

PA CONSULTING GROUP LIMITED

2015 Carlyle Investment

TAX INFORMATION – NORWAY

PREPARED: 6 November 2015

LAST UPDATED: 30 November 2017

This document is intended for:

- People who held legacy PA Ordinary shares who were directors, employees or linked shareholders (spouse/ trust etc.) of any member of the PA Group as of 1 August 2015 and who had not given or received notice of termination of their employment prior to 1 August 2015.
- People who held Options over legacy PA Ordinary shares who were employees of any member of the PA Group as of 1 August 2015 and who had not given or received notice of termination of their employment prior to 1 August 2015.

This document summarises the information that PA has received from external lawyers and tax advisers in relation to the personal tax implications of the Carlyle Investment which completed on 11 December 2015 when all legacy PA shares were purchased in exchange for a mix of cash, Vendor Loan Notes and new equity.

The information contained herein assumes you are employed and tax resident in Norway. Whilst every effort has been made to ensure the accuracy of the tax information provided, PA does not take any responsibility for personal tax obligations which remain with you the taxpayer and with your personal tax adviser if you have one.

Disclaimers:

PA gives no undertaking to update this document. The issue of the document shall not be deemed to be any form of commitment on the part of PA to proceed with any Investment.

This communication is for information purposes only and is not intended to be, and is not, an offer or invitation to sell, or to purchase or subscribe, any shares or other securities.

Nothing in this document constitutes legal, tax or financial advice. If you do not understand anything in this document or if you require legal, tax or financial advice in respect of your specific circumstances it is strongly recommended that you seek professional advice from an appropriately authorised independent adviser.

The information in this document in respect of taxation is general in nature. The information in this document has not, therefore, been tailored to your personal circumstances and the actual tax consequences for you may be different than as set out in this document. The information in this document applies in respect of an individual who is and has been resident and domiciled for tax purposes in the country to which this document applies (as stated in the title of this document) during the period from the first date on which any PA shares or share options were acquired until the final disposal of any securities referred to in this document. For the avoidance of doubt, if you decide to transfer your shares to any other person, or if any of your options lapse, the information in this document will not take account of this transfer or lapse. The information in this document is based on information provided to PA on the basis of tax laws in force at the time such information was provided to PA. PA has sought to ensure that the information in this document is accurate, but cannot be responsible for any inaccuracies.

References in this document to the value of securities are to the value of such securities for the purposes of the Scheme of Arrangement implementing the proposed Carlyle investment only. The value for which such securities may be able to be disposed of may be different, and can fall as well as rise.

This document is being made available in reliance on Article 62 (Sale of a body corporate) and Article 60 (Participation in employee share schemes) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

Other than for the purpose of obtaining personal taxation or legal advice, no part of this documentation may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying or otherwise without the written permission of PA Consulting Group.

ABBREVIATIONS

PACG	PA Consulting Group Limited. This was the company in which legacy PA shares were held. It was renamed PA Consulting Holdings Limited on 11 December following the Carlyle investment.
PACG Ordinary share	The legacy Ordinary shares in PA Consulting Group Limited
Investment	The proposal from the Carlyle Group to purchase all issued PACG Ordinary shares through a UK court approved scheme of arrangement.
Loan Note (VLN)	This is your vendor (i.e. seller) loan to the new PA group.
Preference shares	These are shares in the new PA group parent company issued to ongoing employees and option holders in the new PA group top company. They are 'stapled' to the B Ordinary shares held by PA people.
B Ordinary shares	The B shares in the new PA group parent company are also issued to ongoing employees. They are 'stapled' to the Preference shares. Together one B and 3.8543 (rounded) Preference shares are known as a 'Share Unit
EBT	The PA 2004 ESOP. This is PA's Jersey employee benefit trust which held the PACG Ordinary shares not currently held by employees.

SUMMARY

The Investment was approved by legacy PACG Ordinary shareholders and the court, and became effective on 11 December 2015.

You can review your Personal communication (attached to the email set to you by PA's Share Plans team on 17 December 2015) of what your legacy share and/or share options delivered as a result of the Investment happening on 11 December.

