and trained Organisation Consultant, Humanova.
**Other current appointments**: Board member for Graisk Kvalitet Oldmark AB, board member of Friskolornas Riksförbund.
**Previous appointments:** Several management assignments within Pysslingen Förskolor and Pysslingen Skolor. Prior to that, various management jobs within the City of Stockholm.
**Shareholding in the company:** 45,522 shares, 83,500 warrants and 100,000 synthetic options.

### KRISTOFER HAMMAR

**About:** Born 1978. Director of Business Development at AcadeMedia since 2017. Worked at AcadeMedia since 2009.
**Education**: MSc in Business and Economics, Lund University.
**Previous appointments**: Analyst at Bure Equity, Board member for Textilia AB.
**Shareholding in the company:** 22,059 shares, 31,500 warrants and 85,000 synthetic options.

### MARIT LAMBRECHTS

**About:** Born 1957. Head of the business segment Preschool Norway since 2014 when AcadeMedia acquired Espira.
**Education:** D. Sc., Oslo University.
**Other current appointments:** Board member of PBL (Norwegian trade association for preschools), Helsetelefonen AS and representative for OsloMet Storbyuniversitetet.
**Previous appointments:** Board member of Induct Software AS, Norchip AS, YA bank AS, Intempo AS, Plantasjen AS, Virke.
**Shareholding in the company:** 55,322 shares via companies.

### VERONICA RÖRSGÅRD

**About:** Born 1974. CEO of Pysslingen förskolor since 2018.
**Education:** MSc in Business and Economics, international marketing, Mälardalen University and Universitée Jean Moulin III, Lyon, France.
**Previous appointments**: IT and personnel director for Skanska AB, Sweden director Alumni, board member of Aditro.
**Shareholding in the company**: 0 shares. 40,000 synthetic options.

### JENS ERIKSSON

**About:** Born 1977. Head of Upper Secondary School business segment since 2016.
**Education:** MSc in Business and Economics, Stockholm School of Economics.
**Previous appointments:** COO & CFO Nice Entertainment Group, President & COO MTG. Studios
**Shareholding in the company:** 23,323 shares, 72,000 warrants and 80,000 synthetic options.

### CHRISTER HAMMAR

**About:** Born 1969. Head of Adult Education business segment since 2015.
**Education:** Business and Economics, IHM.
**Other current appointments:** Chairman of Almega utbildningsföretagen and board member of Almega tjänsteförbunden.
**Previous appointments:** CEO of Manpower A/S and Proffice Care AB, as well as deputy CEO and regional manager of Humana Assistans.
**Shareholding in the company:** 22,360 shares, including 888 shares via related party. 83,500 warrants and 75,000 synthetic options.

# Financial statements

Eola Änggård Runsten, CFO

# Accounts

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| (SEK M) | NOTE | 2018/19 | 2017/18 |
|---|---|---|---|
| Net sales | 2, 3, 8 | 11,715 | 10,810 |
| | | **11,715** | **10,810** |
| Cost of sold services | | -997 | -920 |
| Other external expenses | 4, 5, 6 | -2,517 | -2,320 |
| Personnel expenses | 6, 7, 8 | -7,272 | -6,650 |
| Depreciation/amortisation | 9 | -280 | -246 |
| Acquisition-related depreciation/amortisation | 9 | -16 | -4 |
| Items affecting comparability | 10 | 1 | -48 |
| | | **-11,080** | **-10,188** |
| **OPERATING PROFIT/LOSS** | 11 | **635** | **622** |
| Interest income and similar profit/loss items | 13, 28 | 3 | 5 |
| Interest expense and similar profit/loss items | 14, 28 | -72 | -73 |
| | | **-69** | **-68** |
| **PROFIT/LOSS BEFORE TAX** | | **566** | **555** |
| Taxes | 12 | -136 | -124 |
| **PROFIT FOR THE YEAR** | | **431** | **430** |
| **OTHER COMPREHENSIVE INCOME:** | | | |
| *Items that will not be reclassified to profit/loss* | | | |
| Actuarial gains and losses | 7 | -133 | -92 |
| Deferred tax relating to actuarial items | 12 | 29 | 21 |
| | | **-104** | **-71** |
| *Items that may be reclassified to profit/loss* | | | |
| Translation differences | | -3 | 57 |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR** | | **-106** | **-14** |
| **COMPREHENSIVE INCOME FOR THE YEAR** | | **324** | **416** |
| **PROFIT FOR THE YEAR ATTRIBUTABLE TO:** | | | |
| Owners of the parent company | | 431 | 430 |
| | | **431** | **430** |
| **COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:** | | | |
| Owners of the parent company | | 324 | 416 |
| | | **324** | **416** |
| Average number of ordinary shares, basic (thousands of shares) | | 105,190 | 100,127 |
| Average number of ordinary shares, diluted (thousands of shares) | | 105,229 | 100,294 |
| Basic earnings per ordinary share (SEK) | 30 | 4.09 | 4.30 |
| Diluted earnings per ordinary share (SEK) | 30 | 4.09 | 4.29 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION | ASSETS

| (SEK M) | NOTE | 30 JUNE 2019 | 30 JUNE 2018 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| **INTANGIBLE NON-CURRENT ASSETS** | | | |
| Goodwill | 15, 16, 18 | 5,983 | 5,933 |
| Brands | 17, 18 | 222 | 234 |
| Other intangible non-current assets | 19 | 27 | 8 |
| | | **6,231** | **6,175** |
| **PROPERTY, PLANT AND EQUIPMENT** | | | |
| Buildings | 20, 35 | 1,129 | 948 |
| Equipment | 21, 22 | 400 | 368 |
| Improvement expenses on third-party property | 23 | 387 | 283 |
| | | **1,916** | **1,598** |
| **OTHER NON-CURRENT ASSETS** | | | |
| Non-current receivables | | 14 | 23 |
| Deferred tax assets | 12 | 56 | 27 |
| | | **71** | **50** |
| **TOTAL NON-CURRENT ASSETS** | | **8,218** | **7,823** |
| **CURRENT ASSETS** | | | |
| **CURRENT RECEIVABLES** | | | |
| Accounts receivable | 25 | 253 | 199 |
| Current tax assets | | 131 | 113 |
| Other receivables | | 145 | 97 |
| Prepaid expenses and accrued income | 26 | 446 | 451 |
| | | **976** | **860** |
| **CASH AND CASH EQUIVALENTS** | 27 | **527** | **699** |
| **TOTAL CURRENT ASSETS** | | **1,502** | **1,560** |
| **TOTAL ASSETS** | 36 | **9,720** | **9,383** |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION | EQUITY AND LIABILITIES

| (SEK M) | NOTE | 30 JUNE 2019 | 30 JUNE 2018 |
|---|---|---|---|
| **EQUITY** | 29 | | |
| Share capital | | 105 | 105 |
| Other capital contributions | | 2,608 | 2,604 |
| Translation reserves | | 22 | 25 |
| Retained earnings including profit for the year | | 1,854 | 1,528 |
| **TOTAL EQUITY** | | **4,589** | **4,262** |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Non-current liabilities to credit institutions | 28, 34, 35 | 2,131 | 2,163 |
| Pension provisions | 7, 31 | 154 | 40 |
| Other provisions | 32 | 10 | 9 |
| Deferred tax liability | 12 | 141 | 86 |
| Other non-current liabilities | 4, 28, 34, 35 | 74 | 46 |
| **TOTAL NON-CURRENT LIABILITIES** | | **2,509** | **2,345** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Liabilities to credit institutions | 28, 34, 35 | 505 | 587 |
| Other interest-bearing liabilities | 4, 28, 34, 35 | 86 | 86 |
| Accounts payable | 34 | 492 | 519 |
| Current tax liability | 34 | 43 | 37 |
| Other liabilities | 28, 34 | 183 | 217 |
| Accrued expenses and deferred income | 33 | 1,310 | 1,331 |
| **TOTAL CURRENT LIABILITIES** | | **2,621** | **2,776** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | 36 | **9,720** | **9,383** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | | TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY | | | |
|---|---|---|---|---|---|
| **(SEK M)** | **Share capital (Note 29)** | **Other capital contributions (Note 29)** | **Translation reserve (Note 29)** | **Retained earnings (Note 29)** | **Total equity (Note 29)** |
| **OPENING BALANCE, 1 JULY 2017** | 95 | **2,212** | **-32** | **1,168** | **3,443** |
| Profit for the year | – | – | – | 430 | 430 |
| Other comprehensive income | – | – | 57 | -71 | -14 |
| **Comprehensive income for the year** | **–** | **–** | **57** | **359** | **416** |
| **Transactions with owners** | | | | | |
| New share issue | 11 | 400 | – | – | 410 |
| Issue expenses* | – | -11 | – | – | -11 |
| Tax on issue expenses | – | 3 | – | – | 3 |
| Repurchase treasury shares | 0 | 0 | – | – | 0 |
| Share-matching plan | – | 1 | – | – | 1 |
| Warrants | – | 1 | – | – | 1 |
| **TOTAL TRANSACTIONS WITH OWNERS** | **11** | **392** | **–** | – | **403** |
| **CLOSING BALANCE, 30 JUNE 2018** | 105 | **2,604** | **25** | **1,528** | **4,262** |
| Profit for the year | **–** | **–** | **-** | **431** | **430** |
| Other comprehensive income | **–** | **–** | **-3** | **-104** | **-106** |
| **Comprehensive income for the year** | **–** | **–** | **-3** | **327** | **324** |
| **Transactions with owners** | | | | | |
| Convertible shares | **-** | **2** | **–** | **–** | **2** |
| Share-matching plan** | **–** | **1** | **–** | **–** | **1** |
| Warrants** | **–** | **-** | **–** | **–** | **-** |
| **TOTAL TRANSACTIONS WITH OWNERS** | **-** | **3** | **–** | **–** | **3** |
| **CLOSING BALANCE, 30 JUNE 2019** | **105** | **2,608** | **22** | **1,855** | **4,589** |

No non-controlling interests are recognised.

Equity is entirely attributable to the parent company's shareholders.

* Issue expenses relating to the new share issue of SEK 8 million and guarantee commission for guarantees obtained of SEK 3 million.

** Details of the Group's share-matching plan and warrant programme are provided under Note 6.

## CONSOLIDATED CASH FLOW STATEMENT

| (SEK M) | NOTE | 2018/19 | 2017/18 |
|---|---|---|---|
| *Operating activities* | | | |
| Operating profit/loss | | 635 | 622 |
| Adjustment for items not affecting cash flow | | | |
| Changes in provisions | | -14 | -23 |
| Capital gains on the sale of property, plant and equipment | | 0 | 0 |
| Depreciation of non-current assets | 9 | 296 | 250 |
| Tax paid | | -132 | -142 |
| **Cash flow from operating activities before changes in working capital** | | **785** | **707** |
| *Cash flow from changes in working capital* | | | |
| Change in operating receivables | | -91 | 29 |
| Change in operating liabilities | | -10 | 192 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | **684** | **928** |
| *Investing activities* | | | |
| Investment in intangible non-current assets | | -22 | -6 |
| Acquisition of subsidiaries | 15 | -34 | -610 |
| Investment in property, plant and equipment | 20, 21, 23 | -503 | -350 |
| Sale of property, plant and equipment | 20, 21 | 0 | 0 |
| Investment in non-current financial assets | | 0 | -4 |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | **-559** | **-970** |
| *Financing activities* | | | |
| Interest received | | 1 | 1 |
| Interest paid | | -57 | -67 |
| New share issue | 29 | 0 | 402 |
| Convertible loan | 29, 34 | 20 | - |
| Borrowing | 34 | 90 | 120 |
| Amortisation of debt | 34 | -351 | -312 |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | **-296** | **144** |
| Cash flow for the year | | **-172** | **102** |
| Cash and cash equivalents at beginning of year | | 699 | 579 |
| Exchange-rate differences in cash and cash equivalents | | -1 | 18 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 27 | **527** | **699** |

## PARENT COMPANY INCOME STATEMENT

| (SEK M) | NOTE | 2018/19 | 2017/18 |
|---|---|---|---|
| Net sales | 3 | 5 | 9 |
| Other external expenses | 5, 6 | -7 | -9 |
| Personnel expenses | 6 | -17 | -18 |
| **OPERATING PROFIT/LOSS** | | **-19** | **-19** |
| Interest income and similar profit/loss items | 13, 28 | 17 | 0 |
| Interest expense and similar profit/loss items | 14, 28 | -32 | -5 |
| Profit/loss after financial items | | **-34** | **-24** |
| **YEAR-END APPROPRIATIONS** | | | |
| Group contributions received | | 34 | 37 |
| | | **34** | **37** |
| **PROFIT/LOSS BEFORE TAX** | | **0** | **14** |
| Taxes | 12 | 0 | -3 |
| **PROFIT FOR THE YEAR** | | **0** | **11** |

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

| | 2018/19 | 2017/18 |
|---|---|---|
| Profit for the year | 0 | 11 |
| Other comprehensive income | – | – |
| **COMPREHENSIVE INCOME FOR THE YEAR** | **0** | **11** |

## PARENT COMPANY BALANCE SHEET | ASSETS

| (SEK M) | NOTE | 30 JUNE 2019 | 30 JUNE 2018 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| **NON-CURRENT FINANCIAL ASSETS** | | | |
| Participations in Group companies | 24 | 2,247 | 2,247 |
| Deferred tax assets | 12 | 0 | 0 |
| **TOTAL NON-CURRENT ASSETS** | | **2,247** | **2,247** |
| | | | |
| **CURRENT ASSETS** | | | |
| **CURRENT RECEIVABLES** | | | |
| Receivables from Group companies | 27 | 3,852 | 2,763 |
| Current tax assets | | 1 | - |
| Other receivables | | 0 | 1 |
| Prepaid expenses and accrued income | 26 | 1 | 1 |
| **TOTAL CURRENT RECEIVABLES** | | **3,853** | **2,765** |
| | | | |
| **CASH AND BANK BALANCES** | 27 | 329 | 394 |
| | | | |
| **TOTAL CURRENT ASSETS** | | **4,182** | **3,159** |
| | | | |
| **TOTAL ASSETS** | | **6,430** | **5,406** |

## PARENT COMPANY BALANCE SHEET | EQUITY AND LIABILITIES

| (SEK M) | NOTE | 30 JUNE 2019 | 30 JUNE 2018 |
|---|---|---|---|
| **EQUITY** | 29 | | |
| **RESTRICTED EQUITY** | | 105 | 105 |
| Share capital | | **105** | **105** |
| | | | |
| **NON-RESTRICTED EQUITY** | | | |
| Share premium reserve | | 2,608 | 2,605 |
| Retained earnings | | 25 | 14 |
| Profit for the year | | 0 | 11 |
| | | **2,633** | **2,630** |
| | | | |
| **TOTAL EQUITY** | | **2,738** | **2,735** |
| | | | |
| **NON-CURRENT LIABILITIES** | | | |
| Non-current liabilities to credit institutions | 28, 34, 35 | 927 | - |
| Other non-current liabilities | 28, 34, 35 | 17 | - |
| Other provisions | 32 | 0 | 1 |
| **TOTAL NON-CURRENT LIABILITIES** | 35 | **943** | **1** |
| | | | |
| **CURRENT LIABILITIES** | | | |
| Liabilities to credit institutions | 28, 34, 35 | 400 | 86 |
| Accounts payable | 34 | 0 | 1 |
| Liabilities to Group companies | 27 | 2,333 | 2,567 |
| Other liabilities | 28, 34 | 1 | 0 |
| Accrued expenses and deferred income | 33 | 14 | 16 |
| **TOTAL CURRENT LIABILITIES** | | **2,748** | **2,670** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **6,430** | **5,406** |

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

| | RESTRICTED EQUITY | NON-RESTRICTED EQUITY | | EQUITY |
|---|---|---|---|---|
| (SEK M) | Share capital (Note 29) | Share premium reserve (Note 29) | Retained earnings (Note 29) | Total equity (Note 29) |
| **OPENING BALANCE, 1 JULY 2017** | **95** | **2,212** | **14** | **2,321** |
| Profit/loss for the year and comprehensive income | | | 11 | **11** |
| **Comprehensive income for the year** | – | – | **11** | **11** |
| **Transactions with owners** | | | | |
| New share issue | 11 | 400 | – | **410** |
| Issue expenses* | – | -11 | – | **-11** |
| Tax on issue expenses | – | 3 | – | **3** |
| Repurchase treasury shares | 0 | 0 | – | **0** |
| Share-matching plan** | – | 1 | – | **1** |
| Warrants** | – | 1 | – | **1** |
| **TOTAL TRANSACTIONS WITH OWNERS** | **11** | **392** | **–** | **403** |
| **CLOSING BALANCE, 30 JUNE 2018** | **105** | **2,605** | **25** | **2,735** |
| Profit/loss for the year and comprehensive income | – | – | 0 | 0 |
| **Comprehensive income for the year** | – | – | **0** | **0** |
| **Transactions with owners** | | | | |
| New share issue | – | – | – | **-** |
| Issue expenses | – | – | – | **-** |
| Tax on issue expenses | – | – | – | **-** |
| Repurchase treasury shares | – | – | – | **-** |
| Convertible shares | – | 2 | – | **2** |
| Share-matching plan** | – | 1 | – | **1** |
| Warrants** | – | – | – | **-** |
| **TOTAL TRANSACTIONS WITH OWNERS** | **–** | **3** | **–** | **3** |
| **CLOSING BALANCE, 30 JUNE 2019** | **105** | **2,608** | **25** | **2,738** |

No non-controlling interests are recognised.

* Issue expenses relating to the new share issue of SEK 8 million and guarantee commission for guarantees obtained of SEK 3 million.
** Details of the Group's share-matching plan and warrant programme are provided under Note 6.

## PARENT COMPANY CASH FLOW

| (SEK M) | NOTE | 2018/19 | 2017/18 |
|---|---|---|---|
| *Operating activities* | | | |
| Operating profit/loss | | -19 | -19 |
| Adjustment for items not affecting cash flow | | 0 | 1 |
| Income tax paid | | 0 | 0 |
| **CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL** | | **-20** | **-18** |
| *Cash flow from changes in working capital* | | | |
| Change in operating receivables | 27 | -1,074 | -1,457 |
| Change in operating liabilities | 27 | -236 | 991 |
| **CASH FLOW FROM OPERATING ACTIVITIES** | | **-1,329** | **-484** |
| *Investing activities* | | | |
| Investment in intangible non-current assets | | 0 | – |
| **CASH FLOW FROM INVESTING ACTIVITIES** | | **0** | **–** |
| *Financing activities* | | | |
| Interest received | 13 | 0 | 0 |
| Interest paid | 14 | -25 | -5 |
| New share issue | 29 | - | 402 |
| Convertible shares | 29, 34 | 20 | - |
| Group contributions received | | 37 | 22 |
| Borrowing | 34 | 1,383 | 86 |
| Amortisation loans | 34 | -150 | - |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | **1,265** | **505** |
| | | | |
| Cash flow for the year | | -65 | 21 |
| Cash and cash equivalents at beginning of year | | 394 | 373 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 27 | **329** | **394** |


# Notes

## Contents

# Notes to the Financial Statements with Accounting Policies

## Note 1: General information, accounting and valuation policies

### General information

The Company, AcadeMedia AB (publ), corp. reg. no. 556846-0231, is domiciled in Stockholm, Sweden. The head office address is Adolf Fredriks Kyrkogata 2, Box 213, SE-101 24 Stockholm, Sweden. The Company has been listed on Nasdaq Stockholm since 15 June 2016. AcadeMedia is an independent education provider. Operations are divided into four business segments: Preschool and Compulsory School, Upper Secondary School, Adult Education, and Preschool International. The segments are described in the Administration Report and in Note 11. The annual and consolidated accounts for the financial year ending 30 June 2019, were approved for publication by the Board of Directors and the Chief Executive Officer on 22 October 2019 and will be presented for adoption at the Annual General Meeting to be held 26 November 2019. The Company's principal activities are described in the Administration Report.

### Rules and standards applied

The consolidated accounts are prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The consolidated accounts are also prepared in accordance with Swedish law through application for financial reporting of the Swedish Financial Reporting Board's recommendation RFR 1, Supplementary Accounting Rules for Groups. The Parent Company applies the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's Recommendation RFR 2, Accounting for Legal Entities. Recommendation RFR 2 requires the Parent Company to apply the same accounting policies as the Group, IFRS, where applicable, with the exception of the cases stated below. The Parent Company applies IAS 39 with the exception of recognition of financial guarantees in relation to subsidiaries. Otherwise, please refer to the accounting policies applied by the Group regarding recognition and measurement of financial instruments in Note 36. The cases where the Parent Company applies accounting policies other than those of the Group are described separately at the end of this note.

### New and amended accounting policies

*New and amended accounting policies for the year*

A number of new or updated accounting recommendations and interpretations apply for the financial year starting on 1 January 2017 or later. None of the new IFRS rules that have been in force for the financial year that began 1 July 2018 has had a significant impact on the consolidated financial statements.

IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and liabilities and replaces parts of IAS 39. IFRS 9 maintains a mixed approach to valuation, but simplifies this approach in certain regards. Financial assets will be classified in three valuation categories: amortised cost, fair value in other comprehensive income (OCI) and fair value through profit or loss. Classification is established at initial recognition. IFRS 9 also introduces a new model for calculating credit loss provisions based on estimated credit losses. It reduces the requirement for hedge accounting by replacing the 80–125 criteria with requirements for a financial relationship between hedging instruments and hedged items and that the hedge ratio should be the same as that applied in risk management. The hedging documentation has also been amended to some extent compared to that presented under IAS 39. The standard was applied to the Group as of 1 July 2018. The standard has no impact on the Group's financial statements other than to increase disclosure requirements.

IFRS 15 Revenue from Contracts with Customers came into force on 1 January 2018, replacing all published standards and interpretations previously applied to revenue. IFRS 15 provides a single model for revenue recognition under which revenue is recognised when promised goods or services are transferred to a customer. This can occur over time or at a point in time. The revenue recognised consists of the amount that the Company expects to receive as consideration for the transferred goods or services. The standard was applied to the Group as of 1 July 2018. An assessment of the impact of IFRS 15 shows that the new standard will not have any impact on the consolidated or Parent Company financial statements, other than to increase disclosure requirements.

*Future changes to accounting policies*

A number of new or amended IFRS will enter into force during the upcoming financial year or later and have not been adopted early in the preparation of these financial statements. Below is a description of the IFRS that are expected to, or may, have an impact on the consolidated financial statements. In addition to the IFRS described below, other new rules approved by the IASB as of 30 June 2019, are not expected to have any impact on the Group's financial statements.

IFRS 16 Leases: A new leasing standard was published by IASB in January 2016. It will replace IAS 17 Leasing Contracts, as well as the associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard was approved by the EU on 9 November 2017. IFRS 16 requires assets and liabilities related to all lease contracts, except leases for a term of no more than twelve months and leases for low-value assets, to be recognised as a liability and asset in the balance sheet. Recognition is based on the view that the lessee has a right to use an asset during a specific period of time and at the same time has an obligation to pay for this right. Accounting for the lessor will in all essential respects remain unchanged. The standard will come into force for the financial year starting on 1 January 2019 or later. AcadeMedia is not applying IFRS 16 in the financial year starting on 1 July 2019. During the year, AcadeMedia year analysed and assessed the implications of introduction of the standard. One effect on AcadeMedia from implementation of IFRS 16 is that total assets increased by around SEK 7.0 billion as per 1 July 2019. This is because most of the Group’s lease contracts are now recognised gross in the balance sheet as right-of-use assets and lease liabilities. The Group’s operating profit in 2019/2020 is expected to improve by approximately SEK 0.2 billion as a result of lower leasing expenses in operating profit, compared to the recognition of lease contracts under IAS 17. Financial expenses in 2019/2020 are expected to increase by SEK 0.4 billion compared to recognition of lease contracts under IAS 17, due to the financial component of the lease calculations. For further information on the Group’s lease contracts in 2018/2019, please see Note 4. Further information concerning the impact on the Group from application of IFRS 16 is presented in Note 39.

It is not considered that IFRIC 23 Uncertainty over Income Tax Treatments, with implementation as of 1 July 2019, will have any material impact on the consolidated financial statements.

### Basis for the preparation of the accounts

The consolidated accounts have been prepared in accordance with the cost method, other than in the case of certain financial assets and liabilities (including derivative instruments), which are measured at fair value. Non-current assets, non-current liabilities and provisions are expected to be recovered or fall due for payment later than 12 months from the closing date.

The balance sheet items under the headings "Current assets" and "Current liabilities" are expected to be recovered or paid within a 12-month period. All other balance sheet items are expected to be recovered or paid at a later date. All amounts are reported in millions of Swedish kronor (SEK million), unless otherwise stated.

All figures in parentheses () are comparative figures for the same period in the previous year, unless otherwise stated. Totals of amounts in whole figures do not always match reported totals due to rounding. The reported total amounts are correct.

## Principles of consolidation

The consolidated accounts cover the Parent Company and its subsidiaries. The financial statements for the Parent Company and subsidiaries that are included in the consolidated accounts refer to the same period and are prepared according to the same accounting policies. All intra-Group transactions and dealings are eliminated in their entirety and are thus not included in the consolidated accounts.

*Subsidiaries*

Subsidiaries are all companies where the Group has a controlling interest. The Group has a controlling interest in a company when the Group is exposed to or has the right to a variable return on its holding in the company, and has the ability to influence the return through its control over the company. Subsidiaries are included in the consolidated accounts as of the date the controlling interest is transferred to the Group and consolidated until the date the controlling interest ceases. A determining factor in whether a company should be consolidated is if the Group is deemed to have a controlling interest. AcadeMedia has no non-controlling interest holdings.

## Translation of receivables and liabilities in foreign currencies

*Functional currency and reporting currency*

Items included in the financial statements of the various entities in the Group are measured in the currency used in the financial environment where the respective company has its primary operations (functional currency). The Parent Company's and the Swedish subsidiaries' functional currency and reporting currency is Swedish kronor. The functional currency and reporting currency for the subsidiaries in Norway is Norwegian kroner (NOK) and in Germany the Euro (EUR). The Group's reporting currency is Swedish kronor.

*Foreign currency transactions*

Foreign currency transactions are translated to the functional currency at the exchange rate in effect on the transaction date. On the closing date, monetary receivables and liabilities expressed in foreign currencies are translated at the exchange rate in effect on the closing date. All exchange rate differences are included in profit/loss. Exchange rate differences from operating items are recognised in operating profit/loss as other operating income or other operating expenses, while exchange rate differences relating to financial assets and liabilities are recognised as financial income or financial expense.

*Financial statements of foreign operations*

All exchange rate differences arising in the translation of a Group company's profit/loss and financial position, from the company's functional currency to the Group's reporting currency, are recognised in other comprehensive income and are aggregated in the translation reserve in equity. Assets and liabilities of foreign operations are translated into Swedish kronor at rate on the closing date, while income and expense items are translated at an average rate for the year. At divestment of net investments in foreign operations, the translation differences pertaining to the net investment are recognised through profit or loss.

## Gross accounting

Gross accounting is applied consistently in reporting of assets and liabilities, except in cases where both an asset and a liability exist with the same counterparty and can be offset on legal grounds, and offsetting is the intended action. Gross accounting is also applied for income and expenses unless otherwise stated.

