

# EGMONT FONDEN

## Annual Report 2019

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**Egmont Fonden**  
Vognmagergade 11  
1148 Copenhagen K  
Telephone: +45 3330 5550  
[www.egmont.com](http://www.egmont.com)  
[egmont@egmont.com](mailto:egmont@egmont.com)  
Registered office: Copenhagen



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# Management's Review

CONSOLIDATED FINANCIAL HIGHLIGHTS	2019	2018 (*)	2017 (*)	2016 (*)	2015 (*)
<b>Key figures (EUR million)</b>					
Revenue	1,681.7	1,602.8	1,515.0	1,559.9	1,575.8
Profit before net financials, depreciation, amortisation and impairment losses (EBITDA)	249.6	190.3	159.1	170.2	190.0
Operating profit (EBIT)	125.3	85.0	78.7	73.7	97.0
Profit/(loss) from investments in associates	(32.2)	2.2	2.6	(4.5)	6.8
Operating profit after result from associates	93.1	87.2	81.3	69.2	103.8
Financial income and expenses, net	(12.8)	(5.8)	(3.1)	1.0	(2.2)
Profit before tax (EBT)	80.3	81.4	78.2	70.2	101.6
Profit for the year	55.2	50.8	60.7	62.1	85.3
Total assets	1,970.5	1,711.4	1,693.0	1,621.0	1,608.9
Investments in intangible assets	76.5	58.2	72.5	52.6	51.3
Investments in property, plant and equipment	26.0	20.4	39.2	27.1	36.2
Net interest-bearing debt/ (net interest-bearing deposits)	165.7	69.1	(40.3)	(46.8)	(57.4)
Equity	885.9	869.3	829.6	833.3	755.0
Cash generated from operations **	255.1	133.1	203.2	103.3	156.4
<b>Financial ratios (%)</b>					
Operating margin	7.5	5.3	5.2	4.7	6.2
Equity ratio	44.8	50.5	48.7	51.2	46.7
Return on equity	6.3	6.1	7.3	7.8	11.7
Average number of full-time employees	4,264	3,959	3,787	3,866	4,037

\* Comparative figures for 2015-2018 are not restated in connection with the implementation of IFRS 16 on 1 January 2019

\*\* Calculated before net financials and tax

Financial ratios stated in the consolidated financial statements have been calculated in accordance with the Danish Finance Society's "Recommendations & Ratios".

*We bring stories to life* – is the essence of Egmont. We are innovators in media, entertainment and online retail with a Nordic touch providing our users with insight, inspirations and choice. We are committed to significant stories and journalism. And we believe in unleashing creativity and entrepreneurship by applying technology in creating strong products and user experiences.

Egmont is a commercially operating foundation. We reinvest all our profits in building great media positions and helping children and young people through social programmes. In 2019 we donated EUR 13.0 million in Denmark and Norway.

Our companies are build on content, curation, communities and commerce within TV, films, cinemas, gaming, magazines, books, education, e-commerce and marketing services.

2019 was another good year for Egmont with all time high revenue (7% growth adjusted for currency) and strong earnings.

TV 2 had a very good year with strong underlying performance in all business areas and obtained continued digital growth in TV 2 Sumo – more than 485,000 subscribers at the end of 2019 – and tv2.no. Revenue was all time high which in combination with strong content and high market share in linear-tv contributed to earnings higher than last year. TV 2 has since January 1, 2019 delivered on a new public service agreement with the Norwegian state.

Nordisk Film delivered solid revenue and strong result. All main business areas, including film, cinema and gaming, contributed positively. In 2019, Nordisk Film signed a deal with Danish telco YouSee that acquired the streaming and free TV rights to Nordisk Film's catalogue of Danish and international films.

Egmont Publishing delivered a strong result in a challenging market for print publishing. The result is based on solid performance in key markets in the traditional publishing business combined with strong cost control. Growth in

revenue was driven by e-commerce and marketing services, offsetting the decline in print publishing. The ambition is to grow both e-commerce and marketing services further.

In Egmont Books, Lindhardt og Ringhof had a strong year with growth in revenue and positive earnings. The investments in digitalisation continued and at the end of 2019 more than 50,000 book titles are available as digital editions and SAGA's publication service with e-books and audio books is now available in more than 20 languages. Cappelen Damm had a challenging year and delivered an unsatisfactory result.

## THE GROUP

### Revenue

Egmont's total revenue for 2019 amounted to EUR 1,681.7 million, the highest to date and an increase of EUR 78.9 million compared to last year. Revenue growth was mainly achieved in TV streaming (TV 2 Sumo), games and e-commerce but also the cinema business in Nordisk Film and marketing services contributed.

### IFRS Leases

Egmont has in 2019 applied IFRS 16 Leases for the first time and the net impact on the consolidated Profit is almost neutral. However, other external expenses decreased by EUR 31.0 million while depreciation and financial expenses increased respectively by EUR 22.8 million and EUR 8.4 million. Egmont has chosen to adopt IFRS 16 using the modified retrospective method and the effect 1 January 2019 on Right-of-use assets and Lease liabilities was EUR 147.6 million and EUR 168.8 million. The difference adjusted by deferred tax affected equity with a reduction of EUR 16.6 million. Comparative figures are not restated.

### Earnings

Operating profit after result from associates amounted to EUR 93.1 million against EUR 87.2 million the year before. All divisions except Books performed better than last year.

Operating profit after result from associates includes a write down of goodwill related to TV 2's shareholding in RiksTV of EUR 28 million. Upon Egmont's acquisition of TV 2 in 2012, goodwill was allocated to RiksTV as part of the purchase price. The write down follows TV 2's acquisition of an additional ownership share in RiksTV in 2019, increasing the ownership share from 33.3% to 50.0% and is based on the purchase price for the additional ownership share in RiksTV.

The pre-tax profit (EBT) in 2019 amounted to EUR 80.3 million, on the level with 2018.

Tax on profit for the year amounted to an expense of EUR 25.1 million, corresponding to an effective tax rate of 31.3% compared to 37.6% the year before.

The effective tax rate in 2019 was affected by losses in associates. Adjusting for this, the effective tax rate for 2019 was in the level of 22%. In 2018 the effective tax rate was significantly affected by adjustments for prior years and development in unrecognised tax assets. Adjusting for this, the effective tax rate for 2018 was in the level of 25%.

The net profit for the year was EUR 55.2 million in 2019 against EUR 50.8 million the year before.

#### Balance sheet

Total assets amount to EUR 1,970.5 million compared to EUR 1,711.4 in 2018. The increase is mainly caused by acquisitions of e-commerce and marketing services companies as well as implementation of IFRS 16 Leases.

The Group's net interest-bearing debt amounted to EUR 165.7 million compared to EUR 69.1 million in 2018 affected by acquisitions and IFRS 16 Leases. Without implementation of IFRS 16 Leases Egmont would have net interest-bearing deposit in the amount of EUR 5.6 million.

Egmont's equity at end-2019 amounted to EUR 885.9 million, an increase of EUR 16.6 million. The equity was affected by positive earnings and reduced by value adjustments of hedging instruments, IFRS 16 and donations.

Return on equity was 6.3% compared to 6.1% the year before.

The equity ratio at end-2019 came to 44.8% compared to 50.5% the year before.

#### Cash flow

Cash generated from operations amounted to EUR 255.1 million against EUR 133.1 million in 2018. The increase in non-cash operating items is due to the impact from increased amortisation of film rights and depreciation of lease assets. Cash flows from change in working capital was positively affected by change in receivables. Cash flows from investing activities amounted to an expense of EUR 167.4 million, primarily regarding acquisition of film rights, and further investments in subsidiaries, associates and other investments.

# TV 2, Norway

**Revenue in 2019:** EUR 509 million (2018: EUR 465 million)

**Operating profit after result from associates in 2019:** EUR 43 million (2018: EUR 41 million)

**Employees in 2019:** 923 (2018: 882)

TV 2 is Norway's leading commercial broadcaster with headquarters in Bergen operating eight TV channels, the largest Norwegian paid streaming service TV 2 Sumo, and the news site tv2.no, which ranks among the top-three commercial websites in Norway.

TV 2 has since January 1, 2019, delivered on a new public service agreement with the Norwegian state. TV 2 broadcasts a wide range of public service programming on its main channel, including daily news, current affairs, children's programmes, documentaries, Norwegian drama and TV series. TV 2 also holds strong positions within e.g. breaking news, local entertainment and major sports events.

Revenue in 2019 was all time high. Operating profit after result from associates for 2019 was EUR 43 million against EUR 41 million in 2018. Throughout 2019, TV 2 increased its TV market share, grew its streaming customer base and set new user records on TV2.no.

In 2019, TV 2 signed a deal with Egmont-owned Nordisk Film providing access to top Norwegian and Scandinavian movies and TV series. In addition, TV 2 cooperated with Nordisk Film in developing the children's streaming service *Oiii*.

The Norwegian Media Authority (Medietilsynet) launched a survey on the public's trust in news and Norwegian media organisations showing that TV 2 was the media house with the most significant increase in trust in 2019. TV 2 is now only topped by NRK among nation-wide media.

## TV 2 CHANNELS

The total market share for all TV 2 channels was 30.4% in the 20-49-year old target group (up 1.3%) and 28.0% in the P10-79-year old viewing group (up 0.6%). In the commercial market (20-49-year old target group), TV 2's share was 48.7%, up from 46.7% in 2018. For several months, TV 2 was the only media house to see growth for the linear channels in key demographics.

The market share of TV 2's main channel decreased slightly from 19.9% to 19.2% in 2019, however still demonstrated high ratings on flagship concepts like *Farmen*, *Skal vi danse?* and *Åsted Norge*. New concepts, such as *Norge bak fasaden* and *Funkyfam*, were also well received in the market, e.g. with *Funkyfam* being the most streamed show on TV 2 Sumo.

TV 2 Nyhetskanalen, Norway's only 24-hours news channel, upheld a stable 2.5% share in the commercial market (20-49-year old target group) and is now established among the top-six commercial channels in the market. The channel is first choice for breaking news TV-viewers. In the P10-79-year old target group, TV 2 Nyhetskanalen had a 3.5% market share (down from 3.7%).

A strong portfolio of international football rights is held by TV 2. The collective sports rights provided a strategic opportunity to strengthen TV 2's position in the distribution market and cater to a continued demand for attractive live sports content. TV 2 Sport 1 is the home of international football

leagues, like Champions League, Europa League, Nations League as well as football related magazine shows. TV 2 Sport 1 maintained full distribution rights in 2019 and had a market share of 0.7% (up from 0.1% in 2018) in the 20-49-year old target group.

TV 2's other genre channels also experienced growth (TV 2 Humor was closed down during 2019), and the total market share of the genre channels was 10.0% in 2019 (up from 9.2%) in the 20-49-year old target group.

#### **TV 2 SUMO**

TV 2 further developed TV 2 Sumo's position in 2019 and passed 485,000 subscribers. Much work has been done in developing unique content offerings and increasing the stability and quality of the TV 2 Sumo service both on the servers and client side. Through a strengthened focus on AI development, TV 2 Sumo now offers increased personalisation and recommendation of content to users as well as enables editors to curate the most important content to be showed. TV 2 Sumo has established an advertising-funded model (AVOD) on parts of the service to build greater coverage by capitalising and converting new users (freemium to premium).

#### **PREMIUM CHANNELS**

TV 2's Premier League channels (TV 2 Sport Premium 1 & 2) continued delivering strong ratings. TV 2 Sport Premium 1 increased its market share from 1.0% in 2018 to 1.4% in 2019.

#### **RIGHTS ACQUISITIONS**

Attractive live sports are key drivers for linear TV viewing, distribution revenues and subscription sales. TV 2 has secured a broad portfolio of sports rights with focus on football. In 2019, rights from Austrian Winter Sports were also secured together with NRK. TV 2 will for the first time be airing from the Four Hills Tournament in Austria.

#### **VIMOND MEDIA SOLUTIONS**

The streaming and on-demand platform provider Vimond Media Solutions continued its growth in 2019. License revenues were up 21%. The company has offices in Europe, USA and the Asia-Pacific and is servicing leading media brands globally. Vimond strengthened its SaaS offering in 2019 both in distribution and production for online delivered video services.



# Nordisk Film

**Revenue in 2019:** EUR 541 million (2018: EUR 559 million)

**Operating profit after result from associates in 2019:** EUR 34 million (2018: EUR 30 million)

**Employees in 2019:** 1,413 (2018: 1,202)

Nordisk Film produces, distributes and markets local and international films and TV series across the Nordics, operates a leading cinema chain in Scandinavia, and has a leading gifting solution company. In addition, Nordisk Film has built a strong portfolio of successful Nordic game studios and is long-term distributor of PlayStation in the Nordic and Baltic countries.

Nordisk Film delivered solid revenue and a strong result in 2019. All main business areas, including film, cinema and gaming, contributed positively to an increase in operating profit after result from associates by EUR 4 million to EUR 34 million in 2019. The portfolio of computer game studios – especially fully owned Avalanche Studios – had notable impact.

## FILM & TV

Nordisk Film's fully owned production company, Nordisk Film Production, experienced a high level of activity in 2019 with many films and TV series in development and production. May El-Toukhy's film success *Queen of Hearts* sold 330,000 tickets in Denmark and won an Audience Award at Sundance Film Festival and three awards at Göteborg Film Festival. The comedy *Hunting Season* became an instant audience hit with 473,000 tickets sold, and Michael Noer's *Before the Frost* performed great as well with more than 200,000 sold tickets. In Norway, disaster movie *The Tunnel* opened on Christmas Day and has sold more than 220,000 tickets. Nordisk Film Production was behind two popular TV dramas in 2019; *DNA* on Danish TV 2 and *Twinn* on Norwegian NRK.

Nordisk Film was also the co-investor and distributor of several Nordic film successes. The top-five grossing Danish films were all released by Nordisk Film, including *Hunting Season*, *Queen of Hearts* and Niels Arden Oplev's

*Daniel* (472,000 tickets sold). In Sweden, Nordisk Film was investor and distributor of the 5th movie in the successful *Sune* franchise (350,000+ tickets sold) as well as the musical comedy *A Piece of My Heart* (450,000+ tickets sold). In Norway, Nordisk Film released Fante Film's second installment in the *Carpenter Anderson* family franchise (420,000+ tickets sold), and in Finland another successful *Ricky Rapper* film was released (280,000 tickets sold). The Best Picture Oscar winner *Green Book* from Participant Media was the year's biggest international title for Nordisk Film (875,000 tickets sold across the Nordics).

In 2019, Nordisk Film signed a deal with Danish telco YouSee that acquired the streaming and free TV rights to Nordisk Film's catalogue of Danish and international films. Nordisk Film also engaged in a similar deal with Egmont-owned TV 2 in Norway, a deal including the brand new in-house developed children universe *Oiii* which will be launched across the Nordics.

## CINEMAS

Nordisk Film continued to strengthen its operations in the Danish, Norwegian and Swedish cinema markets. Operating 45 cinema multiplexes in total (23 in Denmark, 21 in Norway and one in Sweden), Nordisk Film is market leader in Denmark and Norway with 5.6 million cinema tickets sold in Denmark and 3.1 million cinema tickets sold in Norway. The Norwegian cinema business was affected by receding attendance numbers due to a weak market line-up of local film titles.

Nordisk Film introduced three new 4dx screens (for a total of seven) and 37 recliner screens (for a total of 45) across Denmark and Norway in 2019. The first full recliner cinema (9

screens) was opened in Norway in Bergen, and Nordisk Film now operates five full recliner cinemas in Denmark, Norway and Sweden.

### GAMES

Nordisk Film Games has, since 2016, built a strong portfolio of currently six Nordic game studios, developing global IPs and rich gaming experiences for millions of consumers worldwide. The portfolio companies are showing solid growth in both revenue and profits.

During 2019, fully owned Avalanche Studios launched *Generation Zero* and *Rage 2*, and *theHunter: Call of the Wild* strengthened its position as the world's largest hunting simulator. Star Stable reinforced its position as the world's leading online adventure horse game with an impressive growth rate from last year. The indie publisher Raw Fury launched a range of new games and engaged in several large partnerships, and Flashbulb Games brought *Trailmakers 1.0* for PC and console to the market. Nordisk Film Games made further investments in both Raw Fury and Star Stable Entertainment AB following the positive developments in both companies.

Nordisk Film Interactive is bringing Sony's PlayStation and Activision Blizzard products to the market in the Nordic and Baltic countries. In 2019, global shipments for PlayStation 4 exceeded 100 million units since the introduction of the console in 2013. Sony released great quality content during the year, including *Death Stranding* from the legendary game creator Hideo Kojima. And the Activision Blizzard hit of the year was *Call of Duty Modern Warfare*. Sony also revealed information about PlayStation 5, their next generation console released by end 2020.

### GIFT CARDS

GoGift is a leading Nordic gifting solution company with an increasingly global reach. GoGift delivered another year of double-digit growth and formed a global division for further scaling of its offerings. 2019 was also a year of continued investments in system development of new innovative and scalable global gifting concepts that will be launched during 2020.

# Egmont Publishing

Revenue in 2019: EUR 575 million (2018: EUR 522 million)

Operating profit after result from associates in 2019: EUR 27 million (2018: EUR 27 million)

Employees in 2019: 1,564 (2018: 1,527)

Egmont Publishing is active in three business areas; multimedia publishing, e-commerce and marketing services. Egmont Publishing has market-leading positions in several regions within multimedia publishing and has built portfolios of leading Nordic companies within e-commerce and marketing services.

Revenue in 2019 was EUR 575 million – a substantial growth against EUR 522 million in 2018. This can be attributed to e-commerce and marketing services that realized increases in revenue which more than offset the decline in print publishing.

Operating profit after result from associates was EUR 27 million, on par with 2018.

## MULTIMEDIA PUBLISHING

Egmont Publishing publishes more than 300 weekly and monthly magazine titles and hundreds of children's books in around 30 countries. Multimedia publishing showed solid performance in an increasingly challenging market. Circulation and advertising continued to decline but with differences between markets.

Performance was solid in the Danish business following a range of new activities resulting in stable advertising levels in an otherwise decreasing market. In Norway, organizational restructuring, impairment of trademarks and a weak

advertising market combined with a weak local currency influenced the result negatively. Publishing in Sweden delivered a solid result in line with expectations.

2019 was a year with changes. Restructuring has taken place in all regions, including a major change in the set-up in Egmont Publishing's Swedish business in Stockholm. Sweden, Poland, CEE and UK are now part of the same region.

Egmont Publishing holds strong online positions, including klikk.no, side2.no, side3.no, blogg.no, alt.dk, euroman.dk, svenskjolf.se and automotorsport.se. Egmont Publishing also has important positions in digital magazines, including the digital magazine platform *Flipp*. In Norway, a joint sales set-up between TV 2 and Egmont Publishing has been implemented.

