Annual Report 2018

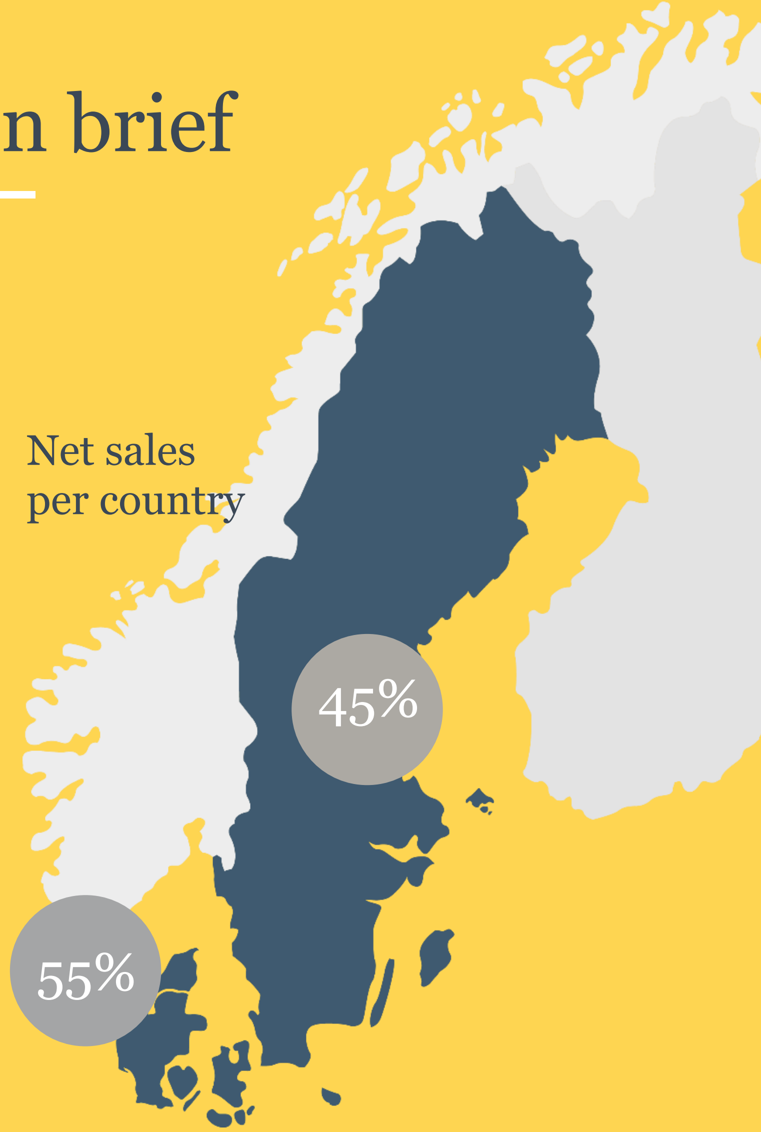
KARNOV GROUP

Contents

The board of directors and CEO of Karnov Group AB (publ) corporate identity number 559016-9016 presents the Annual Report and consolidated financial statements for the financial year 2018. The notes are an integrated part of these annual accounts and consolidated financial statements. The Annual Report is published in Swedish and English. In case of any differences between the English version and the Swedish original text, the Swedish version shall prevail.

Karnov in brief

Karnov Group is a leading provider of mission critical information in the areas of legal, tax and accounting, and environmental, health and safety in Denmark and Sweden. Under a strong portfolio of brands including Karnov, Norstedts Juridik, VJS, Notisum, Change Board Member and Forlaget Andersen, Karnov delivers knowledge and insights, to more than 60,000 users – every day.



PARTNER IN INFORMATION

- Karnov was founded in Copenhagen in 1924 on one man's belief that access to the law is the foundation of every great society and our legacy dates back to 1867.
- Over time, the Company has evolved from a traditional publishing company to a digital information provider.
- Karnov's mission is to be an indispensable partner for all legal, tax and accounting professionals and enable its users to make better decisions, faster by delivering the highest quality of content within a state of the art user experience to support their workflow efficiency.
- Karnov's products are largely digital, including subscription-based online solutions for law firms, tax and accounting firms, corporates and the public sector including courts, universities, public authorities and municipalities.
- Karnov also publishes and sells printed books and journals and hosts legal training courses.

Better decisions, faster

Find what you need, trust what you find and do it quickly.

60,000	1,500	1	>240
Users	Specialists	Legal Information System Platform	Number of employees

Financial highlights 2018

2018 delivered stable underlying growth and strong cash flow. Compared with last year, earnings and profitability were affected by the acquisition and integration cost of Norstedts Juridik. The integration progressed according to plan. Meanwhile, we had a strong focus on transforming our business as the world around us is constantly changing. We continued to strengthen our offering based on a solid understanding of the complexity of our customers' needs. Our customer satisfaction trend remained overall positive within the Group.

715	37%	186	107%
Net Sales, SEKm	Adjusted EBITA margin	Operating cash flow, SEKm	Cash conversion

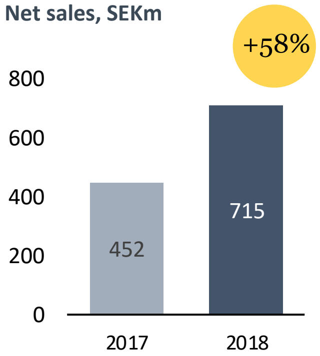
2018 IN NUMBERS

- Net sales increased by 58% to SEK 715 m (452) mainly driven by the acquisition of Norstedts Juridik AB. The organic growth was 4%.
- EBITA increased to SEK 183 m (169) and the EBITA margin was 25.5% (37.4), impacted by items affecting comparability of SEK 79 m mainly relating to the acquisition and integration of Norstedts Juridik and exceptionally high costs relating to projects raising the Group's standard in IT security, internal control and processes.
- Adjusted for items affecting comparability EBITA was SEK 262 m (184) and the adjusted EBITA margin was 36.6% (40.8).
- Operating profit (EBIT) amounted to SEK 63 m (114).
- Profit for the period was SEK -47 m (11), strongly impacted by items affecting comparability.
- Earnings per share before and after dilution amounted to SEK -1.14 (0.16).
- On 4 January, the acquisition of Norstedts Juridik AB was completed for a purchase consideration of SEK 742 m, financed through a new credit facility of SEK 598 m.

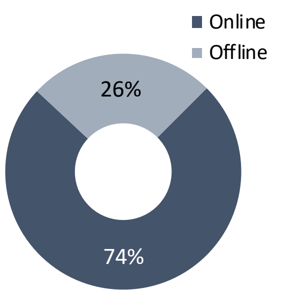
TSEK	2018	2017
Net sales	715,342	451,718
Organic growth, %	3.9%	2.8%
EBITA	182,760	168,902
EBITA margin, %	25.5%	37.4%
Adjusted EBITA	261,639	184,279
Adjusted EBITA margin, %	36.6%	40.8%
Profit for the period	-46,807	11,068
Cash flow from operating activities	185,733	94,788
Cash conversion, %	106.8%	80.1%
Average number of employees	244	176

For more information see Financial definitions on page 68 and Note 38 on page 62 for calculations of Alternative Performance Measures.

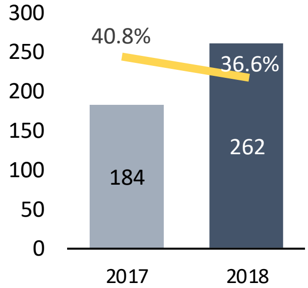
Net sales, SEKm



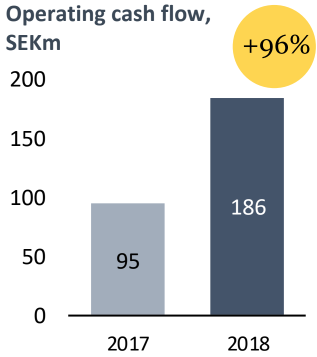
Net sales split online/offline



Adjusted EBITA, SEKm and margin, %



Operating cash flow, SEKm



Board of Directors' report

Board of Directors' report

The Board of Directors and CEO of Karnov Group AB, corporate identity number 559016-9016, hereby present the annual report and consolidated financial statements for the 2018 financial year. Unless otherwise stated, amounts are reported in thousands of Swedish kronor (SEK). Terms such as "Karnov," "the company," "the Group," refer in all cases to the parent company, Karnov Group AB, and its subsidiaries.

BUSINESS

Karnov is a leading provider of online and offline professional information products and services in the areas of legal, tax and accounting and environmental, health and safety in Denmark and Sweden. Karnov has a broad offering of online and offline information and workflow products and services that aim to deliver value to Karnov's customers based on a solid understanding of the complexity of its customers' businesses. Karnov's products are largely digital, including subscription-based online solutions for law firms, tax and accounting firms, corporates and the public sector including, courts, universities, public authorities and municipalities. Karnov also publishes and sells offline books and journals and hosts legal training courses.

Karnov is organised into two geographical financial reporting segments: Denmark and Sweden. In 2018, Denmark represented 55 percent and Sweden 45 percent of Karnov's net sales, respectively.

Revenue model

Karnov's online offering consists of subscription-based products and services, whereas the offline offering consists of both subscription based and non-subscription based products and services.

In 2018, 82 percent of Karnov's net sales came from subscriptions paid annually in advance.

Market

Karnov operates in the legal and tax professional market in Denmark and Sweden. These markets encompass, among other things, online information database services, printed information sources, legal practice management software and legal training courses. The products and services are generally offered to law firms, tax and accounting firms, corporates in a wide range of industries and the public sector, including to courts, libraries, universities and other public authorities and municipalities.

Karnov's product offering is, with a few variations, similar in Denmark and Sweden. The functionality of Karnov's core online platform is essentiality the same in both countries but, as an example, tax and accounting packages are only being offered in Denmark and physical legal training courses are only being offered in Sweden. Given that Denmark and Sweden have separate legal systems and the languages are different, the content of the product offering is unique in each of the two countries.

Objectives and growth strategy

Karnov's value proposition involves three overall objectives:

- Deliver the highest quality of content
- Provide a state of the art user experience
- Support workflow efficiency.

Karnov's growth strategy includes a number of strategic initiatives and enablers aiming to allow Karnov to expand its core offering in Denmark and Sweden as well as grow in adjacent verticals and expand geographically in the future. The growth strategy is built on Karnov's key strengths and the vision to enable its customers to make better decisions, faster. The strategy is supported by Karnov's existing base of experts, data sources, customers and partners. These are the core elements in Karnov's history and future, in which Karnov has invested over decades.

Group structure

Karnov Group AB (publ) is the Group's parent company and owns 77.3 percent of the shares in the holding company Karnov Group 1 AB which in turn owns 100% of the shares in the holding companies Karnov Group Holdco Aps and Karnov Group Holdco AB. The Danish holding company owns 100 percent of the Danish operating companies Karnov Group Denmark A/S and Forlaget Andersen A/S, as well as 75 percent of shares in CBM ApS and 40 percent of the shares in BELLA Intelligence ApS. The Swedish holding company owns 100 percent of the shares in the operating companies Karnov Group Sweden AB, Norstedts Juridik AB and Notisum AB. For more information, see Note 16.

Significant events in 2018

> Acquisition and integration of Norstedts Juridik AB

On 4 January 2018, the acquisition of 100 percent of the shares of Norstedts Juridik AB was completed. Norstedts Juridik is a leading publisher of legal information in Sweden. The acquisition strengthened Karnov's value proposition for its customers by, among other things, increasing Karnov's list of expert authors and expanding its content offering with both online and offline products and services. The purchase consideration of SEK 742 m was financed through a new credit facility of SEK 598 m. The integration was a key focus area and progressed according to plan during the year.

› Acquisition of 40% in BELLA Intelligence ApS

On 3 July 2018, Karnov Group acquired 40 percent of the shares of the Danish legal tech start-up company BELLA Intelligence ApS. The company is developing a new service for streamlining the processing of bankruptcy estates which is expected to be launched during 2019. The purchase price amounted to SEK 8 m.

› Launch of new value adding solutions

Karnov continued to strengthen the value proposition for our customers. Several new and enhanced solutions and workflow tools were launched during the year.

In Denmark, Karnov Business Optimiser was integrated with the third-party application CaseWare supporting the practitioners' advisory role and workflow. CaseWare is used by both Danish Auditors and accountants worldwide. The online content capture system Karnov Bridge was also launched, which significantly speeds up the process of publishing the case law database ensuring the same high quality level.

In Sweden, the refined offering - Karnov Kommun- was introduced featuring improved usability as well as introductory guides and expert assistance. An improved solution of - Karnov Avtalsmallar – was launched which provides guidance to customers in creating quality-assured legal contracts. This is a mission critical service for legal professionals, where handling time has been substantially reduced by migrating Karnov's previous product to an improved digital platform.

THE GROUP'FINANCIAL DEVELOPMENT

TSEK	2018	2017	Δ%
Net sales	715,342	451,718	58%
Organic growth, %	4%	3%	
EBITA	182,760	168,902	8%
EBITA margin, %	25.5%	37.4%	
Adjusted EBITA	261,639	184,279	42%
Adjusted EBITA margin, %	36.6%	40.8%	

Net sales

Net sales increased by 58 percent to SEK 715 m (452). Organic growth was 4 percent, sales in acquired companies contributed 49 percent and currency effects had a positive impact on net sales of 5 percent. The organic growth was mainly driven by upselling to existing customers and sales of new products to both existing and new customers in the Danish segment.

Acquired growth was mainly attributable to the Swedish company Norstedts Juridik AB, which was consolidated on 4 January 2018.

Earnings

EBITA amounted to SEK 183 m (169) and the EBITA margin was 25.5 (37.4) percent. Adjusted for items affecting comparability, adjusted EBITA increased by 42 percent to SEK 262 m (184) and the adjusted EBITA margin was 36.6 (40.8) percent. Items affecting comparability mainly were related to integration and acquisition costs for Norstedts Juridik and costs relating to projects to raise the Group's standard in IT security, internal control and processes amounting to SEK 79 m.

EBITA and adjusted EBITA and the respective margins were lower as an effect of the expected shift in product mix and seasonality following the acquisition of Norstedts Juridik.

Operating profit (EBIT) amounted to SEK 63 m (114) and was impacted by the expected shift in the product mix following the acquisition of Norstedts Juridik, sales of new products to existing and new customers, items affecting comparability and higher amortisation.

Depreciation and amortisation

Depreciation and amortisation amounted to SEK -147 m (-66). The higher amortisation was mainly related to acquisition-related intangible assets from the acquisition of Norstedts Juridik and amortisation related to finalised developments projects.

During the fourth quarter an impairment testing was undertaken on the Group's cash-generating units, defined as Denmark and Sweden. None of the cash-generating units had a book value exceeding its recoverable amount, and therefore no goodwill impairment has been recorded in 2018.

Net financial items and profit before and after tax

Net financial items amounted to SEK -98 m (-86). Net financial items were affected by currency differences of SEK -11 m (-4). Currency differences mainly related to long term loans in DKK.

Profit before income tax was SEK -35 m (27). The income tax was SEK -12 m (-16). The effective tax rate was impacted by limitations in the Swedish and Danish tax legislation on interest expenses. Furthermore, acquisition costs for Norstedts Juridik also had an impact as these costs are not tax deductible.

Profit for the period was negative and amounted to SEK -47 m (11) significantly impacted by items affecting comparability.

Cashflow and investments

Cash flow from operating activities amounted to SEK 186 m (95). The overall development in the cash flow was in line with expectations due to seasonal invoicing fluctuations, mainly relating to trade receivables.

Cash conversion

TSEK	31 Dec 2018	31 Dec 2017
Adjusted EBITDA	288,370	195,131
Adjusted cash flow from operating activities	307,978	156,312
Cash conversion, %	**106.8%**	**80.1%**

Total investments amounted to SEK -735 m (-111), mainly referring to the acquisition of Norstedts Juridik.

The Group's investments in intangible and tangible fixed assets amounted to SEK -99 m (-54). Cash flow from financing activities was affected by the financing of the acquisition of Norstedts Juridik of SEK 65 m by the release of trapped cash to reduce the deferred payment for the acquisition of Norstedts Juridik.

Financial position

Net Debt

TSEK	31 Dec 2018	31 Dec 2017
Total borrowings	1,730,544	1,044,173
Cash and cash equivalents	201,797	93,879
Net debt	**1,528,747**	**950,294**
Leverage ratio	5.3	4.9
Equity	625,209	705,212
Equity ratio, %	**18.4%**	**29.4%**

Net debt was SEK 1,529 m (950) at the end of the period. The increase compared with the previous year was mainly due to the new credit facility for financing the acquisition of Norstedts Juridik. The leverage, defined as net debt in relation to adjusted EBITDA, was 5.3 (4.9). The increase was mainly due to the acquisition.

Equity amounted to SEK 625 m (705) and the equity ratio was 18.4 (29.4) percent.

Cash and cash equivalents amounted to SEK 202 m (94). The Group had unutilized credit lines of SEK 36 m (23).

THE BUSINESS SEGMENT'S PERFORMANCE

Denmark

TSEK	2018	2017	Δ%
Net sales	396,624	348,816	14%
Organic growth, %	5%	3%	
EBITA	141,899	123,770	15%
EBITA margin, %	35.8%	35.5%	
Adjusted EBITA	157,172	126,336	24%
Adjusted EBITA margin, %	39.6%	36.2%	

Net sales

Net sales increased by 14 percent to SEK 397 m (349), of which organic growth was 5 percent, acquired growth 2 percent and currency effects accounted for 7 percent.

The organic growth was mainly driven by upselling to existing customers and sales of new products to both existing and new customers.

Earnings

EBITA increased by 15 percent to SEK 142 m (124) and the EBITA margin was 35.8 (35.5) percent. Adjusted for items affecting comparability, adjusted EBITA increased by 24 percent to SEK 157 m (126) and the adjusted EBITA margin was 39.6 (36.2) percent. Items affecting comparability were mainly relating to costs for projects raising the Group's standard in IT security, internal control and processes of SEK 13 m.

Operating profit (EBIT) amounted to SEK 81 m (71) and was positively impacted by upselling to existing customers and sales of new products to both existing and new customers, together with good overall cost control, partly offset by higher items affecting comparability and higher amortisations.

