

Half-year report

January – June 2019

Q2

Steady growth & JUNO roll-out

Second quarter, April - June

- Net sales up 4% to SEK 173 m (166), organic growth was 3%.
- EBITA declined by SEK 15 m to SEK 30 m (45) with EBITA margin of 17.6% (27.0%), due to SEK 19 m higher impact from items affecting comparability.
- Adjusted EBITA increased by 8.8% to SEK 60 m (55) and adjusted EBITA margin improved by 1.4 percentage points to 34.7% (33.3).
- Operating profit (EBIT) declined to SEK -1 m (14).
- Earnings per share SEK -0.45 (-0.18).
- Adjusted operating cash flow amounted to SEK 18 m (23).
- Preparations for the roll-out of JUNO, a new joint offering from Norstedts Juridik and Karnov.

First Six months, January - June

- Net sales up 5% to SEK 378 m (360), organic growth was 3%.
- EBITA increased to SEK 98 m (86) and EBITA margin to 25.9% (23.9%).
- Adjusted EBITA rose by 10.7% to SEK 145 m (131) and adjusted EBITA margin improved by 1.9 percentage points to 38.4% (36.5).
- Operating profit (EBIT) increased to SEK 37 m (26).
- Earnings per share SEK -0.38 (-0.41).
- Adjusted operating cash flow amounted to SEK 181 m (200).

After the end of the period

- After very extensive testing in July, JUNO became ready in August to start to be rolled-out to customers. During the roll-out process, the existing services will be run in parallel with JUNO to ensure a smooth transition for customers.

Key financial ratios for the Group*

TSEK	Q2			Jan-Jun			Jan-Dec
	2019	2018	Δ%	2019	2018	Δ%	2018
Net sales	173,440	166,124	4.4%	378,370	360,350	5.0%	715,342
Organic growth, %	3.0%	5.5%		3.1%	5.0%		3.9%
EBITA	30,458	44,905	-32.2%	97,958	86,037	13.9%	182,760
EBITA margin, %	17.6%	27.0%		25.9%	23.9%		25.5%
Adjusted EBITA	60,123	55,260	8.8%	145,453	131,347	10.7%	261,639
Adjusted EBITA margin, %	34.7%	33.3%		38.4%	36.5%		36.6%
Net result	-44,303	-17,020	-160.3%	-36,452	-38,085	-4.3%	-46,807
Adjusted cash flow from operating activities	18,097	22,774	-20.5%	181,488	199,763	-9.1%	307,978

* For more information see Financial definitions and Note 6 for calculations of Alternative Performance Measures.

Comments by the CEO

”

In summary, a quarter with steady growth and improved margin in line with our expectations.”



Flemming Breinholt
President and CEO

The second quarter became another quarter with steady growth and improved margins, just as with this year's first quarter.

Financial outcome on track

Net sales continued its stable growth of 3 percent organically. Growth was driven by our online sales, higher values in our subscription offerings and more subscription customers. This is the result of our long-term strategy, which focus on investing in the online market and in more and better content in our products, for existing customers as well as to attract new customers.

Our adjusted EBITA margin also continued to improve. The improvement was 1.4 percentage points in the second quarter and 1.9 percentage points in the period January to June. These improvements are mainly the result of higher sales, a favorable product mix and good cost control.

Our reported cash generation was, as typical for a second quarter, less than in the first quarter. However, adjusted operating cash flow was still positive and for the first six months we generated SEK 181 m in adjusted operating cash flow. This strong cash flow with a cash conversion rate of 107% for the first six months has on top of the capital infusion in connection with the IPO significantly improved our capital structure. Our leverage at the end of June was 2.7 times net debt, which is in line with our financial target of no more than 3.0 times. The new solid financial base allows us to continue to grow Karnov's business, both organically and by acquisitions.

In summary, a quarter with steady growth and improved margin in line with our expectations.

Roll-out of new joint offering

During the quarter, we have been finalising the development of JUNO before the end of summer. JUNO is the new common platform for Norstedts Juridik and Karnov. In June, we launched a "teaser campaign" highlighting the fact that we are bringing a completely new product to the market; during July, we did very extensive testing of the product and in August we became ready to roll-out of the new product. Hence, we have now started to onboard customers which will be done gradually and in a very controlled process. During this roll-out process of JUNO, we will also run our existing services to ensure a smooth transition for our customers.

Karnov Group's financial targets:

Growth

Net sales organic annual growth of 3-5% in the medium term, supplemented by selective acquisitions.

Profitability

Increased Adjusted EBITA margin in the medium term.

Capital structure

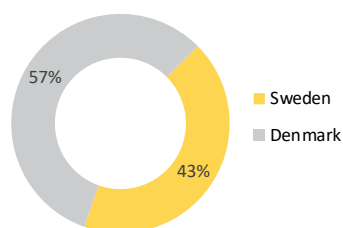
Ratio of Net debt to Adjusted EBITDA of no more than 3.0. This level may temporarily be exceeded, for example as a result of acquisitions.

Dividend policy

The objective is to distribute 30–50% of the purchase price allocation (PPA) adjusted net profit, taking investment opportunities and financial position into consideration.

Group financial performance

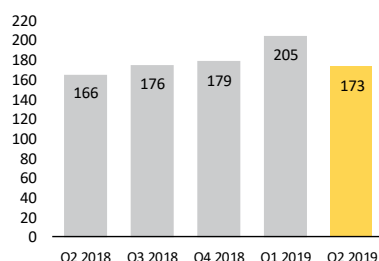
Net sales by country per second quarter, %



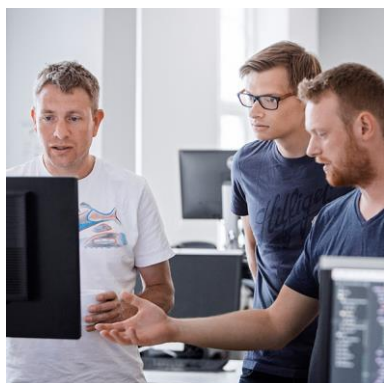
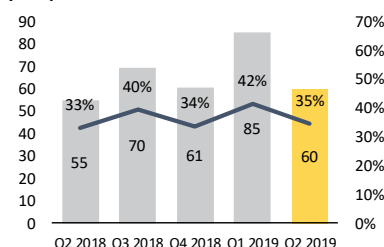
4%

Net sales growth

Net sales per quarter, SEKm



Adjusted EBITA, SEKm and margin, % per quarter



Second quarter and six-month period

TSEK	Q2			Jan-Jun			Jan-Dec
	2019	2018	Δ%	2019	2018	Δ%	2018
Net sales	173,440	166,124	4.4%	378,370	360,350	5.0%	715,342
Organic growth, %	3.0%	5.5%		3.1%	5.0%		3.9%
EBITA	30,458	44,905	-32.2%	97,958	86,037	13.9%	182,760
EBITA margin, %	17.6%	27.0%		25.9%	23.9%		25.5%
Adjusted EBITA	60,123	55,260	8.8%	145,453	131,347	10.7%	261,639
Adjusted EBITA margin, %	34.7%	33.3%		38.4%	36.5%		36.6%

Net sales and growth

For the period April-June 2019, consolidated net sales increased by 4.4 percent to SEK 173 m (166) compared with the corresponding quarter last year. Organic growth on a constant currency basis was 3.0 percent, while currency effects had a positive impact on net sales of 1.4 percent. The second quarter is expected to have the lowest net sales, and the organic growth was in line with expectations.

The second quarter is normally the quarter with the lowest part of offline sales, due to seasonality in universities and other schools and due to the quarter having the fewest workdays. The online business is stable and with a steady sales growth.

