Annual Report 2019
Karnov Group Denmark A/S

The Annual General Meeting adopted the
annual report on 28 May 2020

Flemming Breinholt
Chairman of the General Meeting

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Management's Review

COMPANY BUSINESS

The company is a leading provider of information products and services in the areas of legal and tax and accounting through the main brands Karnov and UfR mainly serving the Danish market.

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.

The success of the company is highly dependent on the strong brand names Karnov and UfR which have a long-standing and strong market position in the Danish market. The continuously development of the content ensures the quality which is a very important factor for keeping up strong and reliable customer relations with high retention rates year after year. The content is maintained and enhanced by external authors and experts together with in-house highly educated specialist.

The content is available for customers on self-developed online platform, which also is a key factor for the Company's success. Karnov is constantly developing the platform to be able to support the customers work-flow.

DEVELOPMENT ACTIVITIES

The Company is a part of Karnov Group with headquarters in Stockholm, Sweden. Karnov continued to strengthen the value proposition for our customers. Several new and enhanced solutions and workflow tools were launched during the year. The Group continuously conducts development activities to improve functionality and offerings. The development is made by external specialists together with internal specialist from Karnov Group Denmark A/S and other entities within the Karnov Group. There is a continuously focus on acquiring and developing the needed content on the online platform together with relevant tools for helping the users to get benefit of "better decisions faster".

FINANCIAL PERFORMANCE 2019

The financial result for the year is as expected. During the year the online content capture system Karnov Bridge was launched, which significantly speeds up the process of publishing the case law database ensuring the same high-quality level.

Total net sales are unchanged compared to last year DKK 295 m (295).

Operating profit (EBIT) decreased by 6.6 (+6.0) percent to DKK 71 m (86) and the EBIT margin was 27.1 (29.0) percent.

The EBIT result was positively impacted by upselling to existing customers and sales of new products to both existing and new customers but offset by reduced investments in CAPEX projects and by higher amortisations.

Karnov Group was in April 2019 listed at Nasdaq stock exchange in Stockholm. The focus of the acquisition is to invest and support growth opportunities within Karnov Group.

OUTLOOK FOR 2020

The company has a position in an attractive and growing segment of professional information services in Denmark. The market is 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. The company has a diverse and loyal customer base and subscription-based model providing resilient and visible revenues.

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.

In the beginning of 2020, the COVID-19 virus is spreading throughout the global markets and the Company is 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 on a continuously basis evaluate the situation.

The company's financial position is sufficient to drive the company's activities forward going.

INTANGIBLE RIGHTS

The company's success depends largely on the employees, who are engaged to perform high-quality work in order to offer customers highly technical informative solutions. To ensure the high quality the company develops technical programs and solutions that are customized and user friendly.

ENVIRONMENT

The Company has no own production, and the company's environmental conditions are not considered to pose a significant financial risk.

Yearly overview

TDKK	2019	2018	2017	2016	2015
Income statement					
Net sales	294.867	294.585	267.262	254.470	244.389
EBITDA	89.219	100.637	94.836	78.121	72.155
EBITDA margin, %	30,3%	34,2%	35,5%	30,7%	29,5%
EBIT	71.086	85.563	80.725	73.291	66.081
EBIT, margin %	24,1%	29,0%	30,2%	28,8%	27,0%
Net financial items	-15.269	-23.652	-23.805	1.398	-2.544
Profit for the period	44.461	46.806	34.733	58.565	48.675
Balance sheet					
Non-current assets	654.798	654.565	666.861	193.258	195.496
Current assets	43.907	95.151	58.311	204.395	145.247
Cash and cash equivalents	16.130	9.268	16.519	61.816	31.978
Equity	142.299	116.668	103.364	152.216	93.651
Non-current liabilities	301.414	411.376	419.568	3.808	3.436
Current liabilities	254.993	221.672	202.240	241.629	243.656
Total assets	698.705	749.716	725.172	397.653	340.743
Cash flow					
Cash flow from operating activities	144.682	84.734	63.414	76.896	74.464
Cash flow from Investing activities	-3.964	-2.127	-10.642	-	-229
Cash flow from financing activities	-133.856	-89.858	-98.069	-38.574	-63.198
Cash flow for the period	6.862	-7.251	-45.297	38.322	11.037
Key ratios					
Net working capital	-211.085	-126.521	-143.929	-37.234	-98.409
Return on total capital, %	10,2%	11,4%	11,1%	18,4%	19,4%
Equity ratio, %	20,4%	15,6%	14,3%	38,3%	27,5%
Net debt	265.166	381.515	384.955	-49.195	-9.390

In 2017 Karnov Group Denmark A/S was merged with the parent company Karnov Group Holding Denmark A/S with Karnov Group Denmark A/S as the continuing company. Key figures have not been restated for 2015-2016.