## Classification of assets and liabilities

Non-current assets, non-current liabilities and provisions are expected to be recovered or fall due for payment more than twelve months from the closing date. Current assets and current liabilities are expected to be recovered or fall due for payment in less than twelve months from the closing date.

## Related party transactions

Related parties are the companies in which AcadeMedia has a controlling or significant interest in terms of the operational and financial decisions taken. Related parties include the companies and physical persons who are able to exercise a controlling or significant influence over the Group's financial and operational decisions.

## Business combinations

Business combinations are reported according to the acquisition method. The purchase consideration consists of the fair value of transferred assets, liabilities the Group assumes from the former owner of the acquired company and any issued shares. The purchase consideration also includes the fair value of all assets or liabilities that result from an agreed contingent consideration. Acquisition-related expenses are expensed as they arise and are recognised as items affecting comparability. Identifiable acquired assets and assumed liabilities are measured initially at fair value on the acquisition date.

The amount by which the purchase consideration, any non-controlling interests and the fair value of previous shareholdings exceeds the fair value of the Group's share of identifiable acquired net assets is recognised as goodwill.

Goodwill is recognised as an intangible asset. Goodwill is tested annually to identify any impairment and is recognised at cost less any accumulated impairment losses. Any impairment losses are recognised immediately as an expense and are not reversed. Gains or losses on the divestment of an entity include the residual carrying amount of the goodwill relating to the divested entity.

Goodwill is allocated over cash-generating units in impairment testing. Goodwill is allocated to the cash-generating units or groups of cash-generating units that are expected to benefit from the business combination where the goodwill item arose.

## Intangible non-current assets excluding goodwill

*Brands*

At acquisitions of subsidiaries, brands are recognised as intangible assets with a definite or indefinite useful life. Market awareness of the brand is the primary factor taken into account to determine whether or not the brand has an indefinite useful life. Brands are tested for impairment annually or if there is an indication of impairment, and are carried at cost less accumulated impairment losses. Brands with a limited useful life are carried at cost less accumulated amortisation and impairment losses.

| | NUMBER OF YEARS |
|---|---|
| Brands, for which a useful life can be determined | 5-20 years |

*Other Intangible non-current assets*

Other intangible assets with a limited useful life are carried at cost less amortisation and any impairment losses. Amortisation is applied on a straight-line basis over the estimated useful life of the asset. The useful life period is reviewed on every closing date and adjusted as needed. When the depreciable amount of the assets is established, the assets' residual value is taken into account where applicable. The following useful life periods are applied:

| | NUMBER OF YEARS |
|---|---|
| Other intangible assets | 3-5 years |

## Property, plant and equipment

Property, plant and equipment are recognised at cost less depreciation and any impairment losses.

Expenses for improving an asset's performance to exceed its original level are added to the asset's carrying amount. Further expenditures are added to the asset's carrying amount or recognised as a separate asset only when it is likely that future economic benefits associated with the asset will accrue to the Group and the asset's cost can be reliably measured. All other forms of repair and maintenance are recognised as expenses in the income statement during the periods in which they arise.

Property, plant and equipment are derecognised from the balance sheet when they are divested or if they cannot be expected to add any economic benefit in the future, either through use or sale. Profit and loss are calculated as the difference between the sale amount and the recognised residual value of the asset. Profit or loss is recognised in the income statement in the accounting period in which the asset was divested, as Other expenses or Other income.

Property, plant and equipment are depreciated systematically over the estimated useful life of the asset. The useful life period is reviewed on every closing date and adjusted as needed. When the depreciable amount of the assets is established, the assets' residual value is taken into account where applicable. The straight-line depreciation method is used for all types of asset and is based on the useful life periods shown below:

| | NUMBER OF YEARS |
|---|---|
| Buildings in general | 25-30 years |
| Equipment | 3-10 years |
| Expenses for improvements to third-party property | 3-20 years |

## Impairment of property, plant and equipment and intangible non-current assets

Goodwill and brands with indefinite useful lives are tested annually for impairment or if there is any indication of loss of value. Property, plant and equipment and intangible non-current assets that are depreciated or amortised are tested when there is an indication that an asset has declined in value. The impairment test is performed by calculating the asset's recoverable amount. If the estimated recoverable amount is less than the carrying amount, the asset is written down to its recoverable amount. The recoverable amount is the higher of net realisable value and the asset's value in use in operations. A judgement is made regarding the recoverable amount per cash-generating unit.

Previously recognised impairment losses are reversed if the recoverable amount is considered to exceed the carrying amount. The reversal amount is, however, not greater than the carrying amount would have been if an impairment had not been recognised in earlier periods. Goodwill impairment losses are not reversed and are recognised in items affecting comparability.

## Financial instruments 2018/2019

The following principles are applied for the 2018/2019 financial year:

*Classification and measurement of financial instruments*

As of 1 July 2018, the Group classifies its financial assets and liabilities as those that are recognised at fair value (either via other comprehensive income or through profit or loss) and those that are recognised at amortised cost Classification is determined by the Group's business model for management of financial assets and liabilities and the contractual conditions for the cash flows. The business model applied for the most part by AcadeMedia is "hold to collect", in which financial assets are held in order to collect contractual cash flows. These cash flows consist solely of repayment of nominal principal and interest (SPPI). The major share of AcadeMedia's financial assets are thus recognised at amortised cost.

Financial instruments with maturities within twelve months from the closing date are classified either as current assets and are recognised on the line Interest-bearing current assets, or as current liabilities and are recognised on the line Other current loan liabilities. Financial instruments with maturities of more than twelve months of the closing date are classified either as non-current assets and are recognised on the line Interest-bearing non-current financial assets, or as non-current liabilities and are recognised on the line Other non-current loan liabilities.

As of 1 July 2018, AcadeMedia applies the forward-looking expected credit loss model. The most important financial assets falling within the scope of this model are accounts receivable, for which the Group applies the simplified approach for impairment testing allowed under IFRS 9. With the simplified method, the provision for expected credit losses is calculated on the basis of the risk of losses over the entire term of the receivable and is recognised at initial recognition of the receivable. For more information, please see Note 25.

*Financial liabilities measured at amortised cost*

Assets in this category are measured at amortised cost by application of the effective interest approach. The major share of the Group's current assets are measured at amortised cost, including accounts receivable and non-current and current receivables, which are financial assets that are not derivatives and that have payment flows that are fixed or can be determined in advance. They are created by the Group when providing money to a counterparty, or goods or services to a customer, that are not held for trading.

*Financial assets measured at fair value through profit or loss*

Assets in this category are measured as fair value, unless hedge accounting is used. Changes in fair value are recognised in the income statement when they arise. The assets are measured at fair value with changes in value being recognised in the income statement's financial items (please see Notes 13 and 14). Transaction expenses are recognised in the income statement and are not capitalised.

*Financial assets measured at fair value through other comprehensive income*

AcadeMedia does not at present have any financial assets in this category.

*Financial liabilities measured at amortised cost*

Liabilities in this category are measured at amortised cost using the effective interest approach. This category includes items such as accounts payable and other current liabilities, as well as non-current and current loan liabilities, that do not fall within the category of financial liabilities measured at fair value via profit or loss.

*Financial liabilities measured at fair value through profit or loss*

Liabilities in this category are measured as fair value, unless hedge accounting is used. For AcadeMedia this category includes derivative instruments , as well as contingent purchase considerations. The liabilities are measured at fair value with changes in value being recognised in the income statement. Re-measurement of a contingent purchase consideration is recognised in operating profit/loss under Other external expenses.

## Financial instruments in 2017/2018

The following principles are applied for the 2017/2018 financial year:

*Classification*

The Group classifies its financial assets in the categories Financial assets measured at fair value through profit or loss and Loan receivables and accounts receivable. The classification is determined by the purpose for which the financial asset was acquired.

All purchases and sales of financial assets are recognised on the transaction date. Financial instruments are recognised initially at fair value plus transaction costs. This applies to all financial assets that are not recognised at fair value through profit or loss. Financial assets are derecognised from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred, and when the Group has essentially transferred all risks and benefits associated with ownership.

The Group classifies its financial liabilities in the categories Financial liabilities measured at fair value through profit or loss and Financial liabilities measured at amortised cost. Liabilities are classified as non-current if the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Other liabilities are classified as current.

*Loan receivables and accounts receivable*

Loan receivables and accounts receivable are non-derivative financial assets with fixed or determinable payments that are not listed in an active market. The Group's cash and cash equivalents, accounts receivable and other current receivables are included in this category.

Loan receivables and accounts receivable are recognised after the acquisition date at accrued cost, using the effective-interest method.

Any interest income on loan receivables is included in financial income.

A provision is made for doubtful accounts receivable and loan receivables on the closing date, when there is objective evidence that the full value of the asset will not be received. Losses pertaining to doubtful receivables are recognised in the income statement under external expenses. Impairment is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not arisen), discounted to the original effective interest rate of the financial asset.

*Financial assets measured at fair value through profit or loss*

For AcadeMedia, this category includes derivative instruments not classified as hedging instruments. The assets are measured at fair value with changes in value being recognised in the income statement's financial items (please see Notes 13 and 14). Transaction expenses are recognised in the income statement and are not capitalised.

*Financial liabilities measured at fair value through profit or loss*

For AcadeMedia this category includes derivative instruments , as well as contingent purchase considerations. The liabilities are measured on an ongoing basis at fair value with changes in value being recognised via profit or loss. Re-measurement of a contingent purchase consideration is recognised in operating profit/loss under Other external expenses.

*Financial liabilities measured at amortised cost*

Other financial liabilities not measured at fair value through profit or loss are recognised in this category. The liabilities are measured at amortised cost.

Accounts payable have short anticipated terms and are therefore measured, undiscounted, at nominal amounts.

## Provisions

Provisions are recognised when the Group has a legal or constructive obligation resulting from past events and where it is likely that a payment will be required to fulfil the obligation and the amount can be reliably measured. In cases where the Company expects a provision it has made to be compensated by an external party, for example under an insurance agreement, the compensation expected is recognised as a separate asset, but only when it is for all practical purposes certain that the payment will be received. Provisions for restructuring of the business are made, for example in cases such as the closure of units and staff redundancies, after calculation of the costs.

## Contingent liabilities

Contingent liabilities are possible obligations arising from past events, the existence of which will only be confirmed by one or several uncertain future events, which are not entirely within the Group's control, occurring or not occurring. Also reported as contingent liabilities are obligations arising from past events that are not recognised as a liability or provision because it is not likely that the obligation will be settled or because the size of the obligation cannot be estimated with sufficient reliability.

## Remuneration to employees

Salaries, social security contributions, bonuses and other current remuneration to employees are recognised when the employee has performed the service.

*Pensions*

The Group's pension plans consist partly of defined-benefit plans with a contractual promise regarding future pension levels related primarily to the final salary, and partly of defined-contribution plans for which insurance premiums are paid and the employee carries the risk associated with the future pension level.

A defined-contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. For defined-contribution pension plans the Group pays contributions to publicly or privately managed pension insurance plans on a compulsory, contractual or voluntary basis. The contributions are normally based on the salary level. The Group has no legal or constructive obligations to pay additional contributions. The Group's obligations regarding defined-contribution plans are recognised as a personnel expense in the income statement as and when they are earned by the employee performing his/her work tasks for the Company.

A defined-benefit pension plan is a pension plan with no defined contribution. The defined-benefit plans consist largely of plans that provide a benefit based on final salary and length of service. Calculations are made for defined-benefit plans based on the Projected Unit Credit Method, for the purpose of establishing the present value of obligations relating to benefits for current and former employees. These calculations are made annually and are based on actuarial assumptions that are established annually at the end of the accounting period. Assumptions are made regarding inflation, changes in social security charges, staff turnover, discount rates and estimated life expectancy. The present value of defined-benefit obligations is established by discounting the estimated future cash flows using the interest rate for top investment grade corporate bonds issued in the same currency in which the compensation will be paid, with maturities comparable to that of the current pension obligation.

Pension expenses relating to service during the current period are recognised as personnel expenses in the income statement. Costs for service in previous periods are also recognised directly in the income statement as personnel expenses. Net interest is calculated using the discount rate on the defined-benefit pension liability and on the fair value of plan assets, and this expense is included in personnel expenses in the income statement.

The Group's net obligations consist of the calculated present value of the pension obligation less the fair value of the plan assets. Changes in the present value of the net obligations resulting from changed actuarial assumptions and experience-based adjustments are treated as re-measurement effects and recognised in other comprehensive income.

The carrying amounts of pensions and similar obligations in the consolidated balance sheet correspond to the present value of the obligations at the closing of the accounts, less the fair value of plan assets including payroll tax. If the value of the obligation exceeds the value of the plan assets, a liability is recognised. If the plan assets exceed the obligations, an asset is recognised in the consolidated balance sheet.

In the defined-benefit pension plans for the Norwegian companies, the employees make contributions to the plans according to set terms. The contribution consists of a fixed percentage of the employee's salary and it is not related to the number of years of service. Employee contributions are recognised as a reduction of the cost of service for the period in which the services are performed.

The defined-benefit pension obligations of the Swedish companies under the ITP2 plan are insured through Alecta pension insurance. This plan is a defined-benefit plan covering several employers. The plan is accounted for as a defined-contribution pension plan, since Alecta cannot provide sufficient information on the Group's proportional share of the plan's obligations, plan assets and expenses, in order to account for the plan as a defined-benefit pension plan.

*Severance pay*

"Other senior executives" refers to the members of Group management. Other senior executives have a period of notice from the Company of 4-12 months. If other senior executives resign, the period of notice is 4-8 months. The period of notice for certain senior executives may also be extended by six months if the executive intends to take up a new position with a company engaged in a competing business. During the period of notice, remuneration is paid based on the individual's employment contract. Two senior executives also have the right to severance pay of six and ten monthly salaries, respectively, in addition to salary during the period of notice if notice is given by the employer.

The period of notice for other employees is normally as stipulated in the collective agreement.

## Long-term incentive programmes

AcadeMedia operates three types of long-term incentive programmes: a share-matching plan, a warrant programme and a convertible loan programme.

Share-based payments in the Company relate to the share-matching plan settled via equity instruments and accounted for in accordance with IFRS 2. The fair value of the allocated share-matching plan is estimated at the grant date using an accepted valuation model, known as the Monte Carlo simulation model, in which market-related conditions are taken into account. The total amount to be expensed is based on the fair value of the shares allocated. The total amount is recognised as a personnel expense in the income statement over the vesting period, with a corresponding adjustment to equity. At each quarterly closing, the Group revises its estimates of the number of shares expected to vest and subsequently to be recognised in social security contributions. Social security contributions are based on the value of the matching shares on the closing date, where this valuation is based on the same model as the initial valuation. Social security contributions attributable to share-based instruments to employees as compensation for services rendered are to be expensed over the periods in which the services are performed. The cost is then calculated by applying the same valuation model used when the options were issued. The provision for social security contributions that is made is re-measured at each reporting date and based on the share price on the closing date.

AcadeMedia's warrant programme is accounted for using the Black & Scholes model. The premium for warrants is recognised in other contributed capital in equity in the Group and as financial revenue in the legal entity. At subscription for shares based on the warrants issued, this is recognised as a new issue of equity.

AcadeMedia has performed a directed issue of convertibles to its personnel. The convertible is a loan with an interest rate based on STIBOR, but for accounting purposes it is formed of two parts, a debt amount and a conversion right, wherein the latter is recognised in equity. Interest accruing is expensed and any effects arising at conversion are recognised in Other comprehensive income. The convertible loan programme is not conditional on continued employment during the term of the programme.

## Leases

Finance leases where the Group in all material respects assumes all risks and benefits associated with ownership of the leased object are initially recognised in the statement of financial position at the fair value of the leased property or, if the value is lower, at the present value of future minimum lease payments. Lease payments are recognised as financing expenses and amortisation of debt. Assets under finance leases are depreciated over the anticipated useful life of the asset.

Leases where the lessor essentially retains all of the risks and benefits associated with ownership are classified as operating leases. Lease payments are expensed on a straight-line basis in the statement of comprehensive income during the lease period. Any incentives received upon signing of leases are taken into account initially.

## Revenue

The Group's revenue derives above all from education services of various types, as described below.

*Net sales*

AcadeMedia's net sales consist of education revenue from school voucher funding and participant fees. Net sales are recognised excluding VAT and net after any discounts. Tuition fees are recognised as revenue and allocated in line with the degree of completion over the period during which the instruction is provided, including time for planning and grading of student learning.

Revenue for preschool operations is recognised based on the same fundamental principle. Revenue for services sold is recognised upon delivery to students. Revenue in the adult education operation is based on the same fundamental principles, but also takes into account the empirical estimate of the number of participants not completing the programme started, as well as estimates of compensation received based on the number of participants completing the programme.

Other income refers to income not directly related to education, such as rental income and resale of computers. With regard to these services, revenue is recognised at fair value based on the proportion of the agreed service that has been delivered during the financial year when the customer receives and uses the services at the same point in time. Revenue from sale of goods is recognised when the Group sells a items of goods to the customer.

*State subsidies*

State subsidies include State subsidies for the primary school initiative, smaller classes, skills development and before and after school care initiatives. State subsidies are recognised at fair value in the case that there is reasonable certainty that they will be received and that AcadeMedia will meet the conditions attached to the grant. Subsidies received to cover costs are recognised as an expense reduction for the relevant expense item, for example teacher salary premiums, head teacher premiums and other salary subsidies.

*Interest*

Interest income is recognised as and when earned (based on the return on the underlying asset using the effective interest rate).

*Dividends*

Revenues are recognised in the income statement when the shareholders' right to receive a dividend payment has been established.

## Cost of services sold

The cost of services sold relates mainly to expenses for school meals (ingredients and catering), educational materials and the cost of other consumables.

## Items affecting comparability

Items affecting comparability are recognised on a separate line and relate to non-recurring income and expenses. Items affecting comparability are, for example, items related to property such as capital gains, major property damage not covered by commercial insurance, consulting costs related to acquisitions, severance payments to senior executives, major integration costs resulting from acquisitions and reorganisation costs, as well as costs arising from strategic decisions and major restructuring that results in closing down of units. Retroactive revenue from earlier years is also classified as affecting comparability. The purpose of this reporting is to obtain a clearer picture of developments in the underlying business. Income and expenses recognised on this line are specified and commented on in Note 10.

## Taxes

*Income tax*

Tax expense for the period consists of current tax and deferred tax. Tax is recognised in the income statement, except where the tax relates to an item that is recognised in Other comprehensive income or directly in equity. In such cases, the tax is also recognised in Other comprehensive income or in Equity.

Current tax is tax to be paid or received in the current year as well as adjustments of previous years' current tax. The tax rates and laws applied in calculating the amount are those adopted or announced as of the closing date.

*Deferred tax*

Deferred tax is recognised on the closing date using the balance sheet method for temporary differences between the taxable and recognised values of assets and liabilities. Deferred tax assets are recognised for all deductible temporary differences, including loss carry-forwards, to the extent it is likely that a taxable profit will be available against which the deductible temporary differences can be used. The value of deferred tax assets is to be determined on every closing date and adjusted to the extent it is no longer likely that a sufficient profit will be generated so that all or part of the deferred tax asset can be utilised. Deferred tax assets and tax liabilities are determined on the basis of the tax rates in effect for the period in which the asset is realised or the liability paid, based on tax rates (and laws) that have been adopted or announced by the closing date.

## Recognition of cash flows

Cash and cash equivalents consist of available cash and bank balances. Incoming and outgoing payments are recognised in the cash flow statement. Cash flow from operating activities is recognised using the indirect method.

## Business segments

Reportable segments are identified on the basis of the system of internal reporting to the highest executive decision-maker, which in AcadeMedia's case is the Chief Executive Officer. In this system, the Group consists of the four segments: Preschool and Compulsory School (Sweden), Upper Secondary School (Sweden), Adult Education (Sweden) and Preschool International. Please see Note 11 for more information.

The companies and schools in the respective segments are deemed by the Company to be a collective business segment with similar long-term financial results in accordance with the basic principles in IFRS 8. This is based on the following judgements:

- The services are of the same type.
- The services are produced via similar production processes.
- The services are aimed at the same type of target group.
- The services are sold and distributed in a similar way.

## Key estimates and judgements

The preparation of year-end accounts and the application of various accounting standards are often based on Group management's judgements or assumptions and estimates which are deemed reasonable under the prevailing conditions. These assumptions and estimates are usually founded on past experience, but also other factors, such as anticipated future events. With other judgements, assumptions and estimates, actual results may be different and actual outcomes may deviate from the estimates made. Judgements, assumptions and estimates are reviewed on a regular basis and any changes are reported in the period the change is made if the change only affects this period, or in the period the change is made and future periods if the change affects both the period in question and future periods.

A description follows of the most important areas where judgements and assumptions have been made and that are regarded as likely to have to greatest impact on the Group's financial statements, and where any changes in assumptions and estimates made may result in material adjustments to the financial statements of the following financial year.

*Impairment testing of goodwill and brands*

AcadeMedia tests, on a regular basis throughout the year, for any indications of a decline in the value of assets. If any such indication is found, the asset's recoverable amount is calculated. For goodwill and brands with an indefinite useful life, the recoverable amount is calculated at least once a year. The recoverable amount is established by calculating the value in use. For these calculations, certain assumptions and estimates must be made regarding future revenue, costs, margin, capital employed and return on capital requirements. The business is also affected by the regulations in force in the country concerned as applying to the business, and the levels of remuneration that are paid. In all countries where AcadeMedia conducts operations, there is a debate on independent schools and whether this form of management is to have an effect on the Group's operations and profitability. In Sweden, our view is that the risk of a political intervention is considerably lower since the four-party agreement came into being in January 2019. In Norway, the debate has hardened and regulations have been tightened, for example as regards staffing and educational standards. Stortinget (the Norwegian Parliament) previously committed to compensate for the higher staffing levels, but in our opinion the promise will not be kept. This is now expected to lead to negative impact over a two-year period until Norway's school voucher funding matches the new, higher level of costs. In impairment testing for the year, the current regulations have been applied. Judgements other than those of the Company may lead to a totally different result and financial position and thus an impairment loss may arise. For more information, please see Note 18.

*Provision for pension liability (defined-benefit pensions)*
AcadeMedia has a number of defined-benefit pension plans. The present value of pension obligations is determined by a number of factors that are established on an actuarial basis using a number of assumptions. Significant assumptions include the discount rate, wage increases and pension uprating. The assumptions used to determine the net expense (income) for pensions include the discount rate. If these assumptions change, this will affect the carrying amount of the pension obligations. Further information on items such as sensitivity analysis for changes in significant assumptions is provided in Note 7. Future events and changes in business parameters may make changes in estimates and assumptions necessary.

*Provision for restructuring/closure of school units*
Provision for restructuring costs for entities is considered to have been made when they have been approved by management and communicated to the interested parties, and when a reliable estimate of the cost can be made. Judgements regarding future net costs thus take into account student numbers, leases and staffing. Net cost is most sensitive to the assumption regarding student numbers, but the experience is that the estimates have been reliable. Net cost is attributable to the closure of units in accordance with the Group's education guarantee. The costs arising relate primarily to unused premises and personnel redundancy.

*Provision for loss-making contracts and termination costs (provisions for contract termination costs)* AcadeMedia has a number of loss-making units. In cases where closure has been approved, a provision as referred to above is made for restructuring/closure where there is no legal responsibility to continue to provide education, other than AcadeMedia should always fulfil the Group's educational guarantee that everyone who starts their education under the Group's auspices shall be able to complete their education. In cases other than when a closure decision is taken, the unit is considered in the long term to be a source of value creation to the Group, and no loss-making contracts are recognised as existing. In cases where this assumption proves false, and units are not over time expected to contribute net to the Group's income, further provisions to cover costs will be required.

AcadeMedia's adult education activities consist partly of project-type activities via binding agreements requiring the provision of educational places without any corresponding requirement for the client to supply participants. AcadeMedia's experience is that in the final phase of such contracts, the volumes are lower while costs do not decrease at the same rate. In order to recognise income and expense as accrued in line with performance undertakings during the contract period, a percentage cost reserve for contract termination is recognised on an ongoing basis. The cost reserve is a percentage amount, currently 1 percent (0) of contract sales. This provision shall at the end of the contract cover the termination costs and is established on the basis of a judgement regarding future net costs comprising number of participants, lease costs and staffing. The judgement affecting the need for termination cost is the assumption regarding participation. In cases where the assumption is not fulfilled, lesser or additional termination cost provisions may be required.

*Amortisation period for capitalisation of conversion of third-party property* AcadeMedia has a large number of leases for terms of between two and 25 years, most of which include options for extension. In some cases, investments are made in the leased property. Normally, AcadeMedia amortises its investment over the term of the lease, since exercise of the option to extend requires a new decision (for major leases, a Board decision is required under the Company's authorisation arrangements).

In the case of a number of properties in exceptional locations or where investments have been made, the economic life of the investment in the leased property is considered to be longer than the lease term including extension clauses, as the judgement is that the leased property will continue to be leased subsequently on the basis of an underlying judgement that it is economically rational. In addition, a right of occupancy accrues to such leased premises. The book value of these investments at the end of the lease term, including extension clauses, is SEK 77 million. In cases where current leases are not extended, amortisation of the capitalised amount attributable to the property will need to be expensed.

*Provision for disputes*
In cases where AcadeMedia has disputes with financial consequences, as estimate is made of the extent of the financial risk for AcadeMedia. Where the actual outcome differs, such cases may result in financial consequences in accounting for the AcadeMedia Group. Concerning the current dispute involving the Swedish National Agency for Education's requirements for Praktiska, the financial consequences for the AcadeMedia Group are not expected to have a negative impact on AcadeMedia's earnings since there is an agreed right of recourse in relation to the seller of Praktiska.

*Judgements regarding revenue recognition* During revenue recognition, certain judgements are made regarding the right to receive revenue. For a more detailed description of these judgements, please see the section on revenue recognition in Accounting Policies.

## Parent Company accounting policies

The Swedish Financial Reporting Board's Recommendation RFR 2 (Accounting for Legal Entities) was applied in the preparation of the Parent Company's financial statements The Parent Company applies the same accounting policies as the Group other than in the cases described below.

*Presentation of income statement and balance sheet*
The financial statements include an income statement, statement of comprehensive income, balance sheet, statement of cash flows and a statement of changes in equity. The Parent Company uses the formats specified in the Swedish Annual Accounts Act, which *inter alia* means that a different presentation of equity is applied. In the Parent Company, shareholders' equity is divided into unrestricted and restricted equity.

*Participations in Group companies*
Shares in subsidiaries are recognised at cost less any impairment losses. An estimate of recoverable amount is made when there is an indication that shares and participations in subsidiaries have decreased in value. If this is lower than the carrying amount, an impairment loss is recognised. Impairment losses are reported in "Income from participation in Group companies."

*Leases*
In the Parent Company any leases are recognised as operating leases.

*Cash and bank balances*
The definition of cash and cash equivalents comprises cash on hand and demand deposits at banks and similar institutions.

*Group contributions and shareholder contributions*
Shareholder contributions are recognised as an increase in the value of shares and participations in Group companies. An assessment is then made of whether there is a need for impairment in the value of the shares and participations in question. Group contributions paid and received are both recorded as an appropriation.

*Dividends*
Revenues are recognised in the income statement when the shareholders' right to receive a dividend payment has been established.

