Annual Report 2019

KARNOV GROUP

Contents

The Board of Directors and CEO of Karnov Group AB (publ) corporate identity number 559016-9016 presents the Annual Report and consolidated financial statements for the financial year 2019. The notes are an integrated part of these annual accounts and consolidated financial statements. The Annual Report is published in Swedish and English. In case of any differences between the English version and the Swedish original text, the Swedish version shall prevail.

Karnov Group in brief

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

Net sales per country

PARTNER IN INFORMATION

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

Better decisions, faster

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

60,000+	1,500+	>250
Users	Specialists	Number of employees

2019 in numbers

During 2019, Karnov delivered on its strategies and achieved the financial targets set out in the IPO. Sales continued to be driven by strong performance in the online market which offset the ongoing negative trend of a declining offline market. For the full year, Karnov Group generated more than a quarter of a billion SEK in adjusted cash flow. This has allowed the Board to propose the Company's first dividend of 0.45 SEK per share.

757	37%	2.7	89%
Net Sales, SEKm	Adjusted EBITA margin	Leverage ratio	Cash conversion

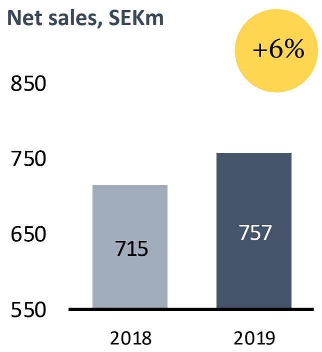
2019 IN NUMBERS

- Net sales increased by 6% to SEK 757 m (715) with organic growth of 4 % (4). Sales were driven by the Company's continued strong performance in the online market.
- EBITA amounted to SEK 206 m (183) and the EBITA margin was 27.2 % (25.5), impacted by negative items affecting comparability of SEK 73 m (79) mainly relating to the listing at Nasdaq Stockholm.
- Adjusted for items affecting comparability EBITA increased to SEK 279 m (262) and the adjusted EBITA margin to 36.8% (36.6).
- Operating profit (EBIT) amounted to SEK 80 m (63).
- Net result for the period was SEK 3 m (-47).
- Earnings per share before and after dilution amounted to SEK 0.03 (-1.14).
- The Board of Directors proposes a first dividend of SEK 0.45 per share.

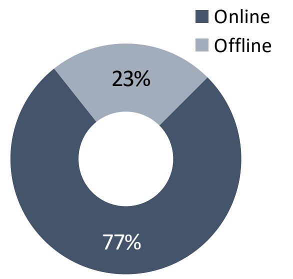
TSEK	2019	2018
Net sales	757,087	715,342
Organic growth, %	4.0%	3.9%
EBITA	205,975	182,760
EBITA margin, %	27.2%	25.5%
Adjusted EBITA	278,630	261,639
Adjusted EBITA margin, %	36.8%	36.6%
Net result for the period	3,480	-46,807
Cash flow from operating activities	137,276	185,733
Cash conversion, %	88.6%	106.8%
Average number of employees	252	244

For more information see Financial definitions on page 105 and Note 38 on page 96 for calculations of Alternative Performance Measures.

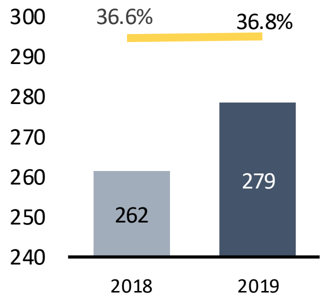
Net sales, SEKm



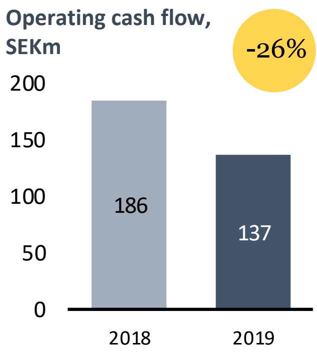
Net sales split online/offline



Adjusted EBITA, SEKm and margin, %



Operating cash flow, SEKm

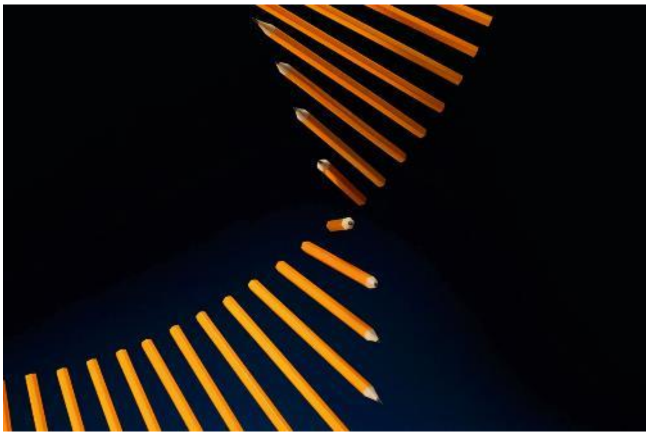


Main activities 2019

LISTING ON NASDAQ STOCKHOLM APRIL 2019

Following a successful IPO, Karnov Group was listed on Nasdaq Stockholm (Midcap) on April 11th, 2019. The Karnov share is traded under the ticker "KAR". Karnov Group has attracted a strong investor base, consisting of e.g. well-known international institutions. See more information under "The Karnov share" on page 18 in this Annual Report.

LAUNCH OF JUNO IN SWEDEN AUTUMN 2019



Karnov Group has developed its new legal information platform, JUNO. The solution combines the content from Karnov Group's Swedish legal information database Karnov Pro with the corresponding legal information service from Norstedts Juridik; Zeteo. JUNO has been developed in order to provide professionals working with the law fast and efficient access to legal information.

THE FUTURE LAWYER SURVEY OCTOBER 2019

Many industries, including the legal industry, are undergoing major changes today. Well-known business models and routine work practices are changing as a result of new technology, globalization and other macro trends. To raise awareness and bring inspiration to legal professionals and law firms, Karnov Group established and published the report "The Future Lawyer Survey" in October 2019, showing the demands, fears and expectations on the legal profession. Read the full report on Norstedts Juridik's website (Swedish version).

ONE TEAM – ONE COMPANY AUTUMN 2019

Following the integration of Norstedts Juridik, Karnov Group has had a strong focus on cross-collaboration throughout the organisation, focusing on leveraging synergies between the Danish and Swedish organisations and, at the same time, respecting cultural and market differences. Karnov Group's culture is customer-focused with efficiency and visions in mind. This makes it possible to grow the business both organically and through acquisitions.

CEO has the floor

During our first year as a listed company, we have performed in line with the financial expectations set out in connection with the IPO, and I am confident that we are on the right track to deliver on our financial targets. Following the successful activities in 2019, we can now put further focus on delivering on our growth strategy.

A successful 2019

We have enjoyed an eventful year. We started 2019 by preparing the Company for a public offering, and on April 11, 2019 we could ring the NASDAQ bell when the Karnov share became listed on Nasdaq Stockholm. This was a milestone in our Company's history.

Another milestone during 2019 was the launch of the JUNO platform in Sweden, and we have devoted almost all our development resources for two years to this new product, which combines the content from the individual platforms in Sweden of Karnov and Norstedts Juridik, providing legal professionals with a new platform with more value and even stronger possibilities to make better decisions, faster. We have gotten useful feedback from our users and will further enhance the platform during the first half of 2020. We will also use JUNO platform to update our Danish offering.

Since acquiring Norstedts Juridik in 2018, we have not only focused on developing the JUNO platform. It has been a complete integration focused on cross collaboration – one team and one company. The integration has been finalised in 2019 and we are now acting as a united company with all the positives from that.

In line with medium-term financial targets

In connection with our IPO, we presented our medium-term financial targets for the Group;

- An annual organic net sales growth of 3-5 percent;
- An increased adjusted EBITA margin; and
- A ratio of net debt to adjusted EBITDA of no more than 3.0.

During 2019, Karnov Group delivered on revenue and earnings above expectations. At the same time, Karnov Group generated an adjusted cash flow of more than a quarter of a billion SEK, leading to a leverage below the financial target.

The cash generation has allowed the Board to propose the Company's first dividend of SEK 0.45 per share. This corresponds to 30 percent of the net profit, adjusted for purchase price allocations, since the listing and is in line with our dividend policy which is to distribute 30 – 50 percent of this PPA-net profit.

Growing online and declining offline market

The global digitalisation is fast-moving, and the market for legal information is no exception. Prior to the IPO, we made a market study which shows an expected average market growth of 2.4 percent annually during 2018E-2021E where the online segment is expected to increase at a rate of 4.0 percent while the print segment is expected to decline with 2.4 percent. Looking back on 2019, the market development was in line with the anticipated trend. We have invested in Karnov Group's digital offering for multiple years and we should be able to harvest from these investments during many upcoming years.

The difference between online and offline sales is the use case, and where all research is done online there is still a need of printed material, journals and books for learning and special needs. Our online offering and some part of our offline offering are subscription-based, making it predictable in cash flow generation. Offline sales are seasonal and can fluctuate between quarters with one-off trades.

Our markets for legal and tax information are very stable and non-cyclical. Lawyers and tax experts are dependent on Karnov Group's services no matter the state of the market. What differs is the kind of information that is searched for. In these serious times when the COVID-19 virus is spreading, I want to acknowledge that we are actively following the situation. Currently, our assessment is that the virus has non-significant impact on our offline performance on a short-term basis, while our online business is currently non-affected. We are in close contact with our customers and will return with more information in our upcoming Q1 report.

CEO has the floor (cont.)

Adding more value to our customers – the journey

Karnov Group is a central part of the legal system in Sweden and Denmark. Combining public and proprietary content, Karnov Group enables users to make better decisions, faster – every day. Over 1,500 expert authors are part of our network and it is not uncommon that Karnov Group is used as a seal of quality by lawyers. Our customers are legal practitioners, accounting and audit firms, corporates and the public sector.

Having this central position in the legal, tax and accounting systems of Sweden and Denmark gives us a great responsibility. Professionals depend on our services in their daily work and it is therefore of utter importance that we keep adding value to our platform and keep ensuring that our professionals find the content relevant. Using data from our professional users, we ensure that updates and improvements are putting the customers' need in focus.

We are always on a journey to add more value to our platform. We are on an ongoing basis developing new data-driven features and tools Our aim is to continuously develop the position in Denmark and Sweden and also find new ways of expanding beyond these geographies. Geographic expansion opportunities are based on delivering legal information in additional countries, as well as international expansion of Karnov's jurisdiction-independent services. An example of the latter is the growing EHS (Environmental, Health and Safety) market.

Investments

To bring more value to our platform and our customers, we have made additional investments in line with our strategy to enhance our platform with new technologies and expand into new markets. In 2019 we have invested in the Danish start-up company ProcurementLink ApS, which is developing and will market a specialised product for procurement law.

In the beginning of 2020, we invested in the Danish legal tech start-up Ante ApS. The company is developing new technologies expected to be implemented in our digital platform over time to provide additional relevance and efficiency for our customers.

In the end of March 2020, we established LEXNordics AB, formed by Karnov Group and LEX247 where Karnov Group is the majority owner. LEX247 is a cloud-based legal enterprise practice management solution that represents a way for us of delivering even more value to the customers. Karnov Group's knowledge and market access combined with the strong LEX247 solution will enable us to have an even quicker uptake in the Nordic region.

Late March 2020, Karnov Group concluded an agreement to invest in Strawberry Law and acquire 40% of the shares in the company and at the same time the name was changed to Karnov Group Norway AS. Karnov Group Norway AS will provide digital subscription-based legal services to the Norwegian market and is based in Oslo. Karnov Group and Strawberry Law are aligned on high ambitions and on how to create strong business results together by combining the strengths of both parties. The legal research solution will be based on a platform collaboration between Strawberry Law and Lovdata, a leading Norwegian legal information solution provider. The platform collaboration with Lovdata is an important milestone for us, as it is the most widely used legal information solution in the Norwegian market, with remarkable satisfaction levels amongst its users.

With good cash generation from the core business and good credit lines we are financially prepared for additional investments and acquisitions.

Summarising words

I want to end this CEO letter by thanking all employees for their dedication to Karnov Group.

Our employees, authors and customers are key elements in our success and through our focus on cross collaboration and diversity, we have built a strong team. We have a very important role in the society, and we are living up to that role by e.g. following UN Global Compact principles and supporting diversity. I look forward to continuously together with all employees further develop our Company.

I also want to thank all shareholders for your trust in Karnov Group.

Copenhagen March 31, 2020

Flemming Breinholt

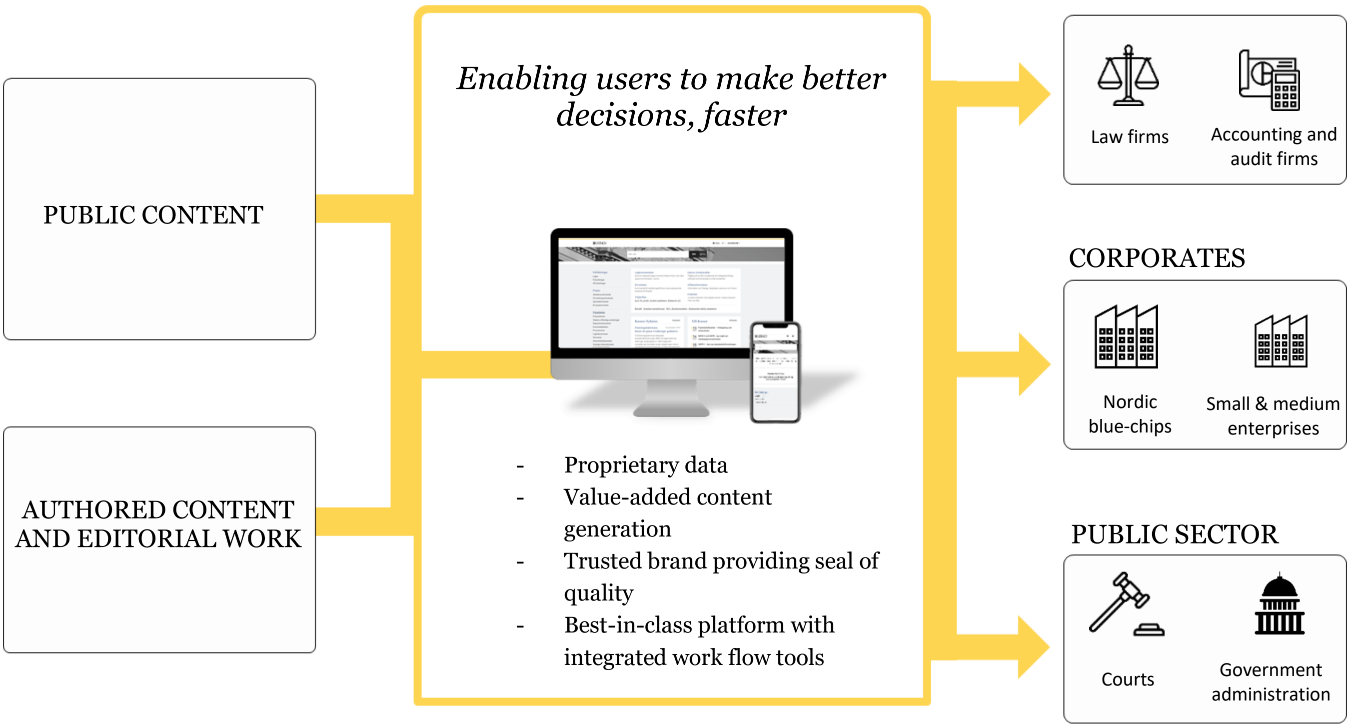
President and CEO

Karnov Group

Introduction to Karnov

Karnov is a leading provider of information products and services in the areas of legal and tax and accounting in Denmark and in the areas of legal and environmental, health and safety in Sweden. Karnov offers its services under its strong portfolio of brands, including Karnov, Norstedts Juridik, VJS, Notisum, Legal Cross Border and Forlaget Andersen. Karnov's vision and mission is to be an indispensable partner for all legal, tax and accounting professionals and enable its users to make better decisions, faster. The is accomplished by Karnov Group delivering the highest quality of content with a state-of-the-art user experience in order to support the users' workflow efficiency.

Karnov's products are largely digital, including subscription-based online solutions for law firms, tax and accounting firms, corporates and the public sector (including courts, libraries, universities, public authorities and municipalities). Karnov also publishes and sells printed books and journals as well as hosts legal training courses. As at December 31, 2019, Karnov's online platforms contained more than 700,000 linked documents, including, among other things, public data sources such as legislation, preparatory works and court cases, supplemented by more than 250,000 annotations and in-depth commentaries and analysis prepared by expert authors. By integrating public legal content with legal experts' analysis in the form of commentaries and annotations, Karnov provides a legal information system to more than 60,000 users.



History

Karnov Group was founded on one person's belief that access to the law is the foundation of every great society and Karnov's legacy dates back to 1867 when *Ugeskrift for Retsvæsen ("UfR")* was published for the first time. Over time Karnov Group has evolved from a traditional publishing company to a digital information provider. The following list presents an overview of important events in the development of Karnov Group's business.

>> **1867:** The first legal periodical (*UfR*), a weekly case law overview describing the most important rulings of the higher courts was launched in Denmark. Karnov Group acquired *UfR* from Gads Forlag in 1994.

>> **1924:** Karnov Group was founded in Copenhagen. Magnus Karnov published the first edition of collected laws with the ambition of making legal information more accessible.

>> **1948:** The fourth edition of Magnus Karnov's code of laws was published and renamed *Karnovs Lovsamling*, a name that is still used today.

>> **1979:** Karnov Sweden was established.

>> **2000:** Karnov online was launched in order to allow professionals in Denmark and Sweden to do legal research online.

>> **2012:** Karnov Group acquired VJS, a Swedish continued legal education business.

>> **2013:** Karnov Group acquired Magnus Informatik from Wolters Kluwer, strengthening the presence in the accounting market in Denmark.

>> **2016:** Karnov acquired Notisum AB.

>> **2017:** Karnov acquired the Danish publisher and course provider Forlaget Andersen A/S and invested in the legal tech start-up Legal Cross Border ApS.

>> **2018:** Karnov Group acquired Norstedts Juridik AB from Wolters Kluwer. Norstedts Juridik is a leading publisher of legal information in Sweden. Karnov Group also invested in the legal tech start-up BELLA Intelligence ApS. Further, Karnov Group's tax and accounting packages were relaunched in Denmark.

>> **2019:** Karnov Group was listed on Nasdaq Stockholm under the ticker "KAR" and launched the new platform JUNO on the Swedish market. Karnov Sweden moved into the office of Norstedts Juridik. Further, Karnov invested in the legal tech start-up ProcurementLink ApS.

Vision, mission and strategic objectives

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

Karnov's mission is to be an indispensable partner for all legal, tax and accounting professionals in Denmark and Sweden and Karnov aims to set the standards for how such practitioners access the law and manage their practices more efficiently. Karnov's overall strategic objectives include delivering the highest quality of content, providing a state-of-the-art user experience and supporting workflow efficiency.

Karnov's business concept

Customer needs

The work of knowledge professionals, such as legal professionals, auditors, tax advisors, other consultants, academics, judges and governmental officials, is driven by a need for accuracy, reliability and quality. In their daily work, these professionals need to continuously access and use information that is relevant for their professions in order to provide their services. As an example, in order to advice a client on a legal problem, a lawyer needs to gain understanding of the relevant subject area. In order to do so, the lawyer needs access to high quality content from sources such as laws, regulations, preparatory works, case law, commentaries to legislation and legal literature – some of which are subject to change and development. With an increasing speed of change and expanding regulation, coming from different regulatory bodies on different hierarchical levels, the knowledge professionals use information tools to orientate in this environment.

Karnov's value proposition

Karnov's value proposition involves three main objectives:

>> Deliver the highest quality of content

>> Provide a state-of-the-art user experience

>> Support workflow efficiency

Karnov aims to achieve its main objectives and create value for its customers based on a solid understanding of the complexity of the customers' businesses. With a constant focus on striving to deliver the highest level of quality, Karnov has a broad product offering of online and offline information and workflow services that aim to deliver value to Karnov's customers in three different contexts:

>> Learning: Karnov strives to deliver online and offline solutions that are tailored for specific learning areas, both in the academic context and for practitioners' continuous learning. Karnov's publication businesses in Denmark and Sweden have delivered content for students and practitioners for more than 100 years.

>> Researching: Whether it is finding case law that supports an argument or understanding the reasoning behind the amendment of a certain law, Karnov, supported by authored content, aims to provide the insight needed. As at December 31, 2019, Karnov had contracts with more than 1,500 legal experts available to contribute authored content.

>> Knowing: Through its solutions in workflow management and current awareness, Karnov aims to provide the tools for efficient and reliable processes and decisions. Karnov's workflow management offerings cover, among other things, compliance management of environment, health and safety regulations, workflow tools for complex tax and accounting matters and various solutions for keeping professionals up-to-date on new regulation and case law.

Growth strategy

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

Adding value through data-driven features and tools

Karnov's core offering is to offer proprietary and value-added data. Karnov has successfully launched workflow tools, such as the Tax Guide in 2015, and has today over 500 templates or guides with commentaries. Karnov plans to continue to introduce data as a strategic asset and further develop its product offering to help customers become more efficient.

Expand the product offering through innovation

To further leverage its core capabilities, Karnov intends to introduce additional service levels and feature packages on top of its existing offering. Karnov intends to do so by developing internal capabilities and through partnerships.

Expand into adjacent verticals

Karnov considers expanding the content on its core online platform to include new legal areas as well as further expanding the offering to new customer groups. Potential opportunities to expand the core online platform include expanding into adjacent legal areas such as mergers and acquisitions, bankruptcy law, pharmaceutical law and public procurement. Opportunities to expand within new customer groups include targeting further verticals within municipalities, such as health care, social insurance, financial markets, taxes and tariffs, gambling policy, as well as further areas within regulatory compliance.

Geographical expansion

Karnov intends to leverage its position in home markets and pursue geographic expansion for future growth. Geographic expansion opportunities include delivering Karnov's core online platform in additional countries as well as international expansion of Karnov's jurisdiction-independent services. Karnov aims to target countries with a local language (i.e. the official majority language in one or only a few countries) and in which Karnov has the possibility to aim for a broad and strong market position and deliver a full set up of Karnov's ecosystem of products and services. Such countries include, for example, countries in the Nordics and the Baltics. Furthermore, Karnov sees possibilities for future growth from international expansion of jurisdiction-independent services.

Accelerated growth through acquisitions

Karnov has developed a structured process to identify, evaluate and integrate strategic acquisitions that establish market presence in new geographical markets and customer segments as well as strengthen Karnov's value proposition to existing customers. Karnov's potential strategic acquisition targets can be categorised into three types: market entry acquisitions, vertical expansion acquisitions and technology bolt-on acquisitions.