Sweden

TSEK	2018	2017	Δ%
Net sales	318,718	102,902	210%
Organic growth, %	0%	1%	
EBITA	40,861	45,132	-9%
EBITA margin, %	12.8%	43.9%	
Adjusted EBITA	104,467	57,943	80%
Adjusted EBITA margin, %	32.8%	56.3%	

Net sales

Net sales increased by 210 percent to SEK 319 m (103), of which all was acquired growth attributable to the acquisition of Norstedts Juridik AB, which was consolidated as of 4 January 2018. The organic growth of 0 percent was mainly related to a decline for legal training courses, compared with 2017 when there was a high demand for training courses related to GDPR.

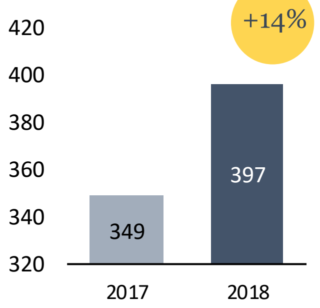
Earnings

EBITA amounted to SEK 41 m (45) and the EBITA margin was 12.8 (43.9) percent. Adjusted for items affecting comparability, adjusted EBITA increased by 80 percent to SEK 104 m (58) and the adjusted EBITA margin was 32.8 (56.3) percent. Items affecting comparability mainly related to integration and acquisition costs for Norstedts Juridik of SEK 12 m and SEK 21 m, respectively, and costs relating to projects raising the Group's standard in IT security, internal control and processes of SEK 26 m.

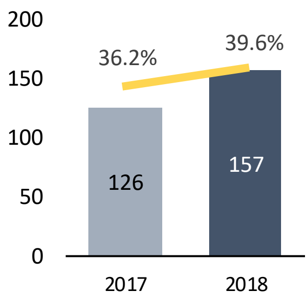
EBITA and adjusted EBITA with the respective margins were lower as an effect of the expected shift in the product mix and seasonality following the acquisition of Norstedts Juridik and higher amortisation.

Operating profit (EBIT) amounted to SEK -18 m (42) and was impacted by the expected shift in the product mix following the acquisition of Norstedts Juridik which impacted the profit margins and also resulted in higher amortisation. In addition, profit for the period was also impacted by amortisation from capitalised development costs and items affecting comparability as commented above.

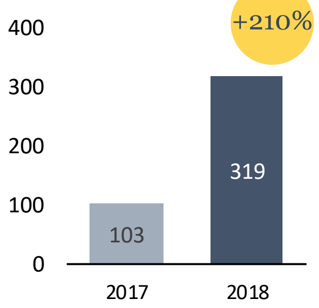
Denmark net sales, SEKm



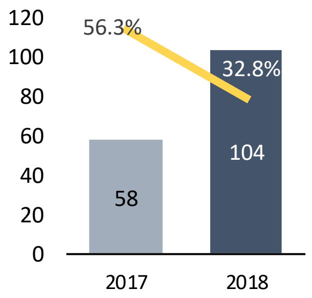
Denmark adjusted EBITA, SEKm and margin, %



Sweden net sales, SEKm



Sweden adjusted EBITA, SEKm and margin %



OTHER GROUP INFORMATION

Seasonal variations

Historically, a significant proportion of Karnov's online contracts are renewed and invoiced during the fourth quarter, impacting cash flow during the fourth and first quarters. Online net sales are accrued according to the terms of the agreement and therefore are not exposed to any seasonality. Offline net sales are exposed to seasonality where the first quarter is significantly stronger, driven by a higher share of book sales early in the year.

Employees

The average number of full time employees (FTEs) increased by 39 percent to 244 (176) at the end of the year, of which 127 in Denmark and 117 in Sweden. 28 percent of the increase related to the acquisition of Norstedts Juridik and 11 percent to organic growth. 51 (53) percent of the workforce was female and 49 (47) percent was male.

Karnov aims to create an attractive workplace where employeeship and attracting competence are key focus areas for the HR organisation. Karnov seeks to inspire and support the development of a culture defined by a one-team-one-company where the customer comes first and efficient and visionary collaboration is being promoted. The HR strategy is aimed at ensuring that Karnov attracts and retains talent and inspires to high performance with high motivation, ultimately contributing to a strong brand.

Environmental impact and sustainability

Karnov's Code of Conduct is the basis for how all employees shall relate to environmental concerns. Karnov strives to protect the environment as far as technologically possible and economically feasible. The objective is to minimise Karnov's environmental footprint and continuously develop the environmental initiatives, with focus on the areas deemed as the most important: purchasing, distribution and transportation, energy and water usage, and waste management.

For Karnov, sustainability is closely connected with how the company creates long-term value for its stakeholders and acts as a quality player and an attractive employer. Karnov considers this work to be about by combining expertise with new technology in an increasingly digitized world, strengthening the foundation for justice in the society. The work is based on Karnov's core values. Karnov has further developed and adopted new policies in the areas of Code of Conduct, IT, information security and data integrity and also implemented a whistleblower function. Karnov's Sustainability Report can be found on page 15-21.

Share capital and ownership

Karnov 's share structure comprises one class of ordinary shares and five classes of preference shares. All shares carry one vote at general meetings. The ordinary shares and each class of preference shares carry different rights to distribution of dividends and the company's assets and profits. As of 31 December 2018, the registered share capital amounted to SEK 688,072 divided among 688,067 ordinary shares, one preference share of series A, one preference share of series B, one preference share of series C, one preference share of series D and one preference share of series E, each with a quotient value of SEK 1. All shares have been issued in accordance with Swedish law and are denominated in SEK. On 29 January 2019, an extraordinary general meeting resolved on a share split, pursuant to which each share was split into 65 shares. Following the split, there are 44,724,355 ordinary shares, 65 preference shares of series A, 65 preference shares of series B, 65 preference shares of series C, 65 preference shares of series D and 65 preference shares of series E, each with a quotient value of approximately SEK 0.015385.

As per 31 December 2018, Karnov Group AB had six shareholders. The largest shareholder was Five Arrows Principal Investments II Holding Sàrl owning 59.7 per cent of the voting rights and shares. In addition, as per the same date there were ten current and former employees and board members holding 28.4 per cent of the shares in Karnov Group 1 AB.

Shareholders with >10 % of equity and votes	No of shares and votes[1]	Equity and votes, %
Five Arrows Principal Investments II Holding Sàrl	26,707,785	59.7
General Electric Pension Trust	5,841,160	13.1
Torreal SCR de Régimen Simplificado, S.A	4,867,655	10.9
Total	**37,416,600**	**83.7**
Other shareholders	7,308,080	16.3
Total numbers of shares	**44,724,680**	**100.0**

[1] Number of shares and votes following share split 1:65.

The parent company

The parent company's registered office is in Stockholm. The Parent Company's main business consists of managing shares in subsidiaries and is primarily focused on strategic development, economic control, corporate governance issues, and the work of the board of directors.

Until 25 September 2018, the board work of the Group was carried out by the board of directors of KARN Holdco AB, a subsidiary of Karnov Group. At the extraordinary general meeting in Karnov Group held on 25 September 2018, the board of KARN Holdco AB was elected to Karnov Group and since this date the board work is carried out at Karnov Group level.

Net sales for the year amounted to SEK 0 m (0). Operating profit amounted to SEK -18 m (-1) and profit for the period was -19 (-6).

Guidelines for remuneration to senior executives

The CEO is entitled to an annual fixed salary of DKK 1,928,952 and pension benefits in accordance with Karnov's prevailing pension policy. The CEO's target bonus corresponds to an amount equal to 50 per cent of the annual fixed salary and is determined based on financial targets that are set by the board of directors each year. Pursuant to the current guidelines for remuneration to the senior management, the bonus shall not exceed 100 per cent of the annual fixed salary. For the CEO, a notice period of 12 months applies in case of termination by the company and 6 months in case of termination by the CEO.

For the other senior executives, the notice period is up to seven months in case of termination by the company and up to six months in case of termination by the senior executive. Other than the CEO one senior executive is entitled to severance pay in connection with termination of the employment and is entitled to severance pay corresponding to 12 times the fixed monthly salary.

Guidelines for remuneration to the senior executives shall be adopted by the AGM on 22 February 2019 for the period until the close of the AGM 2020.

Outlook for the coming financial year

Karnov issues no financial forecasts regarding its future growth. Karnov has a strong position in an attractive and growing segment of professional information services in Denmark and Sweden. These markets are characterised by stable customers in both the private and public sector facing an increasingly complex and rapidly changing regulatory environment, leading to a growing need for high qualitative content supporting workflow efficiency. Karnov has a diverse and loyal customer base and subscription-based model providing resilient and visible revenues.

Following the integration of Norstedts Juridik, Karnov will have a strengthened customer value proposition in Sweden leveraging on even more relevant products and a superior platform. Karnov believes that the combination of its extensive database built over 150 years, value-adding content, investments in product development, strong brand legacy and online platform is key to enabling its customers to make better decisions, faster.

Appropriation of profit

The Board of directors of Karnov proposes that the Group's income statement and balance sheet be presented for adoption to the annual general meeting to be held on 22 February 2019. The Board of directors proposes that no dividend will be paid for the financial year 2018 and that the result for the year will be reinvested in the business.

Non-restricted equity in the parent company at the disposal of the Annual General Meeting:

SEK	2018
Share premium	798,471,949
Retained earnings	-34,546,307
Profit for the year	-19,097,970
Total carried forward	**744,827,672**
The Board proposes that the profits be appropriated as follows:	
Amount carried forward	**744,827,672**

RISKS AND RISK MANAGEMENT

Like all businesses, Karnov's operations are associated with risks that may impact the Group's business, earnings and financial position. On a yearly basis, Karnov makes a composite risk assessment in which all risks are graded according to probability and impact. Focus is placed on identifying risks, preventing the occurrence of risks and preparing action plans, which enable mitigation of any damage such risks may cause. The risks are divided into strategic, operational and financial risk. The risks Karnov has identified as the most material in its operations, and the ways in which these are managed, are described below. For more information about the risk assessment procedure see the separate Corporate Governance report available on the Karnov Group's website.

Significant risk areas and risk management

Risk	Description	Risk management
STRATEGIC AND OPERATIONAL RISKS		
Market changes and competition	Karnov operates in highly competitive markets for legal information services in Denmark and Sweden. These markets and the products and services themselves (both online and offline), may change due to factors beyond Karnov's control, including changes in customer demand, the impact of consolidation, technological changes, legislative and regulatory changes, entry of new competitors, disruptive business models and other factors. There is a risk that new market entrants will disrupt current business models, leading to lower customer demand and financial loss. Karnov could also be required to invest significant amounts to enhance its products and services or partner with other businesses.	Karnov monitors the industry and the competitive landscape in terms of possible partnerships and acquisition candidates. Karnov has a continuous dialogue with its customers and partners. Customer satisfaction is measured on a regular basis through a Net Promotor Score survey, (willingness to recommend Karnov's services to a friend or colleague if you see a need on a scale from 0 to 10).
Information security	A significant breakdown or other disruption in IT systems could affect Karnov's ability to conduct its operations and fulfil its customer commitments. There is also a risk that trade secrets or personal data or other sensitive information about employees or customers, could be used incorrectly or disclosed if Karnov was exposed to hacking.	A business contingency plan has been adopted to handle disruptions due to unforeseen events. Since Karnov processes a lot of customer and employee data, there is a potential risk that this information may be leaked or lost if the company does not work continuously to ensure a high level of information security, with updated processes, software and IT solutions. An information security policy and guidelines have been implemented which all employees are expected to comply with. An Information Security Board has been established and contributes to high IT security standards and awareness within the Group. Employees have been appointed with responsibility for safeguarding information security. During the year, Karnov has worked extensively to fulfil the new GDPR requirements, and are working continuously to assess and update the software used.
Acquisitions	Growth through acquisitions, large and small, is part of Karnov's strategy. This entails a risk that Karnov will not identify suitable acquisition targets, that the company will not successfully negotiate acceptable terms, or be able to finance the acquisitions. Even if Karnov finds suitable targets, it may not obtain relevant regulatory approvals such as clearances from competition authorities. Acquisition also entails a risk that Karnov will be exposed to unknown obligations in the acquired company or that the acquisition and integration costs will be higher than expected. In addition, acquisitions of less profitable businesses may have negative impact on Karnov's margins. Integration of acquired entities and organisational changes may also result in key individuals leaving the organisation or loss of customers.	Karnov has an experienced organisation for identifying and making acquisitions in line with its strategy. Over the years, Karnov has established and implemented a structured and systematic acquisition process that requires analysis, documentation and sufficient approval prior to each acquisition. Karnov also establishes a detailed integration plan for the acquisition decision to reduce the risk of increased integration costs. During 2018, the integration process of Norstedt Juridik AB has been a priority, structured in a number of joint work streams, regular follow-up and measures to identify and mitigate possible risk areas.
Technical shortcomings	Any shortcomings in functionality or that cause interruptions in the availability of Karnov's services and solutions, including user errors, may lead to loss of or delayed market acceptance and usage of the company's services and solutions. This may also lead to warranty claims, issuance of customer credits, or refund of prepaid charges for unused services, loss of customers, or reallocation of resources to development and customer service. Finally, such shortcomings may damage Karnov's reputation.	Karnov has defined and enforces a set of IT Security policies, procedures and appropriate security measures. Controls are performed according to the approved annual cycle. A Group major incident process is implemented and together with the establishment of a Group IT Change Board this helps ensure both a controlled IT environment and agile deployment process for customer facing online services.

Risk	Description	Risk management
Dependence on key personnel and expertise	Karnov is dependent on a variety of expert competencies and key individuals to deliver high quality content and solutions. If Karnov fails to retain senior executives and key personnel and authors/specialists or to recruit highly skilled personnel and author/specialists, this could hamper Karnov's future expansion and brand.	Karnov has a strong focus on attracting, developing, and retaining skilled and dedicated employees. Karnov has continued to work on developing its employee offering including incentive programmes for key personnel and initiatives to develop Karnov's employer brand and appeal as a workplace. Karnov also focuses on maintaining a strong author base across our markets by continuous dialogue, networking events and attractive remuneration terms. Karnov continuously measures employee and author satisfaction. For more information see sustainability risk areas on page 19.
Public tenders	Some of Karnov's customers within the public sector in Sweden are required by law to acquire products and services via public procurement. A public procurement and a decision to award a contract won by Karnov may be challenged by other tenderers or potential tenderers even after Karnov has incurred significant expenditures. Such appeal procedures may not only lead to costs and time loss for Karnov, but may also lead to a new public procurement process and loss of the awarded contract. Public procurement legislation also provides for the cancellation of public sector contracts awarded in breach of the legislation.	Karnov has an experienced organisation and a structured process for public tenders and continuously monitors changes in the public procurement framework.
FINANCIAL RISKS		
Goodwill	Goodwill represents a significant part of Karnov's balance sheet. Depending on the results of operations in the future, Karnov may have to make write-downs of its asset values.	Impairment tests are conducted annually, or, if necessary, more often based on significant events or changes. Karnov monitors relevant circumstances that affect the business and the possible impact these would have on the valuation of goodwill and other intangible assets. There was no impairment need at the end of the period based on the impairment test prepared.
Liquidity and financing risks	Liquidity risk is defined as the risk that Karnov will be unable to meet its payment obligations. Financing risk is defined as the risk that financing of outstanding loans becomes impossible or costlier. Inadequate access to financing for investments could lead to limited growth opportunities.	Karnov manages liquidity risk by maintaining a liquidity reserve (cash, bank balances, and an unutilised portion of existing credit lines). Karnov's finance department seeks to maintain agreements on available lines of credit and conducts ongoing aggregate cash flow forecasts and rolling forecasts to ensure adequate liquidity for the operations. The company strives to raise credit with safe maturities and maintains a high level of transparency with its creditors. The Group finance department analyses compliance with the financial covenants on an ongoing basis.
For a description of further financial risks, see note 3.		
Sustainability risks	For a description of sustainability-related risk areas, see pages 19-21.	

Yearly overview

TSEK	2018	2017	2016
Income statement			
Net sales	715,342	451,718	421,947
EBITDA	209,491	179,754	154,772
EBITDA margin, %	29.3%	39.8%	36.7%
EBITA	182,760	168,902	146,927
EBITA margin, %	25.5%	37.4%	34.8%
Adjusted EBITA	261,639	184,279	162,548
Adjusted EBITA margin, %	36.6%	40.8%	38.5%
EBIT	62,682	113,631	86,390
EBIT, margin %	8.8%	25.2%	20.5%
Net financial items	-97,898	-86,300	-140,920
Profit for the period	-46,807	11,068	-81,211
Balance sheet			
Non-current assets	2,964,993	2,148,503	2,022,067
Current assets	427,587	250,960	262,179
Cash and cash equivalents	201,797	93,879	131,804
Equity	625,209	705,212	674,184
Non-current liabilities	1,858,791	1,151,649	1,197,522
Current liabilities	908,580	542,602	412,540
Total assets	3,392,580	2,399,463	2,284,246
Cash flow			
Cash flow from operating activities	185,733	94,788	88,480
Cash flow from Investing activities	-735,127	-111,009	-29,246
Cash flow from financing activities	659,723	-18,444	8,479
Cash flow for the period	110,329	-34,666	67,713
Key ratios			
Net working capital	-480,993	-291,642	-150,361
Return on total capital, %	1.8%	4.7%	3.8%
Equity ratio, %	18.4%	29.4%	29.5%
Cash conversion, %	106.8%	80.1%	84.4%
Net debt	1,528,747	950,294	892,803
Share data			
Earnings per share before and after dilution, SEK	-1.14	0.16	-1.89
Number of shares	44,724,680	44,724,680	44,724,680

Quarterly overview

TSEK	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Income statement					
Net sales	178,817	176,175	166,124	194,226	119,094
EBITDA	43,984	67,474	52,040	45,993	53,894
EBITDA margin, %	24.6%	38.3%	31.3%	23.7%	45.3%
EBITA	36,529	60,194	44,905	41,132	50,336
EBITA margin, %	20.4%	34.2%	27.0%	21.2%	42.3%
Adjusted EBITA	60,642	69,632	55,260	76,088	56,820
Adjusted EBITA margin, %	33.9%	39.5%	33.3%	39.2%	47.7%
EBIT	6,317	29,938	16,644	11,783	34,038
EBIT, margin %	3.5%	17.0%	8.8%	6.1%	28.6%
Net financial items	-21,150	-18,399	-24,511	-33,838	-26,376
Net profit for the period	-15,261	6,540	-17,020	-21,066	-13,469
Balance sheet					
Non-current assets	2,964,993	2,981,501	3,043,992	3,029,712	2,148,503
Current assets	427,587	252,214	265,449	354,963	250,960
Cash and cash equivalents	201,797	65,260	92,017	181,422	93,879
Equity	625,209	669,481	672,464	666,439	705,211
Non-current liabilities	1,858,791	1,861,954	2,062,576	2,071,753	1,151,649
Current liabilities	908,580	702,280	574,401	646,483	542,603
Total assets	3,392,580	3,233,715	3,309,441	3,384,675	2,399,463
Cash flow					
Cash flow from operating activities	86,850	-36,384	17,187	118,079	55,045
Cash flow from Investing activities	-26,863	-30,377	-46,187	-631,700	-15,054
Cash flow from financing activities	75,793	41,455	-57,770	600,246	13,113
Cash flow for the period	135,780	-25,306	-86,770	86,625	53,104
Key ratios					
Net working capital	-480,993	-450,066	-308,952	-291,520	-291,643
Return on total capital, %	0.2%	0.9%	0.5%	0.3%	1.4%
Equity ratio, %	18.4%	20.7%	20.3%	29.4%	29.4%
Cash conversion, %	176.8%	-15.8%	36.5%	218.7%	117.2%
Net debt	1,528,747	1,622,586	1,620,466	1,571,829	950,294
Share data					
Earnings per share before and after dilution, SEK	-0.36	0.12	-0.40	-0.49	-0.32
Number of shares	44,724,680	44,724,680	44,724,680	44,724,680	44,724,680

Sustainability report

Sustainability report

For Karnov, sustainability means creating long-term value for the Group and our stakeholders, contributing to the aim of being an attractive company and employer. We create value by combining expertise with new technology in an increasingly digitized world, strengthening the foundation for justice in our society.

