

Interim report

January – September 2019

Q3

Good offline sales & JUNO roll-out on track

Third quarter, July - September

- Net sales up 8% to SEK 190 m (176), organic growth was 6%.
- EBITA increased to SEK 69 m (60) with EBITA margin of 36.5% (34.2%).
- Adjusted EBITA increased by 5.9% to SEK 74 m (70) but adjusted EBITA margin declined by 0.6 percentage points to 38.9% (39.5).
- Operating profit (EBIT) increased to SEK 38 m (30).
- Earnings per share after dilution amounted to SEK 0.33 (0.12).
- Adjusted operating cash flow amounted to SEK 2 m (-12).
- Continued roll-out of JUNO, a new joint offering from Norstedts Juridik and Karnov.

First nine months, January - September

- Net sales up 6% to SEK 568 m (537), organic growth was 4%.
- EBITA increased to SEK 167 m (146) and EBITA margin to 29.4% (27.3%).
- Adjusted EBITA increased by 9.1% to SEK 219 m (201) and adjusted EBITA margin improved by 1.1 percentage points to 38.6% (37.5).
- Operating profit (EBIT) increased to SEK 74 m (56).
- Earnings per share after dilution amounted to SEK -0.06 (-0.77).
- Adjusted operating cash flow amounted to SEK 183 m (188).

After the end of the period

- The new JUNO platform for the Swedish market has been well received by users. Therefore, the commercial launch of JUNO began on 1st of November where new users and customers are getting access only to the new platform.
- The Nomination Committee for the 2020 Annual Meeting of Shareholders (AGM) has been appointed.

Key financial ratios for the Group*

TSEK	Q3			Jan-Sep			Jan-Dec
	2019	2018	Δ%	2019	2018	Δ%	2018
Net sales	189.533	176.175	7,6%	567.904	536.525	5,8%	715.342
Organic growth, %	5,8%	4,8%		3,9%	4,9%		3,9%
EBITA	69.106	60.194	14,8%	167.063	146.231	14,2%	182.760
EBITA margin, %	36,5%	34,2%		29,4%	27,3%		25,5%
Adjusted EBITA	73.756	69.631	5,9%	219.208	200.980	9,1%	261.639
Adjusted EBITA margin, %	38,9%	39,5%		38,6%	37,5%		36,6%
Net result	32.093	6.540	390,7%	-4.358	-31.546	86,2%	-46.807
Adjusted cash flow from operating activities	1.936	-12.105	116,0%	183.425	187.663	-2,3%	307.978

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

Comments by the CEO

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The growth was generated by a continued strong sales performance by our online business. In addition, the growth in the third quarter was also influenced by a growth in the offline sales. ”



Flemming Breinholt
President and CEO

During the third quarter, Karnov's operations continued to deliver good results and the roll-out of our new joint platform in Sweden went as planned.

Net sales grew organically by 6 percent. The growth was generated by a continued strong sales performance by our online business. In addition, the growth in the third quarter was also influenced by a growth in the offline sales. Offline sales are normally good in the third quarter, due to the start of the academic year in the universities. This year offline sales in the quarter also included sales postponed from the second quarter, but year to date, offline sale has declined by 2.6 percent in line with the overall trends and expectations.

Adjusted EBITA margin declined slightly by 0.6 percentage points to 38.9 percent. This was also an effect of the strong sales of textbooks and other offline products, where our margins are lower than on online services. Looking instead at the year-to-date period, which is more relevant, adjusted EBITA margin improved by 1.1 percentage points to 38.6 percent.

The third quarter has always produced the weakest cash generation given timing of subscription invoicing. This year was no exception in that pattern, but we managed to improve cash flow from last year's third quarter and generated a SEK 2 million positive adjusted operating cash flow.

Continued roll-out of new joint platform in Sweden

The roll-out in Sweden of JUNO has continued during the quarter, and per today 98 percent of all users have been onboarded to this new online platform. There are still areas of improvements and this job will continue over coming months, but the overall acceptance of the new platform has been good. Therefore, we have already been able to close down Karnov's old online platform in Sweden, and we will soon be able to do the same with Norstedts Juridik's platform. As a result of these close downs and the successful transition to the JUNO platform, we were able to begin the commercial launch of JUNO on 1st of November where new users and customers only are getting access to the new platform.

As part of our aim of being a thought leader in our industry, we have conducted a "Future Lawyer" survey among more than 3,500 lawyers and legal educated persons in Denmark and Sweden. The survey was published in Affärsvärlden and other media and presented at a legal-tech event in Stockholm on the 17th of October.

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

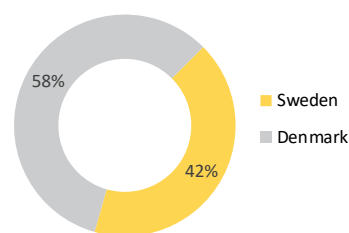
Ratio of Net debt to Adjusted EBITDA of no more than 3.0. This level may temporarily be exceeded, for example as a result of acquisitions.

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

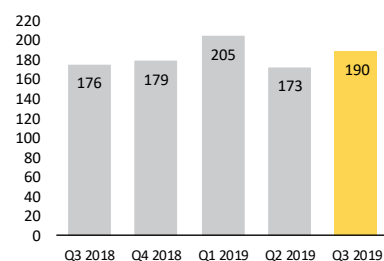
Net sales by country per third quarter, %



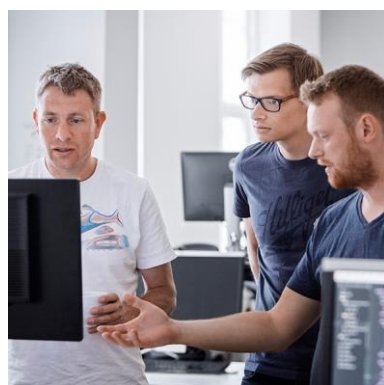
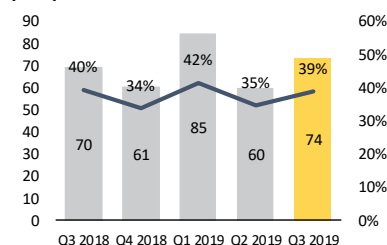
8%