>> Market entry acquisitions, such as the acquisition of a leading core legal information system provider in a new geography, aim to acquire strong market positions in new markets where organic entry is unfeasible due to a high need for localised proprietary content.

>> Vertical expansion acquisitions aim to expand Karnov's product offering into new verticals or strengthen existing offerings by integrating vertical content providers on to Karnov's platform.

>> Technology bolt-on acquisitions, such as acquisitions of automation tool providers, aim to strengthen Karnov's value proposition to existing customers through improved workflow efficiency and platform functionality.

Acquistions and investments last ten years

>> 2012: VJS, Swedish legal education business.

>> 2013: Magnus Informatik, Danish publishing company in tax and accounting.

>> 2016: Notisum, Swedish online solution for environmental, health and safety.

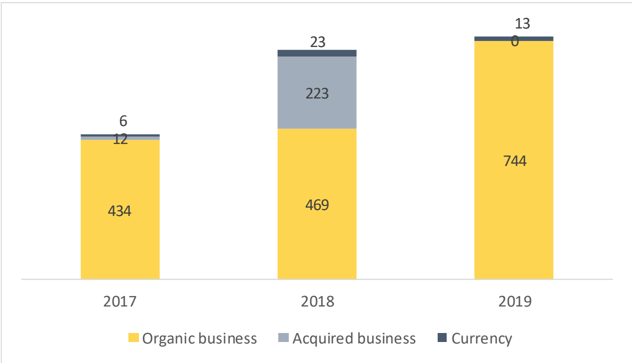
>> 2017: Forlaget Andersen, Danish publishing company in business guides on print and web as well education business.

>> 2017: Legal Cross Border, Danish legal tech start-up.

>> 2018: Norstedts Juridik, Swedish market leading publisher of legal information.

>> 2018: BELLA Intelligence ApS, Danish legal tech start-up.

>> 2019: ProcurementLink ApS, Danish legal tech start-up.



Financial objectives and dividend policy

The Board of Directors of Karnov Group has adopted three financial targets for the Company's development together with a dividend policy. When adopting the financial targets, the Board of Directors has specifically considered the underlying market development, the effects of the integration of Norstedts Juridik and the effect from the ongoing shift from offline to online services. The Board of Directors assesses that there is a reasonable basis to assume that the sales growth over the medium term (3-5 years) will be in the upper end of the financial target range, and in the shorter term (1-3 years) be at the lower end of the financial target range

Net sales growth

Objective	Outcome 2019	In-line with objective
Achieve an annual organic growth of between 3–5 % in the medium term, supplemented by selective acquisitions.	**+4 %**	✓

Adjusted EBITA margin

Objective	Outcome 2019	In-line with objective
Increase margins in the medium term.	**+20 bps**	✓

Capital structure

Objective	Outcome 2019	In-line with objective
Net debt to Adjusted EBITDA of no more than 3.0. This level may temporarily be exceeded, for example following acquisitions.	**2.7**	✓

Dividend policy

Objective	Outcome 2019	In-line with objective
Karnov Group's objective is to distribute 30–50 % of the purchase price allocation (PPA) adjusted net profit. Proposals on dividends shall take Karnov Group's investment opportunities and financial position into consideration.	**30 %*** *) Based on net PPA-profit from listing	✓

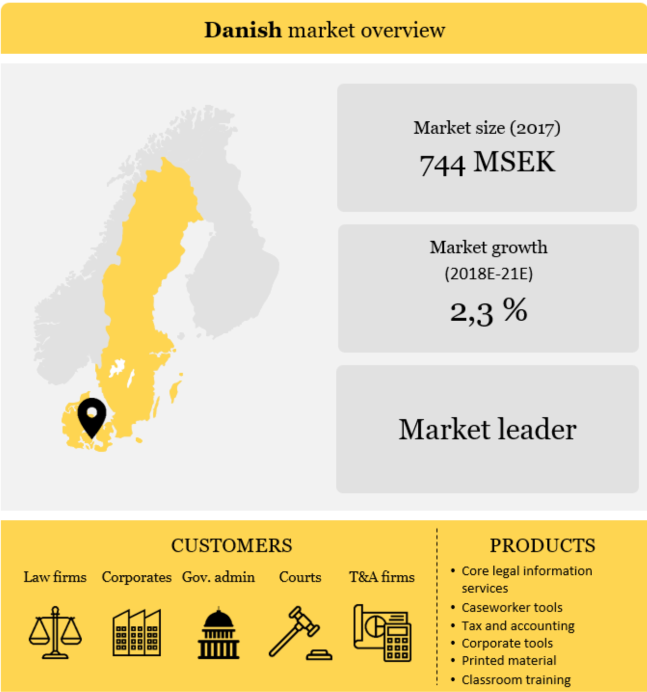
Market

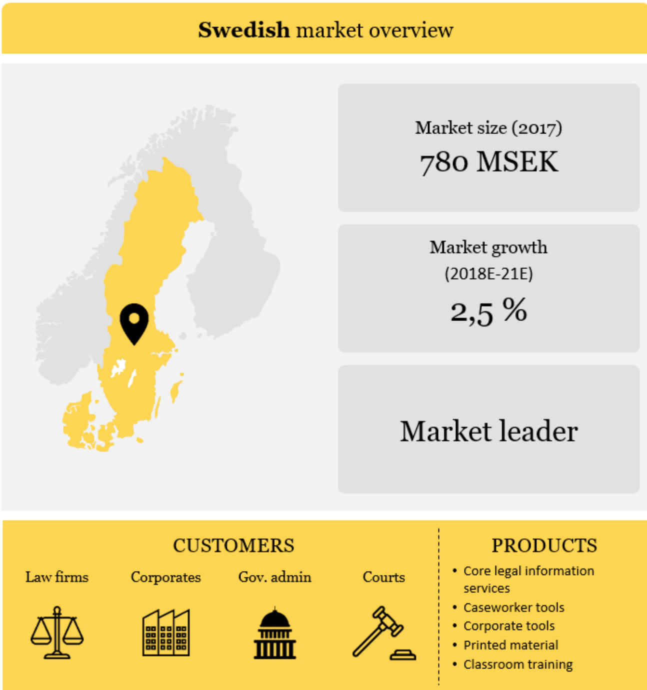
Introduction

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

Current addressable market

Karnov's currently addressable market consists of the total potential for Karnov's current online and offline products and services in Denmark and Sweden (the "Currently Addressable Market").[1)] According to a market study conducted in 2017 by an independent consultant agency ("the Market Study"), the Currently Addressable Market amounted to approximately SEK 1,500 m in 2017 (approximately SEK 1,000 m online and approximately SEK 500 m offline) and the market was expected to grow by a compound annual growth rate ("CAGR") of 2.4 percent during 2018–2021. The expected total CAGR of 2.4 percent consists of an expected growth for online products and services of 4.0 percent and an expected decline of 1.1 percent for offline products and services (within offline products and services, the market for printed products is expected to decline with a CAGR of 2.4 percent, while other services have an expected growth of 0.8 percent during the period). At the date of this Annual Report, Karnov Group still finds the data relevant. The Currently Addressable Market development by geography and by product and service type presented in the Market Study is illustrated in the charts below.





1) The Currently Addressable Market is defined as addressable on the basis of being within Karnov's current capabilities, customer base and geographic reach as well as utilising the existing core online platform. However, some development of content and localisation of the core online platform would be required to serve the entire addressable market.

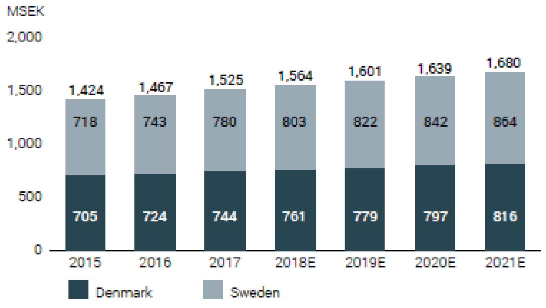
Market opportunity

According to the Market Study, Karnov can expand its total market opportunity. Expansion can be achieved through development of the Karnov's offering, new innovations both within the areas of knowledge and/or information where legal capacity and juridical specificity is high as well as through establishment of new processes and services making the work of professionals more efficient.

Karnov works in close collaboration with its experts and see a demand for service levels and feature packages on top of its core platform, helping the professionals in their work. These features can include advanced search algorithms, smart contracts and e-learning. Karnov will either develop these verticals on its own or seek to acquire relevant technology.

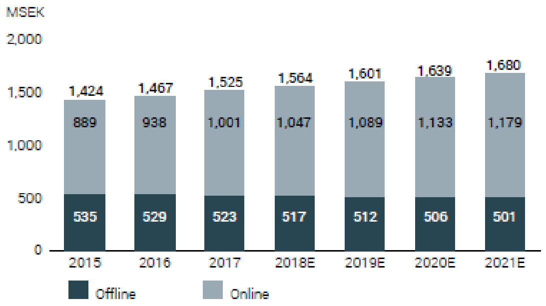
According to the Market Study, Karnov is well positioned for expansions through acquisitions into adjacent markets such as Finland, Norway and the Baltics.

Market development by geography (MSEK)



Source: Market Study.

Market development by product (MSEK)



Source: Market Study.

Key growth drivers in a competitive landscape

Karnov and its Senior Executives are actively following its different markets to stay relevant. The Market Study has identified certain qualities that customers in the Currently Addressable Market value when purchasing professional information products and services and which may be considered as competitive advantages if possessed by Karnov or competitors. Such identified qualities include:

>> Locally adapted annotations and commentary not only to recent legislation, but also to legislation going back many years.

>> Access to a wide range of publicly recognised experts that can contribute authored content within several areas of law.

>> Strong brands with deep-rooted legacies that bestow a trusted seal of quality.

>> Sophisticated search functionality and workflow tools that are user friendly and tailored to the needs of the customers.

User base

According to the Market Study, the price that providers of online information products on the Currently Addressable Market charge their customers is often based on the number of individuals having access to the product. Accordingly, the number of lawyers in law firms, corporate in-house counsels, municipality caseworkers and legal staff in courts in Denmark and Sweden is a key driver of growth for the Currently Addressable Market.

>> Number of lawyers in law firms: The number of lawyers in law firms in Sweden grew during 2015–2017, particularly with larger law firms, with some consolidation amongst smaller law firms, and is expected to continue to grow until 2021. The number of lawyers at law firms in Denmark remained stable during 2015–2017 and is forecasted to remain flat until 2021.

>> Number of corporate in-house counsels: The number of in-house counsels in Swedish corporates has historically been low compared to the European average, but the number of large Swedish corporates grew during 2015–2017 and is forecasted to continue to grow until 2021, driving the total number of addressable in-house counsels. The number of in-house counsels in Danish corporates grew during 2015–2017 and is forecasted to continue to grow until 2021.

>> Number of municipality caseworkers: The development of the total number of caseworkers in municipalities has been flat during 2015–2017 and is expected to remain flat until 2021. However, the demand for legal information services among municipality caseworkers that do not have a formal legal education is expected to increase.

>> Number of legal staff in courts: The development of the total number of legal staff in courts has been flat and is expected to remain flat until 2021.

Customer needs

According to the Market Study, the overall use of legal, tax and accounting and environmental, health and safety information products and services and the ability to meet the users' demand are key drivers of growth for the Currently Addressable Market. The Market Study identifies the following trends that drive customer needs for information products and services.

>> Increased complexity of legal work: The large volume of legislation, regulation and case law is increasingly burdensome for any individual lawyer to comprehend and manage. This means that lawyers require efficient information services and decisions support tools to enable them to keep up-to-date with the latest data as well as consider and analyse the large volume of information that exist and is relevant for their work.

>> Specialisation: Clients of major law firms often demand specialisation, which impacts law firms' procurement buying decisions and drives expenditures on products and services that facilitate an in-depth understanding of the law.

>> Increased focus on efficiency: Clients of major law firms tend to demand an increased focus on efficiency from their lawyers, and legal information services are a tool to enable lawyers to work more efficiently by increasing the speed and quality of research and legal advice.

>> Technology adoption and acceptance: There is a generational shift in the use of IT and online products and services in law firms. Younger lawyers tend to use more digital information resources and software tools and different functions of such offerings than older lawyers do, and this drive spending on online products and services with high functionality.

>> Frequency of legislative change: Changes in legislation drive demand for up-to-date information and commentaries and annotations to the legislation. The rate of change is expected to continue at a similar rate during 2018–2021

.

Full-year overview

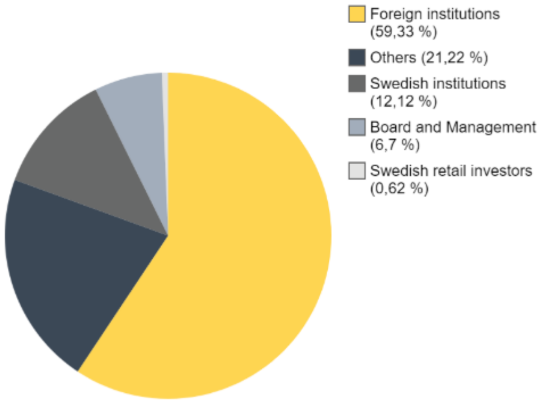
TSEK	2019	2018	2017
Income statement			
Net sales	757,087	715,342	451,718
EBITDA	251,292	209,491	179,754
EBITDA margin, %	33.2%	29.3%	39.8%
EBITA	205,975	182,760	168,902
EBITA margin, %	27.2%	25.5%	37.4%
Adjusted EBITA	278,630	261,639	184,279
Adjusted EBITA margin, %	36.8%	36.6%	40.8%
EBIT	80,181	62,682	113,631
EBIT, margin %	10.6%	8.8%	25.2%
Net financial items	-69,984	-97,898	-86,300
Net result	3,480	-46,807	11,068
Balance sheet			
Non-current assets	3,049,208	2,964,993	2,148,503
Current assets	349,449	427,587	250,960
Cash and cash equivalents	52,008	201,797	93,879
Equity	1,526,769	625,209	705,212
Non-current liabilities	1,117,107	1,858,791	1,151,649
Current liabilities	754,781	908,580	542,602
Total assets	3,398,657	3,392,580	2,399,463
Cash flow			
Cash flow from operating activities	137,276	185,733	94,788
Cash flow from Investing activities	-270,815	-735,127	-111,009
Cash flow from financing activities	-19,226	659,723	-18,444
Cash flow for the period	-152,765	110,329	-34,666
Key ratios			
Net working capital	-405,332	-480,993	-291,642
Return on total capital, %	2.4%	1.8%	4.7%
Equity ratio, %	44.9%	18.4%	29.4%
Cash conversion, %	88.6%	106.8%	80.1%
Net debt	861,309	1,528,747	950,294
Share data			
Weighted average numbers of outstanding shares:			
Basic	84,434,095	44,724,680	44,724,680
After listing (Proforma)	97,670,567	97,670,567	97,670,567
Earnings per share, basic, SEK	0.03	-1.14	0.16
Earnings per share, after dilution, SEK	0.03	-1.14	0.16

Quarterly overview

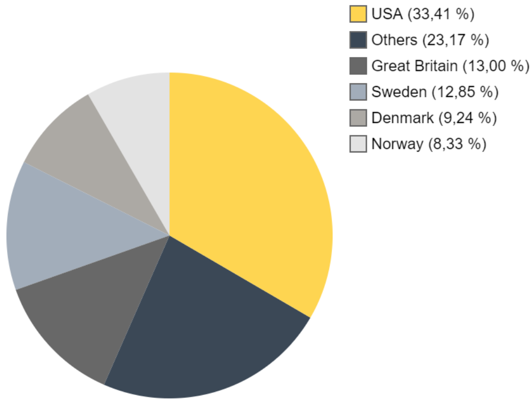
TSEK	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Income statement				
Net sales	189,183	189,533	173,440	204,931
EBITDA	49,896	79,787	42,203	79,407
EBITDA margin, %	26.4%	42.1%	24.3%	38.7%
EBITA	38,912	69,106	30,458	67,501
EBITA margin, %	20.6%	36.5%	17.6%	32.9%
Adjusted EBITA	59,422	73,756	60,123	85,331
Adjusted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

The Karnov share

Karnov's share is listed on Nasdaq OMX Stockholm Midcap under the symbol KAR. The offering price in the IPO was SEK 43. First day of trading was April 11, 2019. During applicable trading days in 2019, the average trading volume was approx. SEK 15.6 m, with the highest trading price of SEK 55 and the lowest price of SEK 38.8.



SHARES BY OWNER CATEGORY



SHARES BY COUNTRY

SHARE PERFORMANCE INDICATORS

	2019
Earnings per share, diluted (SEK)	0.03
Proposed dividend per share (SEK)	0.45
Share turnover[1)]	62%

LARGEST SHAREHOLDERS

NAME	NO. OF SHARES	VOTES & CAPITAL (%)
Kayne Anderson Rudnick	10,549,104	10.80
Janus Henderson Investors	5,328,989	5.46
M&G Investment Management	5,168,176	5.29
Vind AS	5,078,070	5.20
Lazard Asset Management	4,942,181	5.06
Columbia Threadneedle	4,867,710	4.98
Fourth AP Fund	4,770,479	4.88
KIRKBI Invest A/S	4,600,000	4.71
Board and Senior Executives	6,510,067	6.67
Others	60,093,980	61.52
Total	**97,670,567**	**100.00**

[1)] Percentage of number of shares traded divided with the number of issued shares.

Share capital

As per December 31, 2019, the share capital in Karnov Group AB (publ) was SEK 1,502,624, divided between 97,670,567 shares with a nominal value of SEK 0.015385. Each share entitles the holder to one (1) vote at general meetings. All shares are equally entitled to dividend.

Shareholders

The number of known shareholders as per December 31, 2019, was 807 according to the record kept by Euroclear. The ten largest shareholders controlled 54.1 percent of the Company's shares. North American ownership accounted for approx. 30 percent of the Company's shares and Swedish ownership accounted for approx. 13 percent of the Company's shares. The Board of Directors and Senior Executives owned privately and via companies approx. 6.7 percent of the shares.

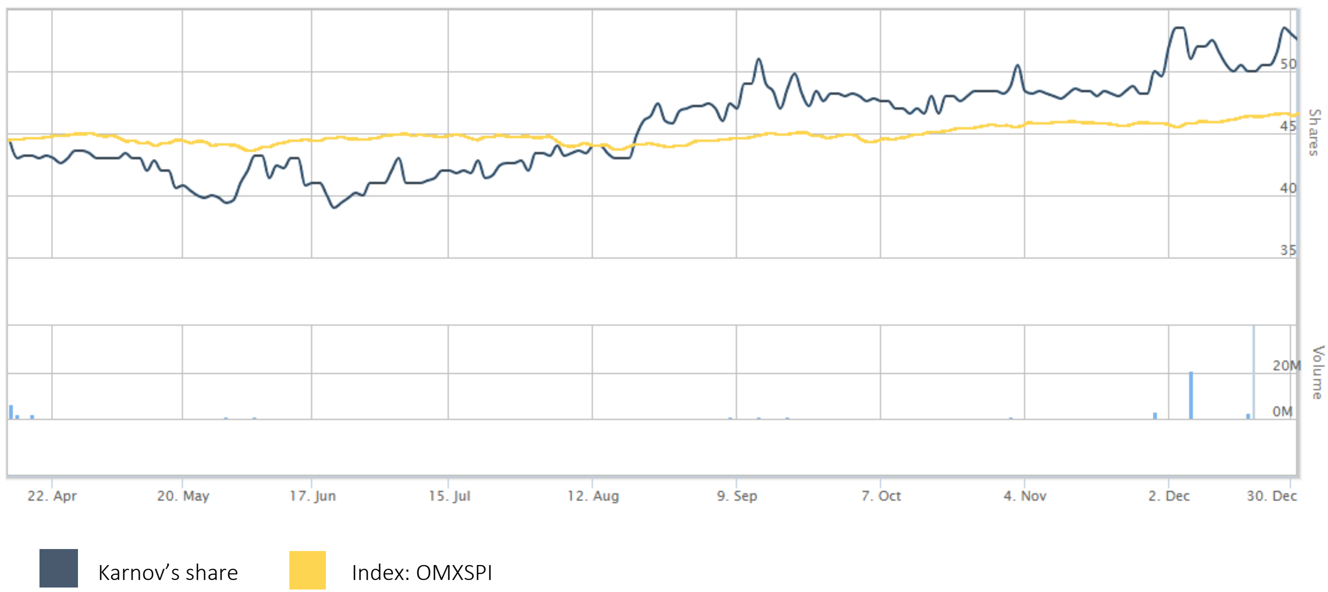
Trading in the share

During 2019, the total trading volume was 60.1 million shares, worth SEK 2.8 billion. The average trading volume per day was approx. SEK 15.6 m. The highest trading price was SEK 55 on November 28, 2019 and the lowest price was SEK 38.8 on June 24, 2019. The closing price on December 30, 2019 was SEK 53, an increase of 23 percent from the offering price and giving a total market capitalisation of approx. SEK 5.2 billion.

Annual General Meeting

The 2020 Annual General Meeting will be held on May 5, 2020, at 15.00 PM at Norstedts Juridik's office in Stockholm. The notice to convene the AGM can be found at www.karnovgroup.com/en/general-meeting. The Annual General Meeting will be webcasted. Link to the webcast can be found at the website above.

SHARE PRICE DEVELOPMENT AND NUMBER OF TRADED SHARES IN 2019



A pioneer in legal information

Forming a united group creating value for experts

Karnov Group believes that access to the law is the foundation to every democratic society. With over 150 years of experience and an author network of over 1,500 experts, Karnov Group and their authors are thought-leaders in the legal and tax systems of Sweden and Denmark. With Karnov Group's product portfolio, professionals can take better decisions, faster. During the last 20 years, Karnov Group has grown through acquisitions and digital investments on the Swedish and Danish markets. Karnov Group is also investing in exciting new technologies helping professionals in their work, driving the innovation in legal business forward.

From publishing company to value creator

The founder of Karnov Group, Magnus Karnov, started his operations as a publisher of collected laws in Denmark. The first publication was called *Hvermands Lovsamling* (the code of laws for every man) and launched in 1924. Since 1948, the product is called *Karnovs Lovsamling*, a name that is still used today. On the Swedish market, Norstedts Juridik published its first edition of *Sveriges Rikes Lag* in 1861, making the product one of Sweden's eldest.

The books *Karnovs Lovsamling* and *Sveriges Rikes Lag* are updated annually and still widely used among legal professionals as well as legal students at universities.