IFRS 16 Leases was adopted as of 1 January 2019. The comparative figures for 2015-2018 have not been adjusted

Financial statements and notes

Statement of comprehensive income

TDKK	Note	2019	2018
Net sales	5	294.867	294.585
Total revenue		**294.867**	**294.585**
Goods for resale		-35.076	-63.175
Employee benefit expenses	7	-81.169	-72.880
Depreciations and amortisations	10 , 12	-18.134	-15.074
Other operating expenses		-89.403	-57.893
Operating profit		**71.086**	**85.563**
Financial income	8	2.642	8.929
Financial expenses	8	-17.910	-32.581
Net financial items		**-15.269**	**-23.652**
Profit before income tax		**55.817**	**61.911**
Income tax expense	9	-11.356	-15.105
Profit for the period		**44.461**	**46.806**
Other comprehensive income for the period		-	-
Total comprehensive income for the period		**44.461**	**46.806**

Balance sheet

TDKK	Note	31 Dec 2019	31 Dec 2018
ASSETS:			
Non-current assets			
Goodwill	10	492.586	492.586
Other intangible assets	10	112.411	125.010
Right-of-use assets	21	34.318	-
Property, plant and equipment (PPE)	12	2.318	2.882
Deposits	11	1.924	1.872
Non-current receivables from other group companies	13	-	32.215
Deferred tax assets		11.241	-
Total non-current assets		**654.798**	**654.565**
Current assets			
Inventories	15	3.593	3.635
Trade receivables	14	21.892	20.488
Current receivables from other group companies	13	-	55.009
Current receivables from parent company	13	8	-
Other receivables		218	192
Prepaid expenses and accrued income		2.065	6.559
Cash and cash equivalents		16.130	9.268
Total current assets		**43.907**	**95.151**
TOTAL ASSETS		**698.705**	**749.716**

TDKK		31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES:			
Capital and reserves attributable to equity holders of the company			
Share capital		10.001	10.001
Retained earnings including net profit for the year		132.298	106.667
Total equity		**142.299**	**116.668**
Non-current liabilities			
Non-current payables to parent company	13	-	721
Non-current payables to other group companies	13	270.600	380.749
Lease liabilities, long term	21	30.814	-
Deferred tax liability	17	-	29.906
Total non-current liabilities		**301.414**	**411.376**
Current liabilities			
Provisions	18	3.906	3.774
Prepaid income		117.415	116.645
Trade payables		3.708	3.504
Current borrowings from parent company	13	-	1.335
Current borrowings from group companies	13	10.696	7.978
Current tax liabilities	17	52.198	15.060
Lease liabilities, short-term	21	4.041	-
Other current liabilities		63.028	73.376
Total current liabilities		**254.993**	**221.672**
TOTAL EQUITY AND LIABILITIES		**698.705**	**749.716**

Statement of changes in equity

TDKK	Share capital	Retained earnings	Proposed dividend	Total equity
Balance at 1 January 2018	**10.001**	**93.363**	**-**	**103.364**
Profit for the period	-	46.806	-	46.806
Adjustment	-	-2	-	-2
Total comprehensive income/loss	**-**	**46.804**	**-**	**46.804**
Transaction with shareholders in their capacity as owners				
Dividends paid to shareholders	-	-33.500	-	-
Proposed dividends	-	-	-	-33.500
Additions relating to merger	-	-	-	-
Total transaction with shareholders	**-**	**-33.500**	**-**	**-33.500**
Closing balance at December 31, 2018	**10.001**	**106.667**	**-**	**116.668**

TDKK	Share capital	Retained earnings	Proposed dividend	Total equity
Balance at 1 January 2019	**10.001**	**106.667**	**-**	**116.668**
Profit for the year	-	44.461	-	44.461
Adjustment	-		-	-
Total comprehensive income/loss	**-**	**44.461**	**-**	**44.461**
Transaction with shareholders in their capacity as owners	**-**	**-**	**-**	**-**
Dividends paid to shareholders	-	-20.000	-	-20.000
Sharebased payment	-	1.171	-	1.171
Total transaction with shareholders	**-**	**-18.829**	**-**	**-18.829**
Closing balance at December 31, 2019	**10.001**	**132.298**	**-**	**142.299**