Net sales growth

Net sales per quarter, SEKm



Adjusted EBITA, SEKm and margin, % per quarter



Third quarter and nine-month period

TSEK	Q3			Jan-Sep			Jan-Dec
	2019	2018	Δ%	2019	2018	Δ%	2018
Net sales	189,533	176,175	7.6%	567,904	536,525	5.8%	715,342
Organic growth, %	5.8%	4.8%		3.9%	4.9%		3.9%
EBITA	69,106	60,194	14.8%	167,063	146,231	14.2%	182,760
EBITA margin, %	36.5%	34.2%		29.4%	27.3%		25.5%
Adjusted EBITA	73,756	69,631	5.9%	220,082	200,980	9.5%	261,639
Adjusted EBITA margin, %	38.9%	39.5%		38.8%	37.5%		36.6%

Net sales and growth

For the three-month period, July-September 2019, net sales increased by 7.6 percent to SEK 190 m (176) compared with the corresponding quarter last year. Organic growth on a constant currency basis was 5.8 percent, and currency effects had a positive impact on net sales of 1.8 percent.

The online business continued its steady sales growth. The third quarter is normally the quarter with a high part of offline sales, due to seasonality in universities and other schools. However, this year's third quarter was also impacted by a timing effect from books and other offline products being published in the third quarter while last year's editions were published in the second quarter.

For the first nine months, the Group's net sales increased by 5.8 percent to SEK 568 m (537). Organic growth was 3.9 percent and positive currency effect added 1.9 percent.

Sales were driven by the company's continued strong performance in the online market, and except for the seasonality between second and third quarter from last year to this year, an overall expected decrease 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

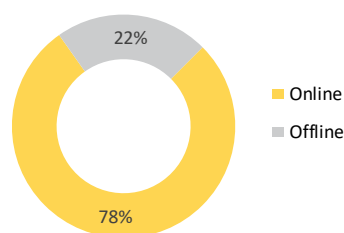
EBITA for the quarter amounted to SEK 69 m (60) and EBITA margin was 36.5 (34.2) percent. The quarter was impacted by continuing the integration of Norstedts Juridik and some additional costs related to the IPO of Karnov. These costs which are reported as items affecting comparability amounted to SEK 5 m (9) with the majority related to the integration of Norstedts Juridik (see table below).

Adjusted EBITA increased by 6 percent to SEK 74 m (70) but adjusted EBITA margin declined slightly to 38.9 (39.5) percent. The adjusted EBITA improvement of SEK 4 m is mainly the result of higher sales and good cost control while the slightly lower margin is due to product mix changes with strong sales of the offline products.

Operating profit (EBIT) increased by SEK 8 m to SEK 38 m (30) for the quarter including a SEK 5 m (9) in cost for items affecting comparability (see table below). Excluding these items, adjusted EBIT improved by SEK 3 m to SEK 43 m despite a SEK 4 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 and good cost control.

For the first nine months EBITA increased by 14 percent to SEK 167 m (146) and EBITA margin improved to 29.4 (27.3) percent. The EBITA improvement was driven by higher net sales and good cost control.

Net sales split per third quarter, %



39%

Adjusted EBITA margin



72%

Cash conversion, YTD

Adjusted EBITA increased by 9 percent to SEK 219 m (201) and adjusted EBITA margin by 1.1 percentage point to 38.6 (37.5) percent.

For the first nine months, operating profit (EBIT) increased by SEK 18 m to SEK 74 m (56) despite SEK 18 m higher depreciation and amortisation. The improvement was due to higher sales and good cost control.

Items affecting comparability	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
TSEK					
Acquisition costs	-	1,430	-	22,395	20,965
Integration costs	2,693	4,209	12,744	8,699	12,042
IPO costs	1,957	3,426	39,401	19,047	38,668
Other	-	386	-	4,624	7,204
Total	4,650	9,451	52,145	54,765	78,879

Net financial items

Net financial items amounted to SEK -6 m compared to SEK -18 m for the corresponding quarter last year.

This improvement is a result of the new financing structure following the IPO, with lower debt and interest rate. The interest expense for the quarter was in line with expectations. Net financial items were an expense of SEK 6 m of which SEK 1 m was currency effects related to long-term loans in DKK.

Net financial items for the nine months amounted to SEK -78 m (-77). Currency effect was SEK -16 m (-17) for the nine-month period.

Profit before and after tax, Earnings per share

Profit before tax increased by SEK 21 m to SEK 32 m compared to the corresponding quarter last year.

Profit before tax for the nine-month period increased by SEK 17 m to SEK -3 m (-20) compared to the corresponding period last year.

Profit after tax amounted to SEK 32 m (6). Taxes for the third quarter are SEK 0 m while taxes for the corresponding quarter of 2018 were negative by SEK 5 m.

Loss after tax for the nine-month period improved by SEK 27 m to SEK -4 m (-32).

Earnings per share after dilution was SEK 0.33 (0.12) for the quarter and SEK -0,06 (-0,77) for the nine-month period.

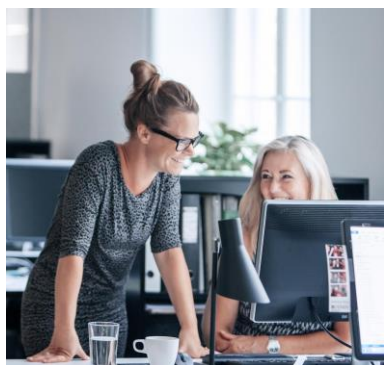
Cash flow and investments

Cash flow from operating activities increased by SEK 18 m to SEK -18 m (-36). The increase reflects SEK 6 m improvement from working capital and a SEK 12 m EBITDA improvement. Total investments for the quarter amounted to SEK 26 m (30), of which the majority was related to intangible assets.

For the nine-month period, operating cash flow amounted to SEK 92 m (99), while total investments in intangible assets for the same period amounted to SEK 102 m (70). Investments in intangible assets are mainly related to the business' online platform.

