

# Year-end report

January – December 2019

# Q4

## In line with financial targets and a good year

### Fourth quarter

- Net sales up 6% to SEK 189 m (179), organic growth was 4%.
- EBITA increased to SEK 39 m (37) with EBITA margin of 20.6% (20.4%).
- Adjusted EBITA decreased by 2.0% to SEK 59 m (61) and adjusted EBITA margin declined by 2.5 percentage points to 31.4% (33.9%).
- Operating profit (EBIT) amounted to SEK 6 m (6).
- Earnings per share after dilution amounted to SEK 0.08 (-0.36).
- Adjusted operating cash flow amounted to SEK 109 m (120).

### Full year

- Net sales up 6% to SEK 757 m (715), organic growth was 4%.
- EBITA increased to SEK 206 m (183) and EBITA margin to 27.2% (25.5%).
- Adjusted EBITA increased by 6.5% to SEK 279 m (262) and adjusted EBITA margin improved by 0.2 percentage points to 36.8% (36.6%).
- Operating profit (EBIT) increased to SEK 80 m (63).
- Earnings per share after dilution amounted to SEK 0.03 (-1.14).
- Adjusted operating cash flow amounted to SEK 287 m (308).

### After the end of the period

- Karnov Group invests in the Danish legal tech start-up Ante ApS.
- Olov Sundström, CEO of Norstedts Juridik and Head of the Swedish operations of Karnov Group, gives notice that he has decided to step down after 32 years of service to the company and leave the company in April 2020.
- Alexandra Åquist has been appointed new CEO of Norstedts Juridik.
- The Board of Directors proposes a dividend of SEK 0.45 per share to be approved by the Annual General Meeting on May 5<sup>th</sup>, 2020.

### Key financial ratios for the Group\*

TSEK	Q4			Jan-Dec		
	2019	2018	Δ%	2019	2018	Δ%
Net sales	189,183	178,817	5.8%	757,087	715,342	5.8%
Organic growth, %	4.1%	0.8%		4.0%	3.9%	
EBITA	38,912	36,529	6.5%	205,975	182,760	12.7%
EBITA margin, %	20.6%	20.4%		27.2%	25.5%	
Adjusted EBITA	59,422	60,642	-2.0%	278,630	261,639	6.5%
Adjusted EBITA margin, %	31.4%	33.9%		36.8%	36.6%	
Net result	7,838	-15,261	151.4%	3,480	-46,807	107.4%
Adjusted cash flow from operating activities	109,459	120,314	-9.0%	286,883	307,978	-6.8%

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

**KARNOV**  
GROUP

# Comments by the CEO

During the full-year 2019, Karnov delivered on its strategies and delivered in line with the financial expectations set out in the IPO.

”

For the full year, Karnov is delivering on revenue and earnings above expectations.

And at the same time Karnov generated an adjusted cash flow of more than a quarter of a billion, leading to a leverage below financial target.

”



**Flemming Breinholt**  
President and CEO

With an increase of 4.1 % in the fourth quarter of 2019, organic sales continued to grow in line with our medium-term target of 3-5 % and in line with the average growth rate of 4.0 % for the full year 2019. Sales continued to be driven by strong performance in the online market which offset most of the ongoing decline of the offline market.

Adjusted EBITA margin declined by 2.5 percentage points to 31.4 %. This was partially due to an active decision to invest and take some costs for preparation of Karnov's new offensive steps in Denmark. On a full-year basis the margin improved slightly to 36.8 %.

For the full year, Karnov is delivering on revenue and earnings above expectations. And at the same time Karnov generated an adjusted cash flow of more than a quarter of a billion leading to a leverage below financial target.

The cash generation has allowed the Board to propose the Company's first dividend of 0.45 SEK per share. When setting the dividend level, the Board has considered not only Karnov's cash generation capabilities and unutilised credit lines but also the Company's stated intention to make additional investments and acquisitions.

## Synergies in Sweden; market investments in Denmark

During 2020, we expect to harvest full synergies following the completed integration of Norstedts Juridik in 2019. As announced in connection with the IPO, amortisations are expected to increase in 2020 following the completion of the Norstedts Juridik integration, including the development of JUNO, the new joint platform.

In Sweden all JUNO users are now onboarded, and we expect to see the full annualised effect of the JUNO implementation towards the end of this year. We are still deploying improvements to the platform and will continue to use feedback from users to further enhance it.

In Denmark we will use the JUNO platform to upgrade also our Danish offering. In Denmark, we have also invested in two start-up companies with technologies that have both stand-alone potentials and potential to create additional value to our existing platform.

## 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

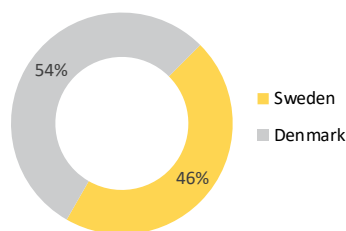
Ratio of Net debt to Adjusted EBITDA of no more than 3.0. This level may temporarily be exceeded, for example as a result of acquisitions.

### 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

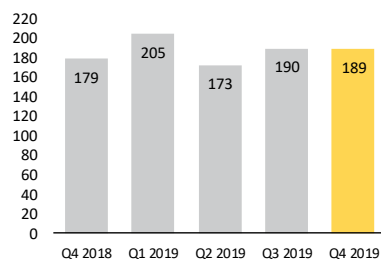
Net sales by country per fourth quarter,%



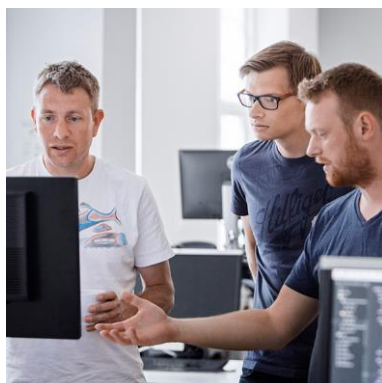
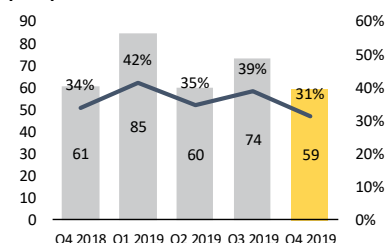
## 6%

Net sales growth

Net sales per quarter, SEKm



Adjusted EBITA, SEKm and margin, % per quarter



## Fourth quarter and full year period

TSEK	Q4			Jan-Dec		
	2019	2018	Δ%	2019	2018	Δ%
Net sales	189,183	178,817	5.8%	757,087	715,342	5.8%
Organic growth, %	4.1%	0.8%		4.0%	3.9%	
EBITA	38,912	36,529	6.5%	205,975	182,760	12.7%
EBITA margin, %	20.6%	20.4%		27.2%	25.5%	
Adjusted EBITA	59,422	60,642	-2.0%	278,630	261,639	6.5%
Adjusted EBITA margin, %	31.4%	33.9%		36.8%	36.6%	

### Net sales and growth

For the three-month period, October-December 2019, net sales increased by 5.8 percent to SEK 189 m (179) compared with the corresponding quarter last year. Organic growth on a constant currency basis was 4.1 percent, while currency effects had a positive impact on net sales of 1.7 percent.

