

# Audit Report

To the annual meeting of shareholders of AcadeMedia AB, corporate identity number 556846-0231

## Report on the annual accounts and consolidated accounts

### OPINIONS

We conducted an audit of the annual accounts and consolidated accounts of AcadeMedia AB (publ) for the financial year 1 July 2018 – 30 June 2019 with the exception of the corporate governance report on pages 63-67. The annual accounts and consolidated accounts of the company are included on pages 52-119 of this document.

In our opinion, the annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30 June 2019 and of its financial performance and its cash flow for the year then ended, in accordance with the Swedish Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 30 June 2019 and of its financial performance and cash flow for the year, in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet of the parent company and the group.

Our statements in this report on the annual accounts and consolidated accounts are consistent with the content of the supplementary report that was submitted to the parent company's audit committee in accordance with Article 11 of the EU's Audit Regulation (Regulation (EU) No 537/2014).

### BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This means that, based on our best knowledge and belief, no prohibited services referred to in Article 5 (1) of Regulation (537/2014 EU Audit Regulation) have been provided to the audited company or, where applicable, its parent company or its controlled company in the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### OUR AUDIT APPROACH

#### FOCUS AND SCOPE OF THE AUDIT

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management had made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We adapted the focus and scope of our audit, taking into account the structure of the AcadeMedia Group and the internal control environment, to enable us to provide an audit report on the annual accounts and the consolidated financial statements as a whole.

AcadeMedia is the largest education group in the Nordic region and has operations in Sweden, Norway and Germany. As of 30

June 2019, the business was conducted via 150 legal entities. The large number of legal entities is due to the acquisition of the businesses by the group and legal regulations that restrict the possibility of relocating operations. We conduct a statutory audit of all legal entities in Sweden and Norway, and for group purposes we review the most significant entities in the group and the parent company. The operations in Sweden and Norway account for 98 percent of the group's sales and the majority of the group's total assets. The audit included the following activities:

- Review of internal control of financial reporting, procedures and processes based on assessed risks;
- Limited review of the accounts as at 31 March 2019 with the aim of issuing a limited review report; and
- Audit of the annual accounts as at 30 June 2019, focusing on measurement of goodwill, recognition of revenue and personnel expenses, acquisition analyses and integration relating to acquisitions, restructuring reserves and assessment of reporting and disclosure regarding disputes.
- Final audit procedures required to issue this audit report on the annual accounts of the parent company and the group and, where applicable, other legal entities. In addition, procedures are also performed to enable us to issue our opinion on compliance with guidelines for senior executives, as well as the corporate governance and sustainability reports of the parent company.

The review was conducted by an audit team affiliated to the PwC network. The work was performed in accordance with the local audit requirements of each country, as well as specific instructions related to the group audit. Regarding the operation in Germany, the group audit team carried out an analytical review and other review procedures. In addition, during the year the principal auditor and assistant auditor visited the operations in Norway and the principal auditor visited the operations in Germany. The purpose of these visits was to gain an understanding of activities in the units visited and to understand the procedures and controls in order to evaluate internal control and to conduct a limited review of the financial statements based on the group's accounting principles.

### MATERIALITY

The scope of our audit was influenced by our assessment of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the focus and scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