The cash conversion rate was 2 (-16) percent for the third quarter and 72 (85) percent for the nine-month period. The improved cash conversion rate for the quarter reflects a SEK 14 m improvement in adjusted operating cash flow, while the lower conversion rate for the nine-month period mainly reflects a change of processes and timing of invoicing following the acquisition of Norstedts Juridik, resulting from a significant positive effect on the cash generation from accounts receivables in the first part of 2018.

The relatively low cash conversion rate for the quarter compared to year to date cash conversion rate is mainly due to ordinary fluctuations in the Group's invoicing. Historically



2.8

Leverage

the third quarter has been the weakest quarter on invoicing, due to the timing of invoicing on the subscription part of the business, which peak in the fourth and first quarter.

Cash conversion	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
TSEK					
Adjusted EBITDA	84.437	76.911	253.541	220.257	288.370
Adjusted cash flow from operating activities	1.936	-12.105	183.425	187.663	307.978
Cash conversion, %	2,3%	-15,7%	72,3%	85,2%	106,8%

Financial position

Net Debt	Q3		Jan-Dec
	2019	2018	2018
TSEK			
Total borrowings	930,059	1,687,846	1,730,544
Cash and cash equivalents	38,180	65,260	201,797
Net debt	891,880	1,622,586	1,528,747
Net debt/adjusted EBITDA LTM	2.8	5.8	5.3
Equity	1,549,329	669,481	625,209
Equity ratio, %	46.6%	20.7%	18.4%

Net debt was SEK 892 m (1,623) at the end of the period compared to SEK 1,528 m at the end of last year. The significant decrease was mainly due to the SEK 670 m proceed from the IPO in the second quarter, as well as to loans of SEK 206 m from related parties being converted to equity in connection with the IPO.

The leverage at the end of the period was 2.8 (5.8) times and the equity ratio was 46.6 (20.7) percent with an equity of SEK 1,549 m (669). 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 39 m (65) and the Group had unutilized credit lines of SEK 520 m (15).

Significant events

JUNO

The roll-out of this common platform began in the third quarter

Third quarter

- › After testing in July, the new common platform JUNO for Norstedts Juridik and Karnov Sweden became ready to be rolled-out to customers. During the roll-out process, the existing services were run in parallel with JUNO to ensure a smooth transition for customers.
- › Karnov Group has made an industry-wide survey called “Future Lawyers” among more than 3,500 lawyers in Sweden and Denmark. The results of the survey were published in October in Affärsvärlden’s annual special edition about the legal industry and, subsequently, in many other media in Sweden and Denmark. The results were also presented at a legal-tech conference in Stockholm on October 17.

Events after the end of the period

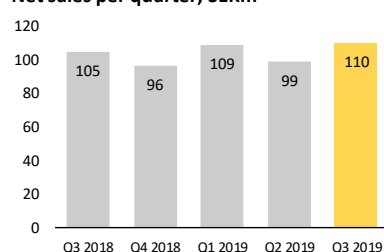
- › After the end of the third quarter, the roll-out in Sweden of JUNO has continued, and per today 98 percent of all users have been onboarded to this new online platform. Therefore, Karnov’s old online platform in Sweden has already been closed down, and we expect to soon be able to do the same with Norstedts Juridik’s platform. As a result, the commercial launch of JUNO began on 1st of November where new users and customers only are getting access to the new platform.
- › The Nomination Committee for the 2020 Annual Meeting of Shareholders (AGM) has been appointed. Shareholders who wish to submit proposals to the Nomination Committee are welcome to contact the Committee at nomination.committee@karnovgroup.com. Such proposals should be received no later than December 30, 2019.
- › As of 14 October 2019, the address of the head office of Karnov Group is Warfvinges väg 39, 112 51 Stockholm, Sweden.



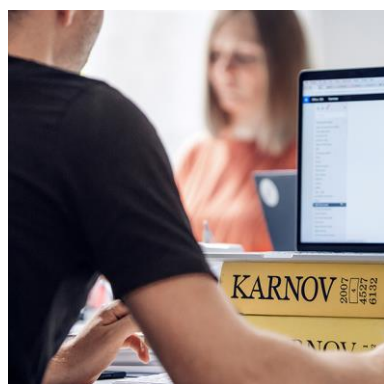
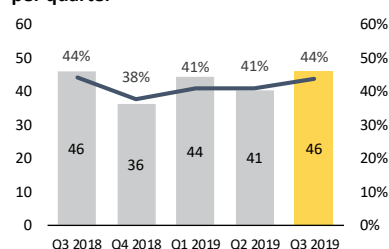
Segment performance

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	Q3			Jan-Sep			Jan-Dec
	2019	2018	Δ%	2019	2018	Δ%	2018
Net sales	110,099	104,574	5.3%	318,104	300,286	5.9%	396,624
Organic growth, %	2.3%	6.1%		2.5%	5.9%		5.0%
EBITA	46,129	42,814	7.7%	110,952	111,984	-0.9%	141,899
EBITA margin, %	41.9%	40.9%		34.9%	37.3%		35.8%
Adjusted EBITA	46,129	46,119	0.0%	131,207	120,686	8.7%	157,172
Adjusted EBITA margin, %	41.9%	44.1%		41.2%	40.2%		39.6%

See page 28 for currency rates for the calculation of all figures for the Denmark segment.

Net sales and growth

Net sales for the third quarter increased by 5 percent to SEK 110 m (105) driven by organic growth of 2 percent and currency effects of 3 percent. Organic growth was mainly driven by upselling to existing customers and according to expectations. The relatively low organic growth rate is partially due to unusually high sales of offline products in Denmark in the corresponding period last year. It is also a consequence of the Group's continued focusing on the integration of Norstedts Juridik in Sweden and the launch of JUNO in Sweden and less on launching new products for the Danish market. A new tax magazine has been launched in collaboration with FSR (Danish Auditor association) to strengthen Karnov's position within the growing tax area.