Cash flow statement

TDKK	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit		71.086	85.463
Adjustments:			
Non-cash items		18.134	15.074
Effect of changes in working capital:			
Increase/decrease in inventories		43	-921
Increase/decrease in receivables		-671	-230
Increase/decrease in trade payables and other payables		81.501	14.282
Increase/decrease in prepaid income		4.919	-
Interest paid		-12.968	-26.002
Income tax paid		-15.365	-2.932
Cash flow from operating activities		**146.677**	**84.734**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of products/solutions		-3.579	-
Acquisition of intangible assets		-2.303	-1.408
Acquisition of PPE		-77	-719
Cash flow from investing activities		**-5.959**	**-2.127**
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal payments on long-term debt		-110.870	-54.631
Dividend payment		-20.000	-33.500
Increase/decrease in long-term debt		-	-1.727
Increase/decrease in short-term debt		1.383	-
Increase/decrease in lease liabilities		-4.369	-
Cash flow from financing activities		**-133.856**	**-89.858**
Cash flow for the period		**6.862**	**-7.251**
Cash and cash equivalents at the beginning of the period		9.268	16.519
Cash and cash equivalents at the end of the period		**16.130**	**9.268**

Notes

Note 1. General information

Karnov Group Denmark A/S produces legal, financial and tax information to judicial, fiscal and accounting professionals in Denmark. The visiting address of its head office is Sankt Petri Passage 5, 1165 Copenhagen C.

The financial statements are presented in Danish kroner (TDKK) unless otherwise stated. All financial statements were authorised for publishing by the Board of Directors on 28 of May 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.

BASIS OF PREPARATION

The financial statements of Karnov Group Denmark A/S have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and additional Danish disclosure requirements for annual reports as stated in the IFRS Executive Order pursuant to the Danish Financial Statement act for mid-size entities in reporting class C.

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 company's accounting policies. The areas involving a higher 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 Company

The new IFRS 16 became applicable for the current reporting period, and the Company had to change its accounting policies 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.

New standards and interpretations adopted

LEASES

The Company has adopted IFRS 16 *Leases* as of 1 January 2019 applying the modified retrospective transition method. Comparatives for the 2018 reporting period has not been restated as permitted under the specific transition provisions in the standard.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rate (IBR) as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4%.

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

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is or contains a lease at the date of initial application.

Effect on transition

TDKK	2019
Operating lease commitments as at 31 December 2018	**21 140**
Adjustments relating to changes in the treatment of extension and termination options	15 952
Adjustments relating to changes in rate affecting variable payments	1 378
Lease liability recognised as at January 1, 2019	**38 470**

The Company's leasing activities

The Company's leasing arrangements mainly consists of rental agreements for the Company'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 presented as right-of-use assets and are recognised at cost less accumulated depreciation and impairment.

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 Company'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 Company 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 not depending on an index or a rate 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.

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

The functional currency is the currency used in the primary financial environment in which the entity operates. The functional currency for Karnov Group Denmark A/S is DKK.

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".

INTANGIBLE ASSETS

Goodwill

The acquisition method is used for accounting of business combinations. Goodwill arises from the business combination and represents the excess of the consideration transferred over to the company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquire.

Goodwill is not amortised, but it is tested for impairment and is carried at cost less accumulated impairment losses. For impairment testing purposes, goodwill acquired in a business combination is allocated to each of the CGUs, that is expected to benefit from the synergies of the combination. Each CGU or group of CGUs 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 10)

Capitalised development costs

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

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company 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 an infinite useful life and are carried at cost without any amortizations but is tested for impairment once a year. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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 and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over their estimated useful lives of 8-14 years.

Favourable contracts

Separately acquired favourable contracts are shown at historical cost. Favourable contracts acquired in a business combination are recognised at fair value at the acquisition date. Favourable contracts have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the favourable contracts over their estimated useful lives of 3-10 years.

Technology

Separately acquired technology are shown at historical cost. Technology acquired in a business combination are recognised at fair value at the acquisition date. Technology have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of technology over their estimated useful lives of 3-5 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 company 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.

FINANCIAL INSTRUMENTS

The company 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 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.

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 company'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 company (including the balance sheet items borrowings 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 company commits to purchase or sell the asset or liability. At initial recognition, the company 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 company 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 company 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 company'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 company would not be able to collect all amounts in line with the original terms of the receivables.

Historically Karnov Group Denmark A/S 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 company 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 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 company 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 company for similar financial liabilities.

CURRENT TAX AND DEFERRED INCOME TAX

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

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

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

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

Deferred income tax is based on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the company 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.

PROVISIONS

Provisions are recognised when the company 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 company'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 company's provisions is short-term in nature.

