AcadeMedia

Annual Report 2017/18

Pre- and Compulsory School

Upper Secondary School

Adult Education

Preschool International

We are AcadeMedia

AcadeMedia is the leading and 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 along 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*

173,400

UNITS*

634

EMPLOYEES*

15,900

SALES
SEK millions

10,810

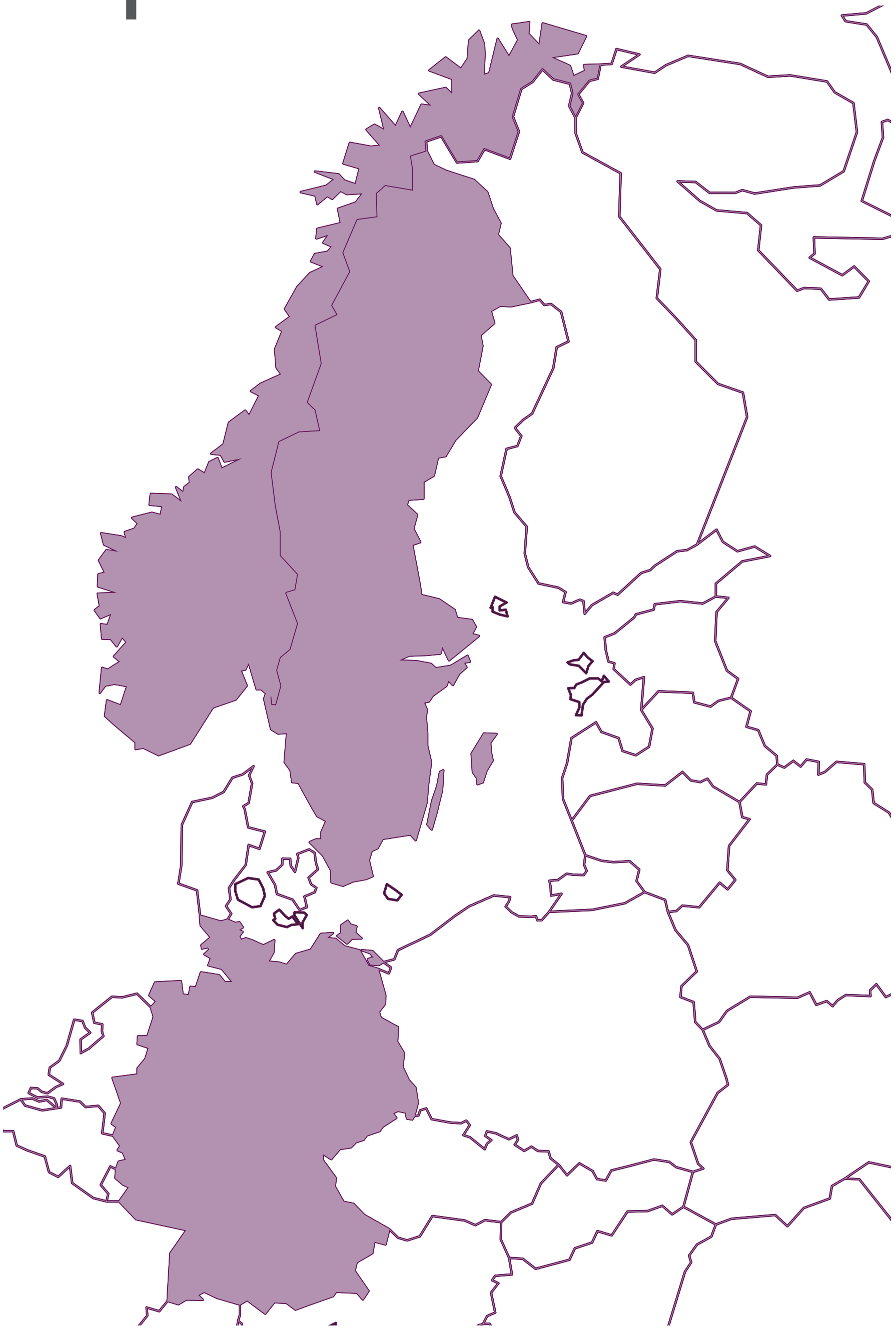
OPERATING PROFIT/LOSS
SEK millions

622

* Average per year

THIS IS A TRANSLATION OF THE ORIGINAL SWEDISH ANNUAL REPORT. IN THE EVENT OF DIFFERENCES BETWEEN THE ENGLISH TRANSLATION AND THE SWEDISH ORIGINAL, THE SWEDISH ANNUAL REPORT SHALL PREVAIL.

Our operations



SWEDEN

In Sweden we have 155 preschools and 75 compulsory schools. About one quarter of AcadeMedia's preschools (36) are integrated with a compulsory school.

AcadeMedia has 141 upper secondary schools and is therefore Sweden's largest independent operator of upper secondary schools.

We provide adult education at 150 units all over Sweden.

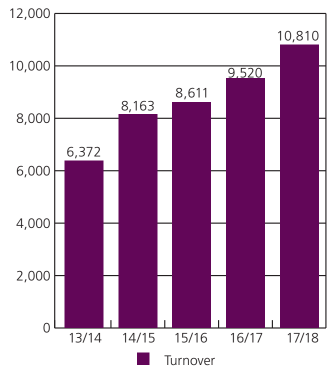
NORWAY

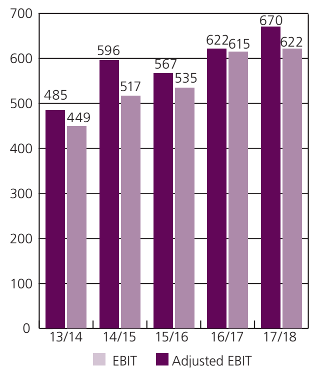
Since 2014 AcadeMedia has run preschools in Norway under the Espira brand. We currently have 101 units.

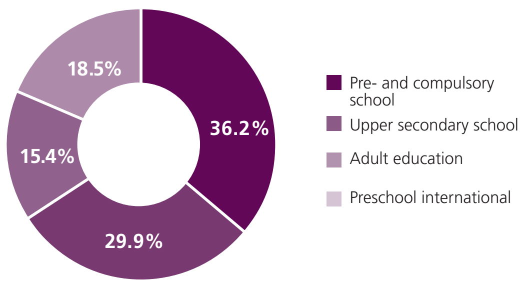
GERMANY

In 2016 the German preschool group Joki became part of AcadeMedia. In 2017 the operation expanded with the acquisition of the preschool company Stepke. The preschool company KTS was acquired in 2018. AcadeMedia has a total of 29 preschools in Germany.

FINANCIAL PERFORMANCE 2013/14–2017/18 SEK million







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The year in brief

Net sales: SEK 10,810 million (9,520)

Operating profit/loss (EBIT): SEK 622 million (615)

Adjusted EBIT: SEK 670 million (638)

Profit/loss for the year: SEK 430 million (416)

Earnings per share: SEK 4.30 (4.41), before dilution, and SEK 4.29 (4.40) after dilution.

The Board of Directors proposes that no dividend be paid for the 2017/18 financial year

	2017/18	2016/17	CHANGE
Net sales, SEK m	10,810	9,520	13.6%
EBITDA, SEK m	872	827	5.4%
EBITDA margin	8.1%	8.7%	-0.6 p/e
Operating profit/loss (EBIT), SEK m	622	615	1.1%
EBIT margin	5.8%	6.5%	-0.7 p/e
Adjusted EBIT SEK m	670	638	5.0%
Adjusted EBIT margin	6.2%	6.7%	-0.5 p/e
Net financial items, SEK m	-68	-80	15.0%
Profit/loss before tax, SEK m	555	535	3.7%
Profit/loss for the period, SEK m	430	416	3.4%
Earnings per share basic (SEK)	4.30	4.41	-2.5%
Earnings per share basic/diluted (SEK)	4.29	4.40	-2.5%
Number of children and students	73,366	66,070	11.0%
Number of full-time employees	11,863	10,564	12.3%

HIGHLIGHTS OF THE FINANCIAL YEAR AND BEYOND

- During the year Vindora was acquired with 36 upper secondary schools under the Praktiska and Hagströmska brands, along with Movant, which provides adult education. Vindora focuses on vocational education programmes, which is an interesting and growing need among individuals and society.
- KTS, with six preschools in Munich, was acquired in March 2018. In addition, eight small bolt-on acquisitions (with nine units) were carried out.
- The Upper Secondary School Segment had a record year in terms of volume and sales. The acquisition of Vindora contributed to this improvement, but organic growth and the margin trend have also been favourable.
- The Adult Education segment experienced challenges during the year. An extensive appeal process for the new contract for Vocational and Preparations modules left a gap in relation to previous contracts. In addition, Hermods found extensive contractual breaches in its Swedish for Immigrants (SFI) operation in Malmö. However a settlement has been reached with the City of Malmö. At the end of the financial year there was a decline in the market for immigrant services from the Swedish Public Employment Service, resulting in a need for additional restructuring costs.
- Quality management is high on AcadeMedia's agenda. Our compulsory schools continue to perform higher than the national average in grades, while the upper secondary schools are on par with national average in terms of proportion of students who graduate. Our employee satisfaction surveys continue to show that employees who work at AcadeMedia are satisfied with their jobs.
- In June the Swedish Riksdag voted against regulation of profits in the welfare sector and in favour of strengthening ownership and management assessment in the welfare sector.
- After the end of the financial year AcadeMedia signed a new loan agreement with its lenders, which provides greater financial flexibility, while reducing interest expense by about SEK 10 million annually. The new loan agreement came into effect on the sixth of July, 2018.

From our CEO

Building a better future

Education provides people with the opportunity to stand on their own two feet, to shape their own development and to work with others to create a better society. Never before has AcadeMedia provided so many children, students and participants with the opportunity for a better future. We have been entrusted with a major responsibility.

As the largest independent education provider in northern Europe, AcadeMedia has a special responsibility to contribute and create social benefit. Our existence is based on our ability to help solve social challenges. This has been our focus in 2018 and will continue to be so in the future.

We shape the apprenticeship training of the future

By international standards, apprenticeship training in Sweden is limited and undeveloped. In the late fall of 2017 AcadeMedia acquired Praktiska Gymnasiet, with a total of 36 upper secondary schools and Movant, an adult education operation. Praktiska has specialized in apprenticeship training for many years. Students who apply there want jobs. Parts of the education takes place at different companies, usually in the trades or manufacturing.

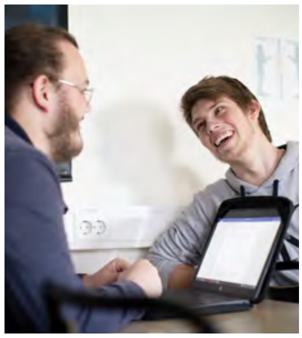
The need for labor is strong in these segments of society and there is a risk that we will see bottlenecks in many industries. AcadeMedia will develop apprenticeship training regarding quality, content and volume. Currently about 9,000 upper secondary school students are enrolled in apprenticeship-focused training programs in Sweden. Our ambition is to more than double this figure.

New capacity and clearer offering within AcadeMedia's Upper Secondary School segment

The large municipalities in Sweden are facing a major expansion need at the upper secondary school level. Upper secondary school class sizes are starting to grow again. The urbanization trend is strong and the immigration wave has created a youth boom. AcadeMedia is clearly the strongest operator in this sector. We have noted strong growth in the number of students in both our existing and our acquired operations. In order to meet this strong growth we are now increasing our capacity for the future, while also refining and clarifying our upper secondary school profiles. We are also conducting an extensive program to improve student attendance, grading and thus the proportion of students who graduate.

Nordic preschool is a role model and export product in Europe

In Norway, 50% of the children attend independent preschools according to the same voucher model as in Sweden. Through Espira, AcadeMedia has a leading operator in terms of quality, with 100 preschools that have contributed to the upgrading of the preschool market in Norway. In Germany, for years many women have stayed home to take care of children. These women, often well educated, have felt that they had no choice but to quit working – in part because of the shortage of preschool places. Germany currently has a shortage of about 300,000 preschool places. The segment is undergoing rapid expansion, including within AcadeMedia. In July 2017



we had 17 preschools in three federal states; in June 2018, we had 29 preschools in four federal states. Growth in Germany will continue to be strong.

Restructuring of the Adult Education segment

To invest in knowledge is a fundemental aspect of the social structure. The need has never been greater.

At the end of the financial year our Adult Education segment was affected by a number of contract transitions and changed market conditions. Since the Swedish labor market is strong, public resources to adult education are declining. We have therefore launched an extensive restructuring program to reduce costs and adapt to the new conditions. Despite the cutbacks, adult education is an important form of education in Sweden and AcadeMedia is the leading operator in this segment. AcadeMedia also holds a leading position in adult education with respect to digital education. We want to strengthen and expand this position.

Focus on educational content within Swedish Pre- and Compulsory School

We started a project during the year to strengthen and enhance our educational concepts in AcadeMedia's Pre- and Compulsory schools in order to improve our quality and our appeal. The goal is for all schools to fully utilize their capacity. We have also seen pressure on margins continue during the year. The main reason is wage inflation for teachers – an increased expense that has not yet been compensated by an increase in school vouchers.

The Pre- and Compulsory School segment in Sweden will expand because of the strong demographic trend. The need for new schools within this area is large.

We want to develop the education system

In Sweden, everyone can attend the school of their choice. The freedom of choice reform which was introduced in Sweden in the early 1990s is unique. It allows students to choose any school, regardless of their family's financial means. AcadeMedia's development is dependent on the trust of students, parents and participants, and if they are to choose us we must maintain high quality standards.

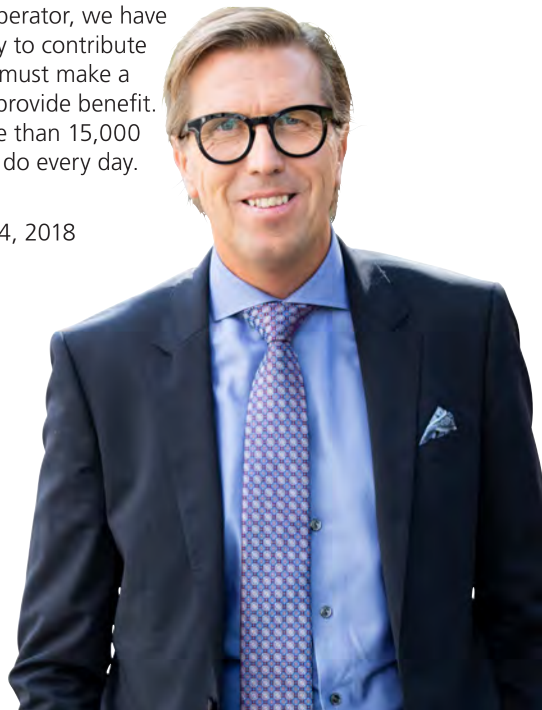
Many of the reforms that have been implemented within the Swedish school system have lacked adaptation and development. AcadeMedia is an operator that has broad and deep experience of education. We want to help improve and develop the education system.

AcadeMedia is the story of people who are passionate about education and have the driving force, with a focus on learning, to achieve something bigger and better. These people are not satisfied with how the public education system works and instead have chosen to change, to improve, and perhaps most important of all, to think differently.

As an independent operator, we have a special responsibility to contribute to social benefit. We must make a difference. We must provide benefit. That is what our more than 15,000 dedicated employees do every day.

Stockholm October 24, 2018

Marcus Strömberg,
President and CEO



Business concept, vision and goals

Leading the development of tomorrows education

AcadeMedia employees share a common goal: that everyone who attends an AcadeMedia programme will succeed.

Preschool children will enjoy themselves, learn, and have fun. Compulsory school students will not only qualify for upper secondary school, they will also develop as individuals and begin to understand their role as citizens in our society. Upper secondary school students are becoming adults, and will either find jobs or continue their studies – both pursuits usually require complete upper secondary school grades. A large group of adults who study with us attend Swedish for Immigrants (SFI) courses. They are fully occupied with starting a new life in a new country and should be welcomed by our teachers who provide them with the tools they need to become a part of Swedish society. All of this is part of our mission to provide support in every way we can. This is the origin of our business concept, our vision and our goals.

Our business model

AcadeMedia develops and operates attractive, high-quality educational institutions throughout the education ladder – from preschool to adult education. We have a clear structure and an inspirational culture.

Our vision

AcadeMedia's vision is "We help create education for the future." In order to succeed we constantly work to develop and improve our operations. This initiative requires consistent

1898 1968 1985 1986 1991 1992 1993 1995 1996 1997

monitoring and control, which is provided by our quality management system, the AcadeMedia Model.

Our goals

AcadeMedia continues to pursue its overarching goal: To provide the highest quality education in the areas where the Group operates. By 2020 we will 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 achieve this, we must be leading in quality, efficiency, innovation and attractiveness, for both employees and participants.

Financial targets

AcadeMedia intends to grow organically by utilising spare capacity in existing units, and by opening new units. AcadeMedia also intends to continue to grow by taking over education units from other providers and by acquiring other operations as the market continues to consolidate.

AcadeMedia's revenue growth target is a rate of five to seven percent annually, excluding major acquisitions. AcadeMedia's profitability target for operating profit (EBIT) excluding items affecting comparability shall amount to sevent to eight percent of net sales over time. With respect to indebtedness, AcadeMedia's target is to have net debt in relation to operating profit before depreciation and amortisation (EBITDA) and excluding items affecting comparability with a maximum factor of three. During brief periods, however, deviation from this target may occur, such as in connection with major acquisitions.

Dividend policy

AcadeMedia's main responsibility is primarily to provide a good education for the reimbursement received. AcadeMedia's unrestricted cash flow will be reinvested in the operation in order to maintain high quality and to finance future growth. The surplus may be distributed to the shareholders, provided that AcadeMedia meets its targets relating to quality and financial position.

		Financial targets	Result 17/18
Growth	5-7%	• AcadeMedia's growth target for net sales is to grow by 5-7% annually, excluding major acquisitions.	**5.8%** (9,0%)
Profitability	7-8%	• AcadeMedia's profitability target for operating profit (EBIT) excluding items affecting comparability is 7-8 percent of net sales over time.	**6.2%** (6.7%)
Capital structure	<3,0x	• AcadeMedia's target is to have a net debt in relation to operating profit before depreciation and amortization (EBITDA) and excluding items affecting comparability of maximum three times. During shorter periods, however, deviation from this target may occur, such as in connection with major acquisitions.	**2.5x** (2.4x)
Use of free cash flow	–	• Free cash flow shall primarily be reinvested. • The surplus may be distributed to the shareholders, provided that AcadeMedia meets its targets relating to quality and financial position.	No dividend

Figures in parentheses relate to the previous year

1999 2000 2001 2002 2005 2007 2008 2010 2011 2014

Strategies

Quality, growth and smart use of resources

AcadeMedia's strategic focus has remained unchanged for several years. It has helped us to facilitate rapid growth, while simultaneously increasing both employee satisfaction and the quality of our operations. However, good quality is not enough; we must constantly improve and evolve. The core of the Group's strategy is to be the superior provider in terms of quality in all areas in which our Group operates.

Our strategy is documented in "Roadmap 2020" and explained on the Group's employee intranet.

Roadmap 2020 for everyone

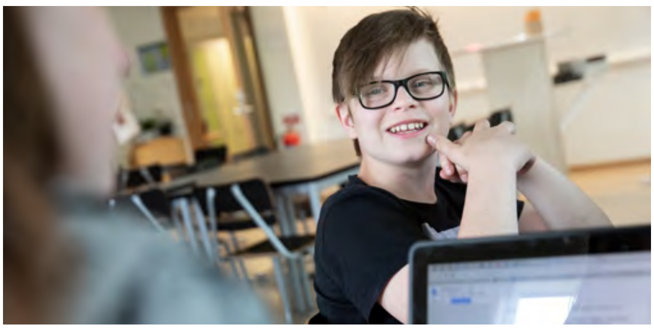
Roadmap 2020 was implemented in 2015, and describes the Group's strategic focus and goals through 2020. The plan outlines AcadeMedia's goals to become a leader in quality, attractiveness (for employees and children/students/participants), efficiency and innovation. The document also describes how to achieve these goals. The document is part of approximately 15 percent of the material on the employee intranet that is fully public. The point is not that Roadmap 2020 is only for internal use, but that we would like our employees to feel that it is mainly for them. Others who would like to read Roadmap 2020 may request a copy. In this way transparency is achieved as wll as employee exclusivity.

A leader in development

AcadeMedia will take part in and lead the development of tomorrow's education. The Group's objective is to deliver high-quality education with a variety of educational approaches and disciplines. AcadeMedia will therefore continue to develop and implement the AcadeMedia Model in existing and new operations to ensure consistent quality monitoring and high transparency. AcadeMedia intends to be a leading provider of systematic quality and development work for the education sector in general.

An attractive employer

As part of AcadeMedia's objective to be the leading education provider, the Group will work to have the best school principals, preschool heads and unit heads. Within AcadeMedia Academy, we continually develop our employee offering to enhance the image of AcadeMedia. In addition, we continue our initiatives among existing employees and leaders. A number of leadership development programmes have been



developed in recent years, such as a talent programme for employees with managerial potential and a mentorship programme for senior managers.

Smart use of resources

Using our capacity and resources in a way that we can streamline at the same time as we improve quality also improves profitability. We believe that there is further potential to do so, primarily through improved capacity utilisation in our preschools and schools. The economic impact of filling up groups and classes is significant, since the increase in cost per child, student or participant in an existing group or class is marginal. We will also take better advantage of economies of scale, such as when negotiating procurement contracts for group purchases.

Capacity utilization

Over the past year AcadeMedia has worked on improving capacity utilization in preschools and schools. Last year capacity utilization increased within the Group's Upper Secondary School segment, to about 92 percent (86). This relatively strong increase is temporary and an effect of starting new units in existing premises. During the upcoming 2018/19 financial year these units will expand to fill the premises in order to accept as many students as intended when the schools are fully expanded, at which point capacity utilization will decline. Capacity utilization has also improved somewhat in the pre- and compulsory school level, totaling 91 percent (90).

CAPACITY UTILIZATION

	2017/18	2016/17
Pre- and Compulsory school	91%	90%
Upper secondary school*	92%	86%

*) Excluding Vindora

Continued organic growth

AcadeMedia sees great opportunities for continued organic and acquired growth in essentially all segments and markets. The favourable demographic trends in Sweden and Germany, as well as the increasing urbanisation over the next few years will create good opportunities for new units. The potential is greatest in preschools (all markets) and upper secondary schools, which we only have in Sweden. In Germany alone, nearly 300,000 children are not able to access preschool. AcadeMedia focuses on geographic areas with a high population growth rate where new units can rapidly achieve full capacity.

Consolidating a fragmented market

As the market-leading and largest individual independent education provider in northern Europe, AcadeMedia is the natural player to continue to drive the consolidation of the fragmented education services market in Sweden, Norway and Germany. The Group has historically been successful in integrating both small bolt-on and major strategic acquisitions. AcadeMedia continually reviews and evaluates potential acquisition targets.

AcadeMedia's aim is to expand its business over the coming years in all markets where the Group is currently active. We also see opportunities to expand into other countries, with a focus on preschools.

Market overview

Expansion in all our markets

There is an all-time-high in number of children and students attending independent preschools and schools in Sweden. In the 2017/18 school year, more than 360,000 children and students were enrolled in independent preschools and schools in Sweden. Despite this, there is still unmet need for new preschools and schools in the countries where AcadeMedia is currently active.

In Germany alone, about 300,000 children currently do not have access to preschool (source German Economic Institute). In Sweden, the Ministry of Finance has calculated that about 1,400 preschools, compulsory schools and upper secondary schools are needed by 2026, and Norway also needs new facilities.

Favourable demographic trends

The need for education services in Sweden and Norway is expected to grow in pace with favourable demographic trends. In Sweden, the number of children and young people of school age (1-18 years) is expected to increase by an average of 1.9 percent annually between 2016 and 2021 (Source: Statistics Sweden). This represents an increase of about 198,000 preschool children and students, which entails an increased pool for providers who operate preschools, compulsory schools and upper secondary schools. In Norway the number of children who need a preschool place is also expected to grow as a result of favourable demographics. Between 2016 and 2021 the number of children is expected to increase by 0.3 percent per year, representing about 4,800 children (source: Statistics Norway). It is worth noting that in both Sweden and Norway, AcadeMedia is primarily active in densely populated areas where the expected population growth in each age group is expected to be higher than the across-country average due to increased urbanisation.

Substantial preschool expansion in Germany

According to the "Institut der deutschen Wirtschaft" (German Economic Institute), Germany has a shortage of more than 300,000 preschool places with the greatest need in regions such as Nordrhein-Westfalen, Bavaria, and Baden Wurttemberg. These three regions alone have a shortage of 165,000 preschool places. This shortage is a major issue for society when young people, especially women, want to be able to maintain their professional lives while starting a family.

The market for preschool operations in Germany is rapidly growing, driven mainly by changes in legislation concerning the age from which a preschool place must be guaranteed. In August 2013 legislation was adopted stating that all children over the age of one have the right to a preschool place. Previously, only children over the age of three had a guaranteed preschool place. Children in Germany usually attend preschool until the age of six. The legislation regarding the right to a preschool place from the age of one is intended to improve gender equality in the labour market, as well as to reverse the trend of the falling birth rate.

Since 2007 the number of children enrolled in preschool in Germany increased from less than 2,197,000 to more than 2,594,000 children in 2016, corresponding to an average growth rate of 1.8 percent. This increase is largely attributable to the growing number of children enrolled at an early age. The trend is expected to continue (source: Federal Statistical Office in Germany , Statistischen Bundesamtes).

Increase in independent providers

Independent providers make up an increasingly large and important part of the education market. Two of the underlying drivers behind this are the desire that many people have to freely choose their children's school and its educational focus, and the fact that independent providers often maintain high quality which makes them extremely competitive.

Between the 2007/08 and 2016/17 academic years, the proportion of children in independent preschools in Sweden increased from around 17 percent to around 20 percent, and for Swedish compulsory schools from around 9 percent to around 14 percent. During the same period the number of students in independent upper secondary schools in Sweden increased from around 17 percent to around 26 percent (source: National Agency for Education). A similar analysis of preschools in Norway shows that the proportion of independent providers increased from 46 percent to 50 percent over the same period (source: Statistics Norway). In Germany, the market for independent preschool providers is still in its infancy, with about 50,000 children in independent for-profit preschools, but it is showing significant growth in regions such as Bavaria and Baden-Wurttemberg (source: Federal Statistical Office in Germany, Statistischen Bundesamtes).

Large consolidation opportunities

Over the past eleven years the market for independent publicly financed education in Sweden and Norway has seen consolidation at an increasing pace. AcadeMedia in particular has been a driving force through a number of bolt-on acquisitions. Despite this, the market remains highly fragmented and is charactarised by just a few large players offering a broad range of education, with a large number of smaller providers which are largely active in just one segment. AcadeMedia assesses that this market consolidation will continue as a result of stricter quality requirements from all stakeholders in the sector, which is expected to favour larger and well-established providers with operations that are sustainable in the long term, systems for transparent quality follow-up and reporting, and effective organisations that can benefit from scalability and economies of scale. AcadeMedia has also identified major opportunities to consolidate the preschool market in Germany. The market for independent providers is currently in its infancy and consists of several small providers. These operators are attractive acquisition opportunities for AcadeMedia in our endeavor to become the leading independent preschool operator in the market.

Political situation

Various political decisions by the central government and the Riksdag affect AcadeMedia's market conditions. In late May the Norwegian Stortinget decided to implement a requirement to increase personnel density in preschools beginning 1 August 2019. This requirement was in addition to the requirement to improve the educator-to-student ratio beginning 1 August 2018. The new rules apply to both municipal and independent providers. These changes will entail increased staff costs that must be compensated for by higher school vouchers. Stortinget's decision clearly indicates that the transitional rules should not place independent providers at a disadvantage. As expected, in June the Swedish Riksdag voted against regulation of profits in the welfare sector, but in favor of strengthening ownership and management assessment in the welfare sector.

Despite a sometimes vociferous debate on the role of companies in welfare, especially in Sweden, the influx of students to independent operators is on the rise. As we see it, the debate is not having any effect on the choices people make regarding school and education.

Our Segments

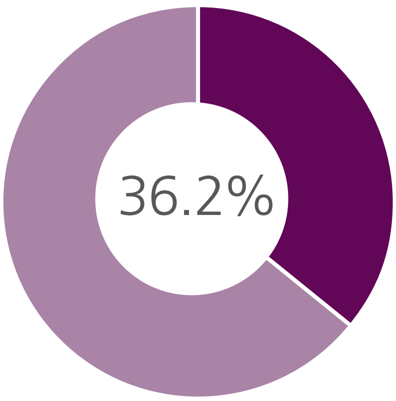
Overview

AcadeMedia is organised in four business segments that cover the entire education spectrum, from pre-school to adult education. We have almost 16,000 employees who work with around 170,000 children, students and adult education participants every day.

Pre- and Compulsory School

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

Share of sales, %



Quick facts

229 units*

3 brands

32,101 children and students*

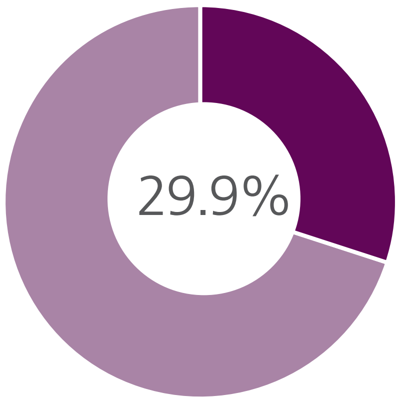
4,678 employees*

* Average per year

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

133 units*

17 brands*

30,582 students*

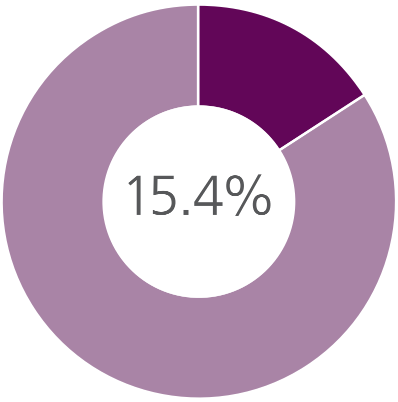
2,813 employees*

* Average per year

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*

12 brands*

100,000 participants*

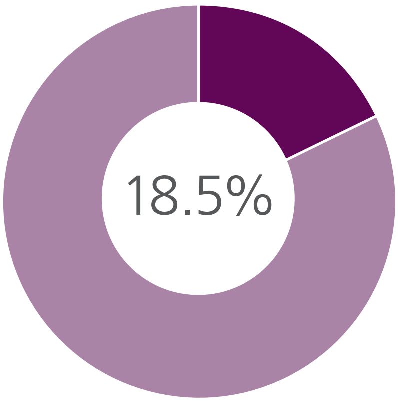
1,657 employees*

* Average per year

Preschool International

AcadeMedia's international preschool segment operates in Norway and Germany.

Share of sales, %



Quick facts

123 units*

4 brands

10,684 students*

2,571 employees*

* Average per year

Pre- and Compulsory School segment

Focus on development

32,101

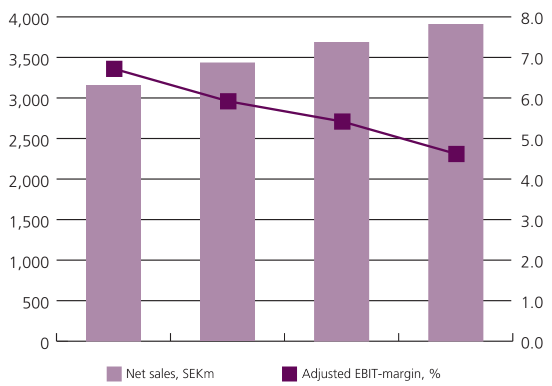
children and students in our pre- and compulsory schools

THE NUMBERS

PRE- AND COMPULSORY SCHOOL (SWEDEN)	2017/18	2016/17	CHANGE
Net sales, SEK m	3,912	3,690	6.0%
EBITDA, SEK m	239	252	-5.2%
EBITDA margin, %	6.1%	6.8%	-0.7 p/e
Depreciation/amortisation SEK m	-61	-54	-13.0%
Operating profit/loss (EBIT), SEK m	178	199	-10.6%
EBIT margin, %	4.6%	5.4%	-0.8 p/e
Items affecting comparability, SEK m	-	0	-
Adjusted EBIT, SEK m	178	199	-10.6%
Adjusted EBIT margin, %	4.6%	5.4%	-0.8 p/e
Number of children/students*	32,101	31,231	2.8%
Number of units*	229	228	0.4%

*) Average per year

NET SALES AND ADJUSTED EBIT MARGIN, %



AcadeMedia's Pre- and Compulsory School segment currently includes two school levels. These two types of school have different development needs, and an extensive restructure has been planned during the year.

As a result of the change, each of the two school levels will have its own staff within the segment. The purpose of the new organisation will strengthen the brands with clearer operational governance and to focus on more research-based development of operations. The goal is also to move closer to the units with the aim of finding a more brand-oriented and operational staff organisation. In the compulsory schools in particular we currently face a number of challenges, such as payroll expenses that are not yet covered by school vouchers, and a number of weak-performing units.

Development of compulsory schools

In the spring of 2017 the segment started a development group tasked with providing more frequent provider support to individual schools. This work achieved full effect during the 2017/18 financial year. The group includes an operational manager and two development leaders. More frequent provider support may involve helping to fill vacancies for principals, quality improvement, or challenges involving attractiveness and finances.

The development group has supported eight schools during the academic year within Vittra: Adolfsberg, Telefonplan, Saltsjö-Boo, Sjöstaden, Lidingö, Sollentuna, Samset and Södermalm, as well as Älvkvarnsskolan which belongs to Pysslingen Skolor.

