

OUR SEGMENTS

AcadeMedia's four segments

PRESCHOOL

AcadeMedia's Preschool segment operates in three countries: Sweden, Norway and Germany. Our preschools offer educational diversity.

The Preschool segment was formed on 1 July 2019 when all independent preschools in Sweden, Norway and Germany were merged into a new segment.

Significant events during the year

- During the financial year, 19 new preschools were added to the segment. At the same time, four units in Germany were merged into two and in Sweden twelve units were closed or sold at the start of the financial year.
- Norwegian Espira's operating model was adapted to the staffing standards implemented from 1 August 2019.
- In Norway a new pension plan came into force and 90 percent of employees transferred to a defined-contribution pension scheme.
- In the middle of March all preschools in Germany and Norway were closed because of the Covid-19 pandemic; only children whose parents were considered to be essential workers were permitted to attend preschool. Swedish preschools remained open.

Financial performance

Given current circumstances, the Preschool segment had a good year. The low turnover and increase in student enrolment are attributable to the closure or sale of twelve Swedish units with a total of about 800 children on 30 June 2019. As expected, implementation of the new staffing standard and higher pension costs in Norway had a negative impact on both earnings and profitability. The closure of the preschools in Germany and Norway, due to the government decisions to limit the spread of Covid-19, also had an impact. In Germany, parental fees were reduced during the pandemic (SEK -2 million), though the negative impact was partially offset by lower costs and staff furloughs. The net impact on earnings was about SEK -8 million.

Adjusted operating profit (EBIT) declined to SEK 174 million (189). The profit margin was 4.7 percent (5.2). EBIT was SEK 226 million (189) and was impacted by SEK 53 million in items affecting comparability attributable to the transition to the new pension plan in Norway.

Fast facts

259 UNITS*

6 BRANDS

20,854 CHILDREN*

6,478 EMPLOYEES*

SALES SEK 3 707 MILLION

PROFIT ** SEK 226 MILLION

*Average per year
**EBIT excl. the effects of IFRS 16

COMPULSORY SCHOOL

AcadeMedia's Compulsory school segment has schools throughout Sweden, from Kalix in the north to Malmö in the south. Educational diversity is considerable, and we offer several different streams.

The compulsory school segment was formed on 1 July 2019 when AcadeMedia's compulsory schools formed a separate segment.

Significant events during the year

- Student enrolment at the start of the autumn term increased during the year, including acquisitions, by 3.0 percent from 23,964 to 24,689 in the first quarter.
- Two compulsory schools were acquired during the year: Pops Academy with 330 students and Banérporten with 520 students.
- The annual quality survey showed a substantial increase in satisfaction at the compulsory schools. The percentage of students willing to recommend the school to others increased to 68 percent (65); the corresponding figure for guardians is 78 percent (74).

Financial performance

2019/20 was an extremely strong year for the compulsory school segment, with solid growth and margin performance. Higher student numbers at existing units, as well as bolt-on acquisitions combined with stable personnel costs, had a positive effect. Staff vacancies and delays in new recruitment also contributed, albeit temporarily. Covid-19 has not had any economic impact.

The average number of students increased by 3.8 percent, to 25,179 (24,265). Net sales increased by 5.2 percent to SEK 3,005 million (2,857). The adjusted operating profit was higher than a previous year, at SEK 176 million (145). The margin increased to 5.9 percent (5.1).

Fast facts

109 UNITS*

3 BRANDS

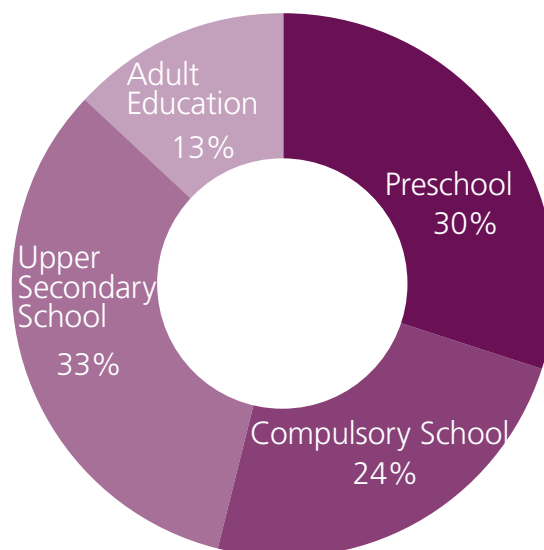
25,179 CHILDREN AND STUDENTS*

4,561 EMPLOYEES*

SALES SEK 3,005 MILLION

PROFIT ** SEK 176 MILLION

Share of sales by segment



UPPER SECONDARY SCHOOL

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

Significant events during the year

- Four new units opened at the start of the autumn term in 2019, and student enrolment increased by 4.8 percent.
- At the Teacher Gala for the year in December, two AcadeMedia teachers received awards. The upper secondary school teacher of the year was Björn Grönqvist, who teaches at Klara Teoretiska Gymnasiet in Karlstad. The mathematics teacher of the year was Anders Månsson, from ProCivitas in Helsingborg.
- Because of the Covid-19 pandemic, all upper secondary schools switched to distance education beginning on 18 March.
- The Swedish Schools Inspectorate gave the green light to Praktiska Gymnasiet at both the unit and principal level after many comments during previous inspections.

Financial performance

The Upper secondary school segment continues to expand and gain market share. New establishments and additional new students at the ten new establishments from the autumn of 2018 and 2017, as well as the annual adjustment of school vouchers are the main reasons for the strong growth in student enrolment and sales during the year. At the same time, the segment's continued focus on quality, digitalisation and new start-ups also impacted earnings, causing a slight decline in profitability. Covid-19 has had a limited financial effect due to our transition to distance education.

The number of students rose 5.0 percent to 36,400 (34,653) and net sales increased by 6.4 percent to SEK 3,999 million (3,757). Growth was attributable to new establishments and higher revenue per student. Operating profit (EBIT) increased to SEK 365 million (364) and the operating margin was 9.1 percent (9.7). Adjusted operating profit was SEK 354 million (344).

Fast facts

143 UNITS*

14 BRANDS

36,400 STUDENTS*

4,445 EMPLOYEES*

SALES SEK 3,999 MILLION

PROFIT** SEK 365 MILLION

*Average per year

**EBIT excl. the effects of IFRS 16

ADULT EDUCATION

AcadeMedia's Adult education segment is the largest and leading provider of adult education in Sweden.

Significant events during the year

- The segment successfully implemented major changes during the year creating a better composition of services. The trend for activities associated with municipal adult education and higher vocational education has been favourable during the year.
- The segment accelerated efforts to develop digital services by launching the AcadeMedia EdTech business area.
- As a result of the Covid-19 pandemic, about 20,000 participants switched to distance learning beginning in the middle of March.
- During the year, AcadeMedia was awarded contracts for municipal adult education by both the City of Gothenburg and the City of Stockholm.