REVENUE RECOGNITION

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

Revenue is recognised dependant on the relevant contract with the customer. A customer is a party that has contracted with the company to obtain goods or services that are an output of the company's ordinary activities in exchange for consideration. Within the company 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 company offers term-based access to its intellectual property. The contracts are individually priced for each customer based on volume and content of the contract. Differences in prices are recognised in net sales when contracts are invoiced.

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

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

Offline sales

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

DIVIDEND DISTRIBUTION

Dividend distribution to the Company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the Company's shareholders.

The Board of directors proposes a dividend of DKK 25,000,000 to the 2019 Annual General Meeting.

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 TDKK unless otherwise stated. Comparative figures from previous period are presented in brackets.

CASH FLOWS STATEMENT

The cash flow statement is prepared using the indirect method and is based on profit for the year. The cash flow statement shows cash flows for the year from operating, investing and financing.

Cash flows from operating activities comprise profit adjusted for non-cash transactions, interest received, interest paid, tax paid and change in working capital.

Cash flows from investing activities comprise payment in connection with the purchase and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the size or composition of the share capital, dividend payments to owners, raing of loans and repayments on loans and sale and purchase of other financial assets.

Note 3. Financial risk management

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Foreign exchange rate risk

The company has only limited assets or liabilities in foreign currency. Also, the company has limited sales or purchase transactions in foreign currencies. As a result of this, the company's exposure to foreign exchange rate risks is very limited.

Interest rate risk

The company's payables and receivables to the parent company and other group companies are subject to a variable interest rate which is currently 3%. The finance lease arrangements are based on internal rate of the arrangements and are not affected by changes in interest rate levels. Bank deposits are subject to variable interest rates which are currently 0.0% (0.0%). The carrying amounts of recognized financial assets or liabilities will not change significantly subject to changes in interest rate levels.

LIQUIDITY RISK

The company generates sufficient positive cash flows to service its liabilities and planned development. Surplus cash is declared as dividend. Capital management is carried out to ensure low risk. Management monitors funding and liquidity and ensures the availability of required liquidity through cash management and committed facilities. The company's liquidity risk is primarily related to intercompany debt. It is the company's policy to ensure adequate liquidity to satisfy their obligations to the group companies.

CREDIT RISK

Credit risk arises primarily from credit exposures to wholesale and retail customers, from cash and cash equivalents with banks and financial institutions and receivables from parent and other group companies. Most of the business is based on subscriptions and prepayments which makes the risk of losses on receivables low. Customers' credit ratings are used to determine credit limits and management monitors the utilization of credit risks on an ongoing basis. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by these counterparties. The Company's maximum credit risk is TDKK 40,306 (103,927) and correspond to the carrying amount of receivables and cash and cash equivalents.

RISKS RELATED TO GLOBAL COVID-19 PANDEMIC

The current COVID-19 pandemic is expected to affect all global markets. The Company is following the situation on continuously basis. The Company operates in the legal and tax professional market in Denmark. 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 Company's business model with approximately 85% subscription-based revenue the Company assess that the virus will have no impact on online revenue on a short-term basis. For the Company's non-subscription based offline business, mainly books, 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.

Note 4. Critical estimates and judgements

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 Company 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 10).

The carrying amount of intangible assets at 31 December 2019, distributed by cash-generating unit (CGU), are presented in Note 10.

Estimated cash flows for the first year are based on most recent budgets approved by the Board of Directors. Estimated cash flows for years 2-10 are based on the Company's business plan for the period approved by the Board of Directors. After the budget period, estimated growth in the terminal period are 2.0% (2.5%) corresponding to the expected market growth.

The assessments behind the growth rates applied for the discounted cash flow 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 Denmark A/S. Sensitivity calculations have been made and within a reasonable span of deviation from the applied assessments, a write-down of goodwill is not foreseeable in the near future.

Note 5. Revenue

Net sales are classified by category as follows:

TDKK	2019	2018
Total net sales	**294.867**	**294.585**

Karnov Group Denmark A/S' business operations are media independent and total net sales are almost entirely related to the Danish marked.

Note 6. Remuneration to auditors

Reference is made to the financial statements for Karnov Group AB for more information regarding fee to auditor.