### KEY AUDIT MATTER

Key audit matters in the audit are those that, in our professional judgement, were of most significance in our audit of the annual accounts and consolidated accounts for 1 July 2018 to 30 June 2019. These matters were addressed in the context of our audit of, and in forming our opinion on, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><i>Measurement of goodwill and other intangible assets</i></p> <p><i>We refer to Notes 1 General information, accounting and valuation principles, which contains information on important estimates and assumptions for accounting purposes, 16 Goodwill, 17 Brands and 18 Impairment testing.</i></p> <p>Goodwill represents an important component of the AcadeMedia Group's total assets and amounts to SEK 5,983 million as of 30 June 2019 (62% of total assets). Brands are valued at around SEK 222 million at the same point in time. The items are subject to the assessment and assumptions of management, and because of their materiality have been deemed to be a key audit matter in the audit.</p> <p>Management and the board of directors conduct annual impairment testing of the value of goodwill and brands with an indefinite useful life. The purpose of impairment testing is to determine whether an asset is impaired, i.e. whether the book value (carrying amount) exceeds the assessed fair value (recoverable amount).</p> <p>The calculated value is based on the budgets and forecasts approved by the board of directors for the next ten years. The cash flows from the years beyond the next five years are extrapolated on the basis of the business plan. The process thus includes assumptions that gain material significance to impairment testing. These assumptions include sales growth, development of margins and the discount rate (WACC).</p> <p>The value resulting from the test corresponds to the value of discounted cash flows for identified cash-generating units.</p> <p>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.</p> <p>Furthermore, the assumptions are affected by the uncertainty of political decisions that could be made affecting staffing, quality, profits etc., as described in Note 1, which addresses important estimates and assessments for accounting purposes.</p> <p>AcadeMedia's conclusion, based on the best estimate and the information that was available when the annual impairment test was performed, is that there was no impairment of the assets referred to above as of 30 June 2019.</p>	<p>In the impairment test for goodwill and other acquisition-related intangible assets, to ensure the valuation and accuracy we performed the following audit measures:</p> <ul style="list-style-type: none"> <li>• In the assessment of the assumptions, which are presented in Note 18 Impairment assessment, we have engaged PwC's experts in valuation to test and assess the models and methodology that were used, as well as significant assumptions.</li> <li>• On a random sample basis, we tested, evaluated and challenged the information used in the calculations versus AcadeMedia's financial plan and, where possible, external information. We then focused on the assumed growth rates, development of margins and the discount rate for each cash generating unit. We also reviewed the accuracy and inherent quality of the company's process for preparing business plans and financial plans based on historical outcomes.</li> <li>• We checked the sensitivity of the valuation to negative changes in key parameters that, on an individual or aggregate basis, could result in an impairment requirement.</li> <li>• We judged that the disclosures provided in the annual report are correct, based on the test of valuation conducted, particularly as regards the information on the sensitivity of the valuations</li> <li>• We compared the disclosures provided in the financial statements with IAS 36 requirements and found that they were fulfilled in all material respects.</li> <li>• We evaluated AcadeMedia's assessment regarding political risk and limitations to profits in the welfare sector as reported in the section Risk and risk management in the Administration Report, as well as Note 1, which addresses important estimates and assessments for accounting purposes.</li> </ul> <p>Based on our review, we did not find any significant observations to report to the audit committee.</p>

