

# Audit Report

To the annual meeting of shareholders of AcadeMedia AB, corporate registration 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 2019 – 30 June 2020 with the exception of the corporate governance report on pages 67-71. The annual accounts and consolidated accounts of the company are included on pages 54-115 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 2020 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 2020 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 2020, the business was conducted via 140 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 96 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 2020 with the aim of issuing a limited review report; and
- Audit of the annual accounts as at 30 June 2020, 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. Furthermore, the impact of COVID-19 on financial reporting and related information has been analysed and taken into account in the audit.
- 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, the principal auditor and assistant auditor conducted digital meetings during the year with the Norwegian and German operations since we were not able to visit in person in these countries due to the Covid-19 pandemic. The purpose of these meetings 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 2019 to 30 June 2020. 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 the Notes 1 General information, accounting and valuation principles, which contains information on important estimates and assumptions for accounting purposes, K15 Intangible assets and K16 Impairment testing.</i></p>	
<p>Goodwill represents an important component of the AcadeMedia Group's total assets and amounts to SEK 5,952 million as of 30 June 2020 (36% of total assets). Brands are valued at around SEK 210 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>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 K16 Impairment testing, 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> </ul>
<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>	<ul style="list-style-type: none"> <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> </ul>
<p>During the year the model and methodology for testing goodwill and other assets with indefinite useful lives has been assessed in order to apply a consistent model throughout the Group and to adapt it to the new lease standard, IFRS 16. 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>	<ul style="list-style-type: none"> <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> </ul>
<p>The value resulting from the test corresponds to the value of discounted cash flows for identified cash-generating units.</p>	<ul style="list-style-type: none"> <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> </ul>
<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>	<ul style="list-style-type: none"> <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>Furthermore, the assumptions are affected by the uncertainty of political decisions that could be made affecting staffing, quality, profits etc., as described in Note K1, which addresses important estimates and assessments for accounting purposes.</p>	<p>Based on our audit we conclude that AcadeMedia's assumptions fall within an acceptable interval. In addition to this disclosure requirement, the information in Note K16 addresses assumptions and risks where changes in assumptions entail or could entail a need for an impairment write-down.</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 2020.</p>	

## KEY AUDIT MATTER

## HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER

*Implementation of IFRS 16 Leases and application of IFRS 16 Leases during the financial year*

We refer to the notes K1 General information, accounting and valuation principles, which contains information on important estimates and assumptions for accounting purposes, K18 Right-of-use-assets and K31 Transition to IFRS 16 Leases.

IFRS 16, Leases, came into force on 1 January 2019 and superseded earlier accounting standards. Implementation of the standard means that essentially all leases will be recognised on the balance sheet, as there is no longer any distinction made between operating leases and finance leases. IFRS 16 requires assets and liabilities attributable to leases, unless the lease term is twelve months or less or the underlying asset is of low value, to be recognised as assets and liabilities on the balance sheet. AcadeMedia has elected to apply the new accounting standard prospectively and therefore has not restated earlier reporting periods.

As a result of the implementation of IFRS 16 Leases, right-of-use assets and lease liabilities of SEK 7,026 million were recognised in the opening balance on 1 January 2019. This, and the effects of this recognition in 2019/2020, are further described in the notes specified above.

Accounting in accordance with IFRS 16 has nearly doubled total assets, has material impact on the income statement and is based on a number of material estimates concerning matters including discount rates, lease terms (and related management of extension clauses) and vacant space.

Considering the material impact on AcadeMedia's accounts and the critical judgements upon which the accounts are based, the implementation of IFRS 16 and accounting in accordance with the standard constitute a Key Audit Matter in our audit.

In our audit for 2019/2020, we maintained special focus on the implementation of IFRS 16 Leases and the subsequent accounting to verify the application of the new accounting standard. Below are some of the audit procedures we performed regarding the opening balance and the 2019/2020 financial year:

- We formed an understanding of AcadeMedia's process for implementing IFRS 16 as of the opening balance date and subsequent accounting.
- On a random basis, we examined and checked calculations used to support the recognition of right-of-use assets and lease liabilities.
- We reconciled input data in calculations against leases or other supporting data.
- We ascertained AcadeMedia's judgements, including the discount rates used and application of option clauses in leases, and examined the same.