Vittra Core – a collective identity

During the year Vittra launched the "Vittra Core" branding campaign to strengthen and develop the brand. Vittra, which was established in 1993, needed to clarify the distinctive nature of the schools, which over the years had lost parts of their content. Over the many years since its inception, Vittra has gradually adopted diverse interpretations of both its identity and its approach to education. The initiative began during the 2017/18 financial year and involves the entire organisation.

Vittra Core will create conditions for a coherent approach to Vittra's development to enhance its quality, appeal, efficiency and innovation. As part of this effort a new director of education was recruited for Vittra in the spring.

Pysslingen aims locally

Like Vittra, Pysslingen has just initiated an improvement project called "Pysslingen Champ." The goal is to clarify what Pysslingen schools have in common and to improve their appeal locally where an individual school is active.

The principals held several meetings focused on strengthening the provider's improvement initiatives. This year the discussion has addressed how we organise for successful school leadership, more attractive schools, digitalisation and GDPR. A quality forum was created for the schools' management teams based on relevant results and forecasts.

Five preschools were acquired during the year. Three of them are part of the preschool company Alba in Östersund. Two new establishments were also opened. A compulsory school, Kringlaskolan in Södertälje, was acquired in December 2017 and now belongs to Pysslingen Skolor.

Master-apprentice project for a more attractive preschool

AcadeMedia's preschools have performed well during the year with improvements in both customer satisfaction and functional quality, referring to how well preschools achieve the national goals for this level of school.

The master-apprentice project began in the spring of 2017. The project is based on identifying exactly why certain units succeed better than others within certain areas, and then having other units implement these methods.

With this approach, all units will achieve some improvement in their performance so that we can deliver better results and quality across the board. The overarching goals of the project are to improve both customer and employee satisfaction, while reducing short-term sickness absence. The project has produced immediate results – in the autum of 2017 short-term sickness absence declined by twelve percent compared with the same period the previous year.

AcadeMedia also applied this method at its Norwegian preschools, Espira, where sick leave was also successfully reduced. Factors for success range from practical measures, such as maintaining close contact with employees on sick leave, to strategic initiatives with various health promoting projects.

KEY RATIOS	2017/18	2016/17
Number of children/students*	32,101	31,231
Number of units*	229	228
Capacity utilization	91%	90%

MARKET SHARE OF INDEPENDENT MARKET**	2017/18	2016/17
Preschools	11.2%	11.0%
Compulsory schools	12.2%	12.4%

MARKET SHARE OF TOTAL MARKET**	2017/18	2016/17
Preschools	2.2%	2.2%
Compulsory schools	1.8%	1.8%

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

OUR BRANDS

VITTRA

Pysslingen FÖRSKOLOR

Pysslingen Skolor

Upper Secondary School segment

Record number of students choose AcadeMedia

30,582

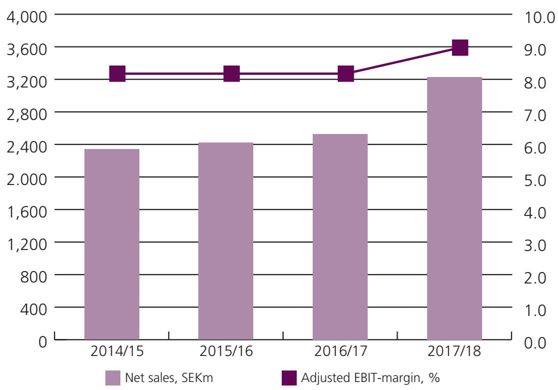
students in our upper secondary schools

THE NUMBERS

UPPER SECONDARY SCHOOLS (SWEDEN)	2017/18	2016/17	CHANGE
Net sales, SEK m	3,229	2,526	27.8%
EBITDA, SEK m	397	303	31.0%
EBITDA margin, %	12.3%	12.0%	0.3 p/e
Depreciation/amortisation SEK m	-121	-105	-15.2%
Operating profit/loss (EBIT), SEK m	276	198	39.4%
EBIT margin, %	8.5%	7.8%	0.7 p/e
Items affecting comparability, SEK m	-16	-9	77.8%
Adjusted EBIT, SEK m	292	206	41.7%
Adjusted EBIT margin, %	9.0%	8.2%	0.8 p/e
Number of children/students*	30,582	25,544	19.7%
Number of units*	133	103	29.1%

*) Average per year

NET SALES AND ADJUSTED EBIT MARGIN, %



At the end of the 2017 spring semester, 107,000 students completed grade nine in compulsory school. In all, 10,000 of them applied and were admitted to one of AcadeMedia's (at the time) 100 upper secondary schools. At the time they represented almost nine percent of all upper secondary school students in Sweden.

For all of these young people, and for the schools where they begin their studies, it is important that they make the right choice from the start. In the best of cases, students who choose the wrong school, or the wrong program, discover this error quickly and can remedy the situation; in the worst of cases, they are unhappy with their choice and do not complete their studies. On average, three to five percent of all students who enter upper secondary school drop out at some point during their studies. Of course there are many reasons for dropping out. One of them is likely that the student did not know enough about the school, or the program, when making the choice. A simple measure to reduce the dropout rate would be to improve communication regarding the strengths of each school.

Fewer brands

AcadeMedia's Upper Secondary School segment had 16 brands at the start of the financial year. Some, such as Rytmus, an upper secondary school that specializes in music, were extremely clear; applicants know exactly what to expect. Others were more similar and it was not always clear how these schools differed from one another.

During the year, the Upper Secondary School segment reviewed all brands from this perspective. The question has been how to organize to ensure that everyone who is interested in our schools makes the right choice, and truly understands what the school stands for and provides. Merging some of the brands and changing the names of others provides a clearer picture. One important outcome of this process is that we gained more internal power to work on developing and improving our approaches and concepts.

For example, the NTI upper secondary school and the IT upper secondary school are two brands that have now merged. Both focus on technology and they have worked together at the management level for a number of years. They carried out one of AcadeMedia's largest educational development projects in which the number of students graduating from upper secondary school since 2013 when the project began increased from the national average of about 75 percent to an impressive 92 percent. This journey began in 2013 and is not yet completed; the goal is 100 percent. All NTI and IT upper secondary schools are participating in the project and have applied the same methodology.

During the 2018 spring semester the merger of these two brands began under the joint name NTI upper secondary school. This extensive initiative involves students, employees and principals in different groups finding ways to formulate and express exactly what the NTI upper secondary school represents. Of course much attention is dedicated to what is actually taught – curriculums and programs. But other areas of concern include premises and facilities, the physical environment at an NTI upper secondary school. An important aspect of this project is that all NTI upper secondary schools will have what is called "makerspace." This room, or place, is intended for creative and exploratory work – a place to develop and grow with the help of IT.

Important societal function

During the year Praktiska Gymnasiet (which together with the three schools of Hagströmska Gymnasiet was part of the acquisition of Vindora which was carried out in November 2017) joined AcadeMedia's Upper Secondary School segment. Praktiska Gymnasiet has an extremely clear focus: all 33 of its upper secondary schools work to get the students jobs. Praktiska is the leading upper secondary school in Sweden at apprenticeship training, which was one of the most important reasons that AcadeMedia purchased Vindora. Sweden has a large number of upper secondary school students who, in order to graduate, need to carry out parts of their studies at a workplace where they learn their future occupation. Occupations with a labor shortage are often involved, especially the trades, which also means that these upper secondary schools fill a very important societal function. This is where education is provided for future vehicle mechanics, plumbers, carpenters, child minders, home care personnel and many other necessary occupations.

At the end of the financial year the National Agency for Education sent Praktiska Gymnasiet a repayment claim for the apprenticeship subsidy it had received for the years 2015-2017 because according to the National Agency for Education, the education contracts were not correctly completed. AcadeMedia has disputed the repayment claim. More information about this case can be found on the AcadeMedia website by searching Praktiska+Skolverket.

Seven new establishments

AcadeMedia opened seven new upper secondary schools for the 2017 fall semester. The new establishments at the upper secondary school level were located in both large cities and small towns, and in several brands. Two examples of new establishments are Rytmus, which opened in Borlänge, and ProCivitas, which opened in Stockholm after previously only being located in southern Sweden. Both schools have been successful and the applicant rate for the 2018 fall semester has been high.

KEY RATIOS	2017/18	2016/17
Number of students*	30,582	25,544
Number of units*	133	103
Capacity utilization	92%	86%
MARKET SHARE OF INDEPENDENT MARKET**		
Upper Secondary Schools	33.2%	29.1%
MARKET SHARE OF TOTAL MARKET**		
Upper Secondary Schools	8.8%	7.8%

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

OUR BRANDS

Adult Education segment

Rapid adjustment

We live in a time of both rapid change and growing complexity. New demands are placed on people, especially at work.

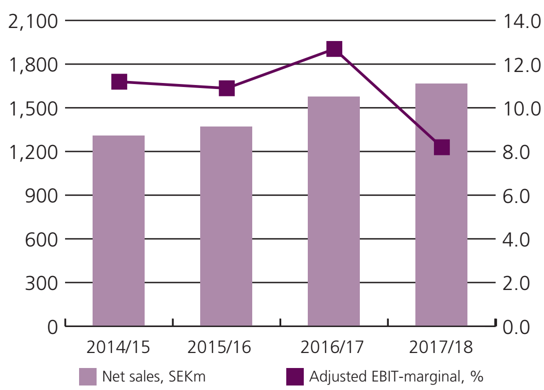
100,000

participants in our adult programs

THE NUMBERS

ADULT PROGRAMS (SWEDEN)	2017/18	2016/17	CHANGE
Net sales, SEK m	1,666	1,576	5.7%
EBITDA, SEK m	83	206	-59.7%
EBITDA margin, %	5.0%	13.1%	-8.1 p/e
Depreciation/amortization	-8	-7	-14.3%
Operating profit/loss (EBIT), SEK m	75	200	-62.5%
EBIT margin, %	4.5%	12.7%	-8.2 p/e
Items affecting comparability, SEK m	-61	-	-
Adjusted EBIT, SEK m	137	200	-31.5%
Adjusted EBIT margin, %	8.2%	12.7%	-4.5 p/e

NET SALES AND ADJUSTED EBIT MARGIN, %



Many of us need continuing education in our chosen occupation, while others need to learn something completely new for a career change; still others need to learn a new language, a new culture and create a completely new life. Consequently the need for adult education is growing.

Procuring adult education

For adult education in Sweden, a public procurement system is used for contracts from municipalities and the Swedish Public Employment Service. The municipalities are responsible for komvux (municipal adult education), which includes Swedish for Immigrants (SFI). The Public Employment Service is responsible for various preparatory education programmes, job matching programmes and labour market training programmes. The third major customer, the Swedish National Agency for Higher Vocational Education, has an application procedure where licences are approved based on demand from the labour market.

The contracts end on the expiration date and new applications or procurement procedures are required. The typical term for contracts with municipalities and the Public Employment Service is 2+1+1 years. The National Agency for Higher Vocational Education approves applications once a year and the training licenses are usually between one and three years long.

Adjustment underway

During the spring AcadeMedia's Adult Education segment entered a period of adjustment with lower margins as a result. The start of the new contracts for vocational and study preparation modules (VSPM) was delayed due to an appeal process that has now been concluded. As a result Adult Education segment had to adapt expenses for both premises and personnel to the new circumstances. The gap between contracts, lower price scenario for recently won contracts, and weakening demand has accelerated the need for both organisational changes and an operational review. For a more detailed description of the current situation please see the Administration Report, page 44.

The Swedish labour market is strong and the number of newly arrived immigrants has declined. Consequently, the Public Employment Service has reduced the resources allocated to the support for newly arrived immigrants, which means that the needs and volume of the market will decline.

The agreements with the municipalities (komvux and SFI) are proceeding according to plan with a robust and stable flow of students. Higher vocational education (YH) is another area with a favourable trend, with a record number of applicants. The allocation of licences this year was 63% higher than the previous year.

Hermods Malmö

An unfortunate event that occurred in March when the management of the segment discovered that Hermods SFI in Malmö submitted incorrect personnel lists to its client. Please see our sustainability report on page 41 to read about how the situation was handled.

Second best in the world

The Game Assembly higher vocational education programme was named the second best programme for game programming in the world, which we hope will stimulate even more interest in the program. For next year the plan is to grow by more than 20 percent in our higher vocational education operation.

Movant, which was previously part of the Vindora Group, was integrated during the spring into AcadeMedia's Adult Education segment. Movant has 20 years of experience of vocational training for adults.

Leadership training

In May the segment launched a leadership training programme for its managers and leaders. This initiative is part of a long-term plan for leadership development that is being jointly carried out with AcadeMedia Academy. The training initiative is divided into four independent modules with different themes, which will strengthen managers and leaders in the segment.

Hermods celebrates 120 years

The Adult Education segment offers a wide variety of brands with different specialties and diverse backgrounds, Many of them celebrated anniversaries in 2018. Hermods, which has made a strong contribution to Swedish adult education, is celebrating 120 years; the NTI school, which focuses on distance education, is celebrating 50 years; and youngest is the 10-year old The Game Assembly, which operates one of the best programmes for game programming in the world.

KEY RATIOS	2017/18	2016/17
Number of students*	100,000	100,000
Number of units*	150	-

OPERATION'S PERCENTAGE OF THE SEGMENT	2017/18	2016/17
SFI	21%	19%
Komvux	30%	24%
Company training programs	2%	1%
Higher Vocational Education	13%	13%
Public Employment Service	33%	43%
Other	1%	1%

*) Average per year

OUR BRANDS

Hermods eductus ECUTBILDNING

th. teknikhögskolan vh. vårdyrkeshögskolan ah. affärshögskolan

COACHNING & UTVECKLING EN DEL AV HERMODS nti SKOLAN The Game Assembly

movant SÄLJ & MARKNADS HÖGSKOLAN KompetensUtvecklingsInstitutet www.kui.se

Preschool International segment

Larger international footprint

10,684

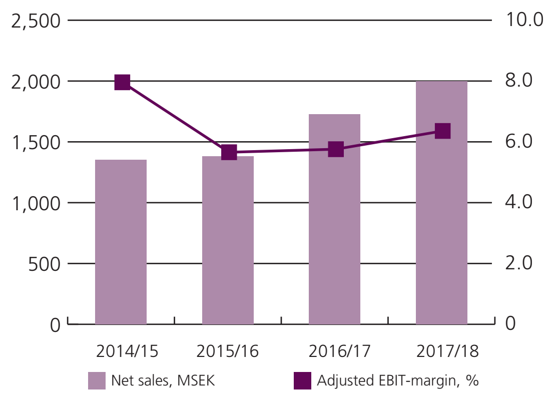
students in our international preschools

THE NUMBERS

PRESCHOOL INTERNATIONAL	2017/18	2016/17	CHANGE
Net sales, SEK m	1,998	1,725	15.8%
EBITDA, SEK m	218	139	56.8%
EBITDA margin, %	10.9%	8.1%	2.8 p/e
Depreciation/amortisation	-56	-42	-33.3%
Operating profit/loss (EBIT), SEK m	162	98	65.3%
EBIT margin, %	8.1%	5.7%	2.4 p/e
Items affecting comparability, SEK m	37	-	-
Adjusted EBIT, SEK m	125	98	27.6%
Adjusted EBIT margin, %	6.3%	5.7%	0.6 p/e
Number of children and students*	10,684	9,295	14.9%
Number of units*	123	102	20.6%

*) Average per year

NET SALES AND ADJUSTED EBIT MARGIN, %



Preschool International – Norway

Focus on science and growth

Espira currently operates 101 preschools in Norway, from Lindesnäs, the southernmost city of the country, to Levanger, just north of Trondheim. Espira opened one new preschool in the past year, Espira Tristilbakken in Rælingen just outside Oslo. Five additional preschools were acquired.

Just as in Sweden, preschools in Norway will stimulate child development and learning, within a safe space. The preschool market in Norway has developed substantially since 2002 when a government initiative to expand preschool operations was launched. This initiative entitled all families to preschool and a guarantee that all children between the ages of one and five years would have a preschool place.

Science initiative

One of the areas to which Espira is dedicating substantial resources is science. The goal is to introduce children to the world of science and mathematics in a fun way. In September 2017 the Espira Pi park opened in Oslo. The Espira Pi park is a specially equipped science classroom where children and employees experience science and math in a new way, through exciting activities and varied content. (See photos on this spread)

Quality improvement

Espira deliberately works to improve its already high standards of quality. A quality project was planned during the year based on the quality system used in Sweden, the AcadeMedia Model. The project will be carried out 2018-2019. Another important issue is the growing awareness of Espira preschools. Our preschools should be the first choice in their neighborhood.

Staffing standards

During financial year 2017-18, several policy proposals and decisions influenced the entire preschool sector in Norway. In April 2018 the Norwegian government drafted an amendment to the law on preschools, Lov om Barnehager, proposing staffing standards to be implemented 1 August 2018. At that time the previously approved educator standard comes into effect. Stortinget passed the amendment on 31 May. The decision process was quick, as is the amendment.

Sustainable adaptation

Under the staffing standard, preschools must have a minimum ratio of one employee for every three children for children under the age of 3 years, and one employee for every six children over the age of three. The new staffing requirements must be met by 1 August 2019. Since the decision was taken, Espira has launched a variety of measures to sustainably implement this adaptation. We also consider the staffing standard to be an opportunity to implement a noticeable boost to quality in the preschools; in order to take full advantage of this opportunity we have reviewed how we can best organise operations at the preschools.

FACTS 2017/18

Number of children* 9,193

Number of units* 100

OUR BRANDS

espira
KUNNSKAPSBARNEHAGEN

*) Average per year

Preschool International – Germany

Swift growth in Germany

AcadeMedia currently operates 29 preschools in Germany, including three mobile preschools. They are located from Berlin/Brandenburg in the north to Bavaria in the south.

The market for preschool operations in Germany is strongly growing. National legislation was implemented beginning in 2013 stipulating that all children over the age of one have the right to a guaranteed preschool place. The financing model is similar to the Swedish. However, it varies greatly between regions in Germany, especially regarding the percentage paid by parents.

Of AcadeMedia's 29 preschools, 11 are in Nordrhein-Westfalen, 15 are in Bavaria and three are in Berlin/Brandenburg. Over the past year, AcadeMedia has started a total of four new units in Germany through its Stepke and Joki operations. On 1 March 2018, AcadeMedia also took over KTS, which ran six preschools in Munich. Since then KTS opened two additional preschools in Munich and plans to open four more next year.

Coordination

Over the past year AcadeMedia's operations in Germany were collected under a common organisation. A common management was appointed and initiatives for coordination of functions in areas such as finance and IT have begun. Additional areas will be coordinated in the coming years to leverage identified benefits of coordination.

300,000 places sought

The goal is for AcadeMedia's German business to grow over the next few years. The need for preschool places in Germany is large, with a shortage of 300,000 places at this time. AcadeMedia's German management team has dedicated considerable time and resources during the year to establishing contacts with municipalities, property owners and investors to lay the groundwork for successful expansion. Great emphasis has also been placed on developing procedures to ensure that all new establishments meet high standards of efficiency and quality.

AcadeMedia is expanding

In 2018/2019 AcadeMedia plans to open an additional 10-15 preschools in Germany with places for about 1,000 children. Seven of these will open in Nordrhein-Westfalen, four in Bavaria, one in Berlin/Brandenburg and one in Baden Württemberg.

The new facility in Baden Württemberg is AcadeMedia's first in the region; however, more new establishments are planned over the next few years. In Baden Württemberg alone there is a shortage of more than 40,000 preschool places for children under the age of three. Nordrhein-Westfalen and Bavaria, where AcadeMedia will also start preschools over the next few years, currently have a shortage of 70,000 and 50,000 preschool places, respectively, for children under the age of three.

Acquisitions evaluated

At the same time that planned new establishments are being opened AcadeMedia is evaluating additional acquisitions in Germany. When we make acquisitions it is important that they strengthen our existing clusters of preschools, or that the acquisition enables us to enter new geographic regions with large needs for new preschool places in Germany.

Focus on quality

Just as in Sweden and Norway, AcadeMedia's operations in Germany work to continuously monitor and improve the quality of our preschools. Our German quality team cooperates with their Swedish and Norwegian counterparts to ensure that all preschools, regardless of location, meet both the requirements of the local authorities and AcadeMedia's quality standards. Annual employee and customer satisfaction surveys are carried out. The results are reported in AcadeMedia's annual quality report. Each of our operations has academies to take care of new hires and to provide continuing education for our employees.

FACTS 2017/18

Number of children* 1,491

Number of units* 23

OUR BRANDS

joki

STEPKE Richtig gute KiTa.

*) Average per year

Sustainability Report

This report is AcadeMedia's first statutory sustainability report. Over the past year we have carried out a Group-wide project to set a structure for AcadeMedia's sustainability efforts and sustainability reporting. The project has included identifying our most important stakeholders and conducting a materiality analysis. Both are presented in this sustainability report. The four main areas that we identified in the materiality analysis are quality, employees, transparency and the environment.

AcadeMedia AB (publ), the parent company in the Group, is listed on the stock market. Staffs and educational operations are in subsidiaries wholly owned by AcadeMedia AB (publ). This report applies to all companies within the Group.

We have preschool operations in Sweden, Norway and Germany, as well as compulsory schools, upper secondary schools and adult education in Sweden. In all, the Group has 15,900 employees. All levels of education are primarily financed with public funding. In the Preschool segment, the parents pay part of the cost.

AcadeMedia's aim is to contribute to society by providing an excellent education for everyone. Our overarching goal is to provide the highest quality education all AcadeMedia locations.

Sustainability Report

AcadeMedia's core business, providing high-quality education, is our main contribution to a sustainable society.

The UN has formulated sustainable development goals for promoting sustainable development in terms of economic, social and environmental sustainability, and which many companies and organisations use in their in sustainability efforts. Goal four of these says: Quality education for everyone.

We can describe our core mission in exactly the same way. This means that we as an organisation have worked with sustainability for many years. However, the degree of maturity differs among the various areas of focus. The AcadeMedia Model has been our quality management governance procedure for a long time. It is a Group-wide system for both systematic quality management and reporting. Environmental issues have been managed in part on a Group-wide basis, primarily through framework agreements, though much of our quality work is managed locally at the individual units.

AcadeMedia's code of conduct

AcadeMedia's code of conduct essentially has the same starting points as a sustainability report. The purpose of the code of conduct is to provide us with a common approach to create a sustainable organisation that contributes to society. The code of conduct is based on the UN's Global Compact, and applies to all of AcadeMedia's employees, as well as our suppliers and their subcontractors. It is posted on the AcadeMedia website in English, German and Swedish.

Stakeholders

An important aspect of sustainability involves identifying the company's stakeholders, since in many ways they determine the sustainability areas that are particularly important for AcadeMedia. AcadeMedia's main stakeholders can be divided into a few different categories. Please see the table below.

Stakeholder	Important because	Dialogue through
Children, students, adult education participants and guardians	Individuals directly related to the operation.	Meetings, performance reviews, trade fairs, internal communication, social media, questionnaires
Employees	Our most important resource and driving force	Performance reviews, meetings, in-house training, employee satisfaction surveys, internal communications,
Trade unions	Clear voice for our employees	Meetings, seminars, negotiations
Decision-makers and clients	Demand quality and follow-up Include government agencies such as the Swedish Schools Inspectorate and the Public Employment Service, as well as local and central government politicians.	Meetings, seminars, tender processes, quality surveys, discussions
Industry associations and opinion makers	Collaboration on various issues, opinion work, discussions	Meetings, seminars, social media, discussions
Suppliers	This category includes landlords, staffing agencies, food suppliers, educational publishers and many others.	Tender processes, meetings, follow-up
Shareholders	Determine our strategic focus	Financial reports, investor presentations, meetings, board presentations

Materiality analysis

As part of AcadeMedia's sustainability report, we have carried out a materiality analysis. It shows how important various factors are for our stakeholders, as well as how essential they are for AcadeMedia as a Group.

We have also assessed the impact of these areas on AcadeMedia. The conclusion of the materiality analysis is shown in the diagram below.

AcadeMedia's main focuses in sustainability are employees (social issues), quality of teaching (human rights), integration/ equivalence (human rights and anticorruption), transparence (anticorruption), ethics (anticorruption) and environmental impact (environment). The statutory concepts under which our main focuses are categorised are shown within the parentheses.

These areas of focus are described in greater detail on the following pages.

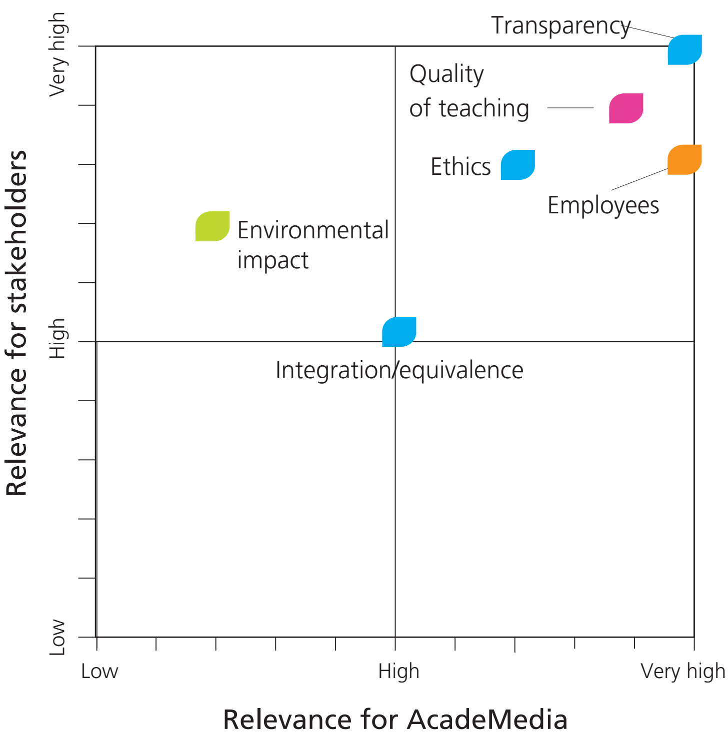
Materiality analysis

QUALITY
AcadeMedia's goal is to provide the highest quality education. We also want to help in leading the development of tomorrow's education. We accomplish this by working with the AcadeMedia Model.

EMPLOYEES
Our aspiration is to be the employer of choice for everyone who works within the education sector. We accomplish this by creating good workplaces, with talented leaders, and with opportunities for development of the skills and expertise needed to pursue a career within the Group. Before 2020, 50% of our leaders will be internally recruited.

TRANSPARENCY
We work within a sector that stabilises society. In order to do so society must trust us. Transparency, where our public intranet and our openness on both social media and traditional mass media help us on the way, is one of the most important tools for creating this trust. This category also includes ethics and integration/equivalence.

ENVIRONMENT
Our ambition is to reduce the Group's impact on the environment. We will use our resources in a responsible manner. Our purchasing and property management department is a strategic resource in this context, with responsibility for all framework agreements. Local environmental initiatives are guided and inspired mainly by the purchasing and property management department.

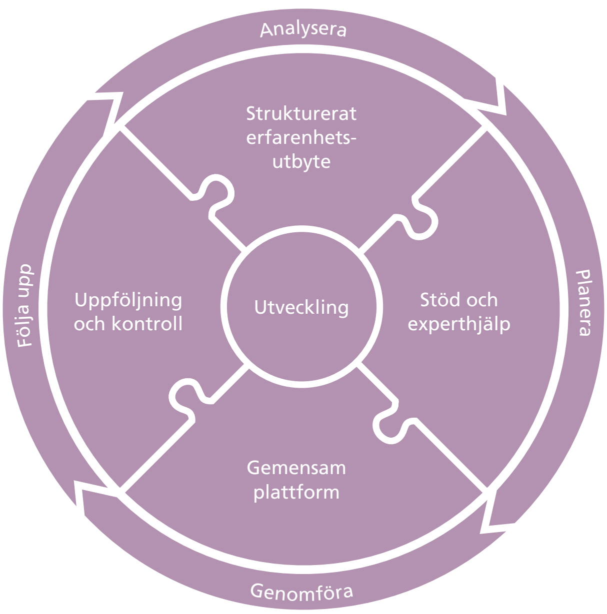


Sustainability Report | Quality

Our mission - high-quality education

AcadeMedia has a broad and important mission It may be the largest and most important mission for a sustainable and democratic society. Our mission is to give all children in our preschools a great start in life, to ensure that all students in our comprehensive and upper secondary schools succeed with their education, and to provide all of our adult participants with opportunities to continue their studies, find a new job, or reboot their lives in some other way.

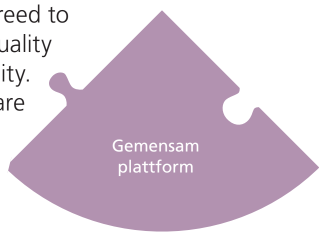
In this way we can help to create a better society. According to the Education Act and the curriculums, the mission for the school involves communicating and providing a foundation for both knowledge and democratic values. The aim is to educate aware and competent members of society who share the fundamental democratic values and protect human rights, who understand and respect environmental challenges, and who individually take responsibility for the development and sustainability of society.



To succeed with our large and important mission, we must offer truly high-quality education programmes. This in turn requires that we create the best possible conditions for our operations and ensure that each child, student and adult participant is offered everything to which they are entitled.

To do so we have developed the AcadeMedia Model – our own quality and management model. The purpose of the AcadeMedia Model is to ensure that we do what we should do, that we do it well, and that we constantly improve in our efforts to carry out the mission that we have accepted. Our size, diversity and the fact that we are active throughout the entire education ladder provide us with unique opportunities in our quality and development initiative.

Common platform

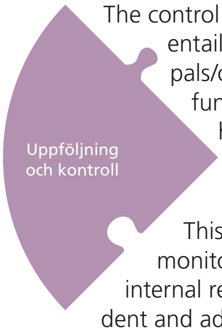


Within AcadeMedia we have agreed to adopt a common definition of quality that shares three aspects of quality. The obvious point of departure are the national goals as expressed in the Education Act and the curriculums (functional quality). We have added an additional aspect of quality (perceived quality) to ensure that the operations also correspond to, and preferably exceed, customer requirements and expectations.

We also monitor whether we have properly equipped our students and adult education participants to advance in the education system, at work and in society (efficient quality). Moreover, our systematic quality management ensures compliance with fundamental statutory requirements and procedures.

AcadeMedia's operations have also adopted common objectives and performance indicators, common monitoring and assessment, and open reporting of the findings. Anyone who would like to learn more can visit the websites of AcadeMedia and its various operations.

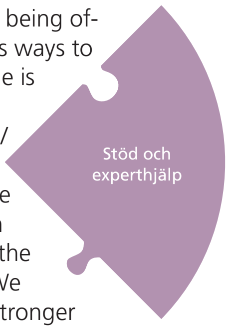
Monitoring and control



The control aspect of the AcadeMedia Model entails continually ensuring that all principals/operations within the Group live up to fundamental legal requirements, that they have efficient procedures, and that their results are good from the standpoint of all adopted aspects of quality.

This is accomplished through regular monitoring of activities and various types of internal reviews to ensure that each child, student and adult participant is offered high-quality education and that projects are conducted to create conditions that promote improved goal achievement.

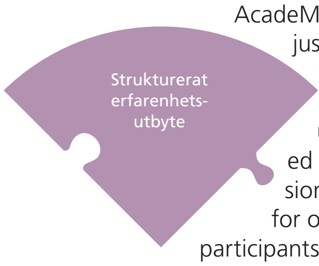
Support and expert assistance



Being part of AcadeMedia also entails being offered support and assistance in various ways to fulfill the individual remit. One example is AcadeMedia Academy, which is our internal center for education, research/development and the supply of talent. The Academy is not only a place where we learn together about new research and innovations, it is also a forum for the structured exchange of experiences. We learn from one another and become stronger together.

AcadeMedia's size and strength entails security for our operations. Parents, students and employees at AcadeMedia can always rely on our stability and trust that we are prepared to cope with unforeseen events and difficult situations.

Structured exchange of experiences



AcadeMedia's various providers interact just about daily, exchanging experiences and learning from one another. This approach makes us an extremely learning-oriented organization, which by extension promotes better education for our children, students and adult participants. We see collegial learning as a driver in our development initiative and therefore strive to organise for this at every level – from the Group level to the segment level, provider level and school level.

During the current financial year the AcadeMedia Model will be further developed. The result will be a stronger focus on the necessary development and improvement efforts that will advance goal fulfillment. We also see that we need to strengthen the governance, management and employee perspectives in order for the model to be able to be applied in the manner that we have intended. The obvious starting point for the AcadeMedia Model continues to be providing children, students and adult participants with the best possible circumstances to achieve their goals while promoting a democratic and sustainable society.

Policy documents

All levels of education are governed by the laws and regulations that apply in the countries where we are active – Sweden, Norway and Germany. In Germany, the regulations vary in the different 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 also has its own guidelines that clarify our approach to various issues in practice. For example, one internal document describes the fundamental principles of equal assessment and grading, which is posted on AcadeMedia's open employee website.

Sustainability Report | Quality

Our 2017/18 quality report

Along with this annual report, AcadeMedia also publishes its annual quality report. This report provides detailed information about our quality performance for preschool, compulsory school, upper secondary school and adult education.

The report also presents an overview of how we work with systematic quality management initiatives within AcadeMedia and a picture of the areas that are our strengths and the areas that need improvement. We explain what we have worked with at the different school levels over the past year and our plans moving forward. You can also read examples of successful quality and development initiatives in practice.

At AcadeMedia we consider transparency to be an important aspect of our quality management and we always strive to provide an open report of our results. This openness allows us to share positive experiences among the various operations and also provides an opportunity for students, guardians and adult education participants to see what they can expect if they choose one of AcadeMedia's operations.