The online business continued its steady sales growth, driven by the Karnov's multi-year investments in this expanding market segment. The online growth more than offset the impact from the trend of a declining offline market. The decline in offline sales in the fourth quarter of 2019 was sharper than in previous quarters of 2019 due to a one-time trade in the fourth quarter of 2018, which affects comparability.

For the full year, the Group's net sales increased by 5.8 percent to SEK 757 m (715). Organic growth was 4.0 percent and positive currency effects added 1.8 percent.

Sales were driven by the Company's continued strong performance in the online market, off-set by an expected decrease in sales of books and other offline products in line with general trend. The continued roll-out of JUNO in the fourth quarter supports Karnov's strategy to continuously invest in more and better content in its online subscription offerings to grow in online sales. Both Denmark and Sweden contributed to the sales increase.

### Operating income

EBITA for the quarter amounted to SEK 39 m (37) and EBITA margin amounted to 20.6 (20.4) percent.

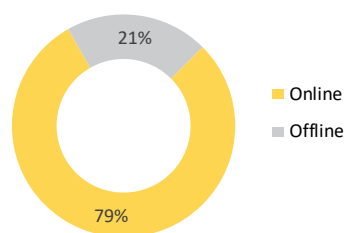
Adjusted EBITA declined by 2 percent to SEK 59 m (61) and adjusted EBITA margin declined to 31.4 (33.9) percent. The decline in adjusted EBITA is due to our active decision to invest and take some costs for preparation of Karnov's new offensive steps in Denmark. Further, the above-mentioned trade in the fourth quarter of 2018 affects comparability.

Operating profit (EBIT) was SEK 6 m (6) for the quarter including a SEK 21 m (24) in cost for items affecting comparability (see table below). Excluding these items, adjusted EBIT declined by SEK 4 m to SEK 26 m for the same reasons as mentioned above.

The quarter was impacted by final costs for the integration of Norstedts Juridik of SEK 2 m (3) and a net cost of SEK 6 m (0) related to write down of a subsidiary.

For the full year EBITA increased by 12.7 percent to SEK 206 m (183) and EBITA margin improved to 27.2 (25.5) percent. The EBITA improvement was driven by higher net sales, good cost control and lower items affecting comparability.

## Net sales split per fourth quarter, %



# 31%

## Adjusted EBITA margin



# 89%

## Cash conversion, Full Year 2019

Adjusted EBITA increased by 6.5 percent to SEK 279 m (262) and adjusted EBITA margin by 0.2 percentage points to 36.8 (36.6) percent.

For the full year, operating profit (EBIT) increased by SEK 18 m to SEK 80 m (63) despite SEK 24 m higher depreciation and amortisation. The improvement was due to higher sales and good cost control.

Items affecting comparability	Q4		Jan-Dec	
	2019	2018	2019	2018
TSEK				
Acquisition costs	750	-1,430	750	20,965
Integration costs	1,929	3,343	14,673	12,042
IPO costs	-1,192	19,621	38,209	38,668
Write down of subsidiaries	19,023	-	19,023	-
Other	-	2,580	-	7,204
<b>Total</b>	<b>20,510</b>	<b>24,114</b>	<b>72,655</b>	<b>78,879</b>

### Net financial items

Net financial items for the quarter amounted to SEK 8 m compared to SEK -21 m for the corresponding quarter of 2018.

This improvement is mainly a result of the new financing structure following the IPO, with lower debt and interest rates in line with expectations. Further a reversed earn-out liability has had a positive impact of SEK 13 m, while currency effects related to long-term loans in DKK had a negative effect of SEK 1 m.

Net financial items for the full year amounted to SEK -70 m (-98). Currency effect was SEK -17 m (-11) for the full year. Net financial items also include a one-off cost of SEK 25 m related to capitalized settlement costs that were realised when terminating the old finance agreement following the IPO.

### Profit before and after tax, Earnings per share

Profit before tax increased by SEK 21 m to SEK 6 m (-15) compared to the corresponding quarter of 2018.

Profit before tax for the full year increased by SEK 38 m to SEK 3 m (-35).

Profit after tax amounted to SEK 8 m (-15). Taxes for the fourth quarter are positive by SEK 2 m while taxes for the corresponding quarter of 2018 were SEK 0 m.

Profit after tax for the full year improved by SEK 50 m to SEK 3 m (-47).

Earnings per share after dilution was SEK 0.08 (-0.36) for the quarter and SEK 0.03 (-1.14) for the full year.

### Cash flow and investments

Cash flow from operating activities for the quarter decreased by SEK 36 m to SEK 51 m (87). The decrease reflects a SEK 61 m negative effect from working capital whereof SEK 30 m relates to paid taxes including SEK 18 m ordinary taxes for 2018 and SEK 12 m preliminary taxes for 2019. The negative effect is partially offset by SEK 25 m EBITDA improvement.

Total investments for the quarter amounted to SEK 25 m (27), of which SEK 18 m (26) related to intangible assets, SEK 4 m (0) investment in associated companies and remaining part in other assets.

For the full year, operating cash flow amounted to SEK 137 m (186), while total investments in intangible assets for the same period amounted to SEK 121 m (97). Investments in intangible assets are mainly related to the business' online platform.

The cash conversion rate was 156 (177) percent for the fourth quarter and 89 (107) percent for the full year. The lower conversion rate for the quarter mainly reflects a one-time change of processes and timing of invoicing following the acquisition of Norstedts Juridik, resulting in a significant positive effect on the cash generation in 2018.