In addition to the above, our procedures included:

- Examination of the accounting policies introduced and verification against IFRS 16 Leases
- Examination of the restated opening balance 2019/2020, including disclosures provided in the notes to the accounts
- Examination of accounting in 2019/2020 and verification against implemented accounting policies
- Examination of procedures and internal controls implemented in 2019/2020 to verify correct handling of accounting under IFRS 16 Leases.

An assessment of AcadeMedia's policies for posting impairment losses for any indication of impairment of recognised right-of-use assets is described below under the Key Audit Matter "Management's judgements concerning provisions for onerous contracts and impairment of right-of-use assets".

In our audit, we have reported to the Audit Committee that AcadeMedia has good procedures for IFRS 16 and that the applied assumptions upon which the accounting was based were found to be reasonable.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
<i>Management's judgements concerning provisions for onerous contracts and impairment of right-of-use assets.</i>	
<i>We refer to notes K1 General information, accounting and valuation policies, K18 Right-of-use assets, K24 Other provisions and K25 Accrued expenses and deferred income.</i>	
<p>Management's judgements concerning provisions for onerous contracts and impairment of right-of-use assets.</p>	<p>In our audit, we focused in particular on examining management's assessments of onerous contracts in order to verify completeness, accuracy and measurement. The audit procedures we performed during the 2019/2020 financial year included the following:</p>
<p>We refer to notes K1 General information, accounting and valuation policies, K18 Right-of-use assets, K24 Other provisions and K25 Accrued expenses and deferred income.</p>	<ul style="list-style-type: none"> <li>• We examined AcadeMedia's monitoring and closing accounts procedures to verify that internal controls are in place to account for provisions for restructuring and onerous contracts if required under IAS 37 Provisions and that right-of-use assets have been impaired if a permanent decline in value is found to exist.</li> <li>• We analysed and discussed the follow-up and documentation that AcadeMedia prepares for onerous contracts as well as for restructuring. A description of the current situation, activities to achieve profitability and a forecast period for the time until the unit is expected to make a profit is attached here.</li> <li>• We followed up profit and loss outcomes and future forecasts pertaining to units compared to internal reports, and evaluated the forecast reliability of future forecasts jointly with the responsible individuals at AcadeMedia.</li> <li>• We evaluated AcadeMedia's policies for making provisions against potential losses attributable to restructuring as well as losses against the requirements found in IAS 37 Provisions, and the same with regard to the need to impair right-of-use assets against the requirements found in IAS 36 Impairment of Assets.</li> </ul>
<p>Assumptions and judgements that serve as the basis of provisions for onerous contracts or similar commitments (in the following "onerous contracts") and any need to impair right-of-use assets. AcadeMedia has around 660 units in its operations, including both mature units and startups. The results for such units range from negative to positive, according to whether a unit is in a development stage, and/or to various other factors. In the event that a commitment, legal or constructive, is going to lead to future losses, under IAS 37 Provisions a provision must be recognised for the losses that are expected to arise after the reporting date and until termination of the contract. In the event that the losses are related to right-of-use assets, an impairment charge of must be taken for those assets instead of a provision being reported.</p>	<p>In our audit, we reported observations to the Audit Committee regarding the accounting of provisions for onerous contracts and impairment of right-of-use assets. In our view, AcadeMedia's assumptions on which provision for onerous contracts and impairments of right-of-use assets are based are within an acceptable range.</p>
<p>AcadeMedia monitors the profit and position of all units on a monthly basis and makes judgments and forecasts for the future. Based on these judgments, AcadeMedia determines whether a provision or impairment should be reported.</p>	
<p>According to the notes above, there were provisions for restructuring of a total of SEK 39 million, which in part include this exposure. Although these items are not significant in relation to AcadeMedia's financial position, we find that the reporting of underlying judgements is a Key Audit Matter.</p>	

**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 K1 General information, accounting and valuation principles, K5 Personnel expenses, K6 Pensions and K25 Accrued expenses and deferred income.*

AcadeMedia has around 17,600 employees in its subsidiaries. Personnel expenses account for just over 67% 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.

In order to pay salaries to 17,600 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 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.

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:

- 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.
- 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.

Nothing material emerged in these audit procedures that we reported to the management, the Audit Committee, or the Board.

## 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 2-53 and 122-127. 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 (Revisorsnamnden) 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 2019 – 30 June 2020 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 67-71 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 26 November 2019 and has been the company's auditor since 24 November 2017.

Stockholm, 22 October 2020  
PricewaterhouseCoopers AB

Patrik Adolfson  
Authorised Public Accountant  
Principal auditor

Eva Medbrant  
Authorised Public Accountant