Financial performance

The Adult Education segment had a strong year, with an increase in earnings of almost SEK 100 million. During 2019/20, initiatives were undertaken to limit the effect of the loss-bringing contracts in fields such as Labour Market Services, while expanding the business in Municipal Adult Education and Higher Vocational Education. All business areas contributed to the improvement in earnings, driven in part by higher volumes. Quality improvement initiatives within higher vocational education have resulted in a lower drop-out rate and thus higher profitability. Labour market services stabilised with positive earnings for the spring. The transition to distance education because of Covid-19 has had a limited financial impact.

Net sales for the full year increased by 5.3 percent to SEK 1 557 million (1,478). Adjusted operating profit (EBIT) increased sharply to SEK 131 million (32). The margin was 8.4 percent (2.2).

Fast facts

150 UNITS*

14 BRANDS

100,000 PARTICIPANTS*

1,331 EMPLOYEES*

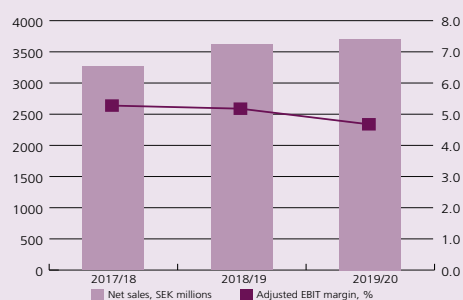
SALES SEK 1,557 MILLION

PROFIT** SEK 131 MILLION

THE NUMBERS

PRESCHOOL (SEK M)	2019/20	2018/19	CHANGE
Net sales	3,707	3,619	2.4%
Sweden	1,241	1,290	-3.8%*
Norway	1,935	1,922	0.7%
Germany	530	406	30.5%
EBITDA	310	262	18.3%
EBITDA margin, %	8.4%	7.2%	1.2 p.p.
Depreciation/amortisation	-78	-68	-14.7%
Acquisition-related depreciation/amortisation	-5	-5	—
Operating profit/loss (EBIT)	226	189	19.6%
EBIT margin, %	6.1%	5.2%	0.9 p.p.
Items affecting comparability	53	—	—
Adjusted operating profit/loss (EBIT)	174	189	-7.9%
Adjusted EBIT margin, %	4.7%	5.2%	-0.5 p.p.
Number of children/students**	20,854	20,576	1.4%
Number of units**	259	254	2.0%
Capacity utilisation			
Sweden	91.4%	91.6%	-0.2 p.p.
Norway	90.9%	90.9%	0.0 p.p.
Germany	89.7%	90.3%	-0.6 p.p.

NET SALES AND ADJUSTED EBIT MARGIN



MARKET SHARE*** OF	2019/20	2018/19
INDEPENDENT MARKET		
Sweden	10.3%	11.1%
Norway	6.9%	6.8%
Germany	3.0%	n.a.
TOTAL MARKET		
Sweden	2.1%	2.2%
Norway	3.4%	3.4%
Germany	0.0%	0.0%

* At the end of 2018/19, 12 units in Sweden with approximately 800 children were sold or divested

** Average per year

*** Source: Sweden, the National Agency for Education's SIRIS database of the number of students in independent and municipal schooling, as well as the number of students enrolled with AcadeMedia. Norway, SBB. Germany, Destatis

OUR BRANDS

pysslingen
FÖRSKOLOR

espira
KUNNSKAPSBARNEHAGEN

espira
kinderbetreuung

STEPKE
Richtig gute KiTa.



joki

Pysslingen Preschools create a secure and stimulating world filled with possibilities. The photo comes from the Söderkulla preschool in Vaxholm.

Our Preschool segment is organised geographically, which is reflected in the description of the segment. The three markets in which we operate are Sweden, Norway and Germany.

PRESCHOOL SEGMENT: SWEDEN, NORWAY AND GERMANY

259 preschools in three countries

SWEDEN

Swedish preschools remained open during the coronavirus outbreak

During the year, Pysslingen preschools continued working on achieving even better, more consistent quality in our preschools. To help them to achieve these goals, several new quality tools were developed and all employees have been trained in our quality procedures.

During the period we also systematically worked with our values and our offering, while also promoting our new brand identity.

Activities were up and running

The spring was, of course, influenced by the Covid-19 pandemic and ensuring that all of our preschools focused on the safety and security of employees, children and guardians. Swedish preschools remained open through-

out the spring. The closure of schools and preschools across Europe resulted in preparedness for quickly closure if necessary. The planning included preparations to remain open for children whose guardians were essential workers, such as medical and nursing personnel.

At the end of March, absence among both employees and children was extremely high; up to 50 percent of children were periodically absent. As time passed, the absence rate declined and by the end of the financial year it had returned to normal levels. The absence rate was exceptionally high over the course of a few weeks because of illness, clear rules not to attend when symptoms are present and extensive concerns about becoming the spread of infection. The Public Health Agency issued two recommendations early on; one was social (physical) distancing, the other was that anyone showing the slightest symptom

of respiratory infection* should stay home until completely symptom-free. Social distancing in preschool is impossible. However, hand hygiene procedures were strengthened, more activities were conducted outdoors and external visits to preschools were kept to a minimum. Significant steps were also taken to ensure that children and staff did not come to the preschool when symptomatic.

The employees at the Swedish preschools did an amazing job during the spring. They ensured that all activities were up and running while creating a secure and nurturing environment for children. They also maintained contact with children who were not at the preschool and advised guardians about activities to engage children at home. All of these tips are now listed in a separate section on the website for Pysslingen Preschools.

**The guideline about what symptoms was updated during the spring*

Our focus on increased target achievement

Leading in learning

During the year, several quality tools were developed and implemented. One is "A day at preschool", which describes important actions during different parts of the day, and "Operation learning environment" which helps the preschools to analyse and develop their learning environments.

All employees also received training in the quality procedures to promote greater knowledge and understanding of how to achieve quality.

The preschool curriculum was revised in 2019, including clarification of the role of the preschool teacher and the concept of care.

Leading in attractiveness

We launched a new brand platform formulated with a clear purpose, values, and offerings and efforts to encourage its adoption by the entire organisation have continued. The new brand identity has now been fully implemented and the images of Pyss & Ling are now available in multiple formats. Examples include a backpack for a "Safety walk for children", the videos "Fix & Trix with Pyss & Ling" and the book "Pyss goes to preschool" as an introduction

for new children and guardians. This initiative has produced results. Recommendation ratings from guardians have increased from 83 to 87 percent.

A new careers page has been designed to present offerings and development opportunities for both new and existing employees.

Leading in efficiency

Hiring qualified temporary staff to work at preschools when needed is an important and time-consuming activity. To simplify the task for the preschools and to increase efficiency, a central recruitment function has been created. A digital tool for more convenient use of the service is under development and a beta version is currently being tested in parts of the organisation.

Leading in innovative development

The digital multilingual book service Polyglutt is available at all preschools to stimulate interest in language and reading.

In spring we created digital tours of our preschools so that guardians could get an idea of what we do without meeting in person.