In 2000, Karnov Group started its digital journey when the Company launched its online platform, Karnov Pro, in Denmark and Sweden. The platform gathers legal information with comments from legal professionals, guiding lawyers in legal questions and making decisions more efficient. Shortly thereafter, Norstedts Juridik launched its Zeteo platform in Sweden, a competing platform to Karnov Pro.

Under the current management team, Karnov Group has successfully executed an increased digital transformation process, implemented a customer centric mind-set across the organisation and established market leading positions in Denmark and Sweden. In 2018, Norstedts Juridik was acquired by Karnov Group, becoming united with a vision to enable professionals to make better decisions, faster. In 2019, the Group jointly launched the new JUNO platform in Sweden as a first development collaboration.

Knowledge is power in Karnov Group's business

Today, more than 1,500 of the finest legal minds in Denmark and Sweden are committed to upholding the quality of Karnov Group's solutions, no matter the business area they serve. As legislation constantly changes and practice continues to evolve, they continuously interpret new developments, gather the threads, and set the legal standard. With their specialist knowledge and affirmed status in the legal community, Karnov Group's specialists and authors add a unique and second-to-none value to the Karnov Group brands.

On its core online platform, Karnov Group aggregates and structures data such as legislation, preparatory works and court cases and cross-references it to other related content, such as annotations and in-depth commentaries to legislation and other literature (legal and tax and accounting books and journals). This allows the users to access easily a broad range of information. Together with the search function, this helps the user gain a deeper understanding of the law faster.

Karnov Group's offline offering includes books and manuals, training services and trading. Karnov Group publishes and sells approximately 160 titles a year. The publications are used by lecturers and students for education purposes at universities as well as by legal, tax, and accounting professionals in their daily work at, for example, law firms, tax and accounting firms, courts and governmental authorities.

The next step for Karnov Group

Karnov Group's products are central in the modern legal and tax systems. They are part of the basis forming our democracy. In a society where efficiency is a key element, Karnov Group's platform provides the knowledge professionals with guidance, helping them in making better decisions, faster.

Karnov Group intends to leverage its position in Denmark and Sweden and pursue geographic expansion for future growth in relevant markets. Geographic expansion opportunities include delivering Karnov's core online platform in additional countries as well as international expansion of Karnov Group's jurisdiction-independent services.

Looking beyond the growth potential, Karnov Group's mission has always been to provide quality and service and make products available to its customers. The Company's primary mission is to stay on its toes and ensure that its products and offering remain relevant and best in the market, both short term and long term, to ensure the democracy and the legal system.

Diversification stimulating the teambuilding

With approx. 250 full-time equivalents and employees from 19 different nations, Karnov Group has a strong focus on cross collaboration throughout the organisation, focusing on leveraging synergies and at the same time respecting cultural and market differences. Karnov Group seeks to inspire and support the development of a culture defined by a one-team-one-company where the customer comes first, and efficient and visionary collaboration is being promoted. The HR strategy is aimed at ensuring that Karnov Group attracts and retains talent and inspires to high performance with high motivation, ultimately contributing to a strong brand.

Today, Karnov Group is not only a market-leader in information for e.g. legal practitioners, auditors, tax advisors, judges and governmental officials, but also a thought-leader establishing new media independent quality solutions for knowledge professionals.

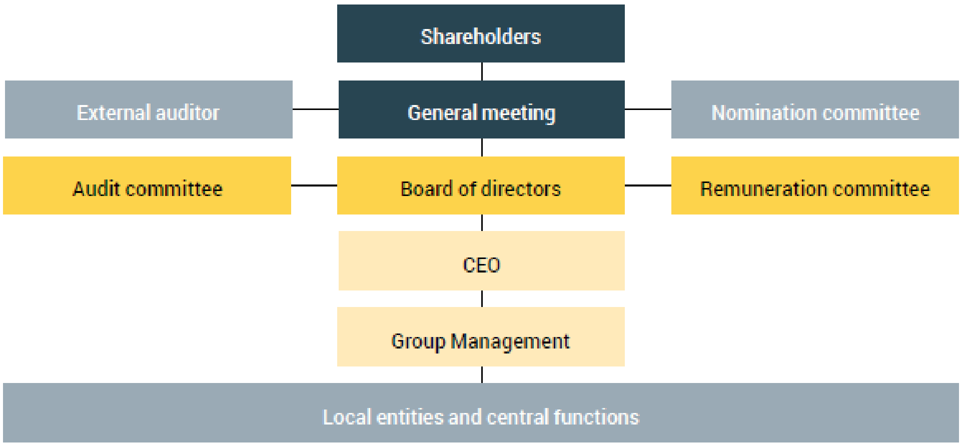
Corporate Governance Report

Corporate Governance Report

Karnov Group AB (publ) is a Swedish limited liability company domiciled in Stockholm, Sweden. Karnov Group AB (publ) was listed at Nasdaq OMX Stockholm in April 2019 and has since applied The Swedish Corporate Governance Code ("the Code"). For 2019, the Company reports no deviations from the Code.

Corporate Governance within Karnov Group

The Corporate Governance within Karnov Group is mainly based upon Swedish legislation, e.g. the Swedish Companies Act, as well as the articles of association and internal rules, including policies and instructions. Companies whose shares are listed on a regulated market in Sweden shall also be compliant with the Code. The Code sets a higher standard for good corporate governance than the minimum standard of the Swedish Companies Act and other rules. Companies are not required to comply with all rules in the Code. Alternative solutions which are deemed more suitable for the relevant company's specific circumstances can be chosen, provided that any such deviations and the chosen alternative solutions are described, and the reasons therefore are explained.



General meetings

General

According to the Swedish Companies Act, the general meeting is the ultimate decision-making body of the Company. At the general meeting, the shareholders exercise their voting rights on key issues, such as the adoption of income statements and statements of financial position, appropriation of the Company's results, discharge from liability of members of the Board of Directors and the CEO, election of members of the Board of Directors and auditors and remuneration to the Board of Directors and the auditors.

The annual general meeting must be held within six (6) months from the end of the financial year. In addition to the annual general meeting, extraordinary general meetings may be convened. According to the articles of association, general meetings are convened by publication of the notice convening the meeting in the Official Swedish Gazette (Sw. *Post- och Inrikes Tidningar*) and on the Company's website. The Company shall also advertise in Dagens Industri that notice has been made.

Right to attend general meetings

Those who wish to participate in a general meeting must be listed as a shareholder in a printout or other presentation of the share register relating to the circumstances on five (5) weekdays (Saturdays included) prior to the meeting, and notify the Company of their participation no later than on the date set out in the notice to attend the meeting. In addition to notifying the Company, shareholders whose shares are nominee registered through a bank or other nominee must request that their shares be temporarily registered in their own names in the share register five weekdays prior to the general meeting in order to be entitled to participate in the general meeting. Shareholders should inform their nominees well in advance of the record date. Shareholders may attend general meetings in person or by proxy and may be accompanied by not more than two (2) advisors.

Shareholder initiatives

Shareholders who wish to have a matter brought before the general meeting must submit a written request to the Board of Directors. The matter shall be addressed at the general meeting, provided that the request was received by the Board of Directors no later than one (1) week prior to the earliest date pursuant to the Swedish Companies Act on which notice to attend the general meeting may be issued or after that date, but in due time for the matter to be included in the notice to attend the general meeting.

Nomination committee

Pursuant to the Code, Swedish companies whose shares are admitted to trading on a regulated market in Sweden are to have a nomination committee. The Annual General Meeting on February 22, 2019 resolved to adopt the below instruction for the nomination committee, which shall apply until further notice.

Instruction for the nomination committee of Karnov

The nomination committee shall be composed of the representatives of the three largest shareholders (or group of shareholders) in terms of voting rights listed in the shareholder register maintained by Euroclear Sweden AB as of the last business day of August, and the chairman of the Board of Directors, who will also convene the first meeting of the nomination committee.

Board members may be members of the nomination committee but may not constitute a majority thereof. If more than one board member is a member of the nomination committee, no more than one of those members may be dependent of a major shareholder of Karnov.

The member representing the largest shareholder in terms of voting rights shall be appointed chairman of the nomination committee. Members of the Board of Directors may not be the chairman of the nomination committee. If the member representing the largest shareholder in terms of voting rights is a board member, the nomination committee shall appoint another member as chairman.

In the event that a member leaves the nomination committee prior to the work of the committee having been completed, a representative from the same shareholder (or group of shareholders) may replace the leaving member, if deemed necessary by the nomination committee. In the event that a shareholder (or group of shareholders) represented in the nomination committee has reduced its holding of shares in Karnov, the representative from such shareholder (or group of shareholders) may resign and, if deemed appropriate by the nomination committee, a representative from the shareholder next in line in terms of size may be provided an opportunity to enter. If the shareholding in Karnov is otherwise significantly changed before the nomination committee's work has been completed, a change in the composition of the nomination committee may take place, in such way that the nomination committee deems appropriate. Changes in the composition of the nomination committee shall be made public as soon as possible.

The composition of the nomination committee is to be announced no later than six months before the annual general meeting.

Remuneration shall not to be paid to the members of the nomination committee. Karnov is to pay any necessary expenses that the nomination committee may incur in its work.

The term of office for the nomination committee ends when the composition of the following nomination committee has been announced.

Nomination committee for the Annual General Meeting in 2020

- Sacha Oshry, Director, Rothschild & Co, Five Arrows Principal Investments, U.K.;
- Christian Petersen, Operating Executive, Vind LV AS, Norway;
- Thomas Ehlin, Corporate Governance, Fourth National Pension Fund, Sweden; and
- Magnus Mandersson, Chairman of the Board of Directors, Karnov Group AB.

The Board of Directors

Composition and independence

Members of the Board of Directors are normally appointed by the annual general meeting for the period until the end of the next annual general meeting. According to the Company's articles of association, the general meeting shall appoint no less than three (3) and no more than ten (10) board members. Pursuant to the Code, the Chairman of the Board shall be appointed at the general meeting. No more than one board member elected by the general meeting may be a member of the executive management of the Company or a subsidiary of the Company. The majority of the board members elected by the general meeting are to be independent of the Company and its executive management. At least two (2) of the board members who are independent of the Company and its executive management shall also be independent in relation to the Company's major shareholders. See "Board of Directors, Senior Executives and Auditor" on page 31 for an account of the board members' independence in relation to the Company, its executive management and its major shareholders.

Responsibilities of the Board

The Board of Directors is the Company's second-highest decision-making body after the general meeting. The duties of the Board of Directors are primarily set forth in the Swedish Companies Act, the Company's articles of association and the Code. In addition, the work of the Board of Directors is guided by the instructions from the general meeting as well as the rules of procedure of the Board of Directors. The rules of procedure of the Board of Directors govern the division of work within the Board of Directors. The Board of Directors also adopts instructions for the committees of the Board of Directors, an instruction for the CEO and an instruction for the financial reporting to the Board. The Board of Directors is responsible for the organisation and the management of the Company's matters, which, among other things, entails a responsibility for outlining overall, long-term strategies and objectives, budgets and business plans, establishing guidelines to ensure that the operations create value in the long term, reviewing and establishing the accounts, making decisions on issues regarding investments and sales, capital structure and distribution policy, developing and adopting material policies, ensuring that control systems exist for monitoring that policies and guidelines are followed, ensuring that there are systems for monitoring and controlling the operations and risks, significant changes in the organisation and operations, appointing the CEO and, in accordance with the guidelines adopted by the general meeting, setting remuneration and other terms of employment benefits for the CEO and other senior executives.

Work of the Board

The chairman of the Board of Directors is responsible for ensuring that the Board of Directors' work is carried out efficiently and that the Board of Directors fulfils its obligations. The Board of Directors meet according to an annual predetermined schedule. In addition to ordinary board meetings, board meetings may be convened where the chairman considers it to be necessary or a board member or the CEO so requests. During 2019, the Board held 17 board meetings, excluding meetings by correspondence (per capsulam). Prior to each ordinary Board meeting, Board members receive a written agenda, based on the Board's established rules of procedure, and a complete set of documents for information and decision-making. Recurring items include the Company's financial results, the market situation, investments and adoption of the financial statements. Reports from the audit and remuneration committees are also regularly addressed. CEO Flemming Breinholt presents items for discussion at the meetings and attends all board meetings together with CFO Dora Brink Clausen, except during the annual performance review of their work. Lotte Gramkow serves as Board secretary. Other senior executives participate as presenters on specific issues. The company's external auditor meets the Board at least once per year without management participation.

Evaluation of the Board

On an annual basis, the Board shall evaluate its formalities and way of working to ensure that the Board work is well functioning. The evaluation includes strategy and where the Board shall focus and identification of areas where the Board needs additional competence. The evaluation also includes whether the Board composition is appropriate. The Nomination Committee is using the evaluation in its work.

The Chairman of the Board initiates and leads the evaluation of the Board. Evaluation tools include detailed questionnaires and discussions. In 2019, the Board members responded to a written questionnaire covering the Board work in general as well as the work of the respective committees. The results from the evaluations were presented to the Board and were thoroughly discussed. The Nomination Committee was informed of the results of the Board work evaluation.

Audit Committee

The Board of Directors has established an audit committee. Pursuant to the Swedish Companies Act, the members of the audit committee may not be employees of the Company and at least one (1) member must have accounting or auditing qualification. The audit committee currently consists of four members: Lone Møller Olsen (Chairman of the Audit Committee), Ulf Bonnevier, Magnus Mandersson and Samuel Offer. The audit committee's main tasks are to:

a) monitor the Company's financial reporting and provide recommendations and proposals to ensure the reliability of the reporting;
b) in respect of the financial reporting, monitor the effectiveness of the Company's internal control, internal audit, and risk management;
c) keep itself informed about the external audit of the annual report for the Company and the Group as well as regarding the conclusions of the Swedish Inspectorate of Auditors' quality controls;
d) inform the Board of the result of the external audit and the way in which the external audit contributed to the reliability of the financial reporting, as well as the function filled by the audit committee;
e) review and monitor the impartiality and independence of the external auditor and, in conjunction therewith, pay special attention to whether the external auditor provides the Company with services other than auditing services; and
f) assist the nomination committee in conjunction with its preparation of proposals to the general meeting's resolution regarding election of external auditor.

During 2019, the Audit Committee held five (5) meetings at which minutes were taken. Discussions and decisions at all meetings of the Audit Committee have been reported to the Board of Directors.

Remuneration committee

The Board of Directors has established a remuneration committee. Pursuant to the Code, the Chairman of the Board may be the chairman of the remuneration committee, but the other members of the remuneration committee are to be independent of the Company and its executive management. The remuneration committee currently consists of three members: Magnus Mandersson (Chairman of the Remuneration Committee), Ulf Bonnevier and Vivek Kumar. All members of the remuneration committee are independent in relation to the Company and its executive management. The remuneration committee's main tasks are to:

a) prepare the Board's decisions on issues concerning principles for remuneration, remunerations and other terms of employment for the executive management;
b) monitor and evaluate programmes for variable remuneration, both ongoing and those that have ended during the year, for the executive management;
c) monitor and evaluate the application of the guidelines for remuneration of the executive management that the annual general meeting is legally obliged to establish, as well as the current remuneration structures and levels in the Company;
d) prepare and submit to the Board a report on the monitoring and evaluation to be carried out under the items (b) to (c) above; and

e) if the Company implements an incentive program for the employees of the Company, ensure that the incentive program is annually evaluated.

During 2019, the Remunerations Committee held two (2) meetings at which minutes were taken. Discussions and decisions at all meetings of the Remunerations Committee have been reported to the Board of Directors.

Attendance in Board or Committee meetings

The following table presents each member of the Board of Directors' attendance in meetings in 2019.

	Board Meetings	Audit Committee	Remuneration Committee
Magnus Mandersson	17/17	4/5	2/2
Ulf Bonnevier	17/17	5/5	2/2
Vivek Kumar	16/17	-	2/2
Lone Møller Olsen	17/17	5/5	-
Samuel Offer	17/17	5/5	-
Mark Redwood	17/17	-	-

Remuneration to the Board of Directors

The following table presents expenses for fees to the members of the Board of Directors in 2019.

(TSEK)	Board fee	Audit Committee fee	Remuneration Committee fee	Total 2019
Magnus Mandersson	500	50	100	650
Ulf Bonnevier	300	50	35	385
Vivek Kumar	-[1)]	-	-[1)]	-[1)]
Lone Møller Olsen	300	150	-	450
Samuel Offer	-[1)]	-[1)]	-	-[1)]
Mark Redwood	300	-	-	300
Total	**1,400**	**250**	**135**	**1,785**

[1)] Represented former major owner FAPI and did hence not receive any remuneration.

The CEO and other senior executives

Responsibilities and work of the senior executives

The CEO is subordinated to the Board of Directors and is responsible for the day-to-day management and operations of the Company in accordance with the instructions from the Board of Directors. The division of work between the Board of Directors and the CEO is set out in the rules of procedure for the Board of Directors and the instructions for the CEO. The CEO is responsible for providing the Board of Directors with information and the necessary documentation for decision making. The CEO leads the work of the senior executives and makes decisions after consulting its members. Further, the CEO reports at meetings of the Board of Directors and assures that members of the Board of Directors regularly receive the information required to follow the Company's and the Group's financial position, results, liquidity and development. The CEO and the other senior executives are presented in "Board of Directors, Senior Executives and Auditor" on page 33 in this Annual Report.

Evaluation of the CEO

On an annual basis, the Board shall evaluate the CEO to ensure that the Company is being operated in the best way possible. The evaluation focuses on whether the CEO has accomplished the stated objectives, how the co-operation with the Board of Directors has worked and the general development of the

Company. No Senior Executive is present when the Board is evaluating the leadership of the Company.

The Board has conducted an evaluation in 2019. The results from the evaluations were presented to the CEO and were thoroughly discussed. Further, Karnov also conducts internal engagement reports on half-year basis, where the employees have the possibility to evaluate both the CEO as well as the Senior Executives in elected areas.

Current employment terms for the CEO and the other senior executives

The CEO is entitled to an annual fixed salary of SEK 2,918,261 and pension benefits in accordance with Karnov's prevailing pension policy. Provided that certain financial targets set by the Board of Directors are met, the CEO may also receive a bonus. The target bonus is an amount corresponding to 50 percent of the annual fixed salary. Pursuant to the current guidelines for remuneration to the senior executives, the bonus shall not exceed 100 percent of the fixed annual salary. For the CEO, a notice period of 12 months applies in case of termination by Karnov and 6 months in case of termination by the CEO. For the other senior executives (except for the Head of Investor Relations), the notice period is up to eight (8) months in case of termination by Karnov and up to four (4) months in case of termination by the senior executive.

Guidelines for remuneration to the senior executives

Pursuant to the Swedish Companies Act, the annual general meeting of the Company shall adopt guidelines for remuneration to the senior executives. The annual general meeting on February 22, 2019 resolved to adopt the below guidelines for remuneration to the senior executives for the period until the close of the annual general meeting 2020.

General principles for remuneration and other terms and conditions

Remuneration and other terms and conditions of employment shall be adequate to enable Karnov to retain and recruit skilled senior executives at a reasonable cost. The remuneration to senior executives shall consist of fixed remuneration, variable remuneration, pension and other benefits, and it shall be based on principles of performance, competitiveness and fairness.

Principles for fixed remuneration

Each senior executive shall be offered a fixed remuneration in line with market conditions and based on the manager's responsibility, expertise and performance.

Principles for variable remuneration

Variable remuneration may comprise annual variable cash salary and long-term variable pay in the form of cash, shares and share-price related instruments in the Company. Variable remuneration shall be subject to the fulfilment of defined and measurable targets aimed at promoting the Company's long-term value creation. Variable remuneration paid in cash shall be set at a maximum percentage of the annual fixed salary. For the CEO, the target amount of any variable remuneration paid in cash shall be set to not more than 50 percent of the annual fixed salary and the maximum amount shall be capped to a 100 percent of the annual fixed salary. For the other senior executives, the target amount of any variable remuneration paid in cash shall be set to not more than 40 percent of the annual fixed salary and the maximum amount shall be capped to 75 percent of the annual fixed salary. In special cases, agreements may be reached on remuneration of a non-recurring nature, provided such remuneration does not exceed an amount corresponding to the individual's annual fixed salary and maximum variable cash salary, and is not paid more than once per year and per individual.

Principles for share and share-price related incentive programs

Long-term variable remuneration in the form of shares and share-price related instruments may only be paid by means of participation in long-term incentive programs adopted by a general meeting. Share and share-price related incentive programs are to be designed with the aim of achieving increased alignment between the interests of the participating individual and the inter interests Company's shareholders. The vesting period or the period from the commencement of an agreement to the date for acquisition of shares is to be no less than three years. Programs that involve acquisition of shares are to be designed so that a personal holding of shares in the Company is promoted.

Principles for pensions, remuneration during periods of notice and severance pay

Agreements regarding pensions shall, where applicable, be premium based and designed in accordance with the level and practice applicable in the country in which the senior executive is employed. Fixed remuneration during notice periods and severance payment, including payments for any restrictions on competition, shall in aggregate not exceed an amount equivalent to the fixed remuneration for 12 months for the CEO and/or other senior executives. No severance pay shall be paid in the case of termination by the employee. Other benefits, such as a company car, preventive care, health care and health insurance, shall comprise a small portion of total compensation and comply with customary market-based terms.

Principles for deviations from the guidelines

The Board of Directors may resolve to deviate from the guidelines if the Board of Directors, in an individual case, is of the opinion that there are special circumstances justifying a deviation.

Remuneration to senior executives

The following table presents the remuneration paid to the senior executives in 2019.

(TSEK)	Ordinary compensation	Other benefits	Pension benefits	Total
CEO	2,918	1,636	292	4,846
Other senior executives	12,765	4,723	1,800	19,288
Total	**15,683**	**6,359**	**2,092**	**24,134**

Long-term incentive programs to senior executives and other employees

The Extraordinary General Meeting on April 10, 2019 decided to resolve to implement a long-term incentive program in the form of a share saving program. The purpose of the incentive program is to encourage a broad ownership amongst the Company's employees, facilitate recruitment, maintain competent employees, 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. A total of 151 permanent employees in Karnov are participating in the share saving program. The participants are divided into five different categories depending on position. Participants who retain the Savings Shares during the program's vesting period of at least three years and also remain employed by Karnov throughout the whole vesting period will at the end of the period be eligible for free additional ordinary shares ("Performance Shares"). For participants in category 1–4, the allotment of Performance Shares is subject to the satisfaction of certain performance criteria related to the total shareholder return, organic growth and organic adjusted EBITA growth, as defined in the extraordinary general meeting's resolution, during 2019–2021. Full allotment of Performance Shares would mean that the total number of shares under the program amount to no more than 378,837 ordinary shares, corresponding to approximately 0.4 percent of the total number of shares outstanding in the Company.