Egmont Publishing in Norway made considerable headway in the influencer market with the agency PEOPLE while Egmont Publishing in Denmark is establishing this business area for future growth.

The Chinese joint venture Children's Fun Publishing delivered substantial growth and very strong performance. The joint ventures in Finland with Sanoma, the Australian joint venture with Hardie Grant and the Turkish joint venture with Dogan performed according to plan.

## E-COMMERCE

Egmont Publishing has a portfolio of leading Nordic e-commerce category expert businesses. Total portfolio revenues increased considerably to EUR 363 million in 2019 (EUR 320 million in 2018).

The e-commerce portfolio currently consists of seven growth companies specializing in distinct categories such as “outdoor”, “parenting”, “hobby”, “health & beauty” and “kitchen”. The portfolio includes Jollyroom, Fjellspport, Outnorth, Bagaren och Kocken (incl. KitchenOne), Med24, Nicehair and Garnius. In 2019, Egmont Publishing increased ownership in Nicehair and merged Fjellspport and Outnorth in the legal entity Outnordic. Egmont holds majority positions in Outnordic, Nicehair, Bagaren och Kocken and Garnius (beginning of 2020).

During 2019 the strongest growth was in “outdoor” and “hobby” categories, while growth in other segments were influenced by warehouse automatisisation (Jollyroom) and merger activities (Bagaren och Kocken).

Acquisition activities will continue and Egmont Publishing sees e-commerce as one of the main areas for future growth.

## MARKETING SERVICES

Egmont Publishing has the ambition of obtaining a leading Nordic position within performance marketing through targeted M&A activities and organic growth in the portfolio companies. The portfolio consists of seven companies; Sempro, KAN, Belong, s360, Klintberg Nilèhn, Ingager and Markedspartner.

The portfolio revenues are growing substantially and especially s360, KAN, Ingager and Klintberg Nilèhn showed strong profitability in 2019. Sempro also improved performance, while Belong was negatively influenced by weak performance in Norway which led to the Oslo office closing and restructuring in general.

Acquisition activities will continue and a minority share in MarkedsPartner AS was acquired at the end of 2019. Consolidation is expected to take place in the market both at national and Nordic level.

# Egmont Books

**Revenue in 2019:** EUR 53 million (2018: EUR 52 million)

**Operating profit after result from associates in 2019:** EUR 0 million (2018: EUR 2 million)

**Employees in 2019:** 241 (2018: 226)

Egmont Books comprises Norway's leading publishing house, Cappelen Damm, and the Danish top publishing house Lindhardt og Ringhof. Egmont's non-Scandinavian book publishing activities belong under Egmont Publishing.

## LINDHARDT OG RINGHOF

Our ambitious Danish publishing house includes the publishing units Lindhardt og Ringhof, Alinea, Akademisk Forlag, Alfabeta, Carlsen, SAGA and the imprint Story House.

Lindhardt og Ringhof had a very strong year with growth in revenue and positive earnings.

With rapidly growing activities of SAGA, Lindhardt og Ringhof is strategically focusing on building a global digital publishing house. SAGA is already the leading publisher of e-books and audio books in Denmark with a strong foothold in Sweden and Germany as well. And by the end of 2019, SAGA had also established new editorial teams in Finland and Poland as well as launched its publication service in more than 20 languages. Expansion plans for 2020 include more than 10,000 new digital titles in more than 30 languages across the globe.

Lindhardt og Ringhof's book publications include novels from promising debutants, local and international bestsellers, and literature from prize-winning authors. In 2019, three

well-established authors were added to the fiction list; novelist Ane Riel, crime author and journalist Niels Krause Kjær, and crime author Anna Grue. From an overall strong and diverse Danish fiction list, three authors and their most recent publications from 2019 stand out with significant rankings on various bestseller lists; Niels Krause-Kjær with *Mørkeland*, Michael Katz Krefeld with *Skytsengel* and Maren Uthaug with *En lykkelig slutning*. Also worth noting, the young author Amalie Langballe received Bogforum's prestigious prize for Best First Novel in 2019 for *Forsvindingsnumre*.

The editorial team for translated fiction published two internationally renowned titles in 2019; Tara Westover's *Educated* and Margaret Atwood's *The Testaments*, the sequel to the book – and streaming – success *A Handmaid's Tale*. Moreover, the successful crime authors Camilla Grebe and Stina Jackson both published new books in 2019.

Non-fiction obtained commercial success with substantial historical publications. The beautiful picture book centred around favourite as well as never-seen photos of HM The Queen of Denmark, published in honour of her 80th birthday in 2020, was an instant bestseller. Other bestsellers were *Genforeningen 1920*, *Formel 1*, *F16* and *Kortlægningen af Danmark*. Also, the book *One Dollar Man* was a fixture on the bestseller lists for more than six months; the story about

Danish bicycle mechanic William S. Knudsen who was a strong agent in winning the war against Hitler by taking over responsibility of the American war industry.

Children's publishing house Carlsen demonstrated continued growth in 2019 with several book successes for both children and young adult readers. A stronger and more focused cooperation with Disney also contributed to the growth of Carlsen. The YA imprint CarlsenPuls continued publishing books to a receding YA market.

Educational publisher Alinea maintained a strong focus on an ambitious and comprehensive publication programme in 2019 – both comprising printed books and digital-only titles. Securing its position as key supplier of digital portals for all levels of primary school, Alinea's activities span from new publications, market leading digital technology, intensive sales efforts, and new and strong collaborations with external partners.

#### **CAPPELEN DAMM**

Cappelen Damm is Norway's largest publishing house with a range of activities; from general literature, education, book clubs and e-commerce, to the bookstore chain Tanum, streaming platform Storytel (co-owned 50% with Storytel AB) and the distribution business Sentraldistribusjon.

Publishing more than 1,500 new titles a year, Cappelen Damm has an annual revenue of appr. EUR 145 million. The company is co-owned by Egmont and Bonnier 50/50.

2019 was a challenging year for Cappelen Damm and the general publishing market in Norway. The bookstore chain Tanum suffered from loss making contracts at Gardermoen Airport. Impairment of trademark had a negative impact. Despite seeing solid growth in the core publishing unit (general literature), Cappelen Damm's results for 2019 were not satisfactory.

Cappelen Damm published a range of bestsellers in 2019, from authors such as Lars Saabye Christensen, Roy Jacobsen and Lucinda Riley. Going forward, Cappelen Damm represents a strong catalogue of acclaimed authors, both Norwegian and international, who enjoy market leading positions within their respective genres. Other activities of Cappelen Damm include investments in digital platforms and material to meet the new educational reform (Fagfornyelsen). The publishing house also holds the market leading position within book streaming and owns Norway's largest catalogue of audio books.

# The Charitable Activities

Egmont Fonden's charitable activities are based on social indignation and empathy. The foundation was founded in 1920 with the aim to alleviate the consequences for children and families living in poverty. Today, the aim is to safeguard young people against "modern poverty" – the lack of learning and life skills. Egmont Fonden focuses on the approximately 15% who are at risk of not completing an upper secondary education. Egmont Fonden contributes to ensuring that by 2030 all young people are able to complete an upper secondary education, and the foundation thereby also contributes to UN's sustainable development goal number four on quality education.

Egmont Fonden strives to involve the child's perspective in all grants. For almost 100 years, Egmont Fonden has been fighting poverty. As a prelude to Egmont Fonden's 100th anniversary in 2020, the foundation held a summit where young people at risk shared their experience of living in modern poverty with the foundation and key decision makers.

Egmont Fonden uses a variety of philanthropic instruments: The programme called *A Helping Hand* which distributes aid directly to children and families at risk, donations, partnerships, incubator grants, and catalytic activities. In 2019, Egmont Fonden has spent a total of EUR 13.0 million on philanthropic activities which aim to support children and young people's learning and life skills and to support film talents through Nordisk Film Foundation. Since 1920, Egmont Fonden has donated EUR 410 million to charitable activities.

## A GOOD SCHOOL START

In 2019, Egmont Fonden's annual theme was 'a good school start'. As one of the initiators of *Småbørnsløftet* (the Pledge to Support Young Children), Egmont Fonden works to ensure that all young people have a good childhood, and that they develop the necessary skills and competences - personal,

social and professional - for a good schooling. Therefore, Egmont Fonden has chosen to focus especially on 'the good school start', because school start is a crucial period in a child's life.

Each year, approximately 60,000 Danish children start school. The Egmont Report 2019 introduced new data showing that the vast majority of children have a good school start. However, a minority of 11.6 % of the children do not thrive. Furthermore, the new data shows that a poor school start is a long-term problem as well as a short-term problem for children because it reduces their well-being and ability to complete an upper secondary education.

Egmont Fonden earmarked a big sum of funds to focus on ways to improve school start. The foundation will address three goals: 1) Children at risk must be detected and supported before school start, 2) Children who do not thrive need adequate and prompt support, and 3) No child must be excluded from children's communities.

One of the first grants in relation to 'a good school start' has been given to the organization *Skolens Venner*. The grant of EUR 0.2 million, enables volunteers to help ensure the successful inclusion of children at the time of school start.

## A HELPING HAND

Egmont Fonden provides individual support through partnerships with organizations in Denmark and Norway that are directly in contact with children and young people at risk. In 2019, Egmont Fonden distributed a total amount of EUR 1.4 million via *A Helping Hand*.

## THE PLEDGE TO SUPPORT YOUNG CHILDREN

As a contribution to the Pledge to Support Young Children, Egmont Fonden created a 5-year partnership with *Mødrehjælpen* with a total investment of EUR 3.3 million. In partnership with Egmont Fonden, *Mødrehjælpen*

will contribute to ensuring that the first 1,000 days in all children's lives are characterized by safety and stimulation. The core of the programme called *1,000 Days* is a digital platform aimed at all future parents and families.

In addition, the foundation supported the regional municipality of Bornholm's four-year development programme called *De små børns Bornholm*. The purpose is to give all of Bornholm's young children equal opportunities to prosper, learn, and develop. The parties invest a total of EUR 1.6 million in the programme, which can hopefully become a model for other municipalities.

In 2019, 174 organizations have signed the pledge.

#### **A NEW PARTNERSHIP ON ABSENTEEISM**

Egmont Fonden entered into a new partnership with *Børns Vilkår* from 2019-2023. The partnership's vision is to significantly reduce the proportion of students with high school absenteeism in Denmark and to improve the learning and life conditions of children in school. The reason for this initiative is the fact that many Danish pupils have a very high degree of absenteeism. 15 % of the students (approximately 102,000 children and young people in the Danish elementary school) have more than 10 % absence. In addition, there is an increase in the number of children who do not go to school for very long periods of time.

#### **OTHER BIG BETS**

Egmont Fonden has made a call on initiatives addressing the consequences of dyslexia. The foundation has received a number of applications and has decided to give 12 grants amounting to EUR 1.9 million. A total of EUR 3.4 million has been donated in order to implement its strategy on dyslexia.

The learning and life skills of children placed in care has been at the top of the foundation's agenda in 2019. The first class of learning kids from Lean for Life, a learning programme for children placed in care which was initiated by the foundation, graduated and the kids have communicated the benefits of the programme and the needs of children placed in care very broadly.

#### **NORDISK FILM FONDEN**

Nordisk Film Fonden donated EUR 0.7 million in 2019 supporting and empowering film talents to a new future demanding new ways of thinking and use of new technologies. 60 talents received Nordisk Film Fonden's scholarships *Lille Isbjørn* and *Store Isbjørn* to grow their talent abroad. Four initiatives received *Isbjørn* project donations: A new two-year part-time script program for children & youth fiction, a PhD in "the Immersive Physical Film", a new knowledge-sharing network for screenwriters in the Nordics, and *Picture This\_19*, aiming to inspire filmmakers to embrace new technology to increase artistic creativity. The Nordisk Film Award in Denmark went to director Feras Fayyad and in Norway to production designer Jørgen Strangebye-Larsen. The Balling Award went to VFX supervisor Peter Hjorth and the Ove Sprogø Award to actor Esben Smed.

#### **DISTRIBUTION POLICY**

The Board of Trustees has set the framework for distributing donations in *The Strategy for Charitable Work 2017-2021*. During the year, the Funding and Grant Administration presented individual proposals for donations to be distributed within that framework to the Board of Trustees.

Egmont Fonden's Statutory Report on Distribution Policy, cf. section 77b of the Danish Financial Statements Act, can be reviewed and downloaded at [www.egmont.com/distributionpolicy](http://www.egmont.com/distributionpolicy).



# Management's Review

## RESULT IN EGMONT FONDEN

The result reported by Egmont Fonden, the parent entity of the Egmont Group, excluding dividends from equity investments in subsidiaries, was EUR 2.6 million (2018: 2.4 million). Egmont Fonden's commercial activities primarily comprise royalty income from the Foundation's publishing rights and management of the Foundation's assets.

## ORGANISATION

In 2019, employee representatives for the Board of Trustees in Egmont were elected. Anna von Lowzow was re-elected while Katrin Lyngby Kristensen and Peder Høgild were elected as new board members.

In connection with the Annual Meeting in March 2019, Lars-Johan Jarnheimer was reappointed for another four-year period and Torben Ballegaard Sørensen was reappointed for another one-year period.

At the Annual Meeting in March 2020 Merete Eldrup will be appointed to the Board of Trustees.

## FOUNDATION AND CORPORATE GOVERNANCE

Based on the legal requirements in Egmont Fonden's Charter as well as the most recent recommendations from the Committee on Foundation Governance and the Committee on Corporate Governance, the Board of Trustees and the Management Board have established the governance framework for Egmont.

Egmont Fonden fully supports the Danish Recommendations on Foundation Governance and complies with most of the recommendations. Egmont Fonden's Statutory Report on Foundation Governance for the financial year 2019 can be reviewed and downloaded at [www.egmont.com/foundationgovernance](http://www.egmont.com/foundationgovernance). The report includes a full description of Egmont's approach to each of the recommendations from the Committee on Foundation Governance.

The Board of Trustees has also prepared a Report on Corporate Governance for the financial year 2019 based on the Recommendations on Corporate Governance. The report can be reviewed and downloaded at [www.egmont.com/corporategovernance](http://www.egmont.com/corporategovernance).

## CORPORATE SOCIAL RESPONSIBILITY

Since 2013, Egmont has been a signatory to the UN Global Compact, supporting the 10 principles of human and labour rights, protection of the environment and anti-corruption. Hence, Egmont's statutory report on Corporate Social Responsibility (CSR) includes the UN Global Compact guiding principles for Communication on Progress (COP). The full CSR report can be downloaded at: [www.egmont.com/key-figures-reports](http://www.egmont.com/key-figures-reports). The CSR report also includes Egmont's report on targets and policy with respect to sections 99a and 99b of the Danish Financial Statements Act on corporate social responsibility, and on the underrepresented gender, respectively.

The highlights from Egmont's CSR report 2019 are set out below.

## OUR COMPANY

### Environment and climate

In 2019, Egmont performed a baseline analysis of Egmont's climate impact. The baseline includes CO2 emissions data on the variables: Energy consumption, paper, plastic, packaging and transportation. The results of the baseline have initiated several environmental and climate projects in Egmont and in 2020 Egmont will continue to explore where we can better our performance.

### Anti-corruption and business ethics

Since 2013, Egmont has had a clear policy on anti-corruption. Egmont does not tolerate any corruption. A new Business Ethics Policy, which includes anti-corruption as well as other compliance areas was introduced in the Egmont Group in

2019. The policy incorporates a number of legal compliance policies and areas in Egmont such as anti-corruption, bribery, conflicts of interest, gifts and entertainment, competition law, anti-fraud, marketing law, data protection, piracy and illegal use of content, human rights and environment. The policy was followed up by an e-learning training to all relevant employees in Egmont Corporate and in the divisions. In total 2,688 employees have been invited to the training and just over 72% completed it. The training will automatically be assigned to new relevant employees. During 2019, Egmont has not detected any corruption or bribery in Egmont or in the supply chain or had reports of any.

#### **Whistleblowing policy and system**

Egmont has a whistleblowing policy which can be accessed online by employees in the Egmont Group and by external parties (via Egmont.com). During 2019, communication around the whistleblowing system has been provided internally in Egmont at several occasions in connection with the new Business Ethics Policy both in the policy, in announcements, on posters and in the training. In 2019, no reports were made into Egmont's whistleblowing system.

#### **OUR EMPLOYEES**

##### **Employee engagement**

Egmont's leaders are vital to the well-being and development of its people, and it is crucial for Egmont's continued success that its leaders understand how to guide their employees through the rapid changes in business models. Therefore, Egmont continues to invest in leadership training, which aims at unfolding Egmont's strategy in a set of key leadership principles. By the end of 2019, a total of 236 leaders have completed the "Committed to Lead" programme. This corresponds to approx. 45 % of the total leadership population, and the rate of completion increases with

the pipeline of other leaders lined up for the programme in 2020. Exclusively in 2019, 76 leaders completed the "Committed to Lead" programme. In 2019 Egmont also introduced a training programme for informal leaders, i.e. functional specialists who are expected to impact a wide population of employees, although they do not have formal responsibility for direct reports. Egmont's engagement remains at a high level, both in terms of participation rate in surveys (82 %) and the overall engagement level (8,0 on a 10-point scale) according to the latest survey in November 2019. This constitute an 0,4-point increase compared to the engagement level in November 2018.

#### **Gender composition in management**

Egmont's total workforce consists of 52% females and 48% males, whereby Egmont is aligned with the standards of equal balance between genders. The same goes for the total management pool across the divisions with a gender split of 46% females and 54% males. Egmont's target with respect to the underrepresented gender on the Board of Trustees (the "Board") was to have one female board member appointed by the annual meeting by 2020. A female board member will be appointed at the annual meeting in March 2020. For the other eight Danish Egmont companies that must have a target with respect to the underrepresented gender, the target was also to have one female member on the board no later than in 2020. The target has been met for all the companies and 7 of them have equal representation.

#### **OUR SUPPLY CHAIN**

##### **Egmont social compliance programme**

Egmont continued its focus on the commitment to respect human rights and labour rights throughout the supply chain through a number of policies and initiatives promoting the principles in Egmont and at its manufacturers. In 2019,

Egmont continued to monitor its manufacturers' social compliance level via social audits, and on-going dialogue to remedy audit findings. In 2019, Egmont reassessed its country risk assessment and is now requiring self-assessment questionnaires in lieu of social audits for some manufacturers. At the same time, product safety and quality inspections were also continued as an efficient method to ensure that Egmont's products aimed at children comply with all relevant product safety and quality legislation and regulations and are safe to use.

#### **Environmental compliance**

Manufacturers of Egmont products and Egmont business partners shall comply with all applicable environmental laws and the requirements in Egmont's Code of Conduct. Via the Egmont Social Compliance Programme, Egmont monitors the environmental compliance level of third party first tier/ core suppliers on an on-going basis.