The quality report for the year (and previous editions) can be found on our website and is also available in hard copy. It is sent annually to a large number of recipients, including all members of the Riksdag, relevant authorities and organisations, and various types of opinion makers. It is also available at all of our units.

On the website we also publish quarterly compilations of our quality performance for the different levels of school. Data about the results for our various providers/operations can be found on their respective websites.

Adjacent is a selection of data presenting AcadeMedia's quality performance. A more detailed table with outcomes for a number of key ratios by level of school can be found on page 40. Our complete quality report for the 2017/18 academic year can be found at www.academedia.se

82%
of parents can recommend their child's preschool (Sweden)

84%
of parents can recommend their child's preschool (Norway)

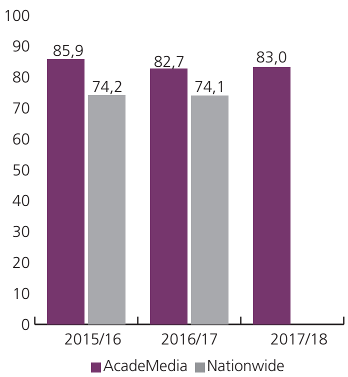
92%
of parents can recommend their child's preschool (Joki Germany, 61% at Stepke)

64%
of compulsory school students recommend their school

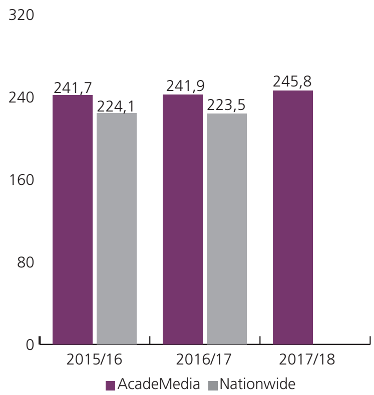
68%
of upper secondary school students recommend their school

84%
of participants in adult education can recommend the program

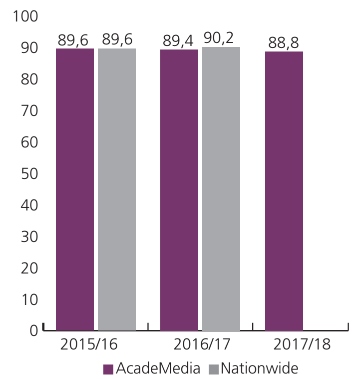
Percentage of students who passed in all subjects (grade 9), (%)



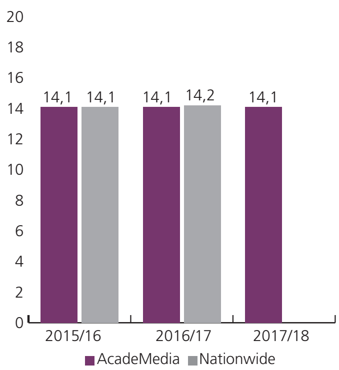
Average grades (grade 9)



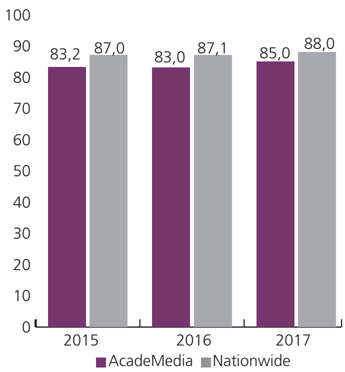
Percentage students with diploma (upper secondary school) (%)



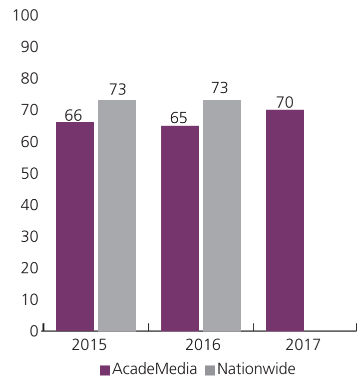
Average grade point average (upper secondary school)



Percentage with passing grade (upper secondary school for adults) (%)



Percentage with diploma – higher vocational education



Sustainability Report | Employees

A sustainable workplace

The skills and dedication of our employees are essential if we are to create and develop high-quality education. We want all of our employees to feel they are involved in and contribute to what we call “the world's most important mission”.

AcadeMedia offers a broad range of career and growth opportunities. Our employees have growth opportunities within the Group through further development in their professional capacity, and through management assignments.

The importance of good leadership

The manager is the single most important factor for creating a sustainable workplace within AcadeMedia. Both past experience and employee satisfaction surveys support this finding. A good manager and leader helps to create commitment and pride, which in turn creates good workplaces. Consequently, AcadeMedia works to establish a strong common leadership culture. To accomplish this, all operations have a common manager evaluation system.

Professional development

The training website provides all employees with access to a wide selection of opportunities to develop their skills and expertise. During the last financial year, almost 4,000 employees completed a skills development programme within the framework of the Academy. There are also two major training initiatives – the open GDPR programme and PDV, both of which are described in the adjacent box. The GDPR programme is AcadeMedia’s largest educational initiative to date, while the Ongoing Lethal Violence programme is the largest classroom-based program.

Each year AcadeMedia arranges a leadership forum. Managers receive continuing education through seminars and lectures in relevant subjects. The winners of the leadership prizes for the year are also announced at the Leadership Forum. Meetings among the principals within our brands provide another type of opportunity for managers to receive continuing education and the structured exchange of experiences.

We know that many of our employees greatly appreciate personal growth opportunities within AcadeMedia. In response to this interest, along with the Group’s target to recruit half of our managers internally by 2020, AcadeMedia started a special training programme for future leaders in 2014 – the talent program. This year 23 talented managers completed the programme and eight of them received managerial positions already during the programme period.

A mentor programme for senior managers was introduced in 2017-2018. This programme will give experienced managers who are already active within AcadeMedia the opportunity to take the next step to a higher managerial position.

Collaboration

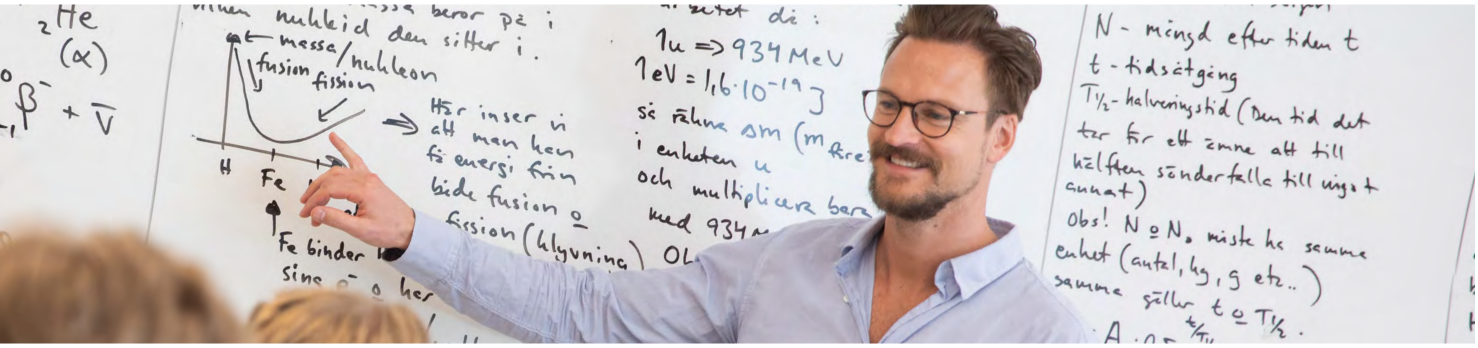
Over the past year AcadeMedia has dedicated considerable time to efforts related to collaboration with trade unions and we feel that we have good relationships and collaborative efforts on various levels.

Staff support

Our HR organisation can be found at both the Group and segment level. Strategic resources on the Group level include the head recruiter, the talent supply coordinator and the administrator in charge of remuneration and benefit issues. On the segment level we have HR specialists who work close to our units.

84% **are proud of their workplace**

The most influential factor in recommending a workplace to others is when employees feel pride.



Selection of policies

- AcadeMedia's code of conduct
- Internal communications policy
- IR policy
- Communication policy
- Staff safety policy
- Event/meeting policy
- Photo management rules
- Social media guidelines
- Whistleblower policy

Activities during the year

- During the spring AcadeMedia launched a web-based GDPR course that all employees will complete. The programme is open to everyone, including external people and organizations.
- To improve the ability to act in life-threatening situations, AcadeMedia has designed a course in Ongoing Lethal Violence (OLV). The purpose is to provide employees with knowledge and understanding to minimise damage if a school is attacked. In all, about 3,500 of the total of about 6,500 employees at compulsory schools and upper secondary schools completed the programme during the year.
- Over the past year AcadeMedia established a central work environment staff that will focus on the strategic sustainable work environment initiative to encourage everyone to participate in the effort both to meet legal requirements for quality and to enhance the work from the perspective of an attractive employer.
- Mentor programme for senior managers
- Leadership forum for all managers in the Group
- Talent program

Employee satisfaction survey

Our annual employee satisfaction survey shows that our employees continue to be increasingly satisfied with their workplaces. In recent years the Employee Satisfaction Index has been stable at a high level and in a general comparison in the education sector, AcadeMedia stands out positively in several areas.

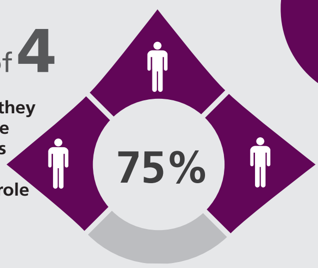
Eight out of ten **would recommend their workplace to others.**

High response rate 81%

A high response rate provide good base for future development.

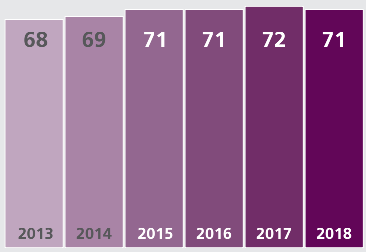
3 out of **4**

believe that they have valuable opportunities to develop within their role



Employees continue to be satisfied

High and stable level since 2013.



85%

have confidence in their manager

Sustainability Report | Environment

Right for the environment, right for us

Every day AcadeMedia's operations serve 24,800 portions of organic school meals ("Kravmärkt") and we clean hundreds of thousands of square meters several times a week. In all, school meals, educational materials and other consumables for a value of almost SEK 1 billion were purchased during the financial year. Our purchasing staff, who control our purchasing choices, play a key role in our effort to reduce our environmental impact.

Because of its size, AcadeMedia can drive the trend in the education sector toward environmentally more sustainable practices. The formulation of our purchasing policy and our actions within the company and in relation to our suppliers are of major importance. We began this initiative many years ago, but in recent years both the requirements and the pace at work have rapidly accelerated.

Our goal is to make only the "right" purchases. When we say the "right" purchases we mean that the purchases should be made from suppliers who meet our requirements, in the right quantity (so there is minimum waste) and at the right time.

The operation making the purchase determines what is right; the purchasing department's responsibility is to ensure that the right supplier is available to meet the needs of the operation.

The operations must use suppliers that have framework agreements with the Group. All framework agreement suppliers have committed to comply with AcadeMedia's code of conduct, which is based on the Global Compact, and was established by the UN in 1999 to create international principles for businesses regarding issues related to human rights, labour rights, the environment and anticorruption.

The requirements placed on each supplier shall be relevant to each individual case. Such requirements may include ecolabels like the Swedish Svanen (green products) and KRAV (organic food), or green electricity. Some suppliers must have a certificate from the police database before they can deliver goods to us. The reason for this is that they have access to school premises with children and young people present.

In areas without a framework contract supplier the purchasing staff will help to ensure that the potential supplier meets AcadeMedia's requirements.

Stakeholder dialog

Every year the operations have the opportunity to evaluate the suppliers and their range of products or services, either through multi-party conferences or using questionnaires. As a result of our conferences our suppliers can grow with us and it becomes easier to make the right purchase.

Follow-up procedures

Every quarter, the purchasing staff monitors how the schools make their purchases, with the primary focus on what is purchased. Examples include minimizing purchases of greenhouse-grown vegetables in the fall and instead working with seasonal goods.

We are now working to achieve 100% framework agreement compliance within the Group. Currently framework agreement compliance is over 80% within the categories that are most important for us: catering, temporary staff, IT, cleaning, produce, and furnishing. For example, we are Sweden's largest private purchaser of KRAV-labeled meals.

Selection of policies

- AcadeMedia's code of conduct
- Work environment policy
- Event/meeting policy
- Travel policy

Activities during the year

- In spring 2018, we introduced "Sustainability Week"; as part of this initiative our 101 school kitchens serve two vegetarian meals a week. This project is intended to become permanent during the 2018/19 academic year.
- AcadeMedia Academy has held five training programmes in vegan cooking
- The number of deliveries of office supplies has reduced by implementing weekly deliveries
- An additional cleaning service provider was certified in compliance with the Svanen ecolabel; in all, six of seven cleaning service providers are now Svanen-certified.
- The percentage who chose to travel by train instead of flying between Stockholm and Gothenburg increased by six percentage points compared with the previous year.

Helping the world never tasted so good

Each week about 75,000 lunches are prepared in the kitchens at AcadeMedia's preschools and schools. We are proactively working to create good food habits and according to a new meal policy, 30,000 of these meals will be vegetarian.

Anna Blomqvist, meal planner, and Rickard Lundberg, who is in charge of meals at AcadeMedia, explain the background of this initiative.

"We think it's important to teach children and young people to eat more sustainably and one part of this goal is to eat more vegetarian food. The food served at school should be a good example of how we need to eat to minimise our ecological footprint," says Anna Blomqvist.

The ambition is not just to have two vegetarian days per week – the proportion of meat will also decrease by 50 percent. Internal training programmes for cooks with a focus on more plant-based food is one of many initiatives.

"Various replacement products are often rather expensive, but we inspire the cooks to use recipes based on whole foods. We cook together and talk about nutritional content and cost perspective. Since food is less expensive when you use whole foods you can spend more money on good organic produce," says Rickard Lundberg.

The question of how much protein a person needs to eat often comes up when working with vegetarian cooking.

"In general, we can say that we have an over-consumption of protein. Just a regular school lunch contains 110 percent of the daily protein requirement, when school food is actually supposed to account for only one third. In the old days, meat was a side dish, but now we eat it to excess and we have to get away from that habit. We all have to eat in a way that is sustainable for the future," says Anna Blomqvist.

The reactions to serving more vegetarian meals have varied, according to Rickard Lundberg.

"Younger children are usually more adaptable and that's where we can make a big difference. We can lay the groundwork for what they perceive as a healthy diet when they grow up and become consumers. Upper secondary school students are a little more difficult; we need to show them that there are foods other than meat that contain adequate protein without having such a negative impact on our environment and our health," he says.

Sustainability Report | Environment

Efficient function, environmental friendliness

AcadeMedia's facilities management staff manage a total of 989 leases. We have over 600 schools with a total area of approximately 818,000 sqm that generate an annual rent of SEK 1,362 million. The work is characterised by a long-term sustainability focus, where we will meet or exceed both legislation and requirements set by authorities regarding environmental impact and the work environment of our employees.

The main duties of the facilities management staff involve supporting the core business in both strategic and operational facilities issues.

In lease negotiations the staff is tasked with ensuring that the contents of the lease agreement are in line with our requirements. We work to reduce energy consumption, streamline waste management and maintain an ongoing dialog in facilities-related environmental issues.

In negotiations relating to new construction projects we set requirements and assume responsibility for long-term sustainable construction practices. The operation should have energy efficient premises appropriate for the purpose and that meet the needs of the school; our job is to ensure that this happens. For example, in Sweden we have three preschools in low-energy buildings.

Systematic environmental initiatives

The facilities management staff will provide support for systematic environmental initiatives within AcadeMedia's Swedish operation. We will promote:

- creation of a healthy indoor and outdoor environment
- efficient food handling and waste management
- facilities and materials without hazardous substances
- the lowest possible impact on climate

For long-term sustainable environmental initiatives we work according to AcadeMedia's code of conduct (www.academedia.se, search Code of Conduct) and prioritise suppliers certified to ISO 14001.

Stakeholder dialog

Our most important stakeholders are those who use our premises – primarily students and employees. The dialog with them is usually carried out via the principal/unit head. In certain cases, meetings are held with several stakeholders, such as matters regarding renovations.

Other stakeholders with whom we have continual contact include property owners, contractors and authorities.

Follow-up procedures

We continually work on mapping and analysing the needs of our operations, where our task is to present proposals for cost-effective measures relating to the environment, the work environment and sustainability. The most recent energy analysis was carried out in 2015. It covered all units that were active during the period 1 July 2015 to 30 June 2016. We use the energy analysis as a basis for being able to influence and reduce energy consumption. The analysis is carried out every four years.

Selection of policies

- AcadeMedia's code of conduct
- Work environment policy
- Staff safety policy

Lighting up our work lives

More alert students and employees, lower environmental impact and reduced costs. The advantages of daylight LED lighting in schools are obvious.

Consequently AcadeMedia installed LED lighting during the year at several schools to test whether it really work. The tests have had favourable results.

All projects in which the property management department is involved, from major renovations of entire buildings to replacement of minor installations, should preferably result in an improved work environment, lower environmental impact and reduced costs – indeed, exactly what the lighting project accomplished.

The largest test was carried out at Procivitas Stockholm, an upper secondary school that opened in the fall term of 2017. During the summer of 2018 the lighting was updated at NTI Upper Secondary School with about 700 students and at Klara Teoretiska Upper Secondary School in Karlstad, which has 300 students. The compulsory school Rudanskolan is planning to move on 1 January 2020 when new premises for 900 students and 100 employees will be ready. All lighting in the new school will be daylight LED lighting.

Three things have been important to achieve when lighting is replaced.

- Daylight lighting that gives an uplifting effect, which improves the study and work environment
- Energy efficient lamp fixtures that have a simple control system that both conserves energy and is intuitive to maneuver
- The solution is cost-effective since it lacks functions that are not needed for an effective education environment. Thanks to simple controls, no advanced equipment is required.

Developments in lighting in terms of both function and energy efficiency have made rapid progress in recent years. The lighting sources are both better and significantly more energy efficient, which lowers costs. This is important because lighting can account for as much as 25-30 percent of the total electricity bill for facilities such as schools and hospitals. An old lighting system can use up to five times more energy as a new system.

In parallel with this development, knowledge of how light affects people has also increased. If the body does not get enough daylight, the sleep hormone melatonin increases in the body and we quite simply become tired. Spending more time outdoors is not always as simple as it sounds. However, today we know that the right indoor lighting can help. There is indoor lighting that is so similar to daylight that it essentially blocks the melatonin – this is the type of lighting that was tested at Procivitas and that will now begin to be installed in other locations.

"For us it is important both to improve the work environment and to proactively reduce our environmental impact," says Martin Sjöberg, acting property manager at AcadeMedia.

Sustainability Report | Transparency

Transparent lines of communication

Transparency is essential for trust, as well as for creating a business that is sustainable for the long term. AcadeMedia is active in a sector that prepares people to be part of their communities. We take our responsibility - to our employees, students, participants, shareholders, and to society at large - very seriously.

AcadeMedia is convinced that transparency, through both ups and downs, builds long-term trust among our stakeholders. This trust is essential for long-term survival.

Transparency entails constant dialog, with all stakeholders, regarding issues that are important to them. We always strive to prioritise our employees in the flow of information. The only exception that we make involves communication to the financial markets. This follows from the fact that we are a listed company and must comply with requirements on information disclosure.

Open employee web service

About 85 percent of AcadeMedia's intranet is open to the public. The reason is that with our substantial resources, we can create methods, materials and content that smaller operations (small municipalities and smaller independent providers) cannot. Consequently we view this as a way to give back to the community at large; the material may be freely used and copied. One good example is that all of our material about GDPR legislation that came into force on 25 May 2018 is publicly available. This includes an approximately 45-minute interactive training programme that is obligatory for all AcadeMedia employees, which makes this the Group's largest education initiative to date. The employee web service can be reached from AcadeMedia's regular website.

Media relations

Along with our open employee web service, our view of media relations is possibly the best indicator of how we work with transparency. All media inquiries must be answered within four hours during office hours. In reality, they are usually answered within one hour during office hours and within three-four hours outside office hours. We also have the attitude that all questions should be answered; sometimes they must be answered with "we're the wrong organisation to answer that question," but this is the best answer to give in these cases. Naturally we comply with stock exchange rules regarding communication to the market; our watchwords in communication and media relations are openness, honesty and speed.

Follow-up procedures

The whistleblower programme, which is managed by an external party to guarantee anonymity, is the ultimate control function regarding AcadeMedia's policies. It can be used by both our employees and the public; instructions can be found on the AcadeMedia website.

Various types of random checks are used to monitor the policies that the communication department owns, or that are considered to be particularly important for the Group's brand. We believe that these random checks, along with careful monitoring of the whistleblower mechanism, are a relatively good reflection of compliance with our policies.

Selection of policies

- AcadeMedia's code of conduct
- Internal communication policy
- IR policy
- Communication policy
- Staff safety policy
- Whistleblower policy

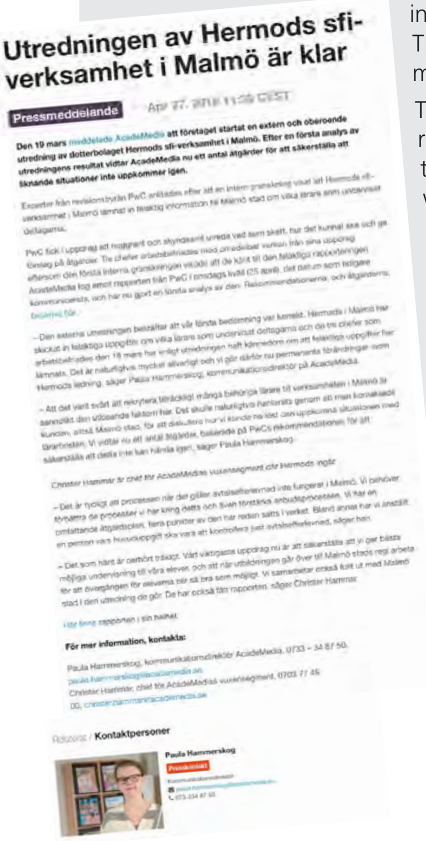
Activities during the year

- Development of the AcadeMedia brand As a result of the company's structure, in which all education services operate in subsidiaries, most employees feel that they belong to the brand of one of these subsidiaries. During the year we have worked to increase both awareness and appreciation of the AcadeMedia brand.
- Almedal week. AcadeMedia offers managers and other employees who for various reasons consider Almedal week in Visby to be a good platform for networking, advancing in their role, or promoting an education-related issue at various seminars/meetings the opportunity to travel to Visby during Almedal week. They stay at one of Pysslingen's compulsory schools, Atheneskolan. In 2017 about 70 employees attended the event.

Owning our mistakes

In late winter 2017 the management of AcadeMedia's Adult Education segment discovered that Hermods, which had a contract with the City of Malmö to hold SFI courses in Malmö, had submitted incorrect information to the client regarding what teachers taught the participants. We tolk swift and immediate action.

The first measure was to remove three managers from their positions. The second was to engage an external auditor, in this case PwC, to carefully and quickly investigate what had happened. The investigation was given one month.



Utredningen av Hermods sfi-verksamhet i Malmö är klar

Pressmeddelande

Den 19 mars meddelade AcadeMedia att företaget startat en extern och oberoende utredning av dotterbolaget Hermods sfi-verksamhet i Malmö. Efter en första analys av utredningens resultat vidtar AcadeMedia nu ett antal åtgärder för att säkerställa att liknande situationer inte uppkommer igen.

The third was to issue a press release and provide information to all Hermods managers, who in turn informed their employees about what had happened. The press release stated that PwC's investigation would be publicly published.

The investigation was submitted to AcadeMedia on the evening of 25 April. On 27 April the entire investigation was published on the AcadeMedia website, along with PwC's recommendations and the measures that were implemented.

At the same time, the City of Malmö was contacted and provided with all materials directly from AcadeMedia. The situation could potentially affect the stock exchange, for which we reason we also communicated the results of the report to the market. However, there was no formal requirement to publish the investigation. Nevertheless it was obvious that this was the right thing to do.

"Our own rules say that we should be open, honest, and immediately responsive. The best way to comply must be to publish an independent investigation in its entirety," says Paula Hammerskog, AcadeMedia's Head of Communication and Public Affairs, who ordered the investigation from PwC.

"Of course there was considerable publicity and many people contacted us with questions, both when we openly explained that Hermods in Malmö had committed wrongdoing, and again about a month later when we published the report. At the same time, it is inconceivable to us not to be open and directly explain about an event like this," says Paula Hammerskog.

It is difficult to say how the entire event would have been perceived by employees, the media and other stakeholders if the report had not been published in its entirety.

"We are convinced that in the long term, we have everything to gain by being as transparent as possible in every situation. What happened in Malmö was extremely unfortunate, when we realised that employees had intentionally provided false information many of us were both disappointed and upset. It was almost painful to have to announce it, we knew just what the reaction would be," says Paula Hammerskog.

"We received some questions, mainly from the media, but also one from the client about why we chose to publish everything, when we weren't compelled to do so. The simple answer was, and still is, that we believe in openness. Even when in the short term it may cause blowback."

Press release published here: https://utbildning.academedia.se/2018/04/27/utredningen-av-hermods-sfi-verksamhet-i-malmo-ar-klar/

Non-financial key ratios – Sustainability Report | Quality

	FULL YEAR			
	2017/18	2016/17	2015/16	2014/15
QUALITY PERFORMANCE: PRESCHOOL INTERNATIONAL				
Recommendation level – Norway	84%	86.5%	-	-
Recommendation level – Germany (Joki)	92%	99%	-	-
Recommendation level – Germany (Stepke)	61%	-	-	-
QUALITY PERFORMANCE: PRESCHOOL (SWEDEN)				
Recommendation level	82%	81%	82%	86%
Satisfaction level	76%	75%	75%	78%
QUALITY PERFORMANCE: COMPULSORY SCHOOL				
Percentage eligible for Upper Secondary School	90.6%	90.1%	93.4%	92.0%
Percentage with pass in all subjects	83.0%	82.7%	85.9%	84.0%
Average grade points	245.8	241.9	241.7	240.4
Recommendation level – students	64%	64%	66%	66%
Recommendation level – parents	73%	72%	75%	75%
Satisfaction level with teaching – students	69%	-	-	-
Satisfaction level with teaching – parents	76%	-	-	-
QUALITY PERFORMANCE UPPER SECONDARY SCHOOL				
Percentage with diploma*	88.8%	89.4%	89.6%	87.4%
Average grade point average *	14.1	14.1	14.1	13.9
Percentage of students with diploma within three years**	-	72.5%	72.1%	68.3%
Recommendation level – students	68%	64%	66%	70%
Satisfaction level – students	69%	-	-	-
QUALITY PERFORMANCE: ADULT EDUCATION				
Average number of hours per completed course/"learning curve" – SFI	270	255	231	-
Percentage with passing grade – basic adult education	90.2%	89.8%	91.4%	-
Percentage with passing grade – upper secondary school for adults	85.0%	83.0%	83.2%	-
Percentage with diploma – higher vocational education	70%	65%	66%	64%
Percentage in jobs/continued studies after completed education/activity (total)	78%	79%	-	-
Recommendation level – students/participants (total) (Spring Term|Fall Term)***	84.0% | 82.9%	84.6% | 84.9%	82.5% | -	- | -

*) Preliminary results 2018
**) 2017/18 reflects the percentage of students who began their studies in academic year 2014/15 who received their diploma
***) The recommendation rate in adult education is monitored once each term

Non-financial key ratios – Sustainability Report | Quality

	Note	FULL YEAR 2017/18	2016/17	2015/16	2014/15
EMPLOYEES					
Average number of full-time employees		11,863	10,564	9,714	9,159
Average number of women (SE)	1)	69.6%	69.3%	69.6%	69.6%
Employee turnover (SE)	1) 2)	26.3%	25.9%	25.7%	22.8%
Absence due to illness (SE)	1) 3)	4.8%	4.9%	4.6%	4.4%
Employee Satisfaction Index (SE)		71	72	71	71
Employee Satisfaction (NO)	4)	5.23	5.25	5.24	-
Leadership index	1)	79	79	78	-
ENVIRONMENT					
Percentage of organic produce in meals		22.3	21.1	20.9	16.3
TRANSPARENCY					
Number of unique visits to AcadeMedia's public intranet		100,541	71,787	-	-
Number of unique visits to AcadeMedia's code of conduct		410	357	-	-
Number of whistleblower reports	5)	9	7	5	6
Number of motivated whistleblower reports	5)	6	4	3	3

1) Statistics are only available for the Swedish operation
2) (Number of permanent and probationary employees who quit) / (Average number of permanent and probationary employees)
3) Aggregated average short-term absence <90 days
4) Espira measure employee satisfaction on a six-point scale.
5) Whistleblower reports are received and handled by an external party which ensures whistleblower anonymity and makes an initial assessment.

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 2017 to 30 June 2018 on pages 27-43 and that it has been prepared in accordance with the Annual Accounts Act.

Focus and scope of review
Our examination was conducted in accordance with FAR's auditing standard RevR 12 The Auditor's opinion regarding the statutory sustainability report. This means that our examination of the 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 25 October 2018
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 July 1, 2017–June 30, 2018.

Business Overview

AcadeMedia is the largest independent education provider in northern Europe. In 2017/2018 approximately 73,400 children and students attended AcadeMedia's preschools, compulsory schools and upper secondary schools. About 100,000 more people participated in one of AcadeMedia's education programs for adults. On average, during the 2017/2018 financial year AcadeMedia had approximately 630 preschools, compulsory schools, upper secondary schools and adult education units, located throughout Sweden, in Norway and in parts of Germany.

AcadeMedia operates along the entire education ladder, from preschool to adult education. The operations are divided into four segments: Preschool and Compulsory School, Upper Secondary School, Adult Education, and Preschool International. The education programs are in principle exclusively commissioned by the 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 2017/18 financial year. In November 2017, Vindora was acquired for SEK 563 million, which was funded in part with a preferential rights issue of SEK 410 million before issue expenses. Through the bolt-on acquisition of Vindora AcadeMedia developed its Swedish business within the field of practical vocational training with 33 upper secondary schools under the Praktiska brand and three upper secondary schools under the Hagströmska brand. These upper secondary schools now belong to the Upper Secondary School segment. Vindora also had adult education, which is now included in the Adult Education segment under the Movant brand. In all the Vindora acquisition added SEK 644 million in sales and SEK 56 million in EBIT during the seven months it was included in the 2017/18 financial year.

In addition to Vindora, with 36 upper secondary school units and adult education, the German preschool operator KTS, with six preschools in Munich, was also acquired in March 2018. Several smaller bolt-on acquisitions were also completed, including four preschools in Sweden and five preschools in Norway. The total number of units acquired in all segments was 51.

The number of new establishments during the full year was 15. They included seven upper secondary school units and eight preschools, one preschool in Sweden, one in Norway and six in Germany. One preschool and two small compulsory schools were closed during the first quarter. Moreover, one upper secondary school unit was sold in January and three upper secondary school units are in the process of closing during the academic year, which means that they have fewer students than the previous year.

AcadeMedia's adult education segment had a year with a number of major contract revisions and at the end of the year a weakening market. The highly profitable Basic Modules (BM) contract with the Swedish Public Employment Service expired on January 31, 2018. Back in July 2017 AcadeMedia won the contract for Vocational and Study Preparation Modules (VSPM), which would replace BM. However, this was followed by a prolonged appeal process and the education programs could not start until April 2018 when the appeal was rejected. Consequently there was a gap between the old and the new contract and the education programs were further delayed because of the summer holidays. The vocational Swedish programs are another important contract with the Public Employment Service. The contract was revised at the end of 2017/2018. The new contracts have significantly lower margins than their predecessors. In the spring of 2018 volumes in the market fell, causing the programs to operate at less than full capacity. As a result of these factors AcadeMedia implemented extensive restructuring measures at the end of the financial year, resulting in expenses affecting comparability of SEK 38 million.

AcadeMedia's adult education was also affected after some managers at the subsidiary Hermods caused a breach of contract in the City of Malmö's Swedish for Immigrants (SFI) program. Hermods has settled with the City of Malmö and the event had a total cost of SEK 23 million.

Revenue and earnings

GROUP	FULL YEAR				
	2017/18	2016/17	2015/16	2014/15	2013/14
Net sales, SEK m	10,810	9,520	8,611	8,163	6,372
EBITDA, SEK m	872	827	722	720	614
EBITDA margin	8.1%	8.7%	8.4%	8.8%	9.6%
Operating profit/loss (EBIT), SEK m	622	615	535	517	449
EBIT margin	5.8%	6.5%	6.2%	6.3%	7.0%
Adjusted EBIT*, SEK m	670	638	567	596	485
Adjusted EBIT margin	6.2%	6.7%	6.6%	7.3%	7.6%
Net financial items, SEK m	-68	-80	-127	-269	-209
Profit/loss before tax, SEK m	555	535	408	248	240
Profit/loss for the period, SEK m	430	416	319	222	189
Earnings per share basic (SEK)	4.30	4.41	3.74	2.63	-
Earnings per share basic/diluted (SEK)	4.29	4.40	3.74	2.63	-
Number of children and students**	73,366	66,070	63,151	60,897	51,815
Number of full-time employees	11,863	10,564	9,714	9,159	6,997

*) See the definitions of key ratios on pages114-115 **) excl. adult education

Volume development and net sales

Net sales for the financial year amounted to SEK 10,810 million (9,520), which is an increase of 13.6 percent compared with the same period the previous year. The change was driven by acquisitions and rising student enrollment in all school segments. The acquisition of Vindora (November 2017) and KTS (March 2018) added SEK 661 million in sales during the 2017/18 financial year. Stepke, which was acquired in April 2017, added SEK 93 million in sales during the period July 2017 to March 2018. Student enrollment increased by 11.0 percent to 73,366 (66,070) during the period. Organic growth, including bolt-on acquisitions, was 5.8 percent. The SEK/NOK and SEK/EUR exchange rate effect had a negative impact on sales of SEK 11 million.