About the sustainability report

Karnov's sustainability report relates to the 2018 financial year. The sustainability report covers the parent company Karnov Group AB (publ) (reg. no. 559016-9016) and covers all entities consolidated in the consolidated financial statements of Karnov Group AB for the same period, which are specified in Note 15 of the Annual Report. Since 2018 is the first year Norstedt Juridik AB is included in the Group's sustainability reporting, the key performance indicators for the previous year are not provided for comparison since they do not include Norstedts Juridik's operations. The sustainability report is prepared in accordance with the provisions of Chapters 6 and 7 of the Annual Accounts Act. No significant changes have taken place in the application of accounting principles or the scope of the reporting compared with last year.

The Board of Directors of Karnov Group AB has, when signing the Annual Report, also approved the sustainability report.

How Karnov's business concept creates value

Karnov is a leading provider of online and offline information products and services in the areas of legal, tax and accounting and environmental, health and safety in Denmark and Sweden.

Karnov's overall vision is to enable the users of our products and services to make better decisions, faster. Karnov aims to promote our experts and expand our role as an authority, strengthening the foundation for justice in society.

The work of knowledge professionals, such as legal practitioners, auditors, tax advisors, other consultants, academics, judges and governmental officials, is driven by a need for accuracy, reliability and quality. In their daily work, they need to continuously access and use information that is relevant for their professions in order to provide their services. With the increasing pace of change and expanding legal material, coming from different regulatory bodies at different hierarchical levels, knowledge professionals have a growing need for access to tools to help them navigate this environment.

Karnov aims to create value based on a solid understanding of the complexity of our customers' businesses. Media-independent and with a constant focus on striving to deliver the highest level of quality, Karnov has a broad offering of information and workflow services that support the three different contexts:

- *Learning:* Karnov strives to deliver online and offline solutions that are tailored for specific learning areas, both in the academic context and for practitioners' continuous learning. Karnov's publication businesses in Denmark and Sweden have delivered content for students and practitioners for more than 100 years.
- *Researching:* Whether it is finding case law that supports an argument or understanding the reasoning behind the amendment of a certain law, Karnov aims to provide the insight needed. Karnov has contracts with a network of over 1,500 legal experts available to contribute with authored content.
- *Knowing:* Through our work flow management solutions and current awareness, Karnov aims to provide the tools for efficient and reliable processes and decisions. Karnov's work flow management offerings cover, among other things, compliance management of environment, health and safety regulations, workflow tools for complex tax and accounting matters and various solutions for keeping professionals up to date on new regulations and case law.

Karnov's value proposition involves three main strategic objectives aimed at customer excellence:

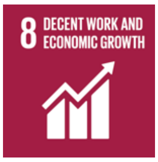
- Deliver the highest quality of content
- Provide a state of the art user experience
- Support work flow efficiency

Karnov's products are largely digital, including subscription-based online solutions for law firms, tax and accounting firms, corporates and the public sector, for example, universities, public authorities and municipalities. Karnov also publishes and sells books and journals and hosts legal training courses. By integrating public legal content with legal experts' commentaries and analysis Karnov provides a legal information system to more than 60,000 users.

As at 31 December 2018, Karnov had an average number of 244 employees, of which 127 in Denmark and 117 in Sweden, and contracts with a network of over 1,500 legal experts available to contribute with authored content.

Karnov's contribution to UN's global sustainability goals

To create a sustainable society, world leaders committed themselves to achieving 17 global targets by 2030. The goals cover a broad range of areas, both social and environmental, and achieving them requires collaboration among civil society, politicians, scientists and industry. Karnov wishes to actively contribute to the target areas in which it has the power to influence. The goals we consider most relevant to our operations are presented below together with a description of how Karnov's initiatives help to achieve these goals.

Goal	Sub-goal	Karnov's work
	**5.5** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.	Karnov is committed to providing and promoting equal opportunities throughout all aspects of employment including recruitment and promotion. We offer an inclusive workplace regardless of sex, age, physical abilities, sexual orientation, ethnicity or religious belief. Our framework for ensuring this includes the Code of Conduct and an equality and diversity section in our personnel handbook.
	**8.2** Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.	Through the development of accurate, reliable and high quality content combined with innovative technology and process tools, Karnov supports the work of knowledge professionals, such as legal pactitioners, auditors, tax advisors, other consultants, academics, judges and governmental officials.
	**16.3** Promote the rule of law at the national and international levels and ensure equal access to justice for all. **16.10** Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements.	Karnovs aims to contribute to raising legal standards and thereby strengthen the foundation for justice in our society. The core of Karnov's work is to make the true pillar of democracy - the law - accessible, sharable and debatable – enabling our customers to make better decisions, faster. Media-independent and with a constant focus on delivering the highest level of quality, Karnov has a broad offering of information and workflow solutions that support different usage needs.

Governance and implemented framework

Karnov's Board has overall responsibility for questions relating to sustainable business. The CEO is responsible for execution of the Board's decisions and strategies. Within the Group Management team, our Group CHRO has the overall responsibility for sustainability work. All our employees have a responsibility to actively contribute to our sustainability efforts in their areas of responsibility, but each manager is responsible for monitoring and ensuring compliance.

In 2018, several policy documents and guidelines were implemented as well as Group collaboration functions with specific areas in focus, ensuring attention and progress.

In addition to the sustainability governance framework described below, several policy documents and guidelines were implemented during the year. For example, an overall corporate governance policy and risk assessment and internal control procedures.

Policy	Aim	Ownership	Follow-up
Code of conduct	Serves as the foundation for Karnov's corporate values and ethical commitment and describes the core principles of the Group's business conduct and integrity including business ethics. It is intended to provide guidance regarding what behaviour is expected from each employee in their daily work and what can be expected from the Group as an employer. It is also essential for customers and business partners to always feel confident that Karnov not only complies with legal requirements but also meets high ethical and professional standards. Authors and suppliers are expected to pay due attention to the Code.	HR	Signed by all employees. Senior personnel such as supervisors and managers have the extended responsibility to engage in ethical issues and translate the Code and other associated governing policies into local rules and procedures.
Equality policy (Sweden only), Diversity and equality section in personnel handbook	Using information, Karnov shall increase awareness of equality issues and strive for an open attitude and equal treatment throughout the organisation.	HR	Annual employee survey through external supplier.

Policy	Aim	Ownership	Follow-up
Whistleblower function	Good relationships, a healthy working environment and exemplary business ethics are crucial to the long-term success of Karnov. It is important for us to identify corruption, irregularities or fraudulent acts that can seriously damage the business or negatively impact our employees, and that such incidents are investigated at as early a stage as possible. For this reason, we have set up a whistleblower function. Karnov has implemented an external setup to ensure anonymity and has established a Group Ethics Committee to guarantee impartial action.	Group CISO	All information from whistleblowers, if any is reported is handled by an external and independent party before being presented to the Group Ethics Committee.
Communications policy and social media guidelines	Provides all employees at Karnov with a set of shared guidelines for internal and external communication including social media and crisis communication. It also describes the division of responsibilities and the spokesperson structure for media contacts.	CEO	No specific follow-up activity
Information security policy	Sets out that Karnov should embed security in the Group's daily work and monitor compliance to protect our customers, Karnov as a company, our brand, our employees and our business against interruptions and outages, as well as reducing risk and loss by preventing and managing unwanted incidents and breaches.	Group CISO	Control effectiveness targets defined for 2019. Information Security Board implemented with regularly scheduled meetings.
Business Continuity Plan	The purpose of this plan is to provide executive management, all staff and other relevant stakeholders with an assurance that the company is prepared for and able to take actions to restore the most business-critical processes, functions and systems in the case of a disaster in an efficient way.	CEO	If invoked, all important decisions and events should be logged in accordance with the plan.
Privacy policy	The policy sets out how the Group processes and protects personal data. The policy also focuses on compliance initiatives conducted to ensure compliance with applicable data protection legislation at all times.	CEO	Data protection officer (DPO service) and internal Data protection manager (DPM) appointed.

Stakeholder engagement

The key to sustainability work that contributes to long-term value creation is to understand the surrounding world and stakeholders' expectations. Karnov continuously engages in dialogue with various stakeholder Groups throughout the year. Such engagement provides an insight into the external environment's expectations of Karnov's operations, which offers important guidance for establishing the Group's priorities and activities in relation to various sustainability issues. Below, we present the dialogue with our most important stakeholders, our key information channels, areas discussed and the contribution to Karnov's value creation.

Stakeholder group	Channel	Areas discussed and value creation
Customers	• Regular NPS (Net Promoter Score) surveys • Ongoing dialogue in sales and marketing • Events and awards • Advisory boards	• Identifying customer needs • Trends in the industry • Innovation and technological development • Legislative developments and the consequences for our customers' daily work (interpretation and best practice)
Authors/Specialists	• Regular NPS (Net Promoter Score) surveys • Ongoing dialogue • Events • Advisory boards	• Providing platforms for specialists to promote their knowledge • Foster brand and product loyalty • Transparency in product and brand development

Stakeholder group	Channel	Areas discussed and value creation
Employees	• Intranet collaboration tool • Health & Safety Committee • All-employee meetings • Regular employee survey performed twice a year • Yearly development discussions • Ongoing monthly one-on-one dialogue • Collaboration with unions and local union branches in Sweden	• Healthy work environment • The company's development, targets and strategies • Information sharing and transparency contributing to a strong internal culture and brand • Competence and training • Safeguarding diversity and equality • Terms, agreements, organisational changes, development
Students	• Collaboration with universities • Internship and employment of students • “Railgirls” – a society of young developers hosted by Karnov • Advisory board of students • Sponsorships to students • Awards	• Introducing student edition of Karnov as platform for learning, researching and knowing • Education in Karnov's platform to students • Corporate and legal branding as well as employer branding
Legal industry	• Events such as VQ legal forum in Sweden and SMV Forum in Denmark	• Trends and needs • Promoting Karnov Group as a front-runner contributing to legal standards
Media and the public	• Press releases • Interviews • Websites and social media	• Transparency • Understanding of Karnov’s services and operations
Owners	• Annual general meetings and contact with the Board	• Strategies and long-term financial sustainability • Stability, development, quality and customer satisfaction

Materiality analysis, risk assessment and road map

Prior to preparing the sustainability report, Group Management performed an internal materiality analysis. The analysis was also based on the ongoing dialogue with key stakeholders. The materiality analysis helps Karnov understand the sustainability areas that are of greatest importance for the business. The results of the analysis thus provide important guidance for the sustainability efforts and also help to establish the focus of the Group’s reporting. Potential risk areas and management of identified risks are described below together with the performance indicators that Karnov finds most relevant to the Group’s operations.

Since 2016, Karnov has an established annual risk assessment process for the Group. By identifying the risks that may have the greatest impact on our ability to conduct business, and which can probably occur in relation to the activities conducted, Karnov can work preventively with management of these risks. Going forward, we aim to incorporate the sustainability risk areas within this risk assessment process. We also intend, in dialogue with our key stakeholders, to perform a more extensive and structured materiality analysis. Our ambition is to also establish a Sustainability Council within the Group with responsibility for coordinating and developing a road map for more systematic sustainability work to be implemented by managers in charge of different operational areas.

Sustainability related risk areas and risk management and outcome in 2018

Risk	Potential risk area	Management of the risk
SOCIAL CONDITIONS AND EMPLOYEES		
Ability to attract and retain competence	Access to competent employees and expertise is critical to Karnov’s business in order to deliver high quality content and solutions. The competence, commitment and relationship with our employees and authors/specialists are critical factors in ensuring that our customers are satisfied with our different products and solutions. If Karnov’s employees are unhappy or are no longer committed, there is a risk they will resign or go on sick leave. If the Karnov brand is damaged, there is also a risk that it will become more difficult for Karnov to retain and attract new employees and specialists.	Karnov aims to create an attractive and healthy workplace. We continuously seek and promote the development of a strong culture where the customer comes first, ultimately contributing to a strong brand. Assessment of the company’s ability to maintain a healthy workplace with satisfied employees and attraction, development and retention in focus, is based on employee satisfaction surveys, exit interviews, analysis of employee turnover, absence and sick leave. Karnov has continued to work on developing its employee offering. Karnov’s Code of Conduct and personnel handbook govern a healthy work environment for our employees. A key component of the integration process of Norstedts Juridik during the year has been to conduct regular pulse checks.

Risk	Potential risk area	Management of the risk
		Karnov also focuses on maintaining a strong author base across our markets by continuous dialogue, networking events and attractive remuneration terms. Karnov continually measures author satisfaction through an author-specific Net Promotor Score survey (willingness to recommend Karnov as a publisher of your work).

8.1 Employee satisfaction (+0.2 above industry average)

0 Work-related injuries

37% Employees that attended training

1.4% Short-term sick leave

1.8% Long-term sick leave

Risk	Potential risk area	Management of the risk
Discrimination and lack of gender equality	Discrimination on the basis of gender, age, ethnic origin, religious belief and sexual orientation is unlawful and any shortcomings in this regard may result in reputational damage, a less favourable workplace environment with reduced productivity as a consequence, difficulties to recruit and retain personnel, as well as claims for damages.	Karnov prohibits discrimination and harassment. No one should suffer discrimination or harassment connected with gender, cross-gender identity or expression, ethnicity, religion or other religious belief, functional impairment, sexual orientation and age. This is clearly stated in Karnov's Code of Conduct and in the diversity and equality section of the personnel handbook. We firmly believe that treating each other with respect and dignity ensures a healthy and productive work environment. The company has routines in place regarding how discrimination and harassment at the workplace are to be handled.

51% Women within the Group

46% Women with staff responsibility

23 Nationalities employed

0 Reported cases of discrimination

RESPECT FOR HUMAN RIGHTS

Risk	Potential risk area	Management of the risk
	Karnov perceives no obvious risks of violations of human rights as a consequence of our business. Karnov does not conduct any business in countries identified as high-risk countries in this respect.	Karnov's Code of Conduct is partially based on the principle of human rights established by the UN and must be complied with by all employees.

0 Reported cases of violation of human rights

ANTI-CORRUPTION

Risk	Potential risk area	Management of the risk
	Karnov has zero tolerance as regards bribery and corruption. This is clearly stated in Karnov's Code of Conduct. The risk of corrupt behaviour is relatively limited and arises primarily in connection with purchasing and sales.	Good relationships, a healthy working environment and exemplary business ethics are crucial to the long-term success of Karnov. It is important for us to identify corruption, irregularities or fraudulent acts that can seriously damage the business or negatively impact our employees, and that such incidents are investigated at as early a stage as possible. A whistleblowing function has been set up to make it simpler for those who wish to provide information about irregularities that conflict with applicable laws, ethical and moral principles, or Karnov policies. Karnov has implemented an external setup to ensure anonymity and has established a Group Ethics Committee to guarantee impartial action. Karnov's Code of Conduct also covers bribery and corruption and the Code is communicated to and signed by all employees.

0 Reported cases of misconduct

Risk	Potential risk area	Management of the risk
ENVIRONMENT		
Buildings, transport and printing	Environmental risks are primarily related to the buildings in which Karnov operates and business travel. According to the Swedish Environmental Code ("Miljöbalken") operators are responsible for any pollution or other environmental damage and for remediation. There are also risks related to climate change, such as higher risk of floods, land collapses, landslides, erosion and heat-waves.	Being a service company, the environmental impact from Karnov's operations is limited. Karnov actively works to reduce the Group's direct environmental impacts, for example usage of raw materials such as paper and energy. We continually seek to improve our environmental performance by aspiring towards good industry practice in terms of environmentally friendly procedures, standards, business relations, and technology. To reduce our emissions, we travel only when absolutely necessary and strive to always communicate digitally, via the Internet, to minimise our use of paper, printing, and transport. Printing of books and publications is managed by suppliers and environmental friendly paper is used.
Other risks	We have identified no other significant sustainability risks. For other risks, see the Risk and risk management section on page 11 and Note 3.	