NORWAY

Constant focus on increased quality

In recent years, Espira has continued to work on further improving quality at all of its preschools. The Espira BLIKK tool helps us to use a targeted approach to ensure that all children who attend any of our preschools will find a high-quality preschool that complies with Preschool Act regulations and the national curriculum.

Preschools closed during Covid-19 pandemic

On 12 March Norway announced that all preschools and schools would be closed as one of the measures to combat the Covid-19

pandemic. Preschools and schools were then partially closed until 20 April; only children whose parents who were considered to be essential workers and children with special care needs could attend preschool.

Espira was prepared. In late February, the crisis response was activated; a team was formed and tasked with supporting the preschools in all coronavirus-related issues during the spring.

Most Espira employees worked from home during the lockdown. They held voluntary digital meetings and created videos with educational tasks within the focus areas language, science and movement, which the

children and their guardians could work on at home.

After reopening, the Norwegian authorities implemented detailed guidelines to avoid the spread of infection in preschools. Espira follows these guidelines carefully; for example, the preschools reopened with reduced hours. As the Norwegian authorities gained control over the spread of infection, the hours were expanded and in late June most preschools had returned to their regular schedule.

Efforts to reduce the spread of infection in Norway continue and Espira is prepared to take any necessary measures should the situation change.

Our focus on increased target achievement

Leading in educational quality

In recent years, Espira has also invested considerable resources in developing its own quality management system, Espira BLIKK. The goal of Espira BLIKK is that any child who attends an Espira preschool will encounter a high-quality preschool. The operations must comply with the provisions of the Preschool Act, and the national curriculum for preschools. Another goal is for all preschools within Espira to work continually on quality development, and that Espira should be able to centrally measure and follow up on the quality of each preschool.

The methodology used in Espira BLIKK was inspired by and modeled on the ways in which AcadeMedia's Swedish preschools measure the extent to which national goals for preschool are achieved. The method is based on a joint quality management initiative involving all 104 preschools. Each preschool carries out a self-assessment, after which the unit is evaluated by employees from other preschools within Espira.

Good quality in the preschool is mainly achieved when employees have a reflective approach to work and a high level of education in interplay with the children. We use Espira BLIKK to evaluate quality in the preschool based on 24 national curriculum areas.

Leading in attractiveness

All Espira preschools are active on social media, especially Facebook and Instagram, to show parents the great work that is happening in our preschools. In addition, preschools have their own marketing plans and parent visiting days. Espira also centrally produces videos, photos and news articles to promote work at the preschools.

Leading in efficiency

Over the past year, Espira has substantially invested in various digital solutions to simplify life for our employees. For example, we implemented a new HR system. In addition, a new system for educational documentation and communication between preschools and parents was also developed during the year and launched in August 2020.

Leading in innovation

Espira participates in several different research projects in collaboration with universities and colleges in Norway. These projects include EnCompetence, which aims to raise the level of competence with respect to the physical environment in preschools.



Dance play at Espira in Norway.



Adventure in the forest outside one of our preschools in Germany.

GERMANY

Continued strong growth of preschools in Germany

Strong growth in Germany continues and in 2019/20 we carried out a substantial expansion of preschools with an increase in the number of children. The average increase was over 30 percent. All five states in which we operate saw growth: Berlin, Brandenburg, Bavaria, Baden-Württemberg and North Rhine-Westphalia.

AcadeMedia has four brands in the German preschool operation: Stepke in Berlin, Brandenburg and North Rhine-Westphalia, as well as Kita Luna, Joki and Espira in Bavaria and Baden-Württemberg.

Our growth is strong and attributable to the continued shortage of preschool places

in Germany. Currently, the need is estimated at more than 350,000 places; in North Rhine-Westphalia alone, the need is estimated at over 200,000 places.

Direct impact of the Covid-19 pandemic

The effects of the Covid-19 pandemic are, and have been, substantial in Germany. Both the central Cabinet and the state governments have implemented drastic and far-reaching measures to minimise the spread of infection. As a result, beginning on 14 March almost all preschools and schools were closed in the states where we have a presence. Only guardians who were considered to be essential workers were permitted to have their children in preschool.

The first phase of the lockdown lasted five weeks until after the Easter break. A new assessment was then carried out, followed by phase two, which expanded the number of guardians permitted to use the preschools. We advanced then from our lowest capacity utilisation of 5–10 percent to 10–15 percent of the total number of preschool places.

A third phase then began in the first week of June when “restrictive normal activities” were permitted, which meant that the preschools are open, but with specific restrictions such as lower child density, limited number of attendance hours and a gradual increase in the number of occupational groups that could leave their children in preschool. Attendance then increased to over 50 percent at the end of the financial year.

Our focus on increased target achievement

Retaining and recruiting new employees is crucial for our continued development in Germany. During the financial year we continued to develop our internal training academies, which offer a large number of education programmes to our employees. At the same time, we continually work on strengthening our recruitment procedures. A digital presence and a highly efficient application process are crucial for attracting new employees.

Each of our brands - Stepke, Kita Luna, Joki and Espira - is characterised by clear, well-defined and detailed concepts in learning, attractiveness, security and efficiency. The brands differ in purely visual terms and, to some extent, even how they work, but all preschools

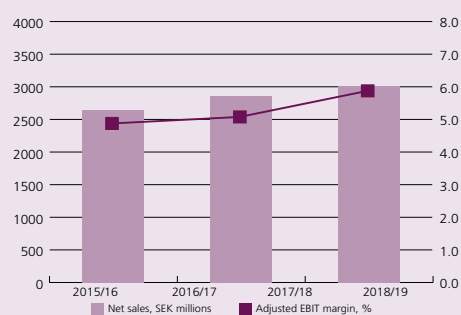
share the same requirements and desire to pursue a high level of quality and goal achievement. The Scandinavian preschool model has long been attractive in Germany, for which reason we have met with great success when opening preschools within the Espira concept, which originates from our sister operation Espira in Norway.

Since we continually work on opening new preschools, we place great emphasis on a high common level of quality and constant improvement. The purpose, of course, is to achieve a high level of satisfaction among care takers and thus quickly achieve full capacity at the preschools, which the authorities view as a requirement for us to be a successful preschool company.

