

Convertible programme

Sw: Konvertibelprogam

Alignment of incentives, critical to success

A Convertible Programme – an investment with limited risks and an opportunity to take part in shareholders value creation

Participants invest a convertible debt instrument alongside shareholders

- Provides an incentive to develop the business to its full potential as it offers a financial upside if shareholder value is created

Introduction to the Convertible Programme (Sw: konvertibelprogram)

- What are the objectives of the Convertible Programme?
 - Align incentives of the participants with those of shareholders
 - Generate attractive returns to the participants when performance is good
 - Provide a positive signal to the stock market while avoiding negative headlines
 - Allow the participants to have “skin in the game” with limited risks
- Why a Convertible Programme?
 - A Convertible Bond is a bond that gives the right but not the obligation to buy a share at a given price (“conversion price”) at a point in time
 - If the traded share price increases above this price, a profit is made as a share can be acquired below market value
 - A Convertible Bond has less investment risk than a share, as it has a nominal amount being payable if the share price development is weak
 - Value is created for the participants when all shareholders reach a certain return, and returns increase rapidly with good performance
- Convertible Bonds has historically been a commonly used long-term incentive in companies listed on the Nasdaq Stockholm

“Vesting” after 4.6 years (conversion possible when “vested”)

- Showing long-term commitment, structured in line with market practice in order to reduce the risks related to the share price development
- Open to conversion during a conversion period after during a two weeks conversion window following the year-end report 2021/2022, the Q2 interim report and the year-end report for 2022/2023 (up to including 17 September 2023), i.e. after 4.6 years
- The Convertible Programme proposed to include is all employees (excluding Group management) with indefinite employment contracts (“tillsvidareanställda”) as of latest 2019-01-31 or equivalent in Norway and Germany, in total appr. 10,000 employees

Acquired at market price

- Taxed as income of capital in Sweden. Independent valuation performed by Nordea. Tax implications in Norway and Germany are investigated by Vinge/PwC

Proposal for a convertible programme

Convertible programmes have historically been a common type of plan for listed companies on Nasdaq Stockholm

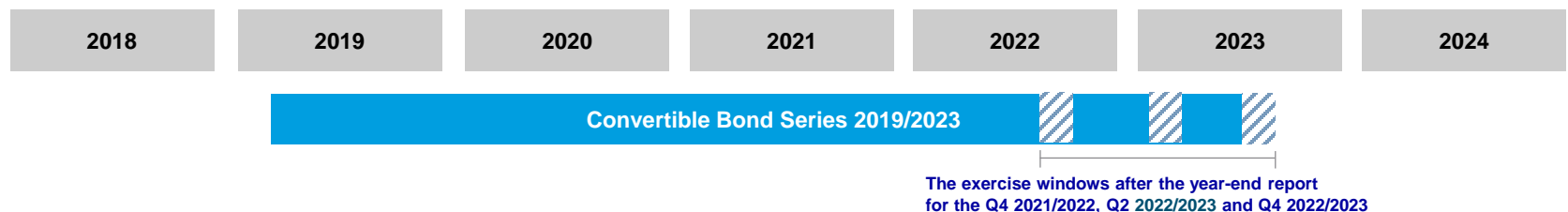
Structure of the Convertible Bonds

Convertible Bond
purchased at market
price



- 2019/2023: Term of 4.6 years, exercise price: 120% of the share price at launch
- The Convertible Bonds require a minimum annual share price increase of 4.1% respective in order to be convertible
- If the participant leaves the Group, the Convertible Bonds may be repurchased by the Company at the lower of cost and fair market value

Overview – Term and exercise periods and windows



Allocation, indicative pricing & return requirements

Investment levels and underlying values are in line with market practice

Indicative pricing

- Each participant has a maximum amount of Convertibles Bonds that he or she may subscribe for.
- Based on a share price of SEK 50, an conversion price of 120% and a cap level of 230%, the indicative coupon is 3.85% based on
 - ✓ a volatility of 25%, based on an analysis of the historical volatility for AcadeMedia and selected peers¹
 - ✓ dividends based on a dividend yield of 1.7%
 - ✓ a risk free interest rate of 0.12% and based on Swedish government bonds
- Final terms will be set after a reference period ending in February 2019
- The maximum nominal value is appr. SEK 152m and 2.5 million shares that in the future can be issued based on conversion, equivalent to a dilution of appr. 2.4% of the shares and votes. A cap on dilution is set at 3%, which may be triggered if the share price drops from the current level

Indicative return requirements

- The Convertible Bonds with respective series have an annual return requirement of appr. 4.1% in term of share price development in order to reach break-even based on the conversion prices
- Pre-emptive clauses to repurchase the Convertible Bonds to the lower of market value and cost (initial amount paid)

¹ Ambea, Attendo, Capio, Humana, Coor, Eltel, G4S, ISS, L&T, Loomis, Securitas, CareTech, Korian, LE Noble Age, Orpea, Bright Horizons, Navitas, New Oriental, Nord Anglia and TAL

Categories and number of Convertible Bonds offered

Category and investment, SEK	Participants	Guaranteed	Maximum
Educational directors	9	15,000	600,000
Senior operational managers	80	15,000	450,000
Principals and other managers	440	15,000	300,000
Other participants	9,600	15,000	150,000
Total	10,129	151,935,000	151,935,000