#### **SPECIAL RISKS**

Part of the Group's business is based on stable, long-standing relations with some of the world's leading rights holders. Egmont's strength and geographic breadth underpin its constant efforts to sustain and expand these partnerships.

Furthermore, by virtue of its activities, the Group is exposed to various financial risks. Please refer to note 25, Financial risks and financial instruments.

#### **OUTLOOK FOR 2020**

Egmont is overall expecting a slight increase in activity level for 2020. Operating profit is expected to be impacted by continued investment in developing our business. Egmont will carry on developing media platforms, continuously adapting its media products to changing consumer needs and new technology and run profitability programmes and efficiency-enhancing measures. The greatest uncertainty is associated with advertising revenue, which is sensitive to economic fluctuations and changes in consumer habits, the increasing cost of TV content and development in circulation of magazines.

Egmont is monitoring and acting on the spread of the Corona virus, which will have a negative impact on several of Egmont's businesses. It is currently not possible to assess the financial impact in 2020.

# Board of Trustees and Management Board of Egmont Fonden

## BOARD OF TRUSTEES

**Lars-Johan Jarnheimer (Chairman)** <sup>135</sup>

Director, born 1960, appointed 2011 and 2019, election period expires 2023

**Chairman of the Funding and Grant Committee**

Member of the boards of Egmont International Holding A/S (CM), Ejendomsselskabet Vognmagergade 11 ApS (CM), Ejendomsselskabet Gothersgade 55 ApS (CM), Nordquist HAB, Sweden, SAS Group, Sweden, SSRS-holding, Sweden, INGKA Holding BV (CM), the Netherlands, Telia Company AB (CM), Sweden

*Special competences: international business and management experience, digital and telecoms, acquisitions, strategy implementation*

Participated in all six board meetings.

**Torben Ballegaard Sørensen (Vice Chairman)** <sup>135</sup>

Director, born 1951, appointed 2006 and 2019, election period expires 2020

Member of the boards of Egmont International Holding A/S (VC), Ejendomsselskabet Vognmagergade 11 ApS, Ejendomsselskabet Gothersgade 55 ApS, SofaKompagniet A/S (CM), Dena Group A/S (CM), NaturePlanet A/S (CM), Nowaco A/S (VC), Fonden Holstebro Musik Teater (CM), Ruth's Hotel A/S (CM).

*Special competences: international business and management experience, global BtB and BtC sales, multiplatform marketing and branding, digital transformation, strategy development and implementation*

Participated in five out of six board meetings.

**Jeppe Skadhauge** <sup>135</sup>

Attorney (H), Bruun & Hjejle, born 1954, appointed 2009, election period expires 2022

**Member of the Funding and Grant Committee**

Member of the boards of Egmont International Holding A/S, Blindes Støttefond (CM), Tømmerhandler Johannes Fogs Fond (CM), Designmuseum Danmark (VC), the Danish Institute of Arbitration (CM), The Danish Arbitration Association (CM)

*Special competences: international business and management experience, commercial foundations, media, acquisitions, regulatory, dispute resolution*

Participated in all six board meetings.

**Martin Enderle** <sup>135</sup>

Managing Director allmyhomes GmbH, Germany, born 1965, appointed 2014, election period expires 2022

Member of the boards of Egmont International Holding A/S, Delivery Hero SE (CM), Germany

*Special competences: international management experience, growth markets, digital marketplaces, classifieds, mergers & acquisitions, venture capital, strategy implementation*

Participated in all six board meetings.

**Josh Bottomley** <sup>135</sup>

Global Head of Digital, HSBC, UK, born 1967, appointed 2017, election period expires 2021

Member of the board of Egmont International Holding A/S

*Special competences: international business and management experience, digital transformation, strategy implementation*

Participated in all six board meetings.

**Christian Wegner** <sup>1 3 5</sup>

**CEO Südwestdeutsche Medienholding (SWMH), Germany, born 1974, appointed 2017, election period expires 2021**

Member of the board of Egmont International Holding A/S

*Special competences: international business and management experience, performance management, portfolio management, strategy and execution, digital transformation, growth markets, M&A, venture capital*

Participated in five out of six board meetings.

**Peder Høgild** <sup>1 4</sup>

**Chief operator, Nordisk Film Biografer, born 1958, appointed 2019, election period expires 2023**

Participated in all six board meetings.

**Katrin Lyngby Kristensen** <sup>2 4</sup>

**Frontend developer, Alinea, born 1973, appointed 2019, election period expires 2023**

Participated in all six board meetings.

**Anna von Lowzow** <sup>2 4</sup>

**Journalist and director, Nordisk Film Production A/S, born 1961, appointed 2016, election period expires 2023**

Participated in all six board meetings.

## MANAGEMENT BOARD

**Steffen Kragh**

**President and CEO, born 1964**

Member of the boards of Nykredit A/S (CM), Nykredit Realkredit A/S (CM), Lundbeckfonden (VC), Lundbeckfond Invest A/S

Chairman, vice chairman or member of boards of Egmont Group companies

**Hans J. Carstensen**

**Executive Vice President and CFO, born 1965**

Member of the board of Freja Ejendomme A/S (VC)  
Member of the board of Parken Sport & Entertainment A/S, Lalandia A/S, Lalandia Billund A/S

Chairman, vice chairman or member of boards of Egmont Group companies

All information as of 12 March 2020.

CM: Chairman

VC: Vice Chairman

No members are appointed by authorities or providers of grants etc.

<sup>1</sup> Male

<sup>2</sup> Female

<sup>3</sup> Independent board member

<sup>4</sup> Employee representative, commercial activities

<sup>5</sup> General and charitable activities

# Statement by the Board of Trustees and Management Board

The Board of Trustees and Management Board have today discussed and approved the annual report of Egmont Fonden for the financial year 1 January – 31 December 2019.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards, as adopted by the EU, and additional requirements according to the Danish Financial Statements Act. The financial statements of Egmont Fonden have been prepared in accordance with the Danish Financial Statements Act and the financial reporting requirements of the Foundation's Charter.

In our opinion, the consolidated financial statements and the Foundation's financial statements give a true and fair view

of the Group's and the Foundation's financial position at 31 December 2019, and of the results of the Group's and the Foundation's operations and the consolidated cash flows for the financial year 1 January – 31 December 2019.

Furthermore, in our opinion, the Management's review gives a fair review of the development in the Group's and the Foundation's activities and financial matters, the net profit for the year and the Group's and the Foundation's financial position.

Copenhagen, 12 March 2020

## MANAGEMENT BOARD:

Steffen Kragh  
President and CEO

Hans J. Carstensen

## BOARD OF TRUSTEES:

Lars-Johan Jarnheimer  
Chairman

Torben Ballegaard Sørensen  
Vice Chairman

Josh Bottomley

Martin Enderle

Peder Høgild

Anna von Lowzow

Katrin Lyngby Kristensen

Jeppe Skadhaug

Christian Wegner

# Independent Auditor's Report

## TO THE BOARD OF TRUSTEES OF EGMONT FONDEN

### OPINION

We have audited the consolidated financial statements and the Foundation's financial statements of Egmont Fonden for the financial year 1 January – 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies for the Group and the Foundation, and a consolidated statement of comprehensive income and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the Foundation's financial statements are prepared in accordance with the Danish Financial Statements Act and the financial reporting requirements of the Foundation's Charter.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2019 and of the results of the Group'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 additional requirements of the Danish Financial Statements Act.

Further, in our opinion the Foundation's financial statements give a true and fair view of the financial position of the Foundation at 31 December 2019 and of the results of the Foundation's operations for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act and the financial reporting requirements of the Foundation's Charter.

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 consolidated financial statements and the Foundation's financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the Management's review.

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

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we concluded that the 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 of the Management's review.

#### **MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for the preparation of the Foundation's financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and the financial reporting requirements of the Foundation's Charter.

Moreover, Management is responsible 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 Group's and the Foundation'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 Group or the Foundation 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 as to whether the financial statements 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 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 the financial statements.

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

- Identify and assess the risk 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 Group's and the Foundation'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 Group's and the Foundation'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 Group and the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Copenhagen, 12 March 2020

Ernst & Young  
Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

**Torben Bender**  
State Authorised  
Public Accountant  
mne 21332

**Jens Thordahl Nøhr**  
State Authorised  
Public Accountant  
mne 32212

# Income Statement of the Group

(EURk)

Note		2019	2018*
2	Revenue	1,681,670	1,602,786
3	Other operating income	17,710	10,797
	Raw materials and consumables	(91,649)	(97,173)
	Other external expenses	(995,689)	(994,899)
4	Personnel expenses	(356,137)	(332,523)
5	Depreciation, amortisation and impairment losses	(124,344)	(105,292)
	Other operating expenses	(5,554)	(2,693)
13	Profit/(loss) after tax from investments in joint ventures	(709)	3,971
	<b>Operating profit</b>	<b>125,298</b>	<b>84,974</b>
14	Profit/(loss) after tax from investments in associates	(32,233)	2,218
	<b>Operating profit after result in associates</b>	<b>93,065</b>	<b>87,192</b>
6	Financial income	4,188	4,984
7	Financial expenses	(16,948)	(10,815)
	<b>Profit before tax</b>	<b>80,305</b>	<b>81,361</b>
8	Tax on profit for the year	(25,062)	(30,572)
	<b>Net profit for the year</b>	<b>55,243</b>	<b>50,789</b>
	Net profit for the year attributable to:		
	Egmont Fonden	54,570	51,297
	Non-controlling interests	673	(508)
	<b>Total</b>	<b>55,243</b>	<b>50,789</b>

\* Comparative figures are not restated in connection with the implementation of IFRS 16 on 1 January 2019

# Statement of Comprehensive Income of the Group

(EURk)

Note	2019	2018
Profit for the year	55,243	50,789
<b>Items that will not be reclassified to the income statement in subsequent periods:</b>		
20 Actuarial gains/(losses) on defined benefit pension plans	(783)	190
Other equity transactions in joint ventures	(6,030)	(455)
Equity transactions in associates	182	397
Tax on items that will not be reclassified to the income statement in subsequent periods	172	(42)
	<b>(6,459)</b>	<b>90</b>
<b>Items to be reclassified to the income statement in subsequent periods:</b>		
Foreign exchange adjustments on translation to presentation currency	(279)	(2,489)
Foreign exchange adjustments on translation of foreign entities	9,122	(8,663)
<i>Value adjustment of hedging instruments:</i>		
Value adjustments for the year	(15,769)	10,162
Value adjustments transferred to revenue	(517)	(497)
Value adjustments transferred to other external expenses	9,840	1,407
Value adjustments transferred to financial expenses	2,178	2,517
Value adjustments transferred to intangible assets	(719)	(593)
Tax on items to be reclassified to the income statement in subsequent periods	926	(2,909)
	<b>4,782</b>	<b>(1,065)</b>
<b>Other comprehensive income after tax</b>	<b>(1,677)</b>	<b>(975)</b>
<b>Total comprehensive income</b>	<b>53,566</b>	<b>49,814</b>
Total comprehensive income attributable to:		
Egmont Fonden	52,892	50,328
Non-controlling interests	674	(514)
<b>Total</b>	<b>53,566</b>	<b>49,814</b>

# Statement of Financial Position of the Group at 31 December

(EURk)

Note	Assets	2019	2018*
	Film rights and other acquired rights, etc.	60,054	56,366
	In-house produced film rights	33,451	26,410
	Goodwill	423,978	391,598
	Trademarks	176,301	178,380
	Intangible assets in progress and prepayments for film rights	15,665	16,202
9	<b>Intangible assets</b>	<b>709,449</b>	<b>668,956</b>
	Land and buildings	130,289	134,450
	Plant and machinery	18,781	21,941
	Tools and equipment	20,613	21,117
	Leasehold improvements	15,839	12,199
	Property, plant and equipment under construction	4,476	2,030
10	<b>Property, plant and equipment</b>	<b>189,998</b>	<b>191,737</b>
11	<b>Investment properties</b>	<b>30,791</b>	<b>30,801</b>
12	<b>Lease assets</b>	<b>150,122</b>	<b>-</b>
13	Investments in joint ventures	38,695	47,930
14	Investments in associates	62,739	96,420
	Other investments	8,367	6,265
26	Receivables from joint ventures and associates	16,192	16,515
21	Deferred tax	5,228	4,631
	<b>Other non-current assets</b>	<b>131,221</b>	<b>171,761</b>
	<b>Total non-current assets</b>	<b>1,211,581</b>	<b>1,063,255</b>
15	<b>Inventories</b>	<b>114,913</b>	<b>103,925</b>
25	Trade receivables	214,913	220,157
26	Receivables from joint ventures and associates	2,926	1,127
	Other receivables	52,843	76,389
16	Prepayments	127,929	131,079
	<b>Receivables</b>	<b>398,611</b>	<b>428,752</b>
17	<b>Securities</b>	<b>108,029</b>	<b>66,217</b>
18	<b>Cash and cash equivalents</b>	<b>137,367</b>	<b>49,261</b>
	<b>Total current assets</b>	<b>758,920</b>	<b>648,155</b>
	<b>TOTAL ASSETS</b>	<b>1,970,501</b>	<b>1,711,410</b>

\* Comparative figures are not restated in connection with the implementation of IFRS 16 on 1 January 2019

# Statement of Financial Position of the Group at 31 December

(EURk)

Note	Equity and liabilities	2019	2018*
	Capital fund	29,451	29,460
	Retained earnings and other reserves	852,455	833,952
	<b>Egmont Fonden's share of equity</b>	<b>881,906</b>	<b>863,412</b>
	Non-controlling interests	4,013	5,881
19	<b>Equity</b>	<b>885,919</b>	<b>869,293</b>
20	Pension obligations and similar obligations	3,858	4,557
21	Deferred tax	50,758	52,104
22	Other provisions	14,522	6,459
25	Mortgage debt	107,542	111,540
25	Other credit institutions	54,872	53,892
12,25	Lease liabilities	151,918	-
	Other payables	8,701	0
	Deferred income	3,674	5,902
	<b>Non-current liabilities</b>	<b>395,845</b>	<b>234,454</b>
25	Mortgage debt	3,885	219
25	Other credit institutions	92,855	34,949
12,25	Lease liabilities	19,421	-
	Prepayments from customers	42,623	44,949
25	Trade payables	190,126	210,664
25,26	Payables to joint ventures and associates	330	268
	Corporate income tax	15,474	7,559
	Other payables	206,494	189,905
22	Other provisions	54,725	55,256
27	Deferred income	62,804	63,894
	<b>Current liabilities</b>	<b>688,737</b>	<b>607,663</b>
	<b>Total liabilities</b>	<b>1,084,582</b>	<b>842,117</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,970,501</b>	<b>1,711,410</b>

\* Comparative figures are not restated in connection with the implementation of IFRS 16 on 1 January 2019

# Cash Flow Statement of the Group

(EURk)

Note	2019	2018*
Operating profit	125,298	84,974
<i>Adjustment for non-cash operating items, etc.:</i>		
Other non-cash operating items, net	(10,723)	(5,487)
5 Depreciation, amortisation and impairment losses	124,344	105,292
Profit/(loss) after tax from investments in joint ventures	709	(3,971)
Provisions and deferred income	3,128	(6,713)
<b>Cash generated from operations before change in working capital</b>	<b>242,756</b>	<b>174,095</b>
Change in inventories	(241)	17,987
Change in receivables	40,751	(33,022)
Change in trade payables and other payables	(28,091)	(25,923)
<b>Change in working capital</b>	<b>12,419</b>	<b>(40,958)</b>
<b>Cash generated from operations</b>	<b>255,175</b>	<b>133,137</b>
Interest received	4,385	6,494
Interest paid	(7,845)	(9,879)
Interest expense, lease liabilities	(8,429)	-
Corporate income tax paid	(13,486)	(20,410)
<b>Cash flows from operating activities</b>	<b>229,754</b>	<b>109,342</b>
Acquisition of intangible assets	(75,702)	(58,328)
Acquisition of property, plant and equipment	(27,309)	(22,462)
Disposal of property, plant and equipment	4,024	2,865
Acquisition of financial assets	(12,883)	(52,138)
Disposal of financial assets	540	6,855
Acquisition of securities	(43,205)	-
Disposal of securities	1,455	86,205
30 Acquisition of subsidiaries	(13,910)	(76,514)
30 Disposal of subsidiaries	(389)	0
<b>Cash flows from investing activities</b>	<b>(167,379)</b>	<b>(113,517)</b>
Acquisitions of minorities	(4,919)	0
Disposal of minorities	(1,988)	0
25 Borrowing from credit institutions, etc.	59,843	29,236
25 Instalments on lease liabilities	(22,627)	-
Dividends from joint ventures and associated companies	2,885	2,047
Dividends to non-controlling shareholders	(452)	(364)
Donations	(13,012)	(12,815)
<b>Cash flows from financing activities</b>	<b>23,706</b>	<b>18,104</b>
<b>Net cash flows from operating, investing and financing activities</b>	<b>86,127</b>	<b>13,929</b>
Cash and cash equivalents at 1 January	45,703	34,311
Foreign exchange adjustment of cash and cash equivalents	1,816	(2,537)
18 <b>Cash and cash equivalents at 31 December</b>	<b>133,646</b>	<b>45,703</b>

The cash flow statement cannot be derived directly from the balance sheet and income statement.