For the first six months, the Group's net sales increased by 5.0 percent to SEK 378m (360). Organic growth was 3.1 percent and positive currency effect added 1.9 percent.

Sales were driven by the company's continued strong performance in the online market, partly offset by an expected decline in sales of books and other offline products. The growth in online sales reflects Karnov's strategy to continuously invest in more and better content in its online subscription offerings. Both Denmark and Sweden contributed to the sales increase.

Operating income

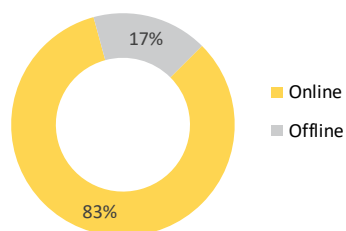
EBITA for the quarter amounted to SEK 30 m (45) and EBITA margin was 17.6 (27.0) percent. The quarter was heavily impacted by Karnov finalising the IPO work, and therefore items affecting comparability was high in the quarter. These items amounted to SEK 30 m (10) and were mainly related to the IPO and to a lesser extent to integration costs for Norstedts Juridik (see table below).

Adjusted EBITA increased by 9 percent to SEK 60 m (55) and adjusted EBITA margin to 34.7 (33.3) percent. The adjusted EBITA improvement of SEK 5 m is mainly the result of higher sales, a favourable product mix, good cost control, partly offset by higher amortisations.

Operating profit (EBIT) declined by SEK 15 m to SEK -1 m (14) for the quarter as a result of SEK 19 m higher cost for items affecting comparability (see table below). Excluding these items, adjusted EBIT improved by SEK 4 m to SEK 29 m despite a SEK 5 m increase in depreciation and amortisations due to finalisation of development projects in 2018 and implementation of IFRS 16 in 2019. The adjusted EBIT improvement was driven by higher sales, positive product mix and good cost control while the above-mentioned items affecting comparability had a negative impact.

For the first six months EBITA increased by 14 percent to SEK 98 m (86) and EBITA margin improved to 25.9 (23.9) percent. The EBITA improvement was driven by higher net sales,

Net sales split per second quarter,%



35%

Adjusted EBITA margin



25%

Cash conversion

positive product mix and good cost control while the above-mentioned items affecting comparability had a negative impact.

Adjusted EBITA increased by 11 percent to SEK 145 m (131).

For the first six months, operating profit (EBIT) increased by SEK 11 m to SEK 37 m (26). EBIT was impacted by higher sales and good cost control, partly offset by SEK 14 m higher depreciation and amortisation.

Items affecting comparability	Q2		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
TSEK					
Acquisition costs	-	-	-	20,965	20,965
Integration costs	6,566	-	10,051	4,490	12,042
IPO costs	23,099	10,355	37,444	15,617	38,668
Other	-	-	-	4,238	7,204
Total	29,665	10,355	47,495	45,310	78,879

Net financial items

Net financial items amounted to SEK -46 m compared to SEK -25 m for the corresponding quarter last year.

In connection with the IPO, a new financing agreement became effective and loans of SEK 206 m from related parties were converted into equity. The new financing structure is expected to reduce interest costs significantly to less than SEK 20 m on a yearly basis compared to the previous finance structure. When terminating the old finance agreement, the company realised a SEK 25 m previously capitalised settlement cost, related to the former loan agreement.

In addition to this non-cash cost, net financial expense of SEK -46 m was negatively impacted by currency effects of SEK 10 m related to long-term loans in DKK.

Net financial items for the six-month period amounted to SEK -72 m compared to SEK -58 for the corresponding period last year. Currency effect for the six-month period was SEK -15 m (-20).

Profit before and after tax, Earnings per share

Profit before tax decreased by SEK 37 m compared to the corresponding quarter last year to a loss of SEK 46 m due to SEK 19 m higher costs for items affecting comparability and the above-mentioned SEK 25 m settlement cost. Excluding these SEK 44 m costs, profit before tax improved by SEK 7 m.

Profit before tax for the six-month period decreased by SEK 3 m to SEK -35 m (-32) compared to the corresponding period last year for the same reasons as mentioned above.

Profit after tax amounted to SEK -44 m (-17). Taxes for the second quarter are positive by SEK 2 m while taxes for the corresponding quarter of 2018 were negative by SEK 7 m.

Profit after tax for the six-month period improved by SEK 2 m to SEK -36 m (-38).

Earnings per share was SEK -0.45 (-0,18) for the quarter and SEK -0,38 (-0,41) for the six-month period.

Cash flow and investments

Cash flow from operating activities decreased by SEK 36 m to SEK -19 m (17). The decrease reflects SEK 28 m higher working capital and SEK 15 m lower operating profit.



Total investments for the quarter amounted to SEK 39 m (46), of which SEK 3 m was related to loans issued to associated companies and SEK 36 m to intangible assets.

For the six-month period, operating cash flow amounted to SEK 85 m (135), while total investments in intangible assets for the same period amounted to SEK 77 m (49). Investments in intangible assets are related to the business' online platform.

The cash conversion rate was 25 percent (37) in the second quarter and 107 percent (139) for the six-month period. The lower conversion rate in 2019 mainly reflects a change of processes and timing of invoicing following the acquisition of Norstedts Juridik, causing a significant positive effect on the cash generation from accounts receivables in the first part of 2018.

Cash conversion	Q2		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
TSEK					
Adjusted EBITDA	71,869	62,396	169,105	143,345	288,370
Adjusted cash flow from operating activities	18,097	22,774	181,488	199,765	307,978
Cash conversion, %	25.2%	36.5%	107.3%	139.4%	106.8%

Financial position

Net Debt	Q2		
	2019	2018	31 dec 2018
TSEK			
Total borrowings	918,619	1,712,483	1,730,544
Cash and cash equivalents	78,092	92,017	201,797
Net debt	840,527	1,620,466	1,528,747
Net debt/adjusted EBITDA LTM	2.7	6.5	5.3
Equity	1,497,238	672,464	625,209
Equity ratio, %	44.8%	20.3%	18.4%

Net debt was SEK 841 m (1,620) at the end of the period and SEK 1,618 m at the end of the first quarter. The significant decrease was mainly due to the SEK 670 m proceed from the IPO, as well as to loans of SEK 206 m from related parties being converted to equity.

The leverage was 2.7 (6.5) times and equity ratio was 44.8 (20.3) percent with an equity of SEK 1,497 m (672). These improvements are primarily a result of the IPO and the conversion of loans to equity.

Cash and cash equivalents at the end of the period amounted to SEK 78 m (92) and the Group had unutilized credit lines of SEK 525 m (71).

2.7 Leverage

Significant events

KAR

Traded on Nasdaq
Stockholm since 11 April

Second quarter

- › On 11 April 2019, trading in the Karnov share commenced on Nasdaq Stockholm.
- › In connection with the IPO, the Group entered a new financing agreement securing an unutilised credit facility of SEK 445 m (net).
- › From 8 May 2019, Magnus Svernlöv is a member of the Group Management team as Executive Manager for stand-alone entities and responsible for the Environment, Health & Safety (EHS) compliance offerings.
- › During the quarter, the integration of Norstedts Juridik has continued, whereof the biggest part has been to finalize before the end of summer the development of JUNO, which is the new, common platform for Norstedts Juridik and Karnov.

Events after the end of the period

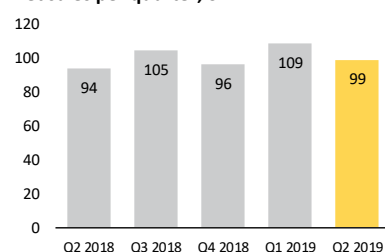
- › After very extensive testing in July, JUNO became ready in August to be rolled-out to customers. During the roll-out process, the existing services will be run in parallel with JUNO to ensure a smooth transition for customers.