Internal control

General

Karnov has established an internal control system aimed at achieving an efficient organisation that achieves the targets set by the Board of Directors. This system includes work to ensure that Karnov's operations are conducted correctly and efficiently, that laws and regulations are complied with and that financial reporting is accurate and reliable and in accordance with applicable laws and regulations. Karnov has chosen to structure internal control work in accordance with the so-called COSO framework, which includes the following elements: control environment, risk assessment, control activities, information and communication as well as monitoring and follow-up.

Control environment

Karnov's control environment is based on the distribution of work among the Board of Directors, the committees, the CEO and the CFO and the corporate values on which the Board of Directors and the Group management communicate and base their work. In order to maintain and develop a well-functioning control environment, to comply with applicable laws and regulations, and to ensure compliance within the entire Group with Karnov's desired business practices, the Board of Directors, as the ultimately responsible body, has established a number of basic documents relevant to risk management and the internal control which consists of operational control documents, policies, procedures and instructions. Among these documents are the rules of procedure for the Board of Directors, the instructions for the committees of the Board of Directors, the instructions for the CEO, the instructions for financial reporting, the code of conduct, the communication policy and the insider policy.

Policies, routine descriptions and instructions are distributed to all relevant employees of Karnov through Karnov's intranet. Karnov's employees are obliged to comply with the code of conduct, the communication policy and insider policy, and employees regularly perform relevant tests to ensure they are aware of the content of relevant policies, routine descriptions and instructions.

Risk assessment

Karnov has established a risk assessment procedure, meaning Karnov conducts annual risk analysis and risk assessments, which are followed-up and reported quarterly. Based on this procedure, risks are identified and categorised according to the following four areas:

- Strategic risks
- Operational risks
- Compliance risks
- Financial risks

Karnov's objective with the risk analysis is to identify the most significant risks that may prevent Karnov from achieving its targets or realising its strategy. The objective is further to evaluate these risks based on the probability that they will arise in the future and to what extent the risks may affect Karnov's targets if they were to occur. Individual risks are assigned a so-called risk owner. The risk owner has a mandate and responsibility to ensure actions and controls are established and implemented. The risk owner is also responsible for monitoring, follow-up and reporting of changes in Karnov's risk exposure to identified risks. Identified risks are reported quarterly by the CFO to the audit committee and the Board of Directors. The Board of Directors evaluates Karnov's risk management system, including risk assessments, and shall annually submit a description in which the most important elements of Karnov's internal control and risk management are examined in detail. The purpose of this procedure is to ensure that significant risks are managed and that controls that counteract identified risks are implemented.

Control activities

Karnov has established a risk management process that includes a number of key controls of matters that must be in place and function in the risk management processes. The control requirement is an important tool that enables the Board of Directors to lead and to evaluate information from Group management and to take responsibility for identified risks. Karnov focuses on documenting and evaluating the major risks related to financial reporting to ensure that Karnov's reporting is accurate and reliable.

Information and communication

The Board of Directors of Karnov has adopted an insider policy and a communication policy governing Karnov's management and communication of inside information and other information. The insider policy is intended to reduce the risks of insider dealing and other unlawful behaviour and to facilitate Karnov's compliance with applicable rules regarding the handling of inside information. In addition, Karnov has established procedures for the handling of information and restriction of the dissemination of information. The communication policy describes Karnov's overall focus on communication matters. Karnov's communication shall be characterised by long-term perspective and trust, reliability as well as proactivity, speed and transparency. The communication shall be accurate, relevant and comprehensive in accordance with Nasdaq Stockholm's rule book for issuers.

Investor Relations function

The purpose of Karnov's investor relations function is to build a long-term knowledge of and trust in Karnov's operations and value creation, whilst ensuring that Karnov complies with applicable regulations. Karnov's investor relations function handles regular contacts with shareholders, analysts, investors, financial journalists, Nasdaq Stockholm, the Swedish Financial Supervisory Authority and other capital market participants and coordinates general meetings, analyst meetings and capital market presentations. The Head of Investor Relations is responsible for this function, reporting to the CFO.

Monitoring and follow-up

A self-assessment of internal control requirement effectiveness shall annually be performed and followed-up quarterly and facilitated by the employee appointed for the task by the CFO. The CFO must quarterly present the self-assessment report for the Group Information Security Board, before presenting it to the audit committee. The CFO is responsible for presenting the result to the audit committee and the Board of Directors. Karnov has a group-wide monitoring process by which the entities and functions shall follow up the effectiveness of controls and report back to the employee appointed by the CFO.

External audit

The auditor shall review Karnov's financial report and accounting, as well as the management of the Board of Directors and the CEO. Since the Company is a parent company, the auditor shall also review the consolidated accounts and the Group companies' relations to each other. The audit of Karnov's financial reports and accounts as well as the management by the Board of Directors and the CEO is conducted in accordance with generally accepted auditing standards in Sweden. Following each financial year, the auditor shall submit an auditor report and a consolidated auditor report to the annual general meeting. Karnov's auditor is PwC. Aleksander Lyckow is the auditor in charge. For more information about the auditor, see "Board of Directors, senior executives and auditor—Auditor". In 2019, the total remuneration to Karnov's auditor was TSEK 3,450, of which TSEK 2,689 related to the Company. Of the total audit remuneration, TSEK 995 is related to other audit services.

Board of Directors, Senior Executives and auditor

Board of Directors

According to Karnov's articles of association, the Board of Directors shall consist of three to ten members. The Board of Directors currently consists of six members, appointed for the period until the close of the annual general meeting 2020. The section below presents the members of the Board of Directors, their position, the year of their initial election, whether or not they are considered to be independent in relation to the Company, its executive management and its major shareholders as well as their shareholding in Karnov.

Magnus Mandersson
Chairman of the Board since March 2018. Chairman of the Remuneration Committee and member of the Audit Committee.

Born: 1959

Principal education: Bachelor of Science in Business Administration, Lund University.

Other current positions: Chairman of Next Biometrics Group ASA. Board member of Albert Immo Holding Sàrl., PMM Advisors S.A. and Interogo Foundation (supervisory council, Beirat).

Previous positions: Chairman of Doro AB and Red Bee Media Sweden AB. Board member of Lund University. Executive vice president of Telefonaktiebolaget LM Ericsson.

Own and closely associated holdings: 100,000 shares.

Independence pursuant to the Code: Independent in relation to Karnov and its executive management as well as Karnov's major shareholders.

Ulf Bonnevier
Board member since February 2018. Member of the Audit Committee and the Remuneration Committee.

Born: 1964

Principal education: Bachelor of Science in Business and Accounting, Uppsala University. Leadership training (IFL), Stockholm School of Economics.

Other current positions: CFO and VP of Humana AB and board member of several companies within the Humana AB group.

Previous positions: Country Manager of Ipsos Sweden, CFO Western Europe in Synovate and CEO of Wolters Kluwer in Scandinavia.

Own and closely associated holdings: 12,000 shares.

Independence pursuant to the Code: Independent in relation to Karnov and its executive management as well as Karnov's major shareholders.

Vivek Kumar[1)]
Board Member since July 2015. Member of the Remuneration Committee.

Born: 1975

Principal education: Bachelor of Science in Computer Science and Economics, University of Rochester. MBA, Harvard Business School.

Other current positions: Board member of Datix Holdco Limited, Heilbron Groep Holding B.V., White Clarke Group and Voogd & Vouod Verzekeringen.

Previous positions: Board member of Kisimul Group Limited, Pirum Systems Limited and Autodata Group.

Own and closely associated holdings: -

Independence pursuant to the Code: Independent in relation to Karnov and its executive management as well as Karnov's major shareholders.

1) Vivek Kumar represents Karnov's former major shareholder FAPI in the Board of Directors.

Lone Møller Olsen

Board member since February 2018.
Chairman of the Audit Committee.

Born: 1958

Principal education: Master of Science in Economics and Business Administration, Copenhagen Business School. State authorized public accountant/Chartered accountant, Danish Ministry of Business Affairs.

Other current positions: Board member of Jetpak AB, KNI A/S, Investeringsforeningen Bankinvest, Kapitalforeningen Bankinvest Vælger, Kapitalforeningen Pensiondanmark EMD, Kapitalforeningen BI Private Equity, Kapitalforeningen Bankinvest Select, Investeringsforeningen Bankinvest Engros and Investeringsforeningen BI. Executive officer of LMO 5265 ApS.

Previous positions: Partner at Deloitte Denmark.

Own and closely associated holdings:
6,976 shares.

Independence pursuant to the Code:
Independent in relation to Karnov and its executive management as well as Karnov's major shareholders.

Samuel Offer[1)]

Board member since February 2018.
Member of the Audit Committee.

Born: 1983

Principal education: Bachelor of Arts in Economics and Management, University of Oxford.

Other current positions: Board member of Prime Bidco Ltd and Heilbron Groep Holding B.V. Investment professional at Rothschild & Co.

Previous positions: Partner at the general partner of Change Capital Partners LLP.

Own and closely associated holdings:
-

Independence pursuant to the Code:
Independent in relation to Karnov and its executive management as well as Karnov's major shareholders.

Mark Redwood

Board member since June 2011.

Born: 1960

Principal education: Bachelor of Arts (Econ) Hons First class degree in Economics and Accounting, University of Manchester.

Other current positions: Board member of CR7 Services Ltd and Barracuda FX Ltd.

Previous positions: Chairman of Achilles Holdco Ltd, SSP Topco Ltd and BGPH Holdings Ltd. Board member of CashFlows Europe Ltd, Reuters Ltd, Reuters Transaction Services Ltd and Tradeweb Markets LLC.

Own and closely associated holdings:
2,086,186 shares.

Independence pursuant to the Code:
Independent in relation to Karnov and its executive management as well as Karnov's major shareholders.

1) Samuel Offer represents Karnov's former major shareholder FAPI in the Board of Directors.

Senior Executives

The group management currently consists of eight persons. The section below presents the senior executives, their position, the year each person became a senior executive and their shareholdings in Karnov.

Flemming Breinholt

CEO and Head of Denmark since September 2014.

Own and closely associated holdings:
2,368,049 shares.

Dora Brink Clausen

Group CFO since 2014.

Own and closely associated holdings:
1,184,078 shares.

Olov Sundström

CEO of Norstedts Juridik since 2004 and Head of Sweden since September 2018.[1)]

Own and closely associated holdings:
4,651 shares.

Charlotte Arup

Group CHRO since December 2017.

Own and closely associated holdings:
4,651 shares.

Jesper Kingo Christensen

Group Chief Technology Officer since September 2018.

Own and closely associated holdings:
23,259 shares.

Anne Nørvang Hansen

Group Content Strategy since October 2012.

Own and closely associated holdings:
576,396 shares.

Magnus Svernlöv

Executive Manager for the Stand-alone companies since May 2019.

Own and closely associated holdings: 120,821 shares.

Mats Ödman

Head of Investor Relations since March 2019.[2)]

Own and closely associated holdings:
23,000 shares.

1) Olov Sundström resigns on April 16, 2020.

2) Mats Ödman works as external consultant and resigns on March 31, 2020.

Additional information regarding the Board members and Senior Executives

All Board members and senior executives can be reached at Karnov's address: Warfvinges väg 39, SE 112 51 Stockholm, Sweden. There are no family ties between any of the Board members or the senior executives. There are no conflicts of interest or potential conflicts of interest between the Board members' and Senior Executives' duties to Karnov and their private interests or other duties. However, some Board members and senior executives hold shares in Karnov. There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any Board member or Senior Executive was elected or appointed to his or her current position. During the past five years, none of the Board members or Senior Executives have

(i) been convicted for fraudulent offences,

(ii) been involved in or represented a company which has been declared bankrupt or filed for compulsory liquidation or been subject to receivership,

(iii) been the subject of official public incrimination or sanctions (or accused of such actions) by statutory regulatory authorities (including designated professional bodies) or

(iv) been disqualified by a court from acting as a member of the administrative, management or supervisory body of a company or from acting in the management or conduct the affairs of a company.

Auditor

The annual general meeting on February 22, 2019 re-elected PricewaterhouseCoopers AB, corporate registration number 556067-4276, as auditor for the period until the close of the annual general meeting 2020. Aleksander Lyckow has been the auditor in charge since 2015. Aleksander Lyckow is an authorised public accountant and member of FAR (the Institute for the Accountancy Profession in Sweden). PwC's address is c/o PricewaterhouseCoopers AB, SE-113 97 Stockholm, Sweden.

Auditor's Report on the Corporate Governance Statement

This is a literal translation of the Swedish original report

To the annual meeting of the shareholders in Karnov Group AB (publ.), corp. id. No. 559016-9016.

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the financial year 2019-01-01 - 2019-12-31 on pages 23-34 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 30, 2020

PricewaterhouseCoopers AB
Aleksander Lyckow
Authorized Public Accountant

Sustainability Report

Sustainability Report

For Karnov, sustainability means creating long-term value in a responsible manner for the Group and its stakeholders. Karnov creates value by combining expertise with new technology in an increasingly digitalised world, strengthening the foundation for justice in our society.

About the sustainability report

Karnov's sustainability report relates to the fiscal year 2019. The sustainability report covers the parent company Karnov Group AB (publ) (reg. no. 559016-9016) and covers all entities consolidated in the consolidated financial statements of Karnov Group for the same period, which are specified in Note 16 of the Annual Report. The sustainability report is prepared in accordance with the provisions of Chapters 6 and 7 of the Annual Accounts Act. No significant changes have taken place in the application of accounting principles or the scope of the reporting compared with last year.

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

How Karnov's business concept creates value

Karnov is a leading provider of online and offline information products and services in the areas of legal, tax and accounting and environmental, health and safety in Denmark and Sweden. Karnov's overall vision is to enable the users of our products and services to make better decisions, faster. Karnov aims to promote our experts and expand our role as an authority, strengthening the foundation for justice in society.

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

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

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

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

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

Karnov's products are largely digital, including subscription-based online solutions for law firms, tax and accounting firms, corporates and the public sector, for example, universities, public authorities and municipalities. Karnov also publishes and sells books and journals and hosts legal training courses. By integrating public legal content with legal experts' commentaries and analysis Karnov provides a legal information system to more than 60,000 users. During the fiscal year 2019, Karnov had an average number of full-time equivalents (FTE) of 252 (244) employees, of which 137 (127) in Denmark and 115 (117) in Sweden, and contracts with a network of over 1,500 legal experts available to contribute with authored content.

Business sustainability 2019

Numbers within brackets is comparing figures for the fiscal year 2018.

NUMBER OF REPORTED AND INVESTIGATED CASES OF SUSPECTED BREACHES OF THE CODE OF CONDUCT	CUSTOMER CONTRACTS EXTENDED (%)
0 (0)	97 % (98 %)

Karnov's contribution to UN's global sustainability goals

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

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

Karnov Group's report "The Future Lawyer Survey"

The world is changing fast which effects many industries. Well know business models and work processes are transforming due to the rise of new technology, globalisation and other macro trends. The digital revolution has changed the way we communicate and therefore also our culture and behaviour. To raise awareness and bring inspiration to legal professionals and lawyer firms on an industry in transition, Karnov Group established and published the report "The Future Lawyer Survey", showing the demands, fears and expectations on the legal profession. The survey was answered by 3,578 Swedish and Danish lawyers, making it the largest of its kind. The Future Lawyer Survey shows that a clear majority of the respondents perceive the industry as conservative and that several factors make it necessary to adapt to a new reality. This new reality can be defined by two major trends; first, general trends such as technical advances and innovation, globalisation and increased demands on transparency as well as commercial value, and secondly a shift in attitude towards work and work-life balance in the younger generations. The figures behind the key conclusions in the report the Future Lawyer Survey:

- A larger demand for business understanding, globalisation/internationalisation as well as AI and automation are the top answers, with 65, 64 and 60 % respectively, to the question addressing which circumstances that will affect the role of the future lawyer.
- 74 % of the respondents state that the ability of future employers to offer a good work-life balance is the most common answer to the question addressing what will be key for employers to focus on the be able to attract and keep top talent.
- AI/automation is not perceived to decrease the need for lawyers but 93% of respondents believe that lawyers will need more digital competences in the future and 82% believe that creativity and problems solving will become more important for future lawyers.

- 78% say that law firms that don't keep up with the technical development is at risk of becoming less relevant in the market.
- 68% believe that AI and automation will lead to new competitors entering the market.
- 60% of respondents in the age group 23-29 years believe that law schools are falling behind in the digital development. Only 31 % of the older age groups agree with this.

Governance and implemented framework

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

Karnov has established policy documents and guidelines as well as Group collaboration functions with specific areas in focus, ensuring attention and progress. The policies are annually revised and approved by the respective policy owner.

In addition to the sustainability governance framework described below, the Group also has an overall corporate governance policy as well as risk assessment and internal control procedures.

Policy	Aim	Ownership	Follow-up
Code of conduct	Serves as the foundation for Karnov's corporate values and ethical commitment and describes the core principles of the Group's business conduct and integrity including business ethics. It is intended to provide guidance regarding what behaviour is expected from each employee in their daily work and what can be expected from the Group as an employer. It is also essential for customers and business partners to always feel confident that Karnov not only complies with legal requirements but also meets high ethical and professional standards. Authors and suppliers are expected to pay due attention to the Code.	Group HR	Signed by all employees. Senior personnel such as supervisors and managers have the extended responsibility to engage in ethical issues and translate the Code and other associated governing policies into local rules and procedures.
Equality policy (Sweden only), Diversity and equality section in personnel handbook	Using information, Karnov shall increase awareness of equality issues and strive for an open attitude and equal treatment throughout the organisation.	Group HR	Annual employee survey through external supplier.
Whistleblower function	Good relationships, a healthy working environment and exemplary business ethics are crucial to the long-term success of Karnov. It is important for us to identify corruption, irregularities or fraudulent acts that can seriously damage the business or negatively impact our employees, and that such incidents are investigated at as early a stage as possible. For this reason, we have set up a whistleblower function. Karnov has implemented an external setup to ensure anonymity and has established a Group Ethics Committee to guarantee impartial action.	Group CISO	Any information from whistleblowers is handled by an external and independent party before being presented to the Group Ethics Committee.
Communication policy and social media guidelines	Provides all employees at Karnov with a set of shared guidelines for internal and external communication including social media and crisis communication. It also describes the division of responsibilities and the spokesperson structure for media contacts.	Group CEO	No specific follow-up activity
Information security policy	Sets out that Karnov should embed security in the Group's daily work and monitor compliance to protect our customers, Karnov as a company, our brand, our employees and our business against interruptions and outages, as well as reducing risk and loss by preventing and managing unwanted incidents and breaches.	Group CISO	Control effectiveness objectives defined for 2020. Information Security Board implemented with regularly scheduled meetings.

Policy	Aim	Ownership	Follow-up
Business Continuity Plan	The purpose of this plan is to provide executive management, all staff and other relevant stakeholders with an assurance that the Company is prepared for and able to take actions to restore the most business-critical processes, functions and systems in the case of a disaster in an efficient way.	Group CEO	If invoked, all important decisions and events should be logged in accordance with the plan.
Privacy policy	The policy sets out how the Group processes and protects personal data. The policy also focuses on compliance initiatives conducted to ensure compliance with applicable data protection legislation at all times.	Group CEO	Data protection officer (DPO service) and internal Data protection manager (DPM) appointed.

Stakeholder engagement

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

Stakeholder group	Channel	Areas discussed and value creation
Customers	• Regular NPS (Net Promoter Score) surveys • Ongoing dialogue in sales and marketing • Events and awards • Advisory boards	• Identifying customer needs • Trends in the industry • Innovation and technological development • Legislative developments and the consequences for our customers' daily work (interpretation and best practice)
Authors/Specialists	• Regular NPS (Net Promoter Score) surveys • Ongoing dialogue • Events • Advisory boards	• Providing platforms for specialists to promote their knowledge • Foster brand and product loyalty • Transparency in product and brand development
Employees	• Intranet collaboration tool • Health & Safety Committee • All-employee meetings • Regular employee survey performed twice a year • Yearly development discussions • Ongoing monthly one-on-one dialogue • Collaboration with unions and local union branches in Sweden	• Healthy work environment • The Company's development, targets and strategies • Information sharing and transparency contributing to a strong internal culture and brand • Competence and training • Safeguarding diversity and equality • Terms, agreements, organisational changes, development
Students	• Collaboration with universities • Internship and employment of students • "Railgirls" – a society of young developers hosted by Karnov • Advisory board of students • Sponsorships to students • Awards	• Introducing student edition of Karnov as platform for learning, researching and knowing • Education in Karnov's platform to students • Corporate and legal branding as well as employer branding
Legal industry	• Events such as VQ legal forum in Sweden and SMV Forum in Denmark • The future lawyer survey	• Trends and needs • Promoting Karnov Group as a front-runner contributing to legal standards
Media and the public	• Press releases • Interviews • Websites and social media	• Transparency • Understanding of Karnov's services and operations
Owners	• Annual general meetings and contact with the Board • Investor meetings	• Strategies and long-term financial sustainability • Stability, development, quality and customer satisfaction

Materiality analysis, risk assessment and road map

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

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

Sustainability related risk areas and risk management and outcome in 2019

Risk	Potential risk area	Management of the risk
SOCIAL CONDITIONS AND EMPLOYEES		
Ability to attract and retain competence	Access to competent employees and expertise is critical to Karnov's business in order to deliver high quality content and solutions. The competence, commitment and relationship with our employees and authors/specialists are critical factors in ensuring that our customers are satisfied with our different products and solutions. If Karnov's employees are unhappy or are no longer committed, there is a risk they will resign or go on sick leave. If the Karnov brand is damaged, there is also a risk that it will become more difficult for Karnov to retain and attract new employees and specialists.	Karnov aims to create an attractive and healthy workplace. We continuously seek and promote the development of a strong culture where the customer comes first, ultimately contributing to a strong brand. Assessment of the company's ability to maintain a healthy workplace with satisfied employees and attraction, development and retention in focus, is based on employee satisfaction surveys, exit interviews, analysis of employee turnover, absence and sick leave. Karnov has continued to work on developing its employee offering. Karnov's Code of Conduct and personnel handbook govern a healthy work environment for our employees. A key component of the integration process of Norstedts Juridik has been to conduct regular pulse checks. Karnov also focuses on maintaining a strong author base across our markets by continuous dialogue, networking events and attractive remuneration terms. Karnov continually measures author satisfaction through an author-specific Net Promotor Score survey (willingness to recommend Karnov as a publisher of your work).
Discrimination and lack of gender equality	Discrimination on the basis of gender, age, ethnic origin, religious belief and sexual orientation is unlawful and any shortcomings in this regard may result in reputational damage, a less favourable workplace environment with reduced productivity as a consequence, difficulties to recruit and retain personnel, as well as claims for damages.	Karnov prohibits discrimination and harassment. No one should suffer discrimination or harassment connected with gender, cross-gender identity or expression, ethnicity, religion or other religious belief, functional impairment, sexual orientation and age. This is clearly stated in Karnov's Code of Conduct and in the diversity and equality section of the personnel handbook. We firmly believe that treating each other with respect and dignity ensures a healthy and productive work environment. The Company has routines in place regarding how discrimination and harassment at the workplace are to be handled.
RESPECT FOR HUMAN RIGHTS		
	Karnov perceives no obvious risks of violations of human rights as a consequence of our business. Karnov does not conduct any business in countries identified as high-risk countries in this respect.	Karnov's Code of Conduct is partially based on the principle of human rights established by the UN and must be complied with by all employees.
ANTI-CORRUPTION		
	Karnov has zero tolerance as regards bribery and corruption. This is clearly stated in Karnov's Code of Conduct. The risk of corrupt behaviour is relatively limited and arises primarily in connection with purchasing and sales.	Good relationships, a healthy working environment and exemplary business ethics are crucial to the long-term success of Karnov. It is important for us to identify corruption, irregularities or fraudulent acts that can seriously damage the business or negatively impact our employees, and that such

Risk	Potential risk area	Management of the risk
		incidents are investigated at as early a stage as possible. A whistleblowing function has been set up to make it simpler for those who wish to provide information about irregularities that conflict with applicable laws, ethical and moral principles, or Karnov policies. Karnov has implemented an external setup to ensure anonymity and has established a Group Ethics Committee to guarantee impartial action. Karnov's Code of Conduct also covers bribery and corruption and the Code is communicated to and signed by all employees.
ENVIRONMENT		
Buildings, transport and printing	Environmental risks are primarily related to the buildings in which Karnov operates and business travel. According to the Swedish Environmental Code ("Miljöbalken") operators are responsible for any pollution or other environmental damage and for remediation. There are also risks related to climate change, such as higher risk of floods, land collapses, landslides, erosion and heat-waves.	Being a service company, the environmental impact from Karnov's operations is limited. Karnov actively works to reduce the Group's direct environmental impacts, for example usage of raw materials such as paper and energy. We continually seek to improve our environmental performance by aspiring towards good industry practice in terms of environmentally friendly procedures, standards, business relations, and technology. To reduce our emissions, we travel only when absolutely necessary and strive to always communicate digitally, via the Internet, to minimise our use of paper, printing, and transport. Printing of books and publications is managed by suppliers and environmental friendly paper is used.
Other risks	We have identified no other significant sustainability risks. For other risks, see the Risk and risk management section on page 50 and Note 3.	