For the first nine months, net sales increased by 6 percent to SEK 318 m (300) driven by 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 increased to SEK 46 m (43) and EBITA margin to 41.9 (40.9) percent. Adjusted EBITA amounted to SEK 46 m (46) and adjusted EBITA margin to 41.9 (44.1) percent. The decline in adjusted EBITA margin was due to a reduction in capitalized costs compared to third quarter last year while higher sales had a favorable effect.

Operating profit (EBIT) increased to SEK 33 m (32) positively impacted by higher sales, product mix effects and an overall good cost control while higher amortisation and depreciation had a negative impact.

For the first nine months EBITA amounted to SEK 111 m (112) and EBITA margin amounted to 34.9 (37.3) percent. However, adjusted EBITA improved to SEK 131 m (121) and adjusted EBITA margin to 41.2 (40.2) percent. The adjusted EBITA improvement was due to higher sales, better product mix and good cost control. Operating profit (EBIT) amounted to SEK 66 m (66). Operating profit was impacted by the same factors as mentioned above.

Items affecting comparability	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
Integration costs	-	-	-5	357	497
IPO costs	-	3,305	20,260	7,942	12,583
Other	-	-	-	403	2,193
Total	-	3,305	20,255	8,702	15,273

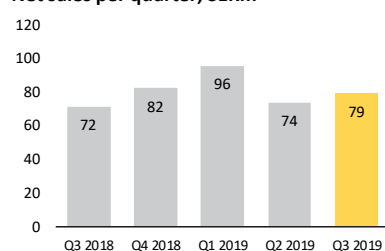
The Swedish segment is specialised in online and offline legal solutions; the environmental, health and safety compliance; legal class room training and e-courses. The segment provides online tools for the broad legal services market, including contract templates. The segment includes Norstedts Juridik,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

Segment performance (cont.)

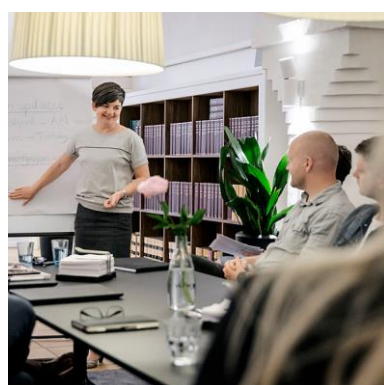
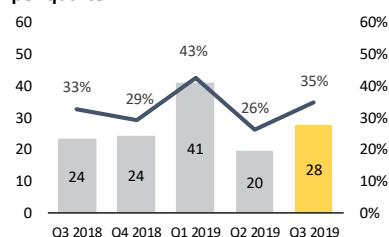
Sweden

TSEK	Q3			Jan-Sep			Jan-Dec
	2019	2018	Δ%	2019	2018	Δ%	2018
Net sales	79,434	71,601	10.9%	249,800	236,239	5.7%	318,718
Organic growth, %	10.9%	-0.2%		5.7%	1.5%		0.0%
EBITA	22,975	17,379	32.2%	56,111	34,245	63.9%	40,861
EBITA margin, %	28.9%	24.3%		22.5%	14.5%		12.8%
Adjusted EBITA	27,626	23,512	17.5%	88,875	80,294	10.7%	104,467
Adjusted EBITA margin, %	34.8%	33.7%		35.6%	34.3%		32.8%

Net sales per quarter, SEKm



Adjusted EBITA, SEKm and margin, % per quarter



Net sales and growth

Net sales for the quarter increased organically by 11 percent to SEK 79 m (72). Organic growth was driven by both online and offline sales, upselling to existing customers and sales of new products to both existing and new customers. The quarter is positively impacted by extraordinary high offline sales partly driven by timing effects from previous quarter. During the third quarter, the roll-out of JUNO to existing customers was initiated. The market response to this new combined product for Norstedts Juridik and the Karnov Group has been positive, but there are still areas of improvements and this job will continue over coming months.

For the first nine months, net sales increased by 6 percent to SEK 250 m (236) driven by strong performance in the online business, partially offset by an expected decline in the offline business, despite the high offline sales in third quarter.

Operating income

In the third quarter EBITA amounted to SEK 23 m (17) and the EBITA margin to 28.9 (24.3) percent. EBITA was impacted by SEK 5 m (6) in costs for Items affecting comparability related to the integration of Norstedts Juridik and the IPO process (see table below).

Adjusted EBITA increased to SEK 28 m (24) driven by higher net sales, partially offset by SEK 6 m higher depreciation and amortization related to finalized R&D projects. Adjusted EBITA margin increased to 34.8 (33.7) percent.

Operating profit (EBIT) was SEK 5 m (3) effected by items affecting comparability of SEK 5 m (6) and increased depreciations and amortisations of SEK 6 m.

For the first nine months EBITA increased to SEK 56 m (34) and the EBITA margin to 22.5 (14.5) percent. Adjusted EBITA increased to SEK 88 m (81) and adjusted EBITA margin to 35.2 (34.3) percent driven by higher net sales and good cost control while higher depreciation and amortisation had a negative impact.

Operating profit (EBIT) was SEK 8 m (-10).

Items affecting comparability	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
Acquisition costs	-	1,430	-	22,395	20,965
Integration costs	2,693	4,209	12,749	8,342	11,545
IPO costs	1,957	121	19,141	11,105	26,085
Other	-	386	-	4,221	5,011
Total	4,650	6,146	31,890	46,063	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

Average number of Full-Time Employees (FTEs) was 262 (240) during the quarter which was an increase of 6.5% from the third quarter of 2018. The growth of FTEs was driven by an increase in Denmark of 15% mainly in order to strengthening the technology and sales organisations, while headcount in Sweden declined by 3% due to synergies from the acquisition in 2018 of Norstedts Juridik. On average during the quarter 50% (48%) of the FTEs were males and 50% (52%) were females.

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 September 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 30 September 2019, the company had 911 known shareholders. The five largest shareholders with 5% or more of the shares outstanding in Karnov Group AB were Five Arrows Principal Investments, Janus Henderson Investors, Vind LV AS, M&G Investment Management and Columbia Threadneedle.

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 of the IPO 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 and third quarter respectively but is offset in the equity on retained earnings. A cost of SEK 27 m for offering shares in the IPO has been recognized in equity.

