

PA CONSULTING GROUP LIMITED

2015 Carlyle Investment

TAX INFORMATION – SWEDEN

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 Sweden. 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.

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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.

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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 to be 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 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. [Capital Gains tax treatment applied to the new consideration you received on exchange of your legacy PA shareholding.](#)
4. [Tax was due on the Cash and Loan Note elements of your consideration at the time of the Investment.](#)
5. [There was no tax charge on any Preference shares or B Ordinary shares you acquired at the time of the Investment](#)
6. [Future tax charges on your Loan Note, Preference shares and B Ordinary shares](#)
7. [What happens if you leave PA employment before a share realisation event](#)

1. You pay Income tax 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 through PA's January 2016 payroll on the cash distribution. The final tax you will pay will depend upon your marginal tax rate of up to 59%.

- Loan Note distribution

The EBT transferred, at no cost, Loan Note value into your name. You paid Income Tax through PA's January 2016 payroll on the value transferred. The final Income Tax you paid will depend upon your marginal tax rate of up to 59%.

- 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 is 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) is that the Income tax charge to receive the new shares will be 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 59% tax = £564 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 59% tax = £431 estimated payroll taxes in January 2016 you will pay as a result of you receiving the Loan Note gift.

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 59% tax = £405 estimated payroll taxes you will pay in March 2016 as a result of using your options.

The total cost of using your options is £419 (£405 + £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 old.

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) will be 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 is Income tax treatment. Income tax was withheld through PA's payroll at your marginal rate of up to 59%, on the difference between the amount paid for the option and the value of the share when you use your option.

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 59% = £1,287 estimated payroll taxes on option gain

Payment of the full share purchase cost (£207) is deducted from your Cash consideration. The total cost to use the options to purchase 100 shares will therefore be £1,494 (£207 + £1,287)

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 £194 (£1,688 cash less £1,494 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) was added to the base cost of your current PA shareholding.

Example 2 continued

Your 400 PACG shares have an average base cost of £7.98*.

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:
 $(400 \times £7.98) + (100 \times £23.89) / (500 \text{ shares}) = £11.16$

*In this example the average base cost used is £7.98. Each shareholder will have a different average base cost.

3. Capital Gains tax treatment applied to the new consideration you received on exchange of your legacy PA shareholding.

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 Krona. The market rate on the date the Scheme became effective was applied to convert your Cash proceeds to Krona.

4. Tax was due on the Cash and Loan Note elements of your consideration at the time of the Investment.

Capital Gains tax was due on the Cash and Loan Note consideration at the time of the Investment. It was not possible to defer taxation on the Loan Note until it is paid out to you.

At the date of the Investment the following was triggered:

- a. the apportionment of your PACG Ordinary shares base cost between your Cash, Loan Note and new PA shares; and
- b. a capital gain on the Cash and Loan Note value of your consideration on which a Capital Gains tax liability may arise.

a. the apportionment of the base cost between your Cash, Loan Note and new PA shares

Example 1 continued

Your 400 PACG Ordinary shares have an average base cost of £7.98

In this example the average base cost used is £7.98. Each shareholder will have a different average base cost.

The apportioned base cost will be determined as follows.

(A) Consideration:	(B) Cash	(C) Loan Note	(D) Preference share	(E) B Ordinary share
£23.89 split to:	£9.57	£7.31	£6.83	£0.18
Existing base cost x	B/A	C/A	D/A	E/A
Continuing with Example 1 above, this leads to base cost of £7.98 being allocated as follows:	£3.19	£2.44	£2.28	£0.07

Important: each shareholder will have a different average base cost of their existing PACG Ordinary shares. You must calculate your existing base cost before you can allocate this to the new consideration.

b. a capital gain on the Cash and Loan Note elements of your consideration on which a tax liability may arise.

The taxable gain on the Cash and Loan Note consideration will then be:

(Cash consideration (£9.57) - the apportioned Base cost applicable to your Cash consideration x *the number of shares exchanged*

(Loan Note consideration (£7.31) - the apportioned Base cost applicable to your Loan Note consideration x *the number of shares exchanged*

Example 1 continued

You have a pool of 400 PACG Ordinary shares with an average base cost of £7.98. (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 on your Cash consideration will be:

£9.57 Cash consideration per share
 -£3.19 Apportioned base cost: £7.98 x (£9.57 / £23.89)
 £6.38 Gain: £9.57 - £3.19
 £6.38 x 400 = £2,552 total capital gain

Please note that the full £9.57 of Cash consideration is taken into account when computing the gain even though you will repay any outstanding share purchase loans from the Cash consideration value.

Your gain per share on your Loan Note consideration will be:

£7.31 Loan Note consideration per share
 -£2.44 Apportioned base cost: £7.98 x (£7.31 / £23.89)
 £4.87 Gain: £7.31 - £2.44
 £4.87 x 400 = £1,948 total capital gain

A total of £4,500 of gain (£2,552 + £1,948) will then be subject to capital gains tax.

Any gains made were subject to the Capital Gains tax rate of 25%.

The 2015 tax return for individuals is due by 4 May 2016. To avoid interest, expected tax charges exceeding SEK 30,000 should be paid before 12 February 2016, and any remaining tax charges by 4 May 2016.

5. There was no tax charge on any Preference shares or B Ordinary shares you acquired at exchange.

The consideration under the Carlyle Investment resulted in mandatory 'rollover' being applicable to Swedish shareholders. As a result this defers the point of taxation until you sell your new Preference shares or B ordinary shares.

You did not need to make an open claim on your tax return to achieve 'rollover' on your new shares, as 'rollover' is mandatory in this case under Swedish tax law.

The base cost attributed to your Preference shares and B Ordinary shares will be available for you to offset against any gains made in the future.

6. Future tax charges on your Loan Note, Preference shares and B Ordinary shares

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 59% tax = £431 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.

Future tax charges on your Preference shares and B Ordinary shares

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

There will be a capital gain assessable at the time the new shares are sold. You will be able to attribute the full base cost of your current PACG shareholding against this gain.

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)

- 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 on the Preference share and B Ordinary share value at the time you used your options to buy the shares.

Example 1 continued from page 5

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 £419 (£405 Income Tax + £14 share purchase cost, see page 5). 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

7. 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.