\* Comparative figures are not restated in connection with the implementation of IFRS 16 on 1 January 2019

# Statement of Changes in Equity of the Group

(EURk)

	Capital fund	Reserve for hedging transactions	Reserve for foreign exchange adjustments	Retained earnings	Non- controlling interests	Total equity
Equity at 1 January 2019	29,460	(7)	(163,549)	997,508	5,881	869,293
Effect of adoption of new accounting standard	0	0	0	(16,585)	0	(16,585)
Equity at 1 January 2019 (restated)	29,460	(7)	(163,549)	980,923	5,881	852,708
<b>Net profit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>54,570</b>	<b>673</b>	<b>55,243</b>
Foreign exchange adjustments on translation to presentation currency	(9)	0	53	(321)	(2)	(279)
Foreign exchange adjustments on translation of foreign entities	0	(31)	9,150	0	3	9,122
<b>Value adjustments of hedging instruments:</b>						
Value adjustments for the year	0	(15,769)	0	0	0	(15,769)
Value adjustments transferred to revenue	0	(517)	0	0	0	(517)
Value adjustments transferred to other external expenses	0	9,840	0	0	0	9,840
Value adjustments transferred to financial expenses	0	2,178	0	0	0	2,178
Value adjustments transferred to intangible assets	0	(719)	0	0	0	(719)
Actuarial gains/(losses) on defined benefit pension plans	0	0	0	(783)	0	(783)
Equity transactions in joint ventures and associates	0	0	0	(5,848)	0	(5,848)
Tax on other comprehensive income	0	1,050	(124)	172	0	1,098
<b>Other comprehensive income</b>	<b>(9)</b>	<b>(3,968)</b>	<b>9,079</b>	<b>(6,780)</b>	<b>1</b>	<b>(1,677)</b>
<b>Total comprehensive income in 2019</b>	<b>(9)</b>	<b>(3,968)</b>	<b>9,079</b>	<b>47,790</b>	<b>674</b>	<b>53,566</b>
Used for charitable purposes and associated costs	0	0	0	(13,012)	0	(13,012)
Acquisition/disposal, non-controlling interests	0	0	0	(4,801)	(2,090)	(6,891)
Dividends, non-controlling interests	0	0	0	0	(452)	(452)
<b>Equity at 31 December 2019</b>	<b>29,451</b>	<b>(3,975)</b>	<b>(154,470)</b>	<b>1,010,900</b>	<b>4,013</b>	<b>885,919</b>

# Statement of Changes in Equity of the Group - Continued

(EURk)

	Capital fund	Reserve for hedging transactions	Reserve for foreign exchange adjustments	Retained earnings	Non- controlling interests	Total equity
Equity at 1 January 2018	29,549	(10,157)	(155,312)	961,215	4,255	889,550
Effect of adoption of new accounting standard	0	0	0	3,507	0	3,507
<b>Equity at 1 January 2018 (restated)</b>	<b>29,549</b>	<b>(10,157)</b>	<b>(155,312)</b>	<b>964,722</b>	<b>4,255</b>	<b>833,057</b>
<b>Net profit for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>51,297</b>	<b>(508)</b>	<b>50,789</b>
Foreign exchange adjustments on translation to presentation currency	(89)	30	466	(2,883)	(13)	(2,489)
Foreign exchange adjustments on translation of foreign entities	0	131	(8,801)	0	7	(8,663)
<b>Value adjustments of hedging instruments:</b>						
Value adjustments for the year	0	10,162	0	0	0	10,162
Value adjustments transferred to revenue	0	(497)	0	0	0	(497)
Value adjustments transferred to other external expenses	0	1,407	0	0	0	1,407
Value adjustments transferred to financial expenses	0	2,517	0	0	0	2,517
Value adjustments transferred to intangible assets	0	(593)	0	0	0	(593)
Actuarial gains/(losses) on defined benefit pension plans	0	0	0	190	0	190
Equity transactions in joint ventures and associates	0	0	0	(58)	0	(58)
Tax on other comprehensive income	0	(3,007)	98	(42)	0	(2,951)
<b>Other comprehensive income</b>	<b>(89)</b>	<b>10,150</b>	<b>(8,237)</b>	<b>(2,793)</b>	<b>(6)</b>	<b>(975)</b>
<b>Total comprehensive income in 2018</b>	<b>(89)</b>	<b>10,150</b>	<b>(8,237)</b>	<b>48,504</b>	<b>(514)</b>	<b>49,814</b>
Used for charitable purposes and associated costs	0	0	0	(12,815)	0	(12,815)
Acquisition/disposal, non-controlling interests	0	0	0	(2,903)	2,504	(399)
Dividends, non-controlling interests	0	0	0	0	(364)	(364)
<b>Equity at 31 December 2018</b>	<b>29,460</b>	<b>(7)</b>	<b>(163,549)</b>	<b>997,508</b>	<b>5,881</b>	<b>869,293</b>



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## 1 Accounting policies

Egmont Fonden is a commercial foundation domiciled in Denmark. The annual report of Egmont Fonden for 2019 comprises both the consolidated financial statements of Egmont Fonden and its subsidiaries (the Group) and the separate financial statements of Egmont Fonden.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and additional requirements in the Danish Financial Statements Act.

The separate financial statements of Egmont Fonden have been prepared in accordance with the Danish Financial Statements Act and the financial reporting requirements of the Foundation's Charter (the Foundation's financial statements).

### CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Egmont has applied IFRS 16 Leases for the first time for the annual report 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

#### IFRS 16 Leases

IFRS 16, Leases (endorsed by the EU) has become effective from 1 January 2019 and supersedes IAS 17 Leases and IFRIC 4.

Egmont has chosen to adopt IFRS 16 using the modified retrospective method where comparative figures are not restated. This method implies that the lease asset is calculated as if IFRS 16 was implemented on the commencement date of the lease contracts and depreciated over the lease period. The lease liability is measured at the present value of all lease payments discounted using the incremental borrowing rate

at the implementation date and reduced concurrently with the instalments. The difference between the lease asset and the lease liability affects equity negatively at the date of transition.

The IFRS 16 standard provides specific transition requirements and practical expedients which have been applied by Egmont Group. Refer to section Leases for the accounting policy beginning at 1 January 2019.

Egmont Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a:

- Lease term of 12 months or less and do not contain a purchase option (short-term leases)
- Lease contracts for which the underlying asset is of low value (low-value assets)

The Group has also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Excluded the initial direct costs from the measurement of the lease asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate.

The most significant IFRS 16 judgements and estimates include the determination of lease term when there are extension or termination options, the selection of an appropriate discount rate to calculate the lease liability and the impairment assessment of lease assets. Management has formed its judgements and assumptions based on historical experience as well as internal and external data.

The recognised lease assets consists mainly of property leases (rent of Cinemas, Offices, Stores, Warehouses etc.). The recognised lease assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term – which range from 2-10 years.

## 1 Accounting policies (continued)

### Effect of IFRS 16

#### Impact on the consolidated statement of financial position

Based on the above, Egmont Group has recognised the following assets and liabilities, as at 1 January 2019:

- Lease assets of EUR 147.6 million
- Lease liabilities of EUR 168.8 million
- Deferred tax assets increased by EUR 4.6 million due to the deferred tax impact of the changes in the temporary differences between the carrying amount and the tax value of lease assets and lease liabilities
- A reduction of retained earnings of EUR 16.6 million as the net effect of the adjustments

The lease liabilities at 1 January 2019 can be reconciled to the operating lease commitments reported under IAS 17 at 31 December 2018, as follows:

#### Assets

Operating leases commitments (non-discounted) at 31 December 2018 (IAS 17)	203,198
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#### Transition adjustments:

Commitments relating to low-value assets	(2,141)
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Commitments relating to short-term lease & other adjustments	(8,962)
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<b>Undiscounted lease liabilities at 1 January 2019</b>	<b>192,095</b>
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Discounting effect	(23,293)
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<b>Lease liabilities as at 1 January 2019</b>	<b>168,801</b>
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<b>Weighted average incremental borrowing rate at 1 January 2019</b>	<b>4.66%</b>
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Calculated lease liabilities 1 January 2019	168,801
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A weighted average discount rate of 4.7% was applied in order to calculate the net present value of lease liabilities at 1 January 2019.

The discount rate has been set for a portfolio of leases with reasonably similar characteristics using observable inputs (market interest rates) and are company-specific using entity-specific factors (company stand-alone credit rating).

#### Impact on the consolidated statement of profit and loss and cash flow

The impact on the consolidated income statement for 2019 amounts to EUR 0.2 million net, based on following:

- Leasing/rent expenses included in Other external expenses relating to previous operating leases, decreased by EUR 31.0 million
- Depreciation expenses increased because of the depreciation of additional assets recognised (Right-of-use assets) with EUR 22.8 million
- Finance expenses increased by EUR 8.4 million relating to the interest expense on additional lease liabilities recognised
- Tax on profit for the year decreased by EUR 0,0 million relating to the tax effect of the changes in deferred tax

Cash outflows from operating activities increased by EUR 22.6 million and cash outflows from financing activities decreased by the same amount, relating to decrease in operating lease payments and increases in principal and interest payments of lease liabilities.

#### BASIS OF PREPARATION

The functional currency of Egmont Fonden is Danish kroner (DKK). As Egmont is an international media company the consolidated financial statements are presented in euro (EUR), rounded to the nearest thousand (EURk).

The consolidated financial statements have been prepared on the historical cost basis except for derivative financial instruments, securities and investment properties (which are measured at fair value).

Except for the changes described above the accounting policies have been applied consistently to the financial year and to the comparative figures.

#### Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements,

## 1 Accounting policies (continued)

estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment, positively or negatively, to the carrying amount of assets or liabilities affected in future periods.

The most significant estimates and judgements for the Group include the following:

- Impairment testing related to intangible assets, including asset groups with indefinite life such as goodwill and certain trademarks as well as investment in associates. Outcome of impairment testing are dependent of the critical assumptions applied related to cash flow forecasts but also other factors such as discount rates and growth rates, cf. note 9 and 14 for further information.
- Acquisition of businesses where a number of estimates and judgments are carried out related to allocation of the purchase consideration to identifiable net assets including intangible assets/goodwill as well as value adjustments (step-up acquisitions). Please refer to note 30 for further information.
- For film rights and in-house produced film rights estimates on the useful lives and period over which the rights are amortised are based on estimated sales, which by nature is associated by uncertainty. Please refer to note 9 and 14 for further information.
- Write down of inventories to net realisable values relates to books and game consoles. Estimated write-downs are dependent on expected future sales that by nature within consumer products and the business areas of Egmont is subject to some uncertainty. Please refer to note 15 for further information.
- Other provisions include items such as goods sold with a right of return and warranty provisions include estimates and judgements related to how many goods

are expected to be returned or exchanged and to what extent warranties compensations are needed. Please refer to note 22 for further information.

- Measurement of pension obligations is by nature subject to a number of estimates and judgment related to the various inputs to the actuarial calculations etc. Please refer to note 20 for further information.
- Deferred taxes are subject to some elements related to whether tax assets may be utilised. Please refer to note 21 for further information.
- For leases where contracts include extension and termination options, judgement is required in determining whether these options are reasonably expected to be exercised. Please refer to note 12 for further information.

### Consolidated financial statements

The consolidated financial statements comprise Egmont Fonden and subsidiaries in which Egmont Fonden has control of financial and operating policies in order to obtain returns or other benefits from its activities. Control is usually obtained when the Group holds more than 50% of the voting rights, whether directly or indirectly, or otherwise has a controlling interest in the relevant entity.

Entities in which the Group has significant influence, but not a controlling interest, are considered associates. Significant influence is typically obtained when the Group, directly or indirectly, owns or holds more than 20% of the voting rights, but less than 50%.

When assessing whether Egmont Fonden exercises control or significant influence, the potential voting rights that are exercisable at the end of the reporting period are taken into account.

The consolidated financial statements have been prepared by consolidating the financial statements from Egmont Fonden and the individual subsidiaries, prepared in accordance with

## 1 Accounting policies (continued)

the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on transactions between the consolidated entities are eliminated. Unrealised gains on transactions with associates are eliminated in proportion to the Group's ownership share of the associate. Unrealised losses are eliminated in the same way as unrealised gains to the extent that impairment has not taken place.

The non-controlling interests' shares of the profit for the year, comprehensive income and of the equity of subsidiaries not wholly owned are included in the Group's net profit for the year, comprehensive income and equity, respectively, but are disclosed separately.

### Business combinations

Businesses acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Businesses disposed of or wound up are recognised in the consolidated financial statements until the date of disposal or winding-up. The comparative figures are not restated for newly acquired businesses. Discontinued operations are disclosed separately.

The acquisition method is used for acquisitions of new businesses over which Egmont Fonden obtains control. The acquired businesses' identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax is recognised in respect of the fair value adjustments made.

The acquisition date is the date when Egmont Fonden effectively obtains control of the acquired business.

When the business combination is effected in stages, where either control, joint control or significant influence is obtained, the existing equity interest is remeasured at

fair value and the difference between the fair value and carrying amount is recognised in the income statement. The additional equity investments acquired are recognised at fair value in the balance sheet.

Any excess (goodwill) of the consideration transferred, the value of non-controlling interests in the acquired entity and the fair value of any existing equity interest over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill under intangible assets. Goodwill is not amortised, but is tested for impairment at least annually. The first impairment test is performed before the end of the year of acquisition.

Upon acquisition, goodwill is allocated to the cash-generating units, which subsequently form the basis for the impairment test.

Goodwill and fair value adjustments in connection with the acquisition of a foreign entity with another functional currency than the presentation currency of Egmont Fonden are treated as assets and liabilities belonging to the foreign entity and upon initial recognition translated into the foreign entity's functional currency at the exchange rate at the transaction date.

Negative differences (negative goodwill) are recognised in profit for the year at the acquisition date.

The consideration for an acquired business consists of the fair value of the agreed consideration in the form of assets transferred, liabilities assumed and equity instruments issued. If part of the consideration is contingent on future events or compliance with agreed conditions, this part of the consideration is recognised at fair value at the date of acquisition.

Costs attributable to business combinations are expensed as incurred.

## 1 Accounting policies (continued)

If uncertainties regarding the identification or measurement of acquired assets, liabilities or contingent liabilities or determination of the consideration exist at the acquisition date, initial recognition will take place on the basis of provisional values. If it subsequently becomes apparent that the identification or measurement of the consideration, acquired assets, liabilities or contingent liabilities was incorrect on initial recognition, the determination is adjusted retrospectively, including goodwill, until 12 months after the acquisition, and the comparative figures are restated. Subsequently, goodwill is not adjusted. Changes to estimates of contingent considerations are recognised in the income statement.

The acquisition of further non-controlling interests after obtaining control is considered an owner's transaction, and the difference between acquisition cost and the share of such non-controlling interests acquired is recognised directly in equity.

Gains or losses on the disposal or winding-up of subsidiaries, jointly controlled entities and associates are stated as the difference between the selling price or the disposal consideration and the carrying amount of net assets, including goodwill, at the date of disposal, less the cost of disposal. If the disposal of either control, joint control or significant influence takes place in stages, the retained equity investment is measured at fair value, and the difference between the fair value and carrying amount is recognised in the income statement.

### Non-controlling interests

On initial recognition, non-controlling interests are measured at the fair value of the ownership share or at the proportionate share of the fair value of the acquired business' identifiable assets, liabilities and contingent liabilities. In the first scenario, goodwill in relation to the non-controlling interests' ownership share of the acquired

business is thus recognised, while, in the latter scenario, goodwill in relation to the non-controlling interests is not recognised. The measurement of non-controlling interests is chosen transaction by transaction and stated in the notes in connection with the description of acquired businesses.

### Foreign currency translation

A functional currency is determined for each of the reporting entities in the Group. The functional currency is the currency used in the primary economic environment in which the individual reporting entity operates. Transactions denominated in currencies other than the functional currency are considered foreign currency transactions.

On initial recognition, foreign currency transactions are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated to the functional currency at the exchange rates at the end of the reporting period. The difference between the exchange rates at the end of the reporting period and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

In the consolidated financial statements, the income statements of entities with another functional currency than the presentation currency (EUR) are translated at the exchange rates at the transaction date, and the balance sheet items are translated at the exchange rates at the end of the reporting period. An average exchange rate for each month is used as the transaction date exchange rate to the extent that this does not significantly distort the presentation of

## 1 Accounting policies (continued)

the underlying transactions. Foreign exchange differences arising on translation of the opening balance of equity of such foreign entities at the exchange rates at the end of the reporting period and on translation of the income statements from the exchange rates at the transaction date to the exchange rates at the end of the reporting period are recognised directly in other comprehensive income and presented in equity under a separate translation reserve. The exchange rate adjustment is allocated between Egmont Fonden and the non-controlling interests.

Foreign exchange adjustments of intra-group balances which are considered part of the total net investment in foreign entities with another functional currency than the presentation currency (EUR) are recognised in other comprehensive income and presented in equity under a separate translation reserve.

On recognition in the consolidated financial statements of associates and joint ventures with another functional currency than the presentation currency (EUR), the share of profit/loss for the year is translated at average exchange rates and the share of equity, including goodwill, is translated at the exchange rates at the end of the reporting period. Foreign exchange differences arising on the translation of the share of the opening balance of equity of foreign associates and joint ventures at the exchange rates at the end of the reporting period, and on translation of the share of profit/loss for the year from average exchange rates to the exchange rates at the end of the reporting period, are recognised in other comprehensive income and presented in equity under a separate translation reserve.

On disposal of wholly-owned foreign entities with another functional currency than the presentation currency (EUR), the exchange rate adjustments that have been recognised in other comprehensive income and are attributable to the entity are reclassified from other comprehensive income to the income statement together with any gains or losses from the disposal.

On disposal of partially owned foreign subsidiaries with another functional currency than the presentation currency (EUR), the amount of the translation reserve attributable to non-controlling interests is not transferred to the income statement.

On partial disposal of foreign subsidiaries with another functional currency than the presentation currency (EUR) without a loss of control, a proportionate share of the translation reserve is transferred from the Group to the non-controlling interests' share of equity.

On partial disposal of associates and jointly controlled entities, the proportionate share of the accumulated translation reserve recognised in other comprehensive income is transferred to the income statement for the year together with any gains or losses from the disposal.

Any repayment of intra-group balances which constitute part of the net investment in the foreign entity is not considered a partial disposal of that subsidiary.

### Derivative financial instruments

Derivative financial instruments are recognised at the date a derivative contract is entered into and measured in the balance sheet at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively, and a set-off of positive and negative values is only made when the entity has the right and the intention to settle several financial instruments net. Fair values of derivative financial instruments are computed on the basis of current market data and generally accepted valuation methods.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the value of the hedged asset or liability as far as the hedged portion is concerned.

## 1 Accounting policies (continued)

Changes in the portion of the fair value of derivative financial instruments designated as and qualifying as a cash flow hedge that is an effective hedge of changes in future cash flows are recognised in other comprehensive income in equity under a separate hedging reserve until the hedged cash flows affect the income statement. At that time, any gains or losses resulting from such hedged transactions are transferred to other comprehensive income and recognised under the same item as the hedged item.

If the hedging instrument no longer qualifies for hedge accounting, the hedge will cease to be effective. The accumulated change in value recognised in other comprehensive income is transferred to the income statement when the hedged cash flows affect the income statement. If the hedged cash flows are no longer expected to be realised, the accumulated change in value will be transferred to the income statement immediately. The portion of a derivative financial instrument not included in a hedge is recognised under financial items.

For derivative financial instruments that do not qualify for treatment as hedging instruments and changes in fair value are currently recognised in the income statement under financial items.

### INCOME STATEMENT

#### Revenue

Egmont recognises revenue from the following significant revenue streams;

- Sale of goods and services
- Magazine sales
- TV and film production
- TV and cable broadcasting distribution
- Advertising
- Gaming

Egmont separates customer contracts into performance obligations and recognises revenue from these separately. For customer contracts that includes more than one performance obligation, Egmont allocates the transaction price to the individual performance obligations proportionate to their stand-alone selling price.

The Group recognises revenue when or as control passes to the customer. Revenue is measured at its fair value, which comprise net present value when payments exceed 12 months.