## 2.7 Leverage

Cash conversion TSEK	Q4		Jan-Dec	
	2019	2018	2019	2018
Adjusted EBITDA	70,406	68,097	323,947	288,370
Adjusted cash flow from operating activities	109,459	120,314	286,883	307,978
<b>Cash conversion, %</b>	<b>155.5%</b>	<b>176.7%</b>	<b>88.6%</b>	<b>106.8%</b>

### Financial position

Net Debt TSEK	Q4	
	2019	2018
Total borrowings	913,317	1,730,544
Cash and cash equivalents	52,008	201,797
<b>Net debt</b>	<b>861,309</b>	<b>1,528,747</b>
Net debt/adjusted EBITDA LTM	2.7	5.3
Equity	1,526,769	625,209
Equity ratio, %	44.9%	18.4%

Net debt was SEK 861 m at the end of 2019 compared to SEK 1,529 m at the end of 2018. The significant decrease was mainly due to the net proceeds of SEK 670 m 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 2.7 (5.3) times and the equity ratio was 44.9 (18.4) percent with an equity of SEK 1,527 m (625). 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 52 m (202) and the Group had unutilized credit lines of SEK 525 m (46).

# Significant events

## JUNO

The roll-out of this common platform was completed in the fourth quarter

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### Fourth quarter

- › As of 14 October 2019, the address of the head office of Karnov Group is Warfvings väg 39, 112 51 Stockholm, Sweden.
- › The roll-out in Sweden of JUNO has been completed. Therefore, Karnov's old online platform in Sweden and Norstedts Juridik's platform have been closed. New users and customers are now only getting access to the new JUNO platform.
- › The Nomination Committee for the 2020 Annual Meeting of Shareholders (AGM) has been appointed.
- › Karnov Group has invested in the Danish start-up company Procurementlink ApS, which is developing and will market a specialised product for procurement law.

### Events after the end of the period

- › Karnov Group has invested in the Danish legal tech start-up Ante ApS. The investment is part of Karnov Group's strategy of establishing a broad technology platform that creates increased relevance and efficiency for professionals working with legal information.
- › Olov Sundström, CEO of Norstedts Juridik and Head of the Swedish operations of Karnov Group, gives notice that he has decided to step down after 32 years of service to the company and leave the company in April 2020.
- › Alexandra Åquist has been appointed new CEO of Norstedts Juridik and is expected to assume her new position in May.
- › The Board of Directors proposes a dividend of SEK 0.45 per share to be approved by the Annual General Meeting on May 5<sup>th</sup>, 2020.



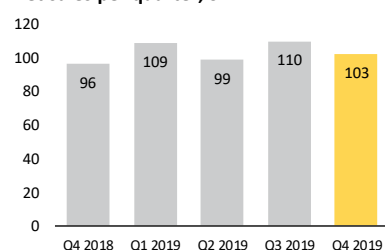


# Segment performance

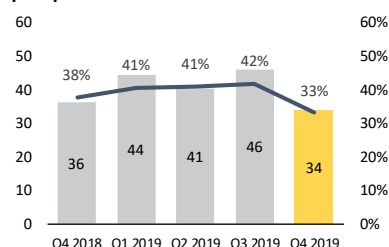
## Denmark

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 Legal Cross Border.

Net sales per quarter, SEKm



Adjusted EBITA, SEKm and margin, % per quarter



TSEK	Q4			Jan-Dec		
	2019	2018	Δ%	2019	2018	Δ%
Net sales	102,553	96,338	6.5%	420,656	396,624	6.1%
Organic growth, %	3.3%	2.3%		2.7%	5.0%	
EBITA	12,563	29,914	-58.0%	123,515	141,899	-13.0%
EBITA margin, %	12.3%	31.1%		29.4%	35.8%	
Adjusted EBITA	33,982	36,485	-6.9%	165,189	157,173	5.1%
Adjusted EBITA margin, %	33.1%	37.9%		39.3%	39.6%	

### Net sales and growth

Net sales for the fourth quarter increased by 6.5 percent to SEK 103 m (96) driven by organic growth of 3.3 percent and currency effects of 3.2 percent. Organic growth was mainly driven by upselling to existing customers and according to expectations. The organic growth rate is influenced by the Group 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. However, Karnov has entered into a collaboration with the law firm Horten to promote e-courses on the Danish market.

For the full year, net sales increased by 6.1 percent to SEK 421 m (397) driven by organic growth of 2.7 percent and currency effect of 3.3 percent. Organic growth was according to expectations and mainly driven by online sales to existing customers.

### Operating income

EBITA decreased to SEK 13 m (30) and EBITA margin decreased to 12.3 (31.1) percent impacted by a net cost of SEK 6 m (0) related to write down of a subsidiary. Due to the accounting principles the net cost of SEK 6 m is recognised in the profit and loss as a cost of SEK 19 m in other operational expenses and a finance income from the related earn-out liability which was reduced by SEK 13 m. This adjustment of the liability is included in the financial items and not in the EBIT result. The net cost of SEK 6 m has no cash-flow effect. The write down is due to revenues being below expectations in the subsidiary.

Adjusted EBITA amounted to SEK 34 m (36) and adjusted EBITA margin to 33.1 (37.9) percent. The decline in adjusted EBITA margin was due to the decision to actively invest and take some costs for preparation of Karnov's new offensive steps in Denmark including used resources in this planning leading to lower CAPEX for this quarter.

Operating profit (EBIT) decreased to SEK -1 m (15). Higher sales, product mix effects and an overall good cost control had a positive impact while higher amortisation and depreciation as well as higher items affecting comparability had a negative impact.

For the full year EBITA amounted to SEK 124 m (142) and EBITA margin amounted to 29.4 (35.8) percent. However, adjusted EBITA improved to SEK 165 m (157) and adjusted EBITA margin was 39.3 (39.6) percent. The adjusted EBITA improvement was due to higher sales, better product mix and good cost control.

Operating profit (EBIT) amounted to SEK 65 m (81).