Financial statements and notes

Consolidated statement of comprehensive income

TSEK	Note	2018	2017
Net sales	5	715,342	451,718
Total revenue		**715,342**	**451,718**
Goods for resale		-126,408	-72,010
Employee benefit expenses	7	-215,434	-126,827
Depreciation and amortisation	11,15	-146,809	-66,123
Other operating expenses		-164,009	-73,127
Operating profit		**62,682**	**113,631**
Financial income		319	11
Financial expenses		-98,217	-86,311
Net financial items	8	**-97,898**	**-86,300**
Profit before income tax		**-35,216**	**27,331**
Income tax expense	9,25	-11,591	-16,263
Profit for the period		**-46,807**	**11,068**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		-6,410	19,960
Other comprehensive income for the period		**-6,410**	**19,960**
Total comprehensive income for the period		**-53,217**	**31,028**
Profit for the period is attributable to:			
Owners of Karnov Group AB		-50,927	7,323
Non-controlling interest		4,120	3,745
Total profit for the period		**-46,807**	**11,068**
Total comprehensive income for the period is attributable to:			
Owners of Karnov Group AB		-57,337	27,283
Non-controlling interest		4,120	3,745
Total comprehensive income		**-53,217**	**31,028**
Earnings per share before and after dilution*	23	-1.14	0.16

*”Earnings per share before and after dilution” is affected by dividend on preference shares. The formula for calculating earnings per share: earnings per share = (net income for the period – dividend on preference shares)/average number of outstanding common shares.

Consolidated balance sheet

TSEK	Note	31 Dec 2018	31 Dec 2017
ASSETS:			
Non-current assets			
Goodwill	11	1,657,692	1,324,490
Other intangible assets	11	1,289,596	814,522
Property, plant and equipment (PPE)	15	5,721	6,927
Derivatives	12	-	49
Investments in associates	13	8,524	-
Deposits	14	2,628	2,477
Deferred tax assets	25	832	38
Total non-current assets		**2,964,993**	**2,148,503**
Inventories	19	11,553	4,247
Trade receivables	18	169,231	130,172
Prepaid expenses and accrued income	20	15,951	11,343
Other receivables		1,926	288
Tax receivable		27,129	11,031
Cash and cash equivalents	21	201,797	93,879
Total current assets		**427,587**	**250,960**
TOTAL ASSETS		**3,392,580**	**2,399,463**

TSEK		31 Dec 2018	31 Dec 2017
EQUITY AND LIABILITIES:			
Capital and reserves attributable to equity holders of the company			
Share capital	22	688	688
Share premium	22	798,472	798,472
Foreign currency translation reserve		30,532	36,942
Retained earnings including net profit for the year		-223,016	-172,089
Total equity attributable to the parent company's shareholders		**606,676**	**664,013**
Non-controlling interest		18,533	41,199
Total equity		**625,209**	**705,212**
Non-current liabilities			
Borrowing from credit institutions	24	1,378,199	778,943
Borrowing from related parties	24	218,819	198,955
Other liabilities	28	-	3,111
Deferred tax liability	25	256,581	165,817
Provisions	27	5,192	4,823
Total non-current liabilities		**1,858,791**	**1,151,649**
Current liabilities			
Borrowing from credit institutions	24	65,625	66,275
Borrowing from related parties	24	67,901	-
Trade payables		30,890	22,283
Current tax liabilities		17,617	3,056
Accrued expenses	29	164,542	91,084
Prepaid income	30	342,902	271,285
Deferred acquisition payment	17,34	130,588	-
Other current liabilities	28	88,515	88,619
Total current liabilities		**908,580**	**542,602**
TOTAL EQUITY AND LIABILITIES		**3,392,580**	**2,399,463**

Consolidated statement of changes in equity

	Equity attributable to the parent company's shareholders						
TSEK	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Equity attributable to the parent company’s shareholders	Non-controlling interest	Total equity
Balance at 1 January 2017	**688**	**798,472**	**42,350**	**-131,916**	**709,594**	**-35,410**	**674,184**
Adjustment to prior years[1]	-	-	-25,368	-47,496	-72,864	72,864	-
Restated balance at 1 January 2017	**688**	**798,472**	**16,982**	**-179,412**	**636,730**	**37,454**	**674,184**
Profit for the period	-	-	-	7,323	7,323	3,745	11,068
Other comprehensive income for the period	-	-	19,960	-	19,960	-	19,960
Total comprehensive income/loss	**-**	**-**	**19,960**	**7,323**	**27,283**	**3,745**	**31,028**
Transaction with shareholders in their capacity as owners							
Total transaction with shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Closing balance at 31 Dec 2017	**688**	**798,472**	**36,942**	**-172,089**	**664,013**	**41,199**	**705,212**

[1] A correction has been made regarding the value attributable to the non-controlling interest. The correction is solely within equity and has no impact on tax. For further information please refer to note 2.

	Equity attributable to the parent company's shareholders						
TSEK	Share capital	Share premium	Foreign currency translation reserve	Retained earnings	Equity attributable to the parent company’s shareholders	Non-controlling interest	Total equity
Balance at 1 January 2018	**688**	**798,472**	**36,942**	**-172,089**	**664,013**	**41,199**	**705,212**
Profit for the year	-	-	-	-50,927	-50,927	4,120	-46,807
Other comprehensive income for the period	-	-	-6,410	-	-6,410	-	-6,410
Total comprehensive income/loss	**-**	**-**	**-6,410**	**-50,927**	**-57,337**	**4,120**	**-53,217**
Transaction with shareholders in their capacity as owners							
Redemption of shares[2]	-	-	-	-	-	-26,786	-26,786
Total transaction with shareholders	**-**	**-**	**-**	**-**	**-**	**-26,786**	**-26,786**
Closing balance at 31 Dec 2018	**688**	**798,472**	**30,532**	**-223,016**	**606,676**	**18,533**	**625,209**

[2] For further information regarding redemption of shares, please refer to note 36.

Consolidated cash flow statement

TSEK	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		62,682	113,631
Adjustments:			
Non-cash items	11	146,809	71,797
Effect of changes in working capital:			
Increase/decrease in inventories	19	1,119	-373
Increase/decrease in receivables	18	10,942	-25,932
Increase/decrease in trade payables and other payables	29	31,646	1,480
Increase/decrease in prepaid income	30	10,195	22,993
Interest paid	8	-52,779	-39,875
Income tax paid	9	-24,881	-48,933
Cash flow from operating activities		**185,733**	**94,788**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of participations in associated companies	13	-8,492	-
Acquisition of subsidiaries	34	-627,982	-57,471
Increase/decrease in deposits and other assets	14	49	1
Acquisition of intangible assets	11	-96,694	-52,720
Acquisition of PPE	15	-2,008	-819
Cash flow from investing activities		**-735,127**	**-111,009**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/decrease in short-term borrowings	24	94,036	62,527
Principal payments on long-term debt	24	-9,892	-874,281
Increase in long-term debt	24	575,579	793,310
Cash flow from financing activities	31	**659,723**	**-18,444**
Cash flow for the period		**110,329**	**-34,666**
Cash and cash equivalents at the beginning of the period		93,879	131,804
Exchange rate differences in cash and cash equivalents		-2,411	-3,259
Cash and cash equivalents at the end of the period	21	**201,797**	**93,879**

Parent company statement of comprehensive income

TSEK	Note	2018	2017
Net sales		-	-
Total revenue		**-**	**-**
Other operating expenses		-18,294	-1,462
Operating profit		**-18,294**	**-1,462**
Financial income		19,277	18,331
Financial expenses		-19,865	-18,944
Net financial items	8	**-588**	**-613**
Profit before income tax		**-18,882**	**-2,075**
Income tax expense	9	-215	-3,500
Profit for the period		**-19,097**	**-5,575**
Total comprehensive income		**-19,097**	**-5,575**

No items accounted for within other comprehensive income.

Parent company balance sheet

TSEK	Note	31 Dec 2018	31 Dec 2017
ASSETS:			
Non-current assets			
Receivables from group enterprises		192,444	189,167
Investments in group enterprises	16	759,500	766,739
Total non-current assets		**951,944**	**955,906**
Current assets			
Receivables from group enterprises		5,789	7,719
Other receivables		68	-
Current tax receivable		18,341	2,160
Cash and cash equivalents	21	974	6,772
Total current assets		**25,172**	**16,651**
TOTAL ASSETS		**977,116**	**972,557**
EQUITY AND LIABILITIES:			
Restricted equity			
Share capital		688	688
Non-restricted equity			
Share premium		798,472	798,472
Retained earnings including net profit for the year		-53,644	-34,546
Total equity	**22**	**745,516**	**764,614**
Non-current liabilities			
Borrowing from related parties	36	218,819	198,956
Total non-current liabilities		**218,819**	**198,956**
Current liabilities			
Trade payables		1,608	719
Trade payables from group companies		4,225	7,988
Accrued expenses and prepaid income		6,948	280
Total current liabilities		**12,781**	**8,987**
TOTAL EQUITY AND LIABILITIES		**977,116**	**972,557**

Parent company statement of changes in equity

TSEK	Share capital	Total restricted capital	Share premium	Retained earnings	Total unrestricted equity	Total equity
Balance at 1 January 2017	**688**	**688**	**798,472**	**-28,972**	**769,500**	**770,188**
Comprehensive income						
Profit for the year	-	-	-	-5,575	-5,575	-5,575
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive	**-**	**-**	**-**	**-5,575**	**-5,575**	**-5,575**
Balance at 31 December 2017	**688**	**688**	**798,472**	**-34,546**	**763,926**	**764,614**

TSEK	Share capital	Total restricted capital	Share premium	Retained earnings	Total unrestricted equity	Total equity
Balance at 1 January 2018	**688**	**688**	**798,472**	**-34,546**	**763,926**	**764,614**
Comprehensive income						
Profit for the year	-	-	-	-19,097	-19,097	-19,097
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-19,097**	**-19,097**	**-19,097**
Balance at 31 December 2018	**688**	**688**	**798,472**	**-53,644**	**744,828**	**745,516**

Parent company cash flow statement

TSEK	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		-18,294	-1,462
Adjustments:			
Non-cash items		-	-
Effect of changes in working capital:			
Increase/decrease in inventories		-	-
Increase/decrease in receivables		-68	-
Increase/decrease in trade payables and other payables		7,556	719
Increase/decrease in intercompany receivables		1,930	-6,734
Increase/decrease in intercompany payables		2,704	1,521
Interest paid		-1	-391
Income tax paid		-16,396	-33,560
Cash flow from operating activities		**-22,569**	**-39,907**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from investment in group enterprises		15,998	40,000
Cash flow from investing activities		**15,998**	**40,000**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net payments to non-controlling interest		773	1,670
Increase/decrease in long-term debt		-	4,964
Cash flow from financing activities		**773**	**6,634**
Cash flow for the period		**-5,798**	**6,727**
Cash and cash equivalents at the beginning of the period		6,772	45
Exchange rate differences in cash and cash equivalents		-	-
Cash and cash equivalents at the end of the period	21	**974**	**6,772**

Notes

Note 1. General information

The Karnov Group produces legal, financial and tax information to judicial, fiscal and accounting professionals in Denmark and Sweden. The Group has subsidiaries in two countries, Denmark and Sweden.

The Parent, Karnov Group AB, reg. no. 559016-9016 is a limited liability company domiciled in Sweden with its registered office in Stockholm. The visiting address of its head office is Hälsingegatan 43, 113 82 Stockholm.

The consolidated financial statements are presented in Swedish kronor (TSEK) unless otherwise stated, which is the presentation currency for the Group activities, and the functional currency for the Parent. All financial statements were authorised for publishing by the Board of Directors on 20 of February 2019.

Note 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets (derivative instruments) at fair value through profit or loss.

BASIS OF PREPARATION

The consolidated financial statements of the Karnov Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, RFR 1 Supplementary Accounting Regulations for Groups and the Swedish Annual Accounts Act.

The Parent's financial statements have been prepared in accordance with RFR 2, Accounting for Legal Entities, and the Swedish Annual Accounts Act. In cases where the Parent applies accounting policies differing from those of the Group, such deviations are explained separately at the end of this note.

The preparation of financial statements in conformity with IFRS requires the application of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a greater degree of judgement or complexity, or areas in which assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

The accounting policies remain unchanged for the consolidated financial statements compared to 2017, with the exception of the new and amended standards as described below. A correction for the value attributable to the non-controlling interests has been made. The restatement is due to a correction of how preference share rights are interpreted. Previously the accumulated right to dividends has not been accounted for since the company made losses. This has now been corrected. The correction leads to a reclassification of SEK 73 m within total equity and also to a correction in the allocation of the profit for the period between owners of Karnov Group AB and the non-controlling interests. The correction has zero impact on total equity and on profit for the year. Also, insignificant reclassifications compared to the comparative figures for 2017 have been made.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards adopted by the Group

The Group has adopted all new, amended and revised accounting standards effective for the accounting period beginning from 1 January 2018. None of these new, updated and amended standards have any significant impact on the consolidated financial statements of the Group for 2018.

New standards and interpretations not yet adopted

IFRS 16 "Leases"

IFRS 16 Leases is effective from January 1, 2019. The standard has no effect on 2018 financial disclosures but for future periods it will change the recognition of operating leases.

The Group has reviewed all of the Group's leasing arrangements that are currently in place. The Group currently holds rental agreements for five office locations, six car leases and miscellaneous other leases as operating leases. Management has assessed the expected impact of the standard and concluded that it will have a limited impact on the recognition of property, plant and equipment and financial debt on the balance sheet. The standard will also impact the classification of costs associated with the lease payments which in 2019 and onwards will be recognised as a finance expense and amortisation of the lease liability and the right of use asset will be depreciated on a straight-line basis.

The lease commitments will be recognised as right of use assets and lease liabilities as per 1 January 2019. The value of the right-of-use assets and lease liabilities as per 1 January 2019 has been estimated at around SEK 105 m. The expected impact on EBITDA is assessed to be around SEK 15 m when lease costs are re-classified to depreciation SEK 15 m and financial expenses SEK 1 m which then will have a SEK 1 m negative impact on net profit after tax for 2019.

Leasing commitments disclosed by end of 2018 amounted to SEK 39,7 m. Implementing the new standard will increase the assessed leasing liability to SEK 105 m mainly due to measuring the expected period the group will use the leasing asset compared to the expiry date of the lease agreement.

The Group applies the standard from its mandatory adoption date of 1 January 2019. The Group applies the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Additional disclosures will be included in the interim report for the first quarter of 2019.

CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and the Group has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for acquisitions.

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest’s proportionate share of the acquired entity’s net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity’s incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively. The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group.

SEGMENT REPORTING

Segments are reported in accordance with the internal Karnov reporting, submitted to the CEO who has been identified

as the most senior executive decision maker within Karnov. The head of the respective segment Sweden and Denmark are responsible for following up the segments’ operating income (EBITA), according to the manner in which Karnov reports its consolidated statement of income. This then forms the basis for how the CEO monitors the development and allocates resources etc. The purpose of this standard is to provide information that makes it possible to understand and evaluate the environment in which Karnov operates.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Swedish kronor (SEK), which is the Parent Company's functional currency and the Group’s presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within “financial income or cost”. All other foreign exchange gains and losses are presented in the income statement within “operating profit”.

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

balance sheet items are translated at the exchange rate prevailing at the balance sheet date;

income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions.

all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in the comprehensive income.

INTANGIBLE ASSETS

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over to the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire.

Goodwill is not amortised but it is tested for impairment and is carried at cost less accumulated impairment losses. For impairment testing purposes, goodwill acquired in a business combination is allocated to each of the CGUs, that is expected to benefit from the synergies of the combination. The Group has defined a CGU to be aligned with the operating segments; Denmark and Sweden. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment testing are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. (For further information on impairment testing please refer to note 11)

Capitalised development costs

The Group has ongoing development activities regarding software products related to the online access to the Group's databases.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software;
- product is available; and the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include software development employee costs, costs for consultants and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Software development costs recognised as assets are amortised over their estimated useful lives in the range from 3 to 7 years.

Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of publishing rights over their estimated useful lives of 14 years.

Customer relationships

Separately acquired trademarks are shown at historical cost. Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Customer relationships have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of publishing rights over their estimated useful lives of 14 years.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost less accumulated depreciation. Cost is defined as the acquisition price and costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of any replaced parts are derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, which are as follows:

- Improvements on leaseholds; 5 years
- Furniture, fittings and equipment; 3 - 5 years

The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment are written down immediately to their recoverable amounts, if these are lower than their carrying amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within “other operating income" or “other operating expenses” in the income statement.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life – for example, goodwill or intangible assets not ready to use – are not subject to amortisation and are tested annually for impairment. Property, plant and equipment and intangible assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Property, plant and equipment and intangible assets, except for goodwill, that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

INVESTMENTS IN ASSOCIATED COMPANIES

Investments in associated companies include all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20 percent and 50 percent of the voting rights. Investments in associated companies are accounted for using the equity method of accounting, after initial recognition at cost. Under the equity method of accounting, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the acquiree in profit or loss, and the Group's share of fluctuations in other comprehensive income of the acquiree in other comprehensive income.

FINANCIAL INSTRUMENTS

The Group classifies its financial assets and liabilities in the following categories: financial assets and liabilities at fair value through profit or loss, financial assets at amortised cost and other financial liabilities. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of its financial assets at initial recognition.

Classification

Financial assets and liabilities measured at fair value through profit or loss

Financial assets and liabilities measured at fair value through profit or loss are financial assets and liabilities held for trading. A financial asset or liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are included in a hedging relation.

Financial assets measured at amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. The carrying amount of these assets is adjusted with expected credit losses (see below). Interest income is recognized using the effective interest method and is included in financial income in the income statement. The Group's financial assets measured at amortised cost comprise of trade receivables, other receivables, and cash and cash equivalents.

Other financial liabilities

The borrowings of the Group (including the balance sheet items borrowing from credit institutions and borrowing from related parties) and trade payables are classified as other financial liabilities. Refer to the description of accounting policies below.

Recognition and measurement

Regular purchases and sales of financial assets and financial liabilities are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset or liability. At initial recognition, the Group measures a financial asset or liability at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets or liabilities carried at fair value through profit or loss are expensed in profit or loss. Financial assets are derecognised when the right to receive cash flows from the investment has expired or has been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the commitment in the agreement has been fulfilled or otherwise extinguished.