THE NUMBERS

COMPULSORY SCHOOL (SEK M)	2019/20	2018/19	CHANGE
Net sales	3,005	2,857	5.2%
EBITDA	242	203	19.2%
EBITDA margin, %	8.1%	7.1%	1 p.p.
Depreciation/amortisation	-65	-60	-8.3%
Acquisition-related depreciation/amortisation	-1	-1	–
Operating profit/loss (EBIT)	176	141	24.8%
EBIT margin, %	5.9%	4.9%	1 p.p.
Items affecting comparability	–	-4	-100,0%
Adjusted operating profit/loss (EBIT)	176	145	21.4%
Adjusted EBIT margin, %	5.9%	5.1%	0.8 p.p.
Number of children/students*	25,179	24,265	3.8%
Number of units*	109	110	-0.9%
Capacity utilisation	93.0%	90.5%	

NET SALES AND ADJUSTED EBIT MARGIN

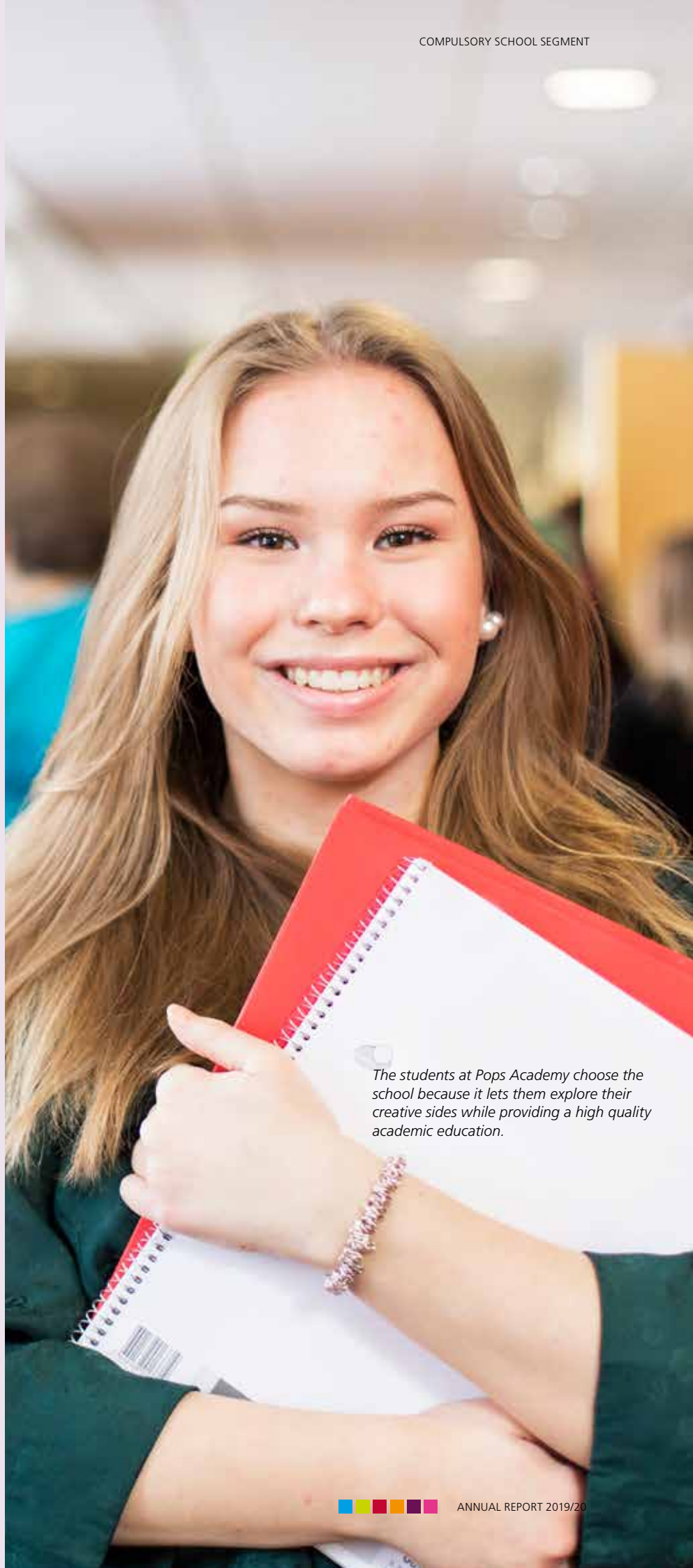


MARKET SHARE** OF	2019/20	2018/19
Independent market	12.3%	12.2%
Total market	1.8%	1.8%

* Average per year

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

OUR BRANDS



The students at Pops Academy choose the school because it lets them explore their creative sides while providing a high quality academic education.

COMPULSORY SCHOOL SEGMENT

Good, secure schools

The goal for all AcadeMedia compulsory schools is to be the best school in the neighbourhood. The school should also be the safest school where the best teachers work – that is how to achieve high results.

Achieving this goal requires clear brands with high recognition; prospective students should understand what they will encounter when they apply to a specific school. Within AcadeMedia we have seen Banérporten and Pops Academy, two schools that are highly valued by their students, join our family during the year.

We will continue our efforts to improve our schools in order to create the best possible student learning conditions. We prefer to do so through various specialties, which may involve subjects (such as music) or educational philosophies (such as Montessori).

Annual plan for Vittra and Pysslingen

Prior to each school year, a detailed plan is prepared for the year at both the unit and principal level. Vittra's plan for the 2019/20 school year was to work on increasing equivalence, which is one of the most important tasks of the Swedish school. This effort has involved a clearer distribution of resources and targeted educational initiatives to guarantee all students an equivalent educa-

tion, regardless of the circumstances of the student or the school. By doing so we can improve target achievement for everyone. The plan was implemented despite the impact of the coronavirus crisis.

Pysslingen Schools had new management during the year, which step by step established a new governance model together with principal groups. This strategy allows continued development work within the schools. For example, they are working to further develop various educational offerings and to complete work on the premises to be able to receive more students in several of our schools.

Open compulsory schools prepared to close during the Covid-19 pandemic

All Swedish compulsory schools remained open during the coronavirus crisis, though some were forced to switch to distance education during short periods. Many people believed in March and early April, especially after the upper secondary schools began teaching remotely, that the compulsory schools would also do so, completely or in part. However, the government did not want to close the compulsory schools. One argument against a closure was that younger children in compulsory school need care, which means that hundreds of thousands of guardians would need to stay home from work, including essential workers. Moreover, it is hardly possible to teach seven and eight year olds remotely.

However, loud debates called for closing the higher levels of compulsory school and letting the older children study from home. As a result of this debate, many compulsory schools ended up in what can best be described as a holding pattern, which created uncertainty among both employees and guardians. Everyone planned to be able to switch to distance education, while teaching continued as usual in the schools.

On 19 March, however, a new law and ordinance was passed which under which compulsory schools could also close and switch to distance teaching if one of four criteria was met. One such criterion was a high rate of sickness absence among employees due to a "disease constituting a danger to society", such as Covid-19.

Several of AcadeMedias's compulsory schools were forced to use this amended law for all or parts of the school. Some did so just for a day or so, others for several weeks. One important reason for the high rate of sickness absence was the recommendation from the Public Health Agency that everyone with the slightest symptoms of a respiratory infection should stay home until completely healthy; towards the end of the spring "plus two extra days" was added to the recommendation.

Digital teaching worked unexpectedly well and both employees and students contributed to a good learning experience despite the unique circumstances.

Read more about how we worked from the middle of March until the end of the term in the sustainability report on pages 26-53.

Our focus on increased target achievement

Leading in learning

With the ambition of further improving learning outcomes in our schools, we worked strategically in a couple of areas. For example:

In-depth analysis of study outcomes and safety. Ability to systematically follow up and analyse school outcomes is essential for increased target achievement. During the year we have therefore developed documentation to include differences between boys and girls.