Information security and integrity 2019

Numbers within brackets is comparing figures for the fiscal year 2018.

REPORTED CASES OF VIOLATION OF HUMAN RIGHTS

0 (0)

REPORTED CASES OF MISCONDUCT

0 (0)

Our Karnov

JONAS KRISTJANSEN – DIGITAL PROCESS DESIGNER
Located in: Copenhagen, Denmark

"I started my career at Karnov as a student employee in 2012 and was offered a full-time contract after completing my Masters' degree in 2016. Having been with Karnov for the last 7.5 years, I've seen the company grow and have been part of many exciting challenges. In my role as a Digital Process Designer, I operate in product enhancement and development, validating business ideas and taking them to scale. In addition, I enjoy being part of our Culture Club, which is a central part of building the intangibles of our organisation."

DITTE ANTHONISEN – MANAGING EDITOR TEAM LEGISLATION
Located in: Copenhagen, Denmark

"Karnov is a cornerstone in the legal system, supporting extremely important functions in our society. As a Managing Editor of Legislation, my team and I are responsible for keeping Karnov's Lovsamling machine running and to always keep the content relevant to our users. Working with data from our professional users through e.g. feedback, interviews and user behavior, we ensure that updates and improvements are putting the customers' need in focus. As regards to Karnov's position in the legal system, it's an honour to ensure that all working professionals can make better decisions, faster."

LENA LINNELL – PRODUCT DEVELOPER
Located in: Stockholm, Sweden

"I've been with Norstedts Juridik for over 20 years and I really enjoy the open atmosphere at the office. I'm an LL.M specialised in administrative law, currently responsible for the areas of public administration and school law in Sweden. They are wide areas, making the no day like the other. I mainly manage the contact with our expert authors and manage projects relating to our platforms. Through-out the years, I've had the possibility to be responsible for numerous projects, and that has been very exciting."

MORTEN BOLAND – KEY ACCOUNT MANAGER
Located in: Copenhagen, Denmark

"Karnov has during the last five years grown in multiple aspects, both as a professional company and in its offering. Working as a Key Account Manager with responsibility for municipalities and regions, I meet many people with different backgrounds and competencies. I also work in developing our offering. It's satisfying seeing our market leading platform help not only lawyers in legal information, but also e.g. caseworkers in municipalities and marine biologists in the sea of regulations."

Short-term incentive program for employees

Karnov has established a short-term incentive program based on employees' personal performance targets as well as targets for Karnov's financial performance. The incentive program is thus based on an individual assessment and the total sum of Karnov's financial targets. All employees, except for student assistants, consultants (contractors), interns, office trainees and employees working on commission, are eligible for the incentive program, which is paid in cash annually.

The objective of the short-term incentive program is creating an incentive in developing Karnov's business among the Company's employees.

Social sustainability 2019

Numbers within brackets is comparing figures for the fiscal year 2018.

AVERAGE NUMBER OF EMPLOYEES (FTEs)

252 (244)

NATIONALITIES EMPLOYED

19 (23)

WOMEN WITHIN THE GROUP

50 % (51 %)

WOMEN WITH STAFF RESPONSIBILITY

45 % (46 %)

EMPLOYEE SATISFACTION

7.8 (8.1)

WORK-RELATED INJURIES

0 (0)

SHORT-TERM SICK LEAVE

1.6 % (1.4 %)

LONG-TERM SICK LEAVE

1.3 % (1.8 %)

NUMBER OF FLIGHTS

1,686 (2,196)

EMPLOYEES ATTENDING TRAINING

41 % (37 %)

Auditor's Report on the Statutory Sustainability Report

This is a literal translation of the Swedish original report

To the annual meeting of the shareholders in Karnov Group AB (publ.), corp. id. No. 559016-9016

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2019 on pages 36–44 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinion

A statutory sustainability report has been prepared.

Stockholm, March 30, 2020
PricewaterhouseCoopers AB

Aleksander Lyckow
Authorized Public Accountant

Board of Directors' Report

Board of Directors' Report

The Board of Directors and CEO of Karnov Group AB, corporate identity number 559016-9016, hereby present the annual report and consolidated financial statements for the 2019 financial year. Unless otherwise stated, amounts are reported in thousands of Swedish kronor (SEK). Terms such as "Karnov," "the company," "the Group," refer in all cases to the parent company, Karnov Group AB, and its subsidiaries.

BUSINESS

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

Karnov is organised into two geographical financial reporting segments: Denmark and Sweden. In 2019, Denmark represented 56 percent and Sweden 44 percent of Karnov's net sales, respectively.

Revenue model

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

In 2019, 85 (82) percent of Karnov's net sales came from subscriptions paid annually in advance.

Market

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

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

Objectives and growth strategy

Karnov's value proposition involves three overall objectives:

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

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

Group structure

Karnov Group AB (publ) is the Group's parent company and owns 100 percent of the shares in the holding company KARN Holdco AB which in turn owns 100% of the shares in the holding companies Karnov Group Holdco DK ApS and Karnov AB. The Danish holding company owns 100 percent of the Danish operating companies Karnov Group Denmark A/S and Forlaget Andersen A/S, as well as 78.7 percent of shares in LCB ApS. Further the Danish holding company has invested in 40 percent of the shares in BELLA Intelligence ApS and 18.4 percent of the shares in ProcurementLink ApS. The Swedish holding company owns 100 percent of the shares in the operating companies Karnov Group Sweden AB, Norstedts Juridik AB and Notisum AB. Karnov Group Sweden AB and Norstedts Juridik AB were merged as of January 1, 2020 with Norstedts Juridik as continuing company. For more information, see Note 16.

Significant events in 2019

> Acquisition of 18.4% of ProcurementLink ApS

On October 29, 2019, Karnov Group acquired 18.4 percent of the shares of the Danish legal tech start-up company ProcurementLink ApS.

The company is developing and will market a specialised product for procurement law which is expected to be offered to the market within a foreseeable future.

› Launch of new value adding solutions

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

The new offering - JUNO- was introduced featuring a new common platform for Norstedts Juridik and Karnov. This completely new product was introduced during the second half of the year and all existing customers have been onboarded to this new online platform. We are still deploying improvements to the platform and will continue to use feedback from users to further enhance it.

THE GROUP'S FINANCIAL DEVELOPMENT

TSEK	2019	2018	Δ%
Net sales	757,087	715,342	6%
Organic growth, %	4.0%	3.9%	
EBITA	205,975	182,760	13%
EBITA margin, %	27.2%	25.5%	
Adjusted EBITA	278,630	261,639	6%
Adjusted EBITA margin, %	36.8%	36.6%	

Net sales

Net sales increased by 5.8 percent to SEK 757 m (715). Organic growth was 4 percent and currency effects had a positive impact on net sales of 1.8 percent. The organic growth was driven by Karnov's continued strong performance in the online market, which off-set an expected decrease in sales of books and other offline products in line with the general market trend.

Earnings

EBITA amounted to SEK 206 m (183) and the EBITA margin was 27.2 (25.5) percent. Adjusted for items affecting comparability, adjusted EBITA increased by 6.5 percent to SEK 279 m (262) and the adjusted EBITA margin was 36.8 (36.6) percent. Items affecting comparability amounted to a total of SEK 73 m and were mainly related to IPO costs, integration costs for Norstedts Juridik and write down of subsidiaries.

Overall profit was 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 write down is due to revenues being below expectations in the subsidiary.

EBITA and adjusted EBITA improvements were driven by higher net sales, good cost control and lower items affecting comparability.

Operating profit (EBIT) amounted to SEK 80 m (63).

Depreciation and amortisation

Depreciation and amortisation amounted to SEK -171 m (-147). The higher amortisation was driven by investments in intangible assets from finalised developments projects related to the integration of Norstedts Juridik and development of new offerings.

During the fourth quarter an impairment testing was undertaken on the Group's cash-generating units, defined as Denmark and Sweden. None of the cash-generating units had a book value exceeding its recoverable amount, and therefore no goodwill impairment has been recorded in 2019.

Net financial items and profit before and after tax

Net financial items amounted to SEK -70 m (-98). Net financial items were affected by currency differences of SEK -16 m (-11) mainly related to long term loans in DKK. 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 income tax was SEK 3 m (-35). The income tax was SEK 0 m (-12). The effective tax rate was impacted by limitations in the Swedish and Danish tax legislation on interest expenses.

Net result for the period was positive and amounted to SEK 3 m (-47).

Cashflow and investments

Cash flow from operating activities amounted to SEK 137 m (186). The overall development in the cash flow was in line with expectations due to seasonal invoicing fluctuations, mainly relating to trade receivables.

Cash conversion

TSEK	31 Dec 2019	31 Dec 2018
Adjusted EBITDA	323,947	288,370
Adjusted cash flow from operating activities	286,883	307,978
Cash conversion, %	**88.6%**	**106.8%**

Total investments amounted to SEK -271 m (-735), mainly referring to final payment of purchase prices for Norstedts Juridik and investments in intangible assets.

The Group's investments in intangible and tangible fixed assets amounted to SEK -121 m (-99).

Financial position

Net Debt

TSEK	31 Dec 2019	31 Dec 2018
Total borrowings	913,317	1,730,544
Cash and cash equivalents	52,008	201,797
Net debt	**861,309**	**1,528,747**
Leverage ratio	2.7	5.3
Equity	1,526,769	625,209
Equity ratio, %	44.9%	18.4%

Net debt was SEK 861 m (1,529) at the end of the period. 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 209 m from related parties being converted to equity in connection with the IPO. The leverage, defined as net debt in relation to adjusted EBITDA, was 2.7 (5.3). The increase was mainly due to the IPO and the new loan agreement.

Equity amounted to SEK 1,527 m (625) and the equity ratio was 44.9 (18.4) percent.

Cash and cash equivalents amounted to SEK 52 m (202). The Group had unutilized credit lines of SEK 525 m (36).

Denmark

TSEK	2019	2018	Δ%
Net sales	420,656	396,624	6%
Organic growth, %	2.7%	5.0%	
EBITA	123,515	141,899	-13%
EBITA margin, %	29.4%	35.8%	
Adjusted EBITA	165,189	157,173	5%
Adjusted EBITA margin, %	39.3%	39.6%	

Net sales

Net sales increased by 6.1 percent to SEK 421 m (397), of which organic growth was 2.7 percent and currency effects accounted for 3.3 percent.

The organic growth was according to expectations and mainly driven by upselling to existing customers.

Earnings

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. Items affecting comparability SEK 42 m (15) were mainly relating to IPO costs and write down of subsidiaries.

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

Sweden

TSEK	2019	2018	Δ%
Net sales	336,431	318,718	6%
Organic growth, %	5.6%	0.0%	
EBITA	82,461	40,861	102%
EBITA margin, %	24.5%	12.8%	
Adjusted EBITA	113,441	104,467	9%
Adjusted EBITA margin, %	33.7%	32.8%	

Net sales

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.

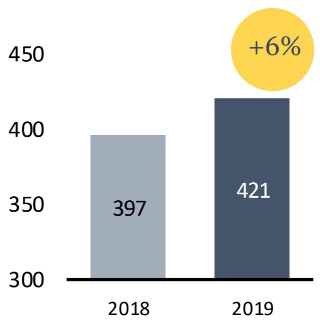
Earnings

EBITA amounted to SEK 82 m (41) and the EBITA margin was 24.5 (12.8) percent. Adjusted for items affecting comparability, adjusted EBITA increased to SEK 113 m (104) and the adjusted EBITA margin was 33.7 (32.8) percent. Items affecting comparability mainly related to integration costs for Norstedts Juridik of SEK 13 m (12) and IPO costs of SEK 18 m (26).

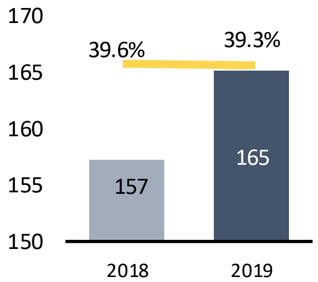
EBITA and adjusted EBITA with the respective margins were driven by higher net sales and good cost control while higher depreciation and amortisation had a negative impact.

Operating profit (EBIT) amounted to SEK 15 m (-18).

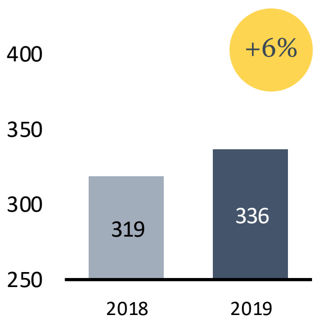
Denmark net sales, SEKm



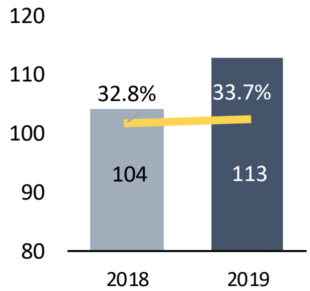
Denmark adjusted EBITA, SEKm and margin, %



Sweden net sales, SEKm



Sweden adjusted EBITA, SEKm and margin %



OTHER GROUP INFORMATION

Seasonal variations

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

Employees

The average number of full-time equivalents (FTEs) increased by 3.2 percent to 252 (244) at the end of the year, of which 137 in Denmark and 115 in Sweden. 50 (51) percent of the workforce was female and 50 (49) percent was male.

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

Environmental impact and sustainability

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

For Karnov, sustainability is closely connected with how the company creates long-term value for its stakeholders and acts as a quality player and an attractive employer. Karnov considers this work to be about by combining expertise with new technology in an increasingly digitized world, strengthening the foundation for justice in the society. The work is based on Karnov's core values. Karnov has further developed and adopted new policies in the areas of Code of Conduct, IT, information security and data integrity and also implemented a whistleblower function. Karnov's Sustainability Report can be found on page 35-43.

Share capital and ownership

Karnov 's share structure comprises one class of ordinary shares. All shares carry one vote at general meetings. As of December 31, 2019, the registered share capital amounted to SEK 1,502,624 divided among 97,670,567 ordinary shares each with a quotient value of SEK 0.015385. All shares have been issued in accordance with Swedish law and are denominated in SEK. A detailed description of changes in the share capital is available on the Company's website, www.karnovgroup.com/en/share-capital-development/.

On December 31, 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.

Shareholders with >5 % of equity and votes	No of shares and votes	Equity and votes, %
Kayne Anderson Rudnick	10,549,104	10.8
Janus Henderson Investors	5,328,989	5.5
M&G Investment Management	5,168,176	5.3
Vind AS	5,078,070	5.2
Lazard Asset Management	4,942,181	5.1
Total	**31,066,520**	**31.8**
Other shareholders	66,604,047	68.2
Total numbers of shares	**97,670,567**	**100.0**

The parent company

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

Net sales for the year amounted to SEK 0 m (0). Operating profit amounted to SEK -36 m (-18) and profit for the period was -20 (-19).

Guidelines for remuneration to senior executives

The CEO is entitled to an annual fixed salary of SEK 2,918,261 and pension benefits in accordance with Karnov's prevailing pension policy. The target for the CEO's variable remuneration corresponds to an amount equal to 50 percent of the annual fixed salary and is determined based on financial targets that are set by the Board of directors each year. Pursuant to the current guidelines for remuneration to the senior management, the variable remuneration shall not exceed 100 percent of the annual fixed salary. For the CEO, a notice period of 12 months applies in case of termination by the Company and 6 months in case of termination by the CEO.

For the other senior executives, the notice period is up to seven months in case of termination by the Company and up to six months in case of termination by the senior executive. Other than the CEO, one senior executive is entitled to severance pay in connection with termination of the employment and is entitled to severance pay corresponding to 12 times the fixed monthly salary. Guidelines for remuneration to the senior executives shall be adopted by the AGM on May 5, 2020.

Outlook for the coming financial year

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

In these serious times when the COVID-19 virus is spreading Karnov is actively following the situation. Karnov currently do not assess that the financial performance is significantly affected on a short-term basis. Please see note 3 for further information.

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

Appropriation of profit

The Board of directors of Karnov proposes that the Group's and the Parent Company's income statements and balance sheets be presented for adoption to the annual general meeting to be held on May 5, 2020. The Board of directors proposes a dividend of SEK 0.45 per share. The proposed dividend of total SEK 43,951,755 corresponds to 2.2 percent of the non-restricted equity.

The dividend is to be paid to shareholders who are included in the Company's shareholder record, kept by Euroclear Sweden AB, on May 7, 2020. Payment is made in Swedish kronor (SEK).

Non-restricted equity in the parent company at the disposal of the AnnuaL General Meeting;

SEK	2019
Share premium	2,062,362,867
Retained earnings	-53,644,278
Net result	-20,108,460
Total carried forward	**1,988,610,129**
The Board proposes that the profits be appropriated as follows:	
Proposed dividend	-43,951,755
Amount carried forward	1,944,658,374

The Board considers that the determination of the profit allocation will not prevent the Company from fulfilling its commitments in the short or long term. Nor will it affect the implementation of the necessary investments. The proposed profit allocation can thus be defended with regard to what is stated in Swedish Companies Act, Chapter 17, article 3, sections 2-3. (Caution rule).

RISKS AND RISK MANAGEMENT

Like all businesses, Karnov's operations are associated with risks that may impact the Group's business, earnings and financial position. On a yearly basis, Karnov makes a composite risk assessment in which all risks are graded according to probability and impact. Focus is placed on identifying risks, preventing the occurrence of risks and preparing action plans, which enable mitigation of any damage such risks may cause. The risks are divided into strategic, operational and financial risks. On basis of the analysis above, policies are formed, followed by procedures to ensure that the policies are followed. The risks Karnov has identified as the most material in its operations, and the ways in which these are managed, are described below. For more information about the risk assessment procedure see the Corporate Governance report on page 23.

Significant risk areas and risk management

Risk	Description	Risk management
STRATEGIC AND OPERATIONAL RISKS		
Market changes and competition	Karnov operates in highly competitive markets for legal information services in Denmark and Sweden. These markets and the products and services themselves (both online and offline), may change due to factors beyond Karnov's control, including changes in customer demand, the impact of consolidation, technological changes, legislative and regulatory changes, entry of new competitors, disruptive business models and other factors. There is a risk that new market entrants will disrupt current business models, leading to lower customer demand and financial loss. Karnov could also be required to invest significant amounts to enhance its products and services or partner with other businesses.	Karnov monitors the industry and the competitive landscape in terms of possible partnerships and acquisition candidates. Karnov has a continuous dialogue with its customers and partners. Customer satisfaction is measured on a regular basis through a Net Promotor Score survey, (willingness to recommend Karnov's services to a friend or colleague if you see a need on a scale from 0 to 10).
Information security	A significant breakdown or other disruption in IT systems could affect Karnov's ability to conduct its operations and fulfil its customer commitments. There is also a risk that trade secrets or personal data or other sensitive information about employees or customers, could be used incorrectly or disclosed if Karnov was exposed to hacking.	A business contingency plan has been adopted to handle disruptions due to unforeseen events. Since Karnov processes a lot of customer and employee data, there is a potential risk that this information may be leaked or lost if the company does not work continuously to ensure a high level of information security, with updated processes, software and IT solutions. An information security policy and guidelines have been implemented which all employees are expected to comply with. An Information Security Board has been established and contributes to high IT security standards and awareness within the Group. Employees have been appointed with responsibility for safeguarding information security.
Acquisitions	Growth through acquisitions, large and small, is part of Karnov's strategy. This entails a risk that Karnov will not identify suitable acquisition targets, that the company will not successfully negotiate acceptable terms, or be able to finance the acquisitions. Even if Karnov finds suitable targets, it may not obtain relevant regulatory approvals such as clearances from competition authorities. Acquisition also entails a risk that Karnov will be exposed to unknown obligations in the acquired company or that the acquisition and integration costs will be higher than expected. In addition, acquisitions of less profitable businesses may have negative impact on Karnov's margins. Integration of acquired entities and organisational changes may also result in key individuals leaving the organisation or loss of customers.	Karnov has an experienced organisation for identifying and making acquisitions in line with its strategy. Over the years, Karnov has established and implemented a structured and systematic acquisition process that requires analysis, documentation and sufficiently approval prior to each acquisition. Karnov also establishes a detailed integration plan for the acquisition decision to reduce the risk of increased integration costs. During 2018 and 2019, the integration process of Norstedts Juridik AB has been a priority, structured in a number of joint work streams, regular follow-up and measures to identify and mitigate possible risk areas.
Technical shortcomings	Any shortcomings in functionality or that cause interruptions in the availability of Karnov's services and solutions, including user errors, may lead to loss of or delayed market acceptance and usage of the company's services and solutions. This may also lead to warranty claims, issuance of customer credits, or refund of prepaid charges for unused services, loss of customers, or reallocation of resources to development and customer service. Finally, such shortcomings may damage Karnov's reputation.	Karnov has defined and enforces a set of IT Security policies, procedures and appropriate security measures. Controls are performed according to the approved annual cycle. A Group major incident process is implemented and together with the establishment of a Group IT Change Board this helps ensure both a controlled IT environment and agile deployment process for customer facing online services.