# Note 2: Income from contracts with customers

AcadeMedia's revenue consists of:

- Education-related income consists of school voucher funding or the equivalent in compulsory schools and upper secondary schools and participant fees in adult education.
- State subsidies include State subsidies for the primary school initiative, smaller classes, skills development and before and after school care initiatives.
- Other income refers to income not directly related to education, such as rental income and resale of computers.

### INCOME PER CUSTOMER CATEGORY

| | 2018/2019 | | | | 2017/2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Education-related income | State subsidies | Other income | Total | Education-related income | State subsidies | Other income | Total |
| Revenue | 11,397 | 154 | 165 | 11,715 | 10,553 | 126 | 131 | 10,810 |
| Timing of revenue recognition | | | | | | | | |
| Over time | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At a point in time | 11,397 | 154 | 165 | 11,715 | 10,553 | 126 | 131 | 10,810 |

Income of around SEK 1,382 million (1,361) pertains to a single customer. The domicile of the customer is in Sweden. Total income from external customers per country, based on where the customers are located, is shown in Note 11 Segment accounting.

The Group's business segment apply the same accounting policies for revenue accounting as the Group. A breakdown of revenue per segment is shown in the table below. Total sales correspond to the total sales in the segment overviews.

### INCOME PER SEGMENT

| | Preschool and Compulsory School | Preschool International | Upper Secondary Schools | Adult Education | Other | Elimination | Total |
|---|---|---|---|---|---|---|---|
| Education-related income | 4,064 | 2,349 | 3,798 | 1,492 | 0 | -346 | 11,397 |
| State subsidies | 108 | – | 44 | 1 | 0 | 0 | 154 |
| Other income | 196 | 169 | 323 | 121 | 32 | -677 | 165 |
| **Total** | 4,368 | 2,558 | 4,166 | 1,615 | 32 | -1,023 | 11,715 |

### INCOME-RELATED CONTRACT ASSETS AND CONTRACT LIABILITIES

| SEK m. | 30 June 2019 | 30 June 2018 |
|---|---|---|
| **Contract receivables** | | |
| Accounts receivable (Note 25) | 253 | 199 |
| Accrued income (Note 26) | 99 | 122 |
| **Total contract receivables** | **352** | **321** |
| **Contract liabilities** | | |
| Deferred income (Note 33) | 153 | 257 |
| **Total contract liabilities** | **153** | **257** |

The major share of contract liabilities on 30 June 2019 is expected to be recognised as revenue in 2019/2020.

Recognised revenue in 2018/2019 for performance undertakings fulfilled in previous years is insignificant in view of the nature of the services, and consist primarily of conditional payments. The retroactive revenue attributable to earlier periods during 2018/2019 totalled SEK 57 million (8). Of this amount, SEK 45 million (0) is recognised as items affecting comparability.

The major share of this amount originates from municipalities and central government in Sweden and the equivalent in other countries. The major share of this revenue is paid under fixed payment plans that may be either before or after the service has been performed. In cases where fixed payment plans do not exist, the payment conditions vary in the main between 0 and 60 days. Advance payments from customers are made monthly or by semester in advance, but advance payments are also made up to a year in advance.

## Remaining performance obligations

The Group's income is generally derived from limited-period programmes. These are normally from a month or two to a school year. Exceptionally, programmes in the Adult Education segment may last up to two years. However, in the Pre- and Compulsory School and Upper Secondary School segments, it is normal for students to continue their education for several school year. Remuneration from municipalities or other parties is, however, based on numbers of children and students or course participants approved by the client. This normally means that remaining performance obligations are very limited, and so no information is provided on this item. However, information is provided below on the number of students (annual average) that corresponds to AcadeMedia's contract portfolio and may lead to future revenue.

### STUDENT ENROLMENT (AVERAGE)

| | 2018/2019 | 2017/18 |
|---|---|---|
| Preschool and Compulsory School (Sweden) | 32,988 | 32,101 |
| Upper Secondary School (Sweden) | 34,653 | 30,582 |
| Adult Education (Sweden) | –* | –* |
| Preschool International | 11,852 | 10,684 |
| Group adj., Parent Company | – | – |
| **Total** | **79,493** | **73,366** |

* The volume of Adult Education is not measured based on the number of participants since programme lengths vary from individual occasions to academic years.

## Note 3: Intra-Group sales

The Group's financial agreements have been made according to market principles.

Of the Parent Company's purchases, SEK 0 million (5) and SEK 5 million (9) consist of sales with other companies in the group of companies to which the Company belongs. The Parent Company's revenue consists of fees for services provided to subsidiaries; purchases consist of consulting and personnel expenses.

## Note 4: Leases

### LEASE PAYMENTS FOR THE YEAR

| | GROUP | |
|---|---|---|
| | 2018/2019 | 2017/18 |
| **Operating*** | | |
| Premises | 1,492 | 1,389 |
| Equipment | 34 | 55 |
| **SUM TOTAL** | 1,526 | **1,444** |
| | | |
| **Financial**** | | |
| Equipment | 118 | 101 |
| **SUM TOTAL** | **118** | **101** |

* Lease expenses for assets held via operating leases, such as rented premises, machinery and office equipment, are recognised among Other external expenses.

Future payments for non-cancellable operating and finance leases are as follows:

### CONTRACTUAL OPERATING LEASE FEES IN 2018/2019

| | GROUP | | | |
|---|---|---|---|---|
| | 2019/2020 | 2020-2023 | >2023 | TOTAL |
| Premises | 1,366 | 2,890 | 5,051 | 9,307 |
| Equipment | 11 | 10 | 0 | 21 |
| **SUM TOTAL** | **1,377** | **2,900** | **5,051** | **9,328** |

### CONTRACTUAL OPERATING LEASE FEES IN 2017/2018

| | GROUP | | | |
|---|---|---|---|---|
| | 2018/2019 | 2019-2022 | >2022 | TOTAL |
| Premises | 1,149 | 2,010 | 3,270 | 6,429 |
| Equipment | 12 | 11 | 0 | 23 |
| **SUM TOTAL** | **1,161** | **2,021** | **3,270** | **6,452** |

The length of existing leases varies from 2-50 years. Computers are leased for 2-3 years, while premises are rented on leases for up to 50 years. Premises/rental contracts are upwardly adjusted annually in line with an index corresponding to the CPI. There are no variable rental fees. The table above includes all obligations to which AcadeMedia has committed itself; Note 39 shows leases in force, meaning that leases not yet in force are not included among undiscounted obligations in Note 39.

### FINANCE LEASES**

| | GROUP | | | |
|---|---|---|---|---|
| | 2018/2019 | | 2017/2018 | |
| | Minimum lease payments | Present value of minimum lease payments | Minimum lease payments | Present value of minimum lease payments |
| **Payments due** | | | | |
| Within one year | 88 | 87 | 79 | 78 |
| Later than one year but within five years | 47 | 45 | 40 | 39 |
| **Sum total** | **135** | **133** | **120** | **117** |
| Interest | – | 3 | – | 2 |
| **TOTAL** | **135** | **135** | **120** | **120** |
| | | | | |
| Current portion | – | 86 | – | 77 |
| Long-term portion | – | 47 | – | 42 |

**Finance leases are included in the balance sheet under Equipment; please see Notes 21 and 22. Future obligations for finance leases as per the table above.

## Note 5: Remuneration to auditors

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2018/2019 | 2017/18 | 2018/2019 | 2017/18 |
| **PricewaterhouseCoopers AB** | | | | |
| Audit assignment | 6 | 5 | – | – |
| - of which PwC AB | 4 | 4 | – | – |
| Auditing services over and above audit assignment* | 0 | 0 | – | – |
| - of which PwC AB | 0 | 0 | – | – |
| Tax advisory services | 0 | 1 | – | 0 |
| - of which PwC AB | 0 | 0 | – | – |
| Other services* | 2 | 4 | – | 0 |
| - of which PwC AB | 1 | 4 | – | 0 |
| **EY AB** | | | | |
| Audit assignment | – | 2 | – | 1 |
| Other services | – | 0 | – | 0 |
| **Other auditing firms** | | | | |
| Audit assignment | 1 | 1 | – | – |
| Other services | – | 0 | – | – |
| **TOTAL FEES** | **9** | **13** | **–** | **1** |

* Other services in the preceding year relates to separate review of Hermods SFI Malmö and of the Vindora Holding Group.

## Note 6: Personnel expenses

### SALARIES AND OTHER REMUNERATION

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2018/2019 | 2017/18 | 2018/2019 | 2017/18 |
| Board of Directors and CEO | 10 | 8 | 10 | 8 |
| Other employees | 5,449 | 4,997 | 4 | 4 |
| **Group total** | **5,459** | **5,005** | **14** | **12** |
| **Expenses for social security contributions and pension obligations** | | | | |
| Board of Directors and CEO | 5 | 4 | 5 | 4 |
| Of which pension expenses, including payroll tax | 2 | 2 | 2 | 2 |
| Other employees | 1,945 | 1,743 | 1 | 2 |
| Of which pension expenses, including payroll tax | 445 | 363 | 1 | 1 |
| **Group total** | **1,950** | **1,747** | **6** | **6** |
| **TOTAL** | **7,409** | **6,752** | **20** | **18** |

The table above includes personnel expenses for acquired companies as of the respective acquisition date; please see Note 15. The Group has received hiring subsidies in the form of salary subsidies and State subsidies for teacher salary premium and head teacher salary premium totalling SEK 189 million (175), which are recognised in personnel expenses. State subsidies and salary subsidies have reduced personnel expenses. Since the State subsidies have a corresponding personnel expense the net effect is neutral/limited. The cost of hired personnel is recognised in the income statement under the heading Other external expenses and amounts to SEK 118 million (71).

### AVERAGE NUMBER OF EMPLOYEES

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2018/2019 | 2017/18 | 2018/2019 | 2017/18 |
| (Full-time equivalents) | | | | |
| **Sweden** | 9,519 | 9,292 | 2 | 2 |
| Of which men | 3,033 | 2,821 | 1 | 1 |
| Of which women | 6,486 | 6,472 | 1 | 1 |
| **Norway** | 2,278 | 2,181 | – | – |
| Of which men | 290 | 224 | – | – |
| Of which women | 1,988 | 1,957 | – | – |
| **Germany** | 608 | 390 | – | – |
| Of which men | 89 | 39 | – | – |
| Of which women | 520 | 351 | – | – |
| **Total** | 12,405 | 11,863 | 2 | 2 |
| Of which men | 3,412 | 3,084 | 1 | 1 |
| Of which women | 8,994 | 8,779 | 1 | 1 |

### GENDER BREAKDOWN, BOARD OF DIRECTORS

| | 2018/2019 | 2017/18 |
|---|---|---|
| **Board of Directors** | | |
| Women | 43% | 36% |
| Men | 57% | 64% |
| **Senior executives** | | |
| Women | 55% | 44% |
| Men | 45% | 56% |

The number of women in acquired operations is an estimated figure until the relevant data are integrated into AcadeMedia's HR system.

### Remuneration to the Board of Directors of AcadeMedia AB

The Chairman of the Board and Board members are paid a fee as resolved by the Annual General Meeting. The annual fixed Board fee was set by the Annual General Meeting in November 2018 at SEK 250,000 (250,000) for each elected member and SEK 600,000 (600,000) for the Chairman of the Board. Remuneration for members of the Audit Committee is SEK 75,000 (75,000) per year and SEK 150,000 (150,000) for the Chairman. Remuneration is SEK 25,000 per year for Remuneration Committee members and SEK 50,000 for the Chairman, which is the same as the previous year. Remuneration for members of the Quality Committee is SEK 50,000 (50,000) per year and SEK 100,000 (75,000) for the Chairman. Neither the Chairman of the Board nor any of the Board members has any pension benefits, other benefits or severance pay contracts.

**TOTAL FEE**

| (Amounts in SEK t.) | 2018/2019 | | 2017/18 | |
|---|---|---|---|---|
| | Board fee | Committee fee | Board fee | Committee fee |
| Anders Bülow, Chairman | 600 | 75 | 469 | 66 |
| Silvija Seres | 250 | 125 | 250 | 25 |
| Johan Andersson | 250 | 75 | 156 | 16 |
| Pia Rudengren | 250 | 150 | 156 | 94 |
| Anki Bystedt | 250 | 50 | 156 | – |
| Thomas Berglund | 250 | 100 | 156 | 31 |
| Håkan Sörman | 250 | 75 | 156 | 47 |
| Ulf Mattsson* (former Chairman) | – | – | 188 | 38 |
| Harry Klagsbrun* | – | – | 94 | 9 |
| Helen Fasth Gillstedt* | – | – | 94 | 18 |
| Erika Henriksson* | – | – | 94 | 19 |
| Anders Lövgren (Employee representative) | – | – | – | – |
| Peter Milton** (Employee representative) | – | – | – | – |
| Pernilla Larsson (Employee representative) | – | – | – | – |
| Fredrik Astin (Deputy employee representative) | – | – | – | – |
| **SUM TOTAL** | **2,100** | **650** | **1,969** | **363** |

* Until 24 November 2017.
**Peter Milton resigned before the start of the autumn semester 2019.
No benefits or pension disbursements were paid out in 2018/2019 or 2017/2018 to the Board of Directors.

**REMUNERATION TO THE CEO AND OTHER SENIOR EXECUTIVES**

| (Amounts in SEK t.) | 2018/2019 | 2017/18 |
|---|---|---|
| Marcus Strömberg, CEO, fixed salary* | 4,960 | 4,600 |
| Other senior executives, fixed salary | 15,364 | 13,061 |
| **Total fixed salaries** | **20,324** | **17,661** |
| **Number of other senior executives** | **10** | **8** |
| | | |
| Marcus Strömberg, CEO, variable remuneration | 2,225 | 1,100 |
| Other senior executives, variable remuneration | 3,993 | 2,963 |
| **Total variable remuneration** | **6,218** | **4,063** |
| **Number of other senior executives** | **8** | **8** |
| | | |
| Marcus Strömberg, CEO, benefits* | 125 | 354 |
| Other senior executives, benefits | 208 | 68 |
| **Total benefits** | **333** | **422** |
| **Number of other senior executives** | **3** | **3** |
| | | |
| Marcus Strömberg, CEO, share-matching benefit | 434 | – |
| Other senior executives, share-matching benefits | 738 | – |
| **Total share-matching benefits** | **1,172** | **–** |
| **Number of other senior executives** | **5** | **–** |
| | | |
| Marcus Strömberg, CEO, pensions | 1,476 | 1,381 |
| Other senior executives, pensions | 3,130 | 2,376 |
| **Total pensions** | **4,606** | **3,757** |
| **Number of other senior executives** | **10** | **8** |
| | | |
| **Total REMUNERATION** | | |
| Marcus Strömberg, VD | 9,220 | 7,195 |
| Other senior executives, pensions | 23,433 | 18,468 |
| **SUM TOTAL** | **32,653** | **25,903** |

* CEO's cash benefits increased by 2.5% as of 1 September 2018. In the preceding year up to 1 September 2018, other remuneration of SEK 20,000 per month was paid in addition to basic salary.

Remuneration to the CEO and senior executives follows the guidelines established by the Board, which are presented in the Administration Report.

The following positions are included in Group management: The CEO, segment managers for Preschool and Compulsory School, Upper Secondary School, Adult Education and Preschool Norway, CFO, Head of HR, Head of Communication and Public Affairs and Head of Safety and Security. AcadeMedia's CEO receives a basic salary and benefits. Marcus Strömberg also collects variable remuneration of no more than six months' salary calculated on the basis of set performance targets on a full-year basis. The targets are both operational and financial in nature, and include factors such as quality and financial performance. The CEO's annual pension premiums amount to a maximum of 30 percent of his fixed basic salary. The CEO has a premium-based pension solution. The CEO also receives benefits consisting of car and housing allowances.

If notice of termination is given by AcadeMedia, the CEO is entitled to a twelve-month period of notice. The salary during the period of notice will be reduced by the amount of any remuneration from another employer as of month seven. If notice of termination is given by AcadeMedia, the CEO is entitled to twelve months' severance pay, in addition to the period of notice. If notice is given by the CEO, the notice period is six months. The employment contract includes an anti-competitive clause of six months if the CEO intends to take up a new position with a company conducting competing operations. During this time, the CEO is entitled to remuneration corresponding to the difference between the his/her salary in new employment and the salary he/she had in his/her employment with the Company.

For other senior executives, notice periods of between four and twelve months apply, depending on whether notice is given by the senior executive or the Company. The notice period is generally longer in cases where a senior executive intends to take new employment in a company conducting competing operations. In addition to fixed salary, certain senior executives are entitled to variable remuneration of no more than three or six months' salary, based on the same type of criteria as for the CEO. When notice is given by the employer, certain senior executives are entitled to severance pay amounting to between six and twelve months' salary, in addition to regular salary during the notice period.

## Incentive programme

As per 30 June 2019, AcadeMedia operated three types of long-term incentive programme: a share-matching plan, a warrant programme and a convertible loan programme. Decisions on the programmes were made at the Extraordinary General Meeting held on 1 June 2016, at the Annual General Meeting on 24 November 2017 and at the Annual General Meeting on 22 November 2018.

The programmes are designed to motivate and retain skilled employees, increase consensus on the goals of the employees and the Company, and increase motivation to achieve and exceed the Company's financial targets. The Board of Directors and its Remuneration Committee evaluate the incentive programmes annually to ensure that they achieve their intended purposes.

Management's holdings are shown on page 70.

**SHARE-MATCHING PLAN**

In 2018, AcadeMedia launched a share-matching plan, AMP 2017, aimed at no more than 80 managers and other key employees within the Group. Participation requires participants to use their own resources to acquire shares in AcadeMedia, or to allocate shares already held - "savings shares" - to the programme. Participants who, with certain exceptions, retain the savings shares for the period of the programme and who are also employed by AcadeMedia throughout the term, will receive a matching share free of charge at the end of the period for each savings share held. Criteria for matching shares to be allocated are that the total return (return to shareholders in the form of share price increases and reinvestment of any dividends during the term) on the Company's share throughout the term of the program exceeds 0 percent and that AcadeMedia has maintained good quality in its education services.

During the programme, the Board will perform an evaluation and assessment of management's judgement of the quality of the education provided to the students. The maximum value of the right to receive one matching share is limited to five times the price of the share when first listed on Nasdaq Stockholm.

As at 30 June 2019 ,the number of participants and potential matching shares was as follows:

– AMP 2017 - formerly called AMP 2 - had 36 participants and a maximum of 58,528 matching shares, of which the CEO holds 7,350 and the other senior executives 18,375.

This means that the total number of shares that can be allocated in the share-matching plan will be a maximum of 58,528 (145,198) shares, representing 0.06 (0.14) percent of the shares outstanding. The cost of the share-matching plan to the Group in the financial year was SEK 569,000 (921,000) excluding social security contributions, which amounted to SEK 105,000 (641,000). The cost of share-matching excluding social security contributions for the CEO was SEK 71,000 (110,000) and SEK 178,000 (274,000) for the other senior executives.

The remaining cost for the AMP 2017 share-matching plan is SEK 1.3 million if all employees remain, based on the share price as of the closing date.

### NUMBER OF SHARES

| | |
|---|---|
| Subscription share matching plan (AMP 2017) | 66,465 |
| Participants who left (AMP 2017) | -7,937 |
| Closing balance, 30 June 2019 | 58,528 |

During the year, AcadeMedia fulfilled its obligation under the share-matching plan issued in 2016 in favour of senior managers in AcadeMedia. 76,758 C-shares were converted to ordinary shares and distributed to the qualifying participants. As a result of the conversion, the number of votes increased by 69,082, from 105,171,385 to 105,240,467. The total number of shares is unchanged. The cost of the share-matching plan to the Group over the financial year was SEK 237,000, excluding social security contributions, which amounted to SEK -165,000.

### WARRANT PROGRAMME

The Extraordinary General Meeting resolved on 1 June 2016 to issue warrants restricted to Group management at AcadeMedia. Participants acquired warrants at SEK 2.20 per warrant for a total of SEK 1,188,000, which is considered to be the market value based on an independent valuation using the Black and Scholes model.

The warrants have an exercise price per share equivalent to 125 percent of the initial public offering price of SEK 40 per share, i.e. SEK 50 per share. The warrants may be exercised during two periods: for two weeks from the day after publication of the interim report for the third quarter of the 2018/2019 financial year and for two weeks from the day after publication of the interim report for the first quarter of the 2019/2020 financial year. Should the price per share in the Company at subscription exceed 200 percent of the exercise price, the exercise price will be increased by an amount corresponding to the excess amount. The maximum gain at exercise of the warrants is thus limited to SEK 50 per warrant. No rights were exercised in the first exercise period.

The 2017 annual meeting of shareholders resolved once again to offer Group management warrants in AcadeMedia. The price was SEK 4.17 per warrant for a total of SEK 1,002,885, which is considered to be the market value based on an independent valuation using the Black and Scholes model. The exercise price is SEK 71.30, which corresponded to 115 percent of the share price at the time of issuance. The warrants may be exercised during two periods: for two weeks from the day after publication of the interim report for the second quarter of the 2020/2021 financial year and for two weeks from the day after publication of the interim report for the third quarter of the 2020/2021 financial year.

As of 30 June 2019, Group management had the following holdings of warrants:

– Warrants 2016: 436,000 warrants, the same as in the previous year,the CEO accounting for 176,000.
– Warrants 2017: 240,500 warrants, the same as in the previous year,the CEO accounting for 52,500.

If the warrants are exercised in full, the Company's total shares and votes will be diluted by approximately 0.65 (0.64) percent.

### CONVERTIBLE LOAN PROGRAMME

At the 2018 Annual General Meeting, it was resolved to adopt a new long-term incentive programme in the form of convertibles issued to employees of the AcadeMedia Group, except for the Chief Executive Officer and Group management. The programme comprises the issue of convertibles for a nominal value of no more than SEK 152.1 million and an estimated dilution of 2.5 percent. The convertible loan programme is not conditional on continued employment during the term of the programme.

Participants are offered the opportunity to acquire convertibles at their nominal price, represented by their estimated market value, with each convertible entitling the holder to subscribe for shares in the Company at a conversion price of 120 percent of the average volume-weighted share price in the period from 1 February 2019, inclusive, to 7 February 2019, inclusive. The convertibles carry interest as of 15 March 2019 and may be converted during four periods. The earliest occasion is approximately three years after issue. The convertible loan falls due for payment on 17 September 2023, to the extent conversion has not taken place before then.

The convertible loan was subscribed for in an amount totalling approximately SEK 20 million. In the accounts, the loan is divided into an equity portion (SEK 2 million) and a bond portion (SEK 18 million). The equity portion is recognised in Equity and the bond portion as a non-current interest-bearing liability. In accordance with IAS 32, the liability and equity portions of the convertible debenture loan are recognised separately; as a result, the debenture loan is initially recognised on the balance sheet as a liability in a nominal amount excluding the equity portion. The convertible loan carries variable interest based on STIBOR.

Convertibles subscribed for may be converted into ordinary shares at a conversion price of SEK 59.50. Through conversion of convertibles, AcadeMedia's share capital may increase by a total of no more than SEK 338,739 by the issue of no more than 338,739 ordinary shares, each with a quota value of SEK 1. This represents dilution of around 0.3 percent of the shares and votes in the Company.

# Note 7: Pensions

## Pensions

The Group operates defined-contribution plans and defined-benefit plans in Sweden and in Norway, while Germany only operates defined-contribution pension plans. Thus Norway operates both defined-benefit and defined-contribution pension plans. Defined-benefit pension plans in Sweden are in line with the ITP 2 agreement and are secured through pension insurance with Alecta, which is a pension scheme that covers several employers. This pension plan is accounted for as a defined-contribution pension plan, as Alecta cannot provide sufficient information for the plan to be accounted for as a defined-benefit pension plan. As a result, only defined-benefit pension plans in Norway are accounted for as liabilities on the balance sheet.

### NET PENSION EXPENSES

| | GROUP | |
|---|---|---|
| | 2018/2019 | 2017/2018 |
| Cost of service during the period | 77 | 61 |
| Cost of service, previous periods (plan change/ adjustment) | – | -37 |
| Employee contributions | -19 | -17 |
| Net interest | – | 0 |
| **Pension expense, defined-benefit pensions, in profit/loss for the year** | **57** | **7** |
| Pension expense, defined-contribution pensions, in profit/loss for the year | 333 | 307 |
| **Pension expenses in profit/loss for the year** | **390** | **314** |
| Re-measurement of defined-benefit pensions recognised in other comprehensive income | 132 | 87 |
| **PENSION EXPENSE IN TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **522** | **401** |

The premiums for the year for pension insurance plans contracted with Alecta amount to SEK 116 million (111). The Group's percentage of the premiums paid to Alecta amounted to around 0.6  percent (around 0.6). Premiums for the defined-benefit retirement and family pension plans are calculated on an individual basis and are determined by factors such as salary, previously earned pension and expected remaining period of service.

The collective funding ratio consists of the fair value of Alecta's assets as a percentage of the insurance obligations, calculated according to Alecta's actuarial methods and assumptions, which do not correspond to IAS 19. The collective funding ratio should normally be allowed to vary between 125 and 155 percent. If Alecta's collective funding ratio is less than 125 percent or exceeds 155 percent, steps are to be taken to return the funding ratio to within the normal range. In the case of a low funding ratio, options are to raise the agreed rates for new policies and/or to increase existing benefits. In the case of a high funding ratio, an option may be to reduce premiums. As of 30 June 2019, Alecta's surplus in the form of its collective funding ratio was 144 percent (154).

In Norway, responsibility for retirees taking early retirement was moved from the companies to the State, resulting in what is known as a curtailment gain of SEK 37 million, please see Note 10.

The following is information on defined-benefit pension plans in Norway. Norwegian companies are obliged to comply with the Norwegian law on mandatory occupational pensions. The Company's pension plans meet the requirements of this law. The plans provide defined future benefits in the form of retirement, family and disability pension. These benefits are mainly determined by the number of years of service, salary at retirement and social insurance levels. Defined-benefit pension plans in Norway are secured in accordance with the plan's rules via pension insurance with Storebrand Livforsikring AS. The size of the pension premiums is determined by the insurance provider based on different criteria than those in IAS 19. Under the pension agreement, employees contribute 2 percent of their gross salary in premium payments.

### NET DEFINED-BENEFIT PENSION LIABILITY

| | GROUP | |
|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 |
| Present value of pension liability | 690 | 525 |
| Fair value of plan assets | -536 | -484 |
| **NET PENSION LIABILITY (+) /ASSETS (–) ON THE BALANCE SHEET** | **154** | **40** |

### CHANGE IN PRESENT VALUE OF PENSION LIABILITY

| | GROUP | |
|---|---|---|
| | 2018/2019 | 2017/2018 |
| **Pension liability, opening balance** | **525** | **439** |
| Effect of acquisitions | 9 | 15 |
| Cost of service during the period | 74 | 61 |
| Cost of service, previous periods (plan change/ adjustment) | 0 | -39 |
| Interest expense | 14 | 11 |
| Re-measurement of pensions, | | |
| – demographic assumptions | – | – |
| – financial assumptions | – | – |
| – experience-based adjustments | 86 | 67 |
| Pension disbursements | -2 | -3 |
| Payroll tax paid | -12 | -13 |
| Plan change/adjustment | 0 | -53 |
| Exchange rate difference | -4 | 40 |
| **PENSION LIABILITY, CLOSING BALANCE** | **690** | **525** |

### CHANGE IN FAIR VALUE OF PLAN ASSETS

| | GROUP | |
|---|---|---|
| | 2018/2019 | 2017/2018 |
| **Plan assets, opening balance** | **484** | **418** |
| Effect of acquisitions | 8 | 13 |
| Interest income | 10 | 8 |
| Return over and above interest income | -46 | -25 |
| Employer contributions | 86 | 72 |
| Employee contributions | 0 | 18 |
| Pension disbursements from plan assets | -2 | -3 |
| Plan change/adjustment | 0 | -53 |
| Exchange rate difference | -4 | 37 |
| **PLAN ASSETS, CLOSING BALANCE** | **536** | **484** |

The plan assets consist of pension insurance through Storebrand Livforsikring AS, invested according to Storebrand Normal (previously Ekstra Forsiktig). Risk is controlled through dynamic risk management, which means that the equity portion is weighted up or down, depending on developments in the financial markets. Risk capacity is determined by several factors, such as the buffer and level of interest rates.