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p data-bbox="161 309 794 338"><i>Procedures and processes, as well as recognition of personnel-related expenses</i></p> <p data-bbox="161 344 794 427"><i>We refer to Notes 1 General information, accounting and valuation principles, 6 Personnel expenses, 7 Pensions and 33 Deferred income and accrued expenses</i></p> <p data-bbox="161 443 794 815">AcadeMedia has around 16,900 employees in its subsidiaries. Personnel expenses account for just over 65% of AcadeMedia's operating expenses. This is thus the most significant expense item in AcadeMedia's consolidated income statement. Personnel costs consist of both wages and other remuneration, including variable remuneration, as well as directly attributable taxes and social security contributions. The risk in these items relates to their completeness, as well as their being correctly calculated, properly accrued and properly measured. There is also an inherent complexity in payroll management, since the various personnel groups are covered by different employment contracts and collective agreements, which in turn give rise to differences in how salaries, other remuneration and benefits are to be calculated.</p> <p data-bbox="161 822 794 952">In addition, in spring 2019 AcadeMedia also changed its payroll system in Sweden. A change of system is always a complex undertaking, especially when it manages a key process, which is the case for payroll management in a personnel-intensive business such as AcadeMedia.</p>	<p data-bbox="801 344 1433 454">In order to pay salaries to 16,900 employees each month, or in some cases more frequently, there must be efficient procedures and processes to calculate and check the salaries and remuneration to be paid.</p> <p data-bbox="801 461 1433 566">Our audit is based both on an evaluation of internal controls and on substantive testing of revenues and other analysis measures, including systems-based transaction analyses of certain balance sheet and income statement items in key subsidiaries.</p> <p data-bbox="801 573 1433 651">The review of key controls of financial reporting and income statement and balance sheet items was carried out on a random sample basis. Audit activities performed include the following:</p> <ul data-bbox="801 685 1433 925" style="list-style-type: none"> <li data-bbox="801 685 1433 790">• We checked significant accrued expenses and/or reserves for vacation pay liability, payroll liability, taxes and social security contributions, against information from the payroll system and management's calculations and assessments.</li> <li data-bbox="801 797 1433 925">• We reviewed personnel expenses via analytical review measures including changes in expenses in the income statement, accrued expenses and reserves based on our knowledge, as well as through the use of database-related transaction analyses.</li> </ul> <p data-bbox="801 931 1433 1061">The above auditing measures were conducted both in AcadeMedia's former system environment and after the change of system in spring 2019. With regard to the change of system, our audit consisted of the following auditing activities, but were not limited to them:</p> <ul data-bbox="801 1068 1433 1346" style="list-style-type: none"> <li data-bbox="801 1068 1433 1122">• We reviewed the project management for the transition to the new payroll system.</li> <li data-bbox="801 1128 1433 1205">• We reviewed the company's approach to testing of the new payroll system and management of deviations recorded during testing.</li> <li data-bbox="801 1211 1433 1288">• As regards the transfer of information and data from the former to the new payroll system, we reviewed the company's procedures for transfer of data.</li> <li data-bbox="801 1294 1433 1346">• We reviewed the structure of authorisations and allocation of responsibilities in the new payroll system.</li> </ul> <p data-bbox="801 1379 1433 1433">In the performance of our review activities, we were assisted by our IT auditing personnel.</p> <p data-bbox="801 1467 1433 1543">In our review, deviations were recorded. These have been reported to and discussed with the company, the audit committee and the board of directors.</p>

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<p><i>Procedures, processes and revenue recognition in the Adult Education segment</i></p> <p>We refer to Note 1 General information, accounting and valuation principles, the administration report and Note 10 Items affecting comparability</p> <p>Total consolidated net sales for the financial year amounted to SEK 11,715 million, of which SEK 1,478 million related to net sales in the Adult Education segment. Overall, AcadeMedia's main revenue recognition is not complex since AcadeMedia usually receives payment per service performed, school voucher funding from municipalities and fees for preschool places. Participant fees attributable to Adult Education, which are recognized according to the degree of completion and other terms and conditions, see below, over the period during which the instruction is provided. Revenue recognition of participant fees requires management to assess the extent to which opportunities for different forms of remuneration will be obtained. In the light of this aspect of assessments, revenue in Adult Education is considered to be a key audit matter in the audit.</p> <p>Nevertheless, a large portion of AcadeMedia's billing occurs locally at each operation and one business can have different contracts with customer-specific components. Moreover, because of manual elements in the billing procedures and a large number of transactions, there is an elevated risk of misstatements.</p> <p>Controls are performed at each business, as well as centrally to ensure that revenue recognition is correct. Moreover, each operation carries out analyses and follow-ups to ensure that revenue recognition and financial statements are correct.</p> <p>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.</p>	<p>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.</p> <p>Audit activities performed include the following:</p> <ul style="list-style-type: none"> <li>• We reviewed, on a random sample basis, key controls carried out to ensure that revenue recognition is correct</li> <li>• On a random sample basis, for randomly selected customers, we tested the recognised revenues against contracts with regard to the correct amount being recognized in the correct period. This testing also included accrued income.</li> <li>• We also assessed the provision for risk of customer losses based on the entire aged accounts receivable structure.</li> <li>• We reviewed a selection of accounts receivable and related revenue as of 30 June 2019 on the basis of payment documents.</li> </ul> <p>Based on our review, we did not find any significant observations to report to the audit committee.</p>

## Information other than the annual accounts and consolidated accounts

### **INFORMATION OTHER THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS**

This document also contains information other than the annual accounts and the consolidated accounts and is provided on pages 1-24 and 126-131. The board of directors and the chief executive officer are responsible for this other information.