Financial assets and financial liabilities measured at fair value through profit or loss are subsequently carried at the acquisition date at fair value. Loans and receivables and other financial liabilities are subsequently carried at amortised cost using the effective interest method. Gains or losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss are presented in the income statement within "finance costs" in the period in which they arise.

INVENTORIES

Inventories are recognised at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of goods for resale comprises the cost of acquisition of the goods. This cost excludes borrowing costs. The inventory mainly consists of books. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The required provision for obsolescence has been made on the basis of individual assessment.

TRADE RECEIVABLES

Trade receivables are amounts owed by customers for merchandise sold or services performed in the ordinary course of business. If collection of the outstanding amount is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

On initial recognition, trade receivables are measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The new guidance relating to classification and measurement, impairment model and hedge accounting did not have any significant impact on the Group's financial position at the date of first application.

To measure the expected credit losses, trade receivables have been Grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on a combination of historic payment profiles of sales and management assessment of expected future market conditions.

In previous periods a provision for impairment of trade receivables was established when there was objective evidence that the Group would not be able to collect all amounts in line with the original terms of the receivables.

Historically Karnov Group has experienced relatively small amounts of losses compared to the business activity which is reflected in both the previous impairment principle and the new adopted principle. The Karnov Group therefore considers that the effect from changing accounting principle for impairment on trade receivables is insignificant.

Both losses regarding trade receivables and recoveries of trade receivables previously written off are recognised within “other operating expenses” in the income statement.

The carrying amount of trade receivables, after any impairment, is presumed to correspond to their fair value, as this item is short-term in nature.

CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, restricted cash where it is considered most likely that restrictions will be raised within a period of less than 3 months.

SHARE CAPITAL

Ordinary and preference shares are classified as equity.

EARNINGS PER SHARE

The formula for calculating earnings per share:

earnings per share = (net income for the period – dividend on preference shares)/average number of outstanding common shares

TRADE PAYABLES

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

On initial recognition, trade payables are measured at fair value and subsequently measured at amortised cost using the effective interest method. The carrying amount of a trade payable is expected to correspond with the fair value of the trade payable, as this item is of a short-term nature.

BORROWINGS

Borrowings (including borrowing from credit institutions and borrowing from related parties in the balance sheet) are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at acquisition cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All borrowing costs (interest expenses, transaction costs and the changes in fair value of the options) are recognised within “finance costs” in the income statement in the period to which they refer.

The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at current market interest rates available to the Group for similar financial liabilities.

CURRENT TAX AND DEFERRED INCOME TAX

The tax expense for the period comprises current and deferred tax. Tax is recognised in the in-come statement, except from cases where it relates to items recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate based on amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business acquisition that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised if it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is based on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

EMPLOYEE BENEFITS

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees’ services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

PENSION OBLIGATIONS

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

However, the Group's defined benefit plan is accounted for as a defined contribution plan, see note 26.

Retirement benefit obligations

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. The Group's provisions consist of costs to restore leased premises. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the provision. The increase in the provision due to the passage of time is recognised as interest expense. The greater portion of the Group's provisions is short-term in nature.

REVENUE RECOGNITION

The Group applies the IFRS 15 simplified approach to recognising revenue from contracts with customers. The effects of applying IFRS 15 were analysed during 2017 and the conclusion from this assessment was that IFRS 15 would not have any significant impact on revenue.

Revenue is recognised dependant on the relevant contract with the customer. A customer is a party that has contracted with the Group to obtain goods or services that are an output of the Group's ordinary activities in exchange for consideration. Within the Group there are the following main revenue streams:

- Online sales: Subscriptions, Support
- Offline sales and services: Books, Advertisement, Courses

Online sales

Karnov's products are largely digital, including subscription-based online solutions for law firms, tax and accounting firms, corporates and the public sector including courts, universities, public authorities and municipalities. The Group offers term-based access to its intellectual property. The contracts are individually priced for each customer based on volume and content of the contract. Differences in prices are recognised in net sales when contracts are invoiced.

The majority of Karnov's contract with customers have a binding period of 1-12 months, with the majority being 12 month contracts. Usually, the customer is invoiced the full contractual fee one month prior to the beginning of the contractual period. Upfront payments are recognised as a contract liability (included in balance sheet item prepaid income, see note 30). Revenue is recognised on a straight line basis over the period which the customer has the right to access the intellectual property.

All contracts with customers are 12 months or less. As permitted under IFRS 15, the transaction price allocated to unsatisfied long-term contracts are therefore not disclosed.

Offline sales

Karnov also publishes and sells printed books and journals and hosts legal training courses. Revenue is recognised when or as control is transferred to the customer. For printed books and journals revenue is recognised at a point in time, when the product is delivered to the customer. Revenue for training courses are recognised over time – as the training services are being rendered. No element of financing is deemed present as the sales are made with a credit of up to 30 days. Karnov recognises a receivable when the product is delivered to the customer as this is the point in time that the consideration of unconditional because only the passage of time is required before the payment is due. On sale of books the Group grants a 60 day right of return. If conditions for return are met the Group refunds the full invoiced amount after receival of the returned books. Returned sales are recognised at the time the books are received back and a credit note is issued. The Group does not recognise a provision in the balance sheet for returned goods as the yearly amount of returned books is considered immaterial.

LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's share-holders. No dividends will be proposed to the 2018 Annual General Meeting.

ACCOUNTING POLICIES IN THE PARENT COMPANY

The Parent applies RFR 2, Reporting for Legal Entities. This implies that the Parent applies different accounting principles compared to the Group in the following areas.

Format of income statement and balance sheet

The Parent uses the formats specified by the Swedish Annual Accounts Act. This entails that a different presentation compared to the Group is applied principally regarding finance income and costs, statement of total comprehensive income, provisions and statement of changes in equity.

Financial instruments

The Parent Company applies the exception specified in RFR 2, which implies that IFRS 9, Financial Instruments: Recognition and Measurement, needs not be applied to legal entities. Instead, a method based on acquisition cost is applied, in accordance with the Swedish Annual Accounts Act.

Shares in subsidiaries

Shares in subsidiaries are reported at acquisition cost less any impairment loss. Cost of shares in subsidiaries includes acquisition-related costs and any additional consideration. Dividends received are re-ported as a financial income in the income statement.

When there is an indication that shares and participations in subsidiaries are impaired, an estimate of the recoverable amount is made. If this is lower than the carrying amount, a write-down is performed. Impairment is recorded within "result from participations in Group companies" in the income statement.

Use of key ratios not defined in IFRS

The Karnov Group's accounts are prepared in accordance with IFRS. Only a few key ratios are defined in IFRS. Karnov is applying certain "Alternative Performance Measures" as further commented on by ESMA (European Securities and Markets Authority). Briefly, an alternative performance measure is a financial measurement of historical or future earnings development, financial position or cash flow, not defined or specified in IFRS. To assist Group Management and other stakeholders in their analysis of the Group's performance, Karnov is reporting certain key ratios not defined by IFRS. Group Management believes that this data will facilitate analysis of the Group's performance. This data supplements the IFRS information and does not replace the key ratios defined in IFRS. Karnovs definitions of measurements not defined in IFRS may differ from definitions used by other companies. All of Karnovs definitions are included in the section Financial Definitions on page 68. Key ratio calculations that cannot be checked against items in the statement of income and balance sheet can be found in note 38.

OTHER

Amounts in tables and combined amounts have been rounded off on an individual basis. Minor differences due to this rounding off may, therefore, appear in the totals. Figures commented in the text are presented in TSEK unless otherwise stated. Comparative figures from previous period are presented in brackets.

Note 3. Financial risk management

FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risks (currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the Group's financial performance due to financial risks. The Group does not use derivative financial instruments to hedge certain risk exposures. The main portion of the text in this note describes financial risks at Group level. The financial risks of the Parent Company will be presented at the end of the note.

Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily in respect of Danish kroner (DKK). Foreign exchange risk arises primarily from recognised liabilities (borrowings) and net investments in foreign operations.

Exposure to currency fluctuations is usually specified according to two main categories: transaction exposure and translation exposure.

Transaction exposure

Transaction exposure refers both to the exposure attributable to commercial flows, that is, sales and purchases across international borders, and the exposure from financial flows.

The Group's operations are, from a currency risk point of view, characterised by sales and purchases being solely performed in local currency in the respective countries, which imply that the transaction exposures from the Group's commercial flows are very small. The financial policy states, therefore, that currency hedging of commercial flows does not need to be applied.

The Group has borrowings denominated in DKK, SEK and EUR. As regards financial flows, the financial policy states that nominal loan amounts shall not be hedged.

Translation exposure

The foreign subsidiaries' assets, less liabilities, comprise a net investment in foreign currencies which, at consolidation, gives rise to a translation difference. Such translation differences are directly transferred to other comprehensive income. The financial policy states that net investments in foreign currencies shall not be hedged with financial derivatives, among other reasons, to avoid possible unwanted liquidity effects when such derivatives are extended.

At 31 December 2018, the total translation differences recognised in other comprehensive income amounted to TSEK -15,934 (-4,313).

Currency exposure

The exchange rate SEK/DKK used for consolidation purposes are:

Closing rate 31 Dec 2018:	1.37600 (1.32285)
Average rate Jan-Dec 2018:	1.37618 (1.29528)

The Group has the following currency exposure for assets in the balance sheet:

TSEK	SEK	DKK	EUR
2018			
Trade receivables	-	-	-
Receivables from related parties	17,801	5,955,208	-
Cash and cash equivalents	-	401	-
Total	**17,801**	**5,955,609**	**-**

TSEK	SEK	DKK	EUR
2017			
Trade receivables	-	-	-
Receivables from related parties	-	5,559,306	-
Cash and cash equivalents	-	-	-
Total	**-**	**5,559,306**	**-**

The Group has the following currency exposure for liabilities in the balance sheet:

TSEK	SEK	DKK	EUR
2018			
Borrowing from credit institutions	-	837,703	41,115
Borrowing from related parties	-	5,485,279	-
Trade payables	9	6,333	330
Payables from related parties	40,186	87,100	-
Accrued expenses and prepaid income	-	-	-
Total	**40,195**	**6,416,415**	**41,445**

TSEK	SEK	DKK	EUR
2017			
Borrowing from credit institutions	-	836,058	-
Borrowing from related parties	-	3,916,166	-
Trade payables	-	-	-
Payables from related parties	82,960	65	-
Accrued expenses and prepaid income	-	-	-
Total	**82,960**	**4,752,289**	**-**

The sensitivity analysis shows that a 5% change in the exchange rates would affect the assets by TSEK 297,780 (158,874) and the liabilities by TSEK 322,893 (193,945).

Cash flow and fair value interest rate risks

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk primarily arises from long-term borrowings.

Borrowings issued at floating rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings both have fixed rates of interest and variable rates.

Increases in floating rates are prevented by the interest cap entered into (Note 12) and therefore the Group's exposure to cash flow interest rate risk is relatively small.

If interest rates on currency-denominated borrowings, at 31 December 2018 had been 10 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been TSEK 6,148 lower/higher (6,076), mainly as a result of higher/lower interest expense on floating rate borrowings. See Note 24 for disclosure of the significant terms of borrowings.

Credit risk

Credit risk or counter party risk is the risk that the counter party in a financial transaction will not fulfil his obligations on maturity date. Credit risk is managed on Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of its new customers before standard payment and delivery terms and conditions are negotiated. Credit risk for the Group arises from cash and cash equivalents and outstanding trade receivables.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted.

If customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with the limits set by the Board. The utilization of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period, and Management does not expect any losses from nonperformance by these counterparties.

No concentration of credit risks is deemed to exist. The maximum exposure to credit risks is equivalent to the carrying amount of the financial assets.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and is aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

At 31 December 2018, the Group had accessible liquidity of TSEK 201,797 (Note 21) (93,879).

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date or to the judgement of Management. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is insignificant.

Amounts in foreign currencies and amounts which are to be paid based on a floating interest rate have been estimated using the exchange and interest rates applicable at the balance sheet date.

Group TSEK	< 1 year	Between 1 - 2 years	Between 2 - 5 years	> 5 years
2018				
Borrowing from credit institutions	66,631	75,800	1,490,857	-
Loans from related parties	26,786	-	-	1,108,635
Trade payables	30,890	-	-	-
Other liabilities	264,855	-	-	-
Total	**389,162**	**75,800**	**1,490,857**	**1,108,635**

Group TSEK	< 1 year	Between 1 - 2 years	Between 2 - 5 years	> 5 years
2017				
Borrowing from credit institutions	17,944	18,255	772,809	-
Loans from related parties	-	-	-	291,291
Trade payables	22,281	-	-	-
Other liabilities	88,619	3,111	-	-
Total	**128,844**	**21,366**	**772,809**	**291,291**

Parent Company TSEK	< 1 year	Between 1 - 2 years	Between 2 - 5 years	> 5 years
2018				
Borrowing from credit institutions	-	-	-	-
Loans from related parties	-	-	-	1,108,635
Trade payables	1,608	-	-	-
Other liabilities	6,948	-	-	-
Total	**8,556**	**-**	**-**	**1,108,635**

Parent Company TSEK	< 1 year	Between 1 - 2 years	Between 2 - 5 years	> 5 years
2017				
Borrowing from credit institutions	-	-	-	-
Loans from related parties	-	-	-	291,291
Trade payables	719	-	-	-
Other liabilities	-	-	-	-
Total	**719**	**-**	**-**	**291,291**

Parent Company

Of the above stated risks to the Group, the Parent Company's accounts are insignificantly affected by currency risk.

CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is equity as shown in the consolidated balance sheet.

The gearing ratio at 31 December 2018 was as follows:

TSEK	2018	2017
Total borrowings (note 24)	1,730,544	1,044,173
Less: cash and cash equivalents (note 21)	201,797	93,879
Net debt	**1,528,747**	**950,294**
Total equity	625,209	705,212
Total capital	**625,209**	**705,212**
Gearing ratio	2.45	1.35

Note 4. Critical estimates and judgements

The Group makes estimates and assumptions concerning the future. These accounting estimates will by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimations and assessments relating to impairment of goodwill and intangible assets

In accordance with the accounting policy described in Note 2, Intangible assets, the Group tests annually whether intangible assets have suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the application of estimates (Note 11).

The carrying amount of intangible assets at 31 December 2018, distributed by cash-generating units (CGU), are presented in Note 11.

Estimated cash flows for the first year are based on most recent budgets approved by the Board of Directors. Estimated cash flows for years 2-10 are based on the Company's business plan for the period approved by the Board of Directors. After the budget period, estimated growth in the terminal period are 2,5% (2,5%) corresponding to the expected market growth.

The assessments behind the growth rates applied for the discounted cash flow have been conducted individually for each CGU (see Note 11) and are based partly on historical rates and partly on expectations to future growth as a result of the implementation of the strategy for Karnov Group. Sensitivity calculations have been made and within a reasonable span of deviation from the applied assessments, a write-down of goodwill on any of the CGUs is not foreseeable in the near future.

Valuation of tax loss carry-forwards

The Group has tax loss carry-forwards. No deferred tax asset has been recognised due to these tax loss carry-forwards. At each period end, the Group investigates the possibility of capitalising the deferred tax assets with regard to the tax loss carry-forwards. Deferred tax assets are recognised only in those cases in which it is probable that future tax surpluses will be available against which the temporary difference can be utilised. Currently mainly due to the fact that restriction in the use of the tax loss carry-forwards exists no deferred tax assets have been recognised.

The Group´s tax loss carry-forwards at 31 December 2018 amount to TSEK 223,560 (196,641). The deferred tax asset on these tax loss carry-forwards that has not been recognised at 31 December 2018 amounts to TSEK 45,053 (43,261).

Note 5. Segments, distribution net sales and costs

Net sales are classified by category as follows:

Group		
TSEK	2018	2017
Sale of online services	532,553	370,214
Sale of offline goods and services	182,789	81,504
Total net sales	**715,342**	**451,718**

Net sales are classified by geographical market as follows:

Group		
TSEK	2018	2017
Sweden	316,881	102,332
Denmark	390,562	345,959
Other European countries	7,719	3,406
Other countries	180	21
Total net sales	**715,342**	**451,718**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The CEO has been identified as the chief operating decision maker and assesses the financial performance and position of the Group, and makes strategic decisions. Within Karnov, operating segments are defined by geography and are monitored down to EBIT level. Below EBIT level and on balance sheet and cash flow statements the assessment of financial performance and position is conducted entirely on Group level. Karnov's business operations are media independent and the Company monitors the overall net sales distribution trend between online and offline products at Group level.

TSEK	Denmark 2018	Denmark 2017	Sweden 2018	Sweden 2017	Total 2018	Total 2017
Online	-	-	-	-	532,553	370,214
Offline	-	-	-	-	182,789	81,504
Net sales	**396,624**	**348,816**	**318,718**	**102,902**	**715,342**	**451,718**
EBITDA	144,909	126,797	64,582	52,957	209,491	179,754
EBITA	141,899	123,770	40,861	45,132	182,760	168,902
EBIT	80,733	71,793	-18,051	41,838	62,682	113,631
Net finance cost	-	-	-	-	-97,898	-86,300
Profit before tax	-	-	-	-	-35,216	27,331
Income tax expenses	-	-	-	-	-11,591	-16,263
Profit for the period	-	-	-	-	-46,807	11,068

Note 6. Remuneration to auditors

Audit services refer to examination of the consolidated financial statements, the accounts and the administration of the Board of Directors and the President & CEO of the Company; other tasks incumbent on the Company’s auditor; and advice or other assistance prompted by observations from such audits or the performance of other such tasks.. Of the total fee for audit assignments of TSEK 3,410 TSEK 2,657 are invoiced by PricewaterhouseCoopers AB for the statutory audit. Of total other fees of TSEK 7,746, TSEK 7,700 is invoiced by PricewaterhouseCoopers AB (the statutory auditors of Karnov Group AB (Publ.). These fees are non-audit services primarily relating to technical assistance in projects raising the Group’s standard in internal control and processes.