Items affecting comparability	Q4		Jan-Dec	
	2019	2018	2019	2018
TSEK				
Acquisition costs	750	-	750	-
Integration costs	1,647	140	1,642	497
IPO costs	-	4,641	20,260	12,583
Write down of subsidiaries	19,023	-	19,023	-
Other	-	1,790	-	2,193
<b>Total</b>	<b>21,420</b>	<b>6,571</b>	<b>41,675</b>	<b>15,273</b>

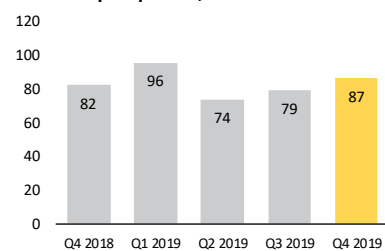
The Swedish segment is specialised in online and offline legal solutions; the environmental, health and safety compliance; legal classroom training and e-courses. The segment provides online tools for the broad legal services market, including contract templates. The segment includes Norstedts Juridik,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

## Segment performance (cont.)

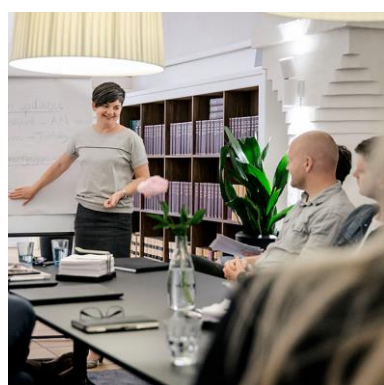
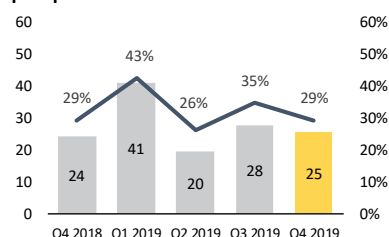
### Sweden

TSEK	Q4			Jan-Dec		
	2019	2018	Δ%	2019	2018	Δ%
Net sales	86,631	82,479	5.0%	336,431	318,718	5.6%
Organic growth, %	5.0%	-3.7%		5.6%	0.0%	
EBITA	26,350	6,617	298.2%	82,461	40,861	101.8%
EBITA margin, %	30.4%	8.0%		24.5%	12.8%	
Adjusted EBITA	25,440	24,159	5.3%	113,441	104,467	8.6%
Adjusted EBITA margin, %	29.4%	29.3%		33.7%	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 5.0 percent to SEK 87 m (82). Organic growth was driven by online sales, upselling to existing customers and sales of new products to both existing and new customers. Offline sales declined more than in previous quarters of 2019 due to a significant trade in the fourth quarter of 2018 which affects comparability. The roll-out of JUNO to existing customers has been completed during the fourth quarter. Improvements are still being deployed to the platform and the Company will continue to use feedback from its users to further enhance this new combined product.

For the full year, net sales increased by 5.6 percent to SEK 336 m (319) driven by strong performance in the online business, partially offset by an expected decline in the offline business.

### Operating income

In the fourth quarter EBITA amounted to SEK 26 m (7) and the EBITA margin to 30.4 (8.0) percent. EBITA was impacted by SEK -1 m (18) 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 25 m (24) driven by higher net sales, partially offset by SEK 7 m higher depreciation and amortization related to finalized R&D projects. Adjusted EBITA margin increased to 29.4 (29.3) percent.

Operating profit (EBIT) was SEK 7 m (-8) effected by items affecting comparability of SEK -1 m (18) from a positive adjustment as well as by increased depreciations and amortisations of SEK 7 m.

For the full year EBITA increased to SEK 82 m (41) and the EBITA margin to 24.5 (12.8) percent. Adjusted EBITA increased to SEK 113 m (104) and adjusted EBITA margin to 33.7 (32.8) percent driven by higher net sales and good cost control while higher depreciation and amortisation had a negative impact.

Operating profit (EBIT) was SEK 15 m (-18).

### Items affecting comparability

TSEK	Q4		Jan-Dec	
	2019	2018	2019	2018
Acquisition costs	-	-1,430	-	20,965
Integration costs	282	3,203	13,031	11,545
IPO costs	-1,192	14,980	17,949	26,085
Other	-	790	-	5,011
<b>Total</b>	<b>-910</b>	<b>17,543</b>	<b>30,980</b>	<b>63,606</b>



# 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](http://www.karnovgroup.com).

## Seasonal variations

Typically, 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 unchanged 250 (250) compared to the fourth quarter of 2018 but declined by approx. 4 percent compared to the third quarter of 2019. The decline is due to synergies in Sweden and completion of the roll-out of JUNO in Sweden.

On average during the fourth quarter of 2019 50% (49%) of the FTEs were males and 50% (51%) females.

## Annual General Meeting (AGM)

The AGM for 2020 will be held on 5 May 2020 at T-House in Stockholm.

## Annual Report

The 2019 Annual Report as well as the Corporate Governance Report is planned to be published on March 31<sup>st</sup>, 2020 at the Company's website [www.karnovgroup.com](http://www.karnovgroup.com). The reports will be sent to those shareholders requesting so. The reports will also be kept available in the Company's office.

## Proposed dividend

The Board of Directors has decided to propose to the Annual General Meeting on 5 May 2020 a dividend of 0.45 SEK per share.

The dividend is to be paid to shareholders who are included in the Company's shareholder record, kept by Euroclear Sweden AB, on 8 May 2020. Payment is made in Swedish kronor (SEK).

## 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 31 December 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/](http://www.karnovgroup.com/en/share-capital-development/).

On 31 December 2019, the company had 807 known shareholders. The five largest shareholders with 5% or more of the shares outstanding in Karnov Group AB were Kayne Anderson Rudnick, Janus Henderson Investors, M&G Investment Management, Vind LV AS and Lazard Asset Management.

In the second quarter items related to the preparation of the IPO and the IPO itself have 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 each quarter been recognized as employee cost 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

An Extraordinary General Meeting 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/](http://www.karnovgroup.com/en/incentive-program/)

### Related-party transactions

The Group has carried out related-party transactions with the former 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 -6 m (-14).

### Outlook

Karnov does not provide financial forecasts.

### Review

This year-end report has not been the subject to a review by the Company's auditors.

### Disclosure

This year-end 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 21 February 2020 at 8.00 am CET.

### Karnov Group AB (publ)

Stockholm, 21 February 2020

Flemming Breinholt  
President and CEO

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## Q4 presentation teleconference

Karnov will present the fourth quarter and full-year results for analysts and investors via a webcast teleconference on 21 February at 9.00 am CET.