Note 7. Employee benefit expenses

Wages, other benefits and social security costs

TDKK	Ordinary compensation	Other benefits	Pension benefits	Total
2019				
Excecutive management	4.774	1.943	482	7.199
Other employees	55.445	6.330	7.240	69.016
Other personnel-related costs				4.954
Total	**60.219**	**8.274**	**7.722**	**81.169**

Wages, other benefits and social security costs

TDKK	Ordinary compensation	Other benefits	Pension benefits	Total
2018				
Excecutive management	6.273	2.698	631	9.602
Other employees	51.388	1.038	6.103	58.530
Other personnel-related costs				4.748
Total	**57.662**	**3.736**	**6.734**	**72.880**

Compensation and other benefits during the year

TDKK	Ordinary compensation	Other benefits	Pension benefits	Total
2019				
Flemming Breinholt	1.029	577	103	1.708
Other senior management (4 FTE)	3.745	1.367	379	5.491
Total	**4.774**	**1.943**	**482**	**7.199**

Compensation and other benefits during the year

TDKK	Ordinary compensation	Other benefits	Pension benefits	Total
2018				
Flemming Breinholt	1.917	1.243	192	3.351
Other senior management (5 FTE)	4.356	1.456	439	6.251
Total	**6.273**	**2.698**	**631**	**9.602**

The board of directors do not receive any remuneration.

All employees of Karnov Group Denmark A/S were in April 2019 offered to participate in a long-term incentive program in the form of a share saving program through investment in Karnov Group AB. 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. Participation in the program is voluntary. 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 further details of the program please refer to the Annual Report 2019 for Karnov Group AB (www.karnovgroup.com).

	2019			2018		
Average number of employees Full Time Equivalents (FTEs)	Men	Women	Total	Men	Women	Total
Denmark	75	59	134	66	57	123
Total	**75**	**59**	**134**	**66**	**57**	**123**

Note 8. Results from financial items

TDKK	2019	2018
Financial income:		
Interest income from cash	6	8
Interest income - intercompany	2.336	5.375
Foreign exchange gains	-	3.546
Other finance income	300	0
Total financial income	**2.642**	**8.929**
Financial expenses:		
Interest expenses to loan and borrowings	-534	-592
Interest expenses - intercompany	-15.177	-30.793
Other finance expenses	-	-101
Foreign exchange losses	-2.199	-1.095
Total financial expenses	**-17.910**	**-32.581**
Net financial items	**-15.269**	**-23.652**

Note 9. Taxes

TDKK	2019	2018
Current tax:		
Current tax for the year	52.503	15.060
Total current tax	52.503	**15.060**
Deferred income tax		
Change in the deferred tax assets for the year (note 17)	-40.659	5
Change in the deferred tax liabilities for the year (note 17)	-488	40
Total deferred tax expense/benefit	-41.147	**45**
Income tax expense	11.356	**15.105**

TDKK	2019	2018
Profit/(Loss) before income tax	55.817	61.911
Tax calculated at domestic tax rates applicable to profit before tax 22% (2018: 22%)	12.280	13.621
Expenses not deductible for tax purposes	25	131
Non-deductable interest expenses	809	605
Deferred income	38.798	-
Other adjustment taxable income	-40.556	748
Income tax expense	11.356	**15.105**

Note 10. Intangible assets

TDKK	Goodwill	Capitalised development costs	Other intangible assets	Total
Cost at January 1, 2019	**492.586**	**6.700**	**214.996**	**714.282**
Additions	-		308	308
Disposals	-		-	-
Accumulated cost at December 31, 2019	**492.586**	**6.700**	**215.303**	**714.589**
Amortisation at January 1, 2019	**-**	**-**	**96.686**	**96.686**
Amortisation for the year	-	-	12.906	12.906
Accumulated amortisation at December 31, 2019	**-**	**-**	**109.592**	**109.592**
Net book value at December 31, 2019	**492.586**	**6.700**	**105.711**	**604.997**

TDKK	Goodwill	Capitalised development costs	Other intangible assets	Total
Cost at January 1, 2018	**492.586**	**7.929**	**213.916**	**714.432**
Additions	-	36	1.079	1.116
Disposals	-	-1.266	-	-1.266
Accumulated cost at December 31, 2018	**492.586**	**6.700**	**214.996**	**714.282**
Amortisation at January 1, 2018	-	-	83.803	83.803
Amortisation for the year	-	-	12.883	12.883
Disposals	-	-	-	-
Accumulated amortisation at December 31, 2018	**-**	**-**	**96.686**	**96.686**
Net book value at December 31, 2018	**492.586**	**6.700**	**118.310**	**617.596**

Other intangibles assets consist of trademarks with a net book value of TDKK 67,080 (67,080), technology with a net book value of TDKK 8,671 (11,705) and customer relations with a net book value of TDKK 29,960 (39,525).

Impairment tests on goodwill and Trademark

Goodwill and trademark are monitored by Management at consolidated level for the company. All goodwill and trademarks are therefore allocated to one CGU.