### INVESTMENT OF PLAN ASSETS

| | 30 June 2019 | 30 June 2018 |
|---|---|---|
| Shares | 8% | 7% |
| Interest-bearing investments | 78% | 78% |
| Property | 11% | 11% |
| Alternative investments | 3% | 4% |
| **Sum total** | **100%** | **100%** |

Of the above, Equities and Interest-bearing investments are invested in an active market.

The present value of pension obligations is determined by a number of factors established on the basis of a number of assumptions.

**SIGNIFICANT ACTUARIAL ASSUMPTIONS**

| | 30 JUNE 2019 | 30 JUNE 2018 |
|---|---|---|
| Discount rate | 2.50% | 2.60% |
| Salary increase | 2.75% | 2.50% |
| Uprating of pension | 0.80% | 0.50% |
| Increase in social security amount | 2.50% | 2.25% |
| Employee turnover | 13% until age 40 years, then 6% | 13% until age 40 years, then 6% |
| Life expectancy, mortality table | K2013BE | K2013BE |

The Norwegian pension agreements cover around 2,650 individuals, including 2,450 who are active and about 200 retirees. The pension plan essentially covers young women in active employment. The defined-benefit pension obligation totals SEK 691 million, of which SEK 551 million relates to the active employees and the remaining SEK 139 million relates to the retirees. The weighted average duration of defined-benefit pension liabilities is around 28 years.

The expected total contributions to the Norwegian defined-benefit plan amount to around SEK 91 million for the upcoming financial year. Added to this is Norwegian payroll tax of around SEK 13 million. Expected contributions to the Swedish defined-benefit plan with Alecta amount to around SEK 117 million. Added to this is Swedish payroll tax of around SEK 28 million.

The defined-benefit pension plans expose the Group to various risks, including risk associated with life expectancy, salary levels etc. Each change in the assumptions applied will have an impact on the carrying amounts of the pension obligations. Responsibility for pension obligations for former employees - "paid-up policies" = is however transferred to the insurance provider and the pension obligations for these paid-up policies are not recognised as net debt.

**SENSITIVITY ANALYSIS FOR PENSION LIABILITY**

| | CHANGE IN ASSUMPTION | | CHANGE IN LIABILITIES, SEK M. | |
|---|---|---|---|---|
| Discount rate | -0.50% | 0.50% | 136 | -112 |
| Salary increase | -1.00% | 1.00% | -45 | 51 |
| Uprating of pension | -0.50% | 0.50% | -94 | 110 |

The sensitivity analysis was carried out for the most significant actuarial assumptions, which are the discount rate, salary increase and pension uprating. The sensitivity analysis involved changing one actuarial assumption while the other assumptions remain unchanged. This method shows the liability's sensitivity to an individual assumption. This is a simplified method as the actuarial assumptions are normally correlated.

In Norway an agreement was reached between employers represented by PBL and employee organisations in the Preschool segment on the new pension plan that will come into force on 1 January 2020. Briefly, under the new plan about 80 percent of employees in the Norwegian operation will transition to a defined contribution pension scheme, while the others will remain in the current defined benefit system. The change in pension plan will result in a positive pension change adjustment in the income statement as of 1 January 2020. The effect is estimated to amount to approximately SEK 60 million based on preliminary calculation assumptions and exchange rates. The final amount will be affected by final assumptions at the time of transition and currency effects.

## Note 8: State subsidies

| | GROUP | |
|---|---|---|
| | 2018/2019 | 2017/2018 |
| Salary subsidy, teacher salary premium | 89 | 73 |
| Salary subsidy, head teachers/career service | 43 | 44 |
| Other salary subsidies | 57 | 58 |
| Other State subsidies | 154 | 126 |
| **Sum total** | **343** | **302** |

State subsidies are classified as salary subsidies and other State subsidies.

State subsidies to cover payroll expenses such as the teacher salary premium, head teacher premium and other salary subsidies, are recognised net under personnel expenses. In all, State salary subsidies totalled SEK 189 million (175).

Other State subsidies totalled SEK 154 million (126) and are recognised in revenue. This item includes other State subsidies for the primary school initiative, smaller classes, skills development and before and after school care initiatives. Of Other State subsidies, the State subsidy for equitable schools is the largest single subsidy, totalling SEK 28 million (-).

# NOTE 9: Depreciation/amortisation

| DEPRECIATION/AMORTISATION ACCORDING TO PLAN | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| Other intangible assets | 4 | 4 | 0 | 0 |
| Brands | – | – | – | – |
| Equipment | 204 | 182 | – | – |
| Expenses for improvements to third-party property | 42 | 32 | – | – |
| Buildings | 30 | 28 | – | – |
| **DEPRECIATION/AMORTISATION FOR THE YEAR** | **280** | **246** | **0** | **0** |

| ACQUISITION-RELATED DEPRECIATION/AMOR-TISATION | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| Other intangible assets | – | – | – | – |
| Brands | 12 | 1 | – | – |
| Equipment | – | – | – | – |
| Expenses for improvements to third-party property | – | – | – | – |
| Buildings | 4 | 3 | – | – |
| **DEPRECIATION/AMORTISATION FOR THE YEAR** | **16** | **4** | **0** | **0** |

| TOTAL DEPRECIATION/AMORTIZATION | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| Other intangible assets | 4 | 4 | 0 | – |
| Brands | 12 | 1 | – | – |
| Equipment | 204 | 182 | – | – |
| Expenses for improvements to third-party property | 42 | 32 | – | – |
| Buildings | 34 | 31 | – | – |
| **DEPRECIATION/AMORTISATION FOR THE YEAR** | **296** | **250** | **0** | **0** |

# NOTE 10: Items affecting comparability

Items affecting comparability include income and expenses of such a nature as to affect comparability. These are reported on a separate line in the accounts to improve comparability between periods and to clarify the trend in the underlying business. Items affecting comparability are items related to property, such as capital gains, major property damage not covered by commercial insurance, consulting costs related to acquisitions, severance payments to senior executives, major integration costs resulting from acquisitions or reorganisation, as well as costs arising from strategic decisions and major restructuring that result in closing down of units.

Restructuring costs in 2017/18 in the Adult Education segment relate to adjusting capacity and a provision for contractual overcapacity due to lower volumes. Hermods SFI relates to a settlement with the City of Malmö. Integration costs Vindora relates in part to integration of the IT environment, financial management system, salaries and severance pay to previous CEO/managers at Vindora, which impacted negatively on both Upper Secondary School and Adult Education segments. Pension adjustment Norway relates to one-off effect due to changed pension rules affecting retirees who took early retirement.

The Group's operating profit/loss would be as follows if items affecting comparability had not had their own line in the accounts.

### ITEMS AFFECTING COMPARABILITY

| | GROUP | |
|---|---|---|
| | 2018/2019 | 2017/2018 |
| Transaction-related expenses | 0 | -8 |
| Retroactive revenue from previous years | 45 | – |
| Restructuring costs (Ad. Ed.) | -15 | -38 |
| Restructuring costs (Upper Sec.) | -14 | 3 |
| Restructuring costs (Comp. School) | -14 | |
| Hermods SFI | – | -23 |
| Integration costs Vindora | – | -20 |
| Pension adjustment Norway | – | 37 |
| **SUM TOTAL** | **1** | **-48** |

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | GROUP | |
|---|---|---|
| (SEK m) | 2018/2019 | 2017/2018 |
| Net sales | 11,760 | 10,810 |
| | **11,760** | **10,810** |
| Cost of services purshased | -997 | -923 |
| Other external expenses | -2,542 | -2,368 |
| Personnel expenses | -7,291 | -6,648 |
| Depreciation/amortisation | -280 | -246 |
| Acquisition-related depreciation/amortisation | -16 | -4 |
| | **-11,125** | **-10,188** |
| **OPERATING PROFIT/LOSS** | **635** | **622** |

## Note 11: Segment reporting

The Group's operations are conducted within four segments: Preschool and Compulsory School (Sweden), Preschool International, Upper Secondary School (Sweden) and Adult Education (Sweden). Preschool International operates in Norway and Germany, while the other segments are based in Sweden.

AcadeMedia's Preschool and Compulsory School segment operates preschools and compulsory schools in a large number of municipalities throughout Sweden under the brands Pysslingen Förskolor, Pysslingen Skolor and Vittra. Operations are based entirely on the school voucher system.

AcadeMedia's Preschool International segment operates preschools in Norway under the Espira brand and in Germany under the Joki, Stepke and KTS brands. Espira is Norway's third largest preschool provider with 100 units and has a clear proficiency-led concept. In Germany preschools are operated at 36 units. The business in Norway is based on a publicly funded school voucher system similar to the Swedish system, while the operation in Germany has a higher percentage of parental fees.

AcadeMedia's Upper Secondary School segment provides upper secondary education throughout Sweden under 15 different brands, offering both university preparatory and vocational programmes. The segment's brands include Plusgymnasiet, NTI, LBS, ProCivitas and Rytmus. Operations are based entirely on the school voucher system.

AcadeMedia's Adult Education segment is Sweden's largest provider of adult education. AcadeMedia Adult Education is divided into four areas: Language and Integration, Municipal Adult Education, Labour Market Services and Higher Vocational Education. The units are operated under brands such as Eductus, Hermods, and NTI-skolan. The reimbursement model, which varies among the business areas, is based on public funding across the board, mainly from municipalities and the Swedish Public Employment Agency.

The segments are responsible for the ongoing financial results up to and including operating profit. Responsibility for operating assets and financing, including cash and cash equivalents, rests at the Group level. This means that cash and cash equivalents and interest-bearing assets and liabilities are not allocated out to the segments. Consequently, it is not possible to allocate net financial items and tax on the year's profits per segment either.

| **YEAR 2018/2019** (SEK M.) | **Preschool and Compulsory School** | **Preschool International** | **Upper Secondary Schools** | **Adult Education** | **Other/ Group** | **Total** | **Elimination** | **Group** |
|---|---|---|---|---|---|---|---|---|
| Sales revenue, total | 4,368 | 2,558 | 4,166 | 1,615 | 32 | 12,739 | -1,023 | 11,715 |
| Net sales, internal | 221 | 230 | 408 | 137 | 28 | 1,023 | -1,023 | 0 |
| **Net sales, external** | **4,147** | **2,328** | **3,757** | **1,478** | **4** | **11,715** | **–** | **11,715** |
| EBITDA before items affecting comparability | 274 | 194 | 486 | 47 | -71 | 930 | – | 930 |
| Depreciation/amortisation | -72 | -55 | -138 | -10 | -5 | -280 | – | -280 |
| Acquisition-related depreciation/amortisation | -2 | -4 | -4 | -5 | 0 | -16 | – | -16 |
| Operating profit/loss (EBIT) before items affecting comparability | 199 | 135 | 344 | 32 | -76 | 634 | – | 634 |
| Items affecting comparability | -4 | 0 | 20 | -15 | 0 | 1 | – | 1 |
| Operating profit/loss (EBIT) | 195 | 135 | 364 | 17 | -76 | 635 | – | 635 |
| Net financial items | – | – | – | – | -69 | -69 | – | -69 |
| Profit/loss after financial items (EBT) | – | – | – | – | 566 | 566 | – | 566 |
| Tax on profit for the year | – | – | – | – | -136 | -136 | – | -136 |
| **PROFIT FOR THE YEAR** | **–** | **–** | **–** | **–** | **431** | **431** | **–** | **431** |
| Total number of students* | 32,988 | 11,852 | 34,653 | ** | – | 79,493 | – | 79,493 |
| Number of children, preschools* | 11,636 | 11,852 | – | – | – | 23,488 | – | 23,488 |
| Number of students, compulsory schools* | 21,352 | – | – | – | – | 21,352 | – | 21,352 |
| Number of students, upper secondary schools* | – | – | 34,653 | – | – | 34, 653 | – | 34,653 |
| Number of employees* | 4,785 | 2,886 | 3,123 | 1,453 | 158 | 12,405 | – | 12,405 |
| Number of units* | 228 | 136 | 144 | | | 507 | – | 507 |

| **YEAR 2017/2018** (SEK M.) | **Preschool and Compulsory School** | **Preschool International** | **Upper Secondary Schools** | **Adult Education** | **Other/ Group** | **Total** | **Elimination** | **Group** |
|---|---|---|---|---|---|---|---|---|
| Net sales, external | **3,912** | **1,998** | **3,229** | **1,666** | **5** | **10,810** | – | **10,810** |
| Net sales, internal | 188 | 172 | 156 | 117 | 52 | 797 | -797 | – |
| **Sales revenue, total** | 4,100 | 2,170 | 3,385 | 1,782 | 57 | 11,607 | -797 | 10,810 |
| EBITDA before items affecting comparability | 239 | 182 | 413 | 144 | -58 | 920 | – | 920 |
| Depreciation/amortisation | -61 | -52 | -119 | -8 | -4 | -244 | – | -244 |
| Acquisition-related depreciation/amortisation | 0 | -4 | -1 | 0 | 0 | -6 | – | -6 |
| Operating profit/loss (EBIT) before items affecting comparability | 178 | 125 | 292 | 137 | -62 | 670 | – | 670 |
| Items affecting comparability | 0 | 37 | -16 | -61 | -8 | -48 | – | -48 |
| Operating profit/loss (EBIT) | 178 | 162 | 276 | 75 | -70 | 622 | – | 622 |
| Net financial items | – | – | – | – | -68 | -68 | – | -68 |
| Profit/loss after financial items (EBT) | – | – | – | – | 555 | 555 | – | 555 |
| Tax on profit for the year | – | – | – | – | -124 | -124 | – | -124 |
| **PROFIT FOR THE YEAR** | **–** | **–** | **–** | **–** | **430** | **430** | – | **430** |

**NOTE 11, CONT.**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Total number of students* | 32,101 | 10,684 | 30,582 | ** | – | 73,366 | – | 73,366 |
| Number of children, preschools* | 11,437 | 10,684 | – | | – | 22,121 | – | 22,121 |
| Number of students, compulsory schools* | 20,665 | – | – | | – | 20,665 | – | 20,665 |
| Number of students, upper secondary schools* | – | – | 30,582 | | – | 30,582 | – | 30,582 |
| Number of employees* | 4,678 | 2,571 | 2,813 | 1,657 | 145 | 11,863 | – | 11,863 |
| Number of units* | 229 | 123 | 133 | | | 485 | – | 485 |

* Average per year
** The volume of Adult Education is not measured on the basis of the number of participants since the length of the programmes varies from individual occasions to academic years.

## Geographic information

### REVENUE FROM EXTERNAL CUSTOMERS (BASED ON DOMICILE)

| | GROUP | |
|---|---|---|
| | 2018/2019 | 2017/2018 |
| Sweden | 9,387 | 8,812 |
| Norway | 1,922 | 1,751 |
| Germany | 406 | 247 |
| **SUM TOTAL** | **11,715** | **10,810** |

The Group has one customer whose sales amounted to around 12 percent (13) of the Group's total net sales for 2018/2019. The breakdown by segment for this customer is as follows: Preschool and Compulsory School SEK 822 million (799), Upper Secondary School SEK 368 million (365) and Adult Education SEK 192 million (195).

### NON-CURRENT ASSETS BY COUNTRY

| | GROUP | |
|---|---|---|
| | 2018/2019 | 2017/2018 |
| Sweden | 5,796 | 5,591 |
| Norway | 2,026 | 1,833 |
| Germany | 325 | 349 |
| **SUM TOTAL** | **8,147** | **7,773** |

Non-current assets do not include financial instruments, deferred tax assets and pension assets.

## New segment classification

As of 1 July 2019, AcadeMedia will implement a new organisation streamlining the different categories of education. The reorganisation includes all independent preschools and will combine all Swedish and international preschools into one new segment. In addition, AcadeMedia's compulsory schools will form a separate segment in the Group's segment reporting.

Thus, the Group will continue to have four segments, the Preschool Segment, the Compulsory School Segment, the Upper Secondary School Segment, and the Adult Education Segment.

Annual data for the new segments are presented below. The Upper Secondary School Segment and Adult Education Segment are not affected by the reorganisation.

| | Full year* | |
|---|---|---|
| | 2018/2019 | 2017/2018 |
| **Preschool** | | |
| Number of children/students (average) | 20,461 | 19,193 |
| Net sales | 3,601 | 3,226 |
| EBITDA | 264 | 286 |
| EBITDA margin, % | 7.3% | 8.9% |
| Depreciation/amortisation | -68 | -63 |
| Acquisition-related depreciation/ amortisation | -5 | -4 |
| Operating profit/loss (EBIT) | 191 | 218 |
| EBIT margin, % | 5.3% | 6.8% |
| Items affecting comparability | – | 37 |
| Adjusted operating profit/loss (EBIT) | 191 | 181 |
| Adjusted EBIT margin, % | 5.3% | 5.6% |
| Number of education units | 254 | 241 |

| | Full year* | |
|---|---|---|
| | 2018/2019 | 2017/2018 |
| **Compulsory School** | | |
| Number of children/students (average) | 24,379 | 23,591 |
| Net sales | 2,875 | 2,685 |
| EBITDA | 201 | 172 |
| EBITDA margin, % | 7.0% | 6.4% |
| Depreciation/amortisation | -60 | -50 |
| Acquisition-related depreciation/ amortisation | -1 | – |
| Operating profit/loss (EBIT) | 139 | 122 |
| EBIT margin, % | 4.8% | 4.5% |
| Items affecting comparability | -4 | – |
| Adjusted operating profit/loss (EBIT) | 143 | 122 |
| Adjusted EBIT margin, % | 5.0% | 4.5% |
| Number of education units | 108 | 111 |

## Note 12: Taxes

Income tax in the Consolidated statement of comprehensive income consists of the following main components:

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| **Income statement** | | | | |
| *Current tax* | | | | |
| Current tax on profit for the year | -114 | -123 | – | -2 |
| Adjustment, previous years | -2 | 3 | – | – |
| **Total current tax** | **-116** | **-120** | **–** | **-2** |
| *Deferred tax* | | | | |
| Recognition and reversal of temporary differences | -20 | -4 | – | -1 |
| **Total deferred tax** | **-20** | **-4** | **–** | **-1** |
| **Total tax expense recognised in the income statement** | **-136** | **-124** | **–** | **-3** |
| **Other comprehensive income** | | | | |
| Deferred tax attributable to defined-benefit plans | 29 | 21 | – | – |
| **TOTAL TAX EXPENSE RECOGNIZED IN OTHER COMPREHENSIVE INCOME** | **29** | **21** | **–** | **–** |

### RECONCILIATION OF TAX RECOGNISED IN THE INCOME STATEMENT

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| **Profit/loss before tax** | 566 | 555 | 0 | 14 |
| Tax on profit for the year based on the tax rate in effect | -136 | -122 | 0 | -3 |
| *Tax effect of:* | | | | |
| Current tax rates in country concerned | 9 | -1 | 0 | – |
| Non-deductible expenses | -6 | -30 | 0 | 0 |
| Non-taxable income | 0 | 2 | 0 | 0 |
| Utilisation of previous year's unrecognised loss carry-forwards | – | – | 0 | – |
| Deferred tax on temporary differences | 0 | 24 | – | – |
| Adjustment, previous years | -2 | 3 | – | – |
| Revaluation of deferred tax – change in tax rate* | -1 | 0 | – | – |
| Other | 0 | 0 | – | – |
| **TAX EXPENSE RECOGNISED** | **-136** | **-124** | **0** | **-3** |

* As of 1 January 2019, the tax rate in Sweden is 21.4 percent for companies with a financial year starting on 1 January 2019 or later. The tax rate will be lowered to 20.6 percent for financial years starting on 1 January 2021 or later. The tax rate in Norway has been lowered from 23 percent to 22 percent.

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 | 30 JUNE 2019 | 30 JUNE 2018 |
| **Deferred tax assets** | | | | |
| Intangible non-current assets | 0 | 0 | – | – |
| Property, plant and equipment | 21 | 18 | – | – |
| Tax deficit | 0 | 3 | – | – |
| Provision for pensions | 54 | 27 | – | – |
| Deferred tax on provisions made | 45 | 48 | – | – |
| Other | 0 | 0 | – | – |
| **Total deferred tax assets** | **120** | **96** | **–** | **–** |
| Offsetting of tax asset/tax liability | -64 | -69 | – | – |
| **Deferred tax assets, closing balance** | **56** | **27** | **–** | **–** |
| **Deferred tax liability** | | | | |
| Intangible non-current assets | 47 | 16 | – | – |
| Property, plant and equipment | 31 | 29 | – | – |
| Untaxed reserves | 127 | 110 | – | – |
| **Total deferred tax liabilities** | **205** | **155** | **–** | **–** |
| Offsetting of tax asset/tax liability | -64 | -69 | – | – |
| **Deferred tax liabilities, closing balance** | **141** | **86** | **–** | **–** |
| **Change in deferred tax** | | | | |
| Deferred tax net, opening balance | -59 | -59 | – | 1 |
| Reclassification, previous year | -33 | -1 | – | – |
| Deferred tax according to the income statement | -21 | -4 | – | -1 |
| Company acquisitions | -1 | -16 | – | – |
| Deferred tax on pension recognised in equity | 29 | 21 | – | – |
| Translation difference | 0 | 0 | – | – |
| **Deferred tax net, closing balance** | **-85** | **-59** | **–** | **–** |

## Tax loss carry-forwards

The tax loss carry-forwards for the Group total SEK 0 million (20). As of 30 June 2019, the Group did not have the right to fully use loss carry-forwards to offset a surplus due to changes in the Group structure. The full right to use tax loss carry-forwards in Sweden with the current Group structure will be available in 2023 at the latest. Tax loss carry-forwards in Sweden amount to SEK 0 million, in Norway SEK 0 million, and in Germany SEK 0 million. Earlier unrecognised deficits in Germany totalling SEK 1 million had been used as per 30 June 2019. Loss carry-forwards have no time limit. The Parent Company's deferred tax loss carry-forwards total SEK 0 million (0).

Deferred tax assets are recognised as an asset to the extent that it is likely that the loss carry-forward can be used to offset a surplus in future tax returns. SEK 0 million (20) of the Group's tax loss carry-forwards are expected to be available to offset future tax surpluses.

## Note 13: Interest income and similar profit/loss items

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| Interest income | 1 | 2 | 0 | 0 |
| Intra-Group interest income | – | – | 17 | – |
| Foreign exchange gains | 2 | 4 | – | – |
| Other | 0 | 0 | – | 0 |
| **INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS** | **3** | **5** | **17** | **0** |

## Note 14: Interest expense and similar profit/ loss items

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2018/2019 | 2017/2018 | 2018/2019 | 2017/2018 |
| Interest expense | -51 | -62 | -5 | -3 |
| Intra-Group interest expense | – | – | -17 | – |
| Borrowing costs * | -7 | -5 | -7 | – |
| Exchange rate losses | -3 | 0 | – | – |
| Capital losses | -5 | – | – | – |
| Bank fees and similar | -5 | -5 | -3 | -2 |
| **INTEREST EXPENSE AND SIMILAR PROFIT/ LOSS ITEMS** | **-72** | **-73** | **-32** | **-5** |

* Setup charges for new loans are expensed over the term of the loan. During the financial year, the scheduled amortisation of capitalised borrowing costs totalled SEK 7 million (5).

## Note 15: Business combinations

### ACQUISITIONS 2018/2019

| Acquiring companies | Acquired companies/ businesses | Date of acquisition | Segment |
|---|---|---|---|
| Espira Barnehager AS | Casa Musica Barnehager AS | 1 Apr 2019 | Preschool International |
| ACM 2001 AB | Helixutbildningar AB | 1 May 2019 | Upper Secondary Schools |
| ACM 2001 AB | TO i Sverige AB | 1 Jul 2019 | Other/Group |

The acquisition analyses are provisional for one year commencing on the acquisition date.

The acquisitions above represent a combined value of less than 5 percent of the Group and are therefore not specified separately in the tables. Voting rights in all acquisitions amount to 100 percent.

TO i Sverige AB was acquired after the end of the financial year and the company is not included in the tables below.

In all of the acquisitions, the purchase consideration takes the form of a cash payment.

The following are disclosures regarding adjusted acquired net assets and goodwill. Amortisation/impairment of goodwill attributable to goodwill on consolidation is not tax deductible, while amortisation/impairment attributable to business acquisitions (net assets) is tax deductible.

### ACQUISITION EFFECTS OF ACQUISITIONS MADE IN 2018/2019

| | TOTAL |
|---|---|
| Purchase consideration including transaction costs | 33 |
| Purchase consideration excluding transaction costs | 31 |
| Fair value of acquired net assets excluding goodwill | -10 |
| **TOTAL GOODWILL** | **21** |

### ACQUIRED FAIR VALUES 2018/2019

| | TOTAL |
|---|---|
| Intangible non-current assets | 0 |
| Property, plant and equipment | 37 |
| Non-current financial assets | 0 |
| Current assets | 5 |
| Cash and cash equivalents | 7 |
| Interest-bearing liabilities | -30 |
| Non-interest-bearing liabilities | -5 |
| Current tax liability | -2 |
| Provisions | -3 |
| **NET ASSETS ACQUIRED** | **10** |

The fair value of acquired receivables is included in current assets and totals SEK 5 million. The receivables are expected to be received in full. Goodwill arising from acquisitions consists of synergies with existing businesses, as well as resources such as personnel, education programmes, recruitment and personnel development, as well as service organisation, which can be streamlined as a result of the acquisitions.

### EFFECT OF ACQUISITIONS ON THE GROUP'S CASH AND CASH EQUIVALENTS 2018/2019

| | TOTAL |
|---|---|
| Purchase consideration excluding transaction costs and including interest compensation | 31 |
| Less purchase consideration not settled in cash as of 30 June 2018 | 11 |
| Cash and cash equivalents at acquisition | -7 |
| **IMPACT ON THE GROUP'S CASH AND CASH EQUIVALENTS** | **34** |

### DEFINITIVE ACQUISITION ANALYSES

During the year, certain acquisition analyses regarding acquisitions in previous years were completed. With respect to KTS, this led to an adjustment of SEK 11 million to goodwill when the full recognised additional purchase price was not paid out.