After-school centre. During the year a more consistent model has been designed to follow up and assess after-school centre activities – with a special focus on the quality and content of the education.

Focus on attendance. A basic requirement for students to be able to learn new things is for them to be present. During the spring a project was initiated to ensure consistency and improved accuracy in follow-up of absenteeism among compulsory school students.

Grades & assessment. It is important for our teachers to feel secure in both lesson planning and evaluation of student knowledge to increase equivalence in our schools. Over the past year, a number of pilot schools completed a web-based skills development initiative in grades & assessment that was developed jointly with Karlstad

University; in the future, the course will be offered to all teachers and schools.

Leading in attractiveness

Good quality along with a clear offering makes it easier for both employees and guardians to make informed choices. As part of the initiative to increase the attractiveness of our compulsory schools, during the year we carried out an extensive brand-building campaign aimed at both internal and external clarity with respect to our schools' brands and offerings.

Leading in efficiency

An important aspect of creating an efficient organisation involves working together to find the best possible use of available resources to reach high-quality educational goals. As part of this effort, during the spring a long-term project was initiated to find overarching common structures for resource allocation and planning of educational activities on multiple levels.

UPPER SECONDARY SCHOOL SEGMENT

The largest change since compulsory schooling was introduced

Photo from Klara Teoretiska Gymnasium in Gothenburg Klara has eleven schools in six different cities, from Malmö to Sundsvall. The schools aim to optimally equip all students for further studies.

The year began like any other, the first day of school when we were happy to see many new students, the intensive studies of the autumn term, national English testing in November, third year students planning for graduation. The Covid-19 pandemic, which came to Sweden in February turned just about everything topsy turvy; essentially overnight in March, 143 upper secondary schools with over 36 000 students transitioned to distance education. Nationwide tests were cancelled, and graduation was unlike any other.

The transition, which came after a government decision and a recommendation from the Public Health Agency, far exceeded expectations since AcadeMedia's Upper secondary schools have been working with various digital tools for many years.

Distance education due to Covid-19

The most obvious effect is that upper secondary schools switched to distance education. Most could do so immediately, while upper secondary schools with a practical focus needed a few extra days since not all students had access to the technical equipment needed to study from home. AcadeMedia helped several students by providing an internet connection and made sure that everyone had their own computer or chromebook.

Our focus on increased target achievement

Leading in learning

To further improve learning outcomes in our schools, we worked strategically in a couple of areas. For example:

- **Attendance boost.** A basic requirement for students to be able to learn new things is for them to be present in class. We have therefore intensified our efforts to measure attendance and to train staff in activities that promote attendance. These activities include regional conferences, school-specific education initiatives and projects.
- **Grades and assessment.** Together with Karlstad University, a web-based skills development initiative was designed in grades and assessment. Its purpose was to create a common platform to develop this extremely important part of our education mission, provide additional security to teachers who may need a refresher course and an entry to working with how grading relates to other factors, such as national tests. To date, 1,100 employees have completed the programme.

Leading in attractiveness

During the year we continued with our work to clarify exactly what a student can expect when they enrol in one of our programmes. Living up to and exceeding well-calibrated ex-

The majority of teaching followed the usual schedule, which meant that students entered a digital classroom when the lesson began. Joint reviews alternated with individual assignments, and most classes ended with some type of check-out procedure so teacher could check that students followed along during the entire session. Attendance increased during this period, though many students relatively quickly began longing to return to school and its social life. Quite a few students also felt it was difficult to keep up with the teaching digitally, which meant it was helpful and important that, after a few weeks, the schools were permitted to allow small groups of students back into the schools.

One of the major practical issues during this period involved school lunches. Upper secondary school students have food passes to eat at cafés and restaurants close to the school, or eat in the school cafeteria. Since remote education was implemented mainly to reduce travel, AcadeMedia developed an app through which students could order food for one week in advance and pick it up at designated pickup locations.

The last week in May, the government decided that upper secondary schools would open again on 15 June, after the last day of school. The decision meant that summer school, which was important for the many students who could not perform as well as usual during the period with distance education, could be held in the school building.

pectations provide the schools with excellent prospects for good planning.

Leading in efficiency

We work continually to find new and better solutions to the various challenges we face. Seldom has it been so clearly demonstrated as to just how valuable this is as when the upper secondary schools converted to distance education. Having hardware in place, learning platforms installed and teachers and students who are familiar with these environments provided a unique opportunity to effectively reset the entire basic structure of our operations.

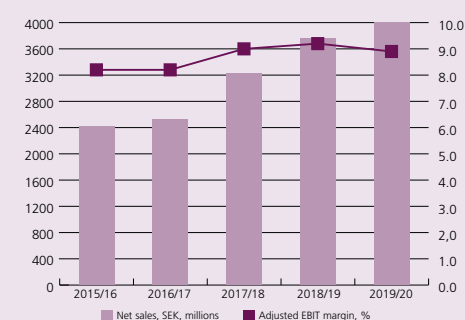
Leading in innovative development

We will apply the lessons we learned during this period of distance teaching in the future. We see great opportunities for continued development of many parts of our operations – digitalisation of SYV, daily student life via CampusOnline, ordering food and skills development are some of the important areas. Others include increasing international cooperation, conducting research and participating in various development projects. In many ways, it involves creating an operation that can transform impulses into developing actions.

THE NUMBERS

UPPER SECONDARY SCHOOL (SEK M)	2019/20	2018/19	CHANGE
Net sales	3,999	3,757	6.4%
EBITDA	530	506	4.7%
EBITDA margin, %	13.3%	13.5%	-0.2 p.p.
Depreciation/ amortisation	-161	-138	-16.7%
Acquisition-related depreciation/ amortisation	-4	-4	–
Operating profit/loss (EBIT)	365	364	0.3%
EBIT margin, %	9.1%	9.7%	-0.6 p.p.
Items affecting comparability	11	20	n.a.
Adjusted operating profit/loss (EBIT)	354	344	2.9%
Adjusted EBIT margin, %	8.9%	9.2%	-0.3 p.p.
Number of children/ students*	36,400	34,653	5.0%
Number of units*	143	143	–
Capacity utilisation	88%	88%	–

NETTOOMSÄTTNING OCH JUSTERAD EBIT-MARGINAL



MARKET SHARE** OF	2019/20	2018/19
Independent market	36.1%	35.7%
Total market	10.3%	9.8%

*) Average per year

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

OUR BRANDS



ADULT EDUCATION SEGMENT

Increased need for adult education



The past year has been characterised by the changes associated with the Covid-19 pandemic. Unemployment is rising as a result of extensive layoffs and bankruptcies. Major educational initiatives will be needed, which is reflected in the Government's relief package. Adult education has never been more important for coping with the major challenges that society faces. AcadeMedia has the market's widest portfolio of contracts and the means to rapidly scale up operations to meet rising demand.