- The participants are offered to apply for an overallotment up to the maximum level. The overallotment is done on a pro rata basis (prioritizing the categories bottom and up)
- Senior management, including the CEO are not offered to participate in the convertible bond programme

Overview of indicative prices and exercise prices

Term	4.6 years
Share price, SEK	50.00
Conversion price	120%
Conversion price, SEK	60.00
Coupon, SEK	3.6%
Required annual share price development to break-even	4.1%

Potential outcome, pros and cons

The value development is highly dependent upon a positive share price development, risks are limited to the credit exposure

Guaranteed level	Convertible Profit on Convertible Bonds before tax (Share price - Conversion price)													
	Share price													
	2019/2023	60	65	70	75	80	85	90	95	100	105	110	115	120
Category	60,00	60	65	70	75	80	85	90	95	100	105	110	115	120
Educational directors	15 000	0	1 250	2 500	3 750	5 000	6 250	7 500	8 750	10 000	11 250	12 500	13 750	13 750
Senior operational managers	15 000	0	1 250	2 500	3 750	5 000	6 250	7 500	8 750	10 000	11 250	12 500	13 750	13 750
Principals and other managers	15 000	0	1 250	2 500	3 750	5 000	6 250	7 500	8 750	10 000	11 250	12 500	13 750	13 750
Other participants	15 000	0	1 250	2 500	3 750	5 000	6 250	7 500	8 750	10 000	11 250	12 500	13 750	13 750

Maximum investment	Convertible Profit on Convertible Bonds before tax (Share price - Conversion price)													
	Share price													
	2019/2023	60	65	70	75	80	85	90	95	100	105	110	115	120
Category	60,00	60	65	70	75	80	85	90	95	100	105	110	115	120
Educational directors	600 000	0	50 000	100 000	150 000	200 000	250 000	300 000	350 000	400 000	450 000	500 000	550 000	550 000
Senior operational managers	450 000	0	37 500	75 000	112 500	150 000	187 500	225 000	262 500	300 000	337 500	375 000	412 500	412 500
Principals and other managers	300 000	0	25 000	50 000	75 000	100 000	125 000	150 000	175 000	200 000	225 000	250 000	275 000	275 000
Other participants	150 000	0	12 500	25 000	37 500	50 000	62 500	75 000	87 500	100 000	112 500	125 000	137 500	137 500

Pros and cons of implementing the Convertible Programme

Pros

- + A share-linked component to the total compensation package, easy to understand the simple structure with limited risks for the participants
- + Cost efficient for the Company, no (or very limited) exposure to social security costs on the value development of the Convertible Bonds
- + Tax efficient for the participants, the value development of the Convertible Bonds are (at least in Sweden) taxed as a capital gain
- + Leaver provisions, pre-emptive clauses to repurchase the Convertible Bonds to the lower of market value and cost (initial amount paid)

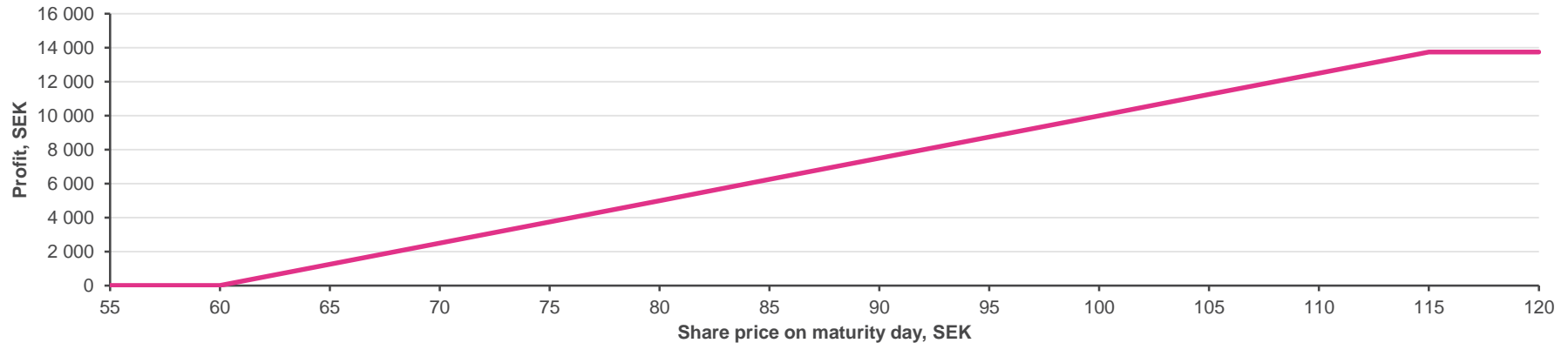
Cons

- Provides no leverage to the share price development
- The participant needs to finance the investment in Convertible Bonds
- Requires 9/10 approval level at the Annual General Meeting

Overview of potential outcomes

The guaranteed level is based on full participation, maximum investment are only allocated on a pro rata basis

Programme for all employees: Guaranteed level with a cap of 230%



Programme for all employees: Maximum investment with a cap of 230%