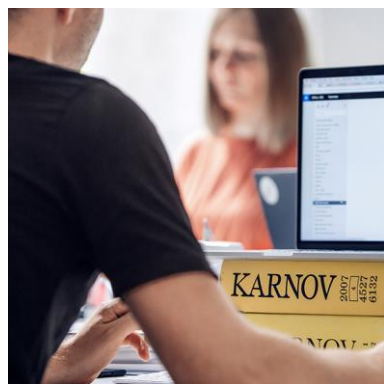
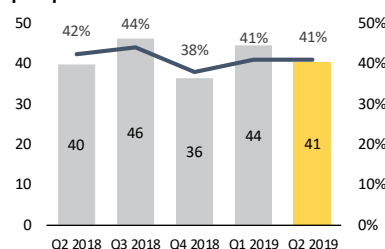
Segment performance

The Danish segment offers a wide range of online and offline solutions for legal, tax and accounting professionals, assisting them in their research and providing qualitative advisory services. The segment includes Karnov Group Denmark, Forlaget Andersen and Change Board Member/Legal Cross Boarder.

Net sales per quarter, SEKm



Adjusted EBITA, SEKm and margin, % per quarter



Denmark

TSEK	Q2			Jan-Jun			Jan-Dec
	2019	2018	Δ%	2019	2018	Δ%	2018
Net sales	99,058	93,799	5.6%	208,004	195,712	6.3%	396,624
Organic growth, %	3.1%	7.1%		2.7%	5.9%		5.0%
EBITA	27,903	36,654	-23.9%	64,823	69,171	-6.3%	141,899
EBITA margin, %	28.2%	39.1%		31.2%	35.3%		35.8%
Adjusted EBITA	40,595	39,755	2.1%	85,078	74,567	14.1%	157,172
Adjusted EBITA margin, %	41.0%	42.4%		40.9%	38.1%		39.6%

See page 27 for currency rates for the calculation of all figures for the Denmark segment.

Net sales and growth

Net sales for the second quarter increased by 6 percent to SEK 99 m (94) due to organic growth and currency effects of 3 percent each. Organic growth was mainly driven by upselling to existing customers and according to expectations after a strong increase last year. The 3 percent growth was also a consequence of the Group focusing on the integration of Norstedts Juridik in Sweden and less on launching new products for the Danish market. In the quarter, the company's offering to tax advisors and officials working with tax was supplemented by 5,000 Q&A's from The Fiscal Affairs Committee to the Minister.

For the first six months, net sales increased by 6 percent to SEK 208 m (196) due to organic growth and currency effect of 3 percent each. Organic growth was according to expectations and mainly driven by online sales to existing customers.

Operating income

EBITA declined to SEK 28 m (37) and EBITA margin to 28.2 percent (39.1). Adjusted EBITA amounted to SEK 41 m (40) and adjusted EBITA margin to 41.0 percent (42.4). The adjusted EBITA was negatively impacted by higher amortisation and depreciation while higher sales and the product mix had a favorable effect.

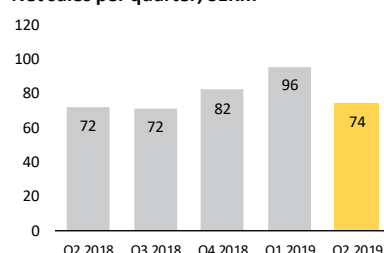
Operating profit (EBIT) declined to SEK 12 m (21) positively impacted by higher sales, product mix effects and an overall good cost control. Operating profit was negatively impacted by higher amortisation and depreciation and Items affecting comparability.

For the first six months EBITA declined to SEK 65 m (69) and EBITA margin to 31.2 percent (35.3). Adjusted EBITA improved to SEK 85 m (75) and adjusted EBITA margin to 40.9 percent (38.1) despite higher amortisation and depreciation due to higher sales, better product mix and good cost control. Operating profit (EBIT) declined to SEK 33 m (39) for the same reasons as the development in EBITA.

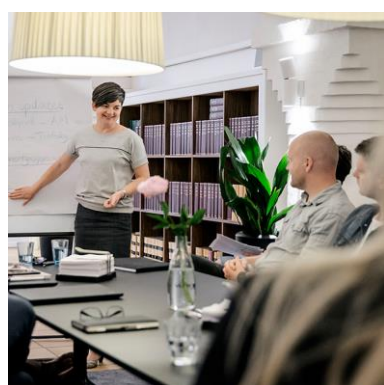
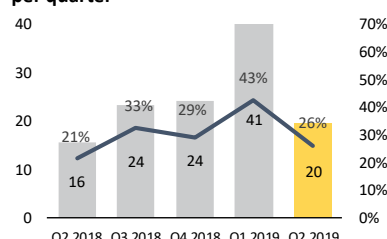
Items affecting comparability	Q2		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
TSEK					
Integration costs	-	-	-5	357	497
IPO costs	12,692	3,101	20,260	4,637	12,583
Other	-	-	-	402	2,193
Total	12,692	3,101	20,255	5,396	15,273

The Swedish segment is specialised in online and offline legal solutions; the environmental, health and safety compliance; legal class room training and e-courses. The segment provides online tools for the broad legal services market, including contract templates. The segment includes Norstedts Juridik, Karnov Group Sweden, VJS and Notisum.

Net sales per quarter, SEKm



Adjusted EBITA, SEKm and margin, % per quarter



Segment performance (cont.)

Sweden

TSEK	Q2			Jan-Jun			Jan-Dec
	2019	2018	Δ%	2019	2018	Δ%	2018
Net sales	74,382	72,326	2.8%	170,366	164,638	3.5%	318,718
Organic growth, %	2.8%	0.7%		3.5%	2.3%		0.0%
EBITA	2,555	8,249	-69.0%	33,136	16,866	96.5%	40,861
EBITA margin, %	3.4%	11.4%		19.4%	10.2%		12.8%
Adjusted EBITA	19,526	15,506	25.9%	60,375	56,783	6.3%	104,467
Adjusted EBITA margin, %	26.3%	21.4%		35.4%	34.5%		32.8%

Net sales and growth

Net sales for the quarter increased organically by 3 percent to SEK 74 m (72). Organic growth was driven by online sales, upselling to existing customers and sales of new products to both existing and new customers. Due to seasonality, offline sales are normally lowest in the second quarter. During second quarter, a test version of JUNO was launched for a specific group of customers to secure feedback and the right level of quality in this new combined product for Norstedts Juridik and the Karnov Group.

For the first six months, net sales increased by 3 percent to SEK 170 m (165). The main driver was the online business, partially offset by an expected decline in the offline business.

Operating income

In the second quarter EBITA was SEK 3 m (8) and the EBITA margin was 3.4 percent (11.4). EBITA was impacted by a SEK 17 m (7) cost for Items affecting comparability due to the integration of Norstedts Juridik and the IPO process (see table below).

Adjusted EBITA increased to SEK 20 m (16) and adjusted EBITA margin to 26.3 percent (21.4) driven by higher net sales but was negatively impacted by higher depreciation and amortisation relating to finalized R&D projects.

Operating profit (EBIT) was SEK -12 m (-7) due to items affecting comparability of SEK 17 m (7). Excluding these items, operating profit improved for the same reasons as adjusted EBITA improved.

For the first six months EBITA increased to SEK 33 m (17) and the EBITA margin to 19.4 percent (10.2). Adjusted EBITA increased to SEK 60 m (57) and adjusted EBITA margin to 35.4 percent (34.5) driven by higher net sales and the product mix while higher depreciation and amortisation had a negative impact.

Operating profit (EBIT) was SEK 4 m (-12).