During the 2019/20 financial year the segment as a whole performed positively. The improvement in earnings is mainly attributable to our higher vocational education and municipal adult education programmes (including Swedish for immigrants), which have had good growth with increased demand and improved margins. Extended contracts in municipal adult education in Gothenburg and Stockholm have contributed stability throughout the financial year. Labour market services have also stabilised. The composition of education programmes in the segment has continually evolved with a focus on those programmes that are more

profitable and in greater demand. Municipal adult education and Higher vocational education currently account for 66 percent (64) and 22 percent (18) of the total portfolio for the segment, while Labour market services decreased to 10 percent (17).

Rapid conversion because of Covid-19

In the middle of March the Public Health Agency recommended remote teaching for all adult education programmes. In three days, 20,000 students in adult education programmes switched to distance education, a teaching format that had been used extensively in adult education.

Several operations in the segment, including Hermods and NTI-skolan, have extensive experience of distance education. This knowledge was rapidly transferred to other schools, which under normal circumstances use a classroom-based approach. The conversion exceeded all expectations. The drop-out rate among students was low. This also applied to students with a limited background in their studies.

Throughout the Covid-19 pandemic we maintained close dialogue with our clients in order to jointly address the major challenges that society faces.

Our focus on increased target achievement

Leading in learning

We work systematically to develop learning in our education programmes. Our digital learning platforms, Novo and Omniway, comprise an important learning framework. Major development projects are underway to ensure that learning platforms meet the individual needs of the students, create equivalence and increase target achievement. One example is the research study that is being conducted in collaboration with researchers at Skövde University to test the impact of gamification on students' study outcomes. These developments also mean that teaching could be made more responsive, with the learning platform adapting information and content to students development.

We have begun a project to develop system support for quality monitoring. We will continue with this during the next financial year. To advance these improvement efforts, we have worked to identify the most important conditions and processes that lead to high achievement for students and participants.

Leading in attractiveness

We create attractiveness through strong leadership. During the year, we began

working on self-leadership and value-driven leadership. The annual employee satisfaction survey shows that employee satisfaction has increased to 72 (71).

Leading in efficiency

Last year, five of the companies in the Adult Education segment were certified to quality and environmental standards ISO 9001:2015 and ISO 14001:2015. During the current year, the management system has been improved and systematic quality management has continued. After the annual review, certification was renewed for all companies.

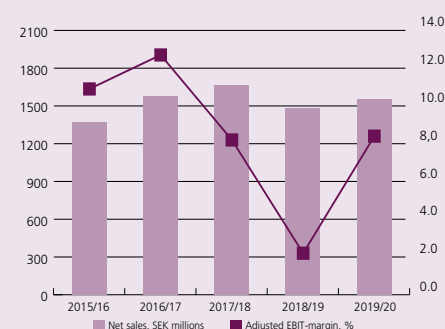
Leading in innovative development

AcadeMedia's Adult Education segment accelerated efforts to develop digital services by launching the AcadeMedia EdTech business area. The purpose is to associate with actors in research and innovation to develop new digital education services for both existing and new customers. As part of this initiative, the Omniway learning platform will become a separate company outside NTI-skolan to make it possible to offer the platform to more users.

THE NUMBERS

ADULT PROGRAMMES (SEK M)	2019/20	2018/19	CHANGE
Net sales	1,557	1,478	5.3%
EBITDA	146	32	356.3%
EBITDA margin, %	9.4%	2.2%	7.2 p.p.
Depreciation/amortisation	-10	-10	–
Acquisition-related depreciation/amortisation	-5	-5	–
Operating profit/loss (EBIT)	131	17	670.6%
EBIT margin, %	8.4%	1.2%	7.2 p.p.
Items affecting comparability	–	-15	n.a.
Adjusted operating profit/loss (EBIT)	131	32	309.4%
Adjusted EBIT margin, %	8.4%	2.2%	6.2 p.p.

NET SALES AND ADJUSTED EBIT MARGIN



KPIS	2019/20	2018/19
Number of participants*	100,000	100,000
Number of units*	150	150

OPERATION'S PERCENTAGE OF THE SEGMENT

Swedish for immigrants	17%	20%
Komvux	48%	44%
Company training programmes	1%	2%
Higher vocational education	22%	18%
Public Employment Service	10%	17%

*) Average per year.

OUR BRANDS



MARKET OVERVIEW

Stable markets with good demand

AcadeMedia's four segments work with education. The business models are structured differently, but all four are in the main financed by public funds. External factors that can affect demand for our services include demographic trends, urbanisation, the economy, unemployment and integration.

Factors such as the percentage of individuals who have their children in preschool and school, the need for staff with the right skills, municipality finances and changes in education policy can also affect the markets in which we are active.