### CONTRIBUTION OF ACQUISITIONS TO CONSOLIDATED PROFIT 2018/2019

| | TOTAL |
|---|---|
| Net sales | 10 |
| Operating profit/loss (EBIT) | 2 |

### IF THE UNITS HAD BEEN INCLUDED IN CONSOLIDATED PROFIT FROM 1 JULY 2018, THE CONTRIBUTION WOULD HAVE BEEN

| | TOTAL |
|---|---|
| Net sales | 47 |
| Operating profit/loss (EBIT) | 10 |

## Acquisitions 2017/2018

| Acquiring companies | Acquired companies/businesses | Acquisition date | Segment |
|---|---|---|---|
| Espira Barnehager AS | Tomm Murstad Friluftsbarnehage AS | 1 Oct. 2017 | Preschool International |
| ACM 2001 AB | Vindora Holding AB | 1 Nov. 2017 | Upper Secondary /Adult Ed. |
| Espira Barnehager AS | Espira Muruvik Barnehage AS | 1 Dec. 2017 | Preschool International |
| Espira Barnehager AS | Espira Kystad Gård Barnehage AS | 1 Dec. 2017 | Preschool International |
| Espira Barnehager AS | Espira Fosslibekken Barnehage AS | 1 Dec. 2017 | Preschool International |
| Pysslingen Förskolor och Skolor AB | Kringlaskolan AB | 1 Dec. 2017 | Preschool and Compulsory School |
| Pysslingen Förskolor och Skolor AB | Alba Gruppen AB* | 1 Dec. 2017 | Preschool and Compulsory School |
| Pysslingen Förskolor och Skolor AB | Limhamns Förskola AB | 1 Jan. 2018 | Preschool and Compulsory School |
| Espira Barnehager AS | Espira Juberg | 1 Feb. 2018 | Preschool International |
| AcadeMedia GmbH | KTS Verwaltungs GmbH | 1 Mar. 2018 | Preschool International |

Of the above acquisitions, Vindora Holding AB represents a value greater than 5 percent of the Group, and consequently Vindora Holding AB is specified separately. Other acquisitions represent a combined value of less than 5 percent of the Group, and they are presented together in the tables. The voting interest in all acquisitions is 100 percent. Of the above acquisitions, the acquisition of Espira Juberg consists of the acquisition of the assets and liabilities of the business.

In all of the acquisitions, the purchase consideration takes the form of a cash payment. There is only one agreement concerning a contingent or deferred consideration and it cannot exceed EUR 2 million (SEK 21 million), which corresponds to the nominal amount; Note 36 describes how fair value is calculated.

The following are disclosures regarding adjusted acquired net assets and goodwill. Amortisation/impairment of goodwill attributable to goodwill on consolidation is not tax deductible, while amortisation/impairment attributable to business acquisitions (net assets) is tax deductible.

### ACQUISITION EFFECTS ON ACQUISITIONS MADE 2017/2018

| | VINDORA HOLDING AB | OTHER | TOTAL |
|---|---|---|---|
| Purchase consideration including transaction costs | 567 | 170 | 737 |
| Purchase consideration excluding transaction costs | 563 | 166 | 729 |
| Fair value of acquired net assets excluding goodwill | 67 | -22 | 45 |
| **TOTAL GOODWILL** | **630** | **144** | **774** |

### ACQUIRED FAIR VALUES 2017/2018

| | VINDORA HOLDING AB | OTHER | TOTAL |
|---|---|---|---|
| Intangible non-current assets | 41 | 0 | 41 |
| Property, plant and equipment | 19 | 10 | 29 |
| Non-current financial assets | 0 | 1 | 1 |
| Current assets | 113 | 13 | 126 |
| Cash and cash equivalents | 79 | 26 | 104 |
| Interest-bearing liabilities | -151 | 0 | -151 |
| Non-interest-bearing liabilities | -152 | -23 | -175 |
| Current tax liability | – | – | – |
| Provisions | -16 | -4 | -20 |
| **NET ASSETS ACQUIRED** | **-67** | **22** | **-45** |

### EFFECT OF ACQUISITIONS ON THE GROUP’S CASH AND CASH EQUIVALENTS 2017/2018

| | VINDORA HOLDING AB | OTHER | TOTAL |
|---|---|---|---|
| Purchase consideration excluding transaction costs and including interest compensation | 563 | 166 | 729 |
| Less purchase consideration not settled in cash as of 30 June 2018 | 0 | -15 | -15 |
| Cash and cash equivalents at acquisition | -79 | -26 | -104 |
| **IMPACT ON THE GROUP’S CASH AND CASH EQUIVALENTS** | **485** | **125** | **610** |

### CONTRIBUTION OF ACQUISITIONS TO CONSOLIDATED PROFIT 2017/2018

| | VINDORA HOLDING AB | OTHER | TOTAL |
|---|---|---|---|
| Net sales | 644 | 110 | 754 |
| Operating profit/loss (EBIT) | 56 | 9 | 64 |

**IF THE UNITS HAD BEEN INCLUDED IN CONSOLIDATED PROFIT FROM 1 JULY 2017, THE CONTRIBUTION WOULD HAVE BEEN**

| | VINDORA HOLDING AB | OTHER | TOTAL |
|---|---|---|---|
| Net sales | 951 | 181 | 1,131 |
| Operating profit/loss (EBIT) | 77 | 3 | 80 |

## Group total

**ACQUISITION EFFECTS ON ACQUISITIONS MADE**

| | 2018/2019 | 2017/2018 |
|---|---|---|
| Purchase consideration including transaction costs and interest compensation | 33 | 737 |
| Transaction costs | -2 | -8 |
| Purchase consideration excluding transaction costs and including interest compensation | 31 | 729 |
| Fair value of acquired net assets excluding goodwill | -10 | 45 |
| **TOTAL GOODWILL** | **21** | **774** |

Goodwill is mainly attributable to :

- Whether the business can sustainably operate with good profitability, on the basis of its quality and attractiveness and as a result of a well-developed organisation
- Annual cost synergies, which are expected to arise from overlapping resources in sales and marketing, administration, education
- Economies of scale and streamlining in purchasing and administration.
- Expansion of operations into new geographic markets

**EFFECT OF ACQUISITIONS ON THE GROUP'S CASH AND CASH EQUIVALENTS 2017/2018**

| | 2018/2019 | 2017/2018 |
|---|---|---|
| Purchase consideration excluding transaction costs and including interest compensation | 31 | 729 |
| Cash and cash equivalents at acquisition | -7 | -104 |
| Less purchase consideration not settled in cash | 11 | 0 |
| Unsettled purchase consideration | 0 | -15 |
| **IMPACT ON THE GROUP'S CASH AND CASH EQUIVALENTS** | **34** | **610** |

# Note 16: Goodwill

| | GROUP | |
|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 |
| Cost, opening balance | 5,937 | 5,077 |
| Adjusted acquisition analyses | -11 | – |
| Company acquisitions | 31 | 774 |
| Reclassification | 34 | – |
| Translation difference | -4 | 86 |
| **Accumulated cost, closing balance** | **5,987** | **5,937** |
| | | |
| Impairment, opening balance | -4 | -4 |
| Impairment for the year | – | – |
| **Accumulated impairment, closing balance** | **-4** | **-4** |
| | | |
| **CARRYING AMOUNT, CLOSING BALANCE** | **5,983** | **5,933** |

## Note 17: Brands

| | GROUP | |
|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 |
| Cost, opening balance | 235 | 194 |
| Purchasing for the year | – | 41 |
| **Accumulated cost, closing balance** | **235** | **235** |
| Amortisation, opening balance | -1 | 0 |
| Amortisation for the year | -12 | -1 |
| **Accumulated amortisation, closing balance** | **-13** | **-1** |
| | | |
| **CARRYING AMOUNT, CLOSING BALANCE** | **222** | **234** |

**BRANDS**

| | GROUP | |
|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 |
| All brands included above are Sweden-based: | | |
| Pysslingen | 37 | 39 |
| Vittra | 8 | 8 |
| Rytmus | 5 | 5 |
| NTI | 28 | 30 |
| LBS | 11 | 12 |
| ProCivitas | 0 | 0 |
| NTI-skolan | 0 | 0 |
| Hermods | 96 | 100 |
| Praktiska | 37 | 40 |
| Eductus | 0 | 0 |
| | 222 | 234 |

## Note 18: Impairment test

The Group tests at least once a year for impairment of goodwill and brands (please see Accounting Policies in Note 1). Impairment testing was performed as of 31 March 2019. Goodwill and brands are monitored in the Group by segment for the Preschool and Compulsory School, Upper Secondary School and Adult Education segments, which thus constitute cash-generating units (CGUs). The businesses in Norway and Germany, which are similar, comprise one reportable segment but are followed up separately. These operations are therefore separate cash-generating units and are tested separately for impairment.

The recoverable amount is calculated at the value in use of the Swedish operations and as the sale value less selling costs for the international operations. The reason is that the value-in-use approach does not capture the full value of the properties in Norway and of the fact that the German operations were acquired as a platform for expansion.

The recoverable amount of the CGUs is calculated on the basis of a ten-year forecast which is based on: the segment's business plan up to and including 2023/2024, and an additional five years so that the depreciation/amortisation will reflect the investment assumptions. The Board of Directors has approved these plans based on previous results, industry experience and expectations regarding market trends. Budgets and business plans are drawn up separately and are based on the unit portfolios in the segments. The business plans include assumptions regarding growth in student numbers, margins, tied-up working capital and investment requirements. The first forecast year takes inflation into account; after that the forecasts are based on real values. When impairment testing for the Norwegian operations, the business and properties are measured separately. The business is measured as though all units had a market rent to neutralise the cost benefits of operating in their own premises. Property is measured using direct yield requirements for similar properties.

Cash flow beyond the established business plan is expected to grow by 1 percent for all Nordic operations, while Germany has a growth rate of 2 percent. The growth rate of 1 percent is viewed as a cautious assumption given the inflation goals in place and the fact that the number of children in Sweden is expected to rise. In the Nordic school operations, bolt-on acquisitions and new establishments have been excluded. A summary of the breakdown of goodwill and brands by segment is presented below.

| | Goodwill | Brand | Growth rate* | WACC before tax | WACC after tax |
|---|---|---|---|---|---|
| **CGUs – 30 JUNE 2019** | | | | | |
| Preschool and Compulsory School | 1,950 | 45 | 1% | 9.3% | 7.6% |
| Preschool Norway** | 846 | – | 1% | 9.6% | 7.8% |
| Preschool Germany** | 268 | – | 2% | 15.9% | 11.8% |
| Upper Secondary Schools | 2,092 | 81 | 1% | 9.2% | 7.6% |
| Adult Education | 827 | 96 | 1% | 10.0% | 8.3% |
| | **5,983** | **222** | | | |
| **CGUs – 30 June 2018** | | | | | |
| Preschool and Compulsory School | 1,940 | 47 | 1% | 9.1% | 7.3% |
| Preschool Norway** | 840 | – | 1% | 9.7% | 7.8% |
| Preschool Germany** | 275 | – | 2% | 15.0% | 11.6% |
| Upper Secondary School | 2,073 | 86 | 1% | 9.0% | 7.3% |
| Adult Education | 804 | 101 | 1% | 10.0% | 8.0% |
| | **5,932** | **234** | | | |

* Growth rate from last forecast year, 2028/29.
** Preschool Norway and Preschool Germany together make up the Preschool International segment.

The impairment test shows no need for an impairment write-down. In addition, AcadeMedia conducted a comprehensive analysis of the sensitivity in the variables used in the model. The analysis takes into account a decline in the operating margin, an increase in the discount rate and lowered growth assumptions. A reasonable change - considered to be 1 percentage point - in each of the significant assumptions included in the calculation shows that the recoverable amount exceeds the carrying amount with a margin for the Preschool and Compulsory School, Upper Secondary School and Adult Education segments. For the recoverable amount to equal the carrying amount, the return on capital requirement before tax needs to be increased by 4.3 percentage points for preschool and compulsory school, 11.9 percentage points for upper secondary school, 5.2 percentage points for adult education,3.5 percentage points for Norway and 6.0 percentage points for Germany.

## Note 19: Other intangible non-current assets

| | GROUP | |
|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 |
| Cost, opening balance | 32 | 26 |
| Acquisitions for the year | 22 | 6 |
| Disposals | – | – |
| Company acquisitions | – | 0 |
| Translation difference | 0 | 0 |
| **Accumulated cost, closing balance** | **54** | **32** |
| | | |
| Amortisation, opening balance | -23 | -19 |
| Disposals | – | – |
| Amortisation for the year | -4 | -4 |
| Translation difference | 0 | 0 |
| **Accumulated amortisation, closing balance** | **-28** | **-23** |
| | | |
| **CARRYING AMOUNT, CLOSING BALANCE** | **26** | **8** |

Other intangible non-current assets consist of computer software and teaching platforms.

## NOTE 20: Buildings

| | GROUP | |
|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 |
| Cost, opening balance | 1,029 | 832 |
| Translation difference | -11 | 82 |
| Company acquisitions | 30 | 1 |
| Purchases | 211 | 119 |
| Reclassifications | -17 | -5 |
| Less sales for the year | – | – |
| **Accumulated cost, closing balance** | **1,241** | **1,029** |
| | | |
| Amortisation, opening balance | -81 | -44 |
| Translation difference | 1 | -6 |
| Depreciation of buildings sold | – | – |
| Reclassifications | 2 | – |
| Depreciation/amortisation for the year | -35 | -31 |
| **Accumulated amortisation, closing balance** | **-113** | **-81** |
| | | |
| **CARRYING AMOUNT, CLOSING BALANCE** | **1,129** | **948** |

Buildings consist of preschool properties in the Preschool International segment and were added through the acquisition of Espira and Stepke, as well as subsequent expansion via new construction for new establishments in Norway. The Group has also built and owns preschool properties within the Norwegian and German preschool operations. During the year no (0) preschool properties were sold. On 30 June 2019, 29 (29) properties were owned and four new preschools are under construction in Norway.

## NOTE 21: Equipment

| | GROUP | |
|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 |
| Cost, opening balance | 1,047 | 867 |
| Translation difference | -1 | 13 |
| Company acquisitions | 0 | 23 |
| Purchases | 249 | 208 |
| Reclassifications | 0 | – |
| Less sales for the year | 0 | 0 |
| Disposals | -330 | -64 |
| **Accumulated cost, closing balance** | **966** | **1,047** |
| | | |
| Amortisation, opening balance | -679 | -554 |
| Translation difference | 1 | -5 |
| Depreciation/amortisation for the year | -204 | -181 |
| Reclassifications | 0 | – |
| Disposals | 316 | 61 |
| **Accumulated amortisation, closing balance** | **-566** | **-679** |
| | | |
| **CARRYING AMOUNT, CLOSING BALANCE** | **400** | **368** |

## NOTE 22: Equipment held under finance leases

| | GROUP | |
|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 |
| Cost, opening balance | 318 | 261 |
| Purchases | 129 | 109 |
| Company acquisitions | – | 6 |
| Disposals | -102 | -58 |
| **Accumulated cost, closing balance** | **345** | **318** |
| | | |
| Amortisation, opening balance | -201 | -162 |
| Depreciation/amortisation for the year | -114 | -97 |
| Disposals | 101 | 58 |
| **Accumulated amortisation, closing balance** | **-214** | **-201** |
| | | |
| **CARRYING AMOUNT, CLOSING BALANCE** | **131** | **117** |

The leased assets in the table above are shown in the table in Note 21. The Group's future lease obligations are described in Note 4.

## NOTE 23: Expenses for improvements to third-party property

| | GROUP | |
|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 |
| Cost, opening balance | 511 | 376 |
| Company acquisitions | – | 8 |
| Purchases | 169 | 132 |
| Reclassifications | 2 | 5 |
| Translation difference | 0 | -1 |
| Disposals | -32 | -10 |
| **Accumulated cost, closing balance** | **650** | **511** |
| Amortisation, opening balance | -228 | -200 |
| Depreciation/amortisation for the year | -42 | -32 |
| Reclassifications | 0 | – |
| Disposals | 8 | 4 |
| Translation difference | 0 | 0 |
| **Accumulated amortisation, closing balance** | **-262** | **-228** |
| **CARRYING AMOUNT, CLOSING BALANCE** | **387** | **283** |

## Note 24 Shares in subsidiaries

The Group has operations in Sweden, Norway and Germany. The Parent Company has a controlling interest over the subsidiaries. All subsidiaries are wholly owned, directly or indirectly, by the Parent Company.

| | |
|---|---|
| **Book value, opening balance as of 1 July 2018** | 2,247 |
| **Book value, closing balance as of 30 June 2019** | **2,247** |

**DIRECT OWNERSHIP**

| Subsidiary | Corp. reg. no. | Registered office | Percentage of capital | Number of shares | Nominal value | Book value |
|---|---|---|---|---|---|---|
| AcadeMedia Group AB | 556806-1369 | Stockholm | 100% | 50,000 | 1 | 2,247 |

**INDIRECT OWNERSHIP OF SUBSIDIARIES IN THE GROUP**

Nominal values in the tables below are shown in local currency.

| | Corp. reg. no. | Registered office | Percentage of capital | Number of shares | Nominal Value/ share (SEK) |
|---|---|---|---|---|---|
| ACM 2010 AB | 556805-3051 | Stockholm | 100% | 50,000 | 1 |
| ACM 2001 AB | 556057-2850 | Stockholm | 100% | 12,041,246 | 2 |
| Anew Learning AB | 556402-8925 | Stockholm | 100% | 10,000 | 10 |
| AcadeMedia Eductus AB | 556527-4007 | Stockholm | 100% | 20,000 | 100 |
| Nordens Teknikerinstitut AB (NTI) | 556120-3679 | Stockholm | 100% | 10,000 | 100 |
| Klaragymnasium AB | 556630-3938 | Stockholm | 100% | 1,000 | 100 |
| Ljud & Bildskolan LBS AB | 556485-1649 | Stockholm | 100% | 10,000 | 100 |
| Drottning Blankas Gymnasieskola AB | 556566-8794 | Stockholm | 100% | 4,000 | 100 |
| Hermods Gymnasium AB | 556528-6696 | Stockholm | 100% | 2,800 | 100 |
| Hermods Design & Construction College AB | 556982-8451 | Stockholm | 100% | 50,000 | 1 |
| Mikael Elias Gymnasium AB | 556558-3282 | Stockholm | 100% | 250,000 | 1 |
| ProCivitas Privata Gymnasium AB | 556615-7102 | Stockholm | 100% | 1,000 | 100 |
| Plushögskolan AB | 556495-5853 | Gothenburg | 100% | 1,000 | 100 |
| Plusgymnasiet AB | 556578-9129 | Stockholm | 100% | 1,000 | 100 |
| P-PY 2009 AB | 556786-3609 | Stockholm | 100% | 21,100,386 | 1 |
| Pysslingen Förskolor och Skolor AB | 556035-4309 | Stockholm | 100% | 90,000 | 100 |
| Söder Triaden Förskolor AB | 556468-5955 | Stockholm | 100% | 102 | 1,000 |
| AcadeMedia Support AB | 556568-8479 | Stockholm | 100% | 1,000 | 100 |
| Primaskolan i Sverige AB | 556557-0958 | Stockholm | 100% | 4,000 | 100 |
| Didaktus Skolor AB | 556473-2856 | Stockholm | 100% | 4,300 | 100 |
| Didaktus Utbildningar AB | 556645-3626 | Stockholm | 100% | 2,000 | 50 |
| NTI-skolan AB | 556709-8057 | Stockholm | 100% | 2,000 | 100 |
| IT Gymnasiet Sverige AB | 556597-0471 | Stockholm | 100% | 6,000 | 100 |
| Framtidsgymnasiet i Göteborg AB | 556478-1606 | Stockholm | 100% | 1,000 | 100 |
| Framtidsgymnasiet i Sverige AB | 556575-5500 | Stockholm | 100% | 1,000 | 100 |
| Framtidsgymnasiet Öst AB | 556530-4481 | Stockholm | 100% | 6,999 | 100 |
| Rytmus AB | 556464-8979 | Stockholm | 100% | 8,000 | 100 |
| Sjölins Gymnasium AB | 556375-8399 | Stockholm | 100% | 500 | 1,000 |
| Vittraskolorna AB | 556458-6716 | Stockholm | 100% | 1,000 | 100 |
| AcadeMedia fria grundskolor AB | 556932-0699 | Stockholm | 100% | 50,000 | 1 |
| Nya Designgymnasiet i Nacka AB | 556932-0681 | Stockholm | 100% | 50,000 | 1 |
| Hammarby Förskolor AB | 556629-2537 | Stockholm | 100% | 1,000 | 100 |
| Kastanjelunden Förskola AB | 556755-0032 | Stockholm | 100% | 1,000 | 100 |
| Färjan AB | 556768-0631 | Stockholm | 100% | 1,000 | 100 |
| Norrskenets Friskolor Luleå AB | 559045-5076 | Stockholm | 100% | 50,000 | 1 |
| Kungsholmens Förskola AB | 559042-7000 | Stockholm | 100% | 500 | 100 |
| Sofiero Förskola AB | 556555-3079 | Stockholm | 100% | 1,000 | 100 |
| Åsöbergets Förskola AB | 556476-5609 | Stockholm | 100% | 1,000 | 100 |
| Växthuset förskola i Mölndal AB | 556780-2714 | Stockholm | 100% | 1,000 | 100 |
| Kompetensutvecklingsinstitutet Sverige AB | 556355-7395 | Stockholm | 100% | 1,000 | 100 |

| | | | | | |
|---|---|---|---|---|---|
| Hermods Group AB | 556757-0949 | Stockholm | 100% | 1,408,011 | 1 |
| Hermods AB | 556044-0017 | Stockholm | 100% | 11,000 | 1,000 |
| EC Utbildning AB | 556626-4387 | Karlshamn | 100% | 1,000 | 100 |
| Coachning och utveckling i Sverige AB | 556820-7673 | Stockholm | 100% | 500 | 100 |
| TGA Utbildning AB | 556575-3901 | Stockholm | 100% | 1,000 | 100 |
| Utbildningsborgen i Örebro AB | 556442-1328 | Örebro | 100% | 5,000 | 100 |
| Sälj och Marknadshögskolan i Sverige AB | 556518-9361 | Stockholm | 100% | 1,000 | 100 |
| Limhamns Förskola AB | 556483-3829 | Stockholm | 100% | 878 | 178 |
| Kringlaskolan AB | 556773-4065 | Stockholm | 100% | 1,000 | 100 |
| Alba Gruppen AB | 556977-9241 | Stockholm | 100% | 500 | 100 |
| Bikupan i Östersund AB | 556867-6695 | Stockholm | 100% | 500 | 100 |
| Guldkusten AB | 556983-1430 | Stockholm | 100% | 500 | 100 |
| Vindora Holding AB | 556861-7079 | Gothenburg | 100% | 2,414,622,329 | 0.01 |
| Vindora Utbildning AB | 556735-0110 | Gothenburg | 100% | 1,000 | 100 |
| Praktiska Sverige AB | 556257-5786 | Gothenburg | 100% | 1,000 | 100 |
| Movant AB | 556526-5005 | Gothenburg | 100% | 1,000 | 100 |
| Hagströmska Holding AB | 556973-2745 | Falun | 100% | 50,000 | 1 |
| Hagströmska Gymnasiet AB | 556755-0461 | Falun | 100% | 1,000 | 100 |
| Helixutbildningar AB | 556674-7290 | Stockholm | 100% | 1,000 | 100 |

| | Corp. reg. no. | Registered office | Percentage of capital | Number of shares | Nominal Value/ share (SEK) |
|---|---|---|---|---|---|
| Espira Holding AS | 913192281 | Karmøy | 100% | 30 | 100,000 |
| Espira Gruppen AS | 991926577 | Karmøy | 100% | 54,630,000 | 0.1 |
| Espira Barnehager AS | 985072825 | Karmøy | 100% | 100 | 1,000 |
| Espira Eiendom AS | 992642734 | Karmøy | 100% | 100 | 1,000 |
| Espira Entreprenør AS | 998253640 | Karmøy | 100% | 2,000 | 1,000 |
| Espira Akademiet AS | 966825855 | Karmøy | 100% | 920 | 152 |
| Espira Bjørgene AS | 988440418 | Karmøy | 100% | 100 | 1,000 |
| Espira Blakstad AS | 996987329 | Karmøy | 100% | 100 | 1,000 |
| Espira Brådalsfjellet AS | 988711896 | Karmøy | 100% | 100 | 1,000 |
| Espira Bråsteintunet AS | 993429082 | Karmøy | 100% | 100 | 1,000 |
| Espira Dragerskogen AS | 990652899 | Karmøy | 100% | 100 | 1,000 |
| Espira Dvergsnes AS | 991126627 | Karmøy | 100% | 100 | 1,000 |
| Espira Eikenga AS | 817350232 | Karmøy | 100% | 62 | 2,935 |
| Espira Evje AS | 996987337 | Karmøy | 100% | 100 | 1,000 |
| Espira Fenstad AS | 987762780 | Karmøy | 100% | 100 | 1,000 |
| Espira Garhaug AS | 986916490 | Karmøy | 100% | 100 | 1,000 |
| Espira Gjemble AS | 983089909 | Karmøy | 100% | 100 | 1,000 |
| Espira Gullhella AS | 985462437 | Karmøy | 100% | 100 | 1,000 |
| Espira Gåserud AS | 985030006 | Karmøy | 100% | 100 | 1,000 |
| Espira Halsnøy Kloster AS | 990797722 | Karmøy | 100% | 100 | 1,000 |
| Espira Helldalsåsen AS | 985311374 | Karmøy | 100% | 100 | 1,000 |
| Espira Høytorp Fort AS | 988711918 | Karmøy | 100% | 100 | 1,000 |
| Espira Kløverenga AS | 988067547 | Karmøy | 100% | 100 | 1,000 |
| Espira Knerten AS | 979339828 | Karmøy | 100% | 210 | 1,000 |
| Espira Kniveåsen AS | 990343063 | Karmøy | 100% | 100 | 1,000 |
| Espira Krystallveien AS | 992419938 | Karmøy | 100% | 100 | 1,000 |
| Espira Kuventræ AS | 989838563 | Karmøy | 100% | 100 | 1,000 |
| Espira Litlasund AS | 992061472 | Karmøy | 100% | 100 | 1,000 |
| Espira Løvestad AS | 992823690 | Karmøy | 100% | 100 | 1,000 |
| Espira Marthahaugen AS | 990036888 | Karmøy | 100% | 100 | 1,000 |
| Espira Myraskogen AS | 992061448 | Karmøy | 100% | 100 | 1,000 |
| Espira Nordmo AS | 985311366 | Karmøy | 100% | 100 | 1,000 |
| Espira Opaker AS | 992081066 | Karmøy | 100% | 100 | 1,000 |