Items affecting comparability	Q2		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
Acquisition costs	-	-	-	20,965	20,965
Integration costs	6,566	-	10,056	4,133	11,545
IPO costs	10,406	7,258	17,183	10,984	26,085
Other	-	-	-	3,835	5,011
Total	16,972	7,258	27,239	39,917	63,606

Other information

Risks and uncertainties

Karnov Group is exposed to different risks through its operations, which can give rise to fluctuations in earnings and cash flow. Material risks and uncertainties include sector and market-related risks, business-related risks and financial risks. On 4 January 2018, the process of integrating Norstedts Juridik with Karnov began, with risks in line with the Group pre-acquisition. In addition, the integration itself is considered a material risk area. Karnov's significant risks and risk management are described on page 11 - 12 and page 37-39 of the 2018 Annual report, available at the Company's website www.karnovgroup.com.

Seasonal variations

Historically, a significant proportion of Karnov Group's online contracts is 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 4 percent to 251 (242) year-over-year for the second quarter. The increase relates exclusively to organic growth in technology and sales staff in Denmark, while headcount in Sweden decreased due to synergies from the acquisition 2018 of Norstedts Juridik. On average during the quarter, 50 percent (52) of the workforce was female and 50 percent (48) was male.

Changes in Group management

From 8 May 2019, Magnus Svernlöv is a member of the Group Management team as Executive Manager for stand-alone entities and responsible for the Environmental, Health and Safety (EHS) compliance offerings.

Extraordinary General Meeting (EGM)

On 10 April 2019, an EGM resolved on a reduction of the share capital for allocation to non-restricted equity with retirement of all preference shares, an issue of up to 41,471,755 ordinary shares for the purpose of completing the company's offering to the public in Sweden and Denmark and certain institutional investors as well as to compensate the shareholders who had their preference shares retired, an issue of up to 4,812,233 ordinary shares that were paid through set-off against shareholder loans, and an issue of up to 6,662,224 ordinary shares that were paid with non-cash consideration consisting of shares in the company's subsidiary KARN Holdco AB. The EGM also resolved on a long-term incentive program for senior executives and employees of the Group and, as a part of this, an authorisation for the board of directors to resolve on issuance and repurchases of own shares of

series C as well as to transfer own ordinary shares to the participants in accordance with the terms of the incentive program. For more information, see section incentive program below.

Annual General Meeting (AGM)

The 2019 AGM was held on 22 February at the company's office at Hälsingegatan 43 in Stockholm. The AGM resolved to, among other things, adopt the income statement, the balance sheet, the consolidated income statement and balance sheet, allocate the company's profit in accordance with the board of directors' proposal (no dividend to be paid for the financial year 2018); discharge the board members and the CEO from liability and re-elect all board members and the company's auditor PriceWaterhouseCoopers AB for the period until the close of the AGM 2020.

Shares, share capital and shareholders

Karnov Group's share was listed on Nasdaq Stockholm on 11 April 2019, Mid Cap segment, under the ticker KAR. On 30 June 2019, the total number of shares and votes in Karnov Group AB (publ) was 97,670,567, each with a quotient value of approximately SEK 0.015385. The number of shares and votes changed as a result of the issues of 52,946,212 new ordinary shares and the reduction of the share capital with retirement of all 325 preference shares in the company that were carried out in connection with the admission to trading of the company's ordinary shares on Nasdaq Stockholm on 11 April 2019. A detailed description of changes in the share capital is available on the company's website, www.karnovgroup.com/en/share-capital-development/.

On 31 July 2019, the company had 924 known shareholders. The five largest shareholders were Five Arrows Principal Investments, Janus Henderson Investors, Vind LV AS, Fourth Swedish National Pension Fund and Lazard Asset Management.

In the second quarter items related to the preparation of the IPO and the IPO itself has affected the statement of equity.

As part of the preparation process for the IPO, Karnov Group AB acquired shares from the non-controlling interests at the same price per share as in the IPO offering. The total consideration for the shares amounted to SEK 383 m and was settled through issue of new shares and cash. A conversion of preference shares to ordinary shares in Karnov Group AB was carried out as well.

As full goodwill was recognized in the original purchase of Karnov in 2015 no further goodwill arises from the transactions with the non-controlling and the difference between the purchase price and the carrying amount of the Non-controlling interests related to Karn Holdco AB has been recognized in retained earnings.

Also, as a part of the preparation a share incentive program has been resolved. A total cost of SEK 1 m relating to this program has been recognized as employee cost in the second quarter but is off-set in the equity on retained earnings. A cost of SEK 27 m for

offering shares in the IPO has been recognized in retained earnings.

Incentive program

The EGM on 10 April 2019 resolved to implement a long-term incentive program in the form of a share savings program. The purpose of the program is to encourage a broad ownership amongst the company's employees, retain competent employees, facilitate recruitment, increase the alignment of interest between the employees and the company's shareholders and increase motivation to reach or exceed the company's financial targets. 151 employees in Karnov have chosen to invest in Karnov and participate in the share savings program.

The employees participate in the program by allocating acquired or already held ordinary shares to the program (so-called savings shares). The maximum investment permitted in savings shares depends on the category of the participant. The participants have allocated a total of 128,163 savings shares to the program. Full allotment would mean that the total number of shares under the program will amount to no more than 378,837 ordinary shares, corresponding to approximately 0.4 per cent of the total number of shares outstanding in the company. For more information see www.karnovgroup.com/en/incentive-program/

Related-party transactions

The Group has carried out related-party transactions with the major shareholder Five Arrows Principal Investments II Sàrl and members of Management team as stated in Note 36 of the 2018 Annual Report. Transactions with related parties are based on the arm's length principle.

Prior to the IPO the company bought back all shares held by management at market value. Management was offered to enter into the new incentive program as described below.

As part of the IPO previous shareholders provided consultancy services for the listing process for a total cost of SEK 11 m. The services were priced at market value and is included in the listed IPO costs under items affecting comparability.

By the end of the period all loans from related parties are paid back in accordance with the loan terms.

No remuneration besides customary directors' fees approved by the general meeting of shareholders was paid during the quarter or period.

Parent Company

Net sales for the quarter amounted to SEK 0 m (0). Operating profit for the quarter amounted to SEK -12 m (-1).

Outlook

Karnov does not provide financial forecasts.

Review

The interim report has not been the subject to a review by the company's auditors.

Disclosure

This interim report contains inside information that Karnov Group AB (publ) is required to make public pursuant to the EU Market Abuse Regulation (MAR) and information that Karnov Group AB (publ) is required to make public pursuant to the Swedish Securities Market Act. The information was submitted for publication by the contact person below on 29 August 2019 at 8.00 am CET.

Karnov Group AB (publ)

Stockholm, 29 August 2019

Flemming Breinholt
President and CEO

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Q2 presentation teleconference

Karnov will present the second quarter results for analysts and investors via a webcast teleconference on 29 August 2019 at 10.00 am CET.