1. [You paid Income Tax and National Insurance on the consideration gifted to you by PA's Employee Benefit Trust.](#)
2. [You had a special opportunity to use your share options before the Investment.](#)
3. [There was a tax charge on the new compensation you received in exchange for your legacy PA shareholding at the date of the Investment.](#)
4. [Capital Gains tax treatment will apply when you sell your new Preference shares and B Ordinary shares.](#)
5. [Future tax charges on your Loan Note](#)
6. [What happens if you leave PA employment before a share realisation event](#)

1. You paid Income Tax and National Insurance on the consideration gifted to you by PA's Employee Benefit Trust.

Legacy PA shares which were not held directly by employees or covering share options and therefore could be regarded as 'excess' under a 100% employee ownership model, were held in an EBT. The EBT Trustees delivered the excess PA shares to you as share and option holders in the Nordics, by the EBT initially receiving the Carlyle Investment consideration (Cash, Loan Note, Preference shares and B Ordinary shares). A recommendation was then made to the EBT in January 2016 to distribute the mix of consideration it received as follows:

- Cash distribution through payroll

You paid Income Tax and National Insurance through PA's January 2016 payroll on the cash distribution. The final tax you paid depended upon your marginal tax rate of up to 47.2% Income Tax plus National Insurance (rate quoted is for the 2015 year). This marginal tax rate includes tax on ordinary income (with a tax rate of currently 27%), and surtax when the income meets certain thresholds (a tax rate of 9% when exceeding the income threshold of NOK 550,500, and a tax rate of 12% when exceeding the threshold of NOK 885,600) and employees' National Insurance contributions at a rate of 8.2%). The ordinary Income Tax and the surtax was calculated on the basis of net income after deducting a personal allowance amount of NOK 50,400 for 2015, while the National Insurance contribution was calculated on the gross amount.

- Loan Note distribution

The EBT transferred, at no cost, Loan Note value into your name. You paid Income Tax and National Insurance through PA's January 2016 payroll on the value transferred. The final Income Tax you paid depended upon your marginal tax rate of up to 47.2% Income Tax plus National Insurance (rate quoted is for the 2015 year).

- Options over Preference Shares and B Ordinary shares held by the EBT

The EBT invited you to receive a low cost (to meet tax requirements) option over the new shares. There was no Income tax charge as a result of receiving the options. The benefit to you of receiving an option (instead of being gifted the new shares) was that the Income tax charge to receive the new shares was deferred until the options are used, which can be in the period up to 30 June 2018. There is a limited forfeiture (option lapse) provision attached to the options, again to ensure it meets the requirement to be classified as an option for tax purposes. This provision is that the options will lapse if you leave PA to join a competitor before you use the options.

The price you pay to use your options to buy the shares will be 2% of the Preference share and B Ordinary share value at the time of the Investment i.e. £0.14 based on a working £6.83 Preference + £0.18 B Ordinary new shares value.

Example 1

You hold 400 PACG shares

Your EBT gift will be computed on 100 shares (approximately 1 for 4 held).

In January 2016 the EBT gifts you:

- Cash: £957 (£9.57 x 100)
- Loan Note: £731 (£7.31 x 100)
- Options over Preference Shares: £683* (£6.83 x 100)
- Options over B Ordinary Shares: £18* (£0.18 x 100)

100 x £23.89 = £2,389 total value gifted (*value available if you use the option)

Payroll taxes on cash gift:

£957 x 47.2% tax = £451 estimated payroll taxes in January 2016 you will pay as a result of you receiving the cash gift.

Payroll taxes on Loan Note gift:

£731 x 47.2% tax = £345 estimated payroll taxes in January 2016 you will pay as a result of you receiving the Loan Note gift.

Example 1 continued

Options over Preference Shares and B Ordinary Shares:

Income Tax will be due at the date your options are used to buy shares on the difference between the price you pay and the value of the shares acquired at that date.

For example you use your options in March 2016 when the share price remains:

- £6.83 for Preference shares
- £0.18 for B Ordinary shares

You will pay income tax on:

£701 Value of the shares acquired: £100 x (£6.83 + £0.18)

£14 Price you pay to use the options: £100 x £0.14

£687 Subject to Income Tax: £701 - £14

£687 x 47.2% tax = £324 estimated payroll taxes you will pay in March 2016 as a result of using your options.

The total cost of using your options is £338 (£324 + £14). As a result of using your options you now hold:

- Preference Shares of value £683 (£6.83 x 100)
- B Ordinary Shares of value £18 (£0.18 x 100)

Note that as the consideration gifted to you by the EBT occurred after the Investment date in December 2015, this consideration is not taken into account in your Capital Gains tax calculations for 2015 year.