| | | | | | |
|---|---|---|---|---|---|
| Espira Opsahl AS | 985797625 | Karmøy | 100% | 100 | 1,000 |
| Espira Oslo Barnehagedrift AS | 914945577 | Karmøy | 100% | 100 | 1,000 |
| Espira Ormdalen AS | 992420189 | Karmøy | 100% | 100 | 1,000 |
| Espira Rambjøra AS | 986916512 | Karmøy | 100% | 100 | 1,000 |
| Espira Ree AS | 989544489 | Karmøy | 100% | 100 | 1,000 |
| Espira Romholt AS | 888440402 | Karmøy | 100% | 100 | 1,000 |
| Espira Rubbestadneset AS | 991996605 | Karmøy | 100% | 100 | 1,000 |
| Espira Rå AS | 989932543 | Karmøy | 100% | 100 | 1,000 |
| Espira Salamonskogen AS | 989512811 | Karmøy | 100% | 100 | 1,000 |
| Espira Skjeraberget AS | 917350140 | Karmøy | 100% | 67 | 1,000 |
| Espira Skolegata AS | 986916644 | Karmøy | 100% | 100 | 1,000 |
| Espira Skåredalen AS | 992061529 | Karmøy | 100% | 100 | 1,000 |
| Espira Snurrefjellet AS | 986916563 | Karmøy | 100% | 100 | 1,000 |
| Espira Solknatten AS | 990652813 | Karmøy | 100% | 100 | 1,000 |
| Espira Stongafjellet AS | 989838512 | Karmøy | 100% | 100 | 1,000 |
| Espira Sundbyfoss AS | 994310623 | Karmøy | 100% | 100 | 1,000 |
| Espira Taremareby AS | 917350183 | Karmøy | 100% | 630 | 500 |
| Espira Tjøsvoll AS | 992062002 | Karmøy | 100% | 100 | 1,000 |
| Espira Torsbergskogen AS | 991361642 | Karmøy | 100% | 100 | 1,000 |
| Espira Ulsetskogen AS | 991127402 | Karmøy | 100% | 100 | 1,000 |
| Espira Vagletjørn AS | 989838482 | Karmøy | 100% | 100 | 1,000 |
| Espira Vannverksdammen AS | 990342598 | Karmøy | 100% | 100 | 1,000 |
| Espira Vanse AS | 988263095 | Karmøy | 100% | 100 | 1,000 |
| Espira Veldetun AS | 985462372 | Karmøy | 100% | 100 | 1,000 |
| Espira Østrem AS | 986916555 | Karmøy | 100% | 100 | 1,000 |
| Espira Åbol AS | 992823585 | Karmøy | 100% | 100 | 1,000 |
| Espira Århaug AS | 988067644 | Karmøy | 100% | 100 | 1,000 |
| Engelsrudhagen Barnehagetomt AS | 913981464 | Karmøy | 100% | 216,828 | 1 |
| Karmsund Barnehage AS | 990586152 | Karmøy | 100% | 100 | 1,000 |
| Nordjordet Barnehage AS | 992184337 | Karmøy | 100% | 100 | 1,000 |
| Skogen Barnehage AS | 992420243 | Karmøy | 100% | 100 | 1,000 |
| Søndre Kleivan Barnehage AS | 990050937 | Karmøy | 100% | 100 | 1,000 |
| Espira Varbak Arcen AS | 890015492 | Karmøy | 100% | 100 | 1,000 |
| Espira Stansa AS | 912980219 | Karmøy | 100% | 73,818 | 1 |
| Espira Scala Tasta AS | 988201170 | Karmøy | 100% | 100 | 1,000 |
| Espira Scala Hundvåg AS | 988201030 | Karmøy | 100% | 100 | 1,000 |
| Espira Rødknappen AS | 994751530 | Karmøy | 100% | 100 | 1,000 |
| Espira Jeløy AS | 986977651 | Karmøy | 100% | 100 | 11,020 |
| Espira Kulturstien AS | 989557718 | Karmøy | 100% | 10,000 | 10 |
| Espira Lindesnes AS | 914760224 | Karmøy | 100% | 1,000 | 100 |
| Tomm Murstad Friluftsbarnehage AS | 998143969 | Karmøy | 100% | 50,000 | 1 |
| Espira Stjørdal AS (formerly Fossilbekken Barnehage AS) | 919307579 | Karmøy | 100% | 100 | 1,000 |
| Espira Muruvik AS | 919307595 | Karmøy | 100% | 100 | 1,000 |
| Espira Kystad Gård AS | 919307617 | Karmøy | 100% | 100 | 1,000 |
| Espira Casa Musica Barnehage AS | 984084358 | Karmøy | 100% | 100 | 1,000 |

| | Corp. reg. no. | Registered office | Percentage of capital | Number of shares | Nominal Value/ share (SEK) |
|---|---|---|---|---|---|
| AcadeMedia GmbH | HRB 222 151 | Munich | 100% | 25,000 | 1 |
| Espira und Joki Kinderbetreuung Pasing GmbH | HRB 174 184 | Munich | 100% | 25,000 | 1 |
| Espira Kinderbetreuung GmbH | HRB 727 059 | Munich | 100% | 25,000 | 1 |
| Step Kids Education GmbH | HRB 132431 B | Berlin | 100% | 49,380 | 1 |
| Step Kids KiTas GmbH | HRB 149735 B | Berlin | 100% | 25,000 | 1 |
| KTS Verwaltungs GmbH | HRB 190824 | Munich | 100% | 25,000 | 1 |

## Note 25: Accounts receivable

### BREAKDOWN OF PROVISION FOR BAD DEBT LOSSES

| | Accounts receivable | |
|---|---|---|
| | 2018/2019 | 2017/2018 |
| As per 30 June, calculated in accordance with IAS 39 | 3 | 2 |
| Recalculated amount recognised in retained earnings | 0 | 0 |
| Opening balance on 1 July, calculated in accordance with IFRS 9 | 2 | 1 |
| Increase in provision for losses, change recognised in income statement | 2 | 1 |
| Accounts receivable written off during the year | 0 | 0 |
| Reversal of unused amount | 1 | 1 |

| 30 June 2019 | Not overdue | Overdue 1-15 days | Overdue 16-30 days | Overdue >30 days | Sum total |
|---|---|---|---|---|---|
| Expected level of losses in % | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Carrying amount accounts receivable - gross | 234 | 7 | 3 | 12 | 256 |
| Provision for credit losses | 2 | 0 | 0 | 0 | 3 |
| **1 July 2018** | | | | | |
| Expected level of losses in % | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 |
| Carrying amount accounts receivable - gross | 182 | 4 | 3 | 12 | 201 |
| Provision for credit losses | 2 | 0 | 0 | 0 | 2 |

| | GROUP | |
|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 |
| Not overdue | 234 | 182 |
| Overdue 1-15 days | 7 | 4 |
| Overdue 16-30 days | 3 | 3 |
| Overdue more than 30 days | 12 | 12 |
| **Sum total** | **256** | **201** |
| Reserve for doubtful accounts receivable, opening balance | 2 | 1 |
| Increase in reserve | 2 | 1 |
| Reversed reserves (–) | 1 | 0 |
| **Reserve for doubtful accounts receivable, closing balance** | **3** | **2** |
| **ACCOUNTS RECEIVABLE, CLOSING BALANCE** | **253** | **199** |
| Confirmed bad debt losses | 0 | 0 |

The Group's reserve for doubtful accounts receivable are for the category "Overdue more than 30 days."

Collateral is not normally held for these claims. The Group's customers are mostly municipalities, public authorities and multiple companies, with a low credit risk for the Group and the credit quality of outstanding accounts receivable is deemed very good. There are no significant credit concentrations. Provision for doubtful accounts receivable are made individually in accordance with internal regulations and normally when the debts are more than 60 days overdue. The provision is then maintained at 100 percent. The provision for doubtful accounts receivable and confirmed customer losses is included in Other external expenses.

## Note 26: Prepaid expenses and accrued income

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 | 30 JUNE 2019 | 30 JUNE 2018 |
| Prepaid rent | 259 | 243 | – | – |
| Prepaid lease expenses | 17 | 7 | – | – |
| Other prepaid expenses | 71 | 79 | 1 | 1 |
| Accrued income | 99 | 122 | – | – |
| **SUM TOTAL** | **446** | **451** | **1** | **1** |

Other prepaid expenses consist mainly of prepaid pension premiums. Accrued income mainly relates to unbilled programmes in adult education.

## Note 27: Cash and cash equivalents

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 | 30 JUNE 2019 | 30 JUNE 2018 |
| Cash and bank balances | 527 | 699 | 329 | 394 |
| **SUM TOTAL** | **527** | **699** | **329** | **394** |

The definition of cash and cash equivalents is the same for the balance sheet as for the cash flow statement. Cash and cash equivalents consist of bank balances.

Since April 2017, AcadeMedia AB is the top account holder in the Group’s cash pool; previously a subsidiary was the top account holder in the Group’s cash pool.

# Note 28: Financial risk and management of capital risk

AcadeMedia has a general financial policy that focuses on the unpredictability of the financial markets. The aim of the policy is to minimise potential unfavourable effects on the Group's financial results. The Group previously used derivative instruments to hedge certain risk exposure.

Risk management is performed centrally by the Group's support function in accordance with policies established by the Board. The Board has adopted a financial policy covering the overall financial risk management in specific areas, such as currency risk, interest risk, credit risk, use of derivatives and other non-derivative financial instruments and placement of surplus liquidity.

Its purpose is to minimise the Group's cost of capital via appropriate financing and by effective management and control of the Group's financial risks. The Group works actively on monitoring its liquidity and continuously updates its forecasts for anticipated changes in liquidity. This enables the necessary steps to be taken in time.

## Interest rate risk

AcadeMedia's loans consist of business loans and real estate loans. The real estate loans consist of both long-term loans from the Norwegian State Housing Bank (Norwegian: Husbanken) and current construction loans.

The Group's operating loans carry interest at six months IBOR (the IBOR used is determined by the currency in which the borrowing is raised, as per contract). The Group has previously used interest rate derivatives to manage interest risk. The effect of an increase in the variable interest rate of one percent on the Group's interest expense is SEK 30 million (28).

## Financial policy

According to the Group's financial policy, short-term investments of surplus liquidity are only made in instruments with limited counterparty risk and a credit rating that is no lower than K1.

## Credit risk

Credit risk is the risk that a counterparty will not fulfil its obligations after the Group has completed delivery. In businesses where goods and services are provided against later payment, it is not possible to fully avoid credit losses. Collateral is not normally held for these accounts receivable. The overwhelming majority of the Group's customers are public authorities. Credit risk is deemed low, relative to the Group's total net sales. For more information on accounts receivable, please see Note 25.

## Currency risk

AcadeMedia's profits are subject to a certain level of currency risk. A total of 16 percent of sales are generated in Norway and denominated in NOK and just over 4% in Germany, where the currency is EUR. There is thus a certain currency risk linked to the NOK/SEK and EUR/SEK rates. As a result, a change in the exchange rate of +/- 10 percent would affect sales in the amount of +/- SEK 234 million and would affect operating profit/loss in the amount of +/- SEK 13 million.

Transactions between companies in different countries only take place to an insignificant extent, for which reason transaction risk attributable to currency is limited.

## Liquidity and financing risk

Liquidity and financing risk is the risk that the Group will not be able to fulfil its payment obligations as a result of insufficient liquidity or difficulties raising new loans.

AcadeMedia has access to long-term financing for its operations. The Group's financing consists mainly of a loan agreement for SEK 1,939 million, EUR 14.5 million and NOK 373 million entered into on 29 June 2018 between AcadeMedia AB (publ) as the original borrower and guarantee provider, and DNB Bank ASA, Swedish branch, and Nordea Bank AB (publ) as the arrangers and original lenders.

On 6 July 2018, a new loan agreement with existing financiers came into effect. The new agreement is expected to involve significantly lower interest margins and better loan terms than previously. The total loan amount is SEK 2,500 million (2,580), including a revolving credit facility of SEK 700 million that can be used for acquisitions or as operating liquidity. The bank loans mature in 2023 and carry an interest rate set on a six-month basis.

The following financial commitments (covenants) have been established in connection with the financing and apply henceforth:

Covenant 1, debt/equity ratio = net debt/EBITDA. The ratio may not exceed 3.75 times.

Covenant 2, interest cover = EBITDA/interest paid in cash The ratio must exceed 4 times.

As per 30 June 2019, all covenants had been fulfilled by the Group. If AcadeMedia breaches any of these covenants in the future, this could result in the loans under the loan agreement maturing fully or in part for immediate repayment.

The major share of the Group's operations is personnel-intensive and requires a low level of investment. In the AcadeMedia Group, investments are mainly required for equipment, except in Norway where new preschools usually necessitate investment in their own buildings. Furthermore, income/school vouchers are for the most part received in advance, making working capital negative. AcadeMedia's operations thus generate a positive cash flow even during growth. Additional funding is needed primarily for future acquisitions. For more information, please see Note 34.

Access to additional financing is affected by factors such as market conditions, general access to credit and AcadeMedia's credit rating and credit capacity. Furthermore, access to additional financing is dependent on customers, suppliers and lenders not having a negative opinion of AcadeMedia's long-term and short-term financial outlook.

Financing risk consists of the risk that an excessive portion of the Group's financing will mature within a short period, during which the Group's ability to obtain new financing is limited or financing can only be obtained on less favourable terms and at significantly higher cost. AcadeMedia's credit rating and financial funding opportunities for both loans and new equity were strengthened by the IPO and by the improvement in financial position achieved during the financial year.

There is a risk that AcadeMedia, at the maturity of the above-mentioned loan agreement or in the event that additional financing were needed, would not be able to obtain such financing on acceptable terms, or at all. Factors such as the general availability of credit and the Group's credit rating have an impact on access to additional financing. Also, access to additional financing is dependent on the Group's lenders having a positive view of the Group's long-term and short-term financial outlook. Disruptions or uncertainties in the capital and credit markets may also limit access to capital. These factors may have a significantly negative impact on AcadeMedia's business, financial position and results. The Group has determined that the covenants will be fulfilled during the loan term and that the risk of being required to repay the loans early is therefore low. Furthermore, it is also deemed that the Group will manage interest rate payments even if the benchmark interest rate were to increase.

# Note 29: Equity

| | Number of ordinary shares (thousands of shares) | Number of Class C shares (thousands of shares) | Number of shares (thousands of shares) | Share capital (SEK thousands) |
|---|---|---|---|---|
| **OPENING BALANCE, 1 JULY 2017** | **94,100** | **–** | **94,100** | **94,100** |
| Rights issue, Ordinary shares 21 Dec. 2017 | 10,514 | – | 10,514 | 10,514 |
| Rights issue, Class C shares 28 June 2018 | – | 160 | 160 | 160 |
| **CLOSING BALANCE, 30 JUNE 2018** | **105,139** | **325** | **105,464** | **105,464** |
| Conversion 1 Nov. 2018 | 77 | -77 | 0 | 0 |
| **CLOSING BALANCE, 30 JUNE 2019** | **105,216** | **248** | **105,464** | **105,464** |

## Consolidated capital

The AcadeMedia Group's financial goal is for growth in net sales to reach five to seven percent per year for the Group, excluding major acquisitions. In addition, AcadeMedia intends to provide the highest quality education in the areas where the Group operates. The target is adjusted EBIT of seven to eight percent of sales.

Regarding indebtedness, AcadeMedia's target is to have net debt relative to operating profit before depreciation and amortisation (adjusted EBITDA) excluding items affecting comparability with a maximum factor of three. During brief periods there may, however, be deviations from this goal, for example in the event of major acquisitions.

No non-controlling interests are recognised.

A preferential rights issue raised SEK 410 million, before issue expenses, on 21 December 2017 to part-finance the acquisition of Vindora, please see Note 15. The issue was guaranteed by AcadeMedia's principal owner, Mellby Gård, which received a guarantee commission of one percent, corresponding to SEK 3 million. On 28 June 2018, a preferential rights issue for 160,000 Class C shares was effected. The objective was to ensure delivery of matching shares in the share-matching plan. The Class C shares were repurchased and are held by AcadeMedia AB (publ).

*Share capital*

As of 30 June 2019, the registered share capital is represented by 105,215,643 ordinary shares (105,138,885) with a quota value of SEK 1, together with 248,242 Class C shares (325,000) with a quota value of SEK 1. The total number of shares was thus SEK 105,463,885. Holders of ordinary shares are entitled to a dividend that is established from year to year and their shareholding entitles them to exercise one vote per share at the shareholders' meeting. Class C shares entitle holders to one tenth of a voting right. All shares have the same right to the remaining net assets of AcadeMedia AB (publ). All shares are fully paid and no shares are reserved for transfer. The Class C shares that were intended to ensure delivery of matching shares in the share-matching plan to managers in AcadeMedia were repurchased and are held by the Company itself. The number of outstanding shares is thus 105,138,885.

*Other capital contributions*

Other capital contributions consists of capital contributed by the owners of AcadeMedia AB (publ). This includes premiums paid in connection with share issues, as well as capital injections received from shareholders.

*Translation reserve*

The translation reserve encompasses all exchange rate differences arising on the translation of financial statements of foreign operations drawn up in a currency different from the Group's presentation currency. The Parent Company's and the Group's presentation currency is Swedish kronor (SEK).

## Parent Company's equity

### Non-restricted equity

*Share premium reserve*

The share premium reserve relates to issues associated with previous issuances, as well as issuances in 2018/2019.

*Retained earnings*

Retained earnings comprise the previous year's unrestricted equity after payment of any dividend. Retained earnings, the share premium account, capital received from shareholders and profit for the year together comprise unrestricted equity.

*Dividend*

The Board of Directors will propose to the Annual General Meeting that no dividend be paid.

**SHARE CAPITAL, 30 JUNE 2019**

| Type of share | Class | Number | Amount, SEK |
|---|---|---|---|
| Ordinary share | Ordinary | 105,215,643 | 105,215,643 |
| Class C share | C | 248,242 | 248,242 |

The Company must be able to issue shares in two classes, ordinary shares and Class C shares. Ordinary shares shall carry one vote and class C shares shall carry one tenth of a vote. The quota value per share is SEK 1. The Class C shares, which were intended to ensure delivery of matching shares in the share-matching plan to managers in AcadeMedia, were repurchased and are held by the Company itself.

According to the issued warrant program, a maximum of 689,580 (676,500) shares in AcadeMedia AB may be issued. In all, 449,080 shares in AcadeMedia AB may be issued up until 14 days after publication of the interim report for the first quarter of financial year 2019/2020. An additional 240,500 shares in AcadeMedia AB may be issued up until 14 days after publication of the interim report for the second quarter of financial year 2020/2021.

## Note 30: Earnings per share

**EARNINGS PER SHARE**

| | 2018/2019 | 2017/2018 |
|---|---|---|
| Profit for the year attributable to shareholders in the Parent Company, net after tax (SEK m) | 431 | 430 |
| Average number of ordinary shares, basic and diluted (thousands) | 105,190 / 105,229 | 102,127 / 100,294 |
| **EARNINGS PER ORDINARY SHARE, BASIC AND DILUTED (SEK)** | **4.09 / 4.09** | **4.30 / 4.29** |

## Note 31: Provision for pensions

| | GROUP | |
|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 |
| Provision for pensions – Norway | 154 | 40 |

### Provision for pensions in Norway

Provision for pensions in Norway consist of the net present value of defined-benefit pension liabilities and the fair value of plan assets, please see Note 7 Pensions.

## Note 32: Other provisions

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 | 30 JUNE 2019 | 30 JUNE 2018 |
| Provision for restructuring costs, opening balance | 7 | 22 | – | – |
| Provision for restructuring costs | 8 | 2 | – | – |
| Utilised provisions for restructuring costs | -6 | -12 | – | – |
| Unutilised provisions for restructuring costs | 0 | -5 | – | – |
| | **10** | **7** | **–** | **–** |
| Other provisions | 0 | 2 | 0 | 1 |
| **TOTAL OTHER PROVISIONS** | **10** | **9** | **0** | **1** |

Restructuring costs relate to the cost of divesting schools or adult education contracts in accordance with the Group's education guarantee. The costs mainly consist of unused premises and redundant personnel. The year's provisions for restructuring costs consist of provisions for closure costs for three units, plus a number of contracts in adult education, where the programme has to be conducted according to agreements but is expected to operate at a loss. Restructuring costs that are expected to be expended over the next 12 months are recognised as accrued expenses, please see Note 33; those expected to be expended later, are recognised as provisions and are included in the table above.

In the second quarter of 2018/2019, a provision was made for Vocational and Preparatory Modules in the Adult Education segment. Part of the provision was utilised in 2018/2019. The remainder is expected to be utilised in 2019/2020 and is therefore recognised as a current liability.

## Note 33: Accrued expenses and deferred income

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 | 30 JUNE 2019 | 30 JUNE 2018 |
| Accrued payroll expenses | 974 | 907 | 10 | 8 |
| Deferred income | 153 | 257 | – | – |
| Accrued interest on loans | 6 | 18 | 3 | – |
| Restructuring costs | 46 | 67 | – | – |
| Other accrued expenses | 131 | 82 | 1 | 8 |
| **SUM TOTAL** | **1,310** | **1,331** | **14** | **16** |

Accrued payroll expenses relate mainly to vacation pay liabilities, but also to payroll taxes. The above restructuring costs are expected to be expended within 12 months from the closing date; those expected to be expended after 12 months are recognised as Other provisions, please see Note 32.

# Note 34: Loans, liabilities and amortisation schedule

The table below shows the Group's financial liabilities, classified according to the remaining period after the closing date up to the contractual maturity date. The amounts shown in the table are the contractual liabilities. Liabilities and agreed loan payments denominated in EUR and NOK have been translated to SEK at the closing date rate, EUR/SEK 10.5581 (10.4213 ) och NOK/SEK 1.0893 (1.0022). Future interest payments have been calculated at the interest rates in effect on the closing date and the average exchange rates for the respective financial year, EUR/SEK 10.4405 (9.9131) and NOK/SEK 1.0797 (1.0390).

### INTEREST-BEARING LIABILITIES

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 | 30 JUNE 2019 | 30 JUNE 2018 |
| Non-current liabilities to credit institutions, excl. real estate loans | 1,498 | 1,579 | 939 | – |
| Non-current interest-bearing liabilities - properties | 644 | 603 | – | – |
| Borrowing costs | -12 | -19 | -12 | -8 |
| **Total non-current liabilities to credit institutions** | **2,131** | **2,163** | **927** | **-8** |
| Non-current finance leases | 47 | 41 | – | – |
| Other non-current liabilities (interest-bearing) | 29 | 5 | 18 | – |
| Borrowing costs | -1 | – | -1 | – |
| **Total other non-current liabilities** | **74** | **46** | **17** | **–** |
| Current liabilities to credit institutions | 416 | 539 | 400 | 94 |
| Current interest-bearing liabilities – properties | 90 | 48 | – | – |
| **Total current liabilities to credit institutions** | **505** | **587** | **400** | **94** |
| Current finance leases | 86 | 77 | – | – |
| Other current liabilities (interest-bearing) | 0 | 8 | 0 | – |
| **Total, Other current liabilities** | **86** | **86** | **0** | **–** |
| **TOTAL INTEREST-BEARING LIABILITIES** | **2,797** | **2,882** | **1,344** | **86** |
| **Amortisation** | | | | |
| Amortisation, year 1 | 593 | 673 | 400 | 94 |
| Amortisation, years 2-5 | 1,668 | 1,711 | 957 | – |
| Amortisation, years 5– | 550 | 517 | 0 | – |
| **Total amortisation** | **2,811** | **2,901** | **1,357** | **94** |

The difference between total amortisation and total interest-bearing liabilities consists of borrowing costs, which reduce the interest-bearing liability but do not affect amortisation.

### INTEREST RATES

| | Interest rate, year 1 | Interest rate, years 2-5 | Interest rate, year 5- | Total |
|---|---|---|---|---|
| Group | 47 | 117 | 103 | 267 |
| Parent Company | 18 | 33 | 0 | 50 |

### NON-INTEREST-BEARING LIABILITIES/CREDIT MATURING WITHIN 12 MONTHS

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 30 JUNE 2019 | 30 JUNE 2018 | 30 JUNE 2019 | 30 JUNE 2018 |
| Accounts payable | 492 | 519 | 0 | 1 |
| Current tax liabilities | 43 | 37 | – | – |
| Other current liabilities | 183 | 217 | 1 | 0 |

## Loan agreement

On 29 June 2018, the Group signed a new five-year loan agreement for up to SEK 2,500 million with DNB Bank ASA, Swedish branch, and Nordea Bank AB (publ) as the arrangers and original lenders and Nordea Bank AB (publ) as agent and surety agent. The interest rate on the credit facilities under the loan agreement is variable and based on IBOR (the IBOR used is determined by the contractual lending currency), plus a variable margin based on the Group's net debt relative to the Group's EBITDA. However, IBOR cannot be lower than 0, which means that negative interest rates have no impact. The new loan agreement entered into force on 6 July 2018, with the previous loan being rearranged in accordance with the new loan agreement. As of 30 June 2019, the Company had utilised SEK 1,915 million of the total loan limit of SEK 2,500 million. The loan agreement contains covenants requiring certain financial key performance indicators (covenants) to be achieved relating to interest cover and net debt/equity ratio relative to the Group's EBITDA. If the covenants cannot be fulfilled, the credit facilities may be cancelled and immediate repayment required.

The variable interest rate margin on the loan agreement is 1.20 – 1.45% at the end of the financial year.

The loan is recognised under the heading "Non-current loans to credit institutions" and "Current liabilities to credit institutions." Loans to the Norwegian State Housing Bank (Husbanken) are also presented there. As of 30 June 2019, loans to Husbanken totalled SEK 666 million and the interest on these loans was 1.6-3.2%. The original term for the Husbanken loans is 30 years, but the effective term varies from loan to loan.

The information below shows how the interest margins were set based on net debt/adjusted EBITDA.

| Net debt/adjusted EBITDA | Margin |
|---|---|
| Greater than or equal to 3.25:1 | 1.65 - 2.10% |
| Greater than or equal to 2.75:1 and less than 3.25:1 | 1.40 - 1.65% |
| Greater than or equal to 2.25:1 and less than 2.75:1 | 1.20 - 1.45% |
| Greater than or equal to 1.75:1 and less than 2.25:1 | 1.00 - 1.25% |
| Greater than or equal to 1.25:1 and less than 1.75:1 | 0.75 - 1.00% |
| Less than 1.25:1 | 0.65 - 0.85% |

The margins in the table above apply as of 6 July 2018, when the new loan came into effect. Information on the Group's pledged assets is provided in Note 35. Carrying amounts, by currency, for the Group's borrowing are as follows:

| Amounts in SEK m. | 30 JUNE 2019 | 30 JUNE 2018 |
|---|---|---|
| SEK | 1,494 | 1,670 |
| NOK* | 1,157 | 1,060 |
| EUR* | 160 | 170 |
| **SUM TOTAL** | **2,811** | **2,901** |

*In the table, NOK and EUR have been translated to SEK.

| | | | NON-CASH ADJUSTMENTS | | | |
|---|---|---|---|---|---|---|
| **Change in financial liabilities** | **1 July 2018** | **Cash flow** | **Acquisitions/ divestments of subsidiaries** | **Unrealised exchange rate differences** | **Other changes** | **30 June 2019** |
| Liabilities to credit institutions, excl. real estate loans | 2,118 | -201 | – | -2 | – | 1,915 |
| Interest-bearing liabilities – properties | 650 | 59 | 30 | -6 | – | 733 |
| Lease liabilities | 118 | -114 | – | 0 | 129 | 133 |
| Other interest-bearing liabilities | 14 | 15 | – | 0 | 0 | 29 |
| Capitalised borrowing costs | -19 | – | – | – | 6 | -13 |
| **TOTAL LIABILITIES FROM FINANCING ACTIVITIES** | **2,882** | **-241** | **30** | **-7** | **134** | **2,797** |

| | | | NON-CASH ADJUSTMENTS | | | |
|---|---|---|---|---|---|---|
| **Change in financial liabilities** | **1 July 2017** | **Cash flow** | **Acquisitions/ divestments of subsidiaries** | **Unrealised exchange rate differences** | **Other changes** | **30 June 2018** |
| Liabilities to credit institutions, excl. real estate loans | 2,040 | -107 | 145 | 40 | – | 2,118 |
| Interest-bearing liabilities – properties | 583 | 16 | 0 | 51 | – | 650 |
| Lease liabilities | 100 | -98 | 6 | 0 | 110 | 118 |
| Other interest-bearing liabilities | 8 | 5 | 0 | 1 | – | 14 |
| Capitalised borrowing costs | -15 | -8 | 0 | 0 | 5 | -19 |
| **TOTAL LIABILITIES FROM FINANCING ACTIVITIES** | **2,715** | **-192** | **151** | **92** | **115** | **2,882** |

## Note 35: Pledged assets and contingent liabilities

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | **30 JUNE 2019** | **30 JUNE 2018** | **30 JUNE 2019** | **30 JUNE 2018** |
| **Pledged assets** | | | | |
| Property mortgages | 733 | 650 | – | – |
| | **733** | **650** | **–** | **–** |
| **Contingent liabilities** | | | | |
| Guarantees | 1 | 1 | – | – |
| | **1** | **1** | **–** | **–** |

The property mortgages are pledged to the Norwegian State Housing Bank as collateral for bank loans.