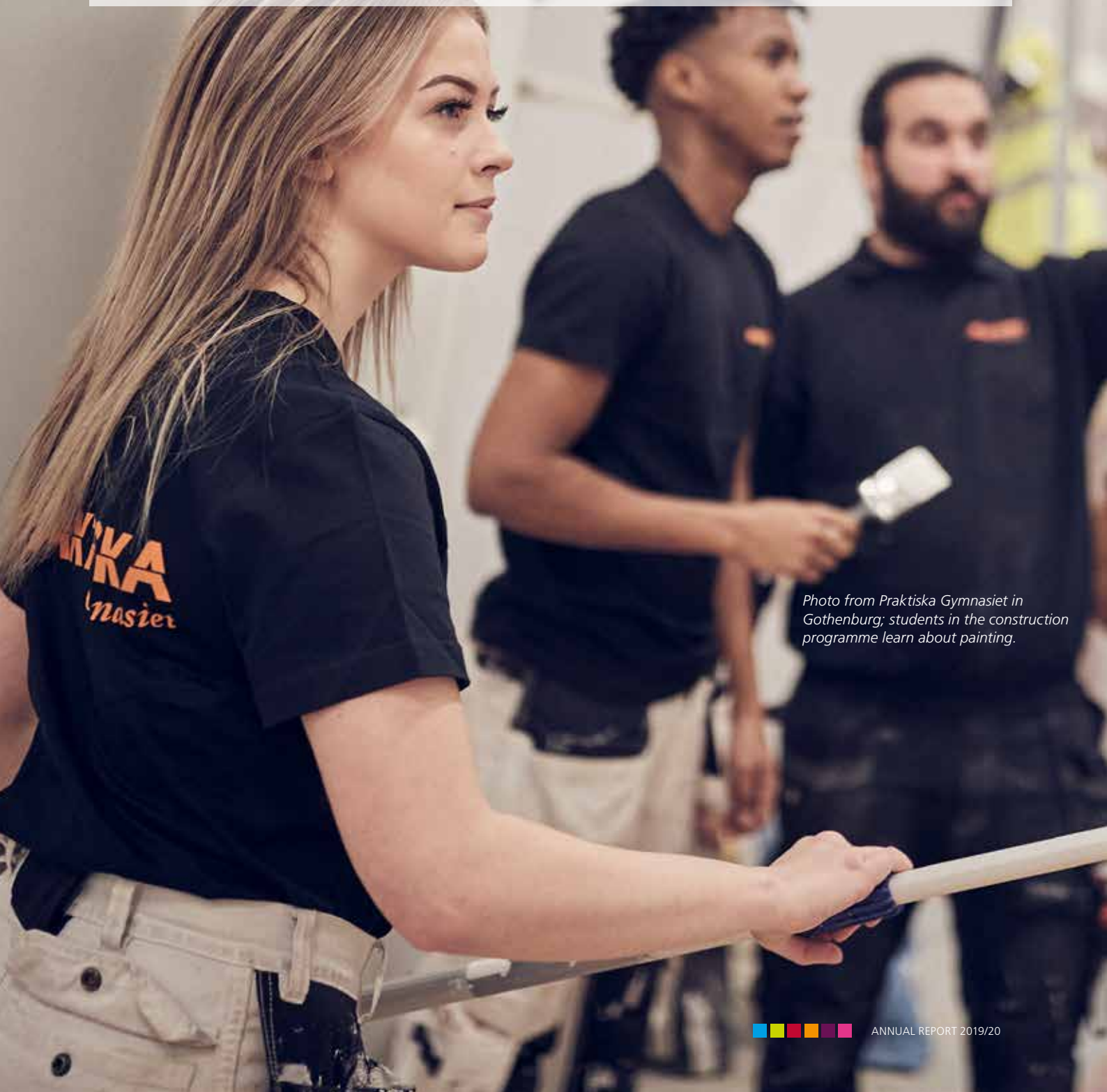


Photo from Praktiska Gymnasiet in Gothenburg; students in the construction programme learn about painting.

Trends related to demographic needs and unemployment affect the market

DEMOGRAPHIC TREND 2020-2025

GERMANY 1-5 YEARS	NORWAY 1-5 YEARS	SWEDEN 1-5 YEARS	SWEDEN 5-15 YEARS	SWEDEN 15-18 YEARS	ADULT EDUCATION UNEMPLOYMENT* (JUNE 2020 VS 2019)
350,000 preschool places are needed	-6.4%	-1.3%	2.6%	10.7%	+2.6 p.p.

OTHER PROVIDERS IN THE MARKET

Denk mit, Educare, pme Familienservice, Little giants	Læringsverkstedet, Trygge Barnehager/ FUS, Kanvas, municipal providers	Norlandia, Dibber, Atvexa, municipal providers	IES, Kunskapsskolan, municipal schools	Thoréngruppen, Kunskapsskolan, Jensen Education, Lärande i Sverige, municipal schools.	Lernia, Intendia Group, Alea, Nackademin, IHM.
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* Unemployment is one of many factors that drives demand for our adult education services. Other relevant drivers include immigration and various government and municipal initiatives. Sources: Statistics Sweden, SBB, Statistisches Bundesamt (Kinderbetreuung).

In the Scandinavian countries, the percentage of children who attend preschool is very high. Consequently, the demographic trend there largely governs the need for preschool places.

Norway will have negative population growth in the coming years. Part of Espira's strategy is to ensure that our preschools are the top choice. New preschools are to be established in growth areas, and Espira is maintaining a continuous watch on how local market con-

ditions are changing. In Sweden, demographic development is stable in the coming years.

In Germany, the percentage of children who attend preschool is low, as is the number of preschool places. However, demand is very high and is therefore the single most important market driver.

The Swedish compulsory and upper secondary schools are expected to have strong demographic growth; here, urbanisation also affects demand.

Demand is growing in the metropolitan areas, which are also the areas where AcadeMedia has had units established for a long time.

The need for adult education is growing due to rising unemployment and major public investments are now being made. A shortage of skilled labour is also a strong driver in the Swedish adult education market.

Education systems and reimbursement models

AcadeMedia is active in stable markets with steady growth. The reimbursement models differ, but all operations are primarily financed with public funds. Both public and independent providers are active in these markets.

All school activities (preschool, compulsory school and upper secondary school) require a permit from the authorities. Permits are granted until further notice. In all countries where AcadeMedia operates, extensive regulations govern daily operations and regulatory authorities in each country monitor compliance. Abuse may result in revocation of permits as a last resort.

In adult education, permits are linked to fixed-term contracts obtained through procurement or award processes.

		EDUCATION SYSTEM	VOLUMES	REIMBURSEMENT MODEL	MARKET DRIVERS
SCHOOL OPERATIONS	NORWAY	Permits	The individual has free choice. In pre-school, proximity to the home is important. The older the children, the more important the location of the school, the contents/focus of the education programme and the reputation of the unit.	Municipally funded school vouchers based on outcome + parental fee ¹ .	Demographics, urbanisation, increased penetration rate and school voucher trends.
	GERMANY	Permits		School voucher + parental fee ¹ .	
	SWEDEN	Permits		Municipally funded school vouchers based on budget + parental fee ¹ .	
ADULT EDUCATION	MUNICIPAL ADULT EDUCATION	Procurement processes, which may be based on price and/or quality measures, govern who is allowed to conduct business. Contract duration is generally about 4 years.	Volumes are allocated by the contracting authority. They are largely known in advance.	The length of the programmes vary from a few weeks to one year. Reimbursement is based on participants completing the programme.	Unemployment and migration.
	LABOUR MARKET SERVICES		Volumes are allocated by the contracting authority. They are highly volatile.	The programmes are 3-6 months long. Reimbursement is per participant and day or week.	Unemployment and migration.
	HIGHER VOCATIONAL EDUCATION	Application and granting of a permit to provide education services (once a year).	Demand is driven by the labour market and the individual chooses what to study.	The programmes are mainly two years long and reimbursement is by participant and term.	Labour Market and unemployment.

¹ Parental fee is only charged for preschool. In Norway, the parental fee accounts for 16 percent of total reimbursement and in Sweden 3.5 percent. In Germany, the parental fee varies among the different brands depending on the profile. For the 2019/20 financial year, the average parental fee in Germany was 17 percent of the total reimbursement.



ProCivitas Privata Gymnasium places high demands on both students and operation. Picture from ProCivitas in Lund.

Focus on growth

ACADEMEDIA CAN GROW IN DIFFERENT WAYS:

Win more bids/awards

Procurement of adult education where we make intentional choices of the ones in which we will participate. Procurement processes that focus solely on low prices and essentially ignore quality are low priorities.

Open new units

Organic growth that initially has a negative impact on profitability. However, the need for investment is low and long-term stable profitability is achieved on average within 3-5 years.

Improve capacity utilisation in existing units

Organic growth that has a direct, positive impact on profitability.

Small bolt-on acquisitions

Organic growth that takes place at advantageous spreads.

Major strategic acquisitions

Acquired growth with the goal of reaching a specific market or niche.

AcadeMedia has a strong history of growth based on organic growth and acquisitions. In order to succeed, we proactively work to identify and manage obstacles to growth. Examples include difficulties in recruiting employees, low reimbursement levels and access to suitable premises.