Our opinion regarding the annual accounts and consolidated accounts does not cover this information, and we make no statement of assurance regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure, we also take into account the knowledge we have otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If, on the basis of the work performed regarding this information, we conclude that such other information includes a material misstatement, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER**

The board of directors and the chief executive officer are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act, and of the consolidated accounts in accordance with IFRS, as adopted by the EU. The board of directors and the chief executive officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the

board of directors and the chief executive officer are responsible for the assessment of the ability of the company to continue as a going concern. They disclose, as applicable, matters related to the ability to continue as a going concern and using the going concern basis of accounting. The going concern basis of accounting is, however, not applied if the board of directors and the chief executive officer intend to liquidate the company, cease operations or have no realistic alternative but to do so.

The board's audit committee shall, without prejudice to the board's responsibilities and duties, in particular monitor the company's financial reporting.

### **AUDITOR'S RESPONSIBILITIES**

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to submit an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on the Supervisory Board of Public Accountants (Revisorsinspektionen) website ([www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf)). This description is part of the auditor's report.

## Report on other legal and regulatory requirements

### OPINIONS

In addition to our audit of the annual accounts, we have also audited the administration by the board of directors and the chief executive officer of AcadeMedia AB (publ) for the financial year 1 July 2018 – 30 June 2019 and the proposed appropriation of the company's profit or loss.

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the board of directors and the chief executive officer be discharged from liability for the financial year.

### BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

The board of directors is responsible for the proposal for appropriation of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The board of directors is responsible for the company's organization and the administration of the company's affairs. This includes, among other things, continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a satisfactory manner. The chief executive officer shall manage the ongoing administration according to the board of directors' guidelines and instructions and among other matters take measures that are necessary to ensure that the company's accounting is performed in accordance with law and to ensure that the management of assets is conducted in a satisfactory manner.

### AUDITOR'S RESPONSIBILITIES

Our objective concerning the audit of the administration, and thereby our opinion on discharge from liability, is to obtain audit evidence to judge with a reasonable degree of assurance whether any member of the board of directors or the chief executive officer in any material respect:

- has undertaken any action or been guilty of any omission that can give rise to liability to the Company, or

- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriation of the company's profit or loss, and thereby our opinion on this matter, is to assess with a reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriation of the company's profit or loss is not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on the Supervisory Board of Public Accountants (Revisorsnämnden) website ([www.revisorsinspektionen.se/rn/showdocument/documents/rev\\_dok/revisors\\_ansvar.pdf](http://www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf)). This description is part of the auditor's report.

### AUDITOR'S REVIEW OF THE CORPORATE GOVERNANCE REPORT

The board of directors is responsible for the corporate governance report on pages 63-67 and for ensuring that it has been prepared in accordance with the Annual Accounts Act.

Our review has been conducted in accordance with FAR's RevU 16 Auditor's Review of the Corporate Governance Report. This means that our review of the Corporate Governance Report has a different focus and is substantially lesser in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides a sufficient basis for our opinion.

A corporate governance report has been prepared. Disclosures in accordance with Chapter 6, section 6(2), items 2-6, and Chapter 7, section 31 (2) of the Annual Accounts Act are consistent with the other sections of the annual accounts and the consolidated annual accounts, as well as with the Annual Accounts Act.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, was appointed to serve as auditor by AcadeMedia ABs (publ) at the Annual General Meeting held on 22 November 2018 and has been the company's auditor since 24 November 2017.

Stockholm 22 October 2019  
PricewaterhouseCoopers AB

Patrik Adolfson  
*Authorised Public Accountant*  
*Principal auditor*

Eva Medbrant  
*Authorised Public Accountant*