To participate, use the following link:  
<https://tv.streamfabriken.com/karnov-group-q4-2019>

or dial-in numbers:  
SE: +46 8 505 583 69  
DK: +45 7 815 0110  
UK: +44 333 300 92 63  
US: +1 833 526 8381

The presentation will also be available on [www.financialhearings.com](http://www.financialhearings.com)

## Financial calendar 2020

Annual Report 2019, 31 March, 2020

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

Interim report April-June 2020 26 August, 2020

Interim report July-September 2020 5 November, 2020

# Consolidated statement of comprehensive income

TSEK	Note	Q4		Jan-Dec	
		2019	2018	2019	2018
Net sales	5	189,183	178,817	757,087	715,342
<b>Total revenue</b>		<b>189,183</b>	<b>178,817</b>	<b>757,087</b>	<b>715,342</b>
Goods for resale		-33,494	-28,670	-135,194	-126,408
Employee benefit expenses		-62,741	-58,428	-222,994	-215,434
Depreciations and amortisations		-44,189	-37,667	-171,111	-146,809
Other operating expenses		-43,052	-47,735	-147,607	-164,009
<b>Operating profit</b>		<b>5,707</b>	<b>6,317</b>	<b>80,181</b>	<b>62,682</b>
Financial income		14,070	81	14,425	319
Financial expense		-6,482	-21,231	-84,409	-98,217
<b>Net financial items</b>		<b>7,588</b>	<b>-21,150</b>	<b>-69,984</b>	<b>-97,898</b>
Write down of subsidiaries		-7,102	-	-7,102	-
<b>Profit before income tax</b>		<b>6,193</b>	<b>-14,833</b>	<b>3,095</b>	<b>-35,216</b>
Income tax		1,645	-428	385	-11,591
<b>Net result</b>		<b>7,838</b>	<b>-15,261</b>	<b>3,480</b>	<b>-46,807</b>
<b>Other comprehensive income:</b>					
Items that may be reclassified to profit or loss:					
Exchange differences on translation of foreign operations		-31,429	-34,986	13,989	-6,410
<b>Total comprehensive income for the period</b>		<b>-23,591</b>	<b>-50,247</b>	<b>17,469</b>	<b>-53,217</b>
<b>Profit for the period is attributable to:</b>					
Shareholders in Karnov Group AB		7,656	-16,291	2,621	-50,927
Non-controlling interest		182	1,030	859	4,120
<b>Total profit for the period</b>		<b>7,838</b>	<b>-15,261</b>	<b>3,480</b>	<b>-46,807</b>
<b>Total comprehensive income for the period is attributable to:</b>					
Shareholders in Karnov Group AB		-23,773	-51,277	16,610	-57,337
Non-controlling interest		182	1,030	859	4,120
<b>Total comprehensive income</b>		<b>-23,591</b>	<b>-50,247</b>	<b>17,469</b>	<b>-53,217</b>
Earnings per share, basic, SEK	4	0.08	0.12	0.03	-0.77
Earnings per share, after dilution, SEK		0.08	-0.36	0.03	-1.14

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	31 Dec 2019	31 Dec 2018
<b>ASSETS:</b>			
Goodwill		1,656,311	1,657,692
Other intangible assets		1,263,117	1,289,596
Right-of-use assets		112,477	-
Property, plant and equipment (PPE)		5,434	5,721
Investments in associates		5,778	8,524
Loans to associated companies		2,937	-
Deposits		2,729	2,628
Deferred tax assets		425	832
<b>Total non-current assets</b>		<b>3,049,208</b>	<b>2,964,993</b>
Inventories		13,097	11,553
Trade receivables	3	209,672	169,231
Prepaid expense and accrued income		8,391	15,951
Other receivables		14,387	1,926
Tax receivable		51,894	27,129
Cash and cash equivalents		52,008	201,797
<b>Total current assets</b>		<b>349,449</b>	<b>427,587</b>
<b>TOTAL ASSETS</b>		<b>3,398,657</b>	<b>3,392,580</b>
<b>EQUITY AND LIABILITIES:</b>			
Share capital		1,503	688
Share premium		2,062,361	798,472
Reserves		-320,320	30,532
Retained earnings including net profit for the year		-217,050	-223,017
<b>Total equity attributable to the parent company's shareholders</b>		<b>1,526,494</b>	<b>606,675</b>
Non-controlling interest		275	18,534
<b>Total equity</b>		<b>1,526,769</b>	<b>625,209</b>
Borrowing from credit institutions	3	838,317	1,378,199
Borrowing from related parties	3	-	218,819
Lease liabilities		102,783	-
Deferred tax liability		170,551	256,581
Provisions		5,456	5,192
<b>Total non-current liabilities</b>		<b>1,117,107</b>	<b>1,858,791</b>
Borrowing from credit institutions		75,000	65,625
Borrowing from related parties	3	-	67,901
Trade payables	3	12,477	30,890
Current tax liabilities		71,860	17,617
Accrued expenses		126,239	164,542
Prepaid income		399,586	342,902
Deferred acquisition payment		-	130,588
Lease liabilities		11,622	-
Other current liabilities		57,997	88,515
<b>Total current liabilities</b>		<b>754,781</b>	<b>908,580</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,398,657</b>	<b>3,392,580</b>

# 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
<b>Balance at 1 Jan 2018</b>	<b>688</b>	<b>798,472</b>	<b>53,888</b>	<b>-131,985</b>	<b>721,063</b>	<b>-15,851</b>	<b>705,212</b>
Adjustment to prior years*	-	-	-16,946	-40,105	-57,051	57,051	-
<b>Restated balance at 1 Jan 2018</b>	<b>688</b>	<b>798,472</b>	<b>36,942</b>	<b>-172,090</b>	<b>664,012</b>	<b>41,200</b>	<b>705,212</b>
Net result	-	-	-	-50,927	-50,927	4,120	-46,807
Other comprehensive income for the period	-	-	-6,410	-	-6,410	-	-6,410
<b>Total comprehensive income/loss</b>	<b>-</b>	<b>-</b>	<b>-6,410</b>	<b>-50,927</b>	<b>-57,337</b>	<b>4,120</b>	<b>-53,217</b>
<b>Transaction with shareholders in their capacity as owners</b>							
Redemption of shares <sup>1</sup>	-	-	-	-	-	-26,786	-26,786
<b>Total transaction with shareholders</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-26,786</b>	<b>-26,786</b>
<b>Balance at 31 Dec 2018</b>	<b>688</b>	<b>798,472</b>	<b>30,532</b>	<b>-223,017</b>	<b>606,675</b>	<b>18,534</b>	<b>625,209</b>