To participate, use the following link:
<https://tv.streamfabriken.com/karnov-group-q2-2019>

or dial-in numbers:

SE: +46 8 505 583 65

DK: +45 7 815 0109

UK: +44 333 300 92 61

US: +1 844 625 1570

The presentation will also be available on www.financialhearings.com

Financial calendar 2019

Financial report January-September 2019,
28 November, 2019

Financial report January-December 2019
21 February, 2020

Consolidated statement of comprehensive income

TSEK	Note	Q2		Jan-Jun		Jan-Dec
		2019	2018	2019	2018	2018
Net sales	5	173,440	166,124	378,370	360,350	715,342
Total revenue		173,440	166,124	378,370	360,350	715,342
Goods for resale		-31,090	-31,824	-69,720	-70,963	-126,408
Employee benefit expenses		-55,766	-51,609	-102,871	-104,555	-215,434
Depreciations and amortisations		-42,764	-37,396	-85,105	-71,608	-146,809
Other operating expenses		-44,380	-30,651	-84,170	-86,798	-164,009
Operating profit		-560	14,644	36,505	26,427	62,682
Financial income		291	83	302	161	319
Financial expense		-46,113	-24,594	-72,068	-58,510	-98,217
Net financial items		-45,822	-24,511	-71,767	-58,349	-97,898
Profit before income tax		-46,382	-9,867	-35,262	-31,922	-35,216
Income tax		2,079	-7,152	-1,190	-6,163	-11,591
Net result		-44,303	-17,020	-36,452	-38,085	-46,807
Other comprehensive income:						
Items that may be reclassified to profit or loss:						
Exchange differences on translation of foreign operations		16,260	23,044	26,612	5,337	-6,410
Total comprehensive income for the period		-28,043	6,024	-9,840	-32,748	-53,217
Profit for the period is attributable to:						
Shareholders in Karnov Group AB		-44,145	-18,050	-37,216	-40,147	-50,927
Non-controlling interest		-158	1,030	764	2,060	4,120
Total profit for the period		-44,303	-17,020	-36,452	-38,087	-46,807
Total comprehensive income for the period is attributable to:						
Shareholders in Karnov Group AB		-27,885	4,994	-10,604	-34,810	-57,337
Non-controlling interest		-158	1,030	764	2,060	4,120
Total comprehensive income		-28,043	6,024	-9,840	-32,750	-53,217
Earnings per share, SEK	4	-0.45	-0.40	-0.52	-0.90	-1.14
Earnings per share after listing, SEK		-0.45	-0.18	-0.38	-0.41	-0.52

The above table shows a pro forma calculation of earnings per share based on the number of shares at time of issuing this report. For further information and details on earnings per share please refer to note 4.

Consolidated balance sheet

TSEK	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
ASSETS:				
Non-current assets				
Goodwill		1,689,426	1,674,110	1,657,692
Other intangible assets		1,304,860	1,326,810	1,289,596
Right-of-use assets		99,033	-	-
Property, plant and equipment (PPE)		5,118	6,854	5,721
Investments in associates		8,680	-	8,524
Loans to associated companies		2,874	-	-
Deposits		2,720	2,619	2,628
Deferred tax assets		1,517	33,598	832
Total non-current assets		3,114,226	3,043,992	2,964,993
Inventories		14,209	13,675	11,553
Trade receivables	3	63,156	47,588	169,231
Prepaid expense and accrued income		17,529	18,499	15,951
Other receivables		9,152	66,794	1,926
Tax receivable		42,254	26,876	27,129
Cash and cash equivalents	3	78,092	92,017	201,797
Total current assets		224,392	265,449	427,587
TOTAL ASSETS		3,338,618	3,309,441	3,392,580

EQUITY AND LIABILITIES:

TSEK		30 Jun 2019	30 Jun 2018	31 Dec 2018
Capital and reserves attributable to equity holders of the company				
Share capital		1,503	688	688
Share premium		1,294,036	798,472	798,472
Foreign currency translation reserve		57,144	42,279	30,532
Retained earnings including net profit for the year		144,764	-212,235	-223,016
Total equity attributable to the parent company's shareholders		1,497,447	629,204	606,676
Non-controlling interest		-209	43,260	18,533
Total equity		1,497,238	672,464	625,209
Borrowing from credit institutions	3	843,328	1,476,362	1,378,199
Borrowing from related parties	3	-	209,288	218,819
Lease liabilities		87,242	67,334	-
Deferred tax liability		247,304	304,404	256,581
Provisions		5,431	5,188	5,192
Total non-current liabilities		1,183,305	2,062,576	1,858,791
Borrowing from credit institutions		75,290	26,833	65,625
Borrowing from related parties	3	-	-	67,901
Trade payable	3	13,862	13,863	30,890
Current tax liabilities		33,588	12,126	17,617
Accrued expenses		164,355	471,621	164,542
Prepaid income		313,765	-	342,902
Deferred acquisition payment		-	-	130,588
Lease liabilities		12,547	-	-
Other current liabilities		44,668	49,958	88,515
Total current liabilities		658,075	574,400	908,580
TOTAL EQUITY AND LIABILITIES		3,338,618	3,309,441	3,392,580

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 Jan 2018	688	798,472	53,888	-131,985	721,063	-15,851	705,212
Adjustment to prior years*	-	-	-16,946	-40,105	-57,051	57,051	-
Restated balance at 1 Jan 2018	688	798,472	36,942	-172,090	664,012	41,200	705,212
Net result	-	-	-	-40,145	-40,145	2,060	-38,085
Other comprehensive income for the period	-	-	5,337	-	5,337	-	5,337
Total comprehensive income/loss	-	-	5,337	-40,145	-34,808	2,060	-32,748
Balance at 30 Jun 2018	688	798,472	42,279	-212,235	629,204	43,260	672,464

*Adjustment to prior year is commented in Karnov Group Annual Report 2018, p.9.

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 Jan 2019	688	798,472	30,532	-223,016	606,676	18,533	625,209
Net result	-	-	-	-37,216	-37,216	764	-36,452
Other comprehensive income for the period	-	-	26,612	-	26,612	-	26,612
Total comprehensive income/loss	-	-	26,612	-37,216	-10,604	764	-9,840
Sharebased payment	-	-	-	1,123	1,123	-	1,123
Transaction with shareholders in their capacity as owners							
Issue of ordinary shares due conversion of debt	74	209,186	-	-	209,260	-	209,260
Purchase of shares from non-controlling interest	102	286,378	-	-364,452	-77,972	-19,506	-97,478
Issue of ordinary shares to new investors	639	-	-	768,325	768,964	-	768,964
Total transaction with shareholders	815	495,564	-	404,996	901,375	-19,506	881,869
Balance at 30 Jun 2019	1,503	1,294,036	57,144	144,764	1,497,447	-209	1,497,238

Consolidated statement cash flow

TSEK	Q2		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit	-560	14,644	36,505	26,427	62,682
Adjustments:					
Non-cash items	42,846	37,396	85,187	71,608	146,809
Effect of changes in working capital:					
Increase/decrease in inventories	-615	-107	-2,502	-930	1,119
Increase/decrease in receivables	-12,228	1,677	84,928	129,845	10,942
Increase/decrease in trade payables and other payables	-2,998	8,900	-24,308	-8,274	31,646
Increase/decrease in prepaid income	-35,218	-38,363	-35,781	-44,227	10,195
Interest paid	-7,678	-14,332	-22,137	-26,503	-52,779
Income tax paid	-2,800	7,374	-10,901	-12,678	-24,881
Net effect of changes in working capital	-61,537	-34,851	-10,701	37,233	-23,758
Cash flow from operating activities	-19,251	17,189	110,991	135,268	185,733
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of participations in associated companies	-	-	-	-	-8,492
Acquisition of subsidiaries	-22	-16,982	-138,988	-627,982	-627,982
Loan to subsidiaries	-2,863	-	-2,863	-	-
Increase/(decrease) in deposits and other assets	-	9	-	47	49
Acquisition of intangible assets	-35,663	-28,146	-76,884	-48,808	-96,694
Acquisition of PPE	-304	-1,068	-383	-1,144	-2,008
Cash flow from investing activities	-38,852	-46,187	-219,118	-677,887	-735,127
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase/decrease in short term borrowings	-71,209	-44,818	-59,202	-44,818	94,036
Principal payments on long-term debt	-1,455,923	-11,799	-1,455,923	-3,271	-9,892
Increase/decrease in long-term debt	844,200	-1,153	844,200	590,565	575,579
Transactions with non-controlling interest	-97,478	-	-97,478	-	-
Proceeds from IPO	784,896	-	768,217	-	-
Cash flow from financing activities	4,486	-57,770	-186	542,476	659,723
Cash flow for the period	-53,618	-86,768	-108,313	-143	110,329
Cash and cash equivalents at the beginning of the period	144,810	93,879	201,797	93,879	93,879
Exchange-rate differences in cash and cash equivalents	-13,100	84,908	-15,392	-1,719	-2,411
Cash and cash equivalents at the end of the period	78,092	92,019	78,092	92,017	201,797