Risk	Description	Risk management
Dependence on key personnel and expertise	Karnov is dependent on a variety of expert competencies and key individuals to deliver high quality content and solutions. If Karnov fails to retain senior executives and key personnel and authors/specialists or to recruit highly skilled personnel and author/specialists, this could hamper Karnov's future expansion and brand.	Karnov has a strong focus on attracting, developing, and retaining skilled and dedicated employees. Karnov has continued to work on developing its employee offering including incentive programmes for key personnel and initiatives to develop Karnov's employer brand and appeal as a workplace. Karnov also focuses on maintaining a strong author base across our markets by continuous dialogue, networking events and attractive remuneration terms. Karnov continuously measures employee and author satisfaction. For more information see sustainability risk areas on page 36.
Public tenders	Some of Karnov's customers within the public sector in Sweden are required by law to acquire products and services via public procurement. A public procurement and a decision to award a contract won by Karnov may be challenged by other tenderers or potential tenderers even after Karnov has incurred significant expenditures. Such appeal procedures may not only lead to costs and time loss for Karnov but may also lead to a new public procurement process and loss of the awarded contract. Public procurement legislation also provides for the cancellation of public sector contracts awarded in breach of the legislation.	Karnov has an experienced organisation and a structured process for public tenders and continuously monitors changes in the public procurement framework.
FINANCIAL RISKS		
Goodwill	Goodwill represents a significant part of Karnov's balance sheet. Depending on the results of operations in the future, Karnov may have to make write-downs of its asset values.	Impairment tests are conducted annually, or, if necessary, more often based on significant events or changes. Karnov monitors relevant circumstances that affect the business and the possible impact these would have on the valuation of goodwill and other intangible assets. There was no impairment need at the end of the period based on the impairment test prepared.
Liquidity and financing risks	Liquidity risk is defined as the risk that Karnov will be unable to meet its payment obligations. Financing risk is defined as the risk that financing of outstanding loans becomes impossible or costlier. Inadequate access to financing for investments could lead to limited growth opportunities.	Karnov manages liquidity risk by maintaining a liquidity reserve (cash, bank balances, and an unutilised portion of existing credit lines). Karnov's finance department seeks to maintain agreements on available lines of credit and conducts ongoing aggregate cash flow forecasts and rolling forecasts to ensure adequate liquidity for the operations. The company strives to raise credit with safe maturities and maintains a high level of transparency with its creditors. The Group finance department analyses compliance with the financial covenants on an ongoing basis.
For a description of further financial risks, see note 3.		
Sustainability risks	For a description of sustainability-related risk areas, see pages 35-43.	

Financial statements

Consolidated statement of comprehensive income

TSEK	Note	2019	2018
Net sales	5	757,087	715,342
Total revenue		**757,087**	**715,342**
Goods for resale		-135,194	-126,408
Employee benefit expenses	7	-222,994	-215,434
Depreciations and amortisations	11,15,33	-171,111	-146,809
Other operating expenses		-147,607	-164,009
Operating profit		**80,181**	**62,682**
Financial income		14,351	319
Financial expenses		-84,335	-98,217
Net financial items	8	**-69,984**	**-97,898**
Write down of associated companies		-7,102	-
Profit before income tax		**3,095**	**-35,216**
Income tax expense	9,25	385	-11,591
Net result		**3,480**	**-46,807**
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		13,989	-6,410
Total comprehensive income for the period		**17,469**	**-53,217**
Profit for the period is attributable to:			
Owners of Karnov Group AB		2,621	-50,927
Non-controlling interest		859	4,120
Net result		**3,480**	**-46,807**
Total comprehensive income for the period is attributable to:			
Owners of Karnov Group AB		16,610	-57,337
Non-controlling interest		859	4,120
Total comprehensive income		**17,469**	**-53,217**
Earnings per share, basic, SEK		0.03	-1.14
Earnings per share, after dilution, SEK		0.03	-1.14

Consolidated balance sheet

TSEK	Note	31 Dec 2019	31 Dec 2018
ASSETS:			
Goodwill	11	1,656,311	1,657,692
Other intangible assets	11	1,263,117	1,289,596
Right-of-use assets	33	112,477	-
Property, plant and equipment (PPE)	15	5,434	5,721
Investments in associated companies	13	5,778	8,524
Loans to associated companies		2,937	-
Deposits	14	2,729	2,628
Deferred tax assets	25	425	832
Total non-current assets		**3,049,208**	**2,964,993**
Inventories	19	13,097	11,553
Trade receivables	18	209,672	169,231
Prepaid expenses	20	8,391	15,951
Other receivables		14,387	1,926
Tax receivable		51,894	27,129
Cash and cash equivalents	21	52,008	201,797
Total current assets		**349,449**	**427,587**
TOTAL ASSETS		**3,398,657**	**3,392,580**

TSEK		31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES:			
Capital and reserves attributable to equity holders of the company			
Share capital	22	1,503	688
Share premium	22	2,062,361	798,472
Reserves		-320,320	30,532
Retained earnings including net profit for the year		-217,050	-223,017
Total equity attributable to the parent company's shareholders		**1,526,494**	**606,675**
Non-controlling interest		275	18,534
Total equity		**1,526,769**	**625,209**
Borrowing from credit institutions	24	838,317	1,378,199
Borrowing from related parties	24	-	218,819
Lease liabilities	33	102,783	-
Deferred tax liability	25	170,551	256,581
Provisions	27	5,456	5,192
Total non-current liabilities		**1,117,107**	**1,858,791**
Borrowing from credit institutions	24	75,000	65,625
Borrowing from related parties	24	-	67,901
Trade payables		12,477	30,890
Current tax liabilities		71,860	17,617
Accrued expenses	29	126,239	164,542
Prepaid income	30	399,586	342,902
Deferred acquisition payment	34	-	130,588
Lease liabilities	33	11,622	-
Other current liabilities	28	57,997	88,515
Total current liabilities		**754,781**	**908,580**
TOTAL EQUITY AND LIABILITIES		**3,398,657**	**3,392,580**

Consolidated statement of changes in equity

	Equity attributable to the parent company's shareholders						
TSEK	Share capital	Share premium	Reserv	Retained earnings	Equity attributable to the parent company's shareholders	Non-controlling interest	Total equity
Balance at January 1, 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 January 1, 2018	**688**	**798,472**	**36,942**	**-172,090**	**664,012**	**41,200**	**705,212**
Net result	-	-	-	-50,927	-50,927	4,120	-46,807
Other comprehensive income for the period	-	-	-6,410	-	-6,410	-	-6,410
Total comprehensive income/loss	**-**	**-**	**-6,410**	**-50,927**	**-57,337**	**4,120**	**-53,217**
Transaction with shareholders in their capacity as owners							
Redemption of shares**	-	-	-	-	-	-26,786	-26,786
Total transaction with shareholders	**-**	**-**	**-**	**-**	**-**	**-26,786**	**-26,786**
Closing balance at December 31, 2018	**688**	**798,472**	**30,532**	**-223,017**	**606,675**	**18,534**	**625,209**

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

**For futher information regarding redemption of shares, please refer to note 22.

	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 January 1, 2019	**688**	**798,472**	**30,532**	**-223,017**	**606,675**	**18,534**	**625,209**
Net result	-	-	-	2,621	2,621	859	3,480
Other comprehensive income for the period	-	-	13,989	-	13,989	-	13,989
Total comprehensive income/loss	**-**	**-**	**13,989**	**2,621**	**16,610**	**859**	**17,469**
Transaction with shareholders in their capacity as owners							
Conversion of debt to shares	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
Total transaction with shareholders	**815**	**1,263,889**	**-364,841**	**3,346**	**903,209**	**-19,118**	**884,092**
Closing balance at December 31, 2019	**1,503**	**2,062,361**	**-320,320**	**-217,050**	**1,526,494**	**275**	**1,526,769**

Consolidated cash flow statement

TSEK	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		80,181	62,682
Adjustments:			
Non-cash items	11	190,217	146,809
Effect of changes in working capital:			
Increase/decrease in inventories	19	-1,460	1,119
Increase/decrease in receivables	18	-43,923	10,942
Increase/decrease in trade payables and other payables	29	-50,903	31,646
Increase/decrease in prepaid income	30	53,091	10,195
Interest paid	8	-31,878	-52,779
Income tax paid	9	-58,049	-24,881
Cash flow from operating activities		**137,276**	**185,733**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of participations in associated companies	13	-4,282	-8,492
Acquisition of subsidiaries	34	-138,940	-627,982
Loan to subsidiaries		-2,981	-
Increase/decrease in deposits and other assets	14	-	49
Acquisition of intangible assets	11	-120,672	-96,694
Acquisition of PPE	15	-3,940	-2,008
Cash flow from investing activities		**-270,815**	**-735,127**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/decrease in short-term borrowings	24	-59,603	94,036
Increase/decrease in lease liabilities		-14,731	-
Principal payments on long-term debt	24	-1,459,831	-9,892
Increase in long-term debt	24	844,200	575,579
Transactions with non-controlling interest		-97,478	-
Proceeds from IPO		768,217	-
Cash flow from financing activities	**31**	**-19,226**	**659,723**
Cash flow for the period		**-152,765**	**110,329**
Cash and cash equivalents at the beginning of the period		201,797	93,879
Exchange rate differences in cash and cash equivalents		2,975	-2,411
Cash and cash equivalents at the end of the period	**21**	**52,008**	**201,797**

Parent company statement of comprehensive income

TSEK	Note	2019	2018
Employee benefit expenses		-7,440	-
Other operating expenses		-28,948	-18,294
Operating profit		**-36,388**	**-18,294**
Financial income		25,351	19,277
Financial expenses		-9,071	-19,865
Net financial items	8	**16,280**	**-588**
Profit before income tax		**-20,108**	**-18,882**
Income tax expense	9	-	-215
Net result		**-20,108**	**-19,097**
Total comprehensive income		**-20,108**	**-19,097**

No items accounted for within other comprehensive income.

Parent company balance sheet

TSEK	Note	31 Dec 2019	31 Dec 2018
ASSETS:			
Receivables from group enterprises		800,852	192,444
Investments in group enterprises	16	1,143,458	759,500
Total non-current assets		**1,944,310**	**951,944**
Receivables from group enterprises		-	5,790
Other receivables		8,874	67
Current tax receivable		38,306	18,341
Cash and cash equivalents	21	156	974
Total current assets		**47,336**	**25,172**
TOTAL ASSETS		**1,991,646**	**977,116**

TSEK		31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES:			
Restricted equity			
Share capital		1,503	688
Non-restricted equity			
Share premium		2,062,363	798,472
Retained earnings including net profit for the year		-73,752	-53,644
Total equity		**1,990,114**	**745,516**
Borrowing from related parties	36	-	218,819
Total non-current liabilities		**-**	**218,819**
Trade payables		88	1,608
Trade payables from group companies		11	4,225
Accrued expenses		1,388	6,948
Other current liabilities		45	-
Total current liabilities		**1,535**	**12,781**
TOTAL EQUITY AND LIABILITIES		**1,991,646**	**977,116**

Parent company statement of changes in equity

TSEK	Share capital	Share premium	Retained earnings	Total equity
Balance at January 1, 2018	**688**	**798,472**	**-34,546**	**764,614**
Comprehensive income				
Net result	-	-	-19,098	-19,098
Other comprehensive income for the year	-	-	-	-
Total comprehensive	**-**	**-**	**-19,098**	**-19,098**
Balance at December 31, 2018	**688**	**798,472**	**-53,644**	**745,516**

TSEK	Share capital	Share premium	Retained earnings	Total equity
Balance at January 1, 2019	**688**	**798,472**	**-53,644**	**745,516**
Net result	-	-	-20,108	-20,108
Other comprehensive income for the period	-	-	-	-
Total comprehensive income/loss	**-**	**-**	**-20,108**	**-20,108**
Transaction with shareholders in their capacity as owners				
Conversion of debt to shares	74	209,186	-	209,260
Purchase of shares from non-controlling interest	102	286,378	-	286,480
Issue of ordinary shares to new investors	639	768,327	-	768,966
Total transaction with shareholders	**815**	**1,263,891**	-	**1,264,706**
Closing balance at December 31, 2019	**1,503**	**2,062,363**	**-73,752**	**1,990,114**

Parent company cash flow statement

TSEK	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		-36,388	-18,294
Adjustments:			
Non-cash items		-	-
Effect of changes in working capital:			
Increase/decrease in receivables		-28,204	-68
Increase/decrease in trade payables and other payables		-7,598	7,556
Increase/decrease in intercompany receivables		-602,618	1,930
Increase/decrease in intercompany payables		-4,218	2,704
Interest received		25,351	-1
Income tax paid		-	-16,396
Cash flow from operating activities		**-653,675**	**-22,569**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiaries		-97,478	-
Proceeds from investment in group enterprises		-	15,998
Cash flow from investing activities		**-97,478**	**15,998**
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments of loans from related parties		-17,882	-
Net payments to non-controlling interest		-	773
Proceeds from IPO		768,217	-
Cash flow from financing activities		**750,335**	**773**
Cash flow for the period		-818	-5,798
Cash and cash equivalents at the beginning of the period		**974**	**6,772**
Cash and cash equivalents at the end of the period	**21**	**156**	**974**

Notes

Note 1. General information

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

The Parent, Karnov Group AB, reg. no. 559016-9016 is a limited liability company domiciled in Sweden with its registered office in Stockholm. The visiting address of its head office is Warfvinges väg 39, 112 51 Stockholm.

The consolidated financial statements are presented in Swedish kronor (TSEK) unless otherwise stated, which is the presentation currency for the Group activities, and the functional currency for the Parent. All financial statements were authorised for publishing by the Board of Directors on May 5, 2020.

Note 2. Summary of significant accounting policies

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

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

BASIS OF PREPARATION

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

The Parent's financial statements have been prepared in accordance with RFR 2, Accounting for Legal Entities, and the Swedish Annual Accounts Act. In cases where the Parent applies accounting policies differing from those of the Group, such deviations are explained separately at the end of this note.
The preparation of financial statements in conformity with IFRS requires the application of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a greater degree of judgement or complexity, or areas in which assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

The accounting policies remain unchanged for the consolidated financial statements compared to 2018, with the exception of the new and amended standards as described below.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards adopted by the Group

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.

New standards and interpretations adopted

LEASES

The Group's leasing arrangements mainly consists of rental agreements for the Group's office locations, car leases and miscellaneous other leases as operating leases. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. Management exercises significant judgement in determining whether it is reasonably certain that these extension and termination options will be exercised.

Lease assets

Lease assets and liabilities are recognised in the balance sheet at the commencement date of the contract, if it is or contains a lease. Lease assets are recognised at cost less accumulated depreciation and impairment. Cost is defined as the lease liability adjusted for any lease payments made at or before the commencement date. Lease assets are depreciated on a straight-line basis over the lease term.

Lease liabilities

Lease liabilities are measued at the present value of future payments, using the interest rate implicit in the lease agreement. Lease payments are discounted using the Group's incremental borrowing rate at 1 January 2019 adjusted for the functional currencies and lenght of the lease term, if the interest rate implicit in the lease agreement cannot be determined. Lease payments contain fixed payments less any lease incentives receivable, variable lease payment that depend on an index or a rate as well as payments of penalties for terminating the lease, if the terms of the lease warrants that the Group exercises that option.
The lease liability is remeasured if or when the future payment or lease term changes. Any net remeasurement of the lease liability is recognised as an adjustment to the lease asset. If the carrying amount of the lease asset is reduced to zero, the adjustment will be recognised in the income statement.

Additional information

Short-term lease expenses, low-value assets and variable lease payments are classified as operating expenses in the income statement.

Accounting estimates and assumptions

Expired leases

The lease term is the period during which the lease contract is enforceable. If the original expiry date of a lease contract has passed, typically in the case of property leases, but the contract continues without a determined expiry date, the lease term is set for an estimated period during which the lease contract is expected to be enforceable. This estimate is based on Management's judgement and takes into consideration the location of the lease, capitalised leasehold improvements and the experience with similar leases for the specific area.

Extension and termination options

When determining the lease term for lease agreements containing extension and termination options, Management considers circumstances that create a financial incentive to exercise an extension option or not to exercise a termination option. Extension and termination options are only included in the lease term if it is reasonably certain that a lease will be extended/terminated.

CONSOLIDATED FINANCIAL STATEMENTS

Subsidiaries

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

The Group applies the acquisition method to account for acquisitions.

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

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

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

Acquisition-related costs are expensed as incurred.
The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.
Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

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

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

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

SEGMENT REPORTING

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

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Transactions and balances

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

Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows: balance sheet items are translated at the exchange rate prevailing at the balance sheet date;

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

All resulting exchange differences are recognised in other comprehensive income.

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

INTANGIBLE ASSETS

Goodwill

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

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

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

Capitalised development costs

The Group has ongoing development activities regarding software products related to the online access to the Group's databases. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

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

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

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

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

Trademarks

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

Customer relationships

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost less accumulated depreciation. Cost is defined as the acquisition price and costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amounts of any replaced parts are derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Property, plant and equipment are written down immediately to their recoverable amounts, if these are lower than their carrying amount.

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

INVESTMENTS IN ASSOCIATED COMPANIES

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

FINANCIAL INSTRUMENTS

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

Classification

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

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

Financial assets measured at amortised cost

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

Other financial liabilities

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

Recognition and measurement

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

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

INVENTORIES

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

TRADE RECEIVABLES

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

On initial recognition, trade receivables are measured at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.
The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The new guidance relating to classification and measurement, impairment model and hedge accounting did not have any significant impact on the Group’s financial position at the date of first application.

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

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

SHARE CAPITAL

Ordinary and preference shares are classified as equity.

EARNINGS PER SHARE

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

TRADE PAYABLES

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

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

BORROWINGS

Borrowings (including borrowing from credit institutions and borrowing from related parties in the balance sheet) are initially recognised at fair value, net of transaction costs incurred.
Borrowings are subsequently carried at acquisition cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.
Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

All borrowing costs (interest expenses, transaction costs and the changes in fair value of the options) are recognised within “finance costs” in the income statement in the period to which they refer.
The fair value of borrowings for disclosure purposes is estimated by discounting the future contractual cash flows at current market interest rates available to the Group for similar financial liabilities.

CURRENT TAX AND DEFERRED INCOME TAX

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

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

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

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

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

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

EMPLOYEE BENEFITS

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

PENSION OBLIGATIONS

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

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

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

LONG-TERM INCENTIVE PROGRAM (DEFERRED SHARES)

The fair value of deferred shares granted to employees for nil consideration under the share savings program is recognised as an expense over the relevant service period, being the year to which the remuneration relates and the vesting period of the shares. The fair value is measured at the grant date of the shares and is recognised in equity in the share-based payment reserve. The number of shares expected to vest is estimated based on the non-market vesting conditions. The estimates are revised at the end of each reporting period, and adjustments are recognised in profit or loss and the share-based payment reserve.

Where shares are forfeited due to a failure by the employee to satisfy the service conditions, any expenses previously recognised in relation to such shares are reversed effective from the date of the forfeiture.

The deferred shares are acquired by the Company and are held as treasury shares until such time as they are vested.

PROVISIONS

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

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

REVENUE RECOGNITION

The Group applies the IFRS 15 simplified approach to recognising revenue from contracts with customers.

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

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

Online sales

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

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

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

Offline sales

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

LEASES

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

DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders. The Board of directors of Karnov proposes that the Group's income statement and balance sheet be presented for adoption to the annual general meeting to be held on May 5, 2020. The Board of directors proposes a dividend of SEK 0.45 per share. The proposed dividend SEK 43,951,755 corresponds to 2.2 percent of the non-restricted equity.

ACCOUNTING POLICIES IN THE PARENT COMPANY

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

Format of income statement and balance sheet

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

Financial instruments

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

Shares in subsidiaries

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

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

Use of key ratios not defined in IFRS

The Karnov Group's accounts are prepared in accordance with IFRS. Only a few key ratios are defined in IFRS. Karnov is applying certain "Alternative Performance Measures" as further commented on by ESMA (European Securities and Markets Authority). Briefly, an alternative performance measure is a financial measurement of historical or future earnings development, financial position or cash flow, not defined or specified in IFRS. To assist Group Management and other stakeholders in their analysis of the Group's performance, Karnov is reporting certain key ratios not defined by IFRS. Group Management believes that this data will facilitate analysis of the Group's performance. This data supplements the IFRS information and does not replace the key ratios defined in IFRS. Karnovs definitions of measurements not defined in IFRS may differ from definitions used by other companies. All of Karnovs definitions are included in the section Financial Definitions on page 104. Key ratio calculations that cannot be checked against items in the statement of income and balance sheet can be found in note 38.

OTHER

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

Note 3. Financial risk management

FINANCIAL RISK FACTORS

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

Market risk

(i) Foreign exchange risk

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

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

Transaction exposure

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

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

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

Translation exposure

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

At December 31, 2019, the total translation differences recognised in other comprehensive income amounted to TSEK 13,989 (-6,410).

Currency exposure

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

Closing rate December 31, 2019:	1.39680 (1.37600)
Average rate January-December 2019:	1.40396 (1.37691)

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

TSEK	SEK	DKK	EUR
2019			
Trade receivables	-	-	-
Receivables from Group entities	2,111	5,037,321	-
Cash and cash equivalents	-	2,473	-
Total	**2,111**	**5,039,794**	**-**

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

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

TSEK	SEK	DKK	EUR
2019			
Borrowing from credit institutions	-	442,755	-
Borrowing from Group entities	-	4,647,529	-
Trade payables	-	324	811
Payables from Group entities	3,637	1,109	-
Accrued expenses and prepaid income	-	-	-
Total	**3,637**	**5,091,717**	**811**

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

The sensitivity analysis shows that a 5% change in the exchange rates would affect the assets by TSEK 351,398 (297,780) and the liabilities by TSEK 354,261 (322,893).