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

Operating profit (EBIT) increased slightly to SEK 622 million (615). However, the operating margin dropped to 5.8 percent (6.5). Items affecting comparability totaled SEK -48 million (-23). Adjusted EBIT amounted to SEK 670 million (638), which represents an improvement of 5 percent and an adjusted EBIT margin of 6.2 percent (6.7).

The improvement in earnings compared with the previous year was primarily due to the acquisitions of Vindora in Sweden and Stepke in Germany. Vindora accounted for SEK 64 million of the improvement in earnings. Improved capacity utilization in the Upper Secondary School segment also had a positive impact. At the same time, as a result of the restructuring in the Adult Education segment the operating profit and margin for the segment worsened compared with the previous year. The Pre- and Compulsory School segment showed lower margins due to higher personnel expense and problems with a few units.

Items affecting comparability

Operating profit (EBIT) for the full year includes items affecting comparability of SEK -48 million (-23) as shown in the adjacent table. The costs mainly relate to the revisions in capacity in the Adult Education segment, the settlement with the City of Malmö and integration costs. Changes in pension rules in Norway had a positive one-off effect of SEK 37 million. See note 9 for more information.

ITEMS AFFECTING COMPARABILITY	FULL YEAR	
SEK m	2017/18	2016/17
Restructuring expenses	-38	-
Restructuring expenses (Upper sec)	3	-9
Hermods SFI	-23	-
Transaction costs	-8	-12
IPO expenses	-	-1
Integration costs Vindora	-20	-
Operating expenses affecting comparability	-	-2
New share issue	-0	-
Pension adjustment – Norway	37	-
Total	-48	-23

Net financial items

Net financial items for the full year amounted to SEK -68 million (-80). Interest expense was lower and amounted to SEK -62 million (-69). This was because of the lower average liability and because the interest margin on bank loans dropped as an effect of the lower debt/equity ratio in accordance with the terms of the loan.

Profit and comprehensive income for the period

Profit after tax for the period amounted to SEK 430 million (416). Tax for the financial year amounted to SEK -124 million (-120). The effective tax rate increased to 22.4 percent (22.3) as a result of high non-deductible expenses. Other comprehensive income for the period totaled SEK -14 million (9), due to remeasurement of defined benefit pension plans in Norway of net SEK -71 million after tax (9), as well as a positive impact from translation differences of SEK 57 million (0. Comprehensive income for the period, which affects equity, amounted to SEK 416 million (424). Earnings per share totaled SEK 4.30 (4.41), basic, and SEK 4.29 (4.40) diluted.

Profitability, financial position and cash flow Cash flow

Cash flow from operating activities for the financial year amounted to SEK 928 million (830). The increase was due to the improvement in working capital as a result of acquisitions with negative working capital. Cash flow from investing activities totaled SEK -970 million (-374). The change was primarily attributable to acquisitions during the period, SEK -610 million (-111), as well as to property, non-current assets which primarily consist of properties in Norway and Germany SEK -350 million (-257). Cash flow from financing activities totaled SEK 144 million (-209), where the issuance contributed SEK 401 million net after issue expenses. In summary, cash flow for the financial year was SEK 102 million (247).

Financial position

Consolidated equity amounted to SEK 4,262 million (3,443) as of June 30, 2018 and the equity/assets ratio was 45.4 percent (43.9). The increase in equity and the improvement in the equity/assets ratio are a result of profit for the year and the new share issue of SEK 410 million conducted in connection with the acquisition of Vindora. It raised SEK 401 in equity net after issue expenses.

Consolidated interest-bearing net debt as of June 30, 2018 amounted to SEK 2,179 million (2,133). The increase in net debt was mainly due to the increase in mortgage loans due to new construction projects. Excluding real estate loans, which finance properties, the adjusted net debt amounted to SEK 1,528 million (1,550). The purpose of the alternative performance measure “adjusted net debt” is to show the portion of the loans that finance the business, while real estate loans are linked to buildings that can be separated and sold. The real estate loans, which consist of both non-current loans in the Norwegian State Housing Bank (Norw. Husbanken) and current construction loans, increased over the past 12 months by SEK 68 million to SEK 650 million (583). Building assets increased during the equivalent period by SEK 160 million to SEK 948 million (788). The increase is entirely attributable to the expansion and acquisition of new preschools in Norway and Germany.

Non-current interest-bearing liabilities amounted to SEK 2,209 million (2,200) and consist of loans from banks and the Norwegian State Housing Bank, as well as lease agreements. Current interest-bearing liabilities consist of revolving credit facilities, current portions of long-term loans and construction loans, amounting to SEK 673 million (516). Net debt in relation to adjusted EBITDA (rolling 12 months) amounted to 2.4 (2.5), which was lower than the Group’s financial target of a maximum of 3.0. The level was affected by both the acquisitions and the new share issue. Property-adjusted net debt divided by adjusted EBITDA (12m) was 1.7 (1.8).

On Friday, June 29, 2018 AcadeMedia signed a new loan agreement with its financial backers to extend the total loan amount of SEK 2,500 million until the middle of 2023. The new agreement is expected to result in a reduction of approximately SEK 10 million in interest expense annually, as well as increased financial flexibility. The loan agreement came into effect on July 6, 2018 and the loans were taken out as of that day. The press release on July 2, 2018 provides a brief description of the terms of the loan agreement.

During the fourth quarter, an assessment was carried out to determine whether there was an impairment need for any of the Group's cash-generating units based on long-term business plans per cash-generating unit. 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 2017/2018.

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 10 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. The operation is run entirely based on the school voucher system. The segment had 230 units during the quarter.

The average number of children and students increased by 2.8 percent compared with the previous year and amounted to 32,101 (31,231). The increase is driven by acquisitions and new establishments, as well as growth in existing units. Net sales increased by 6.0 percent and amounted to SEK 3,912 million (3,690). The increase is primarily an effect of more students and units, but also of the annual adjustment in school vouchers and higher support and state subsidies.

Operating profit (EBIT) for the financial year declined by SEK 21 million and amounted to SEK 178 million (199), representing an operating margin of 4.6 percent (5.4). The lower earnings and margin were mainly attributable to higher staff costs and wage increases for which school vouchers have not yet compensated, as well as a group of weakly performing units. A project was carried out in 2017/18 to reverse the trends in these units, which required special initiatives, including increased personnel, during the third and fourth quarters. These units have had a negative impact on profit of SEK -26 million (-12), which is SEK 14 million more than the previous year.

Capacity utilization has also improved somewhat during the year, totaling 91 percent (90).

One preschool and two small compulsory schools, which together serve around 310 children and students, were closed or divested prior to the 2017/18 academic year. One compulsory school and three preschools were acquired and one new preschool opened during the financial year. Prior to 2018/19 two small preschools and one small compulsory school with a total of 220 children will be closed. A decision was taken to start two new preschools during the 2018/19 financial year.

The average assessment level in AcadeMedia’s compulsory schools rose to 245.8 (241.9) during the 2017/18 academic year. The percentage eligible for upper secondary school and the percentage of students with passing grades in all subjects also rose in the period, to 90.6 percent (90.1) and 83.0 percent (82.7). All grade scores in compulsory school 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 learning areas “development and learning” and “children’s influence,” 4.8 (4.7) and 5.1 (5.0), respectively, while “norms and values” remained on the same levels as last year, 5.1 (5.1). A score of 4 indicates that

	STUDENT ENROLLMENT (AVERAGE)		NET SALES, SEK M		ADJ. OPERATING PROFIT/LOSS (EBIT), SEK M		ADJ. EBIT MARGIN		OPERATING PROFIT/LOSS (EBIT), SEK M		EBIT MARGIN	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
Pre- and Compulsory School (Sweden)	32,101	31,231	3,912	3,690	178	199	4.6%	5.4%	178	199	4.6%	5.4%
Upper Secondary School (Sweden)	30,582	25,544	3,229	2,526	292	206	9.0%	8.2%	276	198	8.5%	7.8%
Adult Education (Sweden)	–*	–*	1,666	1,576	137	200	8.2%	12.7%	75	200	4.5%	12.7%
Preschool International	10,684	9,295	1,998	1,725	125	98	6.3%	5.7%	162	98	8.1%	5.7%
Group adj., parent company	-	-	5	4	-62	-65	-	-	-70	-79	-	-
Total	**73,366**	**66,070**	**10,810**	**9,520**	**670**	**638**	**6.2%**	**6.7%**	**622**	**615**	**5.8%**	**6.5%**

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

goal achievement is acceptable in relation to the requirements in the policy documents.

Upper secondary schools (Sweden)

AcadeMedia's Upper Secondary School segment provides upper secondary education throughout Sweden under 17 different brands, offering both university preparatory and vocationally oriented programs. The operation is run entirely based on the school voucher system. The segment had 141 units at the end of the financial year.

Average student enrollment increased by 19.7 percent for the financial year and amounted to 30,582 (25,544). Net sales increased by 27.8 percent and amounted to SEK 3,229 million (2,526). The increase is attributable to the acquisition of Vindora, an increase in student enrollment in existing units and the seven new establishments in the fall, as well as to higher revenue per student, primarily as a result of the annual voucher adjustment.

Operating profit (EBIT) increased by 39.4 percent compared with the previous year and amounted to SEK 276 million (198), representing an operating margin of 8.5 percent (7.8). The improvement in the margin was due to an increase in capacity utilization in existing units as well as the acquisition of Vindora, which has a higher operating margin. Adjusted operating profit, excluding items affecting comparability of SEK -16 million, increased to SEK 292 million (206).

Last year capacity utilization increased to about 92 percent (86). This relatively strong increase is temporary and an effect of starting new units in existing premises. During the upcoming 2018/19 financial year these units will expand to fill the premises in order to accept as many students as intended when the schools are fully expanded, at which point capacity utilization will decline.

AcadeMedia's upper secondary schools had record-breaking student enrollment during the year as a result of seven newly opened upper secondary schools, more students in existing units and the acquisition of Vindora. The continued integration of Vindora will be a major focus next year.

The Upper Secondary School segment will open three new schools for fall 2018. The new units only accept first-year students and the estimated student enrollment for 2018/19 is about 160 students.

For upper secondary school, the percentage of students who graduated declined to 88.8 percent (89.4), while the average grade points for students with leaving certificates remained unchanged at 14.1 points (14.1). The overall result for the upper secondary schools is just below the national average for the previous year. The variation among AcadeMedia's upper secondary school operations is great. The results are preliminary.

Adult Education segment (Sweden)

Net sales for the financial year amounted to SEK 1,666 million (1,576), which corresponded to an increase of 5.7 percent. Operating profit amounted to SEK 75 million (200), which is a decrease of SEK 125 million, and the operating margin was 4.5 percent (12.7). The declining profit and margin are due to the effects of the conversion as described below. Adjusted operating profit was SEK 137 million (200).

A revision of contracts has been underway since early spring, resulting in lower revenue, higher costs and thus lower-than-expected margins. Moreover, declining volumes in the market have resulted in lower capacity utilization. This factor, combined with lower prices in many newly signed contracts, has had a negative impact on the operating margin.

In all, items affecting comparability of SEK 61 million have had an aggregate negative impact on the segment. Of this amount, SEK 38 million consisted of costs relating to overcapacity and capacity adjustments, while SEK 23 was related to the settlement with the City of Malmö.

The acquisition of Vindora in November had a positive impact on the segment through the addition of the Movant brand. However, the revision of the major contracts with the Public Employment Service has had a major impact on developments. The gap between contracts, lower price scenario for recently won contracts and weakening demand within the framework of services purchased through procurement proceedings have accelerated the pace of both organizational changes and an operational review.

Adult education does not have a recurrent seasonal pattern; instead, the volumes are mainly affected by society's needs and initiatives, as well as AcadeMedia's contract portfolio. The operation has now shifted from a period with high profitability to a period with lower margins because of the new contracts and lower prices. Consequently, the Adult Education segment will have weak earnings over the next few quarters. In the long term, AcadeMedia believes that the EBIT margin in the Adult Education segment, after contracts are renegotiated and capacity adjustments are made, will be at 9-11 percent.

AcadeMedia's Adult Education segment conducts a customer survey each semester. The survey conducted in the spring, among about 37,000 participants, showed that both the recommendation rate and satisfaction remain high, 84 percent (84.6) and 80 percent (82.1), respectively. Adult Education also completed its annual follow-up of what previous participants were doing six months after completion of their program. This survey is unique in Sweden with a total of about 50,000 respondents (response rate 16 percent). Here 78 percent (79) responded that they had jobs or pursued further studies. Only 14 percent (12) stated that they were job seekers; the remaining 8 percent (9) were on parental leave or gave some other reason. The results are in line with the survey conducted in the fall of 2017.

Preschool International segment (Norway and Germany)

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 101 units. We have 29 preschools in Germany.

Theaverage number of children increased by 14.9 percent for the financial year and amounted to 10,684 (9,295). Sales in the segment increased by 15.8 percent and amounted to SEK 1,998 million (1,725), driven by acquisitions and new establishments. The SEK/NOK and SEK/EUR exchange rate effect had a negative impact on sales of SEK 11 million.

Adjusted operating profit for the financial year amounted to SEK 125 million (98), which was an increase of SEK 28 million. The adjusted operating margin was 6.3 percent (5.7). The improvement compared with the previous year was primarily explained by a higher margin in the German business, as well as high capacity utilization in Norway. Operating profit (EBIT) amounted to SEK 162 million (98) and the operating margin was 8.1 percent (5.7).

AcadeMedia acquired KTS, a preschool operator with six preschools in the Munich area, on March 1. During the fourth quarter an additional preschool opened under the KTS brand. During the financial year five preschools were acquired in Norway and six new units were started, one in Norway and five in Germany. In all, 10-15 new preschools are expected to open in Germany during the 2018/19 financial year. The total number of preschools is expected to be about 40 by summer 2019. The need for new preschools is high in Germany. One challenge, however, is the availability of staff, especially in some regions where the number of new graduates does not correspond to the increased need for trained staff. So far, we have been successful in our recruitment work.

The Storting in Norway previously decided to raise the teacher density rate beginning in August 2018. The Storting also decided to raise the staff density requirement, which will come into force in August 2019. These new rules apply to both municipal and independent providers and will entail increased staff costs that must be compensated for by higher school vouchers. The Storting decision clearly indicates that the transitional rules should not place independent providers at a disadvantage.

AcadeMedia's three German operations all conducted their annual parent satisfaction surveys. The results are currently being analyzed and procedures at the three operations are being coordinated to enable comparisons moving forward.

Seasonal variations

The first quarter of the Group's financial year includes the schools' summer vacations. 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 the personnel are on vacation. This also applies to our Norwegian operations.

The salaries of the Group's employees are adjusted yearly. The largest proportion of the Group's employees are teaching staff, whose salaries are adjusted as of September 1 each year, after which 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 both Norway and Sweden. 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 vacation period begins, while revenues do not reduce at the same rate. Within the Preschool and 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 retroactive reimbursements from the municipalities may be paid because their accounts show higher expenses than had been budgeted when calculating school vouchers.

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 compulsory school and younger children come into the units. This leads to increased personnel to meet the staff density requirements. At the end of the year, child welfare funding will increase and the personnel density requirement will be lower because of a shift in the limit for what is classified as "younger children" by one year. Consequently, the second quarter of the financial year is the segment's weakest quarter, with zero profit or even a slightly negative result.

Adult education does not have 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 vacation periods and major holidays (e.g. Christmas, New Year's and Easter).

Employees and quality

AcadeMedia's employees are its most important resource. The average number of full-time employees for the year was 11,863 (10,564), an increase of 12.3 percent. The proportion of women in the Swedish operation was 69.6 percent (69.3) for the full year. Employee turnover in Sweden, measured as the number of individuals who resigned, amounted to 26.3 percent accumulated over 12 months July-June, compared with 25.9 percent accumulated in the corresponding period the previous year. Absence due to illness for AcadeMedia employees in Sweden (aggregated average short-term absence <90 days) increased to 4.8 percent (4.9) during the full year. Additional information about how AcadeMedia works with employee satisfaction can be found on pages 34-35.

One of AcadeMedia's most important quality objectives is for all students to achieve the goals of the educational program.

Quality management and achieved results are briefly described on pages 30-33 and in greater detail in AcadeMedia's quality report.

Sustainability Report

Over the past year we have carried out a Group-wide project to set a structure for AcadeMedia's sustainability efforts and sustainability reporting. Within the framework of this work we identified our most important stakeholders and carried out a materiality analysis. The four main areas that we identified in the materiality analysis are quality, employees, transparency and the environment. The sustainability report is presented on pages 27-43.

Guidelines for remuneration to senior executives 2017/18

At the Annual General Meeting on November 24, 2017, shareholders resolved to adopt guidelines for remuneration to 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 refer to the chief executive officer and other members of Group management. The guidelines shall apply to employment contracts entered into, as well as to any changes made to existing conditions. Remuneration to senior executives may consist of basic salary, variable remuneration, share and share-based incentive programs, pension 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 5 in the financial statements reports remuneration paid during the 2017/18 financial year.

Senior executives may be awarded other customary benefits, such as company car, company health care, etc. Such other benefits shall not constitute a substantial part of the total remuneration. To the extent a board member conducts work for the Company, in addition to the 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 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 a 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 vacation 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 assesses that there are good reasons for the deviation.

Pension

Pension will be premium-based where possible. For the chief executive officer and other senior executives, the premium may amount to a maximum of 30 percent of the fixed salary in situations where a premium-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 to senior executives for 2017/18

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 to senior executives, as described above, be left unchanged for 2018/19.

Senior executives refer to the CEO, as well as segment managers and staff managers included in Group management.

Long-term incentive programs

Share and share-price related incentive programs shall be decided, where appropriate, by the shareholders' meeting. Currently AcadeMedia has four long-term incentive programs.

At the Extraordinary General Meeting of the Company on June 1, 2016, the shareholders resolved to introduce two long-term incentive programs 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 program aimed at a maximum of eight senior executives who are invited to invest in this program in addition to the investment in the share-matching program.

In accordance with decisions taken by the Annual General Meeting on November 24, 2017 a new warrant program and a new share-matching plan were launched during the third quarter. The programs are aimed at senior executives in Group management and senior executives and key individuals in the Group. More information about the programs can be found in the notice convening the 2017 Annual General Meeting of shareholders in AcadeMedia AB (publ), points 17 and 18, and in note 5.

The rationale for the incentive programs 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. The board of directors has evaluated the four incentive programs with respect to these objectives and found that the programs meet their purposes. However, the board will review whether alternative incentive structures could meet the purposes even better and will present any proposals to the AGM on November 22, 2018.

A more detailed description of the incentive programs is provided in note 5.

The Group's related party transactions

During the financial year only one related party transaction occurred. 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 three million and is included in the issue expenses that were deducted from the issue amount.

Authorization

The 2017 Annual General Meeting authorized the Board of Directors to resolve to issue new shares corresponding to a dilution of a maximum of five percent. This authorization 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 9 million (5), the operating result (EBIT) amounted to SEK -19 million (-22) and profit after tax amounted to SEK 11 million (0). The parent company's assets essentially consist exclusively of participations in Group companies. The businesses are financed by equity. Equity in the parent company as of June 30, 2018 was SEK 2,735 million (2,321). The increase is due to the share issue which raised SEK 401 million in a net increase of equity in December 2017. Net issue expenses (incl. tax effect) were SEK 9 million. The parent company's current assets and liabilities increased in relation to the previous year because of the increased number of companies in the cash pool, primarily Vindora.

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 151 (143) wholly owned subsidiaries, which are listed in note 23. All education services are provided by subsidiaries owned under AcadeMedia AB, referred to below as the AcadeMedia Group.

Share capital and shareholders

AcadeMedia AB (publ) is a public limited company that was listed on Nasdaq Stockholm on June 2016. In December 2017 the Company raised SEK 410 million before issue expenses in a preferential rights issue to partially finance the acquisition of Vindora. The issue was guaranteed by AcadeMedia's principal owner, Mellby Gård, which received a guarantee commission of one percent corresponding to SEK 3 million. As of June 30, 2018, share capital was SEK 105,138,885 and the number of shares amounted to a total of 105,138,885 ordinary shares. The quota value is SEK 1.00 per share.

In accordance with decisions taken by the Annual General Meeting on November 24, 2017 a new warrant program and a new share-matching plan were launched during the third quarter. The programs are aimed at senior executives in Group management and senior executives and key individuals in the Group. More information about the programs can be found in the notice convening the 2017 Annual General Meeting of shareholders in AcadeMedia AB (publ), points 17 and 18, and in note 5.

To ensure deliver of matching shares to employees AcadeMedia issued and repurchased 160,000 Class C shares in June 2018.

Mellby Gård AB is the largest shareholder in AcadeMedia with 21.0 percent of the shares as of June 30, 2018.

ACADEMEDIA'S 10 LARGEST SHAREHOLDERS AS OF JUNE 30, 2018

Name	Number of shares	Percentage of capital and votes, %
Mellby Gård AB	22,178,141	21.0%
Nordea	12,224,084	11.6%
Fidelity	5,879,299	5.6%
SEB	5,527,287	5.2%
Morgan Stanley	3,461,571	3.3%
Citigroup	2,995,730	2.8%
The Second Swedish National Pension Fund	2,913,924	2.8%
Third National Swedish Pension Fund	2,506,673	2.4%
Försäkringsbolaget PRI	2,074,874	2.0%
Swedbank	1,760,000	1.7%

NUMBER OF SHARES	ORDINARY SHARES	CLASS C SHARES
Opening balance, shares July 1, 2017	94,624,997	165,000
Rights issue Ordinary shares Dec. 21, 2017	10,513,888	0
Rights issue, Class C shares June 25, 2018	0	160,000
Closing balance, shares June 30, 2018	**105,138,885**	**325,000**

Dividend policy and proposal

AcadeMedia's main responsibility is primarily to provide a good education for the reimbursement received. AcadeMedia's unrestricted cash flow will be reinvested in the operation in order to maintain high quality and to finance future growth. The surplus may be distributed to the shareholders, provided that AcadeMedia meets its targets relating to quality and financial position.

The board of directors' proposal to the AGM

The board proposes that the Group's results and balance sheet are presented to the Annual General Meeting on November 22, 2018 for adoption.

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the 2017/18 financial year.

PARENT COMPANY

AT THE DISPOSAL OF THE AGM	SEK
Retained earnings	14,541,005
Share premium reserve	2,604,206,891
Profit for the year	11,220,754
Amount to be carried forward	**2,629,968,650**
The board proposes that retained earnings be appropriated as follows:	
Carried forward	2,629,968,650
TOTAL	**2,629,968,650**

Outlook and financial targets

Market outlook

Never before have so many children and students attended independent preschools and schools in Sweden. During the 2017/2018 academic year, more than 360,000 children and students were enrolled in independent preschools and schools in Sweden. Nevertheless, there is a great need for new preschools and schools in the countries where AcadeMedia is currently active. The need for education services in Sweden and Norway is expected to grow in pace with favorable demographic trends. In Sweden, on average the number of children and young people of school age (1-18 years) is expected to increase by about 1.9 percent annually between 2016 and 2021. Germany, where AcadeMedia currently runs 29 preschools, has a shortage of more than 300,000 preschool places with the greatest need in regions such as Nordrhein-Westfalen, Bavaria, and Baden Wurtemberg. These three regions alone have a shortage of 165,000 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.

A more detailed description of the market can be found on pages 14-15.

Financial targets

AcadeMedia intends to grow organically by utilizing spare capacity in existing units, and by opening new units. AcadeMedia also intends to grow by taking over education units, as well as through continued consolidation of the market through acquisitions. AcadeMedia's growth target for net sales is to grow by five to seven percent annually, excluding major acquisitions.

In addition, AcadeMedia also intends to provide the highest quality education in the areas where the Group operates. The target is for adjusted EBIT to amount to seven to eight percent of sales.

With respect to indebtedness, AcadeMedia's target is to have net debt in relation to operating profit before depreciation and amortization (EBITDA) and 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 larger acquisitions.

Significant events after the end of the financial year

- AcadeMedia signed an extended loan agreement with its financial backers, which provides greater financial flexibility, while reducing interest expense by about SEK 10 million annually. The new loan agreement came into effect on July 6, 2018.
- Veronica Rörsgård assumed the position of manager for AcadeMedia's preschools in Sweden in August. Her most recent position was at Skanska where she was head of HR and IT. Veronica Rörsgård is a member of AcadeMedia's group management.

Annual General Meeting

The Annual General Meeting will be held on November 22 at 3 p.m. at City Conference Center, Folkets Hus, Barnhusgatan 12-14 in Stockholm.

Risk and Risk Management

Exposure to risk is a natural part of business for which reason 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 education can be used to minimize others, which to a greater extent are beyond the control of the Company. The operating risks are the most important risks for AcadeMedia.

AcadeMedia categorizes risks as operating, external and financial. Operating risks include variations in demand and student enrollment, risk relating to the supply of qualified employees and payroll expenses, risk relating to quality deficiencies, contractual compliance within adult education, AcadeMedia's reputation and brand, permits, and liability and property risk. External risks include risk relating to school voucher funding and the economy, political risk, changes in laws and regulations, and dependence on national authorities in the education sector. Political risks may include some form of limit on profits or dividends. A common denominator for the various political proposals is that the processes are usually long and proposals must be formulated so they are legally feasible and must also pass a Riksdag vote in the respective country.

In addition, there are also financial risks such as credit and currency risks, see note 27.

The most important risks in each category are described below.

Operating risk

Fluctuations in demand and student enrollment

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 toward freedom of choice in education and independent education providers drive demand for education services from independent providers. Consequently more and more students are applying to independent schools and to AcadeMedia.

AcadeMedia competes with both public and independent education providers. A decline in the Group's reputation and attractiveness could cause lower student and participant enrollment, which would affect sales and profitability. AcadeMedia generally has a good reputation and works systematically with quality improvement in all segments and operations.

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

Risk related to the supply of qualified employees and payroll costs

AcadeMedia's operations are labor-intensive and in 2017/18 personnel expenses accounted for 64 percent of the cost base. Well-educated employees (including senior management, teachers, preschool teachers and other staff) is a critical success factor in order to be able to offer high-quality teaching, as well as to have the relevant permits in AcadeMedia's operations.

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, without or with limited influence from AcadeMedia, may entail increased costs. Under Swedish legislation on equal conditions for independent and municipal providers, this should not have a negative impact on AcadeMedia, since school vouchers will compensate for salary increases, but the application of equal terms and transparency from the municipalities is inadequate at times. There is no guarantee that any salary increases immediately, or in general, will be compensated by a corresponding increase in school vouchers.

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. AcadeMedia carefully monitors trends within operations and has the capacity to efficiently take care of employee development.

Because of the Group's decentralized 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 disruptions.

Risk related to inadequate quality or contractual compliance

The education services that the Group provides are audited and inspected by the Schools Inspectorate, municipalities 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.

AcadeMedia's reputation and brand

School and education have an influence on people's lives, for which reason there is a strong commitment and interest from students, parents, authorities, the media and other stakeholders. As a result of dissatisfaction with the operation or violations of rules, individual schools may be reported to the Schools Inspectorate, which could lead to an audit and cause injunctions to be imposed on the Group and its education services.

Violations of rules or perceived grievances can also be rapidly disseminated in the media and lead to extensive negative publicity, which could also damage the reputation of individual schools and the brand. A major and poorly managed negative event could damage the AcadeMedia Group's reputation. A bad reputation for a certain school makes it harder to attract new students to that particular school and thus would have a limited impact on the Group's sales and earnings. However, AcadeMedia is prepared to quickly and forcefully act and address any reputation-related risks that might arise. The Group's extensive quality management, quality monitoring and experience exchange programs reduce the risk of reputation-related crises on a larger 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 schools 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, which is the supervisory authority for compulsory and upper secondary schools, 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 license to provide education services could be revoked.

The provider is responsible for compliance with the requirements of the Swedish Education Act and the Schools Inspectorate. 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. Coordination is done at the Group and provider level in order to develop and ensure regulatory compliance.Permits to run preschools in Sweden, Norway and Germany are issued by the respective municipality. Similarly, the municipality can issue injunctions and revoke permits if the preschools do not comply with laws and regulations.

In adult education, conditions and quality requirements for the education program are regulated by the contract the Company has with the Public Employment Service or municipality, or by the permit from the Swedish National Agency for Higher Vocational Education. Large portions of adult education (e.g. SFI programs) must also comply with the Swedish Education Act.

Liability and property risk

Any errors and deficiencies in the operation could lead to damage claims. The Group has a centrally coordinated insurance policy and access to 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 vouchers 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 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 2017/18 AcadeMedia received state subsidies of a total of SEK 302 million, see note 7. The rules and allocation principles for these subsidies are sometimes uncertain. State subsidies can also be terminated if a future government sets other priorities in the government budget.

Political risk

Publicly funded independent schools have been and are subject to significant audits from authorities and the media, among others.

Possible legislation in Sweden, Norway or Germany restricting independent education providers' opportunities for establishment, operations, cost recovery and/or profit generation and limitations of such operators' opportunities to pay dividends to their shareholders could have a material adverse effect on the Group's ability to conduct business and thereby adversely affect the Group's operations, financial position and earnings. However, the Swedish Riksdag rejected the proposal to limit profits for Swedish welfare companies as set forth in the "Reepalu Investigation" on June 7, 2018. The Riksdag passed a proposal requiring expanded reviews of owners and management of welfare companies, but this is not assessed to have any negative impact on AcadeMedia.

Changes in laws and regulations

AcadeMedia operates in a highly regulated market in all countries where the Company has operations. 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 counterparties 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. While it is likely that independent preschool operators will be compensated for the increased costs, the legislation will also entail a major adjustment throughout the industry.

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 the previous year plus indexation. The total cost is divided by student enrollment and is thus also affected by capacity utilization 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 the public remuneration. Consequently, AcadeMedia could incur significantly higher

RISK CATEGORY	DESCRIPTION	MANAGEMENT
Operating risk	Operating risks mainly include variations in demand and student enrollment, risk relating to the supply of qualified employees and payroll expenses, risk relating to quality deficiencies, AcadeMedia's reputation and brand, 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.
External Risk	External risks include risk relating to school voucher funding and the economy, political risk, 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 the school system model with payment in advance means that the business has a negative working capital. AcadeMedia's good cash flow, regular liquidity forecasts and quarterly reporting to credit institutions effectively manage and limit the financial risk.

costs, but not always expect to be compensated when such costs arise, but at a later stage through, for example, school vouchers or retroactive reimbursement.

Financial Risk

Credit risk

The operation has 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 against the central government, municipalities and authorities, where the risk of insolvency is small, for which reason AcadeMedia's credit risk is considered low. The municipalities currently pay school vouchers in advance on a monthly basis. There is a risk that the 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. Regarding interest rate risk, the Group's operating loan is subject to an interest rate of six months IBOR. Refer to note 33 for more information about the Group's loans.
The operation's good 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 2 percent of the Group's total sales. Regarding revenues and costs, both are denominated in local currency so there is no currency risk. However, the financial statements of the Norwegian and German subsidiaries must therefore be translated into SEK when preparing the Group's accounts. Consequently some currency risk is associated with translation to SEK.

Sensitivity analysis

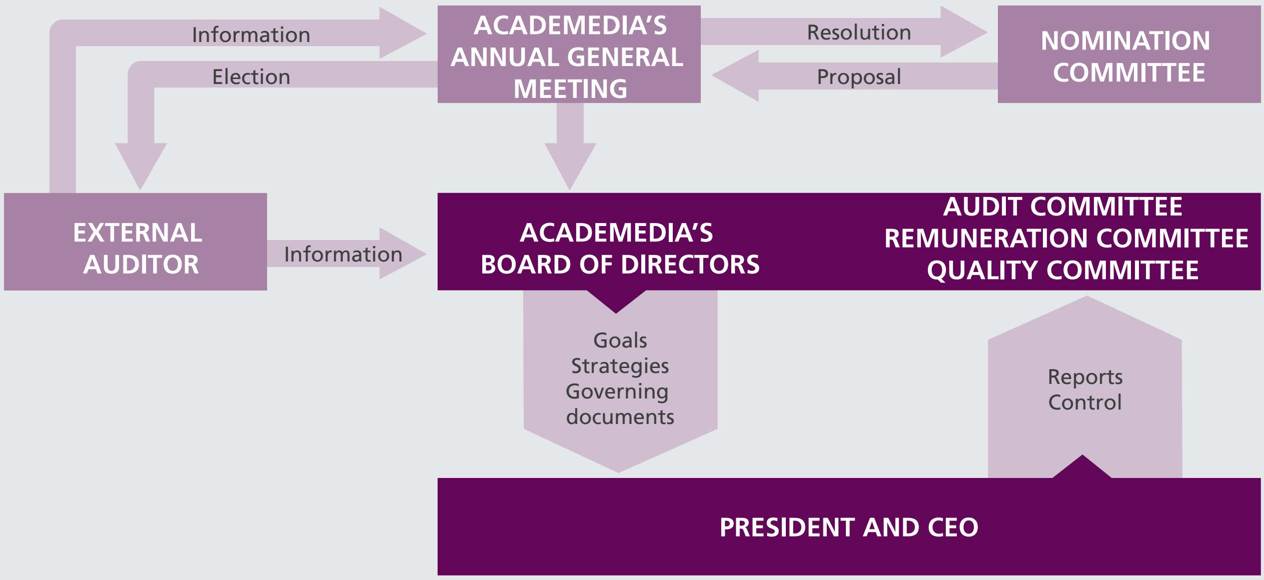
A number of important factors that affect the Group's results are presented below in a sensitivity analysis. The estimated effect of the changes is based on the Group's results for the 2017/18 financial year and assumes for each individual factor that all other factors are unchanged. The sensitivity analysis illustrates the effects on the Group's results as if the changes had occurred during the 2017/18 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 enrollment in the three school segments	+- 1%	+/– SEK 90 million in sales and +/– SEK 30-60 million in operating profit (EBIT)*
Average personnel expense per employee	+/- 1%	-/+ SEK 67 million on operating profit/loss (EBIT)
Average student voucher(all countries)	+/- 1%	+/- SEK 90 million on operating profit/loss (EBIT)
Interest change Group loans**	+ 1 percentage point	– SEK 29 million on profit/loss after financial items
Exchange-rate fluctuations NOK/SEK	+/– 10%	+/– SEK 175 million on sales and +/– SEK 10 million on operating profit/loss (EBIT)
Exchange-rate fluctuations EUR/SEK	+/– 10%	+/– SEK 25 million on sales and +/– SEK 1 million on operating profit/loss (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

Corporate governance AcadeMedia



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 June 15, 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 organization,
– 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 divided among 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, authorization arrangements, financial policy, communications policy, insider policy, ethical guidelines, property policy and guidelines for remuneration to senior executives. Some of these documents can be found on the AcadeMedia website. All policy documents are available on AcadeMedia's intranet for employees.