For reference, we investigated with external advisers and wrote a detailed submission to HMRC (the UK tax authority) requesting their agreement that the

transfer of value from the EBT could be subject to capital gains tax treatment rather than Income tax. This was ultimately not agreed by HMRC who relied on complex provisions of UK tax law to deny such treatment to us.

2. You had a special opportunity to use your share options before the Investment.

As a result of the Investment, you had a special opportunity to use all options you held.

If you held share options, the purchase cost you needed to pay to acquire legacy PACG Ordinary shares (which were then subject to the Investment) was deducted from the upfront Cash consideration due to you. In general, share option holders received sufficient Cash from the Investment to cover both the option purchase cost (for example £7.30 for options issued in March 2014) and also the taxes due on their option gain (for most legacy options, this will be Income tax and Social Security on the £23.89 Investment per share value less option cost e.g. £7.30).

The tax charge for the use of options was Income Tax treatment. Income Tax was withheld through PA's payroll. The final Income Tax you will pay on receiving share value from the EBT will depend upon your marginal tax rate of up to 47.2% (Income Tax plus National Insurance) for the 2015 year.

This marginal tax rate includes tax on ordinary income (with a tax rate of currently 27%), surtax when the income meets certain thresholds (a tax rate of 9% when exceeding the income threshold of NOK 550,500, and a tax rate of 12% when exceeding the threshold of NOK 885,600) and employees' National Insurance contributions at a rate of 8.2%). The ordinary Income Tax and the surtax is calculated on the basis of net income after deducting a personal allowance amount of NOK 50,400 for 2015, while the National Insurance contribution is calculated on the gross amount.

Example 2

You request to use 100 share options at the share purchase cost of £2.07 each.

The option tax charge is calculated on notional income of new consideration less purchase cost. £23.89 less £2.07 = £21.82 per option

100 options x £21.82 = £2,182 total notional income

£2,182 x 47.2% = £1,029 estimated payroll taxes on option gain

Payment of the full share purchase cost (£207) is deducted from your cash proceeds.

The total cost to use the options to purchase 100 shares will therefore be £1,236 (£207 + £1,029)

Example 2 continued

At the date of the Investment you will receive:

- £1,688 Cash (£16.88 initial value x 100 options)
- £683 Preference shares (£6.83 initial value x 100 shares)
- £18 B Ordinary shares (£0.18 initial value x 100 shares)

Your net cash position at the date of the investment will be £452 (£1,688 cash less £1,236 total option purchase cost including taxes). You will also hold £683 of Preference shares and £18 of B Ordinary shares.

The full taxed value of your exercised option (£23.89) will be added to the base cost of your current PA shareholding.

Example 2 continued

Your 400 PACG shares have an average base cost of £7.50*.

Your 100 shares you acquired by using your share options have a base cost of £23.89.

Your new base cost per share held is a weighted average of the 2 prices:
 $(400 \times £5.45) + (100 \times £23.89) / (500 \text{ shares}) = £9.14$

*In this example the average base cost used is £7.50. Each shareholder will have a different average base cost.

3. There was a tax charge on the new compensation you received in exchange for your legacy PA shareholding at the date of the Investment.

Each legacy PACG Ordinary share you held was exchanged for the following consideration:

- £9.581940 Cash (value)
- £7.301361 Loan Note (value)
- £6.832863 Preference share (initial value which were issued in £1.00 per share units)
- £0.177281 B Ordinary share (initial value which were issued in £0.10 per share units)

Your Cash proceeds were delivered to you in Krone. The market rate on the date the Scheme became effective was applied to convert your Cash proceeds to Krone.

The Investment cannot be treated as a tax free share exchange as the Norwegian tax law only allows for this where the cash element in the transaction is less than 20% of the total consideration.

You will then, for tax purposes, be deemed to have sold all your PACG shares at the date of the Investment with an effective sale price of £23.89. The deemed sale means that you need to calculate how much gain in value you have made on all your PA shares held at the Investment date. You were required to report this gain on your

2015 tax return and, to avoid interest charges, you will have had to pay the taxes due on the gain by 31 May 2016.

You will of course have received part of your consideration from the Investment in Cash, which will provide some funding to cover the taxes payable in 2016.