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 the CGU 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 the CGU is determined on the assumption of 2 percent growth (2.5) on the market. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The pre-tax discount rate used in the market 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.

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

Note 11. Deposits – leasehold

The company currently occupy one address in Copenhagen for which the company has paid deposits TDKK 1.924 (TDKK 1.872)

Note 12. Property, plant and equipment

TDKK	Leasehold improvements	Furniture, fittings and equipment	Total
Cost at January 1, 2019	**4.233**	**8.723**	**12.956**
Additions for the year	-	188	188
Accumulated cost at December 31, 2019	**4.233**	**8.911**	**13.144**
Depreciation at January 1, 2019	**2.082**	**7.992**	**10.074**
Depreciation for the year	423	329	752
Accumulated depreciation at December 31, 2019	**2.505**	**8.321**	**10.826**
Net book value at December 31, 2019	**1.728**	**590**	**2.318**
Of which leased assets	-	-	-

TDKK	Leasehold improvements	Furniture, fittings and equipment	Total
Cost at January 1, 2018	**3.921**	**8.413**	**12.334**
Additions for the year	312	431	743
Disposals	-	-121	-121
Accumulated cost at December 31, 2018	**4.233**	**8.723**	**12.956**
Depreciation at January 1, 2018	**1.673**	**6.307**	**7.980**
Depreciation for the year	410	1.782	2.191
Disposals	-	-97	-97
Accumulated depreciation at December 31, 2018	**2.082**	**7.992**	**10.074**
Net book value at December 31, 2018	**2.151**	**731**	**2.882**
Of which leased assets	-	-	-

Note 13. Financial instruments by category

	Carrying amount		Fair value	
TDKK	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
FINANCIAL ASSETS				
Financial assets at amortised cost				
Trade receivables	21.892	20.488	21.892	20.488
Non-current receivables from other group companies	-	32.215	-	32.215
Current receivables from other group companies	-	55.009	-	55.009
Cash and cash equivalents	16.130	9.268	16.130	9.268
Total financial assets	**38.022**	**116.980**	**38.022**	**116.980**
FINANCIAL LIABILITIES				
Liabilities at amortised cost				
Trade payables	3.708	3.504	3.708	3.504
Non-current payables to parent company	-	721	-	721
Non-current payables to other group companies	270.600	380.749	270.600	380.749
Current borrowings from parent company	-	1.335	-	1.335
Current borrowings from group companies	10.696	7.978	10.696	7.978
Total financial liabilities	**285.004**	**394.287**	**285.004**	**394.287**

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

Non- current receivables from parent companies
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 receivables from other group companies
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.

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.

Current borrowings from parent company
The fair value of current borrowings from parent company 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.

Current borrowings from group companies
The fair value of current borrowings from other group companies 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.

Non-current borrowings from parent company
The fair value of non-current borrowings from parent company 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.

Non-current borrowings from group companies
The fair value of non-current borrowings from other group companies 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.

Note 14. Trade receivables

TDKK	2019	2018
Trade receivables	81.479	75.551
Less: provision for impairment of trade receivables	-645	-272
Trade receivables – net	**80.834**	**75.279**

Gross trade receivables by age

TDKK	2019	2018
Balance not due	44.885	74.338
0-3 months	35.949	932
3-6 months	-	-0
Over 6 months	-	10
Total trade receivables	**80.834**	**75.279**

Breakdown of allowance for impairment

TDKK	2019	2018
Allowance for impairment at beginning of period	-272	-500
Provision for impairment of trade receivables	-373	228
Allowance for impairment at end of period	**-645**	**-272**

TDKK	Current	0-3 months	3-6 months	> 6 months	Total
31 December 2019					
Expected loss rate	0,31%	1,4%	20,0%	50,0%	0,80%
Trade receivables	44.885	35.949	-	-	80.834
Loss allowance	**139**	**506**	-	-	**645**

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

Karnov Group Denmark A/S invoices one month prior to the contract period of the agreement for which reason the customers are paying upfront. Historically, Karnov Group Denmark has experienced relatively small amounts of losses. The creation and release of provision for impaired receivables have been included in Other operating expenses in the income statement.

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

Due to the business model for Karnov Group Denmark A/S subscriptions are invoiced prior to actual delivery period. In the event that the delivery of services begins after the end of the financial period the invoiced amount is offset against deferred income in current liabilities.