Cash flow and fair value interest rate risks

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

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

If interest rates on currency-denominated borrowings, at December 31, 2019 had been 10 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been TSEK 5,293 lower/higher (6,148), mainly as a result of higher/lower interest expense on floating rate borrowings. See Note 24 for disclosure of the significant terms of borrowings.

Credit risk

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

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

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

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

Liquidity risk

Cash flow forecasting is performed in the operating entities of the Group and is aggregated by Group Finance. Group Finance monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.
At December 31, 2019, the Group had accessible liquidity of TSEK 52,008 (Note 21) (201,797).

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

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

Group TSEK	< 1 year	Between 1 - 2 years	Between 2 - 5 years	> 5 years
2019				
Borrowing from credit institutions	75,000	-	838,317	-
Loans from related parties	-	-	-	-
Trade payables	12,477	-	-	-
Other liabilities	195,858	14,155	42,464	55,086
Total	**283,334**	**14,155**	**880,782**	**55,086**

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

Parent Company TSEK	< 1 year	Between 1 - 2 years	Between 2 - 5 years	> 5 years
2019				
Borrowing from credit institutions	-	-	-	-
Loans from related parties	-	-	-	-
Trade payables	88	-	-	-
Other liabilities	1,444	-	-	-
Total	**1,532**	**-**	**-**	**-**

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

Risks related to global COVID-19 pandemic

The current COVID-19 pandemic is expected to affect all global markets. The Group is following the situation on continuously basis. The Group operates in the legal and tax professional market in Denmark and Sweden. These markets encompass, among other things, online information database services, printed information sources, legal practice management software and legal training courses. The products and services are generally offered to law firms, tax and accounting firms, corporates in a wide range of industries and the public sector, including courts, libraries, universities and other public authorities and municipalities.

The nature of the market and the products offered in combination with the Group's business model with approximately 85% subscription based revenue the Group assess that the virus will have no impact on online revenue on a short term basis. For the Group's non-subscription based offline business, mainly books and sales of legal training courses, it is expected that the virus will have some effect on a short-term basis. However, the effect is expected to have a non-significant impact which to some extend will be offset by timing for later periods.

Parent Company

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

CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholders, return capital to the shareholders, issue new shares or sell assets to reduce debt.

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

The gearing ratio at December 31, 2019 was as follows:

TSEK	2019	2018
Total borrowings (note 24)	913,317	1,730,544
Less: cash and cash equivalents (note 21)	52,008	201,797
Net debt	**861,309**	**1,528,747**
Total equity	1,526,769	625,209
Gearing ratio	0.56	2.45

Note 4. Critical estimates and judgements

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

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimations and assessments relating to impairment of goodwill and intangible assets

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

The carrying amount of intangible assets at December 31, 2019, distributed by cash-generating units (CGU), are presented in Note 11.

Estimated cash flows for the first year are based on most recent budgets approved by the Board of Directors. Estimated cash flows for years 2-5 are based on the Company's business plan for the period approved by the Board of Directors. After the budget period, estimated growth in the terminal period are 2.0% (2.5%) corresponding to the expected market growth.

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

Valuation of tax loss carry-forwards

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

The Group´s tax loss carryforwards at December 31, 2019 amount to TSEK 185,948 (223,560). The deferred tax asset on these tax loss carryforwards that has not been recognised at December 31, 2019 amounts to TSEK 40,165 (45,053).

Note 5. Segments, distribution net sales and costs

Net sales are classified by category as follows:

Group TSEK	2019	2018
Sale of online services	581,673	532,553
Sale of offline products and services	175,414	182,789
Total net sales	**757,087**	**715,342**

Net sales are classified by geographical market as follows:

Group TSEK	2019	2018
Sweden	335,128	316,881
Denmark	414,003	390,562
Other European countries	7,853	7,719
Other countries	103	180
Total net sales	**757,087**	**715,342**

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

TSEK	Denmark 2019	Denmark 2018	Sweden 2019	Sweden 2018	Total 2019	Total 2018
Online					581,673	532,553
Offline					175,414	182,789
Net sales	**420,656**	**396,624**	**336,431**	**318,718**	**757,087**	**715,342**
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 finance cost					-69,984	-97,898
Profit before tax					3,095	-35,216
Income tax expense					385	-11,591
Net result					3,480	-46,807

Note 6. Remuneration to auditors

Audit services refer to examination of the consolidated financial statements, the accounts and the administration of the Board of Directors and the President & CEO of the Company; other tasks incumbent on the Company's auditor; and advice or other assistance prompted by observations from such audits or the performance of other such tasks. Of the total fee for audit assignments of TSEK 3,450, TSEK 2,689 are invoiced by PricewaterhouseCoopers AB for the statutory audit. Of total other fees of TSEK 995, TSEK 825 is invoiced by PricewaterhouseCoopers AB (the statutory auditors of Karnov Group AB (Publ.). These fees are non-audit services primarily relating tax assistance and assistance in projects raising the Group's standard in internal control and processes.

Group

TSEK	2019	2018
Audit services	3,450	3,410
Audit-related services	35	900
Tax services	660	1,346
Non-audit services	300	5,500
Total	**4,445**	**11,156**

Parent company

TSEK	2019	2018
Audit services	1,388	500
Audit-related services	35	900
Tax services	470	1,300
Non-audit services	206	5,500
Total	**2,099**	**8,200**

Note 7. Employee benefit expenses

Group

Wages, other benefits and social security costs TSEK	Ordinary compensation	Other benefits	Pension benefits	Total
2019				
Excecutive management	15,683	6,359	2,092	24,134
Other employees	140,546	21,294	20,715	182,555
Other personnel-related costs	-	-	-	16,305
Total	**156,229**	**27,653**	**22,807**	**222,994**

Group

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

Parent company

Wages, other benefits and social security costs TSEK	Compensation for board work	Ordinary compensation	Other benefits	Pension benefits	Total
2019					
Board of directors	1,785	-	-	-	1,785
Excecutive management	-	2,456	1,556	246	4,257
Other personnel related costs	-	-	-	-	1,398
Total	**1,785**	**2,456**	**1,556**	**246**	**7,440**

In accordance with currently applicable regulations, a mutual period of termination of employment of a maximum of twelve months applies for the CEO.

The CEO's variable remuneration target shall correspond to an amount equal to 50 percent of the annual fixed salary and is determined based on financial targets that are set by the Board of Directors each year. Pursuant to the current guidelines for remuneration to the senior management, the variable remuneration shall not exceed 100 percent of the annual fixed salary.

The parent company had no employees during 2018.

Group

Compensation and other benefits during the year TSEK	Compensation for board work	Ordinary compensation	Other benefits	Pension benefits	Total
2019					
Magnus Mandersson (Chairman of the board)	650	-	-	-	650
Lone Møller Olsen	450	-	-	-	450
Ulf Bonnevier	385	-	-	-	385
Mark Redwood	300	-	-	-	300
Flemming Breinholt	-	2,918	1,636	292	4,846
Other senior management (7 FTE)	-	12,765	4,723	1,800	19,288
Total	**1,785**	**15,683**	**6,359**	**2,092**	**25,919**

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

Group	2019			2018		
Average number of employees Full Time Equivalents (FTEs)	Men	Women	Total	Men	Women	Total
Sweden	50	63	113	52	65	117
Denmark	75	62	137	67	60	127
Total subsidiaries	**125**	**125**	**250**	**119**	**125**	**244**
Parent company, Sweden	1	1	2	-	-	-
Total group	**126**	**126**	**252**	**119**	**125**	**244**

	2019			2018		
Gender distribution of board members and other senior management	Men	Women	Total	Men	Women	Total
Group (including subsidiaries)						
Members of the Board	5	1	6	5	1	6
Excecutive directors and other senior management	5	3	8	4	2	6
Total	**10**	**4**	**14**	**9**	**3**	**12**
Parent company						
Members of the Board	5	1	6	5	1	6
Excecutive directors and other senior management	1	1	2	-	-	-
Total	**6**	**2**	**8**	**5**	**1**	**6**

Note 8. Results from financial items

Group TSEK	2019	2018
Financial income:		
Interest income	415	319
Re-measurement of fair value on contingent considerations	13,936	-
Total financial income	**14,425**	**319**
Financial expenses:		
Interest expenses	-51,410	-78,946
Re-measurement of fair value on contingent considerations	-245	-3,288
Re-measurement of fair value on interest rate caps	-	-49
Net exchange rate losses	-16,310	-15,934
Other financial expenses	-16,445	-
Total financial expenses	**-84,409**	**-98,217**
Net financial items	**-69,984**	**-97,898**

Parent company

TSEK	2019	2018
Financial income:		
Interest income	25,122	19,277
Exchange rate gains	229	-
Total financial income	**25,351**	**19,277**
Financial expenses:		
Currency translation losses	-910	-703
Interest expenses – borrowings	-8,161	-19,162
Total financial expenses	**-9,071**	**-19,865**
Net financial items	**16,280**	**-588**

Note 9. Taxes

Group

TSEK	2019	2018
Current tax:		
Current tax for the year	88,166	-32,276
Current tax prior years	496	-2,521
Total current tax	**88,662**	**-34,797**
Deferred income tax		
Change in deferred tax assets for the year (note 25)	-867	1,967
Change in deferred tax liabilities for the year (note 25)	-87,411	21,239
Total deferred tax expense/benefit	**-88,278**	**23,206**
Income tax expense	**385**	**-11,591**

Parent company

TSEK		
Current tax for the year	-	-104
Current tax prior years	-	-111
Income tax expense	**-**	**-215**

Group

TSEK	2019	2018
Profit/(Loss) before income tax	3,095	-35,216
Tax calculated at domestic tax rates applicable to profits in the respective countries	1,771	7,748
Expenses not deductible for tax purposes*	-1,882	-11,028
Other adjustment taxable income	-	-2,924
Tax effect from change in tax rate (Sweden)	-	2,524
Tax losses not capitalized	-	-5,390
Adjustments for current tax of prior periods	496	-2,521
Income tax expense	**385**	**-11,591**

* “Expenses not deductible for tax purposes” consist primarily of interest expenses not deductible due to limitations within the tax.

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

Tax losses

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

Group

TSEK	2019	2018
Unused tax losses for which no deferred tax asset has been recognised	185,948	223,560
Potential tax benefit 20.6%	**38,305**	**46,053**

Parent Company

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

Parent company		
TSEK	2019	2018
Profit/(Loss) before income tax	-20,108	-18,882
Income tax calculated according to current tax rate	4,303	4,154
Expenses not deductible for tax purposes	-1,746	-4,258
Tax losses for which no deferred tax asset was recognized	-2,557	-111
Tax charge	-	**-215**

Note 10. Exchange rate differences

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

Group		
TSEK	2019	2018
Net exchange rate differences	-16,236	-15,934
Total exchange rate differences	**-16,236**	**-15,934**

Note 11. Intangible assets

Group TSEK	Goodwill	Capitalised development costs	Other intangible assets	Total
Cost at January 1, 2019	**1,657,692**	**180,893**	**1,411,496**	**3,250,081**
Additions	-	17,672	98,579	116,251
Disposals	-	-	-	-
Currency exchange differences	17,316	1,443	12,389	31,148
Accumulated cost at December 31, 2019	**1,675,008**	**200,008**	**1,522,464**	**3,397,480**
Amortisation at January 1, 2019	**-**	**33,445**	**269,348**	**302,793**
Amortisation for the year	-	28,100	125,792	153,893
Write-down	18,697	-	-	18,697
Currency exchange differences	-	-	2,669	2,669
Accumulated amortisation at December 31, 2019	**18,697**	**61,545**	**397,810**	**478,052**
Net book value at December 31, 2019	**1,656,311**	**138,463**	**1,124,654**	**2,919,428**

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

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

Other intangibles assets consist of trademarks with a net book value of TSEK 242,699 (263,681), technology with a net book value of TSEK 186.690 (122,705) and customer relations with a net book value of TSEK 695,266 (755,762). Capitalised development costs apply to software products in connection to the online access to the Group´s databases.

Impairment tests on goodwill

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

TSEK	Denmark	Sweden
Total	1,144,143	512,168

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

For the 2019 and 2018 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value-in-use calculations which require the use of assumptions.

Based on the impairment test, a material excess value for both CGU’s was identified compared to the carrying amount for which reason no impairment was made as of December 31, 2019. The calculations use post-tax cash flow projections for a five-year period based on the financial budget for 2020, on strategy plans and on projections hereof. Projections extending beyond 2020 are based on general parameters, such as expected market growth and profitability assumptions. The terminal value used in the calculations for both CGU’s is determined on the assumption of 2 percent growth (2.5) on both markets. The growth rates do not exceed the long-term average growth rate for the business in which the CGU operates. The pre-tax discount rate used in both markets is 9.5 percent.

Management has performed a sensitivity analysis for each key assumption (discount rate and growth rate in the terminal period), keeping all other assumptions constant. The sensitivity analysis show that a 1 percent increase in the discount rate or a 1 percent reduction of the growth assumptions will not change the outcome of the impairment test.

Note 12. Derivatives, financial instruments

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

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

The valuation of the option takes into consideration the current rate for Danish 3-month CIBOR rate loans and the related interest swap rates. The interest cap was terminated as part of entering into a new loan facility agreement in 2019 and hence fair value at year-end 2019 is TSEK 0 (0).

Note 13. Investments in associates

Cost price TSEK	
Cost at January 1, 2019	8,524
Additions relating to acquisitions	4,190
Cost at December 31, 2019	**12,714**

Value adjustment TSEK	
Value adjustments at January 1, 2019	-20
Adjustments relating to acquisitions	-7,066
Foreign currency translation adjustments	150
Value adjustments at December 31, 2019	**-6,936**
Carrying amount at December 31, 2019	**5,778**

Associated entities:	
BELLA Intelligence ApS	40.0%
ProcurementLink ApS	18.4%

Investments in associates are accounted for using the equity method, after initial recognition at cost. Under the equity method, investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the acquiree in profit or loss, and the Group's share of fluctuations in other comprehensive income of the acquiree in other comprehensive income.

The investments are so-called green-field companies with expected potential for the Group. The adjustment for the year reflects a change in the equity of Bella Intelligence which is in according to expectations. Management is expecting that the company will rebuild its equity through business activities in future periods. Management has assessed that no risk of further impairments is indicated for the investments

Note 14. Deposit – leasehold

The Group currently occupies two addresses in Copenhagen for which the Group has paid deposits of TSEK 2,729 (2,628).

Note 15. Property, plant and equipment

Group TSEK	Leasehold improvements	Furniture, fittings and equipment	Total
Cost at January 1, 2019	**6,315**	**17,405**	**23,720**
Additions for the year	-	1,862	1,862
Disposals	-177	-1,800	-1,977
Currency exchange differences	88	180	268
Accumulated cost at December 31, 2019	**6,226**	**17,647**	**23,873**
Depreciation at January 1, 2019	**2,931**	**15,068**	**17,999**
Depreciation for the year	772	1,510	2,282
Disposals	-38	-1,755	-1,793
Currency exchange differences	40	-89	-49
Accumulated depreciation at December 31, 2019	**3,705**	**14,734**	**18,439**
Net book value at December 31, 2019	**2,521**	**2,913**	**5,434**
Of which leased assets	-	826	826

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

Note 16. Investments in Group enterprises

Parent company TSEK	2019	2018
Cost at beginning of period	759,500	766,740
Investments / Divestments	383,958	-7,240
Net book value at December 31	**1,143,458**	**759,500**

The investment for the year relates to acquisition of 22.71 percent of the shares in KARN Holdco AB in relation to the IPO.

All entities within the Group	Corporate identity number	Registered office	Voting share	Share of equity	Carrying amount 2019
- KARN Holdco AB (1)	559016-4124	Stockholm	100.0%	100.0%	1 143 458
- KARN Middlecompany AB (1)	559016-8927	Stockholm	100.0%	100.0%	
- KARN Biddingcompany AB (1)	559016-8844	Stockholm	100.0%	100.0%	
- Karnov AB (1)	556847-5791	Stockholm	100.0%	100.0%	
- Karnov Group Holding AB (1)	556847-3143	Stockholm	100.0%	100.0%	
- Karnov Group Sweden AB (2)(3)	556192-8614	Stockholm	100.0%	100.0%	
- Norstedts Juridik AB (2)(3)	556226-6097	Stockholm	100.0%	100.0%	
- Notisum AB (2)	556516-2467	Stockholm	100.0%	100.0%	
- Karnov Group Holdco DK ApS (1)	36 96 61 14	Copenhagen	100.0%	100.0%	
- Karnov Group Denmark A/S (2)	10 36 19 90	Copenhagen	100.0%	100.0%	
- Forlaget Andersen A/S (2)	31 58 18 69	Copenhagen	100.0%	100.0%	
- LCB ApS (2)	34 58 90 97	Copenhagen	78.7%	78.7%	
- BELLA Intelligence ApS (2)	39 13 52 72	Copenhagen	40.0%	40.0%	
- ProcurementLink ApS (2)	35 86 94 76	Copenhagen	18.4%	18.4%	

Note:

(1) Holding company

(2) Operating company

(3) Karnov Group Sweden AB and Norstedts Juridik AB are merged as of January 1, 2020. Continuing company is Norstedts Juridik AB.

Note 17. Financial instruments by category

Group	Carrying amount		Fair value	
TSEK	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
FINANCIAL ASSETS				
Financial assets at amortised cost				
Trade receivables	209,672	169,231	209,672	169,231
Cash and cash equivalents	52,008	201,797	52,008	201,797
Total financial assets	**261,680**	**371,028**	**261,680**	**371,028**
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss (FVPL)				
Contingent considerations	18,533	44,759	18,533	44,759
Liabilities at amortised cost				
Trade payables	12,477	30,890	12,477	30,890
Non-current borrowings 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 payments	-	130,588	-	130,588
Non-current borrowings from related parties	-	218,819	-	218,819
Current borrowings from related parties	-	67,901	-	67,901
Total financial liabilities	**944,327**	**1,936,781**	**944,327**	**1,936,781**

Trade receivables

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

Cash and cash equivalents

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

Contingent consideration

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

Trade payables

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

Non-current borrowings from credit institutions

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

Current borrowings from credit institutions

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

Deferred payment

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

Non-current borrowings from related parties

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

Current borrowings from related parties

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

Note 18. Trade receivables

Group

TSEK	2019	2018
Trade receivables	210,993	170,309
Less: provision for impairment of trade receivables	-1,321	-1,078
Trade receivables – net	**209,672**	**169,231**

Trade receivables allocated by currency

Group

TSEK	2019	2018
SEK	95,165	64,285
DKK	114,507	104,946
Total trade receivables	**209,672**	**169,231**

Gross trade receivables by age

Group

TSEK	2019	2018
Balance not due	154,918	167,165
0-3 months	54,754	1,744
3-6 months	-	313
Over 6 months	-	9
Total trade receivables	**209,672**	**169,231**

Breakdown of allowance for impairment:

Group

TSEK	2019	2018
Allowance for impairment at beginning of period	1,078	964
Provision for impairment of trade receivables	540	77
Exchange rate differences	-297	37
Allowance for impairment at end of period	**1,321**	**1,078**

Group

TSEK	Current	0-3 months	3-6 months	> 6 months	Total
31 December 2019					
Expected loss rate	0.31%	20.0%	40.0%	60.0%	0.63%
Trade receivables	154,918	54,754	-	-	209,672
Loss allowance	**486**	**835**	-	-	**1,321**

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

Karnov Group invoices one month prior to the contract period of the agreement for which reason the customers are paying upfront. Historically, Karnov Group has experienced relatively small amounts of losses compared to the business activity which is reflected in the impairment principle. Adjustments to provision for impaired receivables have been included in Other operating expenses in the income statement.

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

Note 19. Inventories

Group

TSEK	2019	2018
Finished goods	13,097	11,553
Total inventories	**13,097**	**11,553**

Write-downs of finished goods recognised as expenses during the year amounted to TSEK 2,720 (1,926) and are included in Goods for resale in the income statement. Finished goods are written down by 50% after 24 months on stock and 100% after 36 months on stock.

Note 20. Prepaid expenses

Group

TSEK	2019	2018
Prepaid software license	2,895	3,185
Prepaid rent	3,195	3,976
Other items	2,301	8,790
Total prepaid expenses	**8,391**	**15,951**

Note 21. Cash and cash equivalents

Group

TSEK	2019	2018
Balance sheet		
Cash at bank and in hand	52,008	201,797
Total cash and cash equivalents in the balance sheet	**52,008**	**201,797**

Parent company

TSEK	2019	2018
Balance sheet		
Cash at bank and in hand	156	974
Total cash and cash equivalents in the balance sheet	**156**	**974**

Note 22. Share capital and share premium

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

	2019	2018	2019	2018
Share capital and share premium	Shares	Shares	TSEK	TSEK
Ordinary shares				
Fully paid	97,670,567	688,067	1,503	688
Total ordinary shares	**97,670,567**	**688,067**	**1,503**	**688**
Transaction with shareholders in their capacity as owners				
Issue of ordinary shares due conversion of debt	-	-	209,186	-
Purchase of shares from non-controlling interest	-	-	286,378	-
Issue of ordinary shares to new investors	-	-	768,327	-
Conversion of shares	-	-	798,472	
Non-redeemable preference shares	-	5	-	798,472
Total share capital and share premium	**97,670,567**	**688,072**	**2,063,866**	**799,160**

	Shares	Par value	Share premium	Total
Movements in ordinary shares		SEK	TSEK	TSEK
Opening balance January 1, 2019/December 31, 2018	688,067	688,067	-	688
Share split	44,036,288	-	-	-
Issue new shares	52,946,212	814,577	-	815
Balance December 31, 2019	**97,670,567**	**1,502,644**	**-**	**1,503**

	Shares	Par value	Share premium	Total
Movements in non-redeemable participating preference share capital		SEK	TSEK	TSEK
Opening balance January 1, 2019/December 31, 2018	5	5	798,472	798,472
Share split	320	-	-	-
Conversion of shares	-325	-5	-	-
Issue new shares	-	-	1,263,889	1,263,889
Balance December 31, 2019	**-**	**-**	**2,062,361**	**2,062,361**

Ordinary shares and preference shares

Karnov Group's share structure after the IPO comprises one class of ordinary shares. All shares carry one vote at general meetings. The ordinary shares carry similar rights to distribution of dividends and the company's assets and profits upon liquidation.