Revenue is measured excluding VAT and taxes, and including all types of discounts provided to customers.

All types of variable consideration such as rebates, return rights or penalties etc. are recognised as revenue only to the extent that it is highly probable that a significant reversal will not occur subsequently. When the customer holds a right to return the good, Egmont estimate the expected number of goods that will be returned based on historical return and postpone recognition of such revenue.

#### Revenue from sale of goods and services

Revenue from sale of goods comprise sale of playstation products, sale from e-commerce, sale of gift cards etc. are recognised at point in time when control is transferred. For goods sold with a right of return Egmont only recognises revenue to the extent that it is highly probable that a subsequent reversal will not occur.

Revenue from sale of cinema tickets is recognised as the services are rendered.

When consideration is received before control is transferred this is recognised as a contract liability and presented as deferred income.

#### Revenue from magazine sales

Egmont recognises revenue from sale of magazines, both subscription and single-copy sales, and ads related to magazines at the publication date of the magazine, which is considered a point in time.

Magazine subscriptions are considered as a number of discrete performance obligations which are satisfied over the course of the subscription period as magazines are published.

For circulation sales, where customer's holds a right of return, Egmont only recognises revenue from the sale of magazines to the extent that it is highly probable that a subsequent reversal will not occur.



## 1 Accounting policies (continued)

### Revenue from TV and film production

Revenues from sale of TV and film productions to TV stations (availability rights) and distribution companies is recognised at point in time, on the availability date, when it becomes available (accessible) to the customer.

Consideration received for TV and film productions before the availability date is a contract liability and is presented in the balance sheet as deferred income. Deferred income is measured at fair value.

### TV and cable distribution

Revenue from TV and cable distribution (cable fee) is based on number of subscribers and is recognised on straight-line basis over the period of the relevant agreements.

The number of subscribers is based on reports received from the distribution companies. To ensure the reporting is correct the distribution companies are audited periodically. The interval between audits is determined contract by contract, but typical audit is performed every 2nd or 3rd year.

### Revenue from advertising

Revenue from advertising is recognised when the adverts are broadcasted on TV or in the Cinema.

If the transaction price is variable based on the number of viewers, Egmont constrains revenue to the extent that it is highly probable that a significant reversal will not occur subsequently.

### Gaming revenue

Gaming revenue include revenue derived from work for hire contracts (fixed hourly rate), self-published games and subscriptions.

### *Work for hire*

Work for hire contracts usually comprise one performance obligation that is satisfied over time as Egmont delivers hours at a fixed hourly rate. As Egmont under these agreements has a right to consideration in an amount that corresponds directly with the value transferred to the customer to date, Egmont recognise revenue in the amount to which Egmont has a right to invoice.

### *Self-published games*

Revenue from self-published games without no future material free content communicated at time of release, is recognised at the time of delivery to the customer (download).

When Egmont promises to deliver future material free content, the customer contract includes an additional performance obligation. Egmont allocated the transaction price in such arrangements by determining the stand-alone selling price of the performance obligations. Revenue related to the main game is recognised at the time of delivery to the customer (download), while revenue related to the future additional content will be recognised upon release.

### Other operating income and costs

Other operating income and costs comprise items secondary to the principal activities of the entities, including gains and losses on the disposal of businesses, intangible assets and property, plant and equipment and lease assets, as well as recognition of goodwill and value adjustments of investment properties at fair value. Gains and losses on the disposal of entities, intangible assets and property, plant and equipment are determined as the selling price less disposal costs and the carrying amount at the date of disposal.

## 1 Accounting policies (continued)

### Government grants

Government grants comprise film and ticket subsidies for in-house produced films. Grants are recognised when there is reasonable assurance that they will be received. Film subsidies for in-house produced films recognised in the balance sheet are offset against the cost of in-house produced films. Ticket subsidies are recognised in the income statement under other operating income.

### Share of results from investments in joint ventures and associates

The proportionate share of the joint ventures' and associates results after tax and non-controlling interests and after elimination of the proportionate share of intra-group gains/losses is recognised in the consolidated income statement.

### Financial income and expenses

Financial income and expenses comprise interest income and expense, gains and losses on securities, amortisation of financial assets and liabilities including leases and foreign exchange adjustments. Furthermore, changes in the fair value of derivative financial instruments which are not designated as hedging instruments as well as the ineffective portion of the hedges are also included.

Borrowing costs relating to general borrowing or loans directly relating to the acquisition, construction or development of qualifying assets are allocated to the cost of such assets.

### Tax for the year

Tax for the year, comprises current tax and changes in deferred tax.

## BALANCE SHEET

### Film rights, etc.

Film rights comprise film, DVD and TV rights. Film rights are recognised as an intangible asset at the time when control over the asset is transferred. Prepayments for film rights

are recognised in the balance sheet as a prepayment for intangible assets, and when control is gained over the assets, prepayments are reclassified to film rights.

Film rights are measured at cost which is allocated proportionally to the cinema, DVD and TV media, as well as to markets. Film rights are amortised according to a revenue-based method over the period during which they are expected to generate income on the respective market and in the respective media.

Other intellectual property rights with a definite useful life, such as domain names and magazine titles, are measured at cost on initial recognition and amortised on a straight-line basis over the useful life (typically 5 to 10 years).

### In-house produced film rights

In-house produced film rights are measured at cost, which includes indirect production costs, less grants received, accumulated amortisation and impairment, or at the recoverable amount where this is lower.

In-house produced film rights are amortised according to a revenue-based method over the period during which they are expected to generate income.

### Goodwill

On initial recognition, goodwill is recognised in the balance sheet at cost as described under "Business combinations". Subsequently, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised.

The carrying amount of goodwill is allocated to the Group's cash-generating units at the date of acquisition. The identification of cash-generating units is based on the management structure and internal financial control.

### Trademarks

Acquired intellectual property rights, including trademarks, are measured at cost on initial recognition. Trademarks with a finite useful life are amortised on a straight-line basis over

## 1 Accounting policies (continued)

the useful life (typically 5 to 50 years). Trademarks with an indefinite useful life are not amortised but are tested for impairment at least once annually.

### Intangible assets in progress

Intangible assets in progress are measured at cost and consist mainly of prepaid film rights.

### Property, plant and equipment

Land and buildings, plant and machinery equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment. Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Subsequent costs, e.g. in connection with replacing components of property, plant and equipment, are recognised in the carrying amount of the relevant asset if it is probable that the costs will result in future economic benefits for the Group. The replaced components are derecognised in the balance sheet, and the carrying amount is transferred to the income statement. All other costs incurred for ordinary repairs and maintenance are recognised in the income statement as incurred.

The cost of assets held under finance leases is recognised at the lower of the fair value of the assets and the present value of future minimum lease payments. In the calculation of present value, the interest rate implicit in the lease or the Group's incremental borrowing rate is used as the discount rate.

When individual components of an item of property, plant and equipment have different useful lives, the cost of such individual components is accounted for and depreciated

separately. Depreciation is provided on a straight-line basis over the expected useful lives, based on the following estimates of the useful lives of the assets:

Corporate properties (head offices)	25 - 50 years
Properties used for operational purposes	25 years
Installations and conversions <i>(the useful life depends on the nature of conversion)</i>	10, 15, 25 years
Plant and machinery	3 - 15 years
Equipment	3 - 5 years
Leasehold improvements	5 - 10 years

Land is not depreciated.

Depreciation is made on the basis of the asset's residual value less any impairment losses. The residual value and useful life of the assets are reassessed every year. If the residual value exceeds the carrying amount, depreciation is discontinued.

In case of changes in the useful life or the residual value, the effect on depreciation is recognised prospectively as a change in accounting estimates.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement under other operating income or other operating costs, respectively.

### Investment properties

Properties are classified as investment properties when they are held for the purpose of obtaining rental income and/or capital gains. On initial recognition, investment properties are measured at cost, consisting of the acquisition cost of the

## 1 Accounting policies (continued)

property and any costs directly attributable to the acquisition. Subsequently, investment properties are measured at fair value. Changes in the fair value are recognised in the income statement as a value adjustment of investment properties under other operating income/costs in the financial year in which the change occurs.

Realised gains and losses on the disposal of investment properties are determined as the difference between the carrying amount and the selling price and are also recognised in the item "value adjustment of investment properties" under other operating income/costs.

### Leases from 1 January 2019

Lease assets and lease liabilities are recognised at the commencement date of the lease which is the date the underlying asset is available for use.

Lease assets and lease liabilities are shown as separate items in the balance sheet under assets and liabilities.

#### *Lease assets*

Lease assets are measured at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of lease assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Lease assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets - which is typically 2-10 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The lease assets are also subject to impairment.

The Group has applied the short-term lease recognition exemption to its short-term leases (lease term of 12 months or less) and applies also the lease of low-value assets recognition

exemption to leases. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term in profit and loss.

#### *Lease liabilities*

Lease liabilities are measured at the net present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that do not depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses in profit and loss in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date, because the interest rate implicit in the lease is not readily determinable.

After the commencement date the carrying amount of lease liabilities is remeasured if there is a modification whether it's a change in the in-substance fixed lease payments, a change in the lease term (termination or extension), or a change in the assessment to purchase the underlying asset.

The Group's lease liabilities are included in the interest-bearing debt.

### Investments in joint ventures and associated companies

Investments in joint ventures and associated companies are recognised in the consolidated financial statements according to the equity method, which means that the investments are measured in the balance sheet at the proportionate share

## 1 Accounting policies (continued)

of the joint ventures' and associated companies' net asset values calculated in accordance with the Group's accounting policies minus or plus the proportionate share of unrealised intra-group gains and losses and plus any excess values on acquisition, including goodwill. Investments in joint ventures and associated companies are tested for impairment when impairment indicators are identified.

Investments in joint ventures and associated companies with negative net asset values are measured at EUR 0 (nil). If the Group has a legal or constructive obligation to cover a deficit in the joint venture and associated company, such deficit is recognised under liabilities.

Receivables from joint ventures and associated companies are measured at amortised cost less any impairment losses.

On the acquisition of investments in joint ventures and associated companies, the acquisition method is used; see the description of business combinations.

### Other investments

Equity investments where the Group does not have significant influence or control and not classified as subsidiary, associate or joint venture are included under other investments and are measured as financial assets at fair value through the income statement (FVPL).

Net gains and losses arising from changes in the fair value of financial assets are recognised in the income statement as financial income or expenses.

The fair values of quoted investments are based on current bid prices at the end of the reporting period. Financial assets for which no active market exists are carried at fair value based on a valuation methodology.

### Equity options

Equity options related to equity investments are included under derivatives (other receivables) and measured at fair value through the income statement (FVPL). The fair value is based on a valuation methodology.

Net gains and losses arising from changes in the fair value of equity options are recognised in the income statement as financial income or expenses.

### Impairment of non-current assets

Goodwill and intangible assets with indefinite useful lives are subject to annual impairment tests, initially before the end of the acquisition year and if there is any indication of impairment. Likewise, development projects in process are subject to an annual impairment test.

The carrying amount of goodwill is tested for impairment together with the other non-current assets of the cash-generating unit or groups of cash-generating units to which goodwill has been allocated. If the carrying amount exceeds the recoverable amount, it is written down to the recoverable amount via the income statement. As a main rule, the recoverable amount is calculated as the present value of expected future net cash flows from the entity or activity (cash-generating unit or groups of cash-generating units) to which goodwill has been allocated.

Deferred tax assets are subject to annual impairment tests and are recognised only to the extent that it is probable that the assets will be utilised.

The carrying amount of other non-current assets is tested annually for impairment indicators. When there is an indication that assets may be impaired, the recoverable amount of the asset is determined. The recoverable amount is the higher of an asset's fair value less expected disposal costs and its value in use. Value in use is the present value of future cash flows expected to be derived from an asset or the cash-generating unit to which the asset belongs.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds the recoverable amount of the asset or the cash-generating unit. Impairment losses are recognised in the income statement.

Impairment losses of goodwill are not reversed. Impairment losses on other assets are reversed only to the extent that

## 1 Accounting policies (continued)

changes in the assumptions and estimates underlying the calculation of impairment losses have occurred. Impairment losses are only reversed to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

### Inventories

Inventories are measured at the lower of cost according to the FIFO method and the net realisable value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables, direct wages and salaries and indirect production overheads. Indirect production overheads comprise indirect materials, wages and salaries as well as maintenance and depreciation of production machinery and equipment as well as administrative expenses and management costs.

The cost of acquired TV programmes are recognised as inventory at the time when the right to broadcast the TV programme begins. The cost of a TV programme is amortised proportionally over the period the TV programme is broadcast.

The net realisable value of inventories is calculated as the selling price less costs of completion and costs necessary to effect the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

### Receivables

Trade receivables are held with the objective to collect the contractual cash flows. Receivables are therefore measured at fair value on initial recognition and are subsequently

measured at amortised cost using the effective interest method less any impairment. Receivables are impaired at initial recognition. The impairment equals lifetime expected credit loss allowance on receivables in accordance with the simplified approach.

### Prepayments

Prepayments, such as prepaid royalty, prepaid authors' fees and prepaid TV programmes and sports broadcasting rights, which are recognised under assets, comprise costs incurred concerning subsequent financial years. Prepayments are measured at cost.

### Securities

Securities consist mainly of listed bonds that are held for investment of excess liquidity and managed in accordance with a documented investment strategy. Securities are measured initially at the listed price at the trade date and subsequently at the listed price at the end of the reporting period using the fair value option. Value adjustments are recognised directly in the income statement under financial income/expenses.

### Pension obligations and similar non-current liabilities

The Group has entered into pension plans and similar arrangements with the majority of the Group's employees.

Obligations relating to defined contribution plans where the Group regularly pays fixed pension contributions to independent pension funds are recognised in the income statement in the period during which employees earn entitlement to them, and any contributions outstanding are recognised in the balance sheet under other payables.

For defined benefit plans, an actuarial calculation (the Projected Unit Credit method) is performed annually of the present value of future benefits payable under the defined benefit plan. The present value is determined on the basis of assumptions about the future development in variables

## 1 Accounting policies (continued)

such as salary levels, interest rates, inflation and mortality. The present value is determined only for benefits earned by employees from their employment with the Group. The actuarial present value less the fair value of any plan assets is recognised in the balance sheet under pension obligations.

If a pension plan constitutes a net asset, the asset is only recognised if it represents future refunds from the plan or will lead to reduced future payments to the plan.

Pension costs for the year are recognised in the income statement based on actuarial estimates and financial assumptions at the beginning of the year. Any difference between the thus calculated development in pension plan assets and liabilities and the realised amounts determined at year-end is termed an actuarial gain or loss and is recognised in other comprehensive income.

Non-current employee benefits are recognised at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

### **Current tax payable/receivable and deferred taxes**

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on the basis of all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill that is not deductible for tax purposes and on office premises and other items where temporary differences, apart from

business combinations, arise at the date of acquisition without affecting either result for the year or taxable income. Where different tax rules can be applied to determine the tax value, deferred tax is measured based on Management's planned use of the asset or settlement of the liability.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised under other non-current assets at the expected value of their utilisation; either as a set-off against tax on future earnings or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Deferred tax assets and liabilities are set off if the entity has a legally enforceable right to set off current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets on a net basis or to realise the assets and settle the liabilities at the same time.

Deferred tax is adjusted for eliminations of unrealised intra-group gains and losses.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the end of the reporting period when the deferred tax is expected to be realised as current tax. Changes in deferred tax due to changed tax rates are recognised in the comprehensive income for the year.

### **Other provisions**

Other provisions primarily consist of provisions for goods sold with a right of return, where, based on past experience or otherwise, the Group can make a reliable estimate of the amount of goods that will be returned as well as expected restructuring costs, etc.

## 1 Accounting policies (continued)

Provisions are recognised when the Group incurs a legal or constructive obligation due to an event occurring before or at the end of the reporting period, and meeting the obligation is likely to result in an outflow of economic benefits.

Provisions are measured at the best estimate of the costs required to settle the obligation.

When provisions are measured, the costs required to settle the obligation are discounted provided that such discounting would have a material effect on the measurement of the liability. A pre-tax discount rate is used that reflects the current market interest rate level plus risks specific to the liability. Changes in the discount element during the financial year are recognised in the income statement under financial expenses.

Warranty provisions are recognised as the underlying goods are sold based on historical warranty costs experience in previous financial years.

Restructuring costs are recognised under liabilities when a detailed, formal restructuring plan has been announced to the employees affected no later than at the end of the reporting period. On acquisition of businesses, provisions for restructuring in the acquiree are only included in goodwill when, at the acquisition date, the acquiree had an existing liability for restructuring.

A provision for onerous contracts is recognised when the expected benefits to be obtained by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract.

### Financial and non-financial liabilities

Financial liabilities are recognised at the date of borrowing as the net proceeds received less transaction costs paid. In

subsequent periods, the financial liabilities are measured at amortised cost, such that the difference between the proceeds and the nominal value is recognised under financial expenses in the income statement over the term of the loan.

Financial liabilities also include the capitalised leases (lease liabilities), which is measured at amortised cost. Other liabilities are measured at net realisable value.

### Deferred income

Deferred income, including the sale of film broadcasting rights, is measured at cost.

### CASH FLOW STATEMENT

The cash flow statement shows the cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow effect of acquisitions and disposals of businesses is shown separately in cash flows from investing activities. Cash flows from acquired businesses are recognised in the cash flow statement from the date of acquisition, and cash flows from disposals of businesses are recognised until the date of disposal.

Cash flows from operating activities are calculated according to the indirect method as the profit for the year before net financials, adjusted for non-cash operating items, changes in working capital and corporate income tax paid.

Cash flows from investing activities comprise payments in connection with the acquisition and disposal of businesses and activities and the acquisition and disposal of intangible assets, property, plant and equipment and other non-current assets, as well as securities.



## 1 Accounting policies (continued)

Cash flows from financing activities comprise the raising of loans and repayment of interest-bearing debt including lease liabilities, donations made and transactions with non-controlling interests.

Cash and cash equivalents comprise cash and marketable securities with a residual term of less than three months at the acquisition date which are subject to an insignificant risk of changes in value.

Cash flows in other currencies than the functional currency are translated using average exchange rates unless these deviate significantly from the rates at the transaction date.

### SEGMENT INFORMATION

Egmont Fonden is not a listed company, and in accordance with IFRS, segment information need therefore not be presented.

### FINANCIAL TERMS

In this annual report the following financial terms are used:

<b>Operating profit (loss)</b>	Profit (loss) before tax and net financials.
<b>Operating profit after result from associates</b>	Profit after results from associates.
<b>EBITDA</b>	Operating profit (loss) before net financials, depreciation, amortisation and impairment losses.
<b>EBIT</b>	Operating profit (loss)
<b>EBT</b>	Profit (loss) before tax

### FINANCIAL RATIOS

Financial ratios stated in the consolidated financial statements have been calculated in accordance with the Danish Finance Society's "Recommendations & Ratios".