Group

TSEK	2018	2017
Audit services	3,410	1,269
Audit-related services	900	500
Tax services	1,346	459
Non-audit services	5,500	3,261
Total	**11,156**	**5,489**

Parent Company

TSEK	2018	2017
Audit services	500	1,122
Audit-related services	900	-
Tax services	1,300	-
Non-audit services	5,500	-
Total	**8,200**	**1,122**

Note 7. Employee benefit expenses

Wages, other benefits and social security costs

TSEK	Ordinary compensation	Other benefits	Pension benefits	Total
2018				
Excecutive management	9,547	4,252	1,191	14,990
Other employees	148,412	22,361	20,971	191,744
Other personnel-related costs				8,700
Total	**157,959**	**26,613**	**22,162**	**215,434**

Wages, other benefits and social security costs

TSEK	Ordinary compensation	Other benefits	Pension benefits	Total
2017				
Excecutive management	10,665	2,828	1,202	14,695
Other employees	93,345	4,090	9,320	106,755
Other personnel-related costs				5,377
Total	**104,010**	**6,918**	**10,522**	**126,827**

In accordance with currently applicable regulations, a mutual period of termination of employment of a maximum of twelve months applies for the CEO and other senior executives.
The CEO's target bonus corresponds to an amount equal to 50 percent of the annual fixed salary and is determined based on financial targets that are set by the board of directors each year. Pursuant to the current guidelines for remuneration to the senior management, the bonus shall not exceed 100 per cent of the annual fixed salary.

The parent company had no employees during 2018.

Compensation and other benefits during the year

TSEK	Compensation for board work	Ordinary compensation	Other benefits	Pension benefits	Total
2018					
Magnus Mandersson (Chairman of the board)	1,250	-	-	-	1,250
Lone Møller Olsen	750	-	-	-	750
Ulf Bonnevier	720	-	-	-	720
Mark Redwood	1,000	-	-	-	1,000
Flemming Breinholt	-	2,638	1,710	264	4,612
Other senior management (5 FTE)	-	6,909	2,542	927	10,378
Total	**3,720**	**9,547**	**4,252**	**1,191**	**18,710**

Compensation and other benefits during the year

TSEK	Compensation for board work	Ordinary compensation	Other benefits	Pension benefits	Total
2017					
Mark Redwood	966	-	-	-	966
Flemming Breinholt	-	2,423	1,183	242	3,848
Other senior management (5 FTE)	-	8,242	1,645	960	10,847
Total	**966**	**10,665**	**2,828**	**1,202**	**15,661**

Average number of employees Full Time Equivalents (FTEs)	2018 Men	2018 Women	2018 Total	2017 Men	2017 Women	2017 Total
Sweden	52	65	117	25	30	55
Denmark	67	60	127	57	64	121
Total subsidiaries	**119**	**125**	**244**	**82**	**94**	**176**
Parent company, Sweden	-	-	-	-	-	-
Total group	**119**	**125**	**244**	**82**	**94**	**176**

Gender distribution of board members and other senior management	2018 Men	2018 Women	2018 Total	2017 Men	2017 Women	2017 Total
Group (including subsidiaries)						
Members of the Board	5	1	6	3	-	3
Excecutive directors and other senior management	4	2	6	3	3	6
Total	**9**	**3**	**12**	**6**	**3**	**9**
Parent company						
Members of the Board	5	1	6	3	-	3
Excecutive directors and other senior management	-	-	-	-	-	-
Total	**5**	**1**	**6**	**3**	**-**	**3**

Note 8. Results from financial items

Group

TSEK	2018	2017
Financial income:		
Interest income	319	11
Total financial income	**319**	**11**
Financial expenses:		
Interest expenses	-78,946	-78,251
Re-measurement of fair value on contingent considerations	-3,288	-3,393
Re-measurement of fair value on interest rate caps	-49	-354
Net exchange rate losses	-15,934	-4,313
Total financial expenses	**-98,217**	**-86,311**
Net financial items	**-97,898**	**-86,300**

Parent Company

TSEK	2018	2017
Other interest income and similar income statement items		
Interest income	19,277	18,331
Total other interest income and similar income statement items	**19,277**	**18,331**
Interest expense and similar income statement items		
Currency translation losses	-703	-515
Interest expenses – borrowings:	-19,162	-18,429
Total interest expense and similar income statement items	**-19,865**	**-18,944**
Net financial items	**-588**	**-613**

Note 9. Taxes

Group		
TSEK	2018	2017
Current tax:		
Current tax for the year	-32,276	-21,929
Current tax prior years	-2,521	-
Total current tax	**-34,797**	**-21,929**
Deferred income tax		
Change in deferred tax assets for the year (note 25)	1,967	370
Change in deferred tax liabilities for the year (note 25)	21,239	5,296
Total deferred tax expense/benefit	**23,206**	**5,666**
Income tax expense	**-11,591**	**-16,263**

Parent company		
TSEK		
Current tax for the year	-104	-3,500
Current tax prior years	-111	-
Income tax expense	**-215**	**-3,500**

Group		
TSEK	2018	2017
Profit/(Loss) before income tax	-35,216	27,331
Tax calculated at domestic tax rates applicable to profits in the respective countries	7,748	-6,013
Expenses not deductible for tax purposes*	-11,028	-9,396
Non-taxable income	-	-
Other adjustment taxable income	-2,924	-180
Tax effect from change in tax rate (Sweden)	2,524	-
Tax losses not capitalized	-5,390	-674
Adjustments for current tax of prior periods	-2,521	-
Income tax expense	**-11,591**	**-16,263**

* “Expenses not deductible for tax purposes” consist primarily of interest expenses not deductible due limitations within the tax law and non-deductible cost related to the acquisition of Norstedts Juridik AB.

The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

Tax losses

The unused tax losses were incurred by a dormant subsidiary that is not likely to generate taxable income in the foreseeable future. They can be carried forward indefinitely. See note 25 for information about recognised tax losses and significant judgements made in relation to them.

Group		
TSEK	2018	2017
Unused tax losses for which no deferred tax asset has been recognised	223,560	196,641
Potential tax benefit 20.6%	**46,053**	**40,508**

Parent Company

Differences between recognised tax expenses and calculated tax expenses based on the current tax rate are as follows:

Parent company		
TSEK	2018	2017
Profit/(Loss) before income tax	-18,882	-2,075
Income tax calculated according to current tax rate (2018: 22%)	4,154	457
Non-taxable dividend	-	-
Expenses not deductible for tax purposes	-4,258	-3,957
Tax losses for which no deferred tax asset was recognized	-111	-
Tax charge	**-215**	**-3,500**

Note 10. Exchange rate differences

All exchange rate differences are included by net amount in the income statement as part of the following items:

Group		
TSEK	2018	2017
Financial expenses	-15,934	-4,313
Total exchange rate differences	**-15,934**	**-4,313**

Note 11. Intangible assets

Group TSEK	Goodwill	Capitalised development costs	Other intangible assets	Total
Cost at 1 January 2018	**1,324,490**	**67,097**	**904,684**	**2,296,271**
Reassessment*	-	8,228	-10,930	-2,702
Additions	286,230	109,736	547,192	943,158
Disposals	-	-3,920	-	-3,920
Currency exchange differences	46,972	-248	-29,450	17,274
Accumulated cost at 31 December 2018	**1,657,692**	**180,893**	**1,411,496**	**3,250,081**
Amortisation at 1 January 2018	**-**	**24,997**	**132,262**	**157,259**
Reassessment*	-	-14,360	11,659	-2,702
Amortisation for the year	-	22,524	120,079	142,603
Write-down	-	284	-	284
Currency exchange differences	-	-	5,348	5,348
Accumulated amortisation at 31 December 2018	**-**	**33,445**	**269,348**	**302,793**
Net book value at 31 December 2018	**1,657,692**	**147,448**	**1,142,148**	**2,947,288**

*Re-assessment of assets: During the year, Management, has reassessed the classification of certain intangible assets held by specific subsidiaries. To improve alignment within the Group, the presentation of these assets is reclassified in the asset register from Other intangibles assets to Capitalised development cost. The change has no effect on profit or loss.

Group TSEK	Goodwill	Capitalised development costs	Other intangible assets	Total
Cost at 1 January 2017	**1,238,108**	**19,307**	**839,924**	**2,097,339**
Additions	58,521	47,584	45,581	151,686
Disposals	-	-	-	-
Currency exchange differences	27,861	206	19,179	47,246
Accumulated cost at 31 December 2017	**1,324,490**	**67,097**	**904,684**	**2,296,271**
Amortisation at 1 January 2017	**-**	**3,378**	**84,065**	**87,443**
Amortisation for the year	-	15,719	46,675	62,394
Disposals	-	5,900	-	5,900
Currency exchange differences	-	-	1,522	1,522
Accumulated amortisation at 31 December 2017	**-**	**24,997**	**132,262**	**157,259**
Net book value at 31 December 2017	**1,324,490**	**42,100**	**772,422**	**2,139,012**

Other intangibles assets consist of trade marks with a net book value of TSEK 263,681 (118,684), technology with a net book value of TSEK 122,705 (0) and customer relations with a net book value of TSEK 755,762 (653,816). Capitalised development costs apply to software products in connection to the online access to the Group´s databases. Research and development expenditure recognised as an expense during the period amounts to TSEK 234 (305).

Impairment tests on goodwill

Goodwill is monitored by Management at the level of the two operating segments. The goodwill allocation is presented below:

TSEK	Denmark	Sweden
Total	1,145,524	512,168

In 2017, goodwill was tested on the level of the entire Group and therefore no comparable figures for 2017 have been included.

Management reviews the business performance based on the management reporting structures on an annual basis.

For the 2018 and 2017 reporting period, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions. The calculations use post-tax cash flow projections based on financial budgets approved by Management covering a ten-year period. Cash flows beyond the 10-year period are extrapolated using the estimated long-term growth rates stated below. The Group is using a 10-year period relating to a long visibility on the business, and high renewal rates from a stable and loyal customer base. The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates.

The key assumptions used for value-in use calculations are as follows:

2018	Denmark	Sweden
Long-term growth rate	2.5%	2.5%
Pre-tax discount rate	14.4%	12.4%

2017	Denmark	Sweden
Long-term growth rate	2.5%	2.5%
Pre-tax discount rate	13.3%	13.3%

Management has performed a sensitivity analysis for each key assumption (discount rate and growth rate in the terminal period), holding all other assumptions constant. The sensitivity analysis has been calculated with the effect off a 1 percent higher discount rate and 1 percent lower growth rate. No impairment loss was recognised as a result of this test.

The Board of Directors and Management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount of the CGU Denmark and CGU Sweden to exceed the recoverable amount.

Note 12. Derivatives, financial instruments

As part of the refinancing in 2017, an interest cap of TDKK 303,800 was entered in September 2017 which contains a right to receive payments if the 3-month CIBOR rate exceeds a strike rate of 1%.

This option is valued at actual value through profit or loss and is classified as a current asset based on the loan falling due in 2019.

The valuation of the option takes into consideration the current rate for Danish 3 month CIBOR rate loans and the related interest swap rates. At year-end 2018, the fair value of this option is TSEK 0 (49).

Note 13. Investments in associates

Cost price	
TSEK	
Cost at 1 January 2018	-
Additions relating to acquisitions	8,544
Cost at 31 December 2018	**8,544**

Value adjustment	
TSEK	
Value adjustments at 1 January 2018	-
Foreign currency translation adjustments	-20
Value adjustments at 31 December 2018	**-20**

Carrying amount at 31 December 2018	**8,524**

Associated entities:	
Bella Intelligence ApS	40%

Investments in associates are accounted for using the equity method, after initial recognition at cost. Under the equity method, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the acquiree in profit or loss, and the Group's share of fluctuations in other comprehensive income of the acquiree in other compre-hensive income. The investment is a green-field company with expected potential for the Group. At present, Management has assessed that no risk of impairment is indicated of the investment.

Note 14. Deposit – leasehold

The Group currently occupies two addresses in Copenhagen for which the Group has paid deposits of TSEK 2,628. (2,477).

Note 15. Property, plant and equipment

Group TSEK	Leasehold improvements	Furniture, fittings and equipment	Total
Cost at 1 January 2018	**5,499**	**15,007**	**20,506**
Additions for the year	606	2,209	2,815
Disposals	-	-259	-259
Currency exchange differences	210	448	658
Accumulated cost at 31 December 2018	**6,315**	**17,405**	**23,720**
Depreciation at 1 January 2018	**2,227**	**11,352**	**13,579**
Depreciation for the year	613	3,593	4,206
Disposals	-	-217	-217
Currency exchange differences	91	340	431
Accumulated depreciation at 31 December 2018	**2,931**	**15,068**	**17,999**
Net book value at 31 December 2018	**3,384**	**2,337**	**5,721**
Of which leased assets	-	228	228

Group

TSEK	Leasehold improvements	Furniture, fittings and equipment	Total
Cost at 1 January 2017	**4,265**	**22,696**	**26,961**
Additions for the year	506	5,504	6,010
Disposals	-	-10,893	-10,893
Currency exchange differences	728	-2,300	-1,572
Accumulated cost at 31 December 2017	**5,499**	**15,007**	**20,506**
Depreciation at 1 January 2017	**1,551**	**16,011**	**17,562**
Depreciation for the year	504	3,225	3,729
Disposals	-	-5,580	-5,580
Currency exchange differences	172	-2,304	-2,132
Accumulated depreciation at 31 December 2017	**2,227**	**11,352**	**13,579**
Net book value at 31 December 2017	**3,272**	**3,655**	**6,927**
Of which leased assets	-	2,917	2,917

Note 16. Investments in Group enterprises

Parent company

TSEK	2018	2017
Cost at beginning of period	766,740	763,176
Investments / Disinvestments	-7,240	3,564
Net book value at 31 December	**759,500**	**766,740**

All entities within the Group	Corporate identity number	Registered office	Voting share	Share of equity	Carrying amount 2018
- Karnov Group 1 AB (1)	559016-4124	Stockholm	81.28%	77.29%	759,500
- Karnov Group 2 AB (1)	559016-8927	Stockholm	100.0%	100.0%	
- Karnov Group 3 AB (1)	559016-8844	Stockholm	100.0%	100.0%	
- Karnov Group 4 AB (1)	556847-3143	Stockholm	100.0%	100.0%	
- Karnov Group Holdco AB (1)	556847-5791	Stockholm	100.0%	100.0%	
- Karnov Group Sweden AB (2)	556192-8614	Stockholm	100.0%	100.0%	
- Norstedts Juridik AB (2)	556226-6097	Stockholm	100.0%	100.0%	
- Notisum AB (2)	556516-2467	Stockholm	100.0%	100.0%	
- Karnov Group Holdco ApS (1)	36 96 61 14	Copenhagen	100.0%	100.0%	
- Karnov Group Denmark A/S (2)	10 36 19 90	Copenhagen	100.0%	100.0%	
- Forlaget Andersen A/S (2)	31 58 18 69	Copenhagen	100.0%	100.0%	
- CBM ApS (2)	34 58 90 97	Copenhagen	75.0%	75.0%	
- BELLA Intelligence ApS (2)	39 13 52 72	Copenhagen	40.0%	40.0%	

Note:

(1) Holding company

(2) Operating company

Note 17. Financial instruments by category

Group	Carrying amount		Fair value	
TSEK	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
FINANCIAL ASSETS				
Financial assets at amortised cost				
Trade receivables	169,231	130,172	169,231	130,172
Cash and cash equivalents	201,797	93,879	201,797	93,879
Total financial assets	**371,028**	**224,051**	**371,028**	**224,051**
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss (FVPL)				
Contingent considerations	44,759	59,569	44,759	59,569
Liabilities at amortised cost				
Trade payables	30,890	22,283	30,890	22,283
Non-current borrowings from credit institutions	1,378,199	778,943	1,378,199	778,943
Current borrowings from credit institutions	65,625	66,275	65,625	66,275
Deferred payments	130,588	-	130,588	-
Non-current borrowings from related parties	218,819	198,955	218,819	198,955
Current borrowings from related parties	67,901	-	67,901	-
Total financial liabilities	**1,936,781**	**1,126,025**	**1,936,781**	**1,126,025**

Trade receivables
Due to the short-term nature of current receivables, their carrying amount is considered to be the same as fair value.

Cash and cash equivalents
Cash and cash equivalents are unsecured with a short credit period and are therefore considered to have a fair value equal to the carrying amount. They are classified at level 2 in the fair value hierarchy.

Contingent consideration
The fair value of the contingent considerations is estimated by calculating the present value of the future expected cash flows. The estimates are based on discount rates between 7 percent and 10 percent. They are classified at level 3 in the fair value hierarchy.

Trade payables
Trade payables are unsecured and are usually paid within 30 days of recognition. Due to the short-term nature of trade payables, their carrying amount is considered to be the same as fair value.

Non-current borrowings from credit institutions
The carrying amount of non-current borrowings is considered to be the same as fair values, since interest payable on those borrowings is close to current market rates. They are classified at level 2 in the fair value hierarchy.

Current borrowings from credit institutions
The fair value of current borrowings is considered to be the same as the carrying amount since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature. They are classified at level 2 in the fair value hierarchy.

Deferred payment
Deferred payments are related to contractual undertakings to pay the full amount in future periods, and therefore the carrying amount is the same as fair value. They are classified at level 2 in the fair value hierarchy.

Non-current borrowings from related parties
The fair value of non-current borrowings from related parties is based on discounted cash flows using a current borrowing rate. They are classified at level 2 in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

Current borrowings from related parties
The fair value of current borrowings from related parties is considered to be the same as the carrying amount since the interest payable is either close to current market rates or the borrowings are of a short-term nature.

Note 18. Trade receivables

Group		
TSEK	2018	2017
Trade receivables	170,309	131,136
Less: provision for impairment of trade receivables	-1,078	-964
Trade receivables – net	**169,231**	**130,172**

Trade receivables allocated by currency

Group		
TSEK	2018	2017
SEK	64,285	27,475
DKK	104,946	102,697
Total trade receivables	**169,231**	**130,172**

Gross trade receivables by age

Group		
TSEK	2018	2017
Balance not due	167,165	125,875
0-3 months	1,744	4,171
3-6 months	313	126
Over 6 months	9	-
Total trade receivables	**169,231**	**130,172**

Breakdown of allowance for impairment:

Group		
TSEK	2018	2017
Allowance for impairment at beginning of period	964	420
Provision for impairment of trade receivables	77	537
Exchange rate differences	37	7
Allowance for impairment at end of period	**1,078**	**964**

Group					
TSEK	Current	0-3 months	3-6 months	> 6 months	Total
31 December 2018					
Expected loss rate	0.36%	20.0%	40.0%	80.0%	0.64%
Trade receivables	167,165	1,744	313	9	169,231
Loss allowance	**596**	**349**	**125**	**8**	**1,078**

The fair values of trade receivables and other receivables of the Group correspond to book values.