\*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
<b>Balance at 1 Jan 2019</b>	<b>688</b>	<b>798,472</b>	<b>30,532</b>	<b>-223,017</b>	<b>606,675</b>	<b>18,534</b>	<b>625,209</b>
Net result	-	-	-	2,621	2,621	859	3,480
Other comprehensive income for the period	-	-	13,989	-	13,989	-	13,989
<b>Total comprehensive income/loss</b>	<b>-</b>	<b>-</b>	<b>13,989</b>	<b>2,621</b>	<b>16,610</b>	<b>859</b>	<b>17,469</b>
<b>Transaction with shareholders in their capacity as owners</b>							
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	-364,841	-	-78,361	-19,118	-97,478
Issue of ordinary shares to new investors	639	768,325	-	-	768,964	-	768,964
Sharebased payment	-	-	-	3,346	3,346	-	3,346
<b>Total transaction with shareholders</b>	<b>815</b>	<b>1,263,889</b>	<b>-364,841</b>	<b>3,346</b>	<b>903,209</b>	<b>-19,118</b>	<b>884,092</b>
<b>Balance at 31 Dec 2019</b>	<b>1,503</b>	<b>2,062,361</b>	<b>-320,320</b>	<b>-217,050</b>	<b>1,526,494</b>	<b>275</b>	<b>1,526,769</b>

# Consolidated statement cash flow

TSEK	Q4		Jan-Dec	
	2019	2018	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating profit	5,707	6,317	80,181	62,682
<b>Adjustments:</b>				
Non-cash items	63,213	37,667	190,217	146,809
<b>Effect of changes in working capital:</b>				
Increase/decrease in inventories	-387	1,297	-1,460	1,119
Increase/decrease in receivables	-115,541	-104,823	-43,923	10,942
Increase/decrease in trade payables and other payables	-9,219	47,554	-50,903	31,646
Increase/decrease in prepaid income	146,311	115,270	53,091	10,195
Interest paid	-4,672	-12,979	-31,878	-52,779
Income tax paid	-34,195	-3,453	-58,049	-24,881
<b>Net effect of changes in working capital</b>	<b>-17,703</b>	<b>42,866</b>	<b>-133,122</b>	<b>-23,758</b>
<b>Cash flow from operating activities</b>	<b>51,217</b>	<b>86,850</b>	<b>137,276</b>	<b>185,733</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of participations in associated companies	-4,282	-	-4,282	-8,492
Acquisition of subsidiaries	48	-	-138,940	-627,982
Loan to subsidiaries	-55	-	-2,981	-
Increase/(decrease) in deposits and other assets	-	1	-	49
Acquisition of intangible assets	-18,188	-26,341	-120,672	-96,694
Acquisition of PPE	-2,794	-522	-3,940	-2,008
<b>Cash flow from investing activities</b>	<b>-25,271</b>	<b>-26,862</b>	<b>-270,815</b>	<b>-735,127</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase/decrease in short term borrowings	-5,278	83,483	-59,603	94,036
Increase/decrease in lease liabilities	-8,656	-	-14,731	-
Principal payments on long-term debt	-	-6,621	-1,459,831	-9,892
Increase/decrease in long-term debt	-	-1,069	844,200	575,579
Transactions with non-controlling interest	-	-	-97,478	-
Proceeds from IPO	-	-	768,217	-
<b>Cash flow from financing activities</b>	<b>-13,933</b>	<b>75,793</b>	<b>-19,226</b>	<b>659,723</b>
<b>Cash flow for the period</b>	<b>12,012</b>	<b>135,781</b>	<b>-152,765</b>	<b>110,329</b>
Cash and cash equivalents at the beginning of the period	38,180	65,256	201,797	93,879
Exchange-rate differences in cash and cash equivalents	1,815	760	2,975	-2,411
<b>Cash and cash equivalents at the end of the period</b>	<b>52,008</b>	<b>201,797</b>	<b>52,008</b>	<b>201,797</b>



# Parent company income statement

TSEK	Note	Q4		Jan-Dec	
		2019	2018	2019	2018
Employee benefit expenses		-1,839	-	-7,440	-
Other operating expenses		-4,409	-13,604	-28,948	-18,294
<b>Operating profit</b>		<b>-6,248</b>	<b>-13,604</b>	<b>-36,388</b>	<b>-18,294</b>
Financial income		-10,394	6,327	25,351	19,277
Financial expense		-104	-4,571	-9,071	-19,865
<b>Net financial items</b>		<b>-10,498</b>	<b>1,756</b>	<b>16,280</b>	<b>-588</b>
<b>Profit before income tax</b>		<b>-16,746</b>	<b>-11,848</b>	<b>-20,108</b>	<b>-18,882</b>
Income tax		1,768	2,506	-	-215
<b>Net result</b>		<b>-14,978</b>	<b>-9,342</b>	<b>-20,108</b>	<b>-19,097</b>
<b>Total comprehensive income</b>		<b>-14,978</b>	<b>-9,342</b>	<b>-20,108</b>	<b>-19,097</b>

# Parent company balance sheet

TSEK	Note	31 Dec 2019	31 Dec 2018
<b>ASSETS:</b>			
Investments in group enterprises		1,143,458	759,500
Receivables from group enterprises		800,852	192,444
<b>Total non-current assets</b>		<b>1,944,310</b>	<b>951,944</b>
Receivables from group enterprises		-	5,790
Other receivables		8,874	67
Current tax receivable		38,306	18,341
Cash and cash equivalents		156	974
<b>Total current assets</b>		<b>47,336</b>	<b>25,172</b>
<b>TOTAL ASSETS</b>		<b>1,991,646</b>	<b>977,116</b>
TSEK		31 Dec 2019	31 Dec 2018
<b>EQUITY AND LIABILITIES:</b>			
<b>Restricted equity</b>			
Share capital		1,503	688
<b>Non-restricted equity</b>			
Share premium		2,062,363	798,472
Retained earnings including net profit for the year		-73,755	-53,644
<b>Total equity</b>		<b>1,990,111</b>	<b>745,516</b>
Borrowing from related parties		-	218,819
<b>Total non-current liabilities</b>		<b>-</b>	<b>218,819</b>
Trade payables		88	1,608
Trade payables from group companies		11	4,225
Accrued expenses and prepaid income		1,388	6,948
Other current liabilities		48	-
<b>Total current liabilities</b>		<b>1,535</b>	<b>12,781</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,991,646</b>	<b>977,116</b>