Parent company income statement

TSEK	Note	Q2		Jan-Jun		Jan-Dec
		2019	2018	2019	2018	2018
Employee benefit expenses		-2,703	-	-2,703	-	-
Other operating expenses		-12,651	-1,149	-16,079	-1,840	-18,294
Operating profit		-15,353	-1,149	-18,782	-1,840	-18,294
Financial income		14,497	4,642	19,440	7,999	19,277
Financial expense		-3,445	-4,964	-8,762	-10,340	-19,865
Net financial items		11,052	-322	10,677	-2,341	-588
Profit before income tax		-4,301	-1,471	-8,105	-4,181	-18,882
Income tax expense		-	-	-	-	-215
Net result		-4,301	-1,471	-8,105	-4,181	-19,097

Parent company balance sheet

TSEK	Note	30 Jun 2019	30 Jun 2018	31 Dec 2018
Non-current assets				
Investments in group enterprises		1,143,458	760,365	759,500
Receivables from group enterprises		825,812	198,400	192,444
Total non-current assets		1,969,270	958,765	951,944
Current assets				
Receivables from group enterprises		-	5,789	5,789
Other receivables		5,507	-	68
Current tax receivable		28,324	9,374	18,341
Cash and cash equivalents		5,724	154	974
Total current assets		39,554	15,317	25,172
TOTAL ASSETS		2,008,825	974,082	977,116
EQUITY AND LIABILITIES:				
Restricted equity				
Share capital		1,503	688	688
Non-restricted equity				
Share premium		1,294,036	798,472	798,472
Retained earnings including net profit for the year		706,576	-37,930	-53,644
Total equity		2,002,114	761,230	745,516
Non-current liabilities				
Borrowing from related parties		-	209,288	218,819
Total non-current liabilities		-	209,288	218,819
Current liabilities				
Trade payables		651	719	1,608
Trade payables from group companies		1,431	2,294	4,225
Accrued expenses and prepaid income		4,580	551	6,948
Other current liabilities		48	-	-
Total current liabilities		6,710	3,564	12,781
TOTAL EQUITY AND LIABILITIES		2,008,825	974,082	977,116

Notes

Note 1. Accounting policies

The consolidated interim financial statements for Karnov Group AB 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 interim financial statements for the parent company have been prepared in accordance with RFR 2, Accounting for Legal Entities, and the Swedish Annual Accounts Act.

The accounting policies for the consolidated financial statements are unchanged compared to the Annual Report 2018, except for the following described below.

New accounting standards applied from 1 January 2019

A number of new or amended standards became applicable for the current reporting period, and the Group had to change its accounting policies and as a result of adopting IFRS 16 Leases. The impact of the adoption of the leasing standard and the new accounting policies are disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

IFRS 16, "LEASES"

The Group adopted IFRS 16 on the effective date of January 1, 2019 using the cumulative catch-up transition method. In accordance with the IFRS 16 transition guidance, comparative information is not restated. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

Adjustments recognised on adoption

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application.

TSEK	2019
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 1 January 2019	106,225
Of which are:	
Current lease liabilities	14,221
Non-current lease liabilities	92,004
	106,225

The associated right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

TSEK	30 Jun 2019	01 Jan 2019
Properties	97,135	103,784
Equipment	959	1,159
Cars	939	1,282
Total right-of-use assets	99,033	106,225

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

TSEK	01 Jan 2019
Right-of-use assets - increase by	106,225
Lease liabilities - increase by	-106,225

The net impact on retained earnings on 1 January 2019 was a decrease of

-

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, retail stores, equipment and cars. Rental contracts are typically made for fixed periods of 3 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and

- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Incentive program

Karnov Group has set-up a share-base incentive program to encourage a broad ownership amongst company's employees, retain competent employees, facilitate recruitment, increase the alignment of interest between the employees and the company's shareholders and increase motivation to reach or exceed the company's financial targets.

The program entitles the employees to receive performance shares, based on the achievement of the KPIs attached to the shares and a fulfillment of service in the vesting period (3 years).

The fair value of granted performance shares is estimated using a stochastic (quasi-Monte Carlo) valuation model, taking into account the terms and conditions upon which the performance shares were granted.

On initial recognition of performance shares, an estimate is made of the number of awards expected to vest and subsequently revised for any changes. Accordingly, recognition is based on the number of awards that ultimately vest.

Note 2. Critical estimates and judgements

Preparation of financial statements requires the company management to make assessments and estimations along with assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The actual outcome may differ from these estimates.

The critical assessments and sources of uncertainty in the estimates are the same as in the most recent annual report. See the Annual report 2018 Note 4, page 40, for further details regarding critical estimates and judgements.

Note 3. Fair value of financial instruments

TSEK	Carrying amount			Fair value		
	30 Jun 2019	30 Jun 2018	31 Dec 2018	30 Jun 2019	30 Jun 2018	31 Dec 2018
FINANCIAL ASSETS						
Financial assets at amortised cost						
Trade receivables	63,156	47,588	169,231	63,156	47,588	169,231
Cash and cash equivalents	78,092	92,017	201,797	78,092	92,017	201,797
Total	141,247	139,605	371,028	141,247	139,605	371,028
FINANCIAL LIABILITIES						
Financial liabilities at fair value through profit or loss (FVPL)						
Contingent considerations	32,998	44,026	44,759	32,998	44,026	44,759
Liabilities at amortised cost						
Trade payables	13,862	13,863	30,890	13,862	13,863	30,890
Non-current borrowing from credit institutions	843,328	1,476,362	1,378,199	843,328	1,476,362	1,378,199
Current borrowings from credit institutions	75,290	26,833	65,625	75,290	26,833	65,625
Deferred payment acquisition	-	-	130,588	-	-	130,588
Non-current borrowings from related parties	-	209,288	218,819	-	209,288	218,819
Current borrowing from related parties	-	-	67,901	-	-	67,901
Total	965,478	1,770,371	1,936,781	965,478	1,770,371	1,936,781

Trade receivables

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

discount rates between 7 percent and 10 percent. These are classified at level 3 in the fair value hierarchy.

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. These are classified at level 2 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 are considered to be the same as their fair value.

Contingent consideration

The carrying amounts of contingent considerations are considered to be the same as the fair value. The fair value of the contingent considerations was estimated by calculating the present value of the future expected cash flows. The estimates are based on

Non-current borrowing from credit institutions

The carrying amount of non-current borrowings is considered to be the same as their fair values, since interest payable on those borrowings is close to current market rates. These 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 payments

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

Non-current borrowings from related parties

The fair values of related party borrowings are 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 4. Earnings per share

TSEK	Q2		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
Earnings attributable to shareholders	-44,145	-18,050	-37,215	-40,146	-50,927
Weighted average numbers of outstanding shares:*					
Basic	97,670,567	44,724,355	71,197,461	44,724,355	44,724,355
After listing (Proforma)	97,670,567	97,670,567	97,670,567	97,670,567	97,670,567
Earnings per share, SEK	-0.45	-0.40	-0.52	-0.90	-1.14
Earnings per share after listing (Proforma), SEK	-0.45	-0.18	-0.38	-0.41	-0.52

*In January 2019 a share split was decided and the total numbers of shares was 44,724,680 after the shares split. Furthermore as part of the listing process 52,945,887 ordinary shares was issued. Leaving the total numbers of shares after the listing to 97,670,567 shares.