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 above. 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 3 m (-6).

Outlook

Karnov does not provide financial forecasts.

Review

This interim report has been the subject to a review by the company's auditors. Please see review report on page 11.

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 28 November 2019 at 8.00 am CET.

Karnov Group AB (publ)

Stockholm, 28 November 2019

Flemming Breinholt
President and CEO

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Q3 presentation teleconference

Karnov will present the third quarter results for analysts and investors via a webcast teleconference on 28 November 2019 at 9.00 am CET.

To participate, use the following link:
<https://tv.streamfabriken.com/karnov-group-q3-2019>

or dial-in numbers:
SE: +46 8 505 583 69
DK: +45 7 815 0109
UK: +44 333 300 92 62

US: +1 833 526 8381
The presentation will also be available on www.financialhearings.com

Financial calendar 2019/2020

Year-end report January-December 2019
21 February, 2020

Interim report January-March 2020
and Annual General Meeting, in Stockholm
5 May, 2020

Interim report March-June 2020
26 August, 2020

Interim report July-September 2020
5 November, 2020

Review Report

(Translation from Swedish original)

Karnov Group AB (publ) corp. identity no. 559016-9016

Auditor's review report for interim financial information in summary (interim report) prepared in accordance with IAS 34 and Chapter 9 of the Swedish Annual Accounts Act.

Introduction

We have reviewed the condensed interim financial information (interim report) of Karnov Group AB (publ) as of 30 September 2019 and the nine-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion expressed based on a review does not have the same level of certainty as a review based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, 28 November 2019

PricewaterhouseCoopers AB

Aleksander Lyckow

Authorised Public Accountant

Consolidated statement of comprehensive income

TSEK	Note	Q3		Jan-Sep		Jan-Dec
		2019	2018	2019	2018	2018
Net sales	5	189,533	176,175	567,904	536,525	715,342
Total revenue		189,533	176,175	567,904	536,525	715,342
Goods for resale		-31,981	-27,020	-101,701	-97,983	-126,408
Employee benefit expenses		-57,382	-53,899	-160,252	-158,454	-215,434
Depreciations and amortisations		-41,817	-37,535	-126,922	-109,143	-146,809
Other operating expenses		-20,384	-27,782	-104,555	-114,580	-164,009
Operating profit		37,969	29,939	74,474	56,365	62,682
Financial income		54	77	355	238	319
Financial expense		-5,859	-18,476	-77,926	-76,986	-98,217
Net financial items		-5,805	-18,398	-77,571	-76,748	-97,898
Profit before income tax		32,164	11,540	-3,097	-20,383	-35,216
Income tax		-71	-5,000	-1,261	-11,163	-11,591
Net result		32,093	6,540	-4,358	-31,546	-46,807
Other comprehensive income:						
Items that may be reclassified to profit or loss:						
Exchange differences on translation of foreign operations		18,807	3,557	45,419	26,601	-6,410
Total comprehensive income for the period		50,900	10,097	41,061	-4,945	-53,217
Profit for the period is attributable to:						
Shareholders in Karnov Group AB		32,180	5,510	-5,035	-34,636	-50,927
Non-controlling interest		-87	1,030	678	3,090	4,120
Total profit for the period		32,093	6,540	-4,357	-31,546	-46,807
Total comprehensive income for the period is attributable to:						
Shareholders in Karnov Group AB		50,987	9,067	40,384	-8,035	-57,337
Non-controlling interest		-87	1,030	678	3,090	4,120
Total comprehensive income		50,900	10,097	41,062	-4,945	-53,217
Earnings per share, basic, SEK	4	0.33	0.12	-0.06	-0.77	-1.14
Earnings per share, after dilution, SEK		0.33	0.00	-0.06	0.00	0.00

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 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS:				
Goodwill		1,708,558	1,661,355	1,657,692
Other intangible assets		1,304,216	1,302,906	1,289,596
Right-of-use assets		98,906	-	-
Property, plant and equipment (PPE)		5,501	6,086	5,721
Investments in associates		8,819	8,552	8,524
Loans to associated companies		2,970	-	-
Deposits		2,763	2,585	2,628
Deferred tax assets		425	17	832
Total non-current assets		3,132,158	2,981,501	2,964,993
Inventories		12,860	12,865	11,553
Trade receivables	3	62,911	56,907	169,231
Prepaid expense and accrued income		11,370	14,992	15,951
Other receivables		11,486	65,782	1,926
Tax receivable		54,547	36,408	27,129
Cash and cash equivalents	3	38,180	65,260	201,797
Total current assets		191,354	252,214	427,587
TOTAL ASSETS		3,323,512	3,233,715	3,392,580
LIABILITIES AND EQUITY:				
EQUITY AND LIABILITIES:				
Share capital		1,503	688	688
Share premium		2,062,361	798,472	798,472
Foreign currency translation reserve		-288,502	32,757	30,532
Retained earnings including net profit for the year		-225,737	-200,546	-223,016
Total equity attributable to the parent company's shareholders		1,549,625	631,371	606,676
Non-controlling interest		-296	38,110	18,533
Total equity		1,549,329	669,481	625,209
Borrowing from credit institutions	3	849,798	1,377,875	1,378,199
Borrowing from related parties	3	-	214,243	218,819
Lease liabilities		86,330	926	-
Deferred tax liability		243,917	263,744	256,581
Provisions		5,566	5,166	5,192
Total non-current liabilities		1,185,611	1,861,954	1,858,791
Borrowing from credit institutions		80,261	95,728	65,625
Borrowing from related parties	3	-	-	67,901
Trade payables	3	23,839	12,766	30,890
Current tax liabilities		41,826	21,947	17,617
Accrued expenses		123,557	384,360	164,542
Prepaid income		259,111	-	342,902
Deferred acquisition payment		-	-	130,588
Lease liabilities		13,821	-	-
Other current liabilities		46,157	187,479	88,515
Total current liabilities		588,572	702,280	908,580
TOTAL EQUITY AND LIABILITIES		3,323,512	3,233,715	3,392,580