Deviations from the Corporate Governance Code

During the 2017/18 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 program that was launched in 2016 and is described below in the "Share capital and shareholders" and "Long-term incentive programs" sections. The deviation consists of the fact that the vesting period for the programs is less than three years. The intention is that the vesting period in the Company's long-term incentive programs is to run from the first quarter report of the financial year to the corresponding report three years later. Because the current programs, 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 program is slightly shorter.

AcadeMedia includes qualitative criteria when determining the quality goals in share-matching plans for senior executives, which represents a deviation from the Code. Achieved quality goals are measured extensively with quantitative measurements at unit level up to Group level and are described in detail in AcadeMedia's annual quality report and on the Company's website. However, AcadeMedia's board of directors has determined that it is also appropriate to evaluate whether the management has used good judgment in its quality improvement work. This is important to ensure that the operation develops in a way that is beneficial for the students and 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 not exercised good judgement and, for example, prioritized profit over quality.

Shareholders' meeting

The shareholders' meeting is AcadeMedia's highest decision-making body. At the shareholders' meeting, shareholders exercise their voting rights in key issues, such as the adoption of income statements and balance sheets, appropriation of the Company's results, 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 to the board of directors 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 from the end of the financial year. AcadeMedia's annual general meeting will be held on November 22, 2018. 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 the 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 of the meeting. Shareholders are entitled to vote for all shares in the Company held by the shareholder.

Shareholders 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 with the purpose of preparing proposals to the shareholders' meeting regarding the election of board members and auditors.

According to a resolution from the annual shareholders' meeting of the Company on November 24, 2017, AcadeMedia's nomination committee shall comprise the chairman of the board and one representative for each of the three largest shareholders and that can be determined from Euroclear's shareholder register based on ownership of the Company as per the end of the financial year's third quarter. Consequently, the 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, 12.2 percent of votes at the end of the third quarter.

Ulrika Danielson, The Second Swedish National Pension Fund, 2.8 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 51, and in the section on the AcadeMedia share on page 111.

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 2017. Labor organizations 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 alternates to serve on the board. 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, 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-organized.

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	–	–

Authorization

The 2017 Annual General Meeting authorized 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 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 dialog concerning management of the Company.

The board's work during the 2017/18 financial year

During the financial year the board held 16 meetings at which the minutes were recorded. Five of these board meetings were held by correspondence, where decisions were made solely by the members signing a board record for decision. Board member attendance can be seen in the accompanying table. Eola Änggård Runsten, who is AcadeMedia's CFO, served as secretary at the board meetings. Before the meetings, board members received written information on the issues to be discussed at the meeting.

During the year, in addition to the usual monitoring of quality issues, business matters and financial reporting, much of the board's time was devoted to work growth in Germany, including bolt-on acquisitions and the segment's operations.

The board has been working actively with management in various strategic issues and each year devotes a longer board meeting to a review of the Company's strategy.

BOARD ATTENDANCE DURING THE 2017/18 FINANCIAL YEAR

Member	Audit committee	Remuneration committee	Attendance board meetings[1]	Quality committee
Anders Bülow	5 (5)	–	16 (16)	–
Silvija Seres	–	2 (3)	13 (16)	2 (2)
Johan Andersson[3]	–	2 (3)	7 (16)	2 (2)
Pia Rudengren[3]	3 (5)	–	8 (16)	–
Anki Bystedt[3]	–	–	8 (16)	2 (2)
Thomas Berglund[3 4]	–	2 (3)	7 (16)	0 (2)
Håkan Sörman[3]	3 (5)	–	8 (16)	–
Peter Milton	–	–	15 (16)	–
Anders Lövgren	–	–	16 (16)	2 (2)
Fredrik Astin	–	–	14 (16)	2 (2)
Pernilla Larsson	–	–	15 (16)	–
Ulf Mattsson[2]	–	1 (3)	8 (16)	–
Harry Klagsbrun[2]	–	1 (3)	8 (16)	–
Helen Fasth Gillstedt[2]	2 (5)	–	8 (16)	–
Erika Henriksson[2]	2 (5)	–	8 (16)	–

1 Of the 16 board meetings at which the minutes were recorded during the year, five were held by correspondence; in such cases, board members usually only participated in the documentation for decisions.
2 Stepped down at the Annual General Meeting on November 24, 2017 and therefore only participated at board meetings up until this date.
3 Took over at the Annual General Meeting on November 24, 2017 and therefore only participated at board meetings beginning on this date.
4 Thomas Berglund has not attended the quality committee meetings during the spring 2018 due to his focus on terminating his assignment as President and CEO of Capio.

Audit committee

AcadeMedia's board of directors has established an audit committee comprising three members. Until the AGM held on November 24, 2017 the audit committee consisted of Helen Fasth Gillstedt (chair), Anders Bülow and Erika Henriksson. At the statutory board meeting after the 2017 AGM the following members were chosen: Pia Rudengren (chair), Anders Bülow and Håkan Sörman. 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 Supervisory board of Public Accountants' 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 also has the task of 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.

Since the AGM AcadeMedia appointed PricewaterhouseCoopers AB to serve as auditors for the Company. Patrik Adolfson is principal auditor with Eva Medbrant as cosignatory. A description of the appointed auditors can be found on page 63.

The audit committee has a scheduled annual cycle with five planned meetings each year. Five meetings were also held during the 2017/18 financial year.

Remuneration committee

The board of directors of AcadeMedia has also established a remuneration committee comprising three members: Until the 2017 AGM the remuneration committee consisted of Ulf Mattsson (chair), Silvija Seres and Harry Klagsbrun. At the statutory board meeting after the 2017 AGM Thomas Berglund (chairman), Johan Andersson and Silvija Seres were chosen to serve on the remuneration committee. 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

This year for the first time the board of directors also chose to establish a quality committee. The purpose of the quality committee is to be able to work more actively with operations-related issues such as quality improvement, brands and digitalization. The statutory board meeting appointed Silvia Seres (chair), Anki Bystedt, Johan Andersson and Thomas Berglund to serve on the committee. Employee representatives Fredrik Astin and Anders Lövgren also participate on the quality committee. The quality committee held two meetings during the financial year.

Evaluation of the board's work

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 2017/18 was presented and discussed at the board meeting on June 12, 2018 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 to board members and shareholdings

The 2017 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 as well as 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. Since the quality committee was not included when fees were planned prior to the 2017 AGM no proposed fee has been decided for the members of the quality committee. AcadeMedia's nomination committee propose that the 2018 AGM resolve to pay the members of the quality committee a fee per meeting for the time until the 2018 AGM.

For information on the remuneration paid to the board members for the 2017/18 financial year see note 5.

Chief Executive Officer and Senior Management

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 materials 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 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, COO, Director of Business Development, Human Resources Director and Head of Communication and Public Affairs, provide support for the CEO.

For more information about the CEO and other senior executives, as well as their shareholdings, see page 85.

For a description of the remuneration and terms of employment for the chief executive officer and senior management for the 2017/18 financial year, as well as outstanding incentive programs in the Company, refer to note 5. The evaluations and reports required under the Code are posted on the website, along with descriptions of incentive programs, criteria for variable remuneration, application of guidelines for remuneration to 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 a fair picture of the Company’s financial position and that the operations continuously meet the requirements and expectations of a company that operates within publicly funded operations.

The board has resolved, based on the assessment of the audit committee, not to establish a special internal audit function because the Company believes that the enhanced quality management system, the risk reporting process 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. The board of directors has also tasked the management with conducting a review of internal control processes together with the company’s auditors. 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 formalized routines for financial reporting and internal control to the CFO. In addition to the Company’s policies, AcadeMedia’s accounting manual with authorization 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 minimize risk and to improve quality. In addition, the Group has a regular risk assessment process in which various risks that arise are evaluated and monitored. Finally, the business is reviewed on a regular basis by various regulatory authorities such as the Schools Inspectorate, the Public Employment Service and the National Agency for Higher Vocational Education.

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 school and upper secondary school operations, internal audits have been carried out for many years to verify that the 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. The Group’s head of quality and legal counsel prepare, on a monthly basis, a list of units for which specific risks and deficiencies exist. The list is reported to the the executive management of Group and Board.

AcadeMedia is characterized by high growth rates due to new establishments, as well as acquisitions. As regards the latter, the Company has well developed routines 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 authorization arrangements.
- Ongoing quality monitoring and internal audits.
- Ongoing risk assessment.
- The Company's organization 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. The operation is characterized 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. According to the Company, the most important risks to manage are quality risk, which is the risk that the quality does not meet legal or contractual requirements, as well as customer expectations, and political risk, which lies in the fact that business conditions are largely based on politically determined frameworks. Both of 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.

The audit committee is responsible for ensuring the risk assessment and risk management process regarding financial reporting. Read more about risks and risk management on pages 53-55 and note 27.

Control activities

Monitoring and control of the Company's operations in relation to stated objectives is ongoing. Monitoring of the board of directors largely takes place through 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 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 organizational structure of competence developed and documented in the order of attestation, which requires that at least two individuals review and approve transactions and costs;
- The 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 organization analyze the financial results before external reporting occurs;
- 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 principal and for each education unit on their respective websites.

The new General Data Protection Regulation (GDPR) entered into force on May 25, which strengthened digital security regarding personal data management. Prior to implementation AcadeMedia conducted a current status analysis in 2017 to ensure that deficiencies were identified and remedied. Measures implemented to ensure compliance with GDPR included updating policies, formulating guidelines, formulating mandatory online training for all employees, creating a common communication platform and strengthening login procedures. Since the regulation came into force AcadeMedia has continued the implementation process through measures such as improving skills, understanding and procedural maturity regarding data protection issues.

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 organization. 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 summarizes and reports on the status of identified measures to the board.

In March 2018, AcadeMedia announced that an internal review of its subsidiary Hermods had found that the information reported to the City of Malmö on teacher certification levels was faulty. An externally led independent investigation of the Swedish for Immigrants (sfi) courses provided by the subsidiary Hermods in Malmö was initiated. The external investigation confirmed AcadeMedia’s initial assessment. Hermods in Malmö had submitted faulty information regarding which teachers had taught the participants and that several managers were aware of this situation. Hermods also failed to ensure that adequate processes were in place to ensure compliance with its contractual obligations. Several corrective measures have been put in place at the recommendation of PwC to improve internal processes and controls to mitigate similar events in the future. An open dialogue has been conducted with the City of Malmö throughout the course of events

Internal Audit

AcadeMedia’s internal governance and control are based on a model of three defense lines. Based on an evaluation by the audit committee, the board has resolved not to establish a special internal audit function because the Company believes that the enhanced 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 organization for control measures and with respect to relevant licenses, the board of directors of the subsidiaries (providers subject to licenses) consist of AcadeMedia’s CEO, deputy CEO and CFO, as well as 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 the 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 with Patrik Adolfson as principal auditor and Eva Medbrant as cosignatory. Patrik Adolfson is an authorized 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 at 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 “board of directors, executive management and auditors” on page 63.

For information on the remuneration paid to the auditors for the 2017/18 financial year see note 4.

Board of directors, executive management and auditors

Board of Directors

ANDERS BÜLOW

Born 1953, Board member since 2016 and chairman of the board since 2017. Member of the audit committee.
Education: M.Sc. in Business, Stockholm University.
Other current appointments: Chairman of the board of KappAhl AB (publ) and board member of Mellby Gård AB, StudentConsulting Holding AB, Roxtec AB and Älvsbyhus Intressenter 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 for Meaning Green AB.
Shareholding in the Company: 833 shares held through company.
Independent in relation to the Company: Yes
Independent in relation to the Company and its major shareholders: No.

SILVIJA SERES

Born 1970. Board member since 2015. Member of the remuneration committee and chair of the quality committee.
Education: PhD. mathematics, Oxford University, M. Sc., computer science, Oslo University and MBA, INSEAD.
Other current appointments: Partner at Technorocks AS. Board member for Nordea Bank AB, Norsk Ringkringkasting AS (NRK), Stiftelsen Det Norske Veritas, Oslo Børs ASA, and Ruter AS.
Previous appointments: Board member for 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 the Company and its major shareholders: Yes.

JOHAN ANDERSSON

Born 1978. Board member since 2017. Member of the remuneration committee and the quality committee.
Education: MsC, Chalmers University of Technology. MBA, INSEAD Singapore.
Other current appointments: CEO of Mellby Gård AB Board member for Duni AB (publ), Älvsbyhus Intressenter AB, StudentConsulting Holding AB, and The Confederation of Swedish Enterprise (Svenskt Näringsliv).
Previous appointments: CEO of Smarteyes International AB. Board member for Chalmers University of Technology.
Shareholding in the Company: via Mellby Gård AB 22,178,141 shares.
Independent in relation to the company: Yes
Independent in relation to the Company's major shareholders: No.

PIA RUDENGREN

Born 1965. Board member since 2017. Chairman of the audit committee.
Education: M.Sc. in Business, Stockholm School of Economics.
Other current appointments: Board member for KappAhl AB (publ), Boliden AB (publ), Duni AB (publ) and Tikkurila Oyj. 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 for Swedbank AB (publ) and Metso Oyj.
Shareholding in the Company: None.
Independent in relation to the Company and its major shareholders: Yes.

ANKI BYSTEDT

Born 1967. Board member since 2017. Member of the quality committee.
Education: M.Sc. in Business, 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 the Company and its major shareholders: Yes.

THOMAS BERGLUND

Born 1952. Board member since 2017. Chairman of the remuneration committee and member of the quality committee.
Education: M.Sc. in Business, Stockholm School of Economics.
Other current appointments: MD and CEO at the healthcare group Capio AB (publ) and several assignments as chairman of the board within the Capio group (until 30 September 2018). Deputy chairman of the board of ISS A/S.
Previous appointments: MD and CEO at Securitas AB (publ). *Consultant at Swedish Management Group and assignments at the Swedish Government Offices.
Shareholding in the Company: None.
Independent in relation to the company and its major shareholders: Yes.

HÅKAN SÖRMAN

Born 1952. Board member since 2017. Member of the audit committee.
Education: M.Sc. in Business, 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. CEO of Swedish Association of Local Authorities and Regions. Mayor of Södertälje Municipality. Municipal Administrator in Täby. Board member for SOS Alarm Sverige AB, KPA AB, SKL Kapitalförvaltning AB and Dagens Samhälle AB.
Shareholding in the Company: 444 shares via related party.
Independent in relation to the Company and its major shareholders: Yes.

ANDERS LÖVGREN

Born 1967. Employee representative since 2016, Swedish Teachers' Union.
Education: Vocational teacher training program, Stockholm University.
Other current appointments: None.
Previous appointments: None.
Shareholding in the Company: 111 shares.

PETER MILTON

Born 1965. Employee representative since 2016, National Union of Teachers in Sweden.
Education: Bachelor of Education, Stockholm Institute of Education.
Other current appointments: None.
Previous appointments: None.
Shareholding in the Company: 10 shares.

FREDRIK ASTIN

Born 1967. Deputy employee representative since 2016, National Union of Teachers in Sweden.
Education: Bachelor of Education and enrolled in Masters in Education Leadership program, University of Gothenburg.
Other current appointments: None.
Previous appointments: None.
Shareholding in the Company: 555 shares via related party.

PERNILLA LARSSON

Born 1976. Deputy employee representative since 2016, Swedish Teachers' Union.
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.

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 2017 Annual General Meeting for the period up and until the end of the 2018 Annual General Meeting. Patrik Adolfson (born 1973) is an authorized public accountant and member of FAR (professional association for authorized public accountants). Patrik Adolfson has no shareholdings in the Company. Eva Medbrant (born 1966) is an authorized public accountant and member of FAR. Eva Medbrant has no shareholdings in the Company.

Senior executives


Marcus Strömberg


Eola Änggård Runsten


Tommy Jarnemark

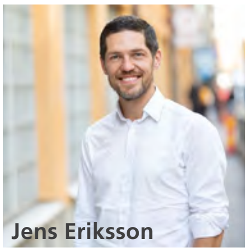

Paula Hammerskog


Lise-Lotte Oldmark


Marit Lambrechts


Christer Hammar


Kristofer Hammar


Jens Eriksson

MARCUS STRÖMBERG

Born 1967. Chief executive officer of the Group since 2005.
Education: M.Sc., Engineering Physics and Electrical Engineering, Linköping University.
Other current appointments: Board member for SIQ – Board member Ifous – innovation, research and development in schools and preschools. Board member OnepartnerGroup
Previous appointments: Board member for Friskolornas Riksförbund and numerous assignments within Lernia.
Shareholding in the Company: 254,948 shares and 228,500 warrants.

EOLA ÄNGGÅRD RUNSTEN

Born 1965. CFO since 2013.
Education: M.Sc. in Business, 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: 38,599 shares and 94,000 warrants.

TOMMY JARNEMARK

Born 1975. COO since 2017.
Education: Master of Science in Business & Administration at Stockholm University
Other current appointments: Member of Senior Advisory Board, Minutemailer.
Previous appointments: Digital Director at Telia Company and several managerial positions at TV4 Group.
Shareholding in the Company: 400 shares

PAULA HAMMERSKOG

Born 1962. Head of Communications and Public Affairs since 2012. Communication manager on a consultancy basis since 2009.
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: 10,553 shares and 83,500 warrants.

LISE-LOTTE OLDMARK

Born 1964. Head of HR since 2014 and Head of AcadeMedia Academy since 2012.
Education: A number of different management training programs held by the City of Stockholm, tutor training and trained Organization Consultant, Humanova.
Other current appointments: Board member for Graisk Kvalitet Oldmark AB, Board member for Friskolornas Riksförbund.
Previous appointments: Several management assignments within Pysslingen Förskolor and Pysslingen Skolor. Before that various management jobs within the City of Stockholm.
Shareholding in the Company: 41,772 shares and 83,500 warrants.

MARIT LAMBRECHTS

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 for PBL (Norwegian trade association for preschools), Mybank AS and Helsetelefonen AS, as well as representative of Oslo and Akershus University College.
Previous appointments: Induct Software AS, Norchip AS, YA bank AS, Intempo AS, Plantasjen AS
Shareholding in the Company: 61,572 shares held through company.

CHRISTER HAMMAR

Born 1969. Head of the business segment Adult Education since 2015.
Education: Leadership and business education programs, IHM and RMI-Bergs and leadership education programs, Manpower.
Previous appointments: CEO of Manpower A/S and Profice Care AB, as well as Deputy CEO and regional manager of Humana Assistans.
Shareholding in the Company: 25,610 shares, including 888 via related party, and 83,500 warrants.

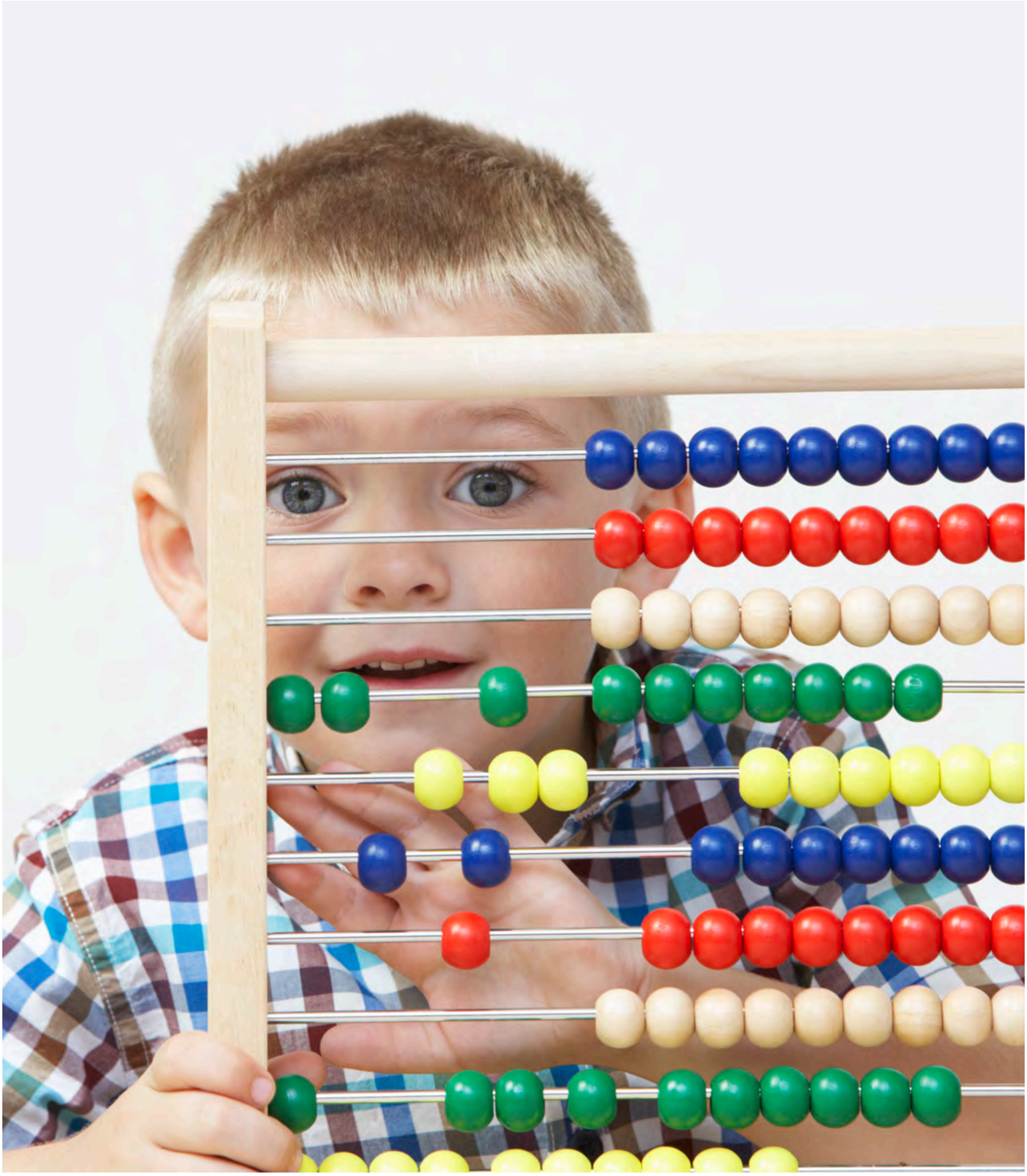
KRISTOFER HAMMAR

Born 1978. Director of Business Development at AcadeMedia since 2017. Worked at AcadeMedia since 2009.
Education: M.Sc. in Business, Lund University.
Previous appointments: Analyst at Bure Equity, Board member for Textilia AB.
Shareholding in the Company: 20,059 shares.

JENS ERIKSSON

Born 1977. Head of the Upper Secondary School business segment since 2016.
Education: M.Sc. in Business, Stockholm School of Economics.
Previous appointments: COO & CFO Nice Entertainment Group, President & COO MTG. Studios
Shareholding in the Company: 19,573 shares and 72,000 warrants.

Financial statements



Accounts

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(SEK M)

	NOTE	2017/18	2016/17
Net sales		10,810	9,520
		10,810	**9,520**
Cost of purchased services		-920	-796
Other external expenses	3, 4, 5	-2,320	-2,064
Personnel expenses	5, 6	-6,650	-5,811
Depreciation/amortization	8	-250	-212
Items affecting comparability	9	-48	-23
		-10,188	**-8,905**
OPERATING PROFIT/LOSS	10	**622**	**615**
Interest income and similar profit/loss items	12, 27	5	9
Interest expense and similar profit/loss items	13, 27	-73	-89
		-68	**-80**
PROFIT/LOSS BEFORE TAX		**555**	**535**
Taxes	11	-124	-120
PROFIT FOR THE YEAR		**430**	**416**
OTHER COMPREHENSIVE INCOME:			
Items that will not be reclassified to profit/loss			
Actuarial gains and losses	6	-92	12
Deferred tax relating to actuarial items	11	21	-3
		-71	**9**
Items that may be reclassified to profit/loss			
Translation differences		57	0
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**-14**	**9**
COMPREHENSIVE INCOME FOR THE YEAR		**416**	**424**
PROFIT FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent company		430	416
		430	**416**
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the parent company		416	424
		416	**424**
Average number of ordinary shares, basic (thousands of shares)		100,127	94,205
Average number of ordinary shares, diluted (thousands of shares)		100,294	94,335
Earnings per ordinary share, basic (SEK)	29	4.30	4.41
Earnings per ordinary share, diluted (SEK)	29	4.29	4.40

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(SEK M)

	NOTE	JUNE 30, 2018	JUNE 30, 2017
ASSETS			
NON-CURRENT ASSETS			
INTANGIBLE NON-CURRENT ASSETS			
Goodwill	14, 15, 17	5,933	5,073
Brands	16, 17	234	194
Other intangible non-current assets	18	8	7
		6,175	**5,274**
PROPERTY, PLANT AND EQUIPMENT			
Buildings	19, 34	948	788
Equipment	20, 21	368	313
Improvement expenses on third-party property	22	283	176
		1,598	**1,277**
OTHER NON-CURRENT ASSETS			
Non-current receivables		23	17
Deferred tax assets	11	27	7
		50	**24**
TOTAL NON-CURRENT ASSETS		**7,823**	**6,574**
CURRENT ASSETS			
CURRENT RECEIVABLES			
Trade receivables	24	199	154
Current tax assets		113	39
Other receivables		97	45
Prepaid expenses and accrued income	25	451	456
		860	**695**
CASH AND CASH EQUIVALENTS	26	**699**	**579**
TOTAL CURRENTS ASSETS		**1,560**	**1,274**
TOTAL ASSETS	35	**9,383**	**7,849**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(SEK M)

	NOTE	JUNE 30, 2018	JUNE 30, 2017
EQUITY AND LIABILITIES			
EQUITY	28		
Share capital		105	95
Other capital contributions		2,604	2,212
Translation reserves		25	-32
Retained earnings including profit/loss for the year		1,528	1,168
TOTAL EQUITY		**4,262**	**3,443**
NON-CURRENT LIABILITIES			
Non-current liabilities to credit institutions	27, 33, 34	2,163	2,158
Pension provisions	6, 30	40	21
Other provisions	31	9	26
Deferred tax liability	11	86	66
Other non-current liabilities	3, 27, 33, 34	46	41
TOTAL NON-CURRENT LIABILITIES		**2,345**	**2,313**
CURRENT LIABILITIES			
Liabilities to credit institutions	27, 33, 34	587	449
Other interest-bearing liabilities	3, 27, 33, 34	86	67
Trade payables	33	519	343
Current tax liability	33	37	13
Other liabilities	27, 33	217	185
Accrued expenses and deferred income	32	1,331	1,035
TOTAL CURRENT LIABILITIES		**2,776**	**2,092**
TOTAL EQUITY AND LIABILITIES	35	**9,383**	**7,849**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(SEK M)

	TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT COMPANY				
	Share capital (Note 28)	Other paid-in capital (Note 28)	Translation reserve (Note 28)	Retained earnings (Note 28)	Total equity (Note 28)
OPENING BALANCE, JULY 1, 2016	**94**	**2,184**	**-32**	**744**	**2,990**
Profit for the year	–	–	–	416	416
Other comprehensive income	–	–	0	9	9
Comprehensive income for the year	**–**	**–**	**0**	**424**	**424**
Transactions with owners					
Non-cash issue	1	28	–	–	29
Repurchase treasury shares	0	0	–	–	0
Share-matching plan	–	1	–	–	1
Warrants	–	0	–	–	0
TOTAL TRANSACTIONS WITH OWNERS	**1**	**28**	**–**	**0**	**29**
CLOSING BALANCE, JUNE 30, 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, JUNE 30, 2018	**105**	**2,605**	**25**	**1,528**	**4,262**

Total equity is attributable in its entirety to owners of the parent company.
Equity is attributable in its entirety to the owners of the parent company.
* Issue expenses relating to the new share issue SEK 8 million and the guarantee commission SEK 3 million
** The warrant program and share-matching plan are described in note 5.

CONSOLIDATED CASH FLOW STATEMENT

(SEK M)

	NOTE	2017/18	2016/17
Operating activities			
Operating profit/loss		622	615
Adjustment for items not affecting cash flow			
Changes in provisions		-23	-34
Capital gains on the sale of property, plant and equipment		0	0
Depreciation of non-current assets	8	250	212
Tax paid		-142	-59
Cash flow from operating activities before changes in working capital		**707**	**734**
Cash flow from changes in working capital			
Change in operating receivables		29	-6
Change in operating liabilities		192	103
CASH FLOW FROM OPERATING ACTIVITIES		**928**	**830**
Investing activities			
Investment in intangible non-current assets		-6	-3
Acquisition of subsidiaries	14	-610	-111
Investment in property, plant and equipment	19, 20, 22	-350	-257
Sale of property, plant and equipment	19, 20	0	0
Investment in non-current financial assets		-4	-4
CASH FLOW FROM INVESTING ACTIVITIES		**-970**	**-374**
Financing activities			
Interest received		1	7
Interest paid		-67	-72
New share issue	28	402	0
Borrowing	33	120	152
Amortization of debt	33	-312	-296
CASH FLOW FROM FINANCING ACTIVITIES		**144**	**-209**
Cash flow for the year		**102**	**247**
Cash and cash equivalents at beginning of year		579	331
Exchange-rate differences in cash and cash equivalents		18	1
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	**699**	**579**

PARENT COMPANY INCOME STATEMENT
(SEK M)

	NOTE	2017/18	2016/17
Net sales	2	9	5
Other external expenses	4, 5	-9	-7
Personnel expenses	5	-18	-20
OPERATING PROFIT/LOSS		**-19**	**-22**
Interest income and similar profit/loss items	12, 27	0	0
Interest expense and similar profit/loss items	13, 27	-5	0
		-4	**0**
APPROPRIATIONS			
Group contributions received		37	22
		37	**22**
PROFIT/LOSS BEFORE TAX		**14**	**0**
Taxes	11	-3	0
PROFIT FOR THE YEAR		**11**	**0**

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Profit for the year		11	0
Other comprehensive income		-	–
COMPREHENSIVE INCOME FOR THE YEAR		**11**	**0**

PARENT COMPANY BALANCE SHEET

(SEK M)

	NOTE	JUNE 30, 2018	JUNE 30, 2017
ASSETS			
NON-CURRENT ASSETS			
NON-CURRENT FINANCIAL ASSETS			
Participations in Group companies	23	2,247	2,247
Deferred tax assets	11	0	1
TOTAL NON-CURRENT ASSETS		**2,247**	**2,248**
CURRENT ASSETS			
CURRENT RECEIVABLES			
Receivables from Group companies	26	2,763	1,290
Other receivables		1	1
Prepaid expenses and accrued income		1	-
		2,765	**1,291**
CASH AND CASH EQUIVALENTS	26	394	373
TOTAL CURRENTS ASSETS		**3,159**	**1,664**
TOTAL ASSETS		**5,406**	**3,912**

PARENT COMPANY BALANCE SHEET

(SEK M)

	NOTE	JUNE 30, 2018	JUNE 30, 2017
EQUITY AND LIABILITIES			
EQUITY	28		
RESTRICTED EQUITY		105	95
Share capital		**105**	**95**
NON-RESTRICTED EQUITY			
Share premium reserve		2,605	2,212
Retained earnings		14	14
Profit for the year		11	0
		2,630	**2,226**
TOTAL EQUITY		**2,735**	**2,321**
NON-CURRENT LIABILITIES			
Other provisions	31	1	0
TOTAL NON-CURRENT LIABILITIES	34	**1**	**0**
CURRENT LIABILITIES			
Liabilities to credit institutions		86	-
Trade payables		1	1
Liabilities to Group companies	26	2,567	1,582
Other liabilities	27, 33	0	0
Accrued expenses and deferred income	32	16	8
TOTAL CURRENT LIABILITIES		**2,670**	**1,591**
TOTAL EQUITY AND LIABILITIES		**5,406**	**3,912**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

(SEK M)

	RESTRICTED EQUITY	NON-RESTRICTED EQUITY		
	Share capital (Note 28)	Share premium reserve (Note 28)	Retained earnings (Note 28)	Total equity (Note 28)
OPENING BALANCE, JULY 1, 2016	**94**	**2,184**	**14**	**2,292**
Profit/loss for the year and comprehensive income			0	**0**
Comprehensive income for the year	–	–	**0**	**0**
Transactions with owners				
Non-cash issue	1	28	–	**29**
Share-matching plan	–	1	–	**1**
Repurchase treasury shares	0	0	–	**0**
Warrants	–	0	–	**0**
TOTAL TRANSACTIONS WITH OWNERS	**1**	**29**	**–**	**29**
CLOSING BALANCE, JUNE 30, 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, JUNE 30, 2018	**105**	**2,605**	**25**	**2,735**

No non-controlling interests are recognized.