Access to qualified staff is limited in many of our markets. To offset this risk AcadeMedia offers its employees good growth opportunities, leadership and talented colleagues, as well as good conditions under which to carry out assignments. In this way, more employees come to us and choose to stay and grow within AcadeMedia, resulting in lower staff turnover and employees who recommend us to others.

Another obstacle is inadequate reimbursement levels. In municipalities with an established low reimbursement level it is difficult to run independent operations if they are to meet the quality standards that AcadeMedia sets for all of its operations.

Access to suitable premises is also an obstacle for growth, especially centrally located facilities in medium-sized and large cities. We handle this issue mainly by applying what we call our campus strategy in upper secondary schools, where this is most common. Several schools share a building, which creates benefits of scale and makes it easier for us to handle large leases and spaces.

New establishments – financial profile

AcadeMedia develops organic growth by opening new preschools and schools within its various segments. The new establishments within the various segments have different financial profiles, details of which are provided below. The fastest and most profitable growth is currently happening in Germany. The major shortage of capacity means that the preschools can be filled and break even within the first year of establishment. New establishments require limited investment, with the exception of Norway, and also require little or no working

capital, because school voucher funding is paid by municipalities in advance.

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

	COMPULSORY SCHOOLS	UPPER SECONDARY SCHOOLS	PRESCHOOLS SWEDEN	PRESCHOOLS NORWAY	PRESCHOOLS GERMANY
Start-up investment	SEK 5-8 million	SEK 2-3 million	SEK 1.5-2.0 million	NOK 38 million*	EUR 0.3–0.5 million
Time to break-even	4 years	3 years	2 years	1 year	1 year
Time to mature profitability	5 years	5 years	3 years	2 years	2 years
Number of pupils at maturity	300-500	200-350	90–120	80–90	75
Sales target	SEK 35-55 million	SEK 20-35 million	SEK 14-18 million	NOK 13 million	EUR 1.0–1.5 million
EBIT margin target	12–13% (excluding allocated fixed costs)	13–14% (excluding allocated fixed costs)	12–13% (excluding allocated fixed costs)	~15% (excluding allocated fixed costs)	~12% (excluding allocated fixed costs)
Leases (lease term)	5-15 years	5-10 years	5-10 years	10-20 years	15-30 years
New establishments 2020/21	–	4 units	3 units	2 units	11 units

*Espira owns its properties during an initial phase. The property investments are 100%-financed by loans with the Norwegian State Housing Bank.

Strong interest in independent providers

Interest in private welfare services is steadily rising. In Sweden, the debate opposing private providers has occasionally been fierce, but it has not had any noticeable effect on the number of applicants to private schools or care providers.

	ACADEMEDIAS' MARKET SHARE OF			
	INDEPENDENT PROVIDERS		TOTAL MARKET	
	2019/20	2018/19	2019/20	2018/19
Preschool SE	10.3%	11.1%	2.1%	2.2%
Preschool NO	6.9%	6.8%	3.4%	3.4%
Preschool DE	3.0%	n.a.	0.0%	0.0%
Compulsory School	12.3%	12.2%	1.8%	1.8%
Upper Secondary School	36.1%	35.7%	10.3%	9.8%

* Ahead of the 2019/20 financial year, a total of 12 preschool units in Sweden with approximately 800 children were closed down or sold. This affected AcadeMedia's market share negatively by approximately 0.7 percentage points of the independent market and 0.1 percentage points of the total market. Source: Skolverket.se and ssb.no

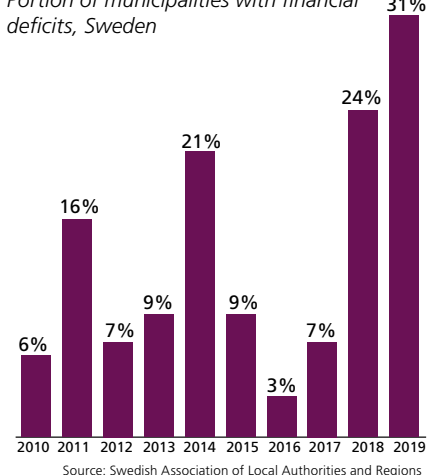
Lack of public resources affects school voucher funding

Many municipalities are already running deficits today and therefore need to review both tax revenues and expenditures in order to be able to offer residents good health care, education and social services. However, because of rapidly rising unemployment, there is a risk of decreasing tax revenue in many places, which will result in even more pressure on municipal finances. Consequently, efficient and innovative solutions are needed that will change, but not damage, the way we work. One important issue that has been raised during the Covid-19 pandemic is the possibility of using digital tools in a way that provides

better education for more people. Digitalisation is not the solution to everything, but if used correctly it could make a big difference.

The deteriorating finances of municipalities are likely to affect school vouchers and school voucher increases may be lower than they have been in the past. AcadeMedia is well equipped for this scenario, including intensifying efforts to increase capacity utilisation, proactively addressing our own expenditures and working more efficiently. Clear governance is also an important tool for correctly managing resources.

Portion of municipalities with financial deficits, Sweden



Source: Swedish Association of Local Authorities and Regions

The political situation

There continues to be political disagreement about businesses involved in welfare in Sweden, though the debate has lessened in intensity compared with a few years ago. The debate does not affect interest in independent schools.

In spring, two government inquiries were submitted which, if they were to become law, would affect our operations in Sweden.

The first inquiry discusses equivalent schools. It addresses the compulsory school level and proposals include making it compulsory to offer choice of school to all, removing waiting times as a criterion of choice for independent schools, introduction of a quota system and entitling the municipalities to make deductions from the school funding they receive to offset extra costs that they incur. AcadeMedia supports a common and compulsory school choice. As a whole, however, there is a risk that the inquiry's proposal will reward poor schools,

and distort the distribution of resources between municipal and independent schools – which would remove the focus from the best interests of the students

The second inquiry presented a proposal on planning and structuring in Komvux and the upper secondary school sector. According to the author the government should establish regional frameworks for offerings in the upper secondary school sector, and the educational offering should to a greater extent be based on the needs of the regional labour market. The proposals represent major, costly changes to the system and it is highly uncertain that the proposals will bring greater efficiency or better provision of skills.

Many steps need to be covered from the time an inquiry is presented, until a bill goes to the Riksdag for a vote, leaving substantial opportunities for debate on these inquiries. In Norway, the political situation has changed since the last financial year. The

Progress Party has left the conservative-led government, which means that it no longer has the majority in the Storting. Naturally the parliamentary situation will be more uncertain ahead of the 2021 election.

In the spring, the Storting voted through an amendment to the Preschool Act, introducing national economic supervision, which Espira supports. Other proposals to be voted on include the funding system and the organisation of preschools. See also our risk report, located on page 65.

The German legislation on the right of all children to a preschool place is from 2014. Since then, capacity has steadily expanded, without any extensive system debate. The 16 German states act differently in terms of how this expansion takes place.

AcadeMedia has chosen to establish a presence in those federal states that welcome private providers and where the need for preschool places is greatest.