Note that you would have been liable to pay tax on gains on the sale of your PA shares in the future, so this is not an additional tax charge, but a crystallisation of the gains made to date on these shares.

An example of how you would calculate the gain at the date of the Investment that you needed to report is set out below.

Example 1 continued

You have a pool of 400 PACG shares with an average base cost of £9.14. (Do not include any "2016 gift" from the EBT in this calculation.)

At the date of the Investment you will receive:

- £3,828 Cash (£9.57 initial value x 400 shares)
- £2,924 Loan Note (£7.31 initial value x 400 shares)
- £2,732 Preference shares (£6.83 initial value x 400 shares)
- £72 B Ordinary shares (£0.18 initial value x 400 shares)

Your gain per share will be:

£23.89 total consideration
-£9.14 base cost
£14.75 gain per share

£14.75 x 400 = £5,900 total gain subject to capital gains tax.

If you were a shareholder in December 2012, you may recall that as a result of PA's Reorganisation in 2012, you paid tax on your PACG share gains to 7 December 2012. The base cost of your current PACG Ordinary shareholding is then a weighted average of:

- £5.4512 on the shares you held at 7 December 2012
- The price you paid for any subsequent shares you have purchased since this date (either under PA's Bonus Share Purchase Plan or as Current Bonus as Shares)
- The market value of any options you have used since 7 December 2012 to buy PA shares.
- £23.89 being the current market value of any options you use as a result of the Investment (see section 4)

The gain will be subject to the Ordinary income tax rate of 27%. An individual shareholder who holds shares by the end of the fiscal year is entitled to a tax free amount called "protection deduction" (skjermingsfradrag).

The "protection deduction" is calculated as a percentage of the cost price of the share. The percentage will be stipulated in January following the fiscal year. For reference, the percentage for 2014 is 0.9%.

If any dividend distribution you have received in the year is less than the "protection deduction", the unused "protection deduction" can be used against gains made on the sale of shares. Unused "protection deduction" from prior years may also be carried forward and used against gains made on the sale of shares.

Any loan related to your PACG Ordinary shares will be repaid should the Investment go ahead. Any foreign exchange gain/loss related to the loan will be taxable/tax deductible at the general rate of 27% as part of the capital gains calculation. Based on today's foreign exchange rate, it is probable that the repayment of the loan will trigger some loss which will set off against your capital gain reducing your overall tax liability incurred in connection with the Investment.

Taxes related to any capital gain at the date of the Investment will be due to be paid by 30 May 2016. You are required to report the gain made as capital income on form RF-1059, and submit this along with your tax return.

4. Capital Gains tax treatment will apply when you sell your new Preference shares and B Ordinary shares.

As a result of your having to pay tax on your PACG share gains at the date of the Investment, the base cost of your new holding will increase to the market value at the date of the investment. This will be available for you to offset against any gains made in the future.

At the point your Preference shares and B Ordinary shares 'Share Units' are sold, (either by you as a current employee following a 'matched market' being operated in Share Units, or on a share realisation event, such as a controlling interest of PA being acquired by a new investor into PA), you will be required to compute a capital gain, report this on your tax return and pay any taxes that may be due.

- a. Preference shares and B Ordinary shares you acquire in 2015 on your 2015 PA shareholding

You would have already paid capital gains tax up to the £6.83 Preference share and £0.18 B Ordinary share value on the shares you acquired in exchange for your PACG shares in 2015.

Only any uplift from the starting values of £6.83 for the Preference share and £0.18 for the B Ordinary share will be assessable at the time of sale for capital gains tax purposes.

Example 1 continued

On your 400 PACG shares

At the date of the Investment you received:

- £2,732 Preference shares (£6.83 initial value x 400 shares)
- £72 B Ordinary shares (£0.18 initial value x 400 shares)

The base cost you can attribute to your Preference and B Ordinary shares when they are sold is £2,804 (400 x (£6.83 + £0.18) being the value you paid Capital Gains tax on in 2015).

If for example in 2021 you sell your Preference shares for £10 and your B Ordinary shares for £5 (£15 in total), your gain subject to Capital Gains tax would be:

Proceeds: £6,000 (£10+£5 x 400)

Cost: £2,804

Taxable gain £3,196

- b. Preference shares and Ordinary B shares you acquire in 2016 as a “2016 Gift” from the EBT.