Guarantees have been provided to landlords to enable the Group's subsidiaries to sign rental agreements with landlords in Sweden and Norway.

# Note 36: Disclosures regarding the Group's financial instruments

## Classification and categorisation of the Group's assets and liabilities 2018/2019

### ASSETS

| 30 JUNE 2019 | Financial assets measured at Amortised cost | Financial assets measured at Fair value via comprehensive income | Financial assets measured at Fair value via profit or loss | Non-financial assets | Sum total |
|---|---|---|---|---|---|
| Intangible assets | – | – | – | 6,231 | **6,231** |
| Property, plant and equipment | – | – | – | 1,916 | **1,916** |
| Non-current receivables | 14 | – | – | | **14** |
| Deferred tax assets | – | – | – | 56 | **56** |
| Accounts receivable | 253 | – | – | | **253** |
| Current tax assets | – | – | – | 131 | **131** |
| Other receivables | 102 | – | – | 43 | **145** |
| Prepaid expenses and accrued income | 100 | – | – | 346 | **446** |
| Cash and cash equivalents | 527 | – | – | – | **527** |
| **TOTAL ASSETS** | **997** | **–** | **–** | **8,723** | **9,720** |

### EQUITY AND LIABILITIES

| 30 JUNE 2019 | Financial liabilities measured at Amortised cost | Financial liabilities measured at Fair value via comprehensive income | Financial liabilities measured at Fair value via profit or loss | Non-financial assets | Sum total |
|---|---|---|---|---|---|
| Equity | – | – | – | 4,589 | **4,589** |
| Non-current liabilities to credit institutions | 2,131 | – | – | | **2,131** |
| Provision for pensions | – | – | – | 154 | **154** |
| Provision for restructuring | – | – | – | 10 | **10** |
| Deferred tax liability | – | – | – | 141 | **141** |
| Other non-current liabilities | 27 | – | – | 47 | **74** |
| Liabilities to credit institutions | 505 | – | – | | **505** |
| Other interest-bearing liabilities | – | – | – | 86 | **86** |
| Accounts payable | 492 | – | – | | **492** |
| Current tax liability | – | – | – | 43 | **43** |
| Other current liabilities | 59 | – | – | 124 | **183** |
| Accrued expenses and deferred income | 1,151 | – | – | 159 | **1,310** |
| **TOTAL EQUITY AND LIABILITIES** | **4,366** | **–** | **–** | **5,354** | **9,720** |

## Classification and categorisation of the Group's assets and liabilities 2017/2018

### ASSETS

| 30 JUNE 2018 | Financial assets measured at fair value through profit or loss | Loan receivables/ Accounts receiv-able | Total financial assets | Non-financial assets | Sum total |
|---|---|---|---|---|---|
| Intangible assets | – | – | – | 6,175 | **6,175** |
| Property, plant and equipment | – | – | – | 1,598 | **1,598** |
| Non-current receivables | – | 23 | 23 | – | **23** |
| Deferred tax assets | – | – | – | 27 | **27** |
| Accounts receivable | – | 199 | 199 | – | **199** |
| Current tax assets | – | – | – | 113 | **113** |
| Other receivables | – | 89 | 89 | 9 | **97** |
| Prepaid expenses and accrued income | – | 123 | 123 | 328 | **451** |
| Cash and cash equivalents | – | 699 | 699 | – | **699** |
| **TOTAL ASSETS** | **–** | **1,133** | **1,133** | **8,250** | **9,383** |

**EQUITY AND LIABILITIES**

| 30 JUNE 2018 | Financial liabilities measured at fair value via profit or loss | Financial liabilities measured at amortised cost | Total financial liabilities | Non-financial liabilities | Sum total |
|---|---|---|---|---|---|
| Equity | – | – | – | 4,262 | **4,262** |
| Non-current liabilities to credit institutions | – | 2,163 | 2,163 | – | **2,163** |
| Provision for pensions | – | – | – | 40 | **40** |
| Provision for restructuring | – | – | – | 9 | **9** |
| Deferred tax liability | – | – | – | 86 | **86** |
| Other non-current liabilities | – | 46 | 46 | – | **46** |
| Liabilities to credit institutions | – | 587 | 587 | – | **587** |
| Other interest-bearing liabilities | – | 86 | 86 | – | **86** |
| Accounts payable | – | 519 | 519 | – | **519** |
| Current tax liability | – | – | – | 37 | **37** |
| Other current liabilities | 31 | – | 31 | 186 | **217** |
| Accrued expenses and deferred income | – | 238 | 238 | 1,093 | **1,331** |
| **TOTAL EQUITY AND LIABILITIES** | **31** | **3,639** | **3,670** | **5,713** | **9,383** |

## Fair value and carrying amount

IFRS 13 Fair Value Measurement provides a hierarchy for fair value measurement of inputs. This valuation hierarchy is divided into three levels, which are in line with the levels introduced in IFRS 7 Financial Instruments: Disclosures.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices as included in level 1, which are directly or indirectly observable for the asset or liability. There may also be inputs other than quoted prices that are observable for the asset or liability, such as interest rates, yield curves, volatility and credit spreads.

Level 3: Unobservable inputs for the asset or liability. At this level, market participant assumptions used in pricing of the asset or liability, including risk assumptions, are taken into account.

Level 3 in the measurement hierarchy is applied for measurement of additional consideration related to business combinations.

**CONDITIONAL PURCHASE CONSIDERATIONS**

| | GROUP | |
|---|---|---|
| | **30 JUNE 2019** | **30 JUNE 2018** |
| Book value, opening balance | 31 | 39 |
| Estimated liabilities upon acquisition | – | 20 |
| Liabilities settled | -31 | -31 |
| Exchange rate differences | 0 | 4 |
| **BOOK VALUE, CLOSING BALANCE** | **0** | **31** |

# Note 37: Related-party transactions

Purchases from/sales to Group companies are described in Note 3. Salaries and other remuneration to senior executives and the Board of Directors are paid as described in Note 6.

During the year, the members of AcadeMedia AB's Group management were offered the opportunity to acquire synthetic share options in AcadeMedia issued by the Company's principal owner, Mellby Gård AB. AcadeMedia AB was not involved in the transactions. The synthetic share options were acquired at a price deemed to correspond to their market value.

In the preceding financial year, a related-party transaction took place. It involved the issuance guarantee provided by Mellby Gård, the principal owner. The fee for the issuance guarantee was one percent of the portion of the share issue for which subscription commitments had not been obtained in advance. The total fee was just over SEK 3 million and is included in the issue expenses that were deducted from the issue amount.

# Note 38: Significant events after the end of the financial year

In September 2019, Eola Änggård Runsten, CFO at AcadeMedia since 2013, announced her decision to leave the company. Eola Änggård Runsten will step down from her position on 1 November 2019, and Katarina Wilson will join us as the new CFO on the same date. Katarina Wilson will be a member of AcadeMedia's Group management and will report to CEO Marcus Strömberg.

In October 2019 the number of children and students at AcadeMedia's preschools, compulsory schools and upper secondary schools for the autumn 2019 were communicated. The growth was good, in total the organic growth amounted to 3.4 percent.

AcadeMedia acquired Praktiska Sverige AB in November 2017. As communicated in May 2018, the Swedish National Agency for Education demands that Praktiska Sverige AB shall repay SEK 28 million with reference to the lacking documentation for the apprentice subsidies. On 12 September 2019, the Swedish National Agency for Education filed a lawsuit. Praktiska Sverige AB opposed the repayment obligation. As previously communicated, AcadeMedia has customary terms in the share purchase agreement regarding this risk. Therefore, any repayment obligation and other costs associated with these legal proceedings are not considered to have a material impact on the Group's business operations or financial position.

## Note 39: Transition to IFRS 16 Leasing

During the year, AcadeMedia analysed the transition to IFRS 16 Leases and reached the following conclusions. As of 1 July 2019, AcadeMedia is to apply IFRS 16 with prospective implementation. In its segment reporting AcadeMedia intends henceforth to apply the same accounting policies as previously, since that is how operations are followed up. As a result, the adjustment to IFRS 16 will be made in the column "Group-wide and non-allocated items" in the segment summary.

AcadeMedia's lease obligations relate primarily to premises, IT equipment and vehicles. In all, these undiscounted obligations amount to SEK 8,975 million, based on current leases. On 1 July 2019, AcadeMedia has around 800 leases related to properties that under IFRS 16 will be accounted for on the balance sheet. These represent the majority of leased assets and liabilities. Leases related to properties normally run for a period of 1-25 years and cars for 3 years. Leases on properties normally also include one or more options for extension. Because the exercise of an option to extend requires a new investment decision, IFRS 16 only includes the calculation of the option when a decision to continue operations is taken.

Variable expenses, such as property tax, value added tax and other variable property expenses, such as maintenance costs, electricity, heating and water etc. are excluded from the calculation of the lease liability to the extent that such costs can be separated from the rental cost. To calculate the lease liability (the present value of future lease fees) attributable to properties, external benchmark figures for return on capital on social-use properties are used to determine the discount rate. The return on capital requirement differs among geographical areas. As a result, AcadeMedia's leases are categorised on the basis of their geographical location. In the case of leases in Sweden, a rate of between 4.1 and 5.6 percent as per 1 July 2019 is applied; a rate of 5.0% is used for both Norway and Germany. The discount rate for AcadeMedia's leased cars in Sweden is based on the rate in the respective lease.

In transitioning to IFRS 16, AcadeMedia has elected to include a new balance sheet item in its balance sheet: "Right-of-use assets", while non-current and current lease liability have been included previously. In the income statement, two new lines appear - "Amortisation of right-of-use assets" and "Interest expense, right-of-use asset".

The impact from the transition on the balance sheet as per 1 July 2019 is shown in the table alongside.

## Consolidated statement of financial position - Summary

### ASSETS

| SEK m | Before restatement, 1 July 2019 | Impact of IFRS 16 | After restatement, 1 July 2019 |
|---|---|---|---|
| **Non-current assets** | | | |
| Intangible non-current assets | 6,231 | – | 6,231 |
| Buildings | 1,129 | – | 1,129 |
| Other property, plant and equipment | 787 | – | 787 |
| Right-of-use assets | – | 7,026 | 7,026 |
| Other non-current assets | 14 | – | 14 |
| Deferred tax assets | 56 | – | 56 |
| **Total non-current assets** | **8,218** | **7,026** | **15,244** |
| **Current assets** | | | |
| Current receivables | 976 | – | 976 |
| Cash and cash equivalents | 527 | – | 527 |
| **Total current assets** | **1,502** | **–** | **1,502** |
| **Total assets** | **9,720** | **7,026** | **16,746** |

### EQUITY AND LIABILITIES

| SEK m. | Before restatement, 1 July 2019 | Impact of IFRS 16 | After restatement, 1 July 2019 |
|---|---|---|---|
| **EQUITY** | **4,589** | **–** | **4,589** |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Non-current liabilities to credit institutions | 2,131 | – | 2,131 |
| Long-term lease liability (right-of-use assets) | – | 6,055 | 6,055 |
| Other non-current liabilities (interest-bearing) | 74 | – | 74 |
| Provisions and other non-current liabilities | 164 | – | 164 |
| Deferred tax liability | 141 | – | 141 |
| Total non-current liabilities | 2,510 | 6,055 | 8,565 |
| **Total non-current liabilities** | **2,509** | **6,055** | **8,565** |
| **Current liabilities** | | | |
| Current interest-bearing liabilities - properties | 505 | – | 505 |
| Current interest-bearing liabilities | – | 971 | 971 |
| Current lease liability (right-of-use assets) | 86 | – | 86 |
| Accounts payable and other current non-interest-bearing liabilities | 719 | – | 719 |
| Other accrued expenses and deferred income | 1 310 | – | 1 310 |
| **Total current liabilities** | **2,621** | **971** | **3,592** |
| **Total liabilities** | **5,131** | **7,026** | **12,156** |
| **TOTAL EQUITY AND LIABILITIES** | **9,720** | **7,026** | **16,746** |

# NOTE 40: Appropriation of profits

| PARENT COMPANY | |
|---|---|
| **AVAILABLE FOR APPROPRIATION BY THE AGM** | **SEK** |
| Retained earnings | 25,209,828 |
| Share premium reserve | 2,607,630,054 |
| Earnings for the year | -58,802 |
| **SUM TOTAL** | **2,632,781,080** |
| The Board proposes that retained earnings be appropriated as follows: | |
| Dividend to shareholders | 131,519,554 |
| To be carried forward | 2,501,261,526 |
| **SUM TOTAL** | **2,632,781,080** |

# Signatures of the Board of Directors

The Board of Directors and the CEO hereby provide an assurance that the consolidated accounts and annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and generally accepted accounting standards, and provide a fair and true view of the Group's and the Parent Company's financial position and results, and that the Administration Report provides a true and fair overview of the development of the Group's and the Parent Company's operations, financial position and results, and describes material risks and uncertainties faced by the companies in the Group. The undersigned also hereby submit the sustainability report on pages 25-51.

Stockholm 22 October 2019

Anders Bülow
*Chairman*

Marcus Strömberg
*Chief Executive Officer*

Silvija Seres
*Board member*

Johan Andersson
*Board member*

Pia Rudengren
*Board member*

Anki Bystedt
*Board member*

Thomas Berglund
*Board member*

Håkan Sörman
*Board member*

Anders Lövgren
*Employee representative*

Fredrik Astin
*Employee representative*

We submitted our audit report on 22 October 2019.

PricewaterhouseCoopers AB

Patrik Adolfson
*Authorised Public Accountant*
*Principal auditor*

Eva Medbrant
*Authorised Public Accountant*

# Audit Report

To the annual meeting of shareholders of AcadeMedia AB, corporate identity number 556846-0231

## Report on the annual accounts and consolidated accounts

### OPINIONS

We conducted an audit of the annual accounts and consolidated accounts of AcadeMedia AB (publ) for the financial year 1 July 2018 – 30 June 2019 with the exception of the corporate governance report on pages 63-67. The annual accounts and consolidated accounts of the company are included on pages 52-119 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30 June 2019 and of its financial performance and its cash flow for the year then ended, in accordance with the Swedish 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 2019 and of its financial performance and cash flow for the year, in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet of the parent company and the group.

Our statements in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report that was submitted to the parent company's audit committee in accordance with Article 11 of the EU's Audit Regulation (Regulation (EU) No 537/2014).

### 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 means that, based on our best knowledge and belief, no prohibited services referred to in Article 5 (1) of Regulation (537/2014 EU Audit Regulation) have been provided to the audited company or, where applicable, its parent company or its controlled company in the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OUR AUDIT APPROACH

#### FOCUS AND SCOPE OF THE AUDIT

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management had made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We adapted the focus and scope of our audit, taking into account the structure of the AcadeMedia Group and the internal control environment, to enable us to provide an audit report on the annual accounts and the consolidated financial statements as a whole.

AcadeMedia is the largest education group in the Nordic region and has operations in Sweden, Norway and Germany. As of 30 June 2019, the business was conducted via 150 legal entities. The large number of legal entities is due to the acquisition of the businesses by the group and legal regulations that restrict the possibility of relocating operations. We conduct a statutory audit of all legal entities in Sweden and Norway, and for group purposes we review the most significant entities in the group and the parent company. The operations in Sweden and Norway account for 98 percent of the group's sales and the majority of the group's total assets. The audit included the following activities:

- Review of internal control of financial reporting, procedures and processes based on assessed risks;
- Limited review of the accounts as at 31 March 2019 with the aim of issuing a limited review report; and
- Audit of the annual accounts as at 30 June 2019, focusing on measurement of goodwill, recognition of revenue and personnel expenses, acquisition analyses and integration relating to acquisitions, restructuring reserves and assessment of reporting and disclosure regarding disputes.
- Final audit procedures required to issue this audit report on the annual accounts of the parent company and the group and, where applicable, other legal entities. In addition, procedures are also performed to enable us to issue our opinion on compliance with guidelines for senior executives, as well as the corporate governance and sustainability reports of the parent company.

The review was conducted by an audit team affiliated to the PwC network. The work was performed in accordance with the local audit requirements of each country, as well as specific instructions related to the group audit. Regarding the operation in Germany, the group audit team carried out an analytical review and other review procedures. In addition, during the year the principal auditor and assistant auditor visited the operations in Norway and the principal auditor visited the operations in Germany. The purpose of these visits was to gain an understanding of activities in the units visited and to understand the procedures and controls in order to evaluate internal control and to conduct a limited review of the financial statements based on the group's accounting principles.

#### MATERIALITY

The scope of our audit was influenced by our assessment of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the focus and scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

### KEY AUDIT MATTER

Key audit matters in the audit are those that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts for 1 July 2018 to 30 June 2019. These matters were addressed in the context of our audit of, and in forming our opinion on, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| *Measurement of goodwill and other intangible assets* | |
| *We refer to Notes 1 General information, accounting and valuation principles, which contains information on important estimates and assumptions for accounting purposes, 16 Goodwill, 17 Brands and 18 Impairment testing.* | |
| Goodwill represents an important component of the AcadeMedia Group's total assets and amounts to SEK 5,983 million as of 30 June 2019 (62% of total assets). Brands are valued at around SEK 222 million at the same point in time. The items are subject to the assessment and assumptions of management, and because of their materiality have been deemed to be a key audit matter in the audit.<br><br>Management and the board of directors conduct annual impairment testing of the value of goodwill and brands with an indefinite useful life. The purpose of impairment testing is to determine whether an asset is impaired, i.e. whether the book value (carrying amount) exceeds the assessed fair value (recoverable amount).<br><br>The calculated value is based on the budgets and forecasts approved by the board of directors for the next ten years. The cash flows from the years beyond the next five years are extrapolated on the basis of the business plan. The process thus includes assumptions that gain material significance to impairment testing. These assumptions include sales growth, development of margins and the discount rate (WACC).<br><br>The value resulting from the test corresponds to the value of discounted cash flows for identified cash-generating units.<br><br>Even if a unit passes the impairment test, future developments that deviate negatively from the assumptions and assessments on which the review was based may lead to a need for impairment. Valuation of the company's operations is most sensitive regarding future earnings in the newly acquired operations in Norway and Germany.<br><br>Furthermore, the assumptions are affected by the uncertainty of political decisions that could be made affecting staffing, quality, profits etc., as described in Note 1, which addresses important estimates and assessments for accounting purposes.<br><br>AcadeMedia's conclusion, based on the best estimate and the information that was available when the annual impairment test was performed, is that there was no impairment of the assets referred to above as of 30 June 2019. | In the impairment test for goodwill and other acquisition-related intangible assets, to ensure the valuation and accuracy we performed the following audit measures:<br><br>• In the assessment of the assumptions, which are presented in Note 18 Impairment assessment, we have engaged PwC's experts in valuation to test and assess the models and methodology that were used, as well as significant assumptions.<br><br>• On a random sample basis, we tested, evaluated and challenged the information used in the calculations versus AcadeMedia's financial plan and, where possible, external information. We then focused on the assumed growth rates, development of margins and the discount rate for each cash generating unit. We also reviewed the accuracy and inherent quality of the company's process for preparing business plans and financial plans based on historical outcomes.<br><br>• We checked the sensitivity of the valuation to negative changes in key parameters that, on an individual or aggregate basis, could result in an impairment requirement.<br><br>• We judged that the disclosures provided in the annual report are correct, based on the test of valuation conducted, particularly as regards the information on the sensitivity of the valuations<br><br>• We compared the disclosures provided in the financial statements with IAS 36 requirements and found that they were fulfilled in all material respects.<br><br>• We evaluated AcadeMedia's assessment regarding political risk and limitations to profits in the welfare sector as reported in the section Risk and risk management in the Administration Report, as well as Note 1, which addresses important estimates and assessments for accounting purposes.<br><br>Based on our review, we did not find any significant observations to report to the audit committee. |

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| *Procedures and processes, as well as recognition of personnel-related expenses* | |
| *We refer to Notes 1 General information, accounting and valuation principles, 6 Personnel expenses, 7 Pensions and 33 Deferred income and accrued expenses*<br><br>AcadeMedia has around 16,900 employees in its subsidiaries. Personnel expenses account for just over 65% of AcadeMedia's operating expenses. This is thus the most significant expense item in AcadeMedia's consolidated income statement. Personnel costs consist of both wages and other remuneration, including variable remuneration, as well as directly attributable taxes and social security contributions. The risk in these items relates to their completeness, as well as their being correctly calculated, properly accrued and properly measured. There is also an inherent complexity in payroll management, since the various personnel groups are covered by different employment contracts and collective agreements, which in turn give rise to differences in how salaries, other remuneration and benefits are to be calculated.<br>In addition, in spring 2019 AcadeMedia also changed its payroll system in Sweden. A change of system is always a complex undertaking, especially when it manages a key process, which is the case for payroll management in a personnel-intensive business such as AcadeMedia. | In order to pay salaries to 16,900 employees each month, or in some cases more frequently, there must be efficient procedures and processes to calculate and check the salaries and remuneration to be paid.<br>Our audit is based both on an evaluation of internal controls and on substantive testing of revenues and other analysis measures, including systems-based transaction analyses of certain balance sheet and income statement items in key subsidiaries.<br>The review of key controls of financial reporting and income statement and balance sheet items was carried out on a random sample basis Audit activities performed include the following:<br><br>• We checked significant accrued expenses and/or reserves for vacation pay liability, payroll liability, taxes and social security contributions, against information from the payroll system and management's calculations and assessments.<br>• We reviewed personnel expenses via analytical review measures including changes in expenses in the income statement, accrued expenses and reserves based on our knowledge, as well as through the use of database-related transaction analyses.<br>The above auditing measures were conducted both in AcadeMedia's former system environment and after the change of system in spring 2019. With regard to the change of system, our audit consisted of the following auditing activities, but were not limited to them:<br>• We reviewed the project management for the transition to the new payroll system.<br>• We reviewed the company's approach to testing of the new payroll system and management of deviations recorded during testing.<br>• As regards the transfer of information and data from the former to the new payroll system, we reviewed the company's procedures for transfer of data.<br>• We reviewed the structure of authorisations and allocation of responsibilities in the new payroll system.<br><br>In the performance of our review activities, we were assisted by our IT auditing personnel.<br><br>In our review, deviations were recorded. These have been reported to and discussed with the company, the audit committee and the board of directors. |

| KEY AUDIT MATTER | HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER |
|---|---|
| *Procedures, processes and revenue recognition in the Adult Education segment* | |
| *We refer to Note 1 General information, accounting and valuation principles, the administration report and Note 10 Items affecting comparability*<br><br>Total consolidated net sales for the financial year amounted to SEK 11,715 million, of which SEK 1,478 million related to net sales in the Adult Education segment. Overall, AcadeMedia's main revenue recognition is not complex since AcadeMedia usually receives payment per service performed, school voucher funding from municipalities and fees for preschool places. Participant fees attributable to Adult Education, which are recognized according to the degree of completion and other terms and conditions, see below, over the period during which the instruction is provided. Revenue recognition of participant fees requires management to assess the extent to which opportunities for different forms of remuneration will be obtained. In the light of this aspect of assessments, revenue in Adult Education is considered to be a key audit matter in the audit.<br>Nevertheless, a large portion of AcadeMedia's billing occurs locally at each operation and one business can have different contracts with customer-specific components. Moreover, because of manual elements in the billing procedures and a large number of transactions, there is an elevated risk of misstatements.<br>Controls are performed at each business, as well as centrally to ensure that revenue recognition is correct. Moreover, each operation carries out analyses and follow-ups to ensure that revenue recognition and financial statements are correct.<br>Revenue recognition in Adult Education is thus often complex and affected by assessments. Revenue recognition and associated procedures as well as the settlement with the City of Malmö are thus a key audit matter. | Our audit is based both on the evaluation of internal controls and system support associated with revenue recognition, as well as on substantive testing of revenues in material units and other analysis measures, including systems-based transaction analyses of certain balance sheet and income statement items, on a random sample basis of selected subsidiaries.<br>Audit activities performed include the following:<br>• We reviewed, on a random sample basis, key controls carried out to ensure that revenue recognition is correct<br>• On a random sample basis, for randomly selected customers, we tested the recognised revenues against contracts with regard to the correct amount being recognized in the correct period. This testing also included accrued income.<br>• We also assessed the provision for risk of customer losses based on the entire aged accounts receivable structure.<br>• We reviewed a selection of accounts receivable and related revenue as of 30 June 2019 on the basis of payment documents.<br><br>Based on our review, we did not find any significant observations to report to the audit committee. |

# Information other than the annual accounts and consolidated accounts

**INFORMATION OTHER THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS**

This document also contains information other than the annual accounts and the consolidated accounts and is provided on pages 1-24 and 126-131. The board of directors and the chief executive officer are responsible for this other information.

Our opinion regarding the annual accounts and consolidated accounts does not cover this information, and we make no statement of assurance 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 the knowledge we have otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If, on the basis of the work performed regarding this information, we conclude that such other information includes a material misstatement, we are required to report that fact. We have nothing to report in this regard.

**RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER**

The board of directors and the chief executive officer are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and of the consolidated accounts in accordance with IFRS, as adopted by the EU. The board of directors and the chief executive officer 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 chief executive officer are responsible for the assessment of the ability of the company to continue as a going concern. They disclose, as applicable, matters related to the ability to continue as a 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 chief executive officer intend to liquidate the company, cease operations or have no realistic alternative but to do so.

The board's audit committee shall, without prejudice to the board's responsibilities and duties, in particular monitor the company's financial reporting.

**AUDITOR'S RESPONSIBILITIES**

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 submit an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Supervisory Board of Public Accountants (Revisorsinspektionen) website (www. revisorsinspektionen.se/rn/showdocument/documents/rev_dok/ revisors_ansvar.pdf). This description is part of the auditor's report.

# Report on other legal and regulatory requirements

**OPINIONS**

In addition to our audit of the annual accounts, we have also audited the administration by the board of directors and the chief executive officer of AcadeMedia AB (publ) for the financial year 1 July 2018 – 30 June 2019 and the proposed appropriation of the company's profit or loss.