* Issue expenses relating to the new share issue SEK 8 million and the guarantee commission SEK 3 million

** The warrant program and share-matching plan are described in note 5.

PARENT COMPANY CASH FLOW

(SEK M)

	NOTE	2017/18	2016/17
Operating activities			
Operating profit/loss		-19	-22
Adjustment for items not affecting cash flow		1	0
Income tax paid		0	0
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN WORKING CAPITAL		**-18**	**-22**
Cash flow from changes in working capital			
Change in operating receivables	26	-1,457	-1,268
Change in operating liabilities	26	991	1,563
CASH FLOW FROM OPERATING ACTIVITIES		**-484**	**273**
Investing activities			
Shareholder contributions paid		-	–
CASH FLOW FROM INVESTING ACTIVITIES		**-**	**–**
Financing activities			
Interest received		0	0
Interest paid		-5	0
New share issue	28	402	0
Group contributions received		22	84
Borrowing		86	–
CASH FLOW FROM FINANCING ACTIVITIES		**505**	**84**
Cash flow for the year		21	358
Cash and cash equivalents at beginning of year		373	15
CASH AND CASH EQUIVALENTS AT END OF YEAR	26	**394**	**373**

Notes to the Financial Statements with Accounting Policies

Note 1: General information, accounting and valuation principles

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, 101 24 Stockholm, Sweden. The Company has been listed on Nasdaq Stockholm since June 15, 2016. AcadeMedia is an independent education provider. The operation is 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 10. The annual and consolidated financial statements for the financial year ending June 30, 2018, were approved for publication by the board of directors and the chief executive officer on October 24, 2018 and will be presented for adoption at the Annual General Meeting to be held November 22, 2018. 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. The Swedish Financial Reporting Board's Recommendation RFR 2 requires the parent company to apply the same accounting policies as the Group, IFRS, where applicable, with the exception of those cases stated below. The parent company applies IAS 39 with the exception of financial guarantees in relation to subsidiaries. Otherwise, please refer to the accounting policies applied by the Group for recognition and measurement of financial instruments in Note 35. Those cases where the parent company applies other accounting policies than the Group are stated separately at the end of this note.

New and amended accounting policies for the year

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 January first, 2017 or later. None of the new IFRS rules that have been in force for the financial year that began July first, 2017 has had a significant impact on the consolidated financial statements.

Future changes to accounting policies

A number of new or amended IFRSs will go into effect 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. Apart from the IFRS described below, other new rules approved by the IASB as of June 30, 2018, are not expected to have any impact on the Group's financial statements.

IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities and replaces parts of IAS 39. IFRS 9 maintains a mixed valuation approach, but simplifies this approach in certain regards. There will be three valuation categories for financial assets: amortized 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 and 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 is effective from financial years commencing on or later than January first, 2018, that is, for AcadeMedia the financial year that started July first, 2018. Early adoption is permitted. AcadeMedia has chosen not to early adopt IFRS 9. The standard will not have any impact on the Group's financial reports.

IFRS 15 Revenue from contracts with customers came into force on January first, 2018, replacing all published standards and interpretations previously used for revenue. AcadeMedia will apply IFRS 15 beginning with the financial year that starts on July first, 2018. IFRS 15 provides a single model for revenue recognition under which revenue is recognized when promised goods or services are transferred to a customer. This can occur over time or at a point in time. The revenue consists of the amount that the Company expects to receive as consideration for the transferred goods or services. An assessment of IFRS 15 shows that AcadeMedia's financial reporting will be affected by increased disclosure requirements, but will not otherwise have any impact on the Group's financial statements.

IFRS 16. A new leasing standard was published by IASB in January 2016 which will replace IAS 17 Leasing contracts as well as associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard was adopted by the EU on November ninth, 2017. IFRS 16 requires assets and liabilities related to leasing, with the exception of leases for a maximum of twelve months and leases for low-value assets, to be recognized 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 essentially remain unchanged. The standard will apply for the financial year starting on January first, 2019 or later. Early adoption is permitted. AcadeMedia is not planning early adoption of IFRS 16 and will apply the standard for the financial year starting July first, 2019. It is too early to quantify the exact impact of IFRS 16 but the new lease standard will have a substantial impact on AcadeMedia's financial statements since the Group has operating leases. The leases that will have the greatest impact on the financial statements involve leases relating to premises. For information regarding the Group's lease obligations refer to Note 3 in the 2017/2018 annual report. The detailed assessment of the impact of IFRS 16 will continue during 2018/2019.

Basis for the preparation of the accounts

The consolidated accounts have been prepared in accordance with the cost method,
other than for 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 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.

Consolidation principles

The consolidated accounts cover the parent company and its subsidiaries. The financial statements for the parent company and subsidiaries which 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 it 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 valued 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 recognized in operating profit/loss as other operating income or other operating expenses, while exchange rate differences relating to financial assets and liabilities are recognized as financial income or financial expense.

Financial statements of foreign operations

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

Gross accounting

Gross accounting is always applied for 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 later than twelve months from the closing date. Current assets and current liabilities are expected to be recovered or fall due for payment within 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 the transferred assets, liabilities the Group assumes from the previous 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 recognized 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 recognized as goodwill.

Goodwill is recognized as an intangible asset. Goodwill is tested annually to identify any impairment and is recognized at cost less any accumulated impairment losses. Any impairment losses are recognized 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 between 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

In connection with acquisitions of subsidiaries, brands are recognized 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 amortization 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 amortization and any impairment losses. Amortization takes place on a straight-line basis over the assessed useful life of the asset. The useful life periods are 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 recognized at cost less depreciation and any impairment losses.

Expenses for improving an asset's performance to exceed its original level increase the asset's carrying amount. Further expenditures are added to the asset's carrying amount or recognized 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 recognized as expenses in the income statement during the periods in which they arise.

Property, plant and equipment are derecognized 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 recognized residual value of the asset. Profit or loss is recognized in the income statement in the accounting period in which the asset was divested as other expenses and other income.

Property, plant and equipment are depreciated systematically over the estimated useful life of the asset. The useful life periods are 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 assets and is based on the useful life periods shown below:

	NUMBER OF YEARS
Buildings in general	25-30 years
Equipment	3-10 years
Improvement expenses on 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 amortized are tested when there is an indication that an asset has declined in value. The impairment test is done 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 realizable value and the asset's value in use in operations. An assessment is made of the recoverable amount per cash-generating unit.

Previously recognized 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 recognized in earlier periods. Goodwill impairment losses are not reversed and are recognized in items affecting comparability.

Financial assets

Classification

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

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

Loan receivables and accounts receivable

Loan receivables and accounts receivable are non-derivative financial assets with fixed or determinable payments and 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 recognized after the acquisition date at accrued cost applying 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 recognized 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 happened), discounted with the financial asset's original effective interest rate.

Financial assets measured at fair value through profit or loss

For AcadeMedia this category includes derivative instruments classified as hedging instruments. The assets are measured at fair value with changes in value recognized in the income statement's financial items (refer to Notes 11 and 12). Transaction expenses are recognized in the income statement and are not capitalized.

Financial liabilities

Classification

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

Financial liabilities measured at fair value through profit or loss

For AcadeMedia this category includes derivative instruments classified as hedging instruments, as well as additional consideration. The liabilities are measured at fair value with changes in value recognized in the income statement. Remeasurement of a contingent consideration is recognized in operating profit/loss under Other external expenses.

Financial liabilities measured at amortized cost

Other financial liabilities not valued at fair value through profit or loss are recognized in this category. The liabilities are measured at amortized cost. Accounts payable have short anticipated terms and are therefore measured at nominal amounts with no discount.

Provisions

Provisions are recognized when the Group has a legal or informal obligation resulting from past events, 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 within the framework of an insurance agreement – the expected compensation is recognized as a separate asset, but only when it is essentially certain that the payment will be received. Provisions are made for restructuring of the business for situations 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 and whose existence will only be confirmed by one or several uncertain future events, which are not entirely within the Group's control, happening or not happening. Also reported as contingent liabilities are obligations arising from past events that have not been recognized 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 recognized when the employee has performed the service.

Pensions

The Group's pension plans consist in part of defined benefit plans with a contractual promise regarding future pension levels related primarily to the final salary, and in part 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 informal obligations to pay additional contributions. The Group's obligations regarding defined contribution plans are recognized 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 according to the 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 based on actuarial assumptions which are established annually at the end of the accounting period. Assumptions are made on inflation, changes in social security fees, 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 first-class corporate bonds issued in the same currency as the compensation will be paid in with due dates comparable to the current pension obligations.

Pension expenses relating to service during the current period are recognized as personnel expenses in the income statement. Costs for service in previous periods are also recognized 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 remeasurement effects and recognized in other comprehensive income.

The carrying amounts of pensions and similar obligations in the consolidated balance sheet correspond to the obligations' present value at the closing of the accounts with a deduction of 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 recognized. If the plan assets exceed the obligations, an asset is recognized in the consolidated balance sheet.

In the Norwegian companies' defined benefit pension plans, the employees make contributions to the plans according to established 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 recognized as a reduction of the cost of service for the period in which the services are performed.

The Swedish companies' defined benefit pension obligations under the ITP2 plan are insured through an Alecta pension insurance. This plan is a defined benefit plan covering several employers. The plan is accounted for as a defined contribution pension plan as 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 are defined as the members of executive 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 running competing operations. 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 programs

Share-based payments in the Company relate to the share-matching plan that is regulated with equity instruments and are reported 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, taking into account market-related conditions. The total amount to be expensed is based on the fair value of the allocated shares. The total amount is recognized 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 be recognized in social security contributions. Social security contributions are based on the value of the matching shares on the closing date, where this valuation uses the same model as the initial valuation. Social security contributions attributable to share-based instruments to employees as compensation for services rendered should be expensed over the periods in which the services are performed. The cost is then calculated by applying the same valuation model used when theoptions 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.

In addition to the above share-matching plan AcadeMedia also has a warrant program, which is calculated using the Black & Scholes model. The premium for warrants is recognized otherwise as contributed capital in equity in the Group and as financial revenue in the legal entity. With subscription of share based on issued options this is recognized as a new issue of equity.

Leases

Finance leases where the Group in all material respects takes over all risks and benefits associated with ownership of the leased object are initially reported in the statement of financial position at the fair value of the leased object or, if the value is lower, at the present value of future minimum lease payments. Lease payments are recognized as financing expenses and amortization 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

Net sales

Net sales are recognized at the fair value of the amount received or the amount that will be received in return for goods and services sold within the Group's ordinary operations. Net sales are recognized excluding VAT and net after any discounts. The Group's main source of revenue is school vouchers and participant fees. Tuition fees are recognized 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 instruction. Revenue for preschool operations is recognized based on the same fundamental principle. Revenue for services sold is recognized upon delivery to students. Revenue in the adult education operation is assessed using the same fundamental principles, but also taking into account the empirical estimate of the number of participants who do not complete the education that they started, as well as estimates of compensation received based on the number of participants that complete the eductation.

State subsidies

State subsidies are recognized 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. Contributions received to cover costs are recognized as an expense reduction of the applicable expense item.

Interest

Interest income is recognized as and when it is earned (calculated based on the return on the underlying asset according to the effective interest rate).

Dividends

Revenues are recognized in the income statement when the shareholders' right to receive a dividend payment has been established.

Cost of purchased services

The cost of services sold mainly pertains to expenses for school meals (ingredients and catering), educational materials and the cost of other consumables.

Items affecting comparability

Items affecting comparability are recognized on a separate line and relate to non-recurring income and expenses. 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, reorganization costs, as well as costs arising from strategic decisions and major restructuring that results in closing down of units. The purpose of this presentation is to get a better picture of the trend in the underlying business. Income and expenses recognized on this line are specified and commented on in Note 8.

Taxes

Income tax

Tax expense for the period consists of current tax and deferred tax. Tax is recognized in the income statement, except where the tax relates to an item that is recognized in

Other comprehensive income or directly in equity. In such cases the tax is also recognized 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 recognized on the closing date according to the balance sheet method for temporary differences between recognized and fiscal values of assets and liabilities. Deferred tax assets are recognized 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 utilized. Deferred tax assets and tax liabilities are established based on the tax rates in effect for the period in which the asset is realized 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, bank balances and other liquid investments. Incoming and outgoing payments are recognized in the cash flow statement. Cash flow from operating activities is recognized according to the indirect method.

Business segments

Reportable segments are identified based on the internal reporting to the highest executive decision-maker, which in AcadeMedia's case is the chief executive officer. In this reporting the Group consists of the four segments: Pre- and Compulsory School (Sweden), Upper Secondary School (Sweden), Adult Education (Sweden) and Preschool International. Refer to Note 9 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 assertions:

- The services are of the same type.
- The services are produced in similar production processes.
- The services are aimed at the same type of customer.
- The services are sold and distributed in a similar way.

Key estimates and judgments

The preparation of year-end accounts and the application of various accounting standards are often based on executive management's judgments or assumptions and estimates which are deemed reasonable under the prevailing conditions. These assumptions and estimates are usually based on past experience, but are also based on other factors, such as anticipated future events. Actual results may be different and actual outcomes may deviate from the judgments and estimates made. Judgments, 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.

The judgments made by the Group when applying IFRS that have a considerable impact on the financial statement, and assumptions and estimates made that may require significant adjustments to be made in the following financial year's financial statements, are mainly those in the following areas:

- Impairment testing of goodwill and brands
- Provision for pension liabilities (defined benefit pensions)
- Provision for restructuring/closure of school units
- Provision for disputes
- Assessment of revenue recognition

AcadeMedia tests for any indications of a decline in the value of assets on a regular basis throughout the year. If such an indication exists, 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. In making these calculations, certain assumptions and estimates must be made. Refer to Note 17 for more information.

AcadeMedia has a number of defined benefit pension plans. The present value of pension obligations depends on 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 estimates. In the assumptions used to establish the net expense (income) for pensions, the discount rate is included. If these assumptions change, this will affect the carrying amount of the pension obligations. Further information on such things as sensitivity analysis for changes in significant assumptions is provided in Note 6. Future events and changes in business parameters may make it necessary to change estimates and assumptions.

Provisions for restructuring costs of entities are considered to have been made when they are decided by management and communicated to the interested parties, and a reliable estimate of the cost can be made. Assessments of future net costs include 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. These costs primarily relate to unused premises and personnel redundancy.

In the event that AcadeMedia has disputes with financial consequences, the extent of the financial risk for AcadeMedia is assessed, and they can have financial consequences for the AcadeMedia Group. Concerning the current dispute involving the 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 this dispute relates to the period prior to AcadeMedia's acquisition and there is an agreed right of recourse in relation to the seller of Praktiska.

Certain assessments are made with revenue recognition. For a more detailed description of these assessments, refer to the previous page on revenue recognition.

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 with the exception of those cases stated 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 among other things means that a different presentation of equity is applied. For the parent company, shareholders' equity is divided into unrestricted and restricted equity.

Participations in Group companies

Shares in subsidiaries are recognized 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 recognized. Impairment losses are reported in "Income from participation in Group companies."

Leases

In the parent company leases, if any, are recognized 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 recognized 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 recognized in the income statement when the shareholders' right to receive a dividend payment has been established.

Note 2: Intragroup sales

The Group's financial agreements have been made according to market principles.

Of the parent company's purchases, SEK 5 (4) million and SEK 9 (5) million relate to sales with other companies in the Group of companies to which the Company belongs. The parent company's revenue relates to fees for services provided to the subsidiaries; the purchases relate to consulting and personnel expenses.

Note 3: Leases

	GROUP	
	2017/18	2016/17
Lease payments for the year (operating) *)		
Premises	1,389	1,250
Equipment	55	169
TOTAL	**1,444**	**1,419**
Lease payments for the year (finance) **)		
Equipment	101	84
TOTAL	**101**	**84**

*) Lease expenses for assets held through operating leases, such as rented premises, machinery and office equipment, are recognized among other external expenses.

Future payments for non-cancellable operating and finance leases are as follows:

	GROUP			
CONTRACTUAL LEASE PAYMENTS	**2018/2019**	**2019-2022**	**>2022**	**TOTAL**
Operating leases				
Premises	1,149	2,010	3,270	6,429
Equipment	12	11	0	23
TOTAL	**1,161**	**2,021**	**3,270**	**6,452**

	GROUP			
CONTRACTUAL LEASE PAYMENTS	**2017/2018**	**2018-2021**	**>2021**	**TOTAL**
Operating leases				
Premises	1,246	2,275	3,121	6,642
Equipment	11	13	–	24
TOTAL	**1,257**	**2,288**	**3,121**	**6,666**

Existing leases vary in duration from 2-25 years. Computers are leased for 2-3 years, while premises are rented on leases for up to 25 years. Premises/rental contracts are upwardly adjusted annually in line with an index corresponding to the CPI. There are no variable rental fees.

	GROUP			
	2017/2018		2016/2017	
FINANCE LEASES **)	**Minimum lease payments**	**Present value of minimum lease payments**	**Minimum lease payments**	**Present value of minimum lease payments**
Payments due				
Within one year	79	78	67	66
Later than one year but within five years	40	39	36	35
Total	**120**	**117**	**103**	**101**
Interest	–	2	–	2
TOTAL	**120**	**120**	**103**	**103**
Current portion	–	77	–	65
Long-term portion	–	42	–	35

**) Finance leases are included in the balance sheet under equipment; refer to Notes 20 and 21. Future undiscounted obligations for finance leases according to the table above.

Note 4: Remuneration to auditors

	GROUP		PARENT COMPANY	
	2017/18	2016/17	2017/18	2016/17
PricewaterhouseCoopers AB				
Audit assignment	5	2	–	–
- of which PwC AB	4	–	–	–
Auditing services over and above audit assignment*	0	–	–	–
- of which PwC AB*	0	–	–	–
Tax advisory services	1	1	0	–
- of which PwC AB	0	–	–	–
Other services	4	0	0	–
- of which PwC AB	4	–	0	–
EY AB				
Audit assignment	2	4	1	1
Other services	0	2	0	–
Other auditing firms				
Audit assignment	1	0	–	–
Other services	0	–	–	1
TOTAL FEES	**13**	**9**	**1**	**2**

* Relates to separate review of Hermods SFI Malmö and of the Vindora Holding Group.

Note 5: Personnel expenses

	GROUP		PARENT COMPANY	
	2017/18	2016/17	2017/18	2016/17
Salaries and remuneration				
Board of directors and CEO	8	9	8	10
Other employees	4,997	4,338	4	4
Group total	**5,005**	**4,347**	**12**	**14**
Expenses for social security contributions and pension obligations				
Board of directors and CEO	4	5	4	5
Of which pension expenses, including payroll tax	2	2	2	2
Other employees	1,743	1,558	2	2
Of which pension expenses, including payroll tax	363	349	1	1
Group total	**1,747**	**1,563**	**6**	**7**
TOTAL	**6,752**	**5,909**	**18**	**21**

The table above includes personnel expenses for acquired companies commencing on the respective acquisition date; refer to Note 14. The Group has received hiring subsidies in the form of wage subsidies and state subsidies for teacher salary premium and head teacher salary premium totaling SEK 175 (156) million, which are recognized in personnel expenses. The state subsidies and wage 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 recognized in the income statement under the item other external expenses and amounts to SEK 71 (56) million.

	GROUP		PARENT COMPANY	
	2017/18	2016/17	2017/18	2016/17
Average number of employees (full-time equivalents)				
Average number of employees, Sweden	9,292	8,353	2	2
of which men	2,821	2,562	1	1
of which women	6,472	5,791	1	1
Average number of employees, Norway	2,181	2,031	–	–
of which men	224	207	–	–
of which women	1,957	1,824	–	–
Average number of employees, Germany	390	180	–	–
of which men	39	22	–	–
of which women	351	158	–	–
Average number of employees, total	11,863	10,564	2	2
of which men	3,084	2,791	1	1
of which women	8,779	7,773	1	1

	2017/18	2016/17
Proportion of women and men, board of directors		
Women	36%	47%
Men	64%	53%
Proportion of women and men, senior management		
Women	44%	67%
Men	56%	33%

The number of women in acquired operations is estimated until they 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 2017 at SEK 250,000 (250,000) each for each elected member and SEK 600,000 (500,000) for the chairman of the board. Remuneration for members of the audit committee is SEK 75,000 (50,000) per year and SEK 150,000 (100,000) for the chair. Remuneration is SEK 25,000 per year for remuneration committee members and SEK 50,000 for the chair, which is the same as the previous year. The board of directors has also established a quality committee. Remuneration to members of the quality committee has not yet been determined. Neither the chairman of the board nor any of the board members has any pension benefits, other benefits or severance pay contracts.

TOTAL REMUNERATION (Amounts in SEK 000s)	2017/18		2016/17	
	Board fee	Committee fee	Board fee	Committee fee
Anders Bülow, chairman	469	66	260	31
Silvija Seres	250	25	250	34
Johan Andersson	156	16	–	–
Pia Rudengren	156	94	–	–
Anki Bystedt	156	–	–	–
Thomas Berglund	156	31	–	–
Håkan Sörman	156	47	–	–
Ulf Mattsson* (former chairman)	188	38	500	69
Harry Klagsbrun*	94	9	250	34
Helen Fasth Gillstedt*	94	18	250	100
Erika Henriksson*	94	19	250	50
Torbjörn Magnusson**	-	-	94	19
Anders Lövgren (employee representative)	–	–	–	–
Peter Milton (employee representative)	–	–	–	–
Pernilla Larsson (employee representative)***	–	–	–	–
Fredrik Astin (deputy, employee representative)***	–	–	–	–
TOTAL	**1,969**	**363**	**1,854**	**337**

* through November 24, 2017
* through November 11, 2016
*** Pernilla Larsson became a board member on November 17, 2016.
No benefits or pension disbursements were paid out in 2017/18, 2016/17 to the board of directors.

REMUNERATION TO THE CEO AND OTHER SENIOR EXECUTIVES (Amounts in SEK 000s)	2017/18	2016/17
Marcus Strömberg, CEO, fixed salary	4,600	4,500
Other senior executives, fixed salary	13,061	13,378
Total	**17,661**	**17,878**
Number of other senior executives	**8**	**8**
Marcus Strömberg, CEO, variable remuneration	1,100	1,075
Other senior executives, variable remuneration	2,963	3,008
Total	**4,063**	**4,083**
Number of other senior executives	**8**	**7**
Marcus Strömberg, CEO, benefits	114	129
Other senior executives, benefits	68	196
Total	**182**	**325**
Number of other senior executives	**3**	**3**
Marcus Strömberg, CEO, pension	1,381	1,348
Other senior executives, pensions	2,376	2,561
Total	**3,757**	**3,909**
Number of other senior executives	**8**	**8**
TOTAL REIMBURSEMENT		
Marcus Strömberg, CEO	7,195	7,052
Other senior executives, pensions	18,468	19,143
TOTAL	**25,663**	**26,195**

Remuneration to the CEO and senior executives follows the board's established guidelines, which are presented in the Administration Report.

The above table lists the Deputy CEO together with the other senior executives until he left his position on February 1, 2017. Remuneration included a salary of SEK 0 (1,224,000), variable remuneration of SEK 0 (0), benefits of SEK 0 (0) and a pension of SEK (269,000). As of February 1, 2017 AcadeMedia has not had a Deputy CEO.

The following positions are included in executive management: The CEO, segment managers for Pre- and Compulsory School, Upper Secondary School, Adult Education and Preschool Norway, CFO, Head of HR, Head of Communication and Public Affairs (beginning February 1, 2017). AcadeMedia's CEO receives a basic salary and benefits. Marcus Strömberg also collects variable remuneration of a maximum of six monthly salaries calculated based on set performance targets on a full-year basis. The targets are both operational and financial in nature, 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 a car and housing.

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. Following a notice from the CEO, the notice period is six months. The employment contract includes an anti-competitive clause of six months if s/he intends to take up a new position with a company running competing operations. During this time, the CEO is entitled to remuneration corresponding to the difference between her/his salary in a new employment and the salary s/he had in his 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 up to three or six months' salary, based on the same 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 plan

As at June 30, 2018 AcadeMedia had two types of incentive plans in the form of share matching plans, aimed at about 80 managers and other key personnel, and two warrant programs, aimed at Group management. Decisions on the plans were made in connection with the Extraordinary General Meeting held on June 1, 2016, as well as at the Annual General Meeting on November 24, 2017.

The programs are designed to motivate and retain skilled employees, increase consensus regarding 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 plans annually to ensure that they achieve the intended purposes.

Management's holdings are shown on page 64.

Share-matching plan

In 2016 AcadeMedia launched a share-matching plan aimed at 70 managers and other key employees within the Group. The number was lower because people have chosen to leave AcadeMedia.

Participation requires participants to use their own resources to acquire shares in AcadeMedia, or to allocate shares already held to the program, known as savings shares. Participants who, with certain exceptions, retain the savings shares during the term of the program and who are also employed by AcadeMedia throughout the term, will receive a matching share (without consideration) at the end of the period for each savings share. Critieria 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 the good quality of its education services.

During the program the board will carry out an evaluation and assessment of management's opinion regarding 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 it was listed on Nasdaq Stockholm. The 2017 Annual General Meeting resolved to launch a new round of the share matching plan aimed at a maximum of 80 managers and senior executives. The terms and conditions were the same as for the previous share matching plan.

As at June 30, 2018 the number of participants and potential matching shares are as follows:

- The 2016 share-matching plan has 38 participants and a maximum of 80,558 matching shares of which the CEO holds 10,000 and the other senior executives 24,500.
- The 2017 share-matching plan has 42 participants and a maximum of 64,640 matching shares of which the CEO holds 7,350 and the other senior executives 18,775.

This means that the total number of shares to be allocated under the share-matching plan will be a maximum of 145,198 (97,052) shares, representing 0.14 (0.10) percent of outstanding shares. The cost of the share-matching plan for the Group during the financial year was SEK 921,000 (689,000) excl. social security contributions, which amounted to SEK 641,000 (463,000). The cost of share-matching excluding social security contributions for the Chief Executive Officer was SEK 110,000 (86,000) and SEK 274,000 (210,000) for the other senior executives.

The remaining cost for the 2016 and 2017 share-matching plans is SEK 2 million if all employees remain and based on the share price as of the closing date.

NUMBER OF SHARES

Subscription share matching plan 1 (AMP 1)	110,747
Participants who left (AMP 1)	-30,189
Subscription share matching plan 2 (AMP 2)	66,465
Participants who left (AMP 2)	-1,825
CLOSING BALANCE, June 30, 2018	145,198

Of the above subscribed shares, 17,350 shares are attributable to the Chief Executive Officer and President, and 43,275 shares are attributable to the other senior executives.

Warrant program

The Extraordinary General Meeting resolved on June 1, 2016 to issue warrants aimed at Group management at AcadeMedia. Participants acquired warrants for 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 a corresponding excess amount. The maximum profit at exercise of the warrants is thus limited to SEK 50 per warrant.

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 with 115% 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 June 30, 2018 group management has the following holdings of warrants:

- Warrants 2016: 436,000 warrants, which was the same as the previous year.
- Warrants 2017: 240,500 warrants (0) previous year.

If the warrants are exercised in full the Company's total shares and votes will be diluted by approximately 0.64 (0.46) percent.

Note 6: Pensions

Pensions

The Group has defined contribution plans and defined benefit plans in Sweden and in Norway, while Germany only has defined contribution pension plans. Thus Norway has both defined benefit and defined contribution pension plans. Defined benefit pension plans in Sweden are according to the ITP 2 agreement and are secured through pension insurance with Alecta, which is a pension plan that covers several employers. This pension plan is accounted for as a defined contribution pension plan as Alecta cannot provide sufficient information in order to account for the plan as a defined benefit pension plan, for which reason only defined benefit plans in Norway are recognized as liabilities in the balance sheet.

	GROUP	
NET PENSION EXPENSES	**2017/18**	**2016/17**
Cost of service during the period	61	55
Cost of service, previous periods (plan change/adjustment)	-37	0
Employee contributions	-17	-16
Net interest	0	1
Pension expense, defined benefit pension plans, in profit/loss for the year	**7**	**40**
Pension expense, defined contribution pension plans, in profit/loss for the year	290	243
Pension expenses in profit/loss for the year	**297**	**283**
Remeasurement of defined benefit pension plans recognized as other comprehensive income	87	-12
PENSION EXPENSE IN TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**384**	**271**

The premiums for the year for pension insurance plans contracted with Alecta amount to SEK 92 million (SEK 87 million). The Group's percentage of the premiums paid to Alecta amounted to around SEK 0.6 percent (around 0.6 percent). 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 vested 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 interval. In the case of a low funding ratio, steps may be taken to raise the agreed price for new policies and expand existing benefits. In the case of a high funding ratio, steps may be taken to introduce premium reductions. As of June 30, 2018, Alecta's surplus in the form of its collective funding ratio was 154 percent (156 percent).

In Norway, responsibility for retirees who took early retirement was moved from the companies to the state, resulting in what is known as a curtailment gain of SEK 37 million.

The following is information on defined benefit pension plans in Norway. The 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 plans' rules through 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 the employees contribute 2 percent of their gross salary in premium payments.

Pension adjustment in Norway relates to one-off effect due to changed pension rules affecting retirees who took early retirement, refer to Note 9.

NET DEFINED BENEFIT PENSION LIABILITY	**GROUP**	
	2018-06-30	**2017-06-30**
Present value of pension liability	525	439
Fair value of plan assets	-484	-418
NET PENSION LIABILITY (+) /ASSETS (–) IN THE BALANCE SHEET	**40**	**21**

CHANGE IN PRESENT VALUE OF PENSION LIABILITY	**GROUP**	
	2017/18	**2016/17**
Pension liability, opening balance	**439**	**381**
Effect of acquisitions	15	10
Cost of service during the period	61	55
Cost of service, previous periods (plan change/adjustment)	-39	–
Interest expense	11	10
Remeasurement of pensions,		
– demographic assumptions	–	–
– financial assumptions	–	–
– experience-based adjustments	67	0
Pension disbursements	-3	-5
Paid payroll tax	-13	-10
Plan change/adjustment	-53	–
Exchange rate difference	40	-2
PENSION LIABILITY, CLOSING BALANCE	**525**	**439**

CHANGE IN FAIR VALUE OF PLAN ASSETS	**GROUP**	
	2017/18	**2016/17**
Plan assets, opening balance	**418**	**328**
Effect of acquisitions	13	8
Interest income	8	9
Return over and above interest income	-25	12
Employer contributions	72	53
Employee contributions	18	16
Pension disbursements from plan assets	-3	-5
Plan change/adjustment	-53	–
Exchange rate difference	37	-3
PLAN ASSETS, CLOSING BALANCE	**484**	**418**

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 depends on several factors, such as the buffer and interest rate level.

INVESTMENT OF PLAN ASSETS	2018–06–30	2017–06–30
Shares	7%	11%
Interest-bearing investments	78%	72%
Property	11%	15%
Alternative investments	4%	2%
Total	**100%**	**100%**

The present value of pension obligations depends on a number of factors established based on a number of assumptions.

SIGNIFICANT ACTUARIAL ASSUMPTIONS	2018-06-30	2017-06-30
Discount rate	2.60%	2.50%
Salary increase	2.50%	2.50%
Upward adjustment of pension	0.50%	0.00%
Increase in social security amount	2.25%	2.25%
Employee turnover	13% until age 40, then 6%	13% until age 40, then 6%
Life expectancy, mortality table	K2013BE	K2013B

The Norwegian pension agreements cover around 2,550 individuals, including 2,360 who are active and about 200 retirees. The pension plan essentially covers young women in active service. The defined benefit pension obligation totals SEK 489 million, of which SEK 392 million relates to the active employees and the remaining SEK 96 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 plans amount to around SEK 85 million for the upcoming financial year. Added to this is Norwegian payroll tax of around SEK 11 million. The expected contributions to the Swedish defined benefit plans with Alecta amount to around SEK 116 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, so called paid-up policies, is however transferred to the insurance provider and the pension obligations for paid-up policies are not recognized as net debt.

SENSITIVITY ANALYSIS FOR PENSION LIABILITIES	CHANGE OF ASSUMPTIONS		CHANGE IN LIABILITIES SEK M	
Discount rate	-0.50%	0.50%	105	-80
Salary increase	-1.00%	1.00%	-35	40
Upward adjustment of pension	-0.50%	0.50%	-68	85

The sensitivity analysis was carried out for the most significant actuarial assumptions, which are the discount rate, salary increase and pension increases. 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.

As of September 30, 2018, AcadeMedia has chosen to apply the actuarial assumptions that Norsk Regnskabsstiftelse published on August 30, 2018, which means that the assumption regarding the upward adjustment of pensions will increase to 0.8% (0.5% per the annual accounts), the wage increase rate will be 2.75% (2.5% in the annual accounts) and social security contributions will increase to 2.5% (2.25% in the annual accounts). In addition, the discount rate changed from 2.6% to 2.7%. Taken together, this leads to an actuarial loss of NOK 32 million, which is reported under other comprehensive income in the financial statements of September 30, 2018. The effect on reported pension costs is limited.

Note 7: State subsidies

	GROUP	
	2017/18	2016/17
Government initiative to boost teacher salaries	73	73
Head teachers/career service	44	41
Other wage subsidies	58	41
Other	126	89
TOTAL	**302**	**245**

State subsidies to cover payroll expenses such as the teacher salary premium, head teacher premium and other wage subsidies, are recognized net under personnel expenses. In all, state wage subsidies totaled SEK 175 million (156). Other state subsidies totaled SEK 126 million (89) and are recognized in revenue. This item includes other state subsidies for the primary school initiative, smaller classes, skills development and before and after school care initiatives.