Consolidated statement of changes in equity

Equity attributable to the parent company's shareholders

TSEK	Share capital	Share premium	Reserves	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	-	-	-	-28,456	-28,456	-3,090	-31,546
Other comprehensive income for the period	-	-	-4,185	-	-4,185	-	-4,185
Total comprehensive income/loss	-	-	-4,185	-28,456	-32,641	-3,090	-35,731
Balance at 30 Sep 2018	688	798,472	32,757	-200,546	631,371	38,110	669,481

*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	Reserves	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	-	-	-	-5,035	-5,035	678	-4,358
Other comprehensive income for the period	-	-	45,418	-	45,418	-	45,418
Total comprehensive income/loss	-	-	45,418	-5,035	40,383	678	41,060
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
Sharebased payment	-	-	-	2,314	2,314	-	2,314
Total transaction with shareholders	815	1,263,889	-364,452	2,314	902,566	-19,506	883,060
Balance at 30 Sep 2019	1,503	2,062,361	-288,502	-225,737	1,549,625	-296	1,549,329

Consolidated statement cash flow

TSEK	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
CASH FLOWS FROM OPERATING ACTIVITIES					
Operating profit	37,969	29,938	74,474	56,365	62,682
Adjustments:					
Non-cash items	41,817	37,535	127,005	109,143	146,809
Effect of changes in working capital:					
Increase/decrease in inventories	1,428	753	-1,073	-177	1,119
Increase/decrease in receivables	-7,309	-14,081	77,618	115,764	10,942
Increase/decrease in trade payables and other payables	-17,376	-7,634	-41,684	-15,908	31,646
Increase/decrease in prepaid income	-57,439	-60,848	-93,220	-105,075	10,195
Interest paid	-5,069	-13,297	-27,206	-39,800	-52,779
Income tax paid	-12,952	-8,750	-23,854	-21,428	-24,881
Net effect of changes in working capital	-98,717	-103,857	-109,419	-66,624	-23,758
Cash flow from operating activities	-18,931	-36,384	92,060	98,883	185,733
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of participations in associated companies	-	-8,492	-	-8,492	-8,492
Acquisition of subsidiaries	-	-	-138,988	-627,982	-627,982
Loan to subsidiaries	-64	-	-2,927	-	-
Increase/(decrease) in deposits and other assets	-	1	-	48	49
Acquisition of intangible assets	-25,600	-21,545	-102,484	-70,353	-96,694
Acquisition of PPE	-763	-341	-1,146	-1,485	-2,007
Cash flow from investing activities	-26,427	-30,377	-245,545	-708,264	-735,127
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase/decrease in short term borrowings	4,877	55,371	-54,325	10,553	94,036
Increase/decrease in lease liabilities	-2,025	-926	-6,074	-926	-
Principal payments on long-term debt	-3,908	-	-1,459,831	-3,271	-9,892
Increase/decrease in long-term debt	-	-13,916	844,200	576,649	575,579
Transactions with non-controlling interest	-	-	-97,478	-	-
Proceeds from IPO	-	-	768,217	-	-
Cash flow from financing activities	-1,056	40,529	-5,291	583,005	659,723
Cash flow for the period	-46,414	-26,232	-158,776	-26,376	110,329
Cash and cash equivalents at the beginning of the period	78,092	92,017	201,797	93,879	93,879
Exchange-rate differences in cash and cash equivalents	6,502	-525	-4,841	-2,243	-2,411
Cash and cash equivalents at the end of the period	38,180	65,260	38,180	65,260	201,797

Parent company income statement

TSEK	Note	Q3		Jan-Sep		Jan-Dec
		2019	2018	2019	2018	2018
Employee benefit expenses		-2,899	-	-5,602	-	-
Other operating expenses		-8,459	-2,846	-24,538	-4,690	-18,294
Operating profit		-11,358	-2,846	-30,140	-4,690	-18,294
Financial income		16,124	4,944	35,745	12,943	19,277
Financial expense		-24	-4,948	-8,967	-15,288	-19,865
Net financial items		16,100	-4	26,777	-2,345	-588
Profit before income tax		4,742	-2,850	-3,363	-7,035	-18,882
Income tax		-1,768	-2,721	-1,768	-2,721	-215
Net result		2,974	-5,571	-5,131	-9,756	-19,097
Total comprehensive income		2,974	-5,571	-5,131	-9,756	-19,097

Parent company balance sheet

TSEK	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS:				
Investments in group enterprises		1,143,458	760,365	759,500
Receivables from group enterprises		836,750	197,871	192,444
Total non-current assets		1,980,208	958,236	951,944
Receivables from group enterprises		8,875	5,789	5,789
Other receivables		9,188	-	68
Current tax receivable		33,315	14,365	18,341
Cash and cash equivalents		7,599	13	974
Total current assets		58,977	20,167	25,172
TOTAL ASSETS		2,039,185	978,403	977,116
TSEK		30 Sep 2019	30 Sep 2018	31 Dec 2018
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		709,550	-40,451	-53,644
Total equity		2,005,088	758,709	745,516
Borrowing from related parties		-	214,243	218,819
Total non-current liabilities		-	214,243	218,819
Borrowing from credit institutions		-	1	-
Trade payables		9	1,645	1,608
Trade payables from group companies		25,941	2,294	4,225
Accrued expenses and prepaid income		5,739	1,695	6,948
Other current liabilities		2,407	-184	-
Total current liabilities		34,097	5,451	12,781
TOTAL EQUITY AND LIABILITIES		2,039,185	978,403	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 Sep 2019	01 Jan 2019
Properties	95,208	103,784
Equipment	1,047	1,159
Cars	2,651	1,282
Total right-of-use assets	98,906	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-based 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 fulfilment 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 Sep 2019	30 Sep 2018	31 Dec 2018	30 Sep 2019	30 Sep 2018	31 Dec 2018
FINANCIAL ASSETS						
Financial assets at amortised cost						
Trade receivables	62,911	56,907	169,231	62,911	56,907	169,231
Cash and cash equivalents	38,180	65,260	201,797	38,180	65,260	201,797
Total	101,091	122,167	371,028	101,091	122,167	371,028
FINANCIAL LIABILITIES						
Financial liabilities at fair value through profit or loss (FVPL)						
Contingent considerations	-12,632	43,459	44,759	-12,632	43,459	44,759
Liabilities at amortised cost						
Trade payables	23,839	12,766	30,890	23,839	12,766	30,890
Non-current borrowing from credit institutions	849,798	1,377,875	1,378,199	849,798	1,377,875	1,378,199
Current borrowings from credit institutions	80,261	95,728	65,625	80,261	95,728	65,625
Deferred acquisition payment	-	-	130,588	-	-	130,588
Non-current borrowings from related parties	-	214,243	218,819	-	214,243	218,819
Current borrowing from related parties	-	-	67,901	-	-	67,901
Total	941,267	1,744,071	1,936,781	941,267	1,744,071	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.