# 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
<b>Operating lease commitments as at 31 December 2018</b>	<b>39,768</b>
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
<b>Lease liability recognised as at 1 January 2019</b>	<b>106,225</b>
Of which are:	
Current lease liabilities	14,221
Non-current lease liabilities	92,004
	<b>106,225</b>

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	31 Dec 2019	01 Jan 2019
Properties	109,335	103,784
Equipment	826	1,159
Cars	2,316	1,282
<b>Total right-of-use assets</b>	<b>112,477</b>	<b>106,225</b>

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	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
<b>FINANCIAL ASSETS</b>				
<b>Financial assets at amortised cost</b>				
Trade receivables	209,672	169,231	209,672	169,231
Cash and cash equivalents	52,008	201,797	52,008	201,797
<b>Total</b>	<b>261,680</b>	<b>371,028</b>	<b>261,680</b>	<b>371,028</b>
<b>FINANCIAL LIABILITIES</b>				
<b>Financial liabilities at fair value through profit or loss (FVPL)</b>				
Contingent considerations	18,533	44,759	18,533	44,759
<b>Liabilities at amortised cost</b>				
Trade payables	12,477	30,890	12,477	30,890
Non-current borrowing from credit institutions	838,317	1,378,199	838,317	1,378,199
Current borrowings from credit institutions	75,000	65,625	75,000	65,625
Deferred acquisition payment	-	130,588	-	130,588
Non-current borrowings from related parties	-	218,819	-	218,819
Current borrowing from related parties	-	67,901	-	67,901
<b>Total</b>	<b>944,327</b>	<b>1,936,781</b>	<b>944,327</b>	<b>1,936,781</b>

### 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	Q4		Jan-Dec	
	2019	2018	2019	2018
Earnings attributable to shareholders	7,656	-16,291	2,621	-50,927
Weighted average numbers of outstanding shares:*				
Basic	97,670,567	44,724,680	84,434,095	44,724,680
After listing (Proforma)	97,670,567	97,670,567	97,670,567	97,670,567
Earnings per share, basic, SEK	0.08	-0.36	0.03	-1.14
Earnings per share, after dilution, SEK	0.08	-0.36	0.03	-1.14

Earnings per share before and after dilution is affected by the incentive program for the employees. 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 2018
	Q4		Q4		Q4		
	2019	2018	2019	2018	2019	2018	
Online					149,890	135,798	532,553
Offline					39,293	43,019	182,789
<b>Total net sales</b>	<b>102,553</b>	<b>96,338</b>	<b>86,631</b>	<b>82,479</b>	<b>189,183</b>	<b>178,817</b>	<b>715,342</b>
EBITDA	14,469	30,652	35,427	13,333	49,896	43,984	209,491
EBITA	12,563	29,914	26,350	6,617	38,912	36,529	182,760
EBIT	-1,333	14,545	7,040	-8,226	5,707	6,317	62,682
Net financial items					7,588	-21,150	-97,898
Profit before tax					6,193	-14,833	-35,216
Income tax expenses					1,645	-428	-11,591
Net result					7,838	-15,261	-46,807



TSEK	Denmark		Sweden		Total	
	Jan-Dec		Jan-Dec		Jan-Dec	
	2019	2018	2019	2018	2019	2018
Online					581,673	532,553
Offline					175,414	182,789
<b>Total net sales</b>	<b>420,656</b>	<b>396,624</b>	<b>336,431</b>	<b>318,718</b>	<b>757,087</b>	<b>715,342</b>
EBITDA	131,396	144,910	119,896	64,582	251,292	209,491
EBITA	123,515	141,899	82,461	40,861	205,975	182,760
EBIT	64,957	80,733	15,224	-18,051	80,181	62,682
Net financial items					-69,984	-97,898
Profit before tax					3,095	-35,216
Income tax expenses					385	-11,591
Net result					3,480	-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	Q4		Jan-Dec	
	2019	2018	2019	2018
Organic business	186,139	120,091	743,861	469,169
Acquired business	-	54,097	-	223,418
Currency	3,044	4,629	13,226	22,755
<b>Total net sales</b>	<b>189,183</b>	<b>178,817</b>	<b>757,087</b>	<b>715,342</b>

Total net sales split, % TSEK	Q4		Jan-Dec	
	2019	2018	2019	2018
Organic growth, %	4.1%	0.8%	4.0%	3.9%
Acquired growth, %	-	45.4%	-	49.5%
Currency effect, %	1.7%	3.9%	1.8%	5.0%
<b>Total growth, %</b>	<b>5.8%</b>	<b>50.1%</b>	<b>5.8%</b>	<b>58.4%</b>

Group	Q4		Jan-Dec	
	2019	2018	2019	2018
TSEK				
Net sales	189,183	178,817	757,087	715,342
EBITDA	49,896	43,984	251,292	209,491
EBITDA margin, %	26.4%	24.6%	33.2%	29.3%
Items affecting comparability	20,510	24,113	72,655	78,879
Adjusted EBITDA	70,406	68,097	323,947	288,370
Adjusted EBITDA margin, %	37.2%	38.1%	42.8%	40.3%
Depreciations and amortisations	-10,984	-7,455	-45,317	-26,731
EBITA	38,912	36,529	205,975	182,760
EBITA margin, %	20.6%	20.4%	27.2%	25.5%
Adjusted EBITA	59,422	60,642	278,630	261,639
Adjusted EBITA margin, %	31.4%	33.9%	36.8%	36.6%
Amortisation (acquisitions)	-33,205	-30,212	-125,794	-120,078
EBIT	5,707	6,317	80,181	62,682

Denmark	Q4		Jan-Dec	
	2019	2018	2019	2018
TSEK				
Net sales	102,553	96,338	420,656	396,624
EBITDA	14,469	30,652	131,396	144,910
EBITDA margin, %	14.1%	31.8%	31.2%	36.5%
Items affecting comparability	21,420	6,571	41,675	15,273
Adjusted EBITDA	35,889	37,223	173,071	160,182
Adjusted EBITDA margin, %	35.0%	38.6%	41.1%	40.4%
Depreciations and amortisations	-1,906	-738	-7,881	3,010
EBITA	12,563	29,914	123,515	141,899
EBITA margin, %	12.2%	31.1%	29.4%	35.8%
Adjusted EBITA	33,982	36,485	165,189	157,173
Adjusted EBITA margin, %	33.1%	37.9%	39.3%	39.6%
Amortisation (acquisitions)	-13,895	-15,369	-58,558	-61,167
EBIT	-1,333	14,545	64,957	80,733