Karnov Group invoices one month prior to the contract period of the agreement for which reason the customers are paying upfront. Historically, Karnov Group has experienced relatively small amounts of losses compared to the business activity which is reflected in both the previous impairment principle and the newly adopted principle. The Karnov Group therefore considers that the effect of changing the accounting principle of impairment on trade receivables is insignificant. The creation and release of provision for impaired receivables have been included in Other operating expenses in the income statement.

The maximum exposure to credit risk of trade receivables at the reporting date consists of the carrying amount. The Group does not hold any collateral as security.

Note 19. Inventories

Group

TSEK	2018	2017
Finished goods	11,553	4,247
Total inventories	**11,553**	**4,247**

The acquisition of Norstedts Juridik AB in 2018 increased the value of both inventories and write-downs compared to 2017.

Write-downs of finished goods recognised as expenses during the year amounted to TSEK 1,926 (708) and are included in Goods for resale in the income statement. Finished goods are written down by 50% after 24 months on stock and 100% after 36 months on stock.

The Group reversed write-downs in 2018 from previous years of TSEK 738 due to the implementation of the current write-down procedure as described above. The reversed write-downs mainly related to the Danish group entities.

Note 20. Prepaid expenses and accrued income

Group

TSEK	2018	2017
Prepaid royalties to authors	7,410	4,602
Prepaid software license	3,185	1,779
Financial leasing	-	1,195
Prepaid rent	3,976	2,440
Other items	1,381	1,327
Total prepaid expenses and accrued income	**15,952**	**11,343**

Note 21. Cash and cash equivalents

Group

TSEK	2018	2017
Balance sheet		
Cash at bank and in hand	201,797	93,879
Total cash and cash equivalents in the balance sheet	**201,797**	**93,879**

Parent company

TSEK	2018	2017
Balance sheet		
Cash at bank and in hand	974	6,772
Total cash and cash equivalents in the balance sheet	**974**	**6,772**

Note 22. Share capital and share premium

A specification of changes in equity is found in the Statement of changes in equity, which is presented right after the balance sheet

Share capital and share premium	2018 Shares	2017 Shares	2018 TSEK	2017 TSEK
Ordinary shares				
Fully paid	688,067	688,067	688	688
Total ordinary shares	**688,067**	**688,067**	**688**	**688**
Non-redeemable preference shares	5	5	798,472	798,472
Total share capital and share premium	**688,072**	**688,072**	**799,160**	**799,160**

Movements in ordinary shares	Shares	Par value SEK	Share premium TSEK	Total TSEK
Opening balance 1 January 2017/ 31 December 2017	688,067	688,067	-	688
Balance 31 December 2018	**688,067**	**688,067**	**-**	**688**

Movements in non-redeemable participating preference share capital	Shares	Par value SEK	Share premium TSEK	Total TSEK
Opening balance 1 January 2017/ 31 December 2017	5	5	798,472	798,472
Balance 31 December 2018	**5**	**5**	**798,472**	**798,472**

Ordinary shares and preference shares

Karnov Group's share structure comprises one class of ordinary shares and five classes of preference shares. All shares carry one vote at general meetings. The ordinary shares and each class of preference shares carry different rights to distribution of dividends and the company's assets and profits upon liquidation. As of 31 December 2018, the registered share capital amounted to SEK 688,072 divided among 688,067 ordinary shares, one preference share of series A, one preference share of series B, one preference share of series C, one preference share of series D and one preference share of series E, each with a quotient value of SEK 1. All shares have been issued in accordance with Swedish law and are denominated in SEK. On 29 January 2019, an extraordinary general meeting resolved on a share split, pursuant to which each share was split into 65 shares. Following the split, there are 44,724,355 ordinary shares, 65 preference shares of series A, 65 preference shares of series B, 65 preference shares of series C, 65 preference shares of series D and 65 preference shares of series E, each with a quotient value of approximately SEK 0.015385.

Non-redeemable participating preference shares

The 10% non-redeemable participating preference shares were entitled to cumulative dividends at a rate of 10% annualy.

Note 23. Earnings per share

Earnings per share	2018	2017
Earnings attributable to owners of the parent company, TSEK	-50,927	7,323
Average number of outstanding shares	44,724,680	44,724,680
Earnings per share before and after dilution, SEK	-1.14	0.16

Earnings per share before and after dilution are affected by dividend on preference shares. The formula for calculating earnings per share: earnings per share = (net income for the period – dividend on preference shares)/average number of outstanding common shares.

On 29 January 2019, an EGM was held at which resolutions were adopted to conduct a share split (1:65). The above table shows the number of shares and values after the share split. Comparative data are also updated accordingly.

Note 24. Borrowings

Shares in subsidiaries have been pledged as collateral for loan from Nordea. For further information on pledged assets, see Note 32 Pledged assets. The Group's borrowings were distributed as follows at the end of the reporting period:

Group		
TSEK	31 Dec 2018	31 Dec 2017
Current		
Borrowing from credit institutions	65,625	66,275
Borrowing from related parties	67,901	-
Total current borrowings	**133,526**	**66,275**
Non-current		
Borrowing from credit institutions	1,378,199	778,943
Borrowing from related parties	218,819	198,955
Total non-current borrowings	**1,597,018**	**977,898**

Maturity	Type of borrowing	Interest rate	Currency	Nominal value in currency	Carrrying amount
Current borrowings from credit institutions in 2018					
Nordea Facility A	Loan	3,25% + cibor	DKK	110,400	18,989
Nordea	Revolving loan	3,25% + cibor	DKK	18,552	21,419
Nordea	Revolving loan	3,50% + cibor	SEK	25,217	25,217
Current borrowings from credit institutions , total				**154,169**	**65,625**
Other current loans in 2018					
Redeemable preference shares	Loan from related party	0.00%	SEK	26,786	26,786
Five Arrows Principal Investment II Holding Sàrl	Loan from related party	3.00%	EUR	4,000	41,115
Other current loans, total				**30,786**	**67,901**
Current borrowings, total in 2018					**133,526**
Non-current borrowings from credit institutions in 2018					
Nordea Facility A	Loan	3,25% + cibor	DKK	110,400	130,666
Nordea Facility B	Loan	3,25% + cibor	DKK	490,000	664,842
Nordea Facility C	Loan	3,50% + cibor	SEK	598,000	582,691
Non-current borrowings from credit institutions , total				**1,198,400**	**1,378,199**
Other non-current loans in 2018					
Five Arrows Principal Investment II Holding Sàrl	Loan from related party	10.00%	SEK	100,499	121,879
Five Arrows Co- Investment II Holding Sàrl	Loan from related party	10.00%	SEK	11,485	13,928
Torreal S.A.	Loan from related party	10.00%	SEK	18,096	21,947
General Electric Pension Trust	Loan from related party	10.00%	SEK	21,716	26,336
RPO King SCA	Loan from related party	10.00%	SEK	14,477	17,558
Five Arrows Principal Investment II Holding Sàrl	Loan from related party	8.00%	DKK	5,541	9,558
Five Arrows Principal Investment II Holding Sàrl	Loan from related party	8.00%	DKK	1,046	1,702
Five Arrows Principal Investment II Holding Sàrl	Loan from related party	8.00%	DKK	3,752	5,913
Other non-current loans, total				**176,613**	**218,819**
Non-current borrowings, total in 2018					**1,597,018**

TSEK	31 Dec 2018	31 Dec 2018
Borrowings, total	**Carrrying amount**	**Fair value**
Borrowing	1,730,544	1,730,544
Borrowings, total	**1,730,544**	**1,730,544**

COVENANTS

Borrowings from credit institutions includes the following covenants:

Net debt versus EBITDA

Total outstanding loans excluding intercompany loans versus adjusted EBITDA (definition: the greater of (i) the aggregate of consolidated EBITDA and net deferred revenue and (ii) consolidated EBITDA).

EBITDA is calculated in accordance with the definition in the senior facility agreement. The net leverage ratio threshold at 31 December 2018 5.15:1 (5.35:1).

Cash flow cover

Consolidated cash flow versus debt service. Cash flow cover is calculated in accordance with the definition in the facility agreement. The cash flow cover shall not be less than 1.0:1 (1.0:1).

Default and breaches of covenants

There have been no defaults or breaches of covenant during the year. The carrying amount and fair value of the non-current borrowings are as follows:

For the majority of borrowings, the fair values is not materially different to the carrying amount, since the interest payable on these borrowings is close to current market rates.

The fair value of non-current borrowings equals the carrying amount, as the impact of discounting is not significant. The fair value is based on cash flows discounted using a current borrowing rate.

The current interest rate of related parties are considered to be at market value. The borrowings have no security and they are subordinated to the Nordea Facility loans.

Maturity	Type of borrowing	Interest rate	Currency	Nominal value in currency	Carrrying amount
Current borrowings from credit institutions in 2017					
Nordea Facility A	Loan	3,00% + cibor	DKK	117,600	9,524
Nordea	Revolving loan	3,00% + cibor	DKK	42,897	56,751
Current borrowings from credit institutions , total				**160,497**	**66,275**
Current borrowings, total in 2017					**66,275**
Non-current borrowings from credit institutions in 2017					
Nordea Facility A	Loan	3,00% + cibor	DKK	117,600	143,082
Nordea Facility B	Loan	3,00% + cibor	DKK	490,000	635,861
Non-current borrowings from credit institutions , total				**607,600**	**778,943**
Other non-current loans in 2017					
Five Arrows Principal Investment II Holding Sàrl	Loan from related party	10.00%	SEK	100,499	110,799
Five Arrows Co- Investment II Holding Sàrl	Loan from related party	10.00%	SEK	11,485	12,662
Torreal S.A.	Loan from related party	10.00%	SEK	18,096	19,951
General Electric Pension Trust	Loan from related party	10.00%	SEK	21,716	23,941
RPO King SCA	Loan from related party	10.00%	SEK	14,477	15,961
Five Arrows Principal Investment II Holding Sàrl	Loan from related party	8.00%	DKK	5,541	8,829
Five Arrows Principal Investment II Holding Sàrl	Loan from related party	8.00%	DKK	1,046	1,548
Five Arrows Principal Investment II Holding Sàrl	Loan from related party	8.00%	DKK	3,752	5,264
Other non-current loans, total				**176,612**	**198,955**
Non-current borrowings, total in 2017					**977,898**

TSEK	31 Dec 2017	31 Dec 2017
Borrowings, total	**Carrying amount**	**Fair value**
Borrowing	1,044,173	1,044,173
Borrowings, total	**1,044,173**	**1,044,173**

Note 25. Deferred income tax

The analysis of deferred tax assets and deferred tax liabilities is as follows:

Group

TSEK	2018	2017
Deferred tax assets:		
Temporary differences:		
Provisions	2,069	-
Other:		
Other	16	38
Total deferred tax assets	**2,085**	**38**
Netting against deferred tax liabilities	-1,253	-
Total deferred tax assets (net)	**832**	**38**

Group

TSEK	2018	2017
Deferred tax liabilities:		
Temporary differences:		
PPE	603	201
Intangible assets	254,189	165,080
Other:		
Other	536	536
Total deferred tax liabilities	**255,328**	**165,817**
Netting against deferred tax assets	1,253	-
Total deferred tax liabilities (net)	**256,581**	**165,817**

Offsetting against tax consolidated Group

Karnov Group Holdco ApS and its wholly-owned subsidiaries have applied the provision of the tax consolidation legislation which means that these entities are taxed as a single entity. Consequently, the deferred tax assets and deferred tax liabilities of these entities have been offset in the consolidated financial statements.

Group

TSEK	2018	2017
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	2,085	22
Deferred tax asset to be recovered within 12 months	-	16
Total deferred tax assets	**2,085**	**38**

Group TSEK	2018	2017
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	229,263	152,205
Deferred tax liability to be recovered after within 12 months	26,065	13,612
Total deferred tax liabilities	**255,328**	**165,817**

The movement in deferred tax assets and deferred tax liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group TSEK	Other intangible assets	PPE	Other	Total
Deferred tax assets				
At 1 January 2018	38	-	-	38
Charged/credited to the income statement	-38	-	2,005	1,967
Exchange differences	-	-	80	80
At 31 December 2018	**-**	**-**	**2,085**	**2,085**
Deferred tax liabilities				
At 1 January 2018	165,080	201	536	165,817
Charged/credited to the income statement	-21,632	393	-	-21,239
Reclassification	120,237	-	-	120,237
Exchange differences	-9,496	9	-	-9,487
At 31 December 2018	**254,189**	**603**	**536**	**255,328**

Group TSEK	Other intangible assets	PPE	Other	Total
Deferred tax assets				
At 1 January 2017	408	-	-	408
Charged/credited to the income statement	-370	-	-	-370
At 31 December 2017	**38**	**-**	**-**	**38**
Deferred tax liabilities				
At 1 January 2017	161,739	103	536	162,378
Charged/credited to the income statement	-5,389	93	-	-5,296
Charged/credited to equity	5,435	-	-	5,435
Exchange differences	3,295	5	-	3,300
At 31 December 2017	**165,080**	**201**	**536**	**165,817**

Note 26. Retirement benefit obligations

The Group has both defined benefit and defined contribution plans. However, all the Group's pension plans are accounted for as defined contribution plans as there is not enough information available for the defined benefit plan.

See more details about the Group's defined benefit plan below. The following expenses for the Group's pensions plans have been recognised in the income statement:

Group		
TSEK	2018	2017
Income statement charge:		
Expenses for defined contribution plans	22,162	10,522
Total retirement benefit obligation in the income statement	**22,162**	**10,522**

Pension insurance with Alecta

Commitments for old-age pensions and family pensions for white collar employees in Sweden are insured on the basis of insurance premiums with Alecta. According to the statement UFR 10 from the Emerging Issues Task Force of the Swedish Financial Reporting Board (Rådet för finansiell rapportering), this is a multi-employer defined benefit plan. For the financial year 2018, the Group did not have access to the details enabling the report of these plans as defined benefit plans.

The ITP pension plan, secured on the basis of insurance with Alecta and others, is therefore, reported as a defined contribution plan. The year's fees for pension insurance policies, established with Alecta and others, amount to TSEK 7,880 (2,310). The surplus from Alecta and others can be distributed to the policy holders and/or the insured individuals. At the end of 2018, the Group is not aware of any surplus or deficit at the collective consolidation level of Alecta and others. The collective consolidation level consists of the market value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's and other's actuarial calculation assumptions, which is not in accordance with IAS 19. Based on information from Alecta's web page (www.alecta.se) the collective consolidation ratio of Alecta is 159% (September 2018). At year end 2017 the ratio was 154%. The estimated fees for pension insurance policies for 2019 are approximately TSEK 6,500.

Note 27. Provisions for other liabilities and charges

Group	
TSEK	
At 1 January 2018	4,823
Charged to the income statement:	
- adjustment to present value	176
- currency difference	195
At 31 december 2018	**5,192**

Group	
Non-current provisions	5,192
Current provisions	-
Total provisions for other liabilities and charges	**5,192**

Group	
TSEK	
At 1 January 2017	4,527
Charged to the income statement:	
- adjustment to present value	165
- currency difference	131
At 31 december 2017	**4,823**

Group	
Non-current provisions	4,823
Current provisions	-
Total provisions for other liabilities and charges	**4,823**

The Group is required to restore the leased premises in Copenhagen to their original condition at end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. The costs have been capitalised as part of the cost of leasehold improvements based on expected costs at present value.

Note 28. Other liabilities

Group		
TSEK	2018	2017
Value-added tax liability	39,339	27,536
Contingent considerations	44,759	59,569
Other	4,417	1,514
Total current liabilities	**88,515**	**88,619**

Group		
TSEK	2018	2017
Non-current	-	3,111
Total non-current liabilities	**-**	**3,111**
Total other liabilities	**88,515**	**91,730**

Note 29. Accrued expenses

Group		
TSEK	2018	2017
Accrued bonus and holiday allowance	45,110	28,851
Accrued author royalty	58,475	27,175
Accrued social security	3,828	1,626
Other accrued expenses	57,129	33,432
Total accrued expenses	**164,542**	**91,084**

Note 30. Prepaid income

Group		
TSEK	2018	2017
Prepaid income for subscriptions in Denmark	243,939	224,733
Prepaid income for subscriptions in Sweden	98,963	46,552
Total prepaid income	**342,902**	**271,285**

Contract liabilities have increased due to the acquisition of Norstedts Juridik AB on 4 January 2018. This resulted in a larger customer base, which consequently increased prepaid income significantly in Sweden. During 2018, 100% of the opening balance on TSEK 271.285 was recognised as revenue. For further details regarding revenue recognition see Note 2.

Note 31. Reconciliation of liabilities arising from financing activities

TSEK	2017	Cash flows	Non-cash changes: Amortised loan cost	Non-cash changes: Foreign exchange movement	Non-cash changes: Accrued interest	Non-cash changes: Redemption of shares	Non-cash changes: Release of trapped cash from acquisition (recogn. as cash)	Non-cash changes: Other reclassifi-cations	2018
Long-term borrowings	977,898	569,116	7,255	32,672	19,541	-	-	-9,464	1,597,018
Short-term borrowings	66,275	29,109	-	1,893	-	26,786	-	9,464	133,526
Other short-term liabilities	-	64,927	-	-	-	-	-64,927	-	-
Leasing and other long-term liabilities	3,111	-3,429	-	-	-	-	-	318	-
Total liabilities from financing activities	**1,047,283**	**659,723**	**7,255**	**34,565**	**19,541**	**26,786**	**-64,927**	**318**	**1,730,544**

Note 32. Pledged assets and contingent liabilities

Pledged assets in Karnov Group AB refers to all Group assets as well as all individual assets of each single subsidiary within the Group.

TSEK	2018
The carrying amount of the pledged assets in the group is*:	1,734,888
The carrying amount of the pledged assets in the parent company is**:	-

TSEK	2018
The carring amount of the loans covered by the pledge is:	1,443,825

* The value of the pledge cannot exceed the carrying amount of the loans covered by the pledge.