The financial ratios stated under financial highlights have been calculated as follows:

#### Operating margin

$$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$$

#### Equity ratio

$$\frac{\text{Equity, excl. non-controlling interests,} \times 100}{\text{Total assets}}$$

#### Return on equity

$$\frac{\text{Net profit for the year, excl. non-controlling interests,} \times 100}{\text{Average equity, excl. non-controlling interests}}$$

## 2 Revenue

Geographical markets	Nordic Countries		Other European Countries		Total	
	2019	2018	2019	2018	2019	2018
Sale of goods	646,605	682,707	136,227	136,348	782,832	819,055
Sale of services	773,229	653,130	707	914	773,936	654,044
Royalty	114,626	119,089	822	1,391	115,448	120,480
Rental income	9,454	9,207	0	0	9,454	9,207
<b>Total</b>	<b>1,543,914</b>	<b>1,464,133</b>	<b>137,756</b>	<b>138,653</b>	<b>1,681,670</b>	<b>1,602,786</b>
At point in time	1,425,233	1,368,361	136,982	137,570	1,562,215	1,505,931
Transferred over time	118,681	95,772	774	1,083	119,455	96,855
<b>Total</b>	<b>1,543,914</b>	<b>1,464,133</b>	<b>137,756</b>	<b>138,653</b>	<b>1,681,670</b>	<b>1,602,786</b>

3 Other operating income	2019	2018
Value adjustment of Fjellsport Group shares	4,530	0
Value adjustment of s360 shares	3,802	0
Sale of Land and Buildings	1,746	0
Value adjustment of Ingager shares	1,412	0
Sale of MyKid/Nettavisen	0	791
Sale of Rasmus Klump	0	1,931
Trust Nordisk	0	817
Profits from sale of non-current assets	363	2,690
Miscellaneous	5,857	4,568
<b>Total</b>	<b>17,710</b>	<b>10,797</b>

4 Personnel expenses	2019	2018
Wages and salaries	(299,359)	(280,296)
Defined contribution pension plans	(20,016)	(19,591)
Defined benefit pension plans	(122)	(104)
Other social security costs	(36,640)	(32,532)
<b>Total</b>	<b>(356,137)</b>	<b>(332,523)</b>

Average number of full-time employees 4,264 3,959

Compensation to Management Board amounted to 5,721 (2018: 5,493), of which pension contributions amounted to 415 (2018: 408).

Compensation to the Board of Trustees amounted to 512 (2018: 528).

## 4 Personnel expenses (continued)

Annual compensation to members of the Board of Trustees per task	2019	2018
<i>Egmont Fonden, general:</i>		
Member	10	10
Vice chairman	15	15
Chairman	20	20
<i>Egmont Fonden, charitable activities:</i>		
Member	7	7
Vice chairman	10	10
Chairman	13	13
<i>Funding and Grant Committee, charitable activities:</i>		
Member	13	13
Chairman	27	27
<i>Egmont International Holding A/S:</i>		
Member	30	30
Vice chairman	45	45
Chairman	60	60

5 Depreciation, amortisation and impairment losses	2019	2018
Amortisation, intangible assets	(72,567)	(70,132)
Impairment losses, intangible assets	(4,529)	(5,787)
Depreciation, property, plant and equipment	(23,788)	(25,157)
Impairment losses, property, plant and equipment	(703)	(4,216)
Depreciation of lease assets	(22,757)	-
<b>Total</b>	<b>(124,344)</b>	<b>(105,292)</b>

6 Financial income	2019	2018
Interest income, financial assets, measured at amortised cost	3,570	2,806
Foreign exchange gains, net	0	1,478
Other financial income	618	700
<b>Total</b>	<b>4,188</b>	<b>4,984</b>

7 Financial expenses	2019	2018
Interest expenses, financial liabilities, measured at amortised cost	(4,660)	(7,023)
Interest expenses, derivative financial instruments	(1,627)	0
Foreign exchange loss, net	(21)	0
Change in fair value, securities, net	(62)	(944)
Interest expense on lease liabilities	(8,429)	-
Other financial expenses	(2,149)	(2,848)
<b>Total</b>	<b>(16,948)</b>	<b>(10,815)</b>

8 Taxes	2019	2018
Current tax	(19,816)	(16,830)
Deferred tax	(3,840)	(6,648)
Adjustments for prior years, current tax	(1,169)	(6,924)
Adjustments for prior years, deferred tax	(237)	(170)
<b>Total</b>	<b>(25,062)</b>	<b>(30,572)</b>

Tax on the profit for the year results as follows:

Calculated tax, 22.0% on profit before tax	(17,667)	(17,899)
Lowering of corporate tax rate in Norway and Sweden	0	1,153
Adjustment of calculated tax in foreign entities relative to 22.0%	401	(632)

*Tax effect of:*

Non-taxable income	2,827	621
Non-deductible expenses	(1,863)	(5,408)
Unrecognised tax assets	0	(2,556)
Share of net profit/(loss) in joint ventures	(156)	874
Share of net profit/(loss) in associates	(7,091)	488
Adjustments for prior years	(1,406)	(7,094)
Withholding taxes	(107)	(119)
<b>Total</b>	<b>(25,062)</b>	<b>(30,572)</b>

Effective tax rate	31.2%	37.6%
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The effective tax rate in 2019 was affected by losses in associates. Adjusting for this, the effective tax rate for 2019 was in the level of 22%.

The effective tax rate in 2018 was significantly affected by adjustments for prior years and development in unrecognised tax assets. Adjusting for this, the effective tax rate for 2018 was in the level of 25%.

Tax recognised in other comprehensive income:

Tax on value adjustment of hedging instruments	1,050	(3,007)
Foreign exchange adjustments on translation of foreign entities	(124)	98
Tax on actuarial gains/(losses) on defined benefit pension plans	172	(42)
<b>Total</b>	<b>1,098</b>	<b>(2,951)</b>

## 9 Intangible assets

	Film rights and other acquired rights, etc.	In-house produced film rights	Goodwill	Trade- marks	Intangible assets under development and pre- payments
Cost at 1 January 2019	410,589	178,530	466,575	195,536	16,202
Adjustments relating to previous years	17,601	0	0	0	0
Foreign exchange adjustments	334	(266)	2,336	1,414	(6)
Additions through business combinations	528	0	32,283	2,125	0
Additions	7,425	35,298	0	41	34,525
Government grants	0	(766)	0	0	0
Transferred	33,946	0	0	0	(33,946)
Disposals	(2,504)	(4,782)	0	0	(1,110)
<b>Cost at 31 December 2019</b>	<b>467,919</b>	<b>208,014</b>	<b>501,194</b>	<b>199,116</b>	<b>15,665</b>
Amortisation and impairment losses 1 January 2019	(354,223)	(152,120)	(74,977)	(17,156)	0
Adjustments relating to previous years	(13,320)	0	0	0	0
Foreign exchange adjustments	(546)	131	(808)	46	0
Disposals	2,457	5,153	0	0	0
Impairment losses	(1,904)	0	(1,431)	(1,194)	0
Amortisation	(40,329)	(27,727)	0	(4,511)	0
<b>Amortisation and impairment losses at 31 December 2019</b>	<b>(407,865)</b>	<b>(174,563)</b>	<b>(77,216)</b>	<b>(22,815)</b>	<b>0</b>
<b>Carrying amount at 31 December 2019</b>	<b>60,054</b>	<b>33,451</b>	<b>423,978</b>	<b>176,301</b>	<b>15,665</b>
Cost at 1 January 2018	367,860	156,499	403,071	176,315	26,002
Foreign exchange adjustments	(1,319)	(1,697)	(6,620)	(2,820)	(79)
Additions through business combinations	1,196	3,503	72,779	21,675	0
Additions	7,740	21,073	0	366	29,903
Government grants	0	(848)	0	0	0
Transferred	39,149	0	0	0	(39,149)
Disposals	(4,037)	0	(2,655)	0	(475)
<b>Cost at 31 December 2018</b>	<b>410,589</b>	<b>178,530</b>	<b>466,575</b>	<b>195,536</b>	<b>16,202</b>
Amortisation and impairment losses at 1 January 2018	(315,415)	(125,039)	(78,718)	(14,102)	0
Foreign exchange adjustments	1,632	1,512	1,086	380	0
Disposals	3,452	0	2,655	0	0
Impairment losses	(5,787)	0	0	0	0
Amortisation	(38,105)	(28,593)	0	(3,434)	0
<b>Amortisation and impairment losses at 31 December 2018</b>	<b>(354,223)</b>	<b>(152,120)</b>	<b>(74,977)</b>	<b>(17,156)</b>	<b>0</b>
<b>Carrying amount at 31 December 2018</b>	<b>56,366</b>	<b>26,410</b>	<b>391,598</b>	<b>178,380</b>	<b>16,202</b>

## 9 Intangible assets (continued)

**Goodwill**

The carrying amount of goodwill is tested for impairment annually or if there is any indication of impairment. The impairment test is made for the Group's cash-generating units, based on their management structure and internal financial reporting.

	2019	2018
TV 2, Norway	180,431	178,110
Nordisk Film, Cinemas	63,369	58,749
Nordisk Film, Games	66,850	67,909
Publishing, Norway	30,606	30,212
Publishing, Sweden	54,359	41,209
Other units	28,363	15,409
<b>Carrying amount</b>	<b>423,978</b>	<b>391,598</b>

In the impairment test of the cash-generating units, the recoverable amount, equivalent to the discounted value of expected future net cash flows, is compared with the carrying amount of the cash-generating units.

The recoverable amount is based on the value in use, determined by using expected net cash flows that are based on management-approved budgets and business plans for 2019, projections for subsequent years up to and including 2023, and average growth during the terminal period.

The key assumptions in the calculation of value in use for all cash-generating units are development in revenues and gross margins and determination of discount rates and growth rate during terminal period.

*TV 2, Norway*

The TV business is volatile due to various trends and factors shifting the business model and therefore affected by a generally larger uncertainty regarding the development in revenue and expenses. Combined with increasing prices for acquiring TV rights related to especially sports events and increasing programme cost for Norwegian TV productions, it may result in a more volatile EBITDA-margin in the coming years. The value of the business is primarily impacted by the development in advertising income, number of subscribers and the prices of TV content.

Average annual growth in revenues in the budget and forecast period is expected due to increase in revenue from subscription sales while advertising sales for traditional flow-TV is expected to decline.

Margins are expected to be maintained at more or less the same competitive level based on continued efficiencies as well as a focus on cost savings.

*Nordisk Film, Cinemas*

The Cinemas cash-generating unit is dependent on a strong line-up of both local and international titles to keep up ticket revenue (box office sales) as well as a strong performance in the gift cards business.

With continued expansion of the cinemas chain and introduction of new cinema concepts, such as the 4dx experience, and a successful roll-out of the global gifting concepts, revenues are expected to increase in the budget and forecast period.

Margins are expected to be overall stable through efficiencies and cost optimisation.

## 9 Intangible assets (continued)

### *Nordisk Film, Games*

Revenues in the Games cash-generating unit is expected to grow from an increased focus on self-published games while at the same time maintaining a stable cost margin.

### *Publishing*

For both Publishing, Norway and Publishing, Sweden cash-generating unit revenues from the traditional publishing business is expected to be reduced. On the other hand revenue from other business areas such as e-commerce and marketing services are expected to increase significantly while maintaining stable margins.

### *Key assumptions*

On average revenues are expected to grow between (negative) –3.7% and (positive) 6.6% in the forecast period.

Discount rates are determined for each cash-generating unit on basis of a risk-free rate, plus market risk premium and a small stock premium.

The risk-free rate is based on a 5 year-average of the risk-free rate for Denmark, Norway and Sweden.

The market risk premium is calculated as a general market risk premium of 5.9% multiplied by the non-leveraged beta value of each cash-generating unit. Further, a small-cap premium is added.

The non-leveraged beta values are based on the non-leveraged beta values for peer-group companies.

Expected growth during the terminal period is not estimated to exceed the long-term average growth rate in the business areas. For the Publishing cash-generating units a negative growth during the terminal period is expected.

On this basis the following pre-tax discount rates and growth rates during terminal period have been applied:

	Pre-tax discount rates		Growth rate during terminal period	
	2019	2018	2019	2018
TV 2, Norway	10.2%	10.4%	2.0%	2.0%
Nordisk Film, Cinemas	9.4%	10.4%	2.0%	2.0%
Nordisk Film, Games	12.0%	13.5%	2.0%	2.0%
Publishing, Norway	12.8%	14.1%	-5.0%	-5.0%
Publishing, Sweden	10.0%	12.5%	0.0%	-2.6%

Impairment tests for goodwill for 2019 regarding the identified cash-generating units of the Group show that the recoverable amount exceeds the carrying amount.

### *Sensitivity*

The Group assesses that probable changes in the assumptions underlying the impairment calculations will not result in a need to write down goodwill for impairment in the Group's primary cash-generating units.

## 9 Intangible assets (continued)

**Trademarks**

The carrying amount of trademarks with an indefinite life is tested for impairment annually or if there is any indication of impairment.

	2019	2018
TV 2, Norway	142,302	140,622
Publishing, Norway	8,475	9,114
<b>Carrying amount</b>	<b>150,777</b>	<b>149,736</b>

Trademarks for TV 2, Norway and Publishing, Norway are tested by using the Relief from Royalty method to assess future cash flows from royalty income for the individual trademarks. The royalty rate, determined on the basis of the cash-generating unit's products and the reputation of such products, ranged from 4.5% to 14.0% (unchanged from 2018).

Key parameters used in the impairment models for the primary cash-generating units:

	Pre-tax discount rates		Growth rate during terminal period	
	2019	2018	2019	2018
TV 2, Norway	10.2%	10.4%	2.0%	2.0%
Publishing, Norway	12.8%	14.1%	-5.0%	-5.0%

Impairment tests for trademarks with an indefinite life for 2019 show that the recoverable amount exceeds the carrying amount.

*Sensitivity*

The Group assesses that probable changes in the assumptions underlying the impairment calculations will not result in a need to write down trademarks for impairment in the Group's primary cash-generating units.

**Film rights and in-house produced film rights**

The Group makes regular estimates of the remaining useful lives of film rights and in-house produced film rights based on its expected sales in the cinema, DVD and TV media markets, which are naturally subject to uncertainty as actual sales may differ from estimated sales.

The Group continuously receives sales estimates, and if impairment indicators are identified, film rights and in-house produced film rights are written down for impairment. The useful lives of film rights and in-house produced film rights for 2019 were in general at the expected level.



## 10 Property, plant and equipment

	Land and buildings	Plant and machinery	Tools and equipment	Leasehold improvements	Property, plant and equipment under construction
Cost at 1 January 2019	223,932	64,599	90,655	33,202	2,030
Adjustments relating to previous years	0	(17,601)	0	0	0
Foreign exchange adjustments	(68)	730	190	250	0
Additions through business combinations	0	1,961	286	0	0
Additions	2,063	6,363	4,005	3,620	9,985
Transferred	1,042	0	3,426	2,697	(7,165)
Disposals	(4,085)	(5,389)	(4,320)	(1,758)	(374)
<b>Cost at 31 December 2019</b>	<b>222,884</b>	<b>50,663</b>	<b>94,242</b>	<b>38,011</b>	<b>4,476</b>
Depreciation and impairment losses at 1 January 2019	(89,482)	(42,658)	(69,538)	(21,003)	0
Adjustments relating to previous years	0	13,320	0	0	0
Foreign exchange adjustments	121	(361)	(65)	(132)	0
Disposals	3,632	4,804	3,983	1,592	0
Impairment losses	0	(540)	(117)	(46)	0
Depreciation	(6,866)	(6,447)	(7,892)	(2,583)	0
<b>Depreciation and impairment losses at 31 December 2019</b>	<b>(92,595)</b>	<b>(31,882)</b>	<b>(73,629)</b>	<b>(22,172)</b>	<b>0</b>
<b>Carrying amount at 31 December 2019</b>	<b>130,289</b>	<b>18,781</b>	<b>20,613</b>	<b>15,839</b>	<b>4,476</b>
Cost at 1 January 2018	221,891	62,245	84,173	30,259	1,526
Foreign exchange adjustments	(669)	(929)	(605)	(267)	(8)
Additions through business combinations	0	2	624	224	0
Additions	2,402	7,380	4,438	2,002	4,171
Transferred	308	0	2,235	984	(3,527)
Disposals	0	(4,099)	(210)	0	(132)
<b>Cost at 31 December 2018</b>	<b>223,932</b>	<b>64,599</b>	<b>90,655</b>	<b>33,202</b>	<b>2,030</b>
Depreciation and impairment losses at 1 January 2018	(83,226)	(35,233)	(62,324)	(18,711)	0
Foreign exchange adjustments	366	805	595	205	0
Disposals	0	4,099	116	0	0
Impairment losses	0	(4,197)	0	(19)	0
Depreciation	(6,622)	(8,132)	(7,925)	(2,478)	0
<b>Depreciation and impairment losses at 31 December 2018</b>	<b>(89,482)</b>	<b>(42,658)</b>	<b>(69,538)</b>	<b>(21,003)</b>	<b>0</b>
<b>Carrying amount at 31 December 2018</b>	<b>134,450</b>	<b>21,941</b>	<b>21,117</b>	<b>12,199</b>	<b>2,030</b>

11 Investment properties	2019	2018
Fair value at 1 January	30,801	30,894
Foreign exchange adjustments	(10)	(93)
<b>Fair value at 31 December</b>	<b>30,791</b>	<b>30,801</b>

Investment properties consist of a rental property in Denmark, let under a long-term lease with a 24 month term of notice. The fair value is calculated according to the net rental method, and thus the value of the property has been calculated on the basis of its expected operating income (pre-tax return) of about 2,400 (2018: 2,400) and a required rate of return of 3.50% (2018: 3.75%), determined on the basis of the general market level and specific circumstances relating to the property (level 3).

If the required rate of return increase or decrease by 0.25%, the fair value of the investment property will be affected by approx EUR 3.2 million.

Rental income amounted to 2,017 (2018: 2,003) and operating costs to 540 (2018: 463).

12 Lease assets	2019	2018
Lease assets at 1 January	0	-
Effect of new accounting standard	147,596	-
<b>Carrying amount at 1 January (restated)</b>	<b>147,596</b>	<b>-</b>
Foreign exchange adjustments	(84)	-
Additions through business combinations	1,415	-
Remeasurement	6,250	-
Additions	17,702	-
Depreciation	(22,757)	-
<b>Carrying amount at 31 December</b>	<b>150,122</b>	<b>-</b>

The lease assets consists mainly of property leases (rent of cinemas, offices, stores and warehouses etc). The lease contracts are typically made for fixed periods of 2 to 10 years, but may have extension options included in the lease term. Lease terms are negotiated on an individual basis and contains different terms and conditions including payment terms, terminations rights, index-regulations, maintenance etc.