Earnings per share before and after dilution is affected by dividend on preference shares. The formula for calculating earnings per share: earnings per share = (total profit for the

period – dividend on preference shares)/average number of outstanding common shares.

Note 5. Segment reporting and disaggregated revenue

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 Group, 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.

	Denmark		Sweden		Total		
TSEK	Q2		Q2		Q2		Jan-Dec
	2019	2018	2019	2018	2019	2018	2018
Online					144,405	133,193	532,553
Offline					29,035	32,931	182,789
Total net sales	99,058	93,799	74,382	72,326	173,440	166,124	715,342
EBITDA	30,049	37,429	12,154	14,607	42,203	52,040	209,491
EBITA	27,903	36,654	2,555	8,249	30,458	44,905	182,760
EBIT	11,720	21,237	-12,281	-6,594	-560	14,644	62,682
Net financial items					-45,822	-24,511	-97,898
Profit before tax					-46,382	-9,867	-35,216
Income tax expenses					2,079	-7,152	-11,591
Net result					-44,303	-17,020	-46,807

	Denmark		Sweden		Total		
TSEK	Jan-Jun		Jan-Jun		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2019	2018	2018
Online					284,500	261,483	532,553
Offline					93,869	98,867	182,789
Total net sales	208,004	195,712	170,366	164,638	378,370	360,350	715,342
EBITDA	68,805	70,718	52,805	27,313	121,610	98,031	209,491
EBITA	64,823	69,171	33,136	16,866	97,958	86,037	182,760
EBIT	33,048	38,786	3,455	-12,359	36,505	26,427	62,682
Net financial items					-71,767	-58,349	-97,898
Profit before tax					-35,262	-31,922	-35,216
Income tax expenses					-1,190	-6,163	-11,591
Net result					-36,452	-38,087	-46,807

Note 6. Alternative performance measures

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 section Financial definitions.

Reconciliation of the alternative performance measures is presented below.

Total net sales	Q2		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
TSEK					
Organic business	171,046	110,300	371,396	228,673	469,169
Acquired business	-	49,997	-	121,360	223,418
Currency	2,394	5,827	6,974	10,317	22,755
Total net sales	173,440	166,124	378,370	360,350	715,342

Total net sales split, %	Q2		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
Organic growth, %	3.0%	5.5%	3.1%	5.0%	3.9%
Acquired growth, %	0.0%	47.8%	0.0%	55.7%	49.5%
Currency effect, %	1.4%	5.6%	1.9%	4.7%	5.0%
Total growth, %	4.4%	59.0%	5.0%	65.5%	58.4%

Group	Q2		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
TSEK					
EBIT	-560	14,644	36,505	26,427	62,682
Depreciation and amortisation	42,764	37,396	85,105	71,608	146,809
EBITDA	42,203	52,040	121,610	98,035	209,491
Net sales	173,440	166,124	378,370	360,350	715,342
EBITDA margin, %	24.3%	31.3%	32.1%	27.2%	29.3%
Items affecting comparability	29,665	10,355	47,495	45,310	78,879
Adjusted EBITDA	71,869	62,396	169,105	143,345	288,370
Adjusted EBITDA margin, %	41.4%	37.6%	44.7%	39.8%	40.3%
Amortisation (acquisitions)	31,018	30,261	61,454	59,610	120,078
EBITA	30,458	44,905	97,958	86,037	182,760
Items affecting comparability	29,665	10,355	47,495	45,310	78,879
Adjusted EBITA	60,123	55,260	145,453	131,347	261,639
Adjusted EBITA margin, %	34.7%	33.3%	38.4%	36.5%	36.6%

Denmark	Q2		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
TSEK					
EBIT	11,720	21,237	33,048	38,786	80,733
Depreciation and amortisation	18,328	16,193	35,757	31,934	64,177
EBITDA	30,049	37,429	68,805	70,718	144,909
Net sales	99,058	93,799	208,004	195,712	396,624
EBITDA margin, %	30.3%	39.9%	33.1%	36.1%	36.5%
Items affecting comparability	12,692	3,101	20,255	5,396	15,273
Adjusted EBITDA	42,741	40,529	89,060	76,114	160,182
Adjusted EBITDA margin, %	43.1%	43.2%	42.8%	38.9%	40.4%
Amortisation (acquisitions)	16,182	15,419	31,775	30,385	61,167
EBITA	27,903	36,654	64,823	69,171	141,899
Items affecting comparability	12,692	3,101	20,255	5,396	15,273
Adjusted EBITA	40,595	39,755	85,078	74,567	157,172

Sweden	Q2		Jan-Jun		Jan-Dec
	2019	2018	2019	2018	2018
TSEK					
EBIT	-12,281	-6,594	3,455	-12,359	-18,051
Depreciation and amortisation	24,435	21,203	49,348	39,674	82,633
EBITDA	12,154	14,607	52,805	27,313	64,582
Net sales	74,382	72,326	170,366	164,638	318,718
EBITDA margin, %	16.3%	20.2%	31.0%	16.6%	20.3%
Items affecting comparability	16,972	7,258	27,239	39,917	63,606
Adjusted EBITDA	29,125	21,865	80,044	67,230	128,189
Adjusted EBITDA margin, %	39.2%	30.2%	47.0%	40.8%	40.2%
Amortisation (acquisitions)	14,837	14,842	29,679	29,225	58,911
EBITA	2,555	8,249	33,136	16,866	40,861

Return on capital

TSEK	30 Jun 2019	30 Jun 2018	31 Dec 2018
EBIT	36,505	26,427	62,682
Total assets	3,338,618	3,309,441	3,392,580
Return on capital, %	1.1%	0.8%	1.8%

Net working capital

TSEK	30 Jun 2019	30 Jun 2018	31 Dec 2018
Current assets	224,392	265,449	427,587
Current liabilities	658,075	574,401	908,580
Net working capital	-433,684	-308,952	-480,993

Cash conversion

	Q2		Jan-Jun		Jan-Dec
TSEK	2019	2018	2019	2018	2018
Adjusted EBITDA	71,869	62,396	169,105	143,345	288,370
Cash flow from operating activities	-19,251	17,189	110,991	135,268	185,733
Interest paid	7,678	14,332	22,137	26,503	52,779
Income tax paid	2,800	-7,374	10,901	12,678	24,881
Items affecting comparability	29,665	10,355	47,495	45,310	78,879
Capex related to new product development	-2,795	-11,726	-10,036	-19,994	-34,294
Adjusted cash flow from operating activities	18,097	22,774	181,488	199,765	307,978
Cash conversion, %	25.2%	36.5%	107.3%	139.4%	106.8%

Net debt

TSEK	30 Jun 2019	30 Jun 2018	31 Dec 2018
Non-current borrowing from credit institutions	-843,328	-1,476,362	-1,378,199
Non-current borrowings from related parties	-	-209,288	-218,819
Current borrowing from credit institutions	-75,290	-26,833	-65,625
Current borrowing from related parties	-	-	-67,901
Cash and cash equivalents	78,092	92,017	201,797
Net debt	-840,527	-1,620,466	-1,528,747

Net debt/adjusted EBITDA LTM

TSEK	30 Jun 2019	30 Jun 2018	31 Dec 2018
Adjusted EBITDA LTM	314,130	249,302	288,370
Net debt	840,527	1,620,466	1,528,747
Net debt/adjusted EBITDA LTM	2.7	6.5	5.3

Equity/asset ratio

TSEK	30 Jun 2019	30 Jun 2018	31 Dec 2018
Equity	1,497,238	672,464	625,209
Total assets	3,338,618	3,309,441	3,392,580
Equity ratio, %	44.8%	20.3%	18.4%

Signatures

The Board of directors and the CEO certify that these consolidated financial statements and Half year 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.