Note 8: Depreciation/amortization

	GROUP	
	2017/18	2016/17
Other intangible assets	4	6
Brands	1	0
Equipment	182	153
Improvement expenses on third-party property	32	30
Buildings	31	23
DEPRECIATION/AMORTIZATION FOR THE YEAR	**250**	**212**

Note 9: Items affecting comparability

Items affecting comparability include non-recurring income and expenses. These are on a separate line in the accounts to improve comparability between periods and to clarify the trend in the underlying operation. 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, reorganization costs, as well as costs arising from strategic decisions and major restructuring that results in closing down of units.

	GROUP	
	2017/18	2016/17
Restructuring expenses for closing down units	-34	-9
Hermods SFI	-23	–
Transaction costs	-8	-12
IPO expenses	0	-1
Integration costs Vindora	-20	-
Operating expenses affecting comparability	–	-2
New share issue	0	–
Pension adjustment – Norway	37	–
TOTAL	**-48**	**-23**

Restructuring expenses in 2017/18 within 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 relate in part to integration of the IT environment, business system, wage and severance pay to previous CEO/managers within Vindora, which had a negative impact on both Upper Secondary School segment and the Adult Education segment. Pension adjustment in 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (SEK M)	**GROUP 2017/18**	**2016/17**
Net sales	10,810	9,520
	10,810	**9,520**
Cost of purchased services	-923	-796
Other external expenses	-2,368	-2,085
Personnel expenses	-6,648	-5,813
Depreciation/amortization	-250	-212
	-10,188	**-8,905**
OPERATING PROFIT/LOSS	**622**	**615**

Note 10: Segment reporting

The Group's operations are run within four segments: Pre- and Compulsory School (Sweden), Preschool International, Upper Secondary School (Sweden) and Adult Education (Sweden). Preschool International is located in Norway and Germany, while the other segments are based in Sweden.

AcadeMedia's Pre- and Compulsory School segment runs preschools and compulsory schools in a large number of municipalities throughout Sweden under the brands Pysslingen Förskolor, Pysslingen Skolor and Vittra. The operation is run entirely based 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 101 units and has a clear proficiency-oriented concept. In Germany preschools are operated at 29 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 17 different brands, offering both university preparatory and vocational programs. The segment's brands include Plusgymnasiet, NTI, LBS, ProCivitas and Rytmus. The operation is run entirely based 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, Labor 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 Service.

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 income/expense and tax on the year's profits per segment either.

2017/18 SEK M	**Pre- and Compulsory School**	**Preschool International **)**	**Upper Secondary School**	**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	57	172	81	95	320	723	-723	-
Sales revenue, total	**3,969**	**2,170**	**3,310**	**1,760**	**325**	**11,534**	**-723**	**10,810**
EBITDA before items affecting comparability	239	182	413	144	-58	920	–	920
Depreciation/amortization	-61	-56	-121	-8	-4	-250	–	-250
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**

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

2016/17 SEK M	Pre- and Compulsory School	Preschool International **)	Upper Secondary School	Adult Edu-cation	Other/ Group	Total	Elimination	Group
Net sales, external	3,690	1,725	2,526	1,576	4	9,520	–	9,520
Net sales, internal	89	156	89	94	340	767	-767	–
Sales revenue, total	**3,779**	**1,881**	**2,615**	**1,670**	**343**	**10,288**	**-767**	**9,520**
EBITDA before items affecting compa-rability	252	139	312	206	-61	849	–	849
Depreciation/amortization	-54	-42	-105	-7	-4	-212	–	-212
Operating profit/loss (EBIT) before items affecting comparability	199	98	206	200	-65	638	–	638
Items affecting comparability	0	0	-9	0	-14	-23	–	-23
Operating profit/loss (EBIT)	199	98	198	200	-79	615	–	615
Net financial items	–	–	–	–	-80	-80	–	-80
Profit/loss after financial items (EBT)	–	–	–	–	535	535	–	535
Tax on profit for the year	–	–	–	–	-120	-120	–	-120
PROFIT FOR THE YEAR	**–**	**–**	**–**	**–**	**416**	**416**	**–**	**416**

Total number of students*	31,231	9,295	25,544	***)	–	66,070	–	66,070
Number of children, preschools*	11,035	9,295	–	–	–	20,330	–	20,330
Number of students, compulsory schools*	20,196	–	–	–	–	20,196	–	20,196
Number of students, upper secondary schools*	–	–	25,544	–	–	25,544	–	25,544
Number of employees*	4,452	2,210	2,186	1,587	127	10,564	–	10,564
Number of units*	228	102	103		–	433	–	433

*) Relates to average per year.

**) Espira was acquired in May 2014 and Joki was acquired in February 2016, at which time the name of the segment was changed to Preschool International.

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

Geographic information

REVENUE FROM EXTERNAL CUSTOMERS (BASED ON PLACE OF RESIDENCE)	GROUP 2017/18	GROUP 2016/17
Sweden	8,812	7,795
Norway	1,751	1,619
Germany	247	106
TOTAL	**10,810**	**9,520**

The Group has one customer whose sales amounted to around 13% (14%) of the Group's total net sales for 2017/18. The breakdown by segment for this customer is as follows: Pre- and Compulsory School SEK 799 (777) million, Upper Secondary School SEK 365 (343) million and Adult Education SEK 195 (168) million.

NON-CURRENT ASSETS BY COUNTRY	GROUP 2017/18	GROUP 2016/17
Sweden	5,591	4,751
Norway	1,833	1,549
Germany	349	251
TOTAL	**7,773**	**6,551**

Non-current assets do not include financial instruments, deferred tax assets and pension assets.

Note 11: Taxes

Income tax in the consolidated statement of comprehensive income consists of the following main components:

	GROUP		PARENT COMPANY	
	2017/18	2016/17	2017/18	2016/17
Income statement				
Current tax				
Current tax on profit for the year	-123	-65	-2	0
Adjustment for previous years	3	-3	–	–
Total current tax	**-120**	**-68**	**-2**	**0**
Deferred tax				
Emergence and reversal of temporary differences	-4	-51	-1	–
Total deferred tax	**-4**	**-51**	**-1**	**–**
Total tax expense recognized in the income statement	**-124**	**-120**	**-3**	**0**
Other comprehensive income				
Deferred tax attributable to defined benefit plans	21	-3	–	–
TOTAL TAX EXPENSE RECOGNIZED IN ¨OTHER COMPREHENSIVE INCOME	**21**	**-3**	**–**	**–**

RECONCILIATION OF TAX RECOGNIZED IN THE INCOME STATEMENT	GROUP		PARENT COMPANY	
	2017/18	2016/17	2017/18	2016/17
Profit/loss before tax	555	535	14	0
Tax on profit for the year based on the tax rate in effect (22.0%)	-122	-118	-3	0
Tax effect of:				
Effect of other tax rates for foreign companies	-1	-1	–	–
Other non-deductible expenses	-30	-4	0	0
Non-taxable income	2	0	0	0
Deferred tax on temporary differences	24	4	–	–
Adjustment for previous years	3	-3	–	–
Other	0	2	–	–
RECOGNIZED TAX EXPENSE	**-124**	**-120**	**-3**	**0**

	GROUP		PARENT COMPANY	
	2018-06-30	2017-06-30	2018-06-30	2017-06-30
Deferred tax assets				
Intangible non-current assets	0	0	–	–
Property, plant and equipment	18	17	–	–
Tax deficit	3	7	–	1
Pension provisions	27	5	–	–
Deferred tax on provisions made	48	–	–	–
Other	0	25	–	–
Total deferred tax assets	**96**	**54**	**–**	**1**
Offsetting of tax asset/tax liability	-69	-47	–	–
Deferred tax assets, closing balance	**27**	**7**		**1**
Deferred tax liability				
Intangible non-current assets	16	9	–	–
Property, plant and equipment	29	34	–	–
Untaxed reserves	110	70	–	–
Total deferred tax liabilities	**155**	**113**	**–**	**–**
Offsetting of tax asset/tax liability	-69	-47	–	–
Deferred tax liabilities, closing balance	**86**	**66**	**–**	**–**
Change in deferred tax				
Deferred tax net, opening balance	-59	-6	1	1
Reclassification, previous year	-1	1	–	–
Deferred tax according to the income statement	-4	-51	-1	–
Company acquisitions	-16	0	–	–
Deferred tax pension recognized as equity	21	-3	–	–
Translation difference	0	0	–	–
Deferred tax net, closing balance	**-59**	**-59**	**–**	**1**

Tax loss carry-forwards

The tax loss carry-forwards for the Group amount to SEK 20 (30) million. As of June 30, 2018 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 2022 at the latest. Tax loss carry-forwards in Sweden amount to SEK 14 million, in Norway SEK 5 million, and in Germany SEK 1 million. Loss carry-forwards have no time limit. The parent company's deferred tax loss carry-forwards total SEK 0 (3) million.

Deferred tax assets are recognized as an asset to the extent it is likely that the loss carry-forward can be used to offset a surplus in future tax returns. SEK 20 (30) million of the Group's tax loss carry-forwards are expected to be able to offset future tax surpluses.

Note 12: Interest income and similar profit/loss items

	GROUP		PARENT COMPANY	
	2017/18	2016/17	2017/18	2016/17
Interest income	2	7	0	0
Interest rate swaps*	–	1	–	–
Foreign exchange gains	4	–	–	–
Other	0	1	0	–
INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS	**5**	**9**	**0**	**0**

* Change in value of the Group's derivatives (swaps); for more information about the Group's derivatives (swaps), refer to Note 27.

Note 13: Interest expense and similar profit/loss items

	GROUP		PARENT COMPANY	
	2017/18	2016/17	2017/18	2016/17
Interest expense	-62	-69	-3	0
Borrowing costs *)	-5	-5	–	–
Exchange rate losses	0	-3	–	–
Impairment	–	-8	–	–
Bank fees and similar	-5	-5	-2	0
INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS	**-73**	**-89**	**-5**	**0**

*) Handling charges for new loans are expensed over the term of the loan. During the financial year, scheduled amortization of capitalized borrowing costs was SEK 5 (5) million.

Note 14: Business combinations

Acquisitions 2017/18

Acquiring companies	Acquired companies/businesses	Acquisition date	Segment
Espira Barnehager AS	Tomm Murstad Friluftsbarnehage AS	Oct. 1, 2017	Preschool International
ACM 2001 AB	Vindora Holding AB	Nov. 1, 2017	Upper Secondary /Adult Ed
Espira Barnehager AS	Espira Muruvik Barnehage AS*	Dec. 1, 2017	Preschool International
Espira Barnehager AS	Espira Kystad Gård Barnehage AS*	Dec. 1, 2017	Preschool International
Espira Barnehager AS	Espira Fosslibekken Barnehage AS*	Dec. 1, 2017	Preschool International
Pysslingen Förskolor och Skolor AB	Kringlaskolan AB	Dec. 1, 2017	Pre- and Compulsory School
Pysslingen Förskolor och Skolor AB	Alba Gruppen AB*	Dec. 1, 2017	Pre- and Compulsory School
Pysslingen Förskolor och Skolor AB	Limhamns Förskola AB	Jan. 1, 2018	Pre- and Compulsory School
Espira Barnehager AS	Espira Juberg	Feb. 1, 2018	Preschool International
AcadeMedia GmbH	KTS Verwaltungs GmbH	March 1, 2018	Preschool International

*) The Alba Group was acquired as four different companies; viewed as one acquisition

The acquisition analyses are preliminary for one year commencing on the acquisition date.

Of the above acquisitions, Vindora Holding AB represents a value greater than 5 percent of the Group, for which reason 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 power of all acquisitions amounts to 100 percent. Of the above acquisitions, the acquisition of Espira Juberg entails 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 conditional or deferred consideration and it cannot exceed EUR 2 million (SEK 21 million), which corresponds with the nominal amount; note 35 describes how fair value is calculated.

The following are disclosures of adjusted acquired net assets and goodwill. Amortization/impairment of goodwill attributable to goodwill on consolidation are not tax deductible, while amortization/impairment attributable to business acquisitions (net assets) are tax deductible.

ACQUISITION EFFECTS OF ACQUISITIONS MADE 2017/2018	VINDORA HOLDING AB	OTHER	TOTAL
Purchase consideration including transaction expenses	567	170	737
Purchase consideration excluding transaction expenses	563	166	729
Fair value of acquired net assets excluding goodwill	67	-22	45
TOTAL GOODWILL	**630**	**144**	**774**

ACQUIRED FAIR VALUE 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**

The fair value of acquired receivables is included in current assets and amounts to SEK 91 million. The receivables are expected to be received in full. Goodwill that has arisen from acquisitions consists of synergies with existing businesses, as well as resources such as personnel, education programs, recruitment and personnel development, as well as service organization, which can be streamlined as a result of the acquisitions.

THE EFFECT OF ACQUISITIONS ON CONSOLIDATED CASH AND CASH EQUIVALENTS 2017/2018	VINDORA HOLDING AB	OTHER	TOTAL
Purchase consideration excluding transaction expenses and including interest compensation	563	166	730
Less purchase consideration that has not been settled in cash as of June 30, 2018.	0	-21	-21
Cash and cash equivalents at time of 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 JULY 1, 2017 THE CONTRIBUTION WOULD HAVE BEEN	VINDORA HOLDING AB	OTHER	TOTAL
Net sales	951	181	1,131
Operating profit/loss (EBIT)	77	3	80

Acquisitions 2016/17

Acquiring companies	Acquired companies/businesses	Acquisition date	Segment
Espira Barnehager AS	Skånetoppen Barnehage	July 1, 2016	Preschool International
Espira Barnehager AS	Espira Rødknappen AS	Sept. 1, 2016	Preschool International
Espira Barnehager AS	Espira Jeløy AS	Nov. 1, 2016	Preschool International
Pysslingen Förskolor och Skolor AB	Kungsholmens Förskola AB	Dec. 1, 2016	Pre- and Compulsory School
Pysslingen Förskolor och Skolor AB	Sofiero Förskola AB	Feb. 1, 2017	Pre- and Compulsory School
AcadeMedia fria grundskolor AB	Växthuset förskola i Mölndal AB	Feb. 1, 2017	Pre- and Compulsory School
Pysslingen Förskolor och Skolor AB	Kulskolan	Feb. 1, 2017	Pre- and Compulsory School
Espira Barnehager AS	Espira Kulturstien AS	April 1, 2017	Preschool International
Espira Barnehager AS	Espira Lindesnes AS	April 1, 2017	Preschool International
AcadeMedia GmbH	Step Kids Education GmbH	April 1, 2017	Preschool International
Pysslingen Förskolor och Skolor AB	Åsöbergets Förskola AB	June 1, 2017	Pre- and Compulsory School

Together these acquisitions represent a value of less than 5 percent of the Group, and accordingly they are not specified as separate acquisitions in the tables. The voting power of all acquisitions amounts to 100 percent. Of the above acquisitions, the acquisition of Skånetoppen Barnehage and Kulskolan entails the acquisition of the assets and liabilities of the business.

Acquisitions of large and small businesses comprise an important part of AcadeMedia's growth strategy.

The purchase consideration in all bolt-on acquisitions consists of a cash consideration in all cases except Step Kids Education GmbH (Stepke), and no contracts are in place regarding a contingent or deferred consideration. The acquisition of Stepke was financed in part by a non-cash issue of 524,997 shares in AcadeMedia AB (publ.) corresponding to a value of SEK 29 million (EUR 3.0m). The value of AcadeMedia AB (publ) shares has been calculated as a weighted average during the period March 31, 2017 to April 13, 2017, which gave a weighted average price of SEK 54.7319 per share. An additional consideration of a maximum of EUR 4.0 million (38) may fall due, depending on the financial outcome for the 2018 and 2019 calendar years, corresponding to the nominal amount of the purchase consideration; Note 35 describes how fair value is calculated. This is included in the purchase consideration in its entirety.

The following are disclosures of adjusted acquired net assets and goodwill. Amortization/impairment of goodwill attributable to goodwill on consolidation are not tax deductible, while amortization/impairment attributable to business acquisitions (net assets) are tax deductible.

ACQUISITION EFFECTS OF ACQUISITIONS MADE	2016/2017
Purchase consideration including transaction expenses	215
Purchase consideration excluding transaction expenses	208
Fair value of acquired net assets excluding goodwill	-13
TOTAL GOODWILL	**195**

FAIR VALUE ACQUIRED	2016/2017
Intangible non-current assets excluding goodwill	1
Property, plant and equipment	92
Financial assets, including deferred tax assets	–
Current assets	11
Cash and cash equivalents	27
Non-current loans	-64
Other non-current liabilities	–
Other current liabilities	-47
Current tax liability	-4
Deferred tax liability	-2
NET ASSETS ACQUIRED	**13**

The fair value of acquired receivables is included in current assets and amounts to SEK 11 million. The receivables were expected to be received in full. Goodwill that arises from acquisitions consists of synergies with existing businesses, as well as resources such as personnel, education programs, recruitment and personnel development, as well as service organization, which can be streamlined as a result of the acquisitions.

IMPACT OF THE ACQUISITIONS ON THE GROUP'S CASH AND CASH EQUIVALENTS	2016/2017
Purchase consideration agreed	208
Cash and cash equivalents at time of acquisition	-27
Less purchase consideration that has not been settled in cash	-29
Unsettled purchase consideration	-40
IMPACT ON THE GROUP'S CASH AND CASH EQUIVALENTS	**111**

Group total

ACQUISITION EFFECTS OF ACQUISITIONS MADE	2017/2018	2016/2017
Purchase consideration including transaction expenses and interest compensation	737	215
Transaction costs	-8	-7
Purchase consideration excluding transaction expenses and including interest compensation	729	208
Fair value of acquired net assets excluding goodwill	45	-13
TOTAL GOODWILL	**774**	**195**

Goodwill is mainly attributable to:

- The business can sustainably operate with good profitability based on its quality and attractiveness as the result of a well-developed organization
- 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.
- Expanded operations into new geographic markets

IMPACT OF THE ACQUISITIONS ON THE GROUP'S CASH AND CASH EQUIVALENTS	2017/2018	2016/2017
Purchase consideration excluding transaction expenses and including interest compensation	729	208
Cash and cash equivalents at time of acquisition	-104	-27
Less purchase consideration that has not been settled in cash	0	-29
Unsettled purchase consideration	-15	-40
IMPACT ON THE GROUP'S CASH AND CASH EQUIVALENTS	**610**	**111**

CONTRIBUTION OF ACQUISITIONS TO CONSOLIDATED PROFIT 2016/2017	OTHER
Net sales	67
Operating profit/loss (EBIT)	9

IF THE UNITS HAD BEEN INCLUDED IN CONSOLIDATED PROFIT FROM JULY 1, 2016 THE CONTRIBUTION WOULD HAVE BEEN	OTHER
Net sales	167
Operating profit/loss (EBIT)	5

Note 15: Goodwill

	GROUP	
	2018-06-30	2017-06-30
Cost, opening balance	5,077	4,878
Company acquisitions	774	195
Translation difference	86	4
Accumulated cost, closing balance	**5,937**	**5,077**
Impairment, opening balance	-4	-4
Impairment for the year	–	–
Accumulated impairment, closing balance	**-4**	**-4**
CARRYING AMOUNT, CLOSING BALANCE	**5,933**	**5,073**

Note 16: Brands

	GROUP	
	2018-06-30	2017-06-30
Cost, opening balance	194	194
Company acquisitions	41	–
Accumulated cost, closing balance	**235**	**194**
Amortization, opening balance	0	0
Amortization for the year	-1	–
Accumulated amortization, closing balance	**-1**	**0**
CARRYING AMOUNT, CLOSING BALANCE	**234**	**194**

	GROUP	
	2018-06-30	2017-06-30
All brands included above relate to Sweden:		
Pysslingen	39	39
Vittra	8	8
Rytmus	5	5
NTI	30	30
LBS	12	12
ProCivitas	0	0
NTI-skolan	0	0
Hermods	100	100
Praktiska	40	–
Eductus	0	0
	234	**194**

Note 17: Impairment testing

The Group tests at least once a year for impairment of goodwill and brands (refer to accounting policies in Note 1). Impairment testing has been done as of March 31, 2018. Goodwill and brands are monitored within the Group by segment for the Pre- and Compulsory School, Upper Secondary School and Adult Education segments, which therefore comprise cash-generating units (CGU). The operations in Norway and Germany, which are similar, comprise a 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 Norway's properties and not that the German operations were acquired as an expansion platform.

The recoverable amount of the CGUs is calculated on the basis of a ten-year forecast which is based on: approved budget, the segment's business plan up to and including 2022/2023, and an additional five years so that the depreciation/amortization will reflect the investment assumptions. The board of directors has approved these plans based on previous results, industry experience and expectations for market trends. Budgets and business plans are drawn up separately and are based on the segments' unit portfolios. The business plans include assumptions on growth in the number of students, margins, tied-up working capital and investment requirements. The first forecast year takes inflation into account; after that the forecasts are nominal. When testing the Norwegian operations, the business and properties are measured separately. The business is measured as though all units had a market rent to neutralize the cost benefits of operating in their own premises. Property is measured using direct yield requirements for similar properties.

Cash flow beyond the business plan is expected to grow by 1% for all Nordic operations and Germany has a growth rate of 2%. 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 can be found below.

	Goodwill	Brands	Growth rate*	WACC**
CGU – June 30, 2018				
Pre- and compulsory schools	1,940	47	1%	9.1%
Preschool Norway***	840	0	1%	9.7%
Preschool Germany***	275	0	2%	15.0%
Upper Secondary Schools	2,073	86	1%	9.0%
Adult Education	804	101	1%	10.0%
	5,933	**234**		
CGU – June 30, 2017				
Pre- and compulsory schools	1,889	47	1%	11.2%
Preschool Norway***	725	0	1%	11.4%
Preschool Germany***	211	0	2%	14.6%
Upper Secondary Schools	1,493	47	1%	11.3%
Adult Education	754	100	1%	11.1%
	5,073	**194**		

* Growth rate from last forecast year, 2027/28
** Pre-tax discount rate used for estimated future cash flows.
***Preschool Norway and Preschool Germany together comprise the Preschool International segment

The impairment test shows no need for an impairment write-down. Moreover, AcadeMedia conducted a comprehensive analysis of the sensitivity in the variables used in the model. The analysis takes into account a reasonable decline in the operating margin, an increase in the discount rate and lowered growth assumptions. A change in each of the significant assumptions included in the calculation shows that the recoverable amount exceeds the carrying amount with a margin for the Pre- and Compulsory School, Upper Secondary School and Adult Education segments. By raising the yield target requirement before tax by 4.1 percentage points for Norway and 0.8 percentage points for Germany, the recoverable amount would correspond to the book value.

Note 18: Other intangible non-current assets

	GROUP	
	2018-06-30	2017-06-30
Cost, opening balance	26	22
Acquisitions for the year	6	3
Disposals	–	–
Company acquisitions	0	1
Translation difference	0	–
Accumulated cost, closing balance	**32**	**26**
Amortization, opening balance	-19	-13
Disposals	–	–
Amortization for the year	-4	-6
Translation difference	0	0
Accumulated amortization, closing balance	**-23**	**-19**
CARRYING AMOUNT, CLOSING BALANCE	**9**	**7**

Other intangible non-current assets consist of computer software and teaching platforms.

Note 19: Buildings

	GROUP	
	2018-06-30	2017-06-30
Cost, opening balance	832	660
Translation difference	82	1
Company acquisitions	1	80
Purchases	119	91
Reclassifications	-5	–
Less sales for the year	–	–
Accumulated cost, closing balance	**1,029**	**832**
Amortization, opening balance	-44	-22
Translation difference	-6	1
Depreciation of buildings sold	–	–
Depreciation/amortization for the year	-31	-23
Accumulated amortization, closing balance	**-81**	**-44**
CARRYING AMOUNT, CLOSING BALANCE	**948**	**788**

The buildings relate to preschool properties in the Preschool International segment and were added through the acquisition of Espira and Stepke, as well as subsequent expansion with 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. As of June 30, 2018, 29 (26) properties were owned.

Note 20: Equipment

	GROUP	
	2018-06-30	2017-06-30
Cost, opening balance	867	776
Translation difference	13	0
Company acquisitions	23	9
Purchases	208	204
Reclassifications	–	1
Less sales for the year	0	0
Disposals	-64	-122
Accumulated cost, closing balance	**1,047**	**867**
Amortization, opening balance	-554	-523
Translation difference	-5	0
Depreciation/amortization for the year	-181	-153
Reclassifications	–	2
Disposals	61	120
Accumulated amortization, closing balance	**-679**	**-554**
CARRYING AMOUNT, CLOSING BALANCE	**368**	**313**

Note 21: Equipment held under finance leases

	GROUP	
	2018-06-30	2017-06-30
Cost, opening balance	261	250
Purchases	109	102
Company acquisitions	6	-
Disposals	-58	-91
Accumulated cost, closing balance	**318**	**261**
Amortization, opening balance	-162	-173
Depreciation/amortization for the year	-97	-80
Disposals	58	91
Accumulated amortization, closing balance	**-201**	**-162**
CARRYING AMOUNT, CLOSING BALANCE	**117**	**99**

The leased assets in the table above are included in the table in Note 20. The Group's future lease obligations are described in Note 3.

Note 22: Improvement expenses on third-party property

	GROUP	
	2018-06-30	2017-06-30
Cost, opening balance	376	313
Company acquisitions	8	–
Purchases	132	70
Reclassifications	5	0
Translation difference	-1	–
Disposals	-10	-7
Accumulated cost, closing balance	**511**	**376**
Amortization, opening balance	-200	-173
Depreciation/amortization for the year	-32	-30
Reclassifications	–	-2
Disposals	4	5
Translation difference	0	0
Accumulated amortization, closing balance	**-228**	**-200**
CARRYING AMOUNT, CLOSING BALANCE	**283**	**176**

Note 23 Shares in subsidiaries

The Group has operations in Sweden, Norway and Germany. The parent company has controlling interest over the subsidiaries. All subsidiaries are wholly owned, directly or indirectly, by the parent company.

Book value, opening balance as of July 1, 2017	2,247
Book value, closing balance as of June 30, 2018	**2,247**

DIRECT OWNERSHIP Subsidiary	Corp. ID no.	Registered office	Capital share	Number of shares	Nominal value	Book value
AcadeMedia Group AB	556806-1369	Stockholm	100%	50,000	1	2,247

Nominal values in the tables below are denominated in local currency.

INDIRECT OWNERSHIP OF SUBSIDIARIES IN THE GROUP	Corp. ID no.	Registered office	Capital share	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 AB	556590-6947	Stockholm	100%	808,600	10
Didaktus Skolor AB	556473-2856	Stockholm	100%	4,300	50
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%	1000	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 AB	556861-7061	Stockholm	100%	50,000	1
Utbildning och vård koncern Sverige AB	556735-0193	Stockholm	100%	1,058,409	1
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

INDIRECT OWNERSHIP OF SUBSIDIARIES IN THE GROUP	Corp. ID no.	Registered office	Capital share	Number of shares	Nominal Value/share (NOK)
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 Barne-hage 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

INDIRECT OWNERSHIP OF SUBSIDIARIES IN THE GROUP	Corp. ID no.	Registered office	Capital share	Number of shares	Nominal Value/share (EUR)
AcadeMedia GmbH	HRB 222 151	Munich	100%	25,000	1
Joki Harlaching GmbH	HRB 187 591	Munich	100%	25,000	1
Joki Kinderbetreuung Pasing GmbH	HRB 174 184	Munich	100%	25,000	1
Joki Trudering GmbH	HRB 206 880	Munich	100%	25,000	1
Joki Kinderbetreuung Obermenzing GmbH	HRB 214 371	Munich	100%	25,000	1
Joki Kinderbetreuung Forstenried GmbH	HRB 214 367	Munich	100%	25,000	1
Joki Kinderbetreuung Johanneskirchen GmbH	HRB 214 359	Munich	100%	25,000	1
Joki Kinderbetreuung Lerchenau GmbH	HRB 214 655	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 gGmbH	HRB 149735 B	Berlin	100%	25,000	1
KTS Verwaltungs GmbH	HRB 190824	Munich	100%	25,000	1

Note 24: Accounts receivable

	GROUP	
	2018-06-30	2017-06-30
Not overdue	182	139
Overdue 1-15 days	4	8
Overdue 16-30 days	3	1
Overdue more than 30 days	12	7
Total	**201**	**155**
Reserves for doubtful accounts receivable, opening balance	1	2
Increase of reserves	1	0
Reversed reserves (–)	0	-1
Reserves for doubtful accounts receivable, closing balance	**2**	**1**
ACCOUNTS RECEIVABLE, CLOSING BALANCE	199	**154**
Confirmed bad debt losses	0	1

The Group's reserves for doubtful accounts receivable are for the category "Overdue more than 30 days."
There is normally no security for the claims. The Group's customers are mainly 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.
Reservations for doubtful accounts receivable are made individually in accordance with internal regulations and normally when the debts are more than 60 days past due. The reservation is then kept at 100 percent. The reserve for doubtful accounts receivable and established customer losses are included in other external expenses.

Note 25: Prepaid expenses and accrued income

	GROUP		PARENT COMPANY	
	2018-06-30	2017-06-30	2018-06-30	2017-06-30
Prepaid rent	243	222	–	–
Prepaid lease expenses	7	10	–	–
Other prepaid expenses	79	91	1	–
Accrued income	122	134	–	–
TOTAL	**451**	**456**	**1**	–

Other prepaid expenses are mainly prepaid pension premiums. Accrued income mainly relates to unbilled programs in adult education.

Note 26: Cash and cash equivalents

	GROUP		PARENT COMPANY	
	2018-06-30	2017-06-30	2018-06-30	2017-06-30
Cash and bank balances	699	579	394	373
TOTAL	**699**	**579**	**394**	**373**

The definition of cash and cash equivalents in the balance sheet is the same as in 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 27: Financial risk and management of capital risk

AcadeMedia has a general financial policy that focuses on the unpredictability of the financial markets with the aim of minimizing potential unfavorable effects on the Group's financial results. The Group has previously used derivative instruments to hedge certain risk exposure.

Risk management is carried out centrally within the Group in accordance with policies established by the board. The board has adopted a financial policy that covers the overall financial risk management for specific areas, such as currency risk, interest risk, credit risk, usage of derivatives and other financial instruments and placement of liquidity.

The purpose is to minimize the Group's cost of capital through appropriate financing and efficient management and control of the Group's financial risks. The Group works actively with its follow-up on liquidity and continuously updates the forecasts of the expected development of liquidity. This makes it possible to take the necessary steps in time.

Interest rate risk

AcadeMedia's loans consist of business loans and real estate loans. The real estate loans consist of both non-current loans in the Norwegian State Housing Bank (Norw. Husbanken) and current construction loans.

Business loans have the six-month IBOR interest rate. The Group has previously had interest 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 therefore SEK 28 (26) million.

The change in value of derivatives improved the previous year's result by SEK 1 million, refer to Note 12. There are no derivatives as at June 30, 2018 (SEK 0 thousand).

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 subsequent payment, it is not possible to fully avoid credit losses. Collateral is not normally held for accounts receivable. The majority of the Group's customers are public authorities. The credit risk is deemed small in relation to the Group's total net sales. For more information, refer to Note 24.

Currency risk

AcadeMedia has a certain currency risk in its profit or loss. A total of 16 percent of sales are generated in Norway and denominated in NOK and just over 2% in Germany, denominated in EUR. Thus there is a certain currency risk linked to the NOK/SEK and EUR/SEK rates. A change in the exchange rate of +/- 10 percent would therefore mean a change in sales of +/- SEK 200 million and a change in operating profit/loss of +/- SEK 11 million.

Transactions between companies in different countries occur only 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 fulfill 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 June 29, 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 the sixth of July, 2018, a new loan agreement came into effect. The new agreement is expected to provide 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 3.5xx.

Covenant 2, interest cover = EBITDA/interest paid in cash The ratio must exceed 4xx.

All covenants had been fulfilled by the Group as of June 30, 2018. 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 main part of the Group's operations is labor-intensive and has low investment requirements. The AcadeMedia Group mainly requires investments in equipment, except in Norway where new preschools usually entail investments in own buildings. Furthermore, for the most part, income/school vouchers are received in advance, making the 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, refer to Note 33.

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 favorable terms and with significantly higher costs. 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, in connection with the maturity of the above-mentioned loan agreement or in the event additional financing should be needed, will 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 opinion 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 the risk of being required to repay the loans early is therefore low. Furthermore, it is also assessed that the Group will manage interest rate payments even if the benchmark interest rate were to increase.

Note 28: 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 000s)
OPENING BALANCE, JULY 1, 2016	94,100	–	94,100	94,100
Rights issue, Class C shares Sept. 29, 2016	–	165	165	165
Non-cash issue Ordinary shares April 24, 2017	525	–	525	525
CLOSING BALANCE, JUNE 30, 2017	**94,625**	**165**	**94,790**	**94,790**
Rights issue Ordinary shares Dec. 21, 2017	10,514	–	10,514	10,514
Rights issue, Class C shares June 28, 2018	–	160	160	160
CLOSING BALANCE, JUNE 30, 2018	**105,139**	**325**	**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 large acquisitions. In addition, AcadeMedia also intends to provide the highest quality education in the areas where the Group operates. The target is for adjusted EBIT to amount to seven to eight percent of sales.

Regarding indebtedness, AcadeMedia's target is to have net debt in relation to operating profit before depreciation and amortization (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 larger acquisitions.

No non-controlling interests are recognized.

A preferential rights issue raised SEK 410 million before issue expenses on December 21, 2018 to partially finance the acquisition of Vindora, refer to Note 14. 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 June 28 a preferential rights issue was completed involving 160,000 Class C shares, which had the purpose of securing delivery of matching shares in the share-matching plan. The Class C shares were repurchased and are held by AcadeMedia AB (publ).