TDKK	2019	2018
Trade receivables gross	80.834	75.279
Reclass to deferred income	-58.942	-54.791
Trade receivables net	**21.892**	**20.488**

Note 15. Inventories

TDKK	2019	2018
Finished goods	3.593	3.635
Total inventories	**3.593**	**3.635**

Write-downs of finished goods recognized as expenses during the year amounted to TDKK 1.821 (674) and are included in “Goods for resale” in the income statement. Finished goods are written down by 50% after 24 months on stock and 100% after 36 months on stock.

The company reversed write-downs in 2018 from previous years of TDKK 537 due to implementation of the current write-down procedure as described above.

Note 16. Share capital and share premium

The Company's objective when managing capital are to safeguard their ability to continue as a going concern, so that the Company can continue to provide returns to shareholders. The company seeks to declare all cash in excess of what is required in realizing the coming years' planned activities as dividends and pays interest on unpaid declared dividend.

Karnov Group Denmark A/S has no external interest-bearing loans and is primarily financed through intercompany debt and prepayments from customers.

The capital structure is designed to ensure sufficient financial flexibility to meet its strategic objectives.

	Number of shares	Shares of	Share capital
At January 1, 2019	10.001	1.000	10.001
Balance December 31, 2019	**10.001**	**1.000**	**10.001**

Note 17. Deferred income tax

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

TDKK	2019	2018
Deferred tax assets:		
Temporary differences:		
Deferred income	38.798	-
Provisions	1.585	1.504
Furniture, fittings and equipment	131	-
Other liabilities	1.649	-
Total deferred tax assets	**42.163**	**1.504**
Netting against deferred tax liabilities	-30.922	-1.504
Total deferred tax assets (net)	**11.241**	**-**

TDKK	2019	2018
Deferred tax liabilities:		
Temporary differences:		
Furniture, fittings and equipment	0	136
Leasehold improvements	347	0
Intangible assets	30.575	30.971
Other	0	303
Total deferred tax liabilities	**30.922**	**31.410**
Netting against deferred tax assets	-30.922	-1.504
Total deferred tax liabilities (net)	**-**	**29.906**

TDKK	2019	2018
Deferred tax assets:		
Deferred tax asset to be recovered after more than 12 months	1.585	1.498
Deferred tax asset to be recovered within 12 months	40.578	6
Total deferred tax assets	**42.163**	**1.504**

TDKK	2019	2018
Deferred tax liabilities:		
Deferred tax liability to be recovered after more than 12 months	30.922	31.410
Deferred tax liability to be recovered after within 12 months	0	0
Total deferred tax liabilities	**30.922**	**31.410**

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:

TDKK	Other intangible assets	PPE	Other	Total
Deferred tax assets				
At January 1, 2019	-	-	1.504	1.504
Charged/credited to the income statement	-	131	40.528	40.659
At December 31, 2019	**-**	**131**	**42.032**	**42.163**
Deferred tax liabilities				
At January 1, 2019	30.971	136	302	31.409
Charged/credited to the income statement	-396	-136	45	-488
At December 31, 2019	**30.575**	**-**	**347**	**30.922**

TDKK	Other intangible assets	PPE	Other	Total
Deferred tax assets				
At January 1, 2018	-	-	1.510	1.510
Charged/credited to the income statement	-	-	-6	-6
At December 31, 2018	**-**	**-**	**1.504**	**1.504**
Deferred tax liabilities				
At January 1, 2018	31.216	153	-	31.369
Charged/credited to the income statement	-245	-17	302	40
At December 31, 2018	**30.971**	**136**	**302**	**31.409**

Note 18. Provisions for other liabilities and charges

The company 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.

TDKK	2019	2018
At January 1	3.774	3.646
Charged to the income statement:		
- adjustment to present value	132	128
At December 31,	**3.906**	**3.774**
Non-current provisions	3.906	3.774
Total provisions for other liabilities and charges	**3.906**	**3.774**

Note 19. Reconciliation of liabilities arising from financing activities

			Non-cash changes		
TDKK	**2018**	Cash flows	Recognised on adoption of IFRS 16	Other reclassifications	**2019**
Long-term borrowings	381.470	-110.870			270.600
Short-term borrowings	9.313	1.383			10.696
Dividend payment	-	-20.000		20.000	-
Leasing and other long-term liabilities	-	-4.369	39.224		34.855
Total liabilities from financing activities	**390.783**	**-133.855**	**39.224**	**20.000**	**316.151**

Note 20. Pledged assets and contingent liabilities

Karnov Group Denmark A/S are jointly and severally liable for tax on the jointly taxed incomes etc. of the Group. The total amount of corporation tax payable by the Group amounts to TDKK 54.051. (TDKK 11). Moreover, the Danish group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Note 21. Leasing