Extension and termination options are typically found in leases in order to maximise operational flexibility in terms of managing contracts.

## 12 Lease assets (continued)

Financial lease liabilities recognised at 31 December	2019	2018
Current	19,421	-
Non-current	151,918	-
<b>Total</b>	<b>171,339</b>	<b>-</b>

The maturity analysis of lease liabilities are disclosed in note 25.

The total cash outflow for leases amounted to EUR 31.0 million of which instalment on recognised leases amounted to EUR 22.6 million.

Recognised in profit and loss	2019	2018
Depreciation of lease assets	22,757	-
Interest expense on lease liabilities	8,429	-
Leasing expenses related to variable lease payments not included in the lease liabilities	1,748	-
Leasing payments relating to short-term building leases (under 12 months) and low-value leases	7,415	-

Some property leases contain variable payment terms that are linked to an index or revenue e.g. sale of cinema tickets.

13 Investments in joint ventures	2019	2018
Cost at 1 January	32,300	32,987
Foreign exchange adjustments	223	(419)
Additions	1,107	360
Disposals	(1,377)	(628)
<b>Cost at 31 December</b>	<b>32,253</b>	<b>32,300</b>
Adjustments at 1 January	15,630	19,370
Foreign exchange adjustments	93	(1,358)
Share of profit/(loss) for the year	(709)	2,978
Impairment losses	0	993
Equity transactions in joint ventures	(6,030)	(455)
Dividends	(2,626)	(593)
Disposals	84	(5,305)
<b>Adjustments at 31 December</b>	<b>6,442</b>	<b>15,630</b>
<b>Carrying amount at 31 December</b>	<b>38,695</b>	<b>47,930</b>

Note 31 includes a list of the Group's investments in joint ventures.

## 13 Investments in joint ventures (continued)

	Cappelen Damm		Others	
	2019	2018	2019	2018
<b>Comprehensive income</b>				
Revenue	144,967	158,359	124,921	143,706
Net profit for the year	(6,477)	(4,369)	5,550	4,838
Dividend received	0	0	2,626	593
<b>Balance sheet</b>				
Non-current assets	78,054	51,495	11,134	12,974
Current assets	68,395	80,207	68,350	61,317
Non-current liabilities	70,319	25,112	2,328	773
Current liabilities	47,473	58,919	41,342	38,136
Equity	28,657	47,671	35,814	35,382
<b>Egmont Fonden's share of equity</b>	<b>14,329</b>	<b>23,836</b>	<b>18,757</b>	<b>17,383</b>
Goodwill	167	167	5,442	6,544
<b>Investments in joint ventures</b>	<b>14,496</b>	<b>24,003</b>	<b>24,199</b>	<b>23,927</b>

Cappelen Damm is the only material joint venture and the group "others" consists of more than 10 joint ventures.

14 Investments in associates	2019	2018
Cost at 1 January	87,973	74,499
Foreign exchange adjustments	(488)	(1,489)
Additions	9,145	48,626
Disposals	(10,363)	(33,663)
<b>Cost at 31 December</b>	<b>86,267</b>	<b>87,973</b>
Adjustments at 1 January	8,447	8,690
Foreign exchange adjustments	235	(58)
Share of profit/(loss) for the year	(358)	5,881
Impairment losses	(31,875)	(3,663)
Equity transactions in associates	182	397
Dividends	(259)	(1,455)
Disposals	100	(1,345)
<b>Adjustments at 31 December</b>	<b>(23,528)</b>	<b>8,447</b>
<b>Carrying amount at 31 December</b>	<b>62,739</b>	<b>96,420</b>

Note 31 includes a list of the Group's investments in associates.

## 14 Investments in associates (continued)

	RiksTV		Jollyroom		Others	
	2019	2018	2019	2018	2019	2018
<b>Comprehensive income</b>						
Revenue	132,564	137,139	134,492	142,907	146,986	163,648
Net profit for the year	4,473	760	(2,848)	913	3,087	325
Dividend received	0	0	0	0	259	1,455
<b>Balance sheet</b>						
Non-current assets	18,307	21,921	12,995	10,896	20,339	12,384
Current assets	21,779	26,627	48,482	47,740	43,088	64,715
Non-current liabilities	4,337	6,422	15,430	7,684	1,475	4,148
Current liabilities	41,442	51,645	40,016	42,816	29,267	40,821
Equity	(5,694)	(9,520)	6,031	8,137	32,686	32,267
<b>Egmont Fonden's share of equity</b>	<b>(2,847)</b>	<b>(3,173)</b>	<b>2,211</b>	<b>3,051</b>	<b>15,055</b>	<b>13,393</b>
Goodwill	6,017	31,854	6,319	6,419	35,984	44,876
<b>Investments in associates</b>	<b>3,170</b>	<b>28,681</b>	<b>8,530</b>	<b>9,470</b>	<b>51,039</b>	<b>58,269</b>

RiksTV and Jollyroom are the only material associates. The group "others" consists of more than 25 associates.

Goodwill of EUR 28 million in RiksTV (and NTV, included in "Others") is impaired and is included in net result in associates. In the recent RiksTV transaction with Telenor, RiksTV was valued significantly below the carrying amount. Thus, an updated impairment test based on DCF valuation was completed. Due to the uncertainty regarding terminal value the net investment in the associated companies RiksTV and NTV is impaired.

Other impairments in 2019, EUR 3.9 million, relates to associates, which are not performing as expected.

The carrying amount of investments in associates is tested for impairment if there is any indication of impairment.

In the impairment test of the investments in associates, the recoverable amount, equivalent to the discounted value of expected future net cash flows, is compared with the carrying amount of the net investments.

The key assumptions in the calculation of value in use for investments in associates is development in EBITDA margin and determination of discount rates and growth rate during terminal period.

On this basis a pre-tax discount rate of 8.5% and no terminal value has been included.

15 Inventories	2019	2018
Raw materials and consumables	5,117	4,826
Work in progress	2,101	3,097
Manufactured goods and goods for resale	94,077	80,085
TV programmes	13,618	15,917
<b>Total</b>	<b>114,913</b>	<b>103,925</b>

At the end of the reporting period, the Group estimates the write-down to realisable value for manufactured goods and goods for resale, which primarily relates to books and game consoles. The estimate is based on expected sales and therefore subject to some uncertainty.

The cost of inventories sold and write-down of inventories for the year amounted to 354,135 (2018: 459,352) and 14,796 (2018: 11,416), respectively. Reversed write-down of inventories in the income statement amounted to 1,035 (2018: 127). Inventories included capitalised payroll costs in the amount of 2,156 (2018: 1,318).

## 16 Prepayments

Prepayments of sports broadcasting rights are included with 1,159 (2018: 5,482), which expire more than 12 months from balance sheet day.

17 Securities	2019	2018
Listed bonds	107,652	65,781
Other	377	436
<b>Total</b>	<b>108,029</b>	<b>66,217</b>

The average duration of the bonds is 2 months.

18 Cash and cash equivalents	2019	2018
Cash and bank account deposits	137,367	49,261

Of which deposited in fixed-term deposit 449 (2018: 995) and cash and equivalents pledged as collateral 3,721 (2018: 3,558).

## 19 Equity

Egmont Fonden is a commercial foundation and thus subject to special conditions relating to its capital, as set out in the Foundation's Charter. The Foundation's assets are used for donations in connection with the Foundation's Charitable Activities. The balance of Egmont Fonden's assets is transferred to a reserve to ensure that the Foundation is provided with the necessary capital for consolidating and expanding in accordance with sound principles. Egmont Fonden's equity ratio stood at 44.8% (2018: 50.5%).

20	<b>Pension obligations and similar obligations</b>	<b>2019</b>	<b>2018</b>
	Defined benefit pension obligations	344	848
	Other pension obligations	(4,202)	(5,405)
	<b>Total</b>	<b>(3,858)</b>	<b>(4,557)</b>

**Pensions:**

The Group mainly has defined contribution pension plans, but also has collective pension plans (multi-employer plans) and defined benefit pension plans as well, where the obligation is determined using actuarial assumptions.

*Multi-employer plans:*

The Group has collective pension plans in Sweden that are entered into with other enterprises in the media business and the plans (ITP plans) are administered by PP Pension and Collectum. According to an interpretation from the Swedish Financial Reporting Board (UFR 3), ITP-plans are classified as multi-employer plans. Such plans are defined benefit plans, but are according to IAS 19 treated as defined contribution plans because the participating enterprises are not provided with information that enables them to report its proportional share of the plan commitments and surplus to its insured enterprises and employees. PP Pension has approximately 1,100 member enterprises and its consolidation ratio as of 30 June 2019 was 123% (2018: 127%). Contributions made to collective pension plans in Sweden in 2019 amount to EUR 2.8 million (2018: EUR 2.7 million). For 2020, the contributions are expected to be EUR 3.3 million.

*Defined benefit pension plans:*

The Group has defined benefit pension plans in Norway. These pension plans are funded in whole or in part through collective insurance plans with Kommunal Landspensjonskasse who manages the administration and the investment of the members' pension funds. The scheme provides entitlement to annual pensions amounting to approximately 70% of the qualifying income (annuity) from the retirement age of 67. The Group's defined pension plans in Norway are closed for new members.

Since 2016, the Group's remaining defined benefit pension plans in Norway have been closed to new accruals.

For defined benefit pension plans, an actuarial valuation of the value of the plan assets and the present value of the pension obligations is made once a year.

The actuarial calculations are based on actuarial assumptions relating to e.g. discount rate and expected wage increases within the framework determined by the public authorities in Norway at the balance sheet date. The discount rate is determined by reference to market yields on Norwegian high quality corporate bonds. The Group is exposed to actuarial risks including risks on investment and interest rate and mortality.

<b>Defined benefit pension obligations recognised in the balance sheet</b>	<b>2019</b>	<b>2018</b>
Present value of defined benefit pension obligations	(16,365)	(16,860)
Fair value of pension plan assets	16,831	17,831
Payroll tax	(122)	(123)
<b>Net asset/(liability) at 31 December</b>	<b>344</b>	<b>848</b>

## 20 Pension obligations and similar obligations (continued)

<b>Movement in the present value of defined benefit obligations</b>	<b>2019</b>	<b>2018</b>
Liability at 1 January	(16,860)	(17,379)
Foreign exchange adjustments	(173)	143
Pension costs for the financial year	(112)	(113)
Calculated interest relating to liability	(433)	(402)
Actuarial gains/(losses) arising from changes in demographic assumptions	226	202
Actuarial gains/(losses) arising from changes in financial assumptions	154	(148)
Pensions paid, etc.	833	837
<b>Liability at 31 December</b>	<b>(16,365)</b>	<b>(16,860)</b>
<b>Movement in the fair value of pension assets</b>	<b>2019</b>	<b>2018</b>
Pension assets at 1 January	17,831	17,664
Foreign exchange adjustments	232	(237)
Calculated interest on plan assets	423	411
Actual return on plan assets greater/(less) than calculated interest	(1,154)	278
Group's contribution to plan assets	251	477
Pensions paid, etc.	(752)	(762)
<b>Pension assets at 31 December</b>	<b>16,831</b>	<b>17,831</b>
<b>Actuarial gains/(losses) recognised in other comprehensive income</b>	<b>2019</b>	<b>2018</b>
Actuarial gains/(losses) excl. payroll tax	(774)	332
Payroll tax	(9)	(142)
<b>Total</b>	<b>(783)</b>	<b>190</b>
<b>Average composition of pension plan assets</b>	<b>2019</b>	<b>2018</b>
Bonds	46.2%	47.3%
Shares	24.4%	22.1%
Money market and the like	17.5%	18.5%
Property	11.9%	12.1%

The Group expects to contribute EUR 298 to defined benefit pension plans in 2020.



## 20 Pension obligations and similar obligations (continued)

<b>Maturity of pension obligations</b>	<b>2019</b>	<b>2018</b>
Within 1 year	1,022	993
Between 1 - 5 years	5,314	5,200
After 5 years	10,029	10,667
<b>Total</b>	<b>16,365</b>	<b>16,860</b>

<b>Average assumptions used for the actuarial calculations at the end of the reporting period in the individual pension plans:</b>	<b>2019</b>	<b>2018</b>
Discount rate	2.3%	2.6%
Inflation rate	1.5%	1.5%
Salary increase	2.25%	2.75%
Pension increase	0.5 - 2.0%	0.8 - 2.5%
Mortality table	K2013/KU	K2013/KU

**Sensitivity analysis:**

The most significant assumptions used in the calculation of the obligation for defined benefit plans are discount rate and salary increase. The Group is also exposed to fluctuations in the market value of assets. Below is showed a sensitivity analysis based on possible changes in the most significant assumptions defined at the balance sheet date.

<b>Defined benefit pension obligation</b>	<b>2019</b>	<b>2018</b>
Reported defined benefit obligation	(16,365)	(16,860)
<i>Discount rate sensitivity:</i>		
Increase by 0.5%	(15,264)	(15,751)
Decrease by 0.5%	(17,616)	(18,108)
<i>Salary increase sensitivity:</i>		
Increase by 0.5%	(16,459)	(16,962)
Decrease by 0.5%	(16,277)	(16,763)

**Other pension obligations:**

The Group has recognised an obligation of EUR 4.2 million (2018: EUR 5.4 million) to cover other pension-like obligations, including primarily job security agreements in a number of subsidiaries. The benefit payments are conditional upon specified requirements being met.

21 Deferred tax	2019	2018
Deferred tax at 1 January	(47,473)	(33,075)
Effect of new accounting standard	4,620	0
<b>Carrying amount at 1 January (restated)</b>	<b>(42,853)</b>	<b>(33,075)</b>
Adjustments relating to previous years	(237)	(170)
Foreign exchange adjustments	323	51
Additions through business combinations	(21)	(4,680)
Deferred tax for the year recognised in the income statement	(3,840)	(6,648)
Deferred tax for the year recognised in other comprehensive income	1,098	(2,951)
<b>Deferred tax at 31 December</b>	<b>(45,530)</b>	<b>(47,473)</b>

*Deferred tax has been recognised in the balance sheet as follows:*

Deferred tax, asset	5,228	4,631
Deferred tax liability	(50,758)	(52,104)
<b>Deferred tax, net</b>	<b>(45,530)</b>	<b>(47,473)</b>

Deferred tax assets are recognised for all unutilised tax losses to the extent it is considered probable that taxable profits will be realised in the foreseeable future against which the losses can be offset. The amount to be recognised in respect of deferred tax assets is based on an estimate of the probable time of realising future taxable profits and the amount of such profits.

The Group has assessed that deferred tax assets totalling 5,228 (2018: 4,631), primarily attributable to tax losses in Germany can be realised in the foreseeable future. This is based on the forecasted earnings of the enterprises in which tax assets can be utilised.

The deferred tax relates to	2019	2018
Intangible assets	(52,020)	(50,600)
Property, plant and equipment	3,248	(861)
Receivables	541	(181)
Inventories	1,951	3,105
Other current assets	(1,978)	(2,257)
Provisions	10,287	10,579
Other liabilities	(10,952)	(9,851)
Tax losses allowed for carryforward, etc.	3,393	2,593
<b>Total</b>	<b>(45,530)</b>	<b>(47,473)</b>

Unrecognised deferred tax assets relates to	2019	2018
Tax losses	5,075	5,744
Temporary differences	2,059	2,051
<b>Total</b>	<b>7,134</b>	<b>7,795</b>

22 Other provisions	Goods sold with a right of return	Other
Other provisions at 1 January 2019	41,817	19,898
Foreign exchange adjustments	287	121
Provisions made	60,612	9,052
Provisions used	(62,901)	3,074
Reversals	(1,894)	(819)
<b>Other provisions at 31 December 2019</b>	<b>37,921</b>	<b>31,326</b>

Goods sold with a right of return include magazines and books that the shops can return according to agreement. At the date of sale, the Group estimates how many goods are expected to be returned or exchanged based on historical experience of selling such goods. This estimate is naturally subject to uncertainty, as the quantity actually returned may deviate from the estimated quantity. However, the uncertainty concerning the return of magazines is limited due to the short period allowed for returning them.

Other provisions include warranty provisions, in respect of which expected partial compensation from the supplier is recognised in other receivables.

23 Fees to auditors	2019	2018
<i>Fee to EY:</i>		
Statutory audit	(1,233)	(1,247)
Tax consultancy	(160)	(279)
Other assurance statements	(82)	(263)
Other services	(643)	(428)
<b>Total fees to EY</b>	<b>(2,118)</b>	<b>(2,217)</b>
<i>Fee to other auditors:</i>		
Statutory audit	(95)	(126)
Tax consultancy	(50)	(29)
Other assurance statements	(253)	(318)
Other services	(245)	(311)
<b>Total fees to other auditors</b>	<b>(643)</b>	<b>(784)</b>
<b>Total</b>	<b>(2,761)</b>	<b>(3,001)</b>

#### 24 Contingent liabilities and collateral

The Group has provided security to mortgage credit institutions of 106,888 (2018: 111,759) over domicile and investment properties, with a carrying amount of 133,298 (2018: 134,787).

Entities in the Group have furnished no floating charge securities (2018: 7,045)

The Group has entered into binding contracts concerning purchase of intangible film rights at the value of 29,829 (2018: 26,732).

Entities in the Group have furnished miscellaneous guarantees, etc., for 10,878 (2018: 10,446).

The Group's share of miscellaneous guarantees in joint ventures amounts to 2,597 (2018: 2,620).

The Group's share of miscellaneous guarantees to associates amounts to 1,673 (2018: 2,678).

## 25 Financial risks and financial instruments

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As a result of its operations, investments and financing, the Egmont Group is exposed to certain financial risks. Primarily related to foreign exchange and interests.

Corporate Finance is responsible for centralised management of liquidity and financial risks in the Group's wholly owned entities. Corporate Finance operates as counterparty to the Group's entities, thus undertaking centralised management of liquidity and financial risks. Liquidity and financial risks arising in joint ventures are reported to Corporate Finance and thus managed on a decentralised basis. Management monitors the Group's financial risk concentration and financial resources on an ongoing basis.

The overall framework for financial risk management is laid down in the Group's Treasury Policy approved annually by the Board of Trustees. The Treasury Policy comprises the Group's currency and interest rate policy, financing policy and policy regarding credit risks in relation to financial counterparties and includes a description of approved financial instruments and risk framework. The overall framework is assessed on an ongoing basis.

The Group's policy is to refrain from engaging in speculative transactions. Thus, the Group's financial management focuses exclusively on managing financial risks that are a consequence of the Group's operations, investments and financing.

### Currency risks

The Group is exposed to exchange rate fluctuations as a result of the individual consolidated enterprises entering into purchase and sales transactions and having receivables and payables denominated in currencies other than their functional currency. Forward exchange contracts are used to ensure that the actual exposure does not exceed the currency exposure limit of the Group.