Any uplift from the starting values of £6.83 for the Preference share and £0.18 for the B Ordinary share will be assessable at the time of sale for Capital Gains Tax purposes. You would have already paid Income Tax when you used your options to buy the shares up to the Preference share and B Ordinary share value at the time.

Example 1 continued

On your 100 “2016 gift” Preference shares and B Ordinary shares

In January 2016 the EBT gifts you:

- Options over Preference Shares: £683 (£6.83 x 100)
- Options over B Ordinary Shares: £18 (£0.18 x 100)

For example you use your options in March 2016. The total cost of using your options is £338 (£324 Income Tax + £14 share purchase cost, see page 6). As a result of using your options you now hold:

- Preference Shares of value £683 (£6.83 x 100)
- B Ordinary Shares of value £18 (£0.18 x 100)

If for example in 2021 you sell your Preference shares for £10 and your B Ordinary shares for £5 (£15 in total), your gain subject to Capital Gains tax would be:

Proceeds: £1,500 (£10+£5 x 100)

Cost: £683 + £18 (value of the shares when you used your options to buy them)

Taxable gain £799

5. Future tax charges on your Loan Note

Interest

Interest is payable on your Loan Note amount each September at a fixed annual rate of 5% and also on the amount of any repayment of Loan Note at the time it is repaid.

Any interest payments made in respect of the Loan Note will be subject to UK withholding tax at basic rate, currently 20%, and reconciled to your home marginal rate of tax for the year through your tax return.

As an alternative, our [VLN interest tax guidance notes](#) provide information by country and set out how it may be possible for you to seek exemption from the UK withholding tax and how you can apply for a refund of any withholding tax we have paid to HMRC on this and future payments of interest.

Capital repayment

From the total £200 million total issued Vendor Loan Notes,

- £20 million was repaid on 31 March 2017
- £30 million was repaid on 15 December 2017

Together these payment equates to 25% of each holder’s total Loan Note amount.

There will be no additional taxes due when the Loan Note is paid out as you would have already paid Capital Gains Tax in 2015 or Income Tax in 2016 up to the £7.31 Loan Note value.

Example 1 continued

On your 100 “2016 Gift”

In January 2016 the EBT gifted you:

- Loan Note: £731 (£7.31 x 100)

Income Tax on Loan Note gift:

£731 x 47.2% tax = £345 tax you paid in 2016

You paid Income Tax on the full £7.31 value in 2016.

When the Loan Note is paid out in the future at £7.31 there are no additional taxes to pay.

On your 400 PACG shares

At the date of the Investment you received:

- £2,924 Loan Note (£7.31 initial value x 400 shares)

You paid Capital Gains Tax on the £7.31 value received in 2015.

When the Loan Note is paid out in the future at £7.31 there are no additional taxes to pay.

6. What happens if you leave PA employment before a share realisation event

Once you give or are given notice to leave PA's employment you are no longer able to offer your Share Units for sale, but instead that right has passed to the Company and this is operated using a 'Call Option' placed over your Share Units.

The following steps then take place in connection with your Share Units:

- a) Your leaver status for Share Units is determined by PA's Succession and Compensation Committee. The leaver section of our [Guide to PA shares](#) provide detail on leaver status.
- b) The Call option price for your Share Units is set. Until your shares have been sold there is no gain to consider for capital gains tax purposes. Having a 'Call Option' placed over your Share Units does not trigger any tax reporting or liability.
- c) Your Share Units will be sold either at the all option price in order to satisfy employee demand, typically in a share market each April, or sold at lower of the call option price and price offered (to all shareholders) by a third party buyer of PA.
- d) You will be paid out your sale proceeds in accordance with PA's articles.

For Normal and Competing leavers the sale proceeds will become payable on the earlier of:

- i) A share realisation event (when Carlyle exit from PA); and
- ii) 10 December 2023.

For Exceptional and Staged Value exceptional leavers the sale proceeds will become payable as follows:

- i) 50% on 10 December 2017 (or any later Share Unit sale date)
- ii) The balance on the earlier of a share realisation event and 10 December 2023.

For capital gains tax purposes the point that taxes are assessed is the date of sale rather than the date of payment. You will then be required to compute, report and pay any taxes due at the sale date which may well be before you receive your proceeds.

Only any uplift from the starting values of £3.95 for the Share Unit will be assessable at the time of sale for capital gains tax purposes.