TDKK	2019	2018
No later than 1 year	4.041	4.346
Later than 1 year and no later than 5 years	15.677	16.793
Later than 5 years	15.137	-
Total	**34.855**	**21.140**

TDKK	2019
Operating lease commitments as at 31 December 2018	**21.140**
Adjustments relating to changes in the treatment of extension and termination options	15.952
Adjustments relating to changes in rate affecting variable payments	1.378
Lease liability recognised as at January 1, 2019	**38.470**

TDKK	2019
Lease assets at January 1	**38.470**
Additions for the year	325
Disposals for the year	-
Depreciation for the year	-4.476
Lease assets at December 31	**34.318**

TDKK	2019
Lease liabilities at January 1	**38.470**
Additions for the year	323
Disposals for the year	-
Interest	431
Payments	-4.369
Lease liabilities at December 31	**34.855**

As mentioned in Note 2, the company has implemented IFRS 16 effective from 1 January 2019. The company's leasing agreements are recognized as right of use assets and equally sized lease liabilities.

Note 22. Related-party transactions

	Parent company		Group companies	
TDKK	2019	2018	2019	2018
Sales of goods and service	-	1.004	10.107	17.374
Purchase of goods and services	-	-	36.473	59.275
Received interest	-	-	2.336	5.375
Paid interest	-	110	15.177	30.683
Financial assets	877	-	3.415	79.247
Financial liabilities	-	2.056	276.996	380.748

The company is a part of the consolidated financial statements for Karnov Group AB, Stockholm, Sweden. The consolidated financial statement of Karnov Group can be downloaded from www.karnovgroup.com.

Note 23. Events after the balance sheet date

The current COVID-19 pandemic is expected to affect all global markets. The Company is following the situation on continuously basis.

The Company assess that the virus will have no impact on online revenue on a short-term basis. For the Company's non-subscription based offline business, mainly books, it is expected that the virus will have some effect on a short-term basis.
No other events have occurred after the reporting date of importance to the financial statements.

Note 24. Allocated profit for the financial year

TDKK	2019	2018
Dividends paid to shareholders	20.000	33.500
Proposed dividends	25.000	-
Transfer for reserves	-539	13.306
Allocated profit for the financial year	**44.461**	**46.806**

Management's Statement

The Board of Directors and Executive Board have today considered and adopted the Annual Report of Karnov Group Denmark A/S for the financial year 1 January – 31 December 2019.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the Company Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations and cash flows for 2019.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Company, of the results for the year and of the financial position of the Company as well as a description of the most significant risks and elements of uncertainty facing the Company.

We recommend that the Annual Report be adopted at the Annual General Meeting.

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Copenhagen, 28 May, 2020

Flemming Breinholt Chairman of the Board	**Dora Brink Clausen** Board member	**Charlotte Arup** Board member

Anne Luise Gramkov de Kort Board Member (Employee representative)	**Flemming Laustsen Bach** Board Member (Employee representative)

Niels Munk Hansen
President and CEO

Auditor's report

To the Shareholders of Karnov Group Denmark A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019, and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

We have audited the Financial Statements of Karnov Group Denmark A/S for the financial year 1 January - 31 December 2019, which comprise statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other 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 opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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 financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Hellerup, 28 May 2020
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Steffen Kaj Pedersen
State Authorised Public Accountant
mne34357

Financial definitions

This Annual 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 the Company 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
Average number of full-time employees (FTEs)	Average number of full-time employees during the reporting period.	Non-financial key ratio.
EBITDA	Operating profit before depreciation and amortisation, financial items, and tax.	EBITDA provides an overall picture of profits generated by the operating activities before depreciation and amortisation.
EBITDA margin	EBITDA as a percentage of net sales.,	This measure intends to display the Company's operational profitability, regardless of financing and amortisation, on an ongoing basis.
Equity ratio (%)	Equity divided by total assets.	An important measure for the assessment of the company's financial stability.
Net debt	Net debt is defined as total borrowings reduced by cash and cash equivalents.	Relevant to analyse to ensure that Karnov has an appropriate financing structure and is able to fulfil its financial obligations under its loan agreement.
Net working capital (NWC)	Current assets less current liabilities.	A measure of the company's tie-up of short-term capital in its operating activities, and is considered important for understanding changes in the operating cash flow.
Operating profit (EBIT)	Profit for the year adjusted for interest and taxes.	Enables comparability of profitability regardless of capital structure or tax situation.
Return on total capital	Operating profit divided by total assets.	Indicates the operating return on the capital that owners and lenders have made available. The intention is to show consolidated returns, regardless of the type of financing.

Better decisions, faster

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

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