Stockholm, 29 August, 2019

Magnus Mandersson
Chairman of the Board

Ulf Bonnevier
Board member

Lone Møller Olsen
Board member

Samuel Offer
Board member

Vivek Kumar
Board Member

Mark Redwood
Board Member

Flemming Breinholt
President and CEO

Quarterly overview

TSEK	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Income statement					
Net sales	173,440	204,931	178,817	176,175	166,124
EBITDA	42,203	79,407	43,984	67,474	52,040
EBITDA margin, %	24.3%	38.7%	24.6%	38.3%	31.3%
EBITA	30,458	67,501	36,529	60,194	44,905
EBITA margin, %	17.6%	32.9%	20.4%	34.2%	27.0%
Adjusted EBITA	60,123	85,331	60,642	69,632	55,260
Adjusted EBITA margin, %	34.7%	41.6%	33.9%	39.5%	33.3%
EBIT	-560	37,066	6,317	29,938	14,644
EBIT, margin %	-0.3%	18.1%	3.5%	17.0%	8.8%
Net financial items	-45,822	-25,945	-21,150	-18,399	-24,511
Net result	-44,303	7,852	-15,261	6,540	-17,020
Balance sheet					
Non-current assets	3,114,226	3,091,455	2,964,993	2,981,501	3,043,992
Current assets	224,392	276,906	427,587	252,214	265,449
Cash and cash equivalents	78,092	144,810	201,797	65,260	92,017
Equity	1,497,238	643,413	625,209	669,481	672,464
Non-current liabilities	1,183,305	1,961,867	1,858,791	1,861,954	2,062,576
Current liabilities	658,075	763,081	908,580	702,280	574,401
Total assets	3,338,618	3,368,361	3,392,580	3,233,715	3,309,441
Cash flow					
Cash flow from operating activities	-19,251	130,236	86,850	-36,384	17,187
Cash flow from Investing activities	-38,852	-180,265	-26,863	-30,377	-46,187
Cash flow from financing activities	4,486	-4,672	75,793	41,455	-57,770
Cash flow for the period	-53,618	-54,701	135,780	-25,306	-86,770
Key ratios					
Net working capital	-433,684	-486,175	-480,993	-450,066	-308,952
Return on capital, %	0.0%	1.1%	0.2%	0.9%	0.5%
Equity ratio, %	44.8%	19.1%	18.4%	20.7%	20.3%
Cash conversion, %	25.2%	168.0%	176.8%	-15.8%	36.5%
Net debt	840,527	1,618,219	1,528,747	1,622,586	1,620,466
Share data:					
Weighted average numbers of outstanding shares:					
Basic	97,670,567	44,724,355	44,724,355	44,724,355	44,724,355
After listing (Proforma)	97,670,567	97,670,567	97,670,567	97,670,567	97,670,567
Earnings per share, SEK	-0.45	-	-	-	-0.40
Earnings per share after listing (Proforma), SEK	-0.45	0.07	-0.17	0.06	-0.18

Financial definitions and alternative performance measures

This interim report contains references to a number of performance measures. Some of these measures are defined in IFRS standards, while others are alternative measures, which are not reported in accordance with applicable financial reporting frameworks or other legislation. These measures are used by

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

Key ratio	Definition	Reason for use
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.	The measure is used as a complement to organic growth and provides an improved understanding for Karnov's growth.
Adjusted EBITA	EBITA adjusted for the impact of items affecting comparability.	The measure shows the profitability from the business, adjusted for the impact of items affecting comparability and amortisation of capital expenditures related to acquisitions.
Adjusted EBITA margin	Adjusted EBITA as a percentage of net sales.	The measure shows the underlying profitability generated from the current operations over time, adjusted for items affecting comparability.
Adjusted EBITDA	EBITDA excluding items affecting comparability.	The measure is used since it facilitates the understanding of the operating profit, excluding items affecting comparability, financing, depreciation and amortisation.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales.	The measure shows operational profitability over time, excluding items affecting comparability, financing, depreciation and amortisation.
Adjusted cash flow from operating activities	Adjusted EBITDA plus changes in net working capital less capital expenditure related to new product development and enhancement of existing products and business systems.	The measure is used to calculate one component in 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 cash flow from operating activities as a percentage of Adjusted EBITDA.	The measure is used since it shows how efficiently adjusted cash flow from operating activities 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 outstanding 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, adjusted for acquisition related purchase price allocation (PPA) amortisation.
EBITA margin	EBITA as a percentage of net sales.	The measure shows the profitability over time for the underlying business (i.e., excluding PPA amortisation) in relation to net sales.
EBITDA	Earnings before depreciation and amortisation, financial items, and taxes.	The measure shows the operating profitability before depreciation and amortisation.

Key ratio	Definition	Reason for use
EBITDA margin	EBITDA as a percentage of net sales.	The measure shows operational profitability over time, regardless of financing, depreciation and amortisation.
Equity/asset ratio (%)	Equity divided by total equity and liabilities.	The measure can be used to assess Karnov's financial stability.
Items affecting comparability	Items affecting comparability includes items of a significant character that distort comparisons over time.	The measure is used for understanding the financial performance over time.
Net debt/adjusted EBITDA LTM	Net debt on the balance sheet date divided by adjusted EBITDA for the last twelve months (LTM).	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 debt	Total borrowings less cash and cash equivalents.	The measure is used since it allows for an assessment of whether Karnov has an appropriate financing structure and is able to fulfil its commitments under its financing agreements.
Net sales (online)	Net sales from online products.	The measure is used since it facilitates the understanding of total net sales and the breakdown of net sales.
Net sales (offline)	Net sales from printed products and training.	The measure is used since it facilitates the understanding of total net sales and the breakdown of net sales.
Net working capital (NWC)	Current assets less current liabilities.	The measure shows the tie-up of short-term capital in the operations and facilitates the understanding of changes in the cash flow from operating activities
Operating profit (EBIT)	Profit for the period before financial items and taxes.	The measure is used since it enables comparisons of the profitability regardless of the capital structure or tax situation.
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.	The measure is used since it shows Karnov's ability to generate growth through increases of, among other things, volume and price in its existing business.
Return on capital	Operating profit for the period divided by total assets.	The measure shows the operating return on capital that owners and lenders have invested.

Currency rates

	Closing rate 30 Jun 2019	Average rate Jan-Jun 2019	Closing rate 30 Jun 2018	Average rate Jan-Jun 2018	Closing rate 31 Dec 2018	Average rate Jan-Dec 2018
1 DKK is equivalent to SEK	1.4145	1.4091	1.3984	1.3628	1.3760	1.3762

About Karnov Group

60,000+

Users

1,500+

Specialists

240+

Employees

Karnov Group (publ) is a leading provider of information solutions for professionals in the areas of legal, tax and accounting, and environmental, health and safety in Denmark and Sweden. Karnov was founded 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 Karnov Group has evolved from a traditional publishing company to a digital information provider.

Our mission is to be an indispensable partner for all legal, tax and accounting professionals and enable our 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.

Our solutions are largely digital and we offer 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 books and journals and hosts legal training courses.

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Karnov's is organised into two geographical financial reporting segments and the product offering, subject to a few variations, is similar in both countries.

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Sweden: Legal online and offline products, compliance solutions and legal training

With offices in Copenhagen, Stockholm, and Malmo, Karnov Group employs around 240 people.

The Karnov share is listed on Nasdaq Stockholm, Mid Cap segment, under the ticker "KAR".



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