On January 29, 2019, an extraordinary general meeting resolved on a share split, pursuant to which each share was split into 65 shares. Following the split, there were 44,724,680 shares, 65 preference shares of series A, 65 preference shares of series B, 65 preference shares of series C, 65 preference shares of series D and 65 preference shares of series E, each with a quotient value of approximately SEK 0.015385.

On April 11, 2019 in connection with the IPO all preference shares were converted to ordinary shares and 52,946,212 new shares were issued.

As of December 31, 2019, the registered share capital amounted to SEK 1,502,644 divided among 97,670,567 ordinary shares, each with a quotient value of SEK 0.015385. All shares have been issued in accordance with Swedish law and are denominated in SEK.

Note 23. Earnings per share

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

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

The significant change in weighted average number of shares reflects the issuing of 52,946,212 new shares in connection with the IPO. Comparative data are also updated accordingly.

Note 24. Borrowings

The Group's borrowings were distributed as follows at the end of the reporting period:

Group

TSEK	31 Dec 2019	31 Dec 2018
Current		
Borrowing from credit institutions	75,000	65,625
Borrowing from related parties	-	67,901
Total current borrowings	**75,000**	**133,526**
Non-current		
Borrowing from credit institutions	838,317	1,378,199
Borrowing from related parties	-	218,819
Total non-current borrowings	**838,317**	**1,597,018**

Maturity	Type of borrowing	Interest rate	Currency	Nominal value in currency	Carrying amount
Current borrowings from credit institutions in 2019					
Nordea	Revolving loan	1,35% + stibor	SEK	75,000	75,000
Current borrowings from credit institutions , total					**75,000**
Non-current borrowings from credit institutions in 2019					
Nordea Facility B1	Loan	1,35% + stibor	SEK	425,000	425,000
Nordea Facility B2	Loan	1,35% + cibor	DKK	302,660	422,754
Non-current borrowings from credit institutions , total					**847,754**
Amortised loan costs					-9,437
Non-current borrowings from credit institutions , total 2019					**838,317**

TSEK	31 Dec 2019	31 Dec 2019
Borrowings, total	**Carrying amount**	**Fair value**
Borrowing	913,317	913,317
Borrowings, total	**913,317**	**913,317**

COVENANTS

Borrowings from credit institutions includes the following covenants:

Net debt versus EBITDA

Net Leverage Ratio calculated on a quarterly basis shall not exceed 4.75:1. "Net Leverage Ratio" means the ratio of Consolidated Total Net Debt to Consolidated adjusted EBITDA for a twelve-month period. If relevant the Consolidated adjusted EBITDA is adjusted for significant changes in prepaid income.

EBITDA is calculated in accordance with the definition in the senior facility agreement. The net leverage ratio threshold at 31 December 2019 was 2.89:1 (5.15:1).

Default and breaches of covenants

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

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

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

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

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

Note 25. Deferred income tax

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

Group TSEK	2019	2018
Deferred tax assets:		
Temporary differences:		
Provisions	1,200	2,069
Other:		
Other	-	16
Total deferred tax assets	**1,200**	**2,085**
Netting against deferred tax liabilities	-775	-1,253
Total deferred tax assets (net)	**425**	**832**

Group TSEK	2019	2018
Deferred tax liabilities:		
Temporary differences:		
PPE	725	603
Intangible assets	223,886	254,189
Other:		
Financial assets valued at fair value through income statement	-	-
Investment in associated companies	-	-
Prepayments	-56,706	-
Inventories	-	-
Refinancing of loans	-	-
Other	1,871	536
Total deferred tax liabilities	169,776	255,328
Netting against deferred tax assets	775	1,253
Total deferred tax liabilities (net)	**170,551**	**256,581**

Offsetting against tax consolidated Group

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

Group TSEK	2019	2018
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	1,200	2,085
Deferred tax asset to be recovered within 12 months	-	-
Total deferred tax assets	**1,200**	**2,085**

Group TSEK	2019	2018
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	142,353	229,263
Deferred tax liability to be recovered within 12 months	27,423	26,065
Total deferred tax liabilities	**169,776**	**255,328**

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

Group TSEK	Other intangible assets	PPE	Other	Total
Deferred tax assets				
At January 1, 2019	-	-	2,085	2,085
Charged/credited to the income statement	-	-	-867	-867
Exchange differences	-	-	-18	-18
At December 31, 2019	-	-	**1,200**	**1,200**
Deferred tax liabilities				
At January 1, 2019	254,189	603	536	255,328
Charged/credited to the income statement	-88,857	111	1,335	-87,411
Exchange differences	1,848	11	-	1,859
At December 31, 2019	**167,180**	**725**	**1,871**	**169,776**

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

Note 26. Retirement benefit obligations

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

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

Group TSEK	2019	2018
Income statement charge:		
Expenses for defined contribution plans	22,806	22,162
Total retirement benefit obligation in the income statement	**22,806**	**22,162**

Pension insurance with Alecta

Commitments for old-age pensions and family pensions for white collar employees in Sweden are insured on the basis of insurance premiums with Alecta. According to the statement UFR 10 from the Emerging Issues Task Force of the Swedish Financial Reporting Board (Rådet för finansiell rapportering), this is a multi-employer defined benefit plan. For the financial year 2019, the Group did not have access to the details enabling the report of these plans as defined benefit plans.

The ITP pension plan, secured on the basis of insurance with Alecta and others, is therefore, reported as a defined contribution plan. The year's fees for pension insurance policies, established with Alecta and others, amount to TSEK 7,485 (7,880). The surplus from Alecta and others can be distributed to the policy holders and/or the insured individuals. At the end of 2019, the Group is not aware of any surplus or deficit at the collective consolidation level of Alecta and others. The collective consolidation level consists of the market value of Alecta's assets as a percentage of the insurance obligations calculated in accordance with Alecta's and other's actuarial calculation assumptions, which is not in accordance with IAS 19. Based on information from Alecta's web page (www.alecta.se) the collective consolidation ratio of Alecta is 148% (December 2019). At year end 2018 the ratio was 142%. The estimated fees for pension insurance policies for 2020 are approximately TSEK 7,500.

Note 27. Provisions

Group TSEK	
At January 1, 2019	5,192
Charged to the income statement:	
- adjustment to present value	132
- currency difference	132
At December 31, 2019	**5,456**

Group	
Non-current provisions	5,456
Current provisions	-
Total provisions for other liabilities and charges	**5,456**

Group TSEK	
At January 1, 2018	4,823
Charged to the income statement:	
- adjustment to present value	174
- currency difference	195
At December 31, 2018	**5,192**

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

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

Note 28. Other current liabilities

Group TSEK	2019	2018
Value-added tax liability	36,595	39,339
Contingent considerations	18,533	44,759
Other	2,869	4,417
Total current liabilities	**57,997**	**88,515**

Note 29. Accrued expenses

Group TSEK	2019	2018
Accrued author royalty	51,635	58,475
Accrued wages and salaries	51,202	47,978
Other accrued expenses	23,402	58,089
Total accrued expenses	**126,239**	**164,542**

Note 30. Prepaid income

Group TSEK	2019	2018
Prepaid income for subscriptions in Denmark	253,843	243,939
Prepaid income for subscriptions in Sweden	145,743	98,963
Total prepaid income	**399,586**	**342,902**

Note 31. Reconciliation of liabilities arising from financing activities

			Non-cash changes						
TSEK	**2018**	Cash flows	Amortised loan cost	Foreign exchange movement	Accrued interest	Conversion of debt to shares	Recognised on adoption of IFRS 16	Other reclassifi-cations	**2019**
Long-term borrowings	1,597,018	-615,631	28,983	12,245	31,427	-209,260	-	-6,465	838,317
Short-term borrowings	133,526	-59,603	-	-	1,076	-	-	-	75,000
Leasing and other long-term liabilities	-	-14,731	-	-467	-	-	129,494	109	114,405
Total liabilities from financing activities	**1,730,544**	**-689,965**	**28,983**	**11,778**	**32,503**	**-209,260**	**129,494**	**-6,356**	**1,027,722**

Note 32. Pledged assets and contingent liabilities

Following the IPO, the previous loan agreement with Nordea was terminated. At the same time the pledge of all Group assets as well as all individual assets of each single subsidiary within the Group was released.

The new loan agreement includes all entities in the Group.

Note 33. Leasing

Group

TSEK	2019	2018
No later than 1 year	13,051	16,241
Later than 1 year and no later than 5 years	51,850	23,527
Later than 5 years	55,086	-
Total	**119,987**	**39,768**

Group

TSEK	2019
Operating lease commitments as at December 31, 2018	**39,768**
Adjustments relating to changes in the treatment of extension and termination options	68,551
Adjustments relating to changes in rate affecting variable payments	-2,094
Lease liability recognised as at January 1, 2019	**106,225**

Group

TSEK	2019
Lease assets at January 1	**106,225**
Currency exchange differences	-838
Additions for the year	66,439
Disposals for the year	-44,413
Depreciation for the year	-14,936
Lease assets at December 31	**112,477**
Lease liabilities at January 1	**106,936**
Currency exchange differences	-467
Additions for the year	65,772
Disposals for the year	-44,430
Interest	1,216
Payments	-14,622
Lease liabilities at December 31	**114,405**

As mentioned in Note 2, the Group has implemented IFRS 16 effective from January 1, 2019. The standard has changed the recognition of operating. The Group's leasing agreements are as of 2019 recognised as right of use assets and equally sized lease liabilities. The value of the right of use assets and the lease liabilities at January 1, 2019 has been estimated in the range of SEK 105 m and SEK 107 m.

Note 34. Business combinations

The purchase price allocation for the acquisition of Norstedts Juridik was preliminary for one year after the acquisition date and was settled finally on January 4, 2019. The cash payments for the purchase price:

Purchase price, TSEK	2019	2018
Cash on closing date January 4		611,000
Deferred payments January 4	130,881	
Total purchase price	**130,881**	**611,000**

Financing

The acquisitions of Forlaget Andersen A/S and Notisum AB in previous periods were partly financed by individual earn-out models. During 2019 TSEK 8,508 was paid based on the agreed earn-out model

.

Note 35. Disclosure of interest in subsidiaries

The only subsidiary in which the Group has non-controlling interest is LCB ApS. The Group does not present consolidated financial information of this subsidiary as a separate disclosure as the amounts are considered insignificant compared to the consolidated figures of the Group.

Note 36. Related-party transactions

TSEK	2019	2018
Loans from Five Arrows Principal Investment II Holding Sàrl	-	40,873
Repayment of loans to related parties	50,674	-
Redeemable preference shareholders	-	26,786
Conversion of long-term loans to shares	209,260	-
Interest	8,654	19,174
At December 31	**268,588**	**86,833**

The Group was until the IPO on April 11, 2019 controlled by Five Arrows Principal Investments II Holding Sàrl. Beside Five Arrows Principal Investments II Holding Sàrl, members of the management also owned shares in the Company. The Group's ultimate parent was incorporated in Luxembourg.

The Group has carried out related-party transactions with the former major shareholder Five Arrows Principal Investments II Sàrl and members of Management team. 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 and the Group has no other outstanding balances with related parties.

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

Key management compensation

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

Note 37. Events after the balance sheet date

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. The investment has no significant impact on income statement and balance sheet for 2019.

The current COVID-19 pandemic is expected to affect all global markets. The Group is following the situation on continuously basis. The Group assess that the virus will have no impact on online revenue on a short-term basis. For the Group's non-subscription based offline business, mainly books and sales of legal training courses, it is expected that the virus will have some effect on a short-term basis. Please see note 3 for further details.

In the end of March 2020, LEXNordics AB was established, formed by Karnov Group and LEX247 where Karnov Group is the majority owner. LEX247 is a cloud-based legal enterprise practice management solution aimed for delivering more value to the customers in the Nordic region.

Late March 2020, Karnov Group concluded an agreement to invest in Strawberry Law and acquire 40% of the shares in the company and at the same time the name was changed to Karnov Group Norway AS. Karnov Group Norway AS will provide digital subscription-based legal services to the Norwegian market and is based in Oslo. Please see page 7 for further detail.

Note 38. Reconciliation of key performance indicators

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

Total net sales

TSEK	2019	2018
Organic business	743,861	469,169
Acquired business	-	223,418
Currency	13,226	22,755
Total net sales	**757,087**	**715,342**

Total net sales split, %

TSEK	2019	2018
Organic growth, %	4.0%	3.9%
Acquired growth, %	0%	49.5%
Currency effect, %	1.8%	5.0%
Total growth, %	**5.8%**	**58.4%**

Group

TSEK	2019	2018
Net sales	757,087	715,342
EBITDA	251,292	209,491
EBITDA margin, %	33.2%	29.3%
Items affecting comparability	72,655	78,879
Adjusted EBITDA	323,947	288,370
Adjusted EBITDA margin, %	42.8%	40.3%
Depreciations and amortisations	-45,317	-26,731
EBITA	205,975	182,760
EBITA margin, %	27.2%	25.5%
Adjusted EBITA	278,630	261,639
Adjusted EBITA margin, %	36.8%	36.6%
Amortisation (acquisitions)	-125,794	-120,078
EBIT	80,181	62,682

Denmark

TSEK	2019	2018
Net sales	420,656	396,624
EBITDA	131,396	144,910
EBITDA margin, %	31.2%	36.5%
Items affecting comparability	41,675	15,273
Adjusted EBITDA	173,071	160,182
Adjusted EBITDA margin, %	41.1%	40.4%
Depreciations and amortisations	-7,881	3,010
EBITA	123,515	141,899
EBITA margin, %	29.4%	35.8%
Adjusted EBITA	165,189	157,173
Adjusted EBITA margin, %	39.3%	39.6%
Amortisation (acquisitions)	-58,558	-61,167
EBIT	64,957	80,733

Sweden

TSEK	2019	2018
Net sales	336,431	318,718
EBITDA	119,896	64,582
EBITDA margin, %	35.6%	20.3%
Items affecting comparability	30,980	63,606
Adjusted EBITDA	150,876	128,188
Adjusted EBITDA margin, %	44.8%	40.2%
Depreciations and amortisations	-37,435	-23,721
EBITA	82,461	40,861
EBITA margin, %	24.5%	12.8%
Adjusted EBITA	113,441	104,467
Adjusted EBITA margin, %	33.7%	32.8%
Amortisation (acquisitions)	-67,237	-58,911
EBIT	15,224	-18,051

Return on total capital

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

Net working capital

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

Cash conversion

TSEK	31 Dec 2019	31 Dec 2018
Adjusted EBITDA	323,947	288,370
Adjusted cash flow from operating activities	286,883	307,978
Cash conversion, %	**88.6%**	**106.8%**

Operating cash flow

TSEK	31 Dec 2019	31 Dec 2018
Operating profit	80,181	62,682
Total adjustments and changes	57,095	123,051
Operating cash flow	**137,276**	**185,733**

Net debt

TSEK	31 Dec 2019	31 Dec 2018
Non-current borrowing from credit institutions	838,317	1,378,199
Non-current borrowing 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
Net debt	**861,309**	**1,528,747**

Leverage ratio

TSEK	31 Dec 2019	31 Dec 2018
Adjusted EBITDA	323,947	288,370
Net debt	861,309	1,528,747
Leverage ratio	**2.7**	**5.3**

Equity/asset ratio

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

Appropriation of profit and signatures

The Board of directors of Karnov Group proposes that the Group's income statement and balance sheet be presented for adoption to the annual general meeting to be held on May 5, 2020.

The Board of directors proposes a dividend of SEK 0.45 per share. The proposed dividend SEK 43,951,755 corresponds to 2.2 percent of the non-restricted equity.

At the disposal of the Annual General Meeting:

SEK	2019
Share premium	2,062,362,867
Retained earnings	-53,644,278
Net result	-20,108,460
Total carried forward	**1,988,610,129**
The Board proposes that the profits be appropriated as follows:	
Proposed dividend	-43,951,755
Amount carried forward	1,944,658,374

The Board of director's declaration

The Board of directors and the CEO certify that these consolidated financial statements and Annual report together with the Corporate Governance report on page 23-34 and the Sustainability report on page 36-44 have been prepared in accordance with International Financial Reporting Standards IFRS, as adopted by the EU and generally accepted accounting principles, and gives a fair view of the Group's and Parent Company's financial position and results of operations. The Directors' Report gives a fair overview of the development of the Group's and Parent company's operations, financial position and results of operations, and describes the significant risks and uncertainties facing the Parent company and the companies included in the Group. The undersigned hereby also submit Karnov Group's sustainability report for 2019.

Stockholm, March 30, 2020

Magnus Mandersson
Chairman of the Board

Ulf Bonnevier
Board member

Lone Møller Olsen
Board member

Samuel Offer
Board member

Vivek Kumar
Board Member

Mark Redwood
Board Member

Flemming Breinholt
President and CEO

Our audit report was presented on March 30, 2020.
PricewaterhouseCoopers AB
Aleksander Lyckow
Authorized Public Accountant

Auditor’s Report

Unofficial translation

To the general meeting of the shareholders of Karnov Group AB (publ.), corp. id. No. 559016-9016

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Karnov Group AB (publ.) for the year 2019 included on pages 46-98 in this document. In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the statutory sustainability report on pages 36-44. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts. We therefore recommend that the general meeting of shareholders adopts the consolidated statement of comprehensive income and consolidated balance sheet for the Group and the statement of comprehensive income and balance sheet for the parent company.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Main focus areas and risks identified are further detailed in the “Key Audit Matters” included below. Our audit of Karnov Group mainly consist of the following main parts; audit planning, procedures relating to internal control over financial reporting and related routines procedures, limited review procedures on the report for the third quarter closing, year and procedure and the final audit procedures required to issuing this auditors report for the parent company and the group. In connection to these procedures we also performed the work needed to issue our statement on adherence to the guidelines for remuneration to senior management.

The scope and extent of our audit procedures for Karnov Group mean that we have covered all material units within the Group which together represent a significant part of revenues, earnings and assets. The outcome of our work is during the year continuously reported to the company, the Audit Committee and for the full year also to the Board of Directors.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Group Overall Materiality	2019: MSEK 7 (2018: MSEK 7)
Benchmark	Revenues
Rational for the selected benchmark	We defined our materiality to about 1% of revenue which is an acceptable range according to ISA rule of thumb.

We agreed with the Audit Committee that we would report to them other misstatements identified during our audit that in our view warranted reporting for qualitative reasons.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter	***How our audit addressed the Key audit matter***
Impairment test for goodwill and intangible assets As at 31 December 2019, the book value of goodwill was MSEK 1,656 and the book value of other intangible assets was MSEK 1,263, in total this represents 96% of the balance sheet turnover. Management perform an impairment test of the carrying value of intangible assets ones a year. For the purpose of performing the impairment assessment, management identifies Swedish and Danish businesses as two separate Cash Generating Units ("CGU"). The impairment analysis starts with calculation of the recoverable amount attributable to each CGU based on the estimated future cash flows derived from the CGU during coming 5 years of operations plus the terminal value of the cash flows in perpetuity. The expected cash flows are discounted to present value using Waited Average Cost of Capital ("WACC") applicable for each CGU. The assessment contains a number of significant assumptions, both quantitative and qualitative, including revenue projection, cost structure, discount rate, terminal growth rate, etc. Changes in these assumptions may lead to potential impairment charges on the carrying value of the intangible assets. The use of assumptions in the assessment also requires estimates and judgment, which may be affected by unexpected future market, economic or legal restrictions in different countries. We focused on this area as these assets are significant to the Group's operations and the assessment performed by management involved significant estimates and judgments.	We obtained the impairment test results and related memorandum describing the valuation technique and key assumptions applied by management. We tested mathematical accuracy of the underlying calculations in the model. We compared historical actual results to those budgeted to assess the quality of management's forecast. We assessed the key quantitative and qualitative assumptions made by management in the impairment model. Quantitative factors comprised forecasted revenue and expenses, the discount rate used and the terminal growth rate. When assessing these key assumptions, we discussed with management to understand and evaluate their basis for selecting the assumptions. Were applicable, the assumptions were compared to various external sources including independent research reports. We have analysed the historical performance of assets and outcome of assumptions applied in prior period. We assessed the reasonableness of the discount rate used by checking its variables to independent research reports, economic growth forecasts and publicly available industry data. We obtained and tested management's sensitivity analysis around the quantitative key assumptions, to ascertain that the selected adverse changes to the key assumptions would not cause the carrying amount of the assets to exceed the recoverable amount.

Based on the audit procedures performed, we found the Group's estimates and judgment used in the impairment tests to be within a reasonable range.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-45. The Board of Directors and the CEO are responsible for this other information. Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information. In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated. If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error. In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

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

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Karnov Group AB (publ.) for the year 2019 and the proposed appropriations of the company's profit or loss. We recommend to the general meeting of shareholders the profit to be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the parent company's and the Group' equity, consolidation requirements, liquidity and position in general. The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company´s organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

Auditor's responsibility

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

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or

- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act. A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Stockholm, March 30, 2020

PricewaterhouseCoopers AB

Aleksander Lyckow
Authorized Public Accountant

Financial definitions

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

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

Key ratio	Definition	Explanation
Acquired growth	Change in net sales during the current period attributable to acquired units, excluding currency effects, in relation to net sales for the corresponding period of the preceding year. Net sales of acquired units are defined as acquired growth during a period of 12 months commencing the respective acquisition date.	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 equivalent (FTE)	Average number of full-time employees during the reporting period.	Unit that indicates the workload of an employed person. 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.
EBITDA margin	EBITDA as a percentage of net sales.	The measure shows operational profitability over time, regardless of financing, depreciation and amortisation.

Key ratio	Definition	Explanation
Equity/asset ratio (%)	Equity divided by total equity and liabilities.	The measure can be used to assess Karnov's financial stability.
Leverage ratio	Net debt on the balance sheet date divided by adjusted EBITDA.	Relevant to analyse to ensure that Karnov has an appropriate financing structure and is able to fulfil its financial obligations under its loan agreement.
Items affecting comparability	Items affecting comparability includes items of a significant character that distort comparisons over time.	The measure is used for understanding the financial performance over time.
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.
Operating cash flow	EBITDA plus changes in net working capital, less capital expenditures.	Reflects the correspondence between reported earnings from the business and the business's contribution to the financial headroom. The figure indicates the company's scope for managing its financing expenses and for making investments for expansion.
Organic growth	Change in net sales during the current period, excluding acquisitions and currency effects, in relation to net sales for the corresponding period of the preceding year. Acquisitions are included in organic net sales after a period of 12 months.	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.

Better decisions, faster

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

Karnov Group AB (publ) | Corp. Id. 559016-9016 | Registered office: Stockholms län
Head office: Warfvinges väg 39, 112 51 Stockholm, Sweden
Tel: +46 8 587 670 00 | www.karnovgroup.com