Sweden	Q4		Jan-Dec	
	2019	2018	2019	2018
TSEK				
Net sales	86,631	82,479	336,431	318,718
EBITDA	35,427	13,333	119,896	64,582
EBITDA margin, %	40.9%	16.2%	35.6%	20.3%
Items affecting comparability	-910	17,542	30,980	63,606
Adjusted EBITDA	34,517	30,875	150,876	128,188
Adjusted EBITDA margin, %	39.8%	37.4%	44.8%	40.2%
Depreciations and amortisations	-9,077	-6,716	-37,435	-23,721
EBITA	26,350	6,617	82,461	40,861
EBITA margin, %	30.4%	8.0%	24.5%	12.8%
Adjusted EBITA	25,440	24,159	113,441	104,467
Adjusted EBITA margin, %	29.4%	29.3%	33.7%	32.8%
Amortisation (acquisitions)	-19,310	-14,843	-67,237	-58,911
EBIT	7,040	-8,226	15,224	-18,051

#### Return on capital

TSEK	31 Dec 2019	31 Dec 2018
EBIT	80,181	62,682
Total assets	3,398,657	3,392,580
<b>Return on capital, %</b>	<b>2.4%</b>	<b>1.8%</b>

#### Net working capital

TSEK	31 Dec 2019	31 Dec 2018
Current assets	349,449	427,587
Current liabilities	754,781	908,580
<b>Net working capital</b>	<b>-405,332</b>	<b>-480,993</b>

#### Cash conversion

TSEK	Q4		Jan-Dec	
	2019	2018	2019	2018
Adjusted EBITDA	70,406	68,097	323,947	288,370
Cash flow from operating activities	51,217	86,850	137,276	185,733
Interest paid	4,672	12,979	31,878	52,779
Income tax paid	34,195	3,453	58,049	24,881
Items affecting comparability	20,510	24,113	72,655	78,879
Capex related to new product development	-1,135	-7,081	-12,975	-34,294
<b>Adjusted cash flow from operating activities</b>	<b>109,459</b>	<b>120,314</b>	<b>286,883</b>	<b>307,978</b>
<b>Cash conversion, %</b>	<b>155.5%</b>	<b>176.7%</b>	<b>88.6%</b>	<b>106.8%</b>

**Net debt**

TSEK	31 Dec 2019	31 Dec 2018
Non-current borrowing from credit institutions	838,317	1,378,199
Non-current borrowings from related parties	-	218,819
Current borrowing from credit institutions	75,000	65,625
Current borrowing from related parties	-	67,901
Cash and cash equivalents	52,008	201,797
<b>Net debt</b>	<b>861,309</b>	<b>1,528,747</b>

**Net debt/adjusted EBITDA LTM**

TSEK	31 Dec 2019	31 Dec 2018
Adjusted EBITDA LTM	323,949	288,370
Net debt	861,309	1,528,747
<b>Net debt/adjusted EBITDA LTM</b>	<b>2.7</b>	<b>5.3</b>

**Equity/asset ratio**

TSEK	31 Dec 2019	31 Dec 2018
Equity	1,526,769	625,209
Total assets	3,398,657	3,392,580
<b>Equity ratio, %</b>	<b>44.9%</b>	<b>18.4%</b>

# Quarterly overview

	Q4	Q3	Q2	Q1	Q4
TSEK	2019	2019	2019	2019	2018
<b>Income statement</b>					
Net sales	189,183	189,533	173,440	204,931	178,817
EBITDA	49,896	79,787	42,203	79,407	43,984
EBITDA margin, %	26.4%	42.1%	24.3%	38.7%	24.6%
EBITA	38,912	69,106	30,458	67,501	36,529
EBITA margin, %	20.6%	36.5%	17.6%	32.9%	20.4%
Adjusted EBITA	59,422	73,756	60,123	85,331	60,642
Adjusted EBITA margin, %	31.4%	38.9%	34.7%	41.6%	33.9%
EBIT	5,707	37,969	-560	37,066	6,317
EBIT, margin %	3.0%	20.0%	-0.3%	18.1%	3.5%
Net financial items	7,588	-5,805	-45,822	-25,945	-21,150
Net result	7,838	32,093	-44,303	7,852	-15,261
<b>Balance sheet</b>					
Non-current assets	3,049,208	3,132,158	3,114,226	3,091,455	2,964,993
Current assets	349,449	191,354	224,392	276,906	427,587
Cash and cash equivalents	52,008	38,180	78,092	144,810	201,797
Equity	1,526,769	1,549,329	1,497,238	643,413	625,209
Non-current liabilities	1,117,107	1,185,611	1,183,305	1,961,867	1,858,791
Current liabilities	754,781	588,572	658,075	763,081	908,580
Total assets	3,398,657	3,323,512	3,338,618	3,368,361	3,392,580
<b>Cash flow</b>					
Cash flow from operating activities	51,217	-18,931	-19,251	130,236	86,850
Cash flow from Investing activities	-25,271	-26,427	-38,852	-180,265	-26,862
Cash flow from financing activities	-13,933	-1,056	4,486	-4,672	75,793
Cash flow for the period	12,012	-46,414	-53,618	-54,701	135,781
<b>Key ratios</b>					
Net working capital	-405,332	-397,218	-433,684	-486,175	-480,993
Return on capital, %	0.2%	1.1%	0.0%	1.1%	0.2%
Equity ratio, %	44.9%	46.6%	44.8%	19.1%	18.4%
Cash conversion, %	155.5%	2.3%	25.2%	168.0%	176.7%
Net debt	861,309	891,880	840,527	1,618,219	1,528,747
<b>Share data:</b>					
Weighted average numbers of outstanding shares:					
Basic	97,670,567	97,670,567	97,670,567	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	0.08	0.33	-0.45	0.15	-0.36
Earnings per share, after dilution, SEK	0.08	0.33	-0.45	-	-0.36

# 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 net borrowings including capitalised bank costs and 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 31 Dec 2019	Average rate Jan-Dec 2019	Closing rate 31 Dec 2018	Average rate Jan-Dec 2018
1 DKK is equivalent to SEK	1.3968	1.4180	1.3760	1.3738

# 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.

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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.

**Denmark:** Legal, tax and accounting online and offline products and solutions

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**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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