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.

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 discount rates between 7 percent and 10 percent. These 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 amounts are considered to be the same as their fair value.

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	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
Earnings attributable to shareholders	32,180	5,510	-5,035	-34,636	-50,927
Weighted average numbers of outstanding shares:*					
Basic	97,670,567	44,724,680	80,021,938	44,724,680	44,724,680
After listing (Proforma)	97,670,567	97,670,567	97,670,567	97,670,567	97,670,567
Earnings per share, basic, SEK	0.33	0.12	-0.06	-0.77	-1.14
Earnings per share, after dilution, SEK	0.33	-	-0.06	-	-

*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 were 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 the incentive program for the employees. Please see page 11 for further details. 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.

TSEK	Denmark		Sweden		Total		Jan-Dec
	Q3		Q3		Q3		
	2019	2018	2019	2018	2019	2018	2018
Online					147,283	135,272	532,553
Offline					42,250	40,903	182,789
Total net sales	110,099	104,574	79,434	71,601	189,533	176,175	715,342
EBITDA	48,121	43,536	31,664	23,937	79,787	67,474	209,491
EBITA	46,129	42,814	22,975	17,379	69,106	60,194	182,760
EBIT	33,241	27,401	4,727	2,534	37,969	29,939	62,682
Net financial items					-5,805	-18,398	-97,898
Profit before tax					32,164	11,540	-35,216
Income tax expenses					-71	-5,000	-11,591
Net result					32,093	6,540	-46,807

TSEK	Denmark		Sweden		Total		
	Jan-Sep		Jan-Sep		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2019	2018	2018
Online					431,784	396,755	532,553
Offline					136,120	139,770	182,789
Total net sales	318,104	300,286	249,800	236,239	567,904	536,525	715,342
EBITDA	116,927	114,254	84,469	51,250	201,396	165,508	209,491
EBITA	110,952	111,984	56,111	34,245	167,063	146,231	182,760
EBIT	66,290	66,187	8,184	-9,825	74,474	56,365	62,682
Net financial items					-77,571	-76,748	-97,898
Profit before tax					-3,097	-20,383	-35,216
Income tax expenses					-1,261	-11,163	-11,591
Net result					-4,358	-31,546	-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 TSEK	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
Organic business	186,324	120,405	557,720	349,078	469,169
Acquired business	-	47,962	-	169,322	223,418
Currency	3,209	7,808	10,184	18,125	22,755
Total net sales	189,533	176,175	567,904	536,525	715,342

Total net sales split, % TSEK	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
Organic growth, %	5.8%	4.8%	3.9%	4.9%	3.9%
Acquired growth, %	0.0%	41.7%	0.0%	50.9%	49.5%
Currency effect, %	1.8%	6.8%	1.9%	5.5%	5.0%
Total growth, %	7.6%	53.3%	5.8%	61.3%	58.4%

Group	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
TSEK					
Net sales	189,533	176,175	567,904	536,525	715,342
EBITDA	79,787	67,474	201,396	165,508	209,491
EBITDA margin, %	42.1%	38.3%	35.5%	30.8%	29.3%
Items affecting comparability	4,650	9,437	53,019	54,749	78,879
Adjusted EBITDA	84,437	76,911	254,415	220,257	288,370
Adjusted EBITDA margin, %	44.6%	43.7%	44.8%	43.7%	40.3%
Depreciations and amortisations	-10,681	-7,280	-34,333	-19,276	-26,731
EBITA	69,106	60,194	167,063	146,231	182,760
EBITA margin, %	36.5%	34.2%	29.4%	27.3%	25.5%
Adjusted EBITA	73,756	69,631	220,082	200,980	261,639
Adjusted EBITA margin, %	38.9%	39.5%	38.8%	37.5%	36.6%
Amortisation (acquisitions)	-31,136	-30,256	-92,589	-89,866	-120,078
EBIT	37,969	29,939	74,474	56,365	62,682
Denmark					
TSEK					
Net sales	110,099	104,574	318,104	300,286	396,624
EBITDA	48,121	43,536	116,927	114,254	144,909
EBITDA margin, %	43.7%	41.6%	36.8%	38.0%	36.5%
Items affecting comparability	0	3,305	20,255	8,702	15,273
Adjusted EBITDA	48,121	46,842	137,182	122,956	160,182
Adjusted EBITDA margin, %	43.7%	44.8%	43.1%	40.9%	40.4%
Depreciations and amortisations	-1,992	-723	-5,974	2,272	-3,010
EBITA	46,129	42,814	110,952	111,984	141,899
EBITA margin, %	41.9%	40.9%	34.9%	37.3%	35.8%
Adjusted EBITA	46,129	46,119	131,207	120,686	157,172
Adjusted EBITA margin, %	41.9%	44.1%	41.2%	40.2%	39.6%
Amortisation (acquisitions)	-12,888	-15,412	-44,662	-45,797	-61,167
EBIT	33,241	27,401	66,290	66,187	80,733