** The current loan agreement only includes subsidiaries in the Group below and including Karnov Group 3 AB, corporate identity number 559016-8844.

The Group has no contingent liabilities with a likelihood of outflow of material resources.

Note 33. Leasing

Group

TSEK	2018	2017
No later than 1 year	16,241	7,151
Later than 1 year and no later than 5 years	23,527	16,734
Later than 5 years	-	2,066
Total	**39,768**	**25,951**

Group

TSEK	
Operating lease commitments as at 31 December 2018	**39,768**
Adjustments relating to changes in the treatment of extension and termination options	68,551
Adjustments relating to changes in rate affecting variable payments	-2,094
Lease liability recognised as at January 2019	**106,225**

Costs for operating leases amounted to TSEK 15,441 during the reporting period.

As mentioned in Note 2, the Group will implement IFRS 16 effective from 1 January 2019. The standard will change the recognition of operating leases and is expected to have a material effect on the consolidated financial statements. The Group's leasing agreements will in future periods be recognised as right of use assets and equally sized lease liabilities. The value of the right of use assets and the lease liabilities at 1 January 2019 has been estimated in the range of SEK 105 m and SEK 107 m.

Group TSEK	
Operating lease commitments as at 31 December 2018	**39,768**
Adjustments relating to changes in the treatment of extension and termination options	68,551
Adjustments relating to changes in rate affecting variable payments	-2,094
Lease liability recognised as at January 2019	**106,225**

Note 34. Business combinations

On 4 January 2018, Karnov Group entered into an agreement to acquire 100 percent of the shares issued in Norstedts Juridik AB at TSEK 741.881. The acquisition of Norstedts Juridik AB provides Karnov Group with a unique opportunity to broaden our legal service offering with additional in-depth commentaries and analyses. This enables the Group to provide customers with the best service and product offering for legal and regulatory information on the Swedish market. Karnov Group will continue to develop its digital services, strengthen relationships with expert authors, and work tirelessly with employees to integrate, grow and nurture the organisation. Revenue, income as well as assets and liabilities belonging to the acquired company are consolidated from 4 January 2018.

The purchase price allocation was preliminary for one year after the acquisition date and was settled finally on 4 January 2019:

Purchase price, TSEK	31 Dec 2018
Cash on closing date	611,000
Deferred payments	130,881
Total purchase price:	**741,881**

Reported amounts fair value of identifiable assets acquired and liabilities assumed in Norstedts Juridik AB as of the acquisition date:

Reported amounts, TSEK	
Cash	64,928
PPE	13,262
Intangible assets: Brand name	147,500
Intangible assets: Customer relations	265,702
Intangible assets: Content	133,330
Inventories	8,265
Trade receivables and other receivables	68,941
Trade payables and other liabilities	-126,458
Deferred tax	-120,237
Total identified assets	**455,233**
Goodwill	286,648
Total	**741,881**

The goodwill arising from the acquisition is attributable to Norstedts Juridik AB's strong position and profitability on the market and the synergies expected from the merger of the Group and Norstedts. The goodwill arising is not expected to be tax deductible in the event of future impairments. The revenue included in the consolidated statement of comprehensive income since the acquisition date contributed by Nordstedt Juridik AB was TSEK 215,831 and the result included in the consolidated statement of comprehensive income was TSEK 42,647.

Deferred payments

According to the agreement, part of the payment for the shares in Norstedts Juridik AB was deferred for one year after the closing date. In the deferment period, the outstanding payments accumulated interest. At the acquisition date, TSEK 65,881 was trapped in a bank account as collateral for the deferred payment. By the end of the period, the trapped cash was released and the outstanding payment including interest was paid in full on 4 January 2019.

Acquisition-related costs

Acquisition-related costs of TSEK 20,965 (success-based fee) were included in other operating expenses in the consolidated income statement for the first quarter of 2018.

Financing

The acquisition of Norstedts Juridik AB was financed by a loan issued through Nordea with a principal amount of TSEK 598,000. The loan is an additional facility according to the current senior facility agreement and the loan essentially runs according to the same terms and conditions as the previous ones. The acquisitions of Forlaget Andersen A/S and Notisum AB in previous periods were partly financed by individual earn-out models. During the period, TSEK 16,982 was paid based on the agreed earn-out model.

Note 35. Disclosure of interest in subsidiaries

The only subsidiary in which the Group has material non-controlling interest is Karnov Group 1 AB. The Group does not present consolidated financial information of this subsidiary as a separate disclosure as the amounts closely approximate the consolidated figures of the Group.

Note 36. Related-party transactions

Loans from related parties

TSEK	2018	2017
Loans from Five Arrows Principal Investment II Holding Sàrl	40,873	4,816
Redeemable preference shareholders	26,786	-
Interest	19,174	18,272
At 31 December	**86,833**	**23,088**

The Group is controlled by Five Arrows Principal Investments II Holding Sàrl. Beside Five Arrows Principal Investments II Holding Sàrl, members of the management also own shares in the Company. The Group's ultimate parent is incorporated in Luxembourg.

The following transactions were carried out by the Group with related parties:

Loan from Five Arrows Principal Investments II Holding Sàrl, Torreal S.A., General Electric Pension Trust, RPO King SCA and members of management

Five Arrows Principal Investments II Holding Sàrl, Torreal S.A., General Electric Pension Trust and RPO King SCA and members of management have provided loans to the Group during the period until 31 December 2018. Total outstanding balance at 31 December 2018 is TSEK 286.720.

Loan from preference shareholders

The Group has a liability to preference shareholders recognised as a current loan. The liability holds no interest and falls due in Q1 2019.

Key management compensation

For more disclosures regarding compensation to members of the Board of Directors, the managing director and other key management personnel, see also Note 7 Employee benefit expenses.

Year-end balances arising from sales/purchases of goods/services

The outstanding balance for services to Five Arrows Principal Investment II Holding Sàrl, Torreal S.A., General Electric Pension Trust, RPO King SCA and members of management was TSEK 0 (0) at 31 December 2018.

Loans from related parties

The Group has loans from related parties. Significant terms for the loans from related parties are described in Note 24 Borrowings. The interest expense for the loans amounted to TSEK 19,174 in 2018. All interest on loans from related parties has been capitalised.

Note 37. Events after the balance sheet date

On 29 January 2019, after the end of the period, an additional EGM was held at which resolutions were adopted to conduct a share split (1:65), taking the Company public and affiliating the company's shares with Euroclear Sweden. The Company name was also changed to Karnov Group AB.

Note 38. Reconciliation of key performance indicators

Karnov's financial statements include alternative performance measures, which complement the measures that are defined or specified in applicable rules for financial reporting. Alternative performance measures are presented since, in their context, they provide clearer or more in-depth information than the measures defined in applicable rules for financial reporting. The alternative performance measures are derived from the Group's consolidated financial reporting and are not measured in accordance with IFRS. Karnov's definition of these measures, which are not described under IFRS, is provided in the financial definitions. Reconciliation of the alternative performance measures is shown below.

Total net sales

TSEK	2018	2017
Organic business	469,169	433,556
Acquired business	223,418	11,686
Currency	22,755	6,476
Total net sales	**715,342**	**451,718**

Total net sales split, %

TSEK	2018	2017
Organic growth, %	3.9%	2.8%
Acquired growth, %	49.5%	2.8%
Currency effect, %	5.0%	1.5%
Total growth, %	**58.4%**	**7.1%**

Group

TSEK	2018	2017
EBIT	62,682	113,631
Depreciation and amortisation	146,809	66,123
EBITDA	**209,491**	**179,754**
Net sales	715,342	451,718
EBITDA margin, %	**29.3%**	**39.8%**
Items affecting comparability	78,879	15,377
Adjusted EBITDA	**288,370**	**195,131**
Adjusted EBITDA margin, %	**40.3%**	**43.2%**
Amortisation (acquisitions)	120,078	55,271
EBITA	**182,760**	**168,902**
Items affecting comparability	78,879	15,377
Adjusted EBITA	**261,639**	**184,279**
Adjusted EBITA margin, %	**36.6%**	**40.8%**

Denmark

TSEK	2018	2017
EBIT	80,733	71,793
Depreciation and amortisation	64,177	55,004
EBITDA	**144,909**	**126,797**
Net sales	396,624	348,816
EBITDA margin, %	**36.5%**	**36.4%**
Items affecting comparability	15,273	2,566
Adjusted EBITDA	**160,182**	**129,363**
Adjusted EBITDA margin, %	**40.4%**	**37.1%**
Amortisation (acquisitions)	61,167	51,977
EBITA	**141,899**	**123,770**
Items affecting comparability	15,273	2,566
Adjusted EBITA	**157,172**	**126,336**
Adjusted EBITA margin, %	**39.6%**	**36.2%**

Sweden

TSEK	2018	2017
EBIT	-18,051	41,838
Depreciation and amortisation	82,633	11,119
EBITDA	**64,582**	**52,957**
Net sales	318,718	102,902
EBITDA margin, %	**20.3%**	**51.5%**
Items affecting comparability	63,606	12,811
Adjusted EBITDA	**128,188**	**65,768**
Adjusted EBITDA margin, %	**40.2%**	**63.9%**
Amortisation (acquisitions)	58,911	3,293
EBITA	**40,861**	**45,132**
Items affecting comparability	63,606	12,811
Adjusted EBITA	**104,467**	**57,943**
Adjusted EBITA margin, %	**32.8%**	**56.3%**

Return on total capital

TSEK	31 Dec 2018	31 Dec 2017
EBIT	62,682	113,631
Total assets	3,392,580	2,399,463
Return on total capital, %	**1.8%**	**4.7%**

Net working capital

TSEK	31 Dec 2018	31 Dec 2017
Current assets	427,587	250,960
Current liabilities	908,580	542,602
Net working capital	**-480,993**	**-291,642**

Cash conversion

TSEK	31 Dec 2018	31 Dec 2017
Adjusted EBITDA	288,370	195,131
Adjusted cash flow from operating activities	307,978	156,312
Cash conversion, %	**107%**	**80%**

Operating cash flow

TSEK	31 Dec 2018	31 Dec 2017
Operating profit	62,682	113,631
Total adjustments and changes	123,051	-18,843
Operating cash flow	**185,733**	**94,788**

Net debt

TSEK	31 Dec 2018	31 Dec 2017
Non-current borrowing from credit institutions	1,378,199	778,943
Non-current borrowing from related parties	218,819	198,955
Current borrowing from credit institutions	65,625	66,275
Current borrowing from related parties	67,901	-
Cash and cash equivalents	201,797	93,879
Net debt	**1,528,747**	**950,294**

Leverage ratio

TSEK	31 Dec 2018	31 Dec 2017
Adjusted EBITDA	288,370	195,131
Net debt	1,528,747	950,294
Leverage ratio	**5.3**	**4.9**

Equity/asset ratio

TSEK	31 Dec 2018	31 Dec 2017
Equity	625,209	705,212
Total assets	3,392,580	2,399,463
Equity/asset ratio, %	**18.4%**	**29.4%**

Appropriation of profit and signatures

The Board of directors of Karnov Group proposes that the Group's income statement and balance sheet be presented for adoption to the annual general meeting to be held on 22 February 2019. The Board of directors proposes that no dividend will be paid for the financial year 2018 and that the result for the year will be reinvested in the business.

At the disposal of the Annual General Meeting:

SEK	2018
Share premium	798,471,949
Retained earnings	-34,546,307
Profit for the year	-19,097,970
Total carried forward	**744,827,672**
The Board proposes that the profits be appropriated as follows:	
Amount carried forward	**744,827,672**

The Board of director's declaration

The Board of directors and the CEO certify that these consolidated financial statements and Annual report have been prepared in accordance with International Financial Reporting Standards IFRS, as adopted by the EU and generally accepted accounting principles, and gives a fair view of the Group's and Parent Company's financial position and results of operations. The Directors' Report gives a fair overview of the development of the Group's and Parent company's operations, financial position and results of operations, and describes the significant risks and uncertainties facing the Parent company and the companies included in the Group. The undersigned hereby also submit Karnov Group's sustainability report for 2018.

Stockholm, 20 February, 2019

Magnus Mandersson
Chairman of the Board

Ulf Bonnevier
Board member

Lone Møller Olsen
Board member

Samuel Offer
Boad member

Vivek Kumar
Board Member

Mark Redwood
Board Member

Flemming Breinholt
President and CEO

Our audit report was presented on 20 February, 2019.
PricewaterhouseCoopers AB

Aleksander Lyckow
Authorized Public Accountant

Auditor’s report

Unofficial translation

To the general meeting of the shareholders of KARN Topco AB (under name change to Karnov Group AB), corp. id. No. 559016-9016

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of KARN Topco AB for the year 2018 included on pages 5-65 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the statutory sustainability report on pages 15-21. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the consolidated statement of comprehensive income and consolidated balance sheet for the Group and the statement of comprehensive income and balance sheet for the parent company.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-4 and 69-71. The Board of Directors and the CEO are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

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

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Director's and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibility

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

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen’s website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of KARN Topco AB for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

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

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

Responsibilities of the Board of Director's and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 15-21, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Stockholm, 20 February 2019

PricewaterhouseCoopers AB

Aleksander Lyckow

Authorized Public Accountant

Financial definitions

This Annual Report report contains references to a number of performance measures. Some of these measures are defined in IFRS, while others are alternative measures and are not reported in accordance with applicable financial reporting frameworks or other legislation.

The measures are used by Karnov to help both investors and management to analyse its operations. The measures used in this report are described below, together with definitions and the reason for their use.

Key ratio	Definition	Explanation
Acquired growth	Change in net sales during the current period attributable to acquired units, excluding currency effects, in relation to net sales for the corresponding period of the preceding year. Net sales of acquired units are defined as acquired growth during a period of 12 months commencing the respective acquisition date.	Supplementary measure to organic growth necessary to obtain an understanding of Karnov's growth.
Adjusted EBITA	Earnings before interest and taxes, excluding items affecting comparability and acquisition related purchase price allocation (PPA) amortisation and amortisation of capital expenditures related to acquisitions.	The measure shows the profitability from the business and is adjusted for the impact of items affecting comparability and acquisition related purchase price allocation (PPA) amortisation and amortisation of capital expenditures related to acquisitions.
Adjusted EBITA margin	Adjusted EBITA as a percentage of net sales.	The purpose is to provide an indication of Karnov's underlying profitability generated from the current operations, excluding items that distort comparisons and expressed as a percentage of net sales.
Adjusted EBITDA	Operating profit before interest, taxes, asset deprecation and items affecting comparability.	Essential for understanding the Group's operating profit, excluding items affecting comparability, financing and amortisation.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales.	This measure intends to display the Group's operational profitability, excluding items affecting comparability, financing and amortisation, on an ongoing basis.
Adjusted operating cash flow	Adjusted EBITDA plus changes in net working capital less capital expenditure related to new product development and enhancement of existing products and business systems.	Is used to calculate the cash conversion.
Average number of full-time employees (FTEs)	Average number of full-time employees during the reporting period.	Non-financial key ratio.
Cash conversion (%)	Adjusted operating cash flow as a percentage of adjusted EBITDA.	Cash generation reflects the accepted term *cash conversion* and is a type of efficiency measurement of the extent to which reported earnings are translated into a concrete contribution to Karnov's financing.
Earnings per share	Earnings per share for the period in SEK attributable to the parent company's shareholders, in relation to weighted average number of shares before and after dilution.	IFRS key ratio.
EBITA	Earnings before financial items and taxes, excluding acquisition related purchase price allocation (PPA) amortisation.	The measure shows the profitability from the business and is adjusted for the impact of acquisition related purchase price allocation (PPA) amortisation.
EBITA margin	EBITA as a percentage of net sales.	The EBITA margin is, along with net sales growth, used for the analysis of value creation and profitability in relation to sales.

Key ratio	Definition	Explanation
EBITDA	Operating profit before depreciation and amortisation, financial items, and tax.	EBITDA provides an overall picture of profits generated by the operating activities before depreciation and amortisation.
EBITDA margin	EBITDA as a percentage of net sales.,	This measure intends to display the Group's operational profitability, regardless of financing and amortisation, on an ongoing basis.
Equity/asset ratio (%)	Equity divided by total assets.	An important measure for the assessment of the company's financial stability.
Leverage ratio	Net debt on the balance sheet date divided by adjusted EBITDA.	Relevant to analyse to ensure that Karnov has an appropriate financing structure and is able to fulfil its financial obligations under its loan agreement.
Items affecting comparability	Items affecting comparability includes items of a significant character.	Includes events and transactions of an exceptional character with significant effects, which are relevant for understanding the financial performance when comparing income for the current period with previous periods, including costs for integration of new business operations.
Net debt	Net debt is defined as total borrowings reduced by cash and cash equivalents.	Relevant to analyse to ensure that Karnov has an appropriate financing structure and is able to fulfil its financial obligations under its loan agreement.
Net sales (Online)	Net sales from online products.	Relevant supplementary measure for understanding the Group's total net sales and breakdown of net sales.
Net sales (Offline)	Net sales from printed products and training.	Relevant supplementary measure for understanding the Group's total net sales and breakdown of net sales. Some part of it can be subscription-based such as print magazines.
Net working capital (NWC)	Current assets less current liabilities.	A measure of the company's tie-up of short-term capital in its operating activities, and is considered important for understanding changes in the operating cash flow.
Operating profit (EBIT)	Profit for the year adjusted for interest and taxes.	Enables comparability of profitability regardless of capital structure or tax situation.
Operating cash flow	EBITDA plus changes in net working capital, less capital expenditures.	Reflects the correspondence between reported earnings from the business and the business's contribution to the financial headroom. The figure indicates the company's scope for managing its financing expenses and for making investments for expansion.
Organic growth	Change in net sales during the current period, excluding acquisitions and currency effects, in relation to net sales for the corresponding period of the preceding year. Acquisitions are included in organic net sales after a period of 12 months.	Relevant measure in order to assess the company's ability to create growth, through volume, price and currency effects in its operations. Calculated as the difference between organic net sales in the current period against total net sales in the year-earlier period.
Return on total capital	Operating profit divided by total assets.	Indicates the operating return on the capital that owners and lenders have made available. The intention is to show consolidated returns, regardless of the type of financing.

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