On April 24, 2017 a non-cash issue of SEK 29 million was made in conjunction with acquisitions in Germany, refer to Note 14.

Share capital

As of June 30, 2018 the registered share capital is 105,138,885 ordinary shares (94,624,997) with a quota value of SEK 1, as well as 325,000 Class C shares (165,000) with a quota value of SEK 1. Thus total share capital was 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 which had the purpose of securing 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 comprises all exchange rate differences arising on the translation of the financial statements of foreign operations stated 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 2017/18.

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.

DISTRIBUTION OF SHARE CAPITAL JUNE 30, 2018

Type of share	Class	Number	Amount, SEK
Ordinary share	Ordinary	105,138,885	105,138,885
Class C share	C	325,000	325,000

The Company's shares must be able to be issued in two classes, including 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 had the purpose of securing 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 676,500 (436,000) shares in
AcadeMedia AB may be issued. In all, 436,000 shares in AcadeMedia AB may be issued up until the 14th day 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 the 14th day after publication of the interim report for the second quarter of financial year 2020/2021.

Note 29: Earnings per share

EARNINGS PER SHARE	2017/18	2016/17
Profit for the year attributable to owners of the parent company, net after tax (SEK m)	430	416
Average number of ordinary shares, basic and diluted (thousands)	102,127 / 100,294	94,205 / 94,335
EARNINGS PER ORDINARY SHARE BASIC AND DILUTED (SEK)	**4.30 / 4.29**	**4.41 / 4.40**

Note 30: Pension provisions

	GROUP	
	2018-06-30	2017-06-30
Pension provisions – Norway	40	21

Pension provisions in Norway

Pension provisions in Norway consist of the net present value of defined benefit pension liabilities and the fair value of plan assets, refer to Note 6 Pensions.

Note 31: Other provisions

	GROUP		PARENT COMPANY	
	2018-06-30	2017-06-30	2018-06-30	2017-06-30
Provisions for restructuring expenses, opening balance	22	38	–	–
Provisions for restructuring expenses	2	11	–	–
Utilized provisions for restructuring expenses	-12	-24	–	–
Unutilized provisions for restructuring expenses	-5	-2	–	–
	7	**22**	**–**	**–**
Other provisions	2	4	1	0
TOTAL OTHER PROVISIONS	**9**	**26**	**1**	**0**

Restructuring expenses 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. Provisions for the year for restructuring expenses consist of provisions for close-down costs for 3 units, as well as a number of contracts within adult education where the program must be conducted according to agreements but is expected to operate at a loss. Restructuring expenses that are expected to be exercised over the next 12 months are recognized as accrued expenses, refer to Note 32; those expected to be used later are recognized as provisions and are included in the table above.

Note 32: Accrued expenses and deferred income

	GROUP		PARENT COMPANY	
	2018-06-30	2017-06-30	2018-06-30	2017-06-30
Accrued payroll expenses	907	778	8	8
Deferred income	257	181	–	–
Accrued interest on loans	18	23	–	–
Restructuring expenses	67	–	–	–
Other accrued expenses	82	53	8	–
TOTAL	**1,331**	**1,035**	**16**	**8**

Accrued payroll expenses relate mainly to vacation and vacation pay liabilities, but also to payroll taxes. The above restructuring expenses are expected to be exercised within 12 months from the closing date; those expected to be exercised later than 12 months are recognized as other provisions, refer to Note 31.

Note 33: Mortgages, liabilities and amortization schedule

The table below shows the Group's financial liabilities, divided up according to the remaining period after the closing date up to the contractual maturity date. The amounts given in the table are the contractual liabilities. Liabilities and agreed loan payments denominated in EUR and NOK have been converted to SEK at the closing date rate, EUR/SEK 10.4213 (9.6734) and NOK/SEK 1.0022 (1.0099). 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 9.9131 (9.6134) and NOK/SEK 1.0390 (1.0486).

	GROUP		PARENT COMPANY	
INTEREST-BEARING LIABILITIES	**2018-06-30**	**2017-06-30**	**2018-06-30**	**2017-06-30**
Non-current liabilities to credit institutions excl. real estate loans	1,579	1,706	–	–
Non-current interest-bearing liabilities – properties	603	467	–	–
Borrowing costs	-19	-15	-8	–
Total non-current liabilities to credit institutions	**2,163**	**2,158**	**-8**	**–**
Non-current finance leases	41	35	–	–
Other non-current liabilities (interest-bearing)	5	7	–	–
Borrowing costs	–	–	–	–
Total other non-current liabilities	**46**	**41**	**–**	**–**
Current liabilities to credit institutions	539	334	94	–
Current interest-bearing liabilities – properties	48	116	–	–
Total current liabilities to credit institutions	**587**	**449**	**94**	**–**
Current finance leases	77	66	–	–
Other current liabilities (interest-bearing)	8	1	–	–
	86	**67**	**–**	**–**
TOTAL INTEREST-BEARING LIABILITIES	**2,882**	**2,715**	**86**	**–**
Amortization				
Amortization year 1	673	516	94	–
Amortization years 2-5	1,711	1,814	–	–
Amortization years 5–	517	401	–	–
Total amortization	**2,901**	**2,731**	**94**	**–**

The difference between total amortization and total interest-bearing liabilities consists of borrowing costs, which reduce the interest-bearing liability but do not affect amortization.

INTEREST RATES	Interest rate year 1	Interest rate years 2-5	Interest rate year 5-	Total
Group	57	156	141	354
Parent company	2	–	–	2

	GROUP		PARENT COMPANY	
NON-INTEREST-BEARING LIABILITIES/ CREDIT MATURING WITHIN 12 MONTHS	**2018-06-30**	**2017-06-30**	**2018-06-30**	**2017-06-30**
Accounts payable	519	343	1	1
Current tax liabilities	37	13	–	–
Other current liabilities	217	185	0	1

Loan agreement

On June 29, 2018 the Group signed a five-year loan agreement for up to SEK 2,500 million between DNB Bank ASA 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 depends on the contractual lending currency) plus a variable margin based on the Group's net debt in relation to the Group's EBITDA. However, IBOR cannot be lower than 0, which means that negative interest rates have no impact. The loans were rewritten and the new agreement took effect on July sixth, 2018. As of June 30, 2018 the Company had utilized SEK 2,101 million of the total loan. The loan agreement contains covenants requiring certain financial key ratios (covenants) to be achieved relating to interest cover and net debt/equity ratio in relation 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 1.75 – 2.00% at the end of the financial year.

The loan is recognized 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 June 30, 2017 loans to Husbanken totaled SEK 609 million and the interest on these loans was 1.6-3.1%. The original term for the Husbank 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 or 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 the conversion of the loans under the new loan agreement, which came into effect on July sixth, 2018. Information on the Group's pledged assets can be found in Note 34.

Carrying amounts, by currency, for the Group's borrowing are as follows:

Amounts in SEK m	2018-06-30	2017-06-30
SEK	1,670	1,678
NOK*	1,060	910
EUR*	170	143
TOTAL	**2,901**	**2,731**

*NOK and EUR have been translated to SEK in the table.

Change in financial liabilities	July 1, 2017	Cash flow	Acquisitions/ divestments of subsidiaries	Unrealized ex-change rate differences	Other changes	June 30, 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
Capitalized borrowing costs	-15	-8	0	0	5	-19
Total liabilities from financing activities	2,715	-192	151	92	115	2,882

Note 34: Pledged assets and contingent liabilities

	GROUP		PARENT COMPANY	
	2018-06-30	2017-06-30	2018-06-30	2017-06-30
Pledged assets				
Floating charges	–	–	–	–
Real property mortgages	650	576	–	–
Shares in subsidiaries	–	–	–	–
	650	**576**	**–**	**–**
Contingent liabilities				
Guarantees	280	279	22	–
	280	**279**	**22**	**–**

The property mortgages are pledged as collateral to the Norwegian State Housing Bank 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 35: Disclosures on the Group's financial instruments

Classification and categorization of the Group's assets and liabilities 2017/2018

2018-06-30	Financial assets measured at fair value through profit or loss	Loan receivables/ Accounts receivable	Total financial assets	Non-financial assets	Total
Assets					
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**

2018-06-30	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total financial liabilities	Non-financial liabilities	Total
Equity and liabilities					
Equity	–	–	–	4,262	**4,262**
Non-current liabilities to credit institutions	–	2,163	2,163	–	**2,163**
Pension provisions	–	–	–	40	**40**
Restructuring provisions	–	–	–	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**

Classification and categorization of the Group's assets and liabilities 2016/2017

2017-06-30	Financial assets measured at fair value through profit or loss	Loan receivables/ Accounts receivable	Total financial assets	Non-financial assets	Total
Assets					
Intangible assets	–	–	–	5,274	**5,274**
Property, plant and equipment	–	–	–	1,277	**1,277**
Non-current receivables	–	17	17	–	**17**
Deferred tax assets	–	–	–	7	**7**
Accounts receivable	–	154	154	–	**154**
Current tax assets	–	–	–	39	**39**
Other receivables	–	38	38	7	**45**
Prepaid expenses and accrued income	–	135	135	321	**456**
Cash and cash equivalents	–	579	579	–	**579**
TOTAL ASSETS	**–**	**924**	**924**	**6,925**	**7,849**

2017-06-30	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total financial liabilities	Non-financial liabilities	Total
Equity and liabilities					
Equity	–	–	–	3,443	**3,443**
Non-current liabilities to credit institutions	–	2,158	2,158	–	**2,158**
Pension provisions	–	–	–	21	**21**
Restructuring provisions	–	–	–	26	**26**
Deferred tax liability	–	–	–	66	**66**
Other non-current liabilities	–	41	41	–	**41**
Liabilities to credit institutions	–	449	449	–	**449**
Other interest-bearing liabilities	–	67	67	–	**67**
Accounts payable	–	343	343	–	**343**
Current tax liability	–	–	–	13	**13**
Other current liabilities	39	–	39	146	**185**
Accrued expenses and deferred income	–	195	195	840	**1,035**
TOTAL EQUITY AND LIABILITIES	**39**	**3,254**	**3,293**	**4,556**	**7,849**

Fair value and carrying amount

IFRS 13 Measurement at fair value involves using a fair value hierarchy for measurement 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. Other financial liabilities are measured at amortized cost, level 1 in the fair value hierarchy.

CONDITIONAL PURCHASE CONSIDERATIONS	GROUP	
	2018-06-30	2017-06-30
Book value, opening balance	39	–
Estimated liabilities upon acquisition	20	38
Settled liabilities	-31	-
Exchange rate differences	4	1
BOOK VALUE, CLOSING BALANCE	**31**	**39**

Note 36: Related party transactions

Purchases from/sales to Group companies are described in Note 2. Salaries and other remuneration to senior executives and the board of directors are paid as described in
Note 5.

During the financial year only one related party transaction occurred. It involved the issuance guarantee provided by Mellby Gård, the principal owner. The fee for the issuance guarantee was 1 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.

No related party transactions were carried out during the previous year.

Note 37: Significant events after the end of the financial year

After the end of the financial year AcadeMedia signed a new loan agreement with its financial backers, which provides greater financial flexibility, while reducing interest expense by about SEK 10 million annually. The new loan agreement came into effect on July sixth, 2018.

Note 38: Appropriation of profits

PARENT COMPANY AT THE DISPOSAL OF THE AGM	SEK
Retained earnings	14,541,005
Share premium reserve	2,604,206,891
Profit for the year	11,220,754
TOTAL	**2,629,968,650**
The board proposes that retained earnings be appropriated as follows:	
Carried forward	2,629,968,650
TOTAL	**2,629,968,650**

Signatures of the board of directors

The board of directors and CEO hereby provide an assurance that the consolidated financial statements and annual financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and according to sound accounting practices, and provide a fair and true representation 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 27-43.

Stockholm October 24, 2018

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

Peter Milton
Employee representative

Pernilla Larsson
Employee representative

We submitted our audit report on October 25, 2018

PricewaterhouseCoopers AB

Patrik Adolfson
Authorized Public Accountant
Principal auditor

Eva Medbrant
Authorized Public Accountant

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

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 annual accounts and consolidated accounts of AcadeMedia AB (publ) for the financial year July 1, 2017 – June 30, 2018 with the exception of the corporate governance report on pages 56-61. The annual accounts and consolidated accounts of the Company are included on pages 44-104 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 June 30, 2018 and of its financial performance and its cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of June 30, 2018 and of their 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 Consolidated statement of comprehensive income and Consolidated statement of financial position of the Group and the income statement and balance sheet of the Parent Company.

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 audit legislation (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.

OTHER REMARKS

The audit of the annual accounts and consolidated accounts for the financial year July 1, 2016 to June 30, 2017 was carried out by another auditor who submitted an audit report dated October 24, 2017 with unmodified statements in the Report on the annual accounts and consolidated accounts.

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 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 June 30, 2018 the operation was run by 150 legal entities. The large number of legal entities is due to the acquisition of the operations 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% 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 financial statements as of March 31, 2018 with the aim of issuing a limited review report; and
- Audit of the annual accounts as at June 30, 2018 focusing on valuation of goodwill, recognition of revenue and personnel expenses, acquisition analyses and integration attributable 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 carried out 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.

An audit team that belongs to the PwC network conducted the review. 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 operation in Norway to gain an understanding of the operation at the visited units 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 application 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 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 MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts for July 1, 2017 to June 30, 2018. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Valuation of goodwill and other intangible assets	
We refer to the notes 1 General information, accounting and valuation principles, which contains information on important estimates and assumptions for accounting purposes, 15 Goodwill, 16 Brands and 17 Impairment testing.	
Goodwill comprises an important component of the AcadeMedia Group's total assets and amounts to SEK 5,933 million as of June 30, 2018 (62% of total assets). The brands, which are considered to have indefinite useful lives, totaled about SEK 234 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. The management and the board of directors conduct annual impairment testing of the value of goodwill and brands with indefinite useful lives. The purpose of impairment testing is to determine whether an asset is impaired, i.e. that the book value (carrying amount) exceeds the assessed fair value (recoverable amount). 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 based on the business plan. Thus the process includes assumptions that gain material significance for impairment testing. These assumptions include sales growth, development of margins and the discount rate (WACC). The value resulting from the test corresponds to the value of discounted cash flows for identified cash-generating units. 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. Furthermore, the assumptions are affected by the uncertainty of political decisions that could be made as a result of the review of new legislation on profit in welfare as described in Note 1, which addresses important estimates and assessments for accounting purposes. AcadeMedia's conclusion, based on the best estimate and the information that was available when conducting the annual impairment test, is that there was no impairment of the assets referred to above as of June 30, 2018.	In the impairment test for goodwill and other acquisition-related intangible assets, to ensure the valuation and accuracy we performed the following audit measures: • In the assessment of the assumptions, which are presented in Note 16 Impairment assessment, we have used PwC's experts in valuation to test and assess the models and methodology that were used, as well as significant assumptions. • On a random sample basis, 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 outcome. • Checked the sensitivity of the valuation to negative changes in key parameters which, on an individual or aggregate basis, could result in an impairment requirement. • Assessed that the disclosures provided in the annual report to ensure that they are correct, based on the conducted tests of valuation, particularly as regards the information on the sensitivity of the valuations • Compared the disclosures provided in the financial statements with IAS 36 requirements and found that they were fulfilled in all material respects. • Evaluated AcadeMedia's assessment regarding political risk and limitations to profit in welfare 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. Based on our review, we have not reported any significant observations to the audit committee.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Procedures and processes as well as revenue recognition in the Adult Education segment	
We refer to Note 1 General information, accounting and valuation principles, the Administration Report and Note 9 Items affecting comparability Total consolidated net sales for the financial year amounted to SEK 10,810 million, of which SEK 1,760 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 completed service, school vouchers from municipalities and fees for preschool places. Participant fees attributable to Adult Education, which are recognized in line with 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 light of this aspect of assessments, revenue in Adult Education is considered to be a key audit matter in the audit. Nevertheless, a large portion of AcadeMedia's billing occurs locally at each operation and one operation 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. Controls are carried out at each operation 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. In addition, as described in the Administration Report and Notes 1 and 9, companies within the Group are occasionally involved in various types of disputes. The most significant disputes involve billing by the subsidiary Hermods in the Adult Education segment where a settlement has been reached with the City of Malmö regarding breach of contract. 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. Completed activities include: • We have, on a random sample basis, reviewed key controls carried out to ensure that revenue recognition is correct • We have, on a random sample basis, for randomly selected customers, tested the reported revenues against contracts with regards to the correct amount being recognized in the correct time period. This testing has also included accrued income. • We have also assessed the provision for risk for customer losses based on the entire aged accounts receivable structure. • For a selection of accounts receivable and related revenue as of June 30, 2018 we followed up in relation to payment documents. Regarding ongoing disputes, and the specific dispute involving billing of the City of Malmö in the subsidiary Hermods, measures we have carried out as part of the review include: • Reviewed correspondence between company and counterparty. • Obtained statements from the company's legal advisers and other advisers regarding these matters. • Evaluated assessments and assumptions made by company management regarding these cases and their current and potential future impact. • Reviewed reporting of the consensus solution with the City of Malmö Based on our review, we have not reported any significant observations to the audit committee. We note, however, that outcomes of ongoing disputes, which affect revenue recognition, depend on future outcomes and are therefore associated with inherent uncertainty.

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, 5 Personnel expenses, 6 Pensions and 32 Accrued expenses and deferred income.

AcadeMedia has around 11,860 employees in its subsidiaries. Personnel expenses total just over 65% of AcadeMedia's operating expenses. Consequently it is 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 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.

In order to pay salaries to 11,860 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.

Our audit is based both on the 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.

The review of key controls of financial reporting and income statement and balance sheet items was carried out on a random sample basis Completed activities include:

- Checked significant accrued expenses and/or reserves relating to vacation pay liability, payroll liability, taxes, social security contributions against information from the payroll system and management's calculations and assessments.

- Reviewed personnel expenses through 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.

Based on this review, nothing has been identified that would require a report to the Audit Committee. Our overall conclusion is that, in all material respects, AcadeMedia has efficient processes for payroll management and reporting of personnel expenses.

Acquisition analysis attributable to the acquisition of Vindora Holding AB ("Vindora"), as well as subsequent consolidation in AcadeMedia

We refer to Note 1 General information, accounting and valuation principles, and Note 14 Business combinations.

The most important event that affected goodwill in 2017 is the acquisition of Vindora. This is the largest acquisition that AcadeMedia has made in several years, and consequently the acquisition analysis comprised a separate area of focus in the audit.

The acquisition analysis that was prepared contains significant values regarding goodwill of SEK 630 million and other intangible assets of SEK 41 million. There is a risk that the assets and liabilities included in the analysis are not correctly measured at fair value as of the acquisition date.

Regarding the acquisition of Vindora, in addition to the specified review measures attributable to valuation of goodwill and other acquisition-related assets, we also carried out the following measures as part of the review:

- The Group audit team, accompanied by the local audit team, visited Vindora, in part to review the financial statements including opening balances as of the acquisition date, in order to test the acquisition analysis.
- Based on the review of the Company's year-end report of June 30, 2018, as well as the review of opening balances, we have assessed whether the accounts were included in AcadeMedia's consolidation in a correct manner in accordance with IFRS. Specific focus has been placed on provisions and accounting of accrued expenses, as well as on management of repayment claim from the National Agency for Education regarding the acquired operation.
- We have also assessed whether the model that AcadeMedia used to measure assets is compliant with IFRS. We have used PwC's valuation specialists for this purpose. We have also tested the significant assumptions made in the acquisition analysis. In addition, we examined significant elements in the acquisition analysis against documentation and based on the reasonableness of the assumptions. This mainly includes assumptions regarding sales growth, development of margins and the discount rate (WACC).

The assumptions used to value depreciable intangible assets in the acquisition analysis are deemed to be within an acceptable interval. The acquisition analysis is preliminary until one year from the acquisition date and may therefore be further adjusted.

Based on our audit, we have not otherwise reported any significant observations to the audit committee.

INFORMATION OTHER THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and the consolidated financial accounts and can be found on pages 1-26 and 111-116. 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, it is our responsibility to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure, we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed on this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE 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 RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

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 (Revisorsnamnden) 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 of the board of directors and the Chief Executive Officer of AcadeMedia AB (publ) for the financial year July 1, 2017 – June 30, 2018 and the proposed appropriations 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 appropriations of the Company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the Company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the Company's organization and the administration of the Company's affairs. This includes, among other things, continuous assessment of the Company's and the Group's financial situation and ensuring that the Company's organization is designed so that the accounting, management of assets and the Company's financial affairs otherwise are controlled in a reassuring manner. The 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 fulfill the Company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the Company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the Company's profit or loss, and thereby our opinion about this, is to assess with 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 appropriations of the Company's profit or loss are 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 (Revisorsnamnden) website (www.revisorsinspektionen.

se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE REPORT

The Board of Directors is responsible for the corporate governance report on pages 56–61 and 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 implies that our review of the Corporate Governance Report has a different focus and is substantially smaller 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 31, section 6(2), items 2-6, and chapter 7, section 31 (2) of the Annual Accounts Act are consistent with the annual accounts and the consolidated annual accounts as well as 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 November 24, 2017 and has been the company's auditor since then.

Stockholm October 25, 2018
PricewaterhouseCoopers AB

Patrik Adolfson	Eva Medbrant
Authorized Public Accountant	Authorized Public Accountant
Principal auditor	

The AcadeMedia share

AcadeMedia shares have been listed on Nasdaq Stockholm in the Mid Cap segment under the ticker symbol ACAD since June 15, 2016.

Dividend policy

AcadeMedia's main responsibility is to provide a good education for the reimbursement received. AcadeMedia's unrestricted cash flow will be reinvested in the operation in order to maintain high quality and to finance future growth. The surplus may be distributed to the shareholders, provided that AcadeMedia meets its targets relating to quality and financial position.

Share performance

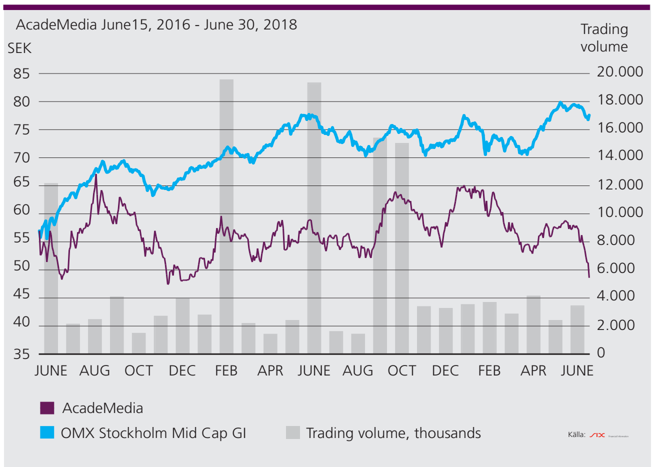
During the period June 30, 2017 to June 30, 2018 the AcadeMedia share fell by 11 percent. During the same period, the Nasdaq Stockholm Mid Cap index rose 0.6 percent. The highest price paid for the shares during the period was SEK 65.10 and the lowest was SEK 48.60. As of June 30, the AcadeMedia share price was SEK 48.60, corresponding to a market capitalization of about SEK 5,110 million.

From June 30, 2017 through June 30, 2018 a total of 59,343,365 shares were traded, representing 56 percent of the outstanding shares. The average daily trading volume during the same period was 236,428 shares.

AcadeMedia's 10 largest shareholders

Name	Number of shares	Percentage of capital and votes, %
Mellby Gård AB	22,178,141	21.0%
Nordea	12,224,084	11.6%
Fidelity	5,879,299	5.6%
SEB	5,527,287	5.2%
Morgan Stanley	3,461,571	3.3%
Citigroup	2,995,730	2.8%
The Second Swedish National Pension Fund	2,913,924	2.8%
Third National Swedish Pension Fund	2,506,673	2.4%
Försäkringsbolaget PRI	2,074,874	2.0%
Swedbank	1,760,000	1.7%

Share performance



Share data

	2017/2018	2016/2017	2015/2016
Equity per share	42.6	36.5	35.0
Earnings per share, basic	4.30	4.41	3.74
Earnings per share, diluted	4.29	4.40	3.74
Earnings per share	0	0	0
Share price as at June 30	48.6	56.75	56.97
Average number of outstanding shares, basic	100,126,785	94,204,999	85,311,343
Average number of outstanding shares, diluted	100,294,230	94,334,977	85,316,283

Five-year review

MULTI-YEAR REVIEW SEK MILLION, unless otherwise stated	2017/18	2016/17	2015/16	2014/15	2013/14
PROFIT/LOSS ITEMS, SEK M					
Net sales	10,810	9,520	8,611	8,163	6,372
Items affecting comparability	-48	-23	-32	-79	-35
EBITDA	872	827	722	720	614
Depreciation/amortization	-250	-212	-187	-203	-164
Operating profit/loss (EBIT)	622	615	535	517	449
Net financial items	-68	-80	-127	-269	-209
Profit/loss for the period before tax	555	535	408	248	240
Profit/loss for the period after tax	430	416	319	222	189
BALANCE SHEET ITEMS, SEK M					
Total non-current assets	7,823	6,574	6,141	5,884	5,945
Current receivables and inventories	860	695	697	670	654
Cash and cash equivalents	699	579	331	695	562
Non-current interest-bearing liabilities	2,209	2,200	2,116	2,609	3,020
Non-current non-interest-bearing liabilities	135	114	113	197	131
Current interest-bearing liabilities	673	516	568	715	469
Current non-interest-bearing liabilities	2,103	1,577	1,382	1,425	1,352
Equity	4,262	3,443	2,990	2,304	2,189
Total assets	9,383	7,849	7,169	7,250	7,161
Capital employed	7,144	6,158	5,674	5,628	5,679
Net debt	2,179	2,133	2,342	2,629	2,927
Property-adjusted net debt	1,528	1,550	1,866	2,295	2,563
KEY RATIOS					
Sales, SEK m	10,810	9,520	8,611	8,163	6,372
Organic growth incl. smaller bolt-on acquisition, %	5.8%	9.0%	6.4%	3.7%	9.8%
Acquired growth, larger bolt-on acquisition, %	7.9%	0.8%	0.4%	24.4%	14.5%
Change in exchange rates, %	-0.1%	0.8%	-1.3%	-	-
Operating margin (EBIT), %	5.8%	6.5%	6.2%	6.3%	7.1%
Adjusted EBIT, SEK m	670	638	567	596	485
Adjusted EBIT margin, %	6.2%	6.7%	6.6%	7.3%	7.6%
Adjusted EBITDA, SEK m	920	850	754	799	649
Adjusted EBITDA margin, %	8.5%	8.9%	8.8%	9.8%	10.2%
Net margin, %	4.0%	4.4%	3.7%	2.7%	3.0%
Return on capital employed, % (12 months)	10.1%	10.9%	10.1%	10.8%	10.0%
Return on equity, % (12 months)	11.2%	12.9%	12.1%	9.9%	10.1%
Equity/assets ratio, %	45.4%	43.9%	41.7%	31.8%	30.6%
Interest coverage ratio, xx	10.9	9.4	4.8	2.8	2.7
Net debt/Adjusted EBITDA (12 months)	2.4	2.5	3.1	3.3	4.5
Adjusted Net Debt/Adjusted EBITDA (12 months)	1.7	1.8	2.5	2.9	3.9
Cash flow from investing activities	-970	-374	-386	-68	-864
Number of full-time employees	11,863	10,564	9,714	9,159	6,997

Definitions of key figures can be found on pages 114-115.

Reconciliation of alternative performance measures

Below are calculations for the alternative performance measures used in the report. See definitions for more information.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

SEK million, unless otherwise stated	2017/18	2016/17	2015/16	2014/15	2013/14
NET DEBT					
Non-current interest-bearing liabilities	2,209	2,200	2,116	2,609	3,020
+ Current interest-bearing liabilities	673	516	568	715	469
- Non-current interest-bearing receivables*	4	4	11	0	0
- Cash and cash equivalents	699	579	331	695	562
= Net debt	**2,179**	**2,133**	**2,342**	**2,629**	**2,927**
PROPERTY-ADJUSTED NET DEBT					
Net debt (as described above)	2,179	2,133	2,342	2,629	2,927
- non-current real estate loans	603	467	278	174	288
- current real estate loans	48	116	197	161	76
= Property-adjusted net debt	**1,528**	**1,550**	**1,866**	**2,295**	**2,563**
RETURN ON CAPITAL EMPLOYED, % (12 MONTHS)					
Adjusted EBIT (12 months)	670	638	567	596	485
+ Interest income	2	7	6	13	2
divided by					
Average equity (12 months)	3,853	3,216	2,647	2,247	1,878
+ average non-current interest-bearing liabilities (12 months)	2,204	2,158	2,363	2,815	2,664
+ average current interest-bearing liabilities (12 months)	594	542	641	592	338
= Return on capital employed, %, 12 months	**10.1%**	**10.9%**	**10.1%**	**10.8%**	**10.0%**
RETURN ON EQUITY, %, 12 MONTHS					
Profit/loss after tax (12 months)	430	416	319	222	189
divided by					
Average equity (12 months)	3,853	3,216	2,647	2,247	1,878
= Return on equity, %, 12 months	**11.2%**	**12.9%**	**12.0%**	**9.9%**	**10.1%**
INTEREST COVERAGE RATIO, XX					
Adjusted EBIT (12 months)	670	638	567	596	485
+ Interest income (12 months)	2	7	6	13	2
+ Other financial income (12 months)	4	1	1	11	8
divided by					
Interest expense (12 months)	-62	-69	-121	-218	-181
= Interest coverage ratio, xx	**10.9**	**9.4**	**4.8**	**2.8**	**2.7**

*) Included in the line item Other non-current assets in the consolidated balance sheet

Definitions of key figures

Additional information has been added to meet European Securities and Markets Authority (ESMA) requirements for alternative performance measures.

KEY RATIOS	DEFINITION	PURPOSE
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 period to which the report relates.	Absence due to illness is used to measure employee absence and provide indications of employee health.
Adjusted EBIT	Operating profit/loss (EBIT) excluding items affecting comparability.	Adjusted EBIT is used to get a better picture of the underlying operating profit.
Adjusted EBIT margin	Adjusted EBIT as a percentage of net sales.	Adjusted EBIT margin sets underlying operating profit in relation to sales.
Adjusted EBITDA	Operating profit/loss before depreciation/amortization of property, plant and equipment and intangible non-current assets, excluding items affecting comparability.	Adjusted EBITDA is used to measure underlying profit from operating activities, regardless of depreciation/amortization and excluding items affecting comparability
Adjusted Net Debt	Net debt net of real estate-related loans, i.e. loans in the Norwegian State Housing Bank, building loans for ongoing construction projects and other real estate loans in Norway.	Adjusted net debt shows the portion of loans that finance the business, while real estate loans are linked to a building asset that can be separated 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 excluding items affecting comparability (adjusted EBITDA), to pay off the Company's liabilities, excluding property-related loans
Adjusted return on capital employed	Adjusted EBIT + interest income for the most recent 12-month period 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.
Capital employed	Total assets less non-interest bearing 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).
Cash flow from investments	Cash flow from investing activities according to the cash flow analysis. This includes acquisitions, investments and divestments of buildings, as well as investments in property, plant and equipment and intangible assets. Investments financed with leases are not included.	Cash flow from investments is used to regularly measure how much cash is used to maintain operations and for expansion.
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.
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.
EBITDA	Operating profit/loss before depreciation/amortization 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.
Employee turnover	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 as accumulated for the period to which the report relates.	Employee turnover is used to measure the proportion of employees who leave the company and who must be replaced every year.

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 ratio is a measure of financial strength.
Interest coverage ratio	Adjusted EBIT for the last 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.
Items affecting comparability	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, reorganization costs, as well as costs arising from strategic decisions and major restructuring that results in winding up of units.	Items affecting comparability are used to identify the non-recurring profit/loss items that are not included in ongoing operating activities in order to obtain a clearer picture of the underlying profit trend.
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.
Net financial items	Financial income less financial expenses.	Used to describe the outcome of the Company's financial activities
Net margin	Profit/loss for the period as a percentage of net sales.	Net margin is used to measure net earnings in relation to sales.
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.	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.	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 employees during the period, full-time equivalents (FTEs).	The number of employees is the main cost driver for the Company
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.
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.	Return on capital employed is a profitability measure used to set profit (loss) in relation to the capital needed to run the business.
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.

General
All amounts in tables are in SEK million unless otherwise stated. All figures in parentheses () are comparative figures for the same period 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, the 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.

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, we often react to the term "customer," which does not seem appropriate to us, but is used in the "customer and employee satisfaction surveys" we conduct, which are reported here both in the 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 seems distasteful for most 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 for whom the Swedish state and municipalities – or rather, 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 relatively strictly adhere to concepts that cannot be misunderstood by them, but that many people in the education sector may find distasteful.

For people who want to know all about our business and financial performance

The Administration Report, which begins on page [XX], is a good starting point. It provides a brief summary of information such as major events over 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 [XX] and covers [XX] pages. That's where you can learn that AcadeMedia's sales for the year totaled SEK 10,810 million and the profit for the period was SEK 430 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 describing both where we are today and how we view the future. Scroll ahead to page 10 where the strategy section starts, which also provides a fair amount of information about the future.

For people who want to know more about our segments

Our four segments – Pre- 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 sustainability efforts

Our sustainability report is described on pages [25-41].

For people who have a strong interest in quality

Our quality management initiatives are described on pages 28-31 and on page 40. If you would like even more information, we recommend reading AcadeMedia's Group-wide quality report, which is available at www.academedia.se

For people with a focus on internal control

The Corporate Governance Report, which starts on page [XX], describes how we ensure good internal control and governance.

We hope you enjoy reading our report!

AcadeMedia

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