Sweden	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
TSEK					
Net sales	79,434	71,601	249,800	236,239	318,718
EBITDA	31,664	23,937	84,469	51,250	64,582
EBITDA margin, %	39.9%	33.4%	33.8%	21.7%	20.3%
Items affecting comparability	4,651	6,132	32,764	46,049	63,606
Adjusted EBITDA	36,315	30,688	117,233	97,918	128,188
Adjusted EBITDA margin, %	45.7%	42.9%	46.9%	41.4%	40.2%
Depreciations and amortisations	-8,689	-6,556	-28,358	-17,005	-23,721
EBITA	22,975	17,379	56,111	34,245	40,861
EBITA margin, %	28.9%	24.3%	22.5%	14.5%	12.8%
Adjusted EBITA	27,626	23,512	88,875	80,294	104,467
Adjusted EBITA margin, %	34.8%	33.7%	35.6%	34.3%	32.8%
Amortisation (acquisitions)	-18,248	-14,843	-47,927	-44,069	-58,911
EBIT	4,727	2,534	8,184	-9,825	-18,051

Return on capital

TSEK	30 Sep 2019	30 Sep 2018	31 Dec 2018
EBIT	74,474	56,365	62,682
Total assets	3,323,512	3,233,715	3,392,580
Return on capital, %	2.2%	1.7%	1.8%

Net working capital

TSEK	30 Sep 2019	30 Sep 2018	31 Dec 2018
Current assets	191,354	252,214	427,587
Current liabilities	588,572	702,280	908,580
Net working capital	-397,218	-450,066	-480,993

Cash conversion

TSEK	Q3		Jan-Sep		Jan-Dec
	2019	2018	2019	2018	2018
Adjusted EBITDA	84.437	76.911	253.541	220.257	288.370
Cash flow from operating activities	-18.931	-36.384	92.060	98.883	185.733
Interest paid	5.069	13.297	27.206	39.800	52.779
Income tax paid	12.952	8.750	23.854	21.428	24.881
Items affecting comparability	4.650	9.451	52.145	54.765	78.879
Capex related to new product development	-1.804	-7.219	-11.840	-27.213	-34.294
Adjusted cash flow from operating activities	1.936	-12.105	183.425	187.663	307.978
Cash conversion, %	2,3%	-15,7%	72,3%	85,2%	106,8%

Net debt

TSEK	30 Sep 2019	30 Sep 2018	31 Dec 2018
Non-current borrowing from credit institutions	849,798	1,377,875	1,378,199
Non-current borrowings from related parties	-	214,243	218,819
Current borrowing from credit institutions	80,261	95,728	65,625
Current borrowing from related parties	-	-	67,901
Cash and cash equivalents	38,180	65,260	201,797
Net debt	891,880	1,622,586	1,528,747

Net debt/adjusted EBITDA LTM

TSEK	30 Sep 2019	30 Sep 2018	31 Dec 2018
Adjusted EBITDA LTM	321,641	280,636	288,370
Net debt	891,880	1,622,586	1,528,747
Net debt/adjusted EBITDA LTM	2.8	5.8	5.3

Equity/asset ratio

TSEK	30 Sep 2019	30 Sep 2018	31 Dec 2018
Equity	1,549,329	669,481	625,209
Total assets	3,323,512	3,233,715	3,392,580
Equity ratio, %	46.6%	20.7%	18.4%

Quarterly overview

	Q3	Q2	Q1	Q4	Q3
TSEK	2019	2019	2019	2018	2018
Income statement					
Net sales	189,533	173,440	204,931	178,817	176,175
EBITDA	79,787	42,203	79,407	43,984	67,474
EBITDA margin, %	42.1%	24.3%	38.7%	24.6%	38.3%
EBITA	69,106	30,458	67,501	36,529	60,194
EBITA margin, %	36.5%	17.6%	32.9%	20.4%	34.2%
Adjusted EBITA	73,756	60,123	85,331	60,642	69,631
Adjusted EBITA margin, %	38.9%	34.7%	41.6%	33.9%	39.5%
EBIT	37,969	-560	37,066	6,317	29,939
EBIT, margin %	20.0%	-0.3%	18.1%	3.5%	17.0%
Net financial items	-5,805	-45,822	-25,945	-21,150	-18,398
Net result	32,093	-44,303	7,852	-15,261	6,540
Balance sheet					
Non-current assets	3,132,158	3,114,226	3,091,455	2,964,993	2,981,501
Current assets	191,354	224,392	276,906	427,587	252,214
Cash and cash equivalents	38,180	78,092	144,810	201,797	65,260
Equity	1,549,329	1,497,238	643,413	625,209	669,481
Non-current liabilities	1,185,611	1,183,305	1,961,867	1,858,791	1,861,954
Current liabilities	588,572	658,075	763,081	908,580	702,280
Total assets	3,323,512	3,338,618	3,368,361	3,392,580	3,233,715
Cash flow					
Cash flow from operating activities	-18,931	-19,251	130,236	86,850	-36,384
Cash flow from Investing activities	-26,427	-38,852	-180,265	-26,863	-30,377
Cash flow from financing activities	-1,056	4,486	-4,672	75,793	40,529
Cash flow for the period	-46,414	-53,618	-54,701	135,780	-26,232
Key ratios					
Net working capital	-397,218	-433,684	-486,175	-480,993	-450,066
Return on capital, %	1.1%	0.0%	1.1%	0.2%	0.9%
Equity ratio, %	46.6%	44.8%	19.1%	18.4%	20.7%
Cash conversion, %	2.3%	25.2%	168.0%	176.7%	-15.8%
Net debt	891,880	840,527	1,618,219	1,528,747	1,622,586
Share data:					
Weighted average numbers of outstanding shares:					
Basic	97,670,567	97,670,567	44,724,680	44,724,680	44,724,680
After listing (Proforma)	97,670,567	97,670,567	97,670,567	97,670,567	97,670,567
Earnings per share, basic, SEK	0.33	-0.45	0.15	-0.36	0.12
Earnings per share, after dilution, SEK	0.33	-0.45	-	-	-

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 is 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 excluding lease liabilities from IFRS16 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 Sep 2019	Average rate Jan-Sep 2019	Closing rate 30 Sep 2018	Average rate Jan-Sep 2018	Closing rate 31 Dec 2018	Average rate Jan-Dec 2018
1 DKK is equivalent to SEK	1.4371	1.4156	1.3804	1.3708	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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