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the board of directors and the chief executive officer 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 audit opinion.

**RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER**

The board of directors is responsible for the proposal for appropriation 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 satisfactory manner. The chief executive officer shall manage the ongoing administration according to the board of directors' guidelines and instructions and among other matters take measures that are necessary to ensure that the company's accounting is performed in accordance with law and to ensure that the management of assets is conducted in a satisfactory manner.

**AUDITOR'S RESPONSIBILITIES**

Our objective concerning the audit of the administration, and thereby our opinion on discharge from liability, is to obtain audit evidence to judge with a reasonable degree of assurance whether any member of the board of directors or the chief executive officer in any material respect:

- has undertaken any action or been guilty of any omission that 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 appropriation of the company's profit or loss, and thereby our opinion on this matter, is to assess with a 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 appropriation of the company's profit or loss is not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Supervisory Board of Public Accountants (Revisorsnämnden) website (www.revisorsinspektionen. se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

**AUDITOR'S REVIEW OF THE CORPORATE GOVERNANCE REPORT**

The board of directors is responsible for the corporate governance report on pages 63-67 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Our review has been conducted in accordance with FAR's RevU 16 Auditor's Review of the Corporate Governance Report. This means that our review of the Corporate Governance Report has a different focus and is substantially lesser in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides a sufficient basis for our opinion.

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, section 6(2), items 2-6, and Chapter 7, section 31 (2) of the Annual Accounts Act are consistent with the other sections of the annual accounts and the consolidated annual accounts, as well as with the Annual Accounts Act.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed to serve as auditor by AcadeMedia ABs (publ) at the Annual General Meeting held on 22 November 2018 and has been the company's auditor since 24 November 2017.

Stockholm 22 October 2019
PricewaterhouseCoopers AB

| Patrik Adolfson<br>*Authorised Public Accountant*<br>*Principal auditor* | Eva Medbrant<br>*Authorised Public Accountant* |
|---|---|

# Share and shareholders

**AcadeMedia shares have been listed in the Mid-Cap segment of Nasdaq Stockholm under the ticker symbol ACAD since 15 June 2016.**

## Dividend policy

AcadeMedia's main responsibility is to provide a good education for the reimbursement received. This must be done as effciently as possible. AcadeMedia's unrestricted cash fows will primarily be reinvested in the operations in order to maintain high quality and finance future growth. The surplus may be distributed to the shareholders, provided that AcadeMedia's targets relating to quality and financial position are met.

## Ownership structure and number of shares

On 30 June 2019, the Company's share capital totalled SEK 105,462,885, which has remained unchanged since 30 June 2018. The number of shares totalled 105,462,885, represented by 105,215,643 ordinary shares and 248,242 Class C shares. The quota value is SEK 1.00 per share. The C shares are owned by AcadeMedia and the voting rights represent 1/10th of the voting rights of the ordinary shares.

The largest shareholder was Mellby Gård AB, with 21.0 percent of the share capital.

During the second quarter AcadeMedia fulfilled its obligation under the share-matching plan launched in 2016 to senior managers in AcadeMedia. 76,758 C-shares were converted to ordinary shares and distributed to the qualifying participants. As a result of the conversion, the number of votes increased by 69,082, from 105,171,385 to 105,240,467. The total number of shares is unchanged.

The number of ordinary shares on 30 June 2019 was 105,215,643.

## Share performance

Over the period 30 June 2018 to 30 June 2019, the AcadeMedia share fell by 7,6 percent. In the same period, the Nasdaq Stockholm Mid Cap index rose 12.0 percent. The highest price paid for the shares during the period was SEK 55.70 and the lowest was SEK 38.80. On 30 June, AcadeMedia shares were listed at SEK 52.30, corresponding to a market capitalisation of SEK 5,516 million.

From 30 June 2018 through 30 June 2019 a total of 40,433,538 shares were traded, representing 38 percent of the shares outstanding. The average daily trading volume during the same period was 162,384 shares.

### Share facts, 30 June 2019

**Market**: Nasdaq Stockholm

**Segment:** Mid Cap

**Sector:** Retail

**Ticker symbol:** ACAD

**ISIN code:** SE0007897079

**Total number of shares:** 105,463,885

**- ordinary shares (listed):** 105,215,643

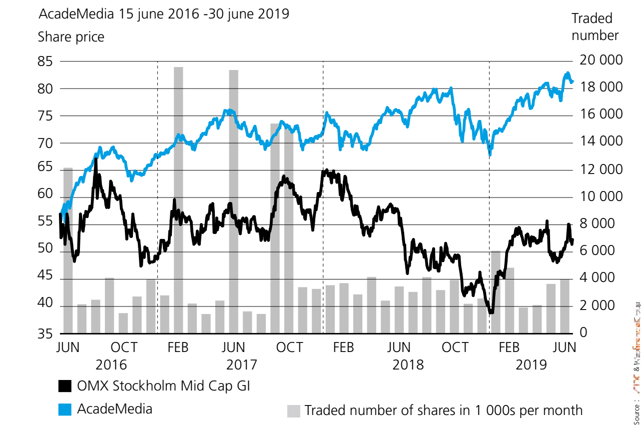
**- C class shares (unlisted):** 248,242

**Market capitalisation:** SEK 5,440 million

**Average daily turnover:** 162,000

Source: Nasdaq, Euroclear

## Total return on AcadeMedia shares, 2016-2019

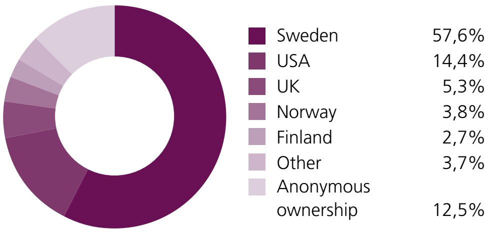


## Ten largest shareholders on 30 June 2019

| Name | Number of ordinary shares | Number of Class C shares | Total number of shares | Share of equity, % | Share of votes, % | Share of equity, % 30 June 2018 | Change |
|---|---|---|---|---|---|---|---|
| Rune Andersson (Mellby Gård) | 22,178,141 | | 22,178,141 | 21.0% | 21.1% | 21.1% | -0.03% |
| Nordea Fonder | 8,251,012 | | 8,251,012 | 7.8% | 7.8% | 11.7% | -3.92% |
| J.P Morgan Asset Management | 5,542,832 | | 5,542,832 | 5.3% | 5.3% | 1.1% | 4.20% |
| Fidelity International (FIL) | 5,254,816 | | 5,254,816 | 5.0% | 5.0% | 5.5% | -0.54% |
| Handelsbanken Fonder | 4,047,000 | | 4,047,000 | 3.8% | 3.8% | – | – |
| Norron Fonder | 3,320,108 | | 3,320,108 | 3.1% | 3.2% | 3.9% | -0.79% |
| Försäkringsbolaget PRI | 3,047,339 | | 3,047,339 | 2.9% | 2.9% | 2.0% | 0.92% |
| Third National Swedish Pension Fund | 2,492,491 | | 2,492,491 | 2.4% | 2.4% | 2.4% | -0.02% |
| Janus Henderson Investors | 2,299,660 | | 2,299,660 | 2.2% | 2.2% | 3.0% | -0.83% |
| Swedbank Robur Fonder | 2,082,578 | | 2,082,578 | 2.0% | 2.0% | 1.7% | 0.30% |
| **Total, Top 10** | **58,515,977** | | **58,515,977** | **55.5%** | **55.6%** | | |
| AcadeMedia | 0 | 248,242 | 248,242 | 0.2% | 0.0% | | |
| Other | 38,312,507 | 0 | 38,312,507 | 44.3% | 44.4% | | |
| **Total** | **105,215,643** | **248,242** | **105,463,885** | **100.0%** | **100.0%** | | |

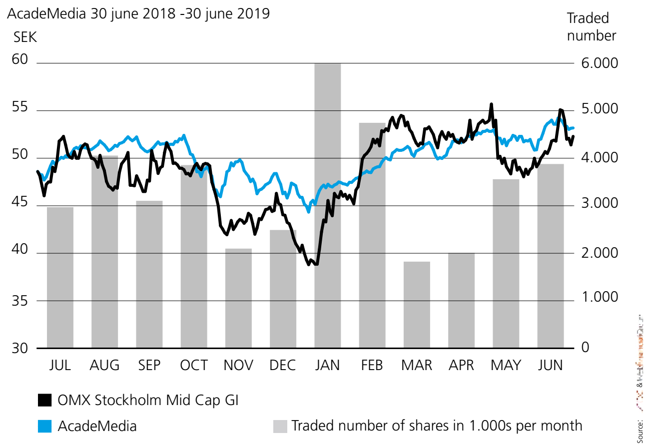
Source: Monitor av Modular Finance AB. Data compiled and processed from Euroclear, Morningstar and the Swedish Financial Inspectorate.

## Shareholders per country, as percentage of equity on 30 June 2019




Source: Monitor av Modular Finance AB. Data compiled and processed from Euroclear, Morningstar and the Swedish Financial Inspectorate.

## Trend of share price




## Distribution of shareholders, 30 June 2019

| | Number of shares | Share of equity, % | Share of votes, % |
|---|---|---|---|
| 10 largest shareholders | 58,515,977 | 55.5% | 55.6% |
| 20 largest shareholders | 72,729,180 | 69.0% | 69.1% |
| 30 largest shareholders | 81,173,747 | 77.0% | 77.1% |

Source: Monitor av Modular Finance AB. Data compiled and processed from Euroclear, Morningstar and the Swedish Financial Inspectorate.

## Per-share data

| | 2018/2019 | 2017/2018 | 2016/2017 |
|---|---|---|---|
| Equity per share, basic | 43.6 | 42.6 | 36.5 |
| Earnings per share, basic | 4.09 | 4.30 | 4.41 |
| Earnings per share, diluted | 4.09 | 4.29 | 4.40 |
| Earnings per share | 1.25 | 0 | 0 |
| Share price on 30 June | 52.3 | 48.6 | 56.75 |
| Average number of shares outstanding, basic | 105,189,566 | 100,126,785 | 94,204,999 |
| Average number of shares outstanding, diluted | 105,228,702 | 100,294,230 | 94,334,977 |

# Five-year Review

**MULTI-YEAR REVIEW**

| SEK million, unless otherwise stated | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|---|---|---|---|---|---|
| **PROFIT/LOSS ITEMS** | | | | | |
| Net sales | 11,715 | 10,810 | 9,520 | 8,611 | 8,163 |
| Items affecting comparability | 1 | -48 | -23 | -32 | -79 |
| EBITDA | 931 | 872 | 827 | 722 | 720 |
| Depreciation/amortisation | -280 | -244 | -208 | -185 | -198 |
| Acquisition-related depreciation/amortisation | -16 | -6 | -4 | -2 | -5 |
| Operating profit/loss (EBIT) | 635 | 622 | 615 | 535 | 517 |
| Net financial items | -69 | -68 | -80 | -127 | -269 |
| Profit/loss for the period, before tax | 566 | 555 | 535 | 408 | 248 |
| Profit/loss for the period after tax | 431 | 430 | 416 | 319 | 222 |
| **BALANCE SHEET ITEMS** | | | | | |
| Non-current assets | 8,218 | 7,823 | 6,574 | 6,141 | 5,884 |
| Current receivables and inventories | 976 | 860 | 695 | 697 | 670 |
| Cash and cash equivalents | 527 | 699 | 579 | 331 | 695 |
| Non-current interest-bearing liabilities | 2,205 | 2,209 | 2,200 | 2,116 | 2,609 |
| Non-current non-interest-bearing liabilities | 305 | 135 | 114 | 113 | 197 |
| Current interest-bearing liabilities | 592 | 673 | 516 | 568 | 715 |
| Current non-interest-bearing liabilities | 2,030 | 2,103 | 1,577 | 1,382 | 1,425 |
| Equity | 4,589 | 4,262 | 3,443 | 2,990 | 2,304 |
| Total assets | 9,720 | 9,383 | 7,849 | 7,169 | 7,250 |
| Capital employed | 7,386 | 7,144 | 6,158 | 5,674 | 5,628 |
| Net debt | 2,266 | 2,179 | 2,133 | 2,342 | 2,629 |
| Property-adjusted net debt | 1,533 | 1,528 | 1,550 | 1,866 | 2,295 |
| **KEY PERFORMANCE INDICATORS** | | | | | |
| Net sales, SEK m. | 11,715 | 10,810 | 9,520 | 8,611 | 8,163 |
| Organic growth incl. smaller bolt-on acquisition, % | 4.4% | 5.8% | 9.0% | 6.4% | 3.7% |
| Acquired growth, larger bolt-on acquisition, | 3.2% | 7.9% | 0.8% | 0.4% | 24.4% |
| Change in exchange rates, % | 0.8% | -0.1% | 0.8% | -1.3% | - |
| Operating margin (EBIT), % | 5.4% | 5.8% | 6.5% | 6.2% | 6.3% |
| Adjusted EBIT, SEK m | 634 | 670 | 638 | 567 | 596 |
| Adjusted EBIT margin, % | 5.4% | 6.2% | 6.7% | 6.6% | 7.3% |
| Adjusted EBITDA, SEK m | 930 | 920 | 850 | 754 | 799 |
| Adjusted EBITDA margin, % | 7.9% | 8.5% | 8.9% | 8.8% | 9.8% |
| Net margin, % | 3.7% | 4.0% | 4.4% | 3.7% | 2.7% |
| Return on capital employed, % (12 months) | 8.7% | 10.1% | 10.9% | 10.1% | 10.8% |
| Return on equity, % (12 months) | 9.7% | 11.2% | 12.9% | 12.1% | 9.9% |
| Equity/assets ratio, % | 47.2% | 45.4% | 43.9% | 41.7% | 31.8% |
| Interest coverage ratio, multiple | 12.5 | 10.9 | 9.4 | 4.8 | 2.8 |
| Net debt/Adjusted EBITDA (12 months) | 2.4 | 2.4 | 2.5 | 3.1 | 3.3% |
| Adjusted Net Debt/Adjusted EBITDA (12 months) | 1.6 | 1.7 | 1.8 | 2.5 | 2.9 |
| Cash flow from investing activities | -559 | -970 | -374 | -386 | -68 |
| Number of full-time employees | 12,405 | 11,863 | 10,564 | 9,714 | 9,159 |

Definitions of key figures are provided on pages 130-131.

# Reconciliation of alternative key performance indicators

**The table below presents the data from which the alternative performance indicators used in the report are calculated. See definitions for more information.**

**RECONCILIATION OF ALTERNATIVE KEY PERFOMANCE INDICATORS**

| SEK million, unless otherwise stated | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/15 |
|---|---|---|---|---|---|
| **NET DEBT** | | | | | |
| Non-current interest-bearing liabilities | 2,205 | 2,209 | 2,200 | 2,116 | 2,609 |
| + Current interest-bearing liabilities | 592 | 673 | 516 | 568 | 715 |
| - Interest-bearing receivables* | 4 | 4 | 4 | 11 | 0 |
| - Cash and cash equivalents | 527 | 699 | 579 | 331 | 695 |
| **= Net debt** | **2,266** | **2,179** | **2,133** | **2,342** | **2,629** |
| | | | | | |
| **PROPERTY-ADJUSTED NET DEBT** | | | | | |
| Net debt (as described above) | 2,266 | 2,179 | 2,133 | 2,342 | 2,629 |
| - non-current property loans | 644 | 603 | 467 | 278 | 174 |
| - current property loans | 89 | 48 | 116 | 197 | 161 |
| **= Property-adjusted net debt** | **1,533** | **1,528** | **1,550** | **1,866** | **2,295** |
| | | | | | |
| **RETURN ON CAPITAL EMPLOYED %, 12 MONTHS** | | | | | |
| Adjusted EBIT (12 months) | 634 | 670 | 638 | 567 | 596 |
| + Interest income | 1 | 2 | 7 | 6 | 13 |
| divided by | | | | | |
| Average equity (12 months) | 4,426 | 3,853 | 3,216 | 2,647 | 2,247 |
| + average non-current interest-bearing liabilities (12 months) | 2,207 | 2,204 | 2,158 | 2,363 | 2,815 |
| + average current interest-bearing liabilities (12 months) | 632 | 594 | 542 | 641 | 592 |
| **= Return on capital employed, %, 12 months** | **8.7%** | **10.1%** | **10.9%** | **10.1%** | **10.8%** |
| | | | | | |
| **RETURN ON EQUITY %, 12 MONTHS** | | | | | |
| Profit/loss after tax (12 months) | 431 | 430 | 416 | 319 | 222 |
| divided by | | | | | |
| Average equity (12 months) | 4,426 | 3,853 | 3,216 | 2,647 | 2,247 |
| **= Return on equity, %, 12 months** | **9.7%** | **11.2%** | **12.9%** | **12,0%** | **9.9%** |
| | | | | | |
| **INTEREST COVERAGE RATIO, MULTIPLE** | | | | | |
| Adjusted EBIT (12 months) | 634 | 670 | 638 | 567 | 596 |
| + Interest income (12 months) | 1 | 2 | 7 | 6 | 13 |
| + Other financial income (12 months) | 2 | 4 | 1 | 1 | 11 |
| divided by | | | | | |
| Interest expense (12 months) | -51 | -62 | -69 | -121 | -218 |
| **= Interest coverage ratio, multiple** | **12.5** | **10.9** | **9.4** | **4.8** | **2.8** |

Included in the line item Other non-current assets in the consolidated balance sheet

# Definitions of key performance indicators

Additional information has been added to meet European Securities and Markets Authority (ESMA) guidelines on alternative key performance indicators.

| KEY PERFORMANCE INDICATORS | DEFINITION | PURPOSE |
|---|---|---|
| **Number of children/students** | Average number of children/students enrolled during the specified period. Adult education participants are not included in the Group's total figures for number of children/students. | The number of children/students is the most important driver for revenue. |
| **Number of education units** | Refers to the number of preschools, compulsory schools and/or upper secondary schools operating in the period. Integrated units where preschools and compulsory schools are combined are counted as two units as they each hold their own permit. | The number of education units indicates how the Company grows over time through new establishments and acquisitions minus discontinued units. |
| **Number of full-time employees** | Average number of full-time employees during the period, full-time equivalent (FTE). | The number of employees is the main cost driver for the Company |
| **Return on equity** | Profit/loss for the most recent 12-month period divided by average equity (opening balance + closing balance)/2. | Return on equity is a profitability measure used to set profit (loss) in relation to shareholders' paid-in and earned capital. |
| **Return on capital employed** | Adjusted operating profit/loss (EBIT) for the most recent 12-month period plus interest income, divided by average capital employed (opening balance + closing balance)/2. | Adjusted return on capital employed is used to set adjusted operating profit/loss in relation to total tied up capital regardless of type of financing. |
| **EBITDA** | Operating profit/loss before depreciation/amortisation and impairment of non-current assets. | EBITDA is used to measure profit (loss) from operating activities, regardless of depreciation/amortization. |
| **EBITDA margin** | EBITDA as a percentage of net sales. | EBITDA margin is used to set EBITDA in relation to sales. |
| **Net financial items** | Financial income less financial expenses. | The measure Net financial items is used to illustrate the outcome of the Company's financial activities. |
| **Adjusted return on capital employed** | Adjusted operating profit/loss (EBIT) for the most recent 12-month period plus interest income, divided by average capital employed (opening balance + closing balance)/2. | Adjusted return on capital employed is a profitability measure used to set profit (loss) in relation to the capital needed to run the business. |
| **Adjusted EBITDA** | Operating profit/loss before amortisation/depreciation of intangible assets and property, plant and equipment, excluding items affecting comparability. | Adjusted EBITDA is used to measure underlying profit from operating activities, excluding depreciation/amortization and items affecting comparability. |
| **Adjusted EBIT margin** | Adjusted EBIT as a percentage of net sales. | Adjusted EBIT margin sets underlying operating profit in relation to sales. |
| **Adjusted net debt** | Net debt, less property-related loans, i.e. loans in the Norwegian State Housing Bank, building loans for ongoing construction projects and other property loans in Norway. | Adjusted net debt shows the portion of loans that finance the business, while property loans are linked to a building asset that can be separated off and sold. |
| **Adjusted net debt/Adjusted EBITDA** | Adjusted net debt divided by adjusted EBITDA for the past 12 months. | Net debt/adjusted EBITDA is a theoretical measure of how many years it would take, with current earnings less items affecting comparability (adjusted EBITDA), to pay off the Company's liabilities, excluding property-related loans. |
| **Adjusted EBIT** | Operating profit/loss (EBIT) excluding items affecting comparability. | Adjusted EBIT is used to provide a better picture of the underlying operating profit. |
| **Items affecting comparability** | Items affecting comparability are items related to property such as capital gains on sales, major property damage not covered by commercial insurance, consulting costs related to acquisitions, severance payments to senior executives, major integration costs relating to acquisitions, and reorganization costs, as well as costs arising from strategic decisions and major restructuring that result in the closing down of units. | Items affecting comparability are used to illustrate the profit/loss items that are not included in ongoing operating activities, in order to obtain a clearer picture of the underlying profit trend. |

| KEY PERFORMANCE INDICATORS | DEFINITION | PURPOSE |
|---|---|---|
| **Cash flow from operating activities** | Cash flow from operating activities including changes in working capital and before cash flows from investing and financing activities. | Cash flow from operating activities is used as a measure of the cash flow that the Company generates before investments and financing. |
| **Cash flow from investments** | Cash flow from investing activities according to the cash flow analysis. This includes investments and divestments of buildings, acquisitions and investments in property, plant and equipment and intangible assets. Investments financed via leases are not included. | Cash flow from investments is used to regularly measure how much cash is used to maintain operations and for expansion. |
| **Net margin** | Profit/loss for the period as a percentage of net sales. | The net margin is used to measure net earnings in relation to sales. |
| **Net debt** | Interest-bearing debt (current and non-current) net of cash and cash equivalents and interest-bearing receivables (current and non-current). | Net debt is used to illustrate the size of the debt less current cash and cash equivalents (which in theory could be used to repay loans). |
| **Net debt/adjusted EBITDA** | Net debt (closing balance for the period) divided by adjusted EBITDA for the past 12 months. | Net debt/adjusted EBITDA is a theoretical measure of how many years it would take, with current earnings (EBITDA), to pay off the Company's liabilities, including property-related loans. |
| **Employee turnover** | The average number of employees who left the company during the year, in relation to the average number of employees. (Number of permanent and probationary employees who quit) / (Average number of permanent and probationary employees). Calculated on an aggregated basis over the reporting period. | Employee turnover is used to measure the proportion of employees who leave the company and who must be replaced every year. |
| **Earnings per share** | Profit/loss for the period in SEK, divided by the average number of shares outstanding, basic/diluted calculated according to IAS 33. | Earnings per share is used to clarify the amount of profit for the period to which each share is entitled. |
| **Interest coverage ratio** | Adjusted EBIT for the past 12 months plus financial income, in relation to interest expense. | Interest coverage ratio is used to measure the Company's ability to pay interest costs. |
| **Operating margin (EBIT margin)** | Operating profit/loss as a percentage of net sales. | The operating margin shows the percentage of sales remaining after operating expenses, which can be allocated to other purposes. |
| **Operating profit/loss (EBIT)** | Operating profit/loss before net financial items and tax. | Operating profit/loss (EBIT) is used to measure operating profit before financing and tax. |
| **Absence due to illness** | Short-term and long-term absence due to illness recalculated to full-time divided by the number of full-time employees (FTE). Calculated as an average over the reporting period. | Absence due to illness is used to measure employee absence and provide indications as to employee health. |
| **Equity/assets ratio** | Equity as a percentage of total assets. | The equity/assets ratio shows the proportion of the Company's total assets financed by shareholders' equity. A high equity/assets ratio is a measure of financial strength. |
| **Capital employed** | Total assets less non-interest-bearing current liabilities and provisions, as well as deferred tax liabilities. Or: Equity plus non-current and current interest-bearing liabilities. | Capital employed indicates how much capital is needed to run the business regardless of type of financing (borrowed or equity). |

**General** All amounts in tables are in SEK million unless otherwise stated. All figures in parentheses () are comparative figures for the same period in the previous year, unless otherwise stated. Totals of amounts in whole figures do not always match reported totals due to rounding. The reported total amounts are correct.

# Helpful tips

Annual reports are packed with information and few people read them from cover to cover. However, this annual report provides a good summary of AcadeMedia's operations and results, even if you only read parts of it.
Here are some helpful tips for people who don't have time to read everything.

## For people who want to know all about our business and financial performance

The Administration Report, which begins on page 52, is a good starting point. It provides a brief summary of information such as major events in the past year, our financial position and our quality management initiatives.

## For people who want to know all about the numbers

The numbers package begins on page 71 and covers 48 pages. That's where you can learn that AcadeMedia's sales for the year totalled SEK 11,715 million and that the profit for the period was SEK 431 million.

## For people who want the shortest summary possible

On page 5 we have "The year in brief" – it doesn't get any shorter than that!

## For people who want to gain insight into how we see the future

The two-page message from the CEO on pages 6-7 is a good status update which provides an overview of where we are today and how we view the future. Skip ahead to the beginning of the strategy section on page 10 for additional information about our future plans,

## For people who want to know more about our segments

Our four segments – Preschool and Compulsory School, Upper Secondary School, Adult Education and Preschool International – are described on pages 14-24.

## For people who want to know more about our work in sustainability

Our sustainability report is provided on pages 25-51.

## For people who have a strong interest in quality

Our quality work is described in broad strokes in our sustainability report on pages 32-35 and 50. Would you like to know more about our quality management model and our quality results, we recommend AcadeMedia's Group-wide quality report at www.academedia.se, Simply search for "quality report".

## For people with a focus on internal control

The Corporate Governance Report, which starts on page 63, explains how we ensure good internal control and governance.

## Choice of words and definitions

Some of the words and expressions commonly used in annual reports, often chosen to meet stock market requirements for clarity and accuracy, seem unnatural to many who work in the education sector. For example, many of us react to the term "customer," which does not seem appropriate, but is used in the "customer and employee satisfaction surveys" we conduct, which are reported both in our annual report and in our annual quality report. Another example is the "market overview" section in the annual report. Referring to preschool, school and adult education as a market is objectionalble for many people who work in education.

Regarding the word customer, we chose to explain how we think in our quality report as follows: The word "customer" is difficult to use in school contexts and may need explanation. By "customers," we mean both students and parents/guardiansfor whom the Swedish State and municipalities – and in fact, the entire community – have given us the mandate that we are working to implement in the best possible way.

An annual report is primarily intended for readers with a particular focus on financial issues. We have therefore decided that in this particular context we will largely adhere to concepts that cannot be misunderstood by them, but that many people in the education sector may find unpalatable.

## Questions and orders

Questions from shareholders and investors may be made to IR contact Hanna Clausén, hanna.clausen@academedia.se, (Int.+46) (0)87 94 42 62. Questions about the Sustainability Report may be put to Head of Sustainability Paula Hammerskog, paula.hammerskog@academedia.se, (Int.+46) (0)733 34 87 50. You can sign up to receive financial reports by registering on www.academedia.se, go to investors-financial information-reports and presentations.

We hope you enjoy reading our report!

AcadeMedia

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GRAPHICAL DESIGN: EXTERN PARTNER AB TRYCK: PHOTOS: ELVIS PHOTOGRAPHY