The Group is using forward contracts to hedge currency risks related to purchase of film rights and sports broadcasting rights. The cumulative value adjustments recognised in other comprehensive income amount to EUR 10.5 million (2018: EUR 16.9 million), which will be recognised in the income statement during 2020-2022.

As at 31 December 2019, a drop of 5% in the EUR/NOK exchange rate and an increase of 5% in the USD/DKK exchange rate would affect other comprehensive income with EUR –11.5 million (2018: EUR –12.1 million). The sensitivity analysis is based on financial instruments recognised at 31 December and an effectiveness of 100% of hedge accounting.

### Translation risks

The Group's primary currency risk exposure is denominated in NOK and relates to the Group's investments in wholly-owned entities and joint ventures, including long-term intra-group loans. As a main rule, these currency risks are not hedged, as ongoing hedging of such long-term investments is not considered to be the best strategy based on overall risk and cost considerations. Due to increase in exchange rate, the equity in 2019 is affected positively by EUR 9.2 million (2018: negatively EUR 8.8 million).

A 5% drop in the exchange rates of NOK would have impacted the 2019 profits by about EUR –1.0 million (2018: EUR –1.7 million), and the equity at 31 December 2019 by about EUR –31.2 million (2018: EUR –30.2 million). A positive change in foreign exchange rates would have a reverse impact on profits and equity based on the financial instruments recognised at end-2019 and end-2018, all other things being equal.

## 25 Financial risks and financial instruments (continued)

**Interest rate risks**

As a result of its investment and financing activities, the Group has an exposure related to fluctuations in interest rate levels.

The Group's policy is to hedge interest rate risks relating to loans when it is assessed that interest payments may be secured at a satisfactory level. The Group's interest rate risks are managed by entering into interest swap contracts, with floating-rate loans being converted into fixed-rate interest loans. The principal amount of interest swap contracts concluded by the Group for hedging purposes was EUR 54.6 million at 31 December 2019 and EUR 53.9 million at 31 December 2018. The cumulative fair value adjustments in other comprehensive income amounted to EUR –15.6 million at 31 December 2019 (2018: EUR –16.9 million), which will be recognised in the income statement over the coming 1-9 years (2018: 1-10 years).

As a result of the Group's use of derivative financial instruments to hedge its interest rate exposure relative to instruments of debt, changes in the fair value of the hedging instruments will impact the Group's reserve for hedging transactions under equity. A one percentage point drop in interest rates would reduce equity by about EUR 5 million. In addition, such an interest rate drop will not affect the income statement in any material way, because the effect by way of loss of interest income from net deposits and market value changes to derivative financial instruments equals out and in addition will be insignificant.

**Liquidity risks**

The Group's liquidity reserve comprises cash and cash equivalents, securities and unutilised credit facilities. To ensure optimum utilisation of cash and cash equivalents, the Group operates with cash pools. The Group has net interest-bearing debt of EUR 165.7 million (2018: net interest-bearing debts EUR 69.1 million).

The Group's financing consists primarily of Danish floating-rate mortgage loans expiring in 2039 and 2043 respectively and floating-rate loans denominated in NOK with the underlying facility having maturity in 2023. In the debt repayment schedule shown below, it is assumed that the loan facility will be continually extended.

The Group's liabilities other than provisions fall due as shown below. The debt repayment schedule is based on undiscounted cash flows incl. estimated interest payments based on current market conditions:

	Carrying amount	Contractual cash flows	Within 1 year	1 to 5 years	After 5 years
Mortgage debt	111,427	114,700	574	4,208	109,918
Other credit institutions	147,727	156,456	93,876	5,151	57,429
Lease liabilities	171,339	217,812	31,097	102,344	84,371
Trade payables	190,126	190,126	190,126	0	0
Payables to joint ventures and associates	330	330	330	0	0
<b>Non-derivative financial instruments</b>	<b>620,949</b>	<b>679,424</b>	<b>316,003</b>	<b>111,703</b>	<b>251,718</b>
Derivative financial instruments	25,512	18,805	3,202	10,068	5,535
<b>31 December 2019</b>	<b>646,461</b>	<b>698,229</b>	<b>319,205</b>	<b>121,771</b>	<b>257,253</b>
Mortgage debt	111,759	116,372	457	19,324	96,591
Other credit institutions	88,841	95,615	35,646	3,473	56,496
Trade payables	210,664	210,664	210,664	0	0
Payables to joint ventures and associates	268	268	268	0	0
<b>Non-derivative financial instruments</b>	<b>411,532</b>	<b>422,919</b>	<b>247,035</b>	<b>22,797</b>	<b>153,087</b>
Derivative financial instruments	25,571	20,781	570	11,549	8,662
<b>31 December 2018</b>	<b>437,103</b>	<b>443,700</b>	<b>247,605</b>	<b>34,346</b>	<b>161,749</b>

## 25 Financial risks and financial instruments (continued)

Changes in liabilities arising from financing activities	Non-current borrowings	Non-current lease liabilities	Current borrowings	Current lease liabilities	liabilities from financing activities
1 January 2019	165,432	0	35,168	0	200,600
Effect of new accounting standard	0	146,174	0	22,627	168,801
<b>Carrying amount at 1 January (restated)</b>	<b>165,432</b>	<b>146,174</b>	<b>35,168</b>	<b>22,627</b>	<b>369,401</b>
Additions through business combinations	0	1,415	360	0	1,775
Cash flows, net	(2,964)	0	61,422	(22,627)	35,831
New leases	0	23,868	0	0	23,868
Other	0	(19,421)	0	19,421	0
Foreign exchange adjustments	(54)	(118)	(210)	0	(382)
<b>31 December 2019</b>	<b>162,414</b>	<b>151,918</b>	<b>96,740</b>	<b>19,421</b>	<b>430,493</b>
1 January 2018	166,964	0	2,887	0	169,851
Additions through business combinations	3,701	0	0	0	3,701
Cash flows, net	(4,732)	0	33,967	0	29,235
Foreign exchange adjustments	(501)	0	(1,686)	0	(2,187)
<b>31 December 2018</b>	<b>165,432</b>	<b>0</b>	<b>35,168</b>	<b>0</b>	<b>200,600</b>

**Credit risks**

The Group's credit risks relate primarily to trade receivables, securities and cash and cash equivalents. The Group is not exposed to any significant risks associated with a particular customer or business partner. According to the Group's policy for accepting credit risk, all major customers are regularly credit rated.

*Trade receivables:*

Lifetime expected loss allowance for group trade receivables is calculated on basis on a simplified approach. To measure the expected credit losses, trade receivables are grouped based on shared credit risk characteristics. The expected loss rates are based on historical credit losses experienced in the last 3 years (2016-2018). The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables on basis of development in corporate insolvencies in the geographical areas.

On that basis, the impairment can be determined as follows:

Trade receivables 2019	Expected loss (%)	Gross amount	Expected loss	Net
Not past due	-0.3%	183,514	547	182,967
Past due - up to 30 days	-3.8%	13,024	491	12,533
Past due - between 30 and 90 days	-0.7%	14,221	106	14,115
Past due - over 90 days	-42.2%	9,162	3,864	5,298
<b>Total</b>		<b>219,921</b>	<b>5,008</b>	<b>214,913</b>

## 25 Financial risks and financial instruments (continued)

Trade receivables 2018	Expected loss (%)	Gross amount	Expected loss	Net
Not past due	-0.4%	159,464	607	158,857
Past due - up to 30 days	-1.3%	40,475	530	39,945
Past due - between 30 and 90 days	-1.9%	8,611	167	8,444
Past due - over 90 days	-19.1%	15,962	3,051	12,911
<b>Total</b>		<b>224,512</b>	<b>4,355</b>	<b>220,157</b>

For certain sales the Group receives collateral. This occurs typically in connection with the distribution of magazines where deposits are received. Trade receivables secured by collateral, with a consequent reduction in overall credit risk, amount to 52,095 (2018: 54,167). In addition, some of the Group's entities take out credit insurance against losses on trade receivables to the extent deemed relevant.

Trade receivables are grouped based on geographical areas with common characteristics. The impairment can be specified on the geographical areas as follows:

Geographical distribution of impairment 2019	Nordic Countries	Other European Countries	Total
Not past due	113	434	547
Past due - up to 30 days	69	422	491
Past due - between 30 and 90 days	106	0	106
Past due - over 90 days	2,160	1,704	3,864
<b>Total</b>	<b>2,448</b>	<b>2,560</b>	<b>5,008</b>

Geographical distribution of impairment 2018	Nordic Countries	Other European Countries	Total
Not past due	100	507	607
Past due - up to 30 days	274	256	530
Past due - between 30 and 90 days	163	4	167
Past due - over 90 days	1,653	1,398	3,051
<b>Total</b>	<b>2,190</b>	<b>2,165</b>	<b>4,355</b>

The development in the impairment of trade receivables can be specified as follows:

Impairment	2019	2018
Impairment at 1 January	4,355	3,469
Foreign exchange adjustments	41	(65)
Impairment in the year	2,525	2,828
Realised losses	(1,235)	(638)
Reversed impairment	(678)	(1,239)
<b>Impairment at 31 December</b>	<b>5,008</b>	<b>4,355</b>

*Securities, cash and cash equivalents:*

The Group is exposed to counterparty risk through its cooperation with financial counterparties via funds deposited, but also via credit commitments. The Group manages this risk by cooperating with banks with a sound credit rating.

## 25 Financial risks and financial instruments (continued)

Categories of financial instruments	2019	2018
Financial assets measured at fair value via the income statement	124,514	72,983
Financial assets used as hedging instruments	148	9,666
Financial assets measured at amortised cost	415,975	353,282
Financial liabilities measured at fair value via the income statement	2,938	8,509
Financial liabilities used as hedging instruments	22,574	17,063
Financial liabilities measured at amortised cost	620,949	411,532

The carrying amount of receivables and other financial liabilities (current) is equal to the fair value.

Mortgage debt and debt to other credit institutions (non-current) are floating-rate cash loans, and thus the fair value is equal to the carrying amount.

Securities are measured at listed prices (level 1). Derivative financial instruments are valued at fair value on the basis of inputs other than listed prices that are observable for the liability, either directly or indirectly (level 2).

## 26 Related parties

Egmont Fonden is a commercial foundation and has no owner with control.

The Egmont Group's related parties with significant influence comprise the foundation's Board of Trustees, Management Board and their close relatives, as well as enterprises in which this group of persons has material interests. The compensation paid to the Board of Trustees and Management Board is disclosed in note 4.

Related parties with significant influence also comprise joint ventures and associates; see notes 13; 14 and 31.

Transactions with joint ventures and associates:

	2019		2018	
	Joint ventures	Associates	Joint ventures	Associates
Receivables	15,936	3,182	13,975	3,667
Payables	185	145	239	29
Interest income	606	78	436	86

## 27 Deferred income - Contract liabilities

Contract liabilities comprise deferred income amounting to EUR 66.5 million at 31 December 2019 (2018: EUR 69.8 million).

Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounts to EUR 63.9 million (2018: EUR 68.7 million).



**28 Standards and interpretations not yet adopted**

IASB has issued a number of amended standards which have not yet entered into force, and which have consequently not been incorporated into the consolidated financial statements for 2019.

**29 Subsequent events**

On 6 January 2020 Egmont acquired further 41% in Garnius AS and Egmont now hold a majority stake in the company and on 2 March 2020 Egmont acquired 100% of the company EDULAB ApS. The purchase price amounted to EUR 3.8 million respectively EUR 7.0 million. Due to the timing of the acquisitions, no reliable purchase price allocation data is currently available. Apart from the above mentioned, no events have occurred after the reporting period.

**30 Acquisition and divestment of businesses****Acquisitions in 2019**

In 2019, the Group has acquired a further 22.7% of the shares in Fjellsport AS (and had 65.9%, before this was converted to a total of 80.23% in Outnordic AB) as well a further 32.8% of s360 A/S (and had 66.5% but now holds 57.5%). Please refer to separate section below for a further elaboration of the acquisition. Furthermore the Group has acquired other businesses for a total of EUR 4.2 million.

Fair value at acquisition date	Fjellsport AS	s360 A/S	Others	Total
Intangible assets	2,515	0	98	2,613
Property, plant and equipment	1,917	82	249	2,248
Other non-current assets	1,361	346	665	2,372
Current assets	11,538	2,606	6,525	20,669
Leases	1,136	281	0	1,417
Other non-current liabilities	(161)	(281)	(973)	(1,415)
Current financial liabilities	(349)	0	(11)	(360)
Other current liabilities	(8,334)	(2,896)	(4,083)	(15,313)
<b>Identifiable net assets</b>	<b>9,623</b>	<b>138</b>	<b>2,470</b>	<b>12,231</b>
Goodwill	10,460	14,077	7,746	32,283
Minority interest	(3,329)	(44)	(792)	(4,165)
<b>Purchase consideration</b>	<b>16,754</b>	<b>14,171</b>	<b>9,424</b>	<b>40,349</b>
Cash and cash equivalents, acquired	(1,596)	(606)	(2,056)	(4,258)
Fair value of assets transferred	(11,135)	(7,927)	(3,119)	(22,181)
<b>Total cash consideration paid</b>	<b>4,023</b>	<b>5,638</b>	<b>4,249</b>	<b>13,910</b>

Transaction costs attributable to the acquisitions are recognised in Other external expenses when incurred.

**Fjellsport AS, Norway**

The group acquired a further 22.7% of the shares (and had 65.9%, before this was converted to a total of 80.23% in Outnordic AB) in Fjellsport AS, a Norwegian E-commerce company, focusing on online sale of outdoor sport equipment and clothes in mainly the Norwegian market but also in Sweden. The shares were mainly acquired from the founder on 3 January 2019.

The net cash purchase price is EUR 4.0 million. Goodwill is mainly related to the workforce and the knowhow within the company (strong management and competent purchase and marketing departments) related to driving the online sales, while Trademarks (Fjellsport in Norway and Tindeberg in Sweden) was recognised as Intangible assets.

Non-controlling interests in the acquiree is measured at the proportionate share of the fair value of the acquired business' identifiable assets, liabilities and contingent liabilities.

The transaction costs for advisory in relation with the acquisition is EUR 0.1 million.

### 30 Acquisition and divestment of businesses (continued)

#### s360 A/S, Denmark

The group acquired a further 32.8% of the shares (and had 66.5% but now holds 57.5%) in s360 A/S, a Danish digital marketing agency, with headquarters in Aarhus and sales office in Copenhagen, focusing on PPC (Pay-per-click), SEO (Search engine optimisation) and analytics. The shares were mainly acquired from the two founders on 4 April 2019.

The net cash purchase price is EUR 5.6 million. Goodwill is mainly related to the workforce and the knowhow within the company related to both a strong management team as well as the client services which has a large share of attracting and retaining clients.

Non-controlling interests in the acquiree is measured at the proportionate share of the fair value of the acquired business' identifiable assets, liabilities and contingent liabilities.

The transaction costs for advisory in relation with the acquisition is close to 0.

#### Other

In 2019, Egmont Publishing Sweden, acquired a further 16.95% of the shares in Ingager AB (and now has a majority share of 59.3%) in order to continue to grow the business area Marketing Services. In addition to this Nordisk Film Biografer acquired the Viborg based cinema Fotorama Biograferne ApS through the acquisition of 100% of the shares. OY Nordisk Film acquired a further 11.02% of the shares in Nordic XR Startups OY (and now has a majority share of 60%), a company which supports digital startups in Finland.

Fjellspport Group AS, s360 A/S and Ingager AB was previously recognised as investments in joint ventures and associates. Gain from remeasurement of the existing equity interests at fair value amounts to EUR 9.7 million which is recognised under Other operating income in the statement of profit of loss.

Egmont has during 2019 acquired shares from minorities and sold shares to minorities, while retaining control of the company. The net cumulative effect of the acquisitions and sales made in 2019 amounts to -4.8 million which has been recognised as a reduction to Egmont Group share of equity.

#### Divestment 2019

TV 2 Norway has in 2019 sold all the shares in the subsidiary, Screen Media AS, to Banijay AS.

Fair value at divestment date	Screen Media AS
Intangible assets	44
Property, plant and equipment	711
Current assets	1,719
Other current liabilities	(308)
<b>Net assets divested</b>	<b>2,166</b>
Profit/(loss)	(1,130)
<b>Selling price on divestment of businesses</b>	<b>1,035</b>
Cash and cash equivalents, disposed	(1,424)
<b>Total cash consideration received</b>	<b>(389)</b>

## 30 Acquisition and divestment of businesses (continued)

**Acquisitions in 2018**

In 2018, the Group has acquired a further 78.26% of the shares in Fatalist Partners AB (Avalanche) and now holds 100% of the shares. Please refer to separate section below for a further elaboration of the acquisition. Furthermore the Group has acquired other businesses for a total of EUR 3.5 million.

Fair value at acquisition date	Fatalist Partners AB	Others	Total
Intangible assets	24,803	1,572	26,375
Property, plant and equipment	732	118	850
Other non-current assets	0	873	873
Current assets	30,815	3,162	33,977
Non-current financial liabilities	0	(3,701)	(3,701)
Other non-current liabilities	(7,726)	(524)	(8,250)
Other current liabilities	(7,143)	(1,761)	(8,904)
<b>Identifiable net assets</b>	<b>41,481</b>	<b>(261)</b>	<b>41,220</b>
Goodwill	67,909	4,870	72,779
Minority interest	0	189	189
<b>Purchase consideration</b>	<b>109,390</b>	<b>4,798</b>	<b>114,188</b>
Cash and cash equivalents, acquired	(21,919)	(1,332)	(23,251)
Fair value of assets transferred	(35,904)	0	(35,904)
<b>Total cash consideration paid</b>	<b>51,567</b>	<b>3,466</b>	<b>55,033</b>

Transaction costs attributable to the acquisitions are recognised in Other external expenses when incurred.

**Fatalist Partners AB, Sweden**

The group acquired a further 78.26% of the shares (and now holds 100%) in Avalanche Studios (Fatalist Partners AB), a Swedish games company, with offices in Stockholm and New York, focusing on both development of own games rights and work-for-hire contracts. The shares were mainly acquired from the three founders on 21 June 2018.

The net cash purchase price is EUR 51.6 million. Goodwill is mainly related to the workforce and the knowhow within the company related to creating new big successful games, while Trademarks (Avalanche Studios, The Hunter and Apex engine) and Development projects were recognised as Intangible assets.

The transaction costs for advisory in relation with the acquisition is EUR 0.1 million.

**Other**

In 2018, Egmont Publishing Denmark, acquired a further 30% of the shares in Unique Models A/S (and now has a majority share of 60%) in order to develop and grow a blog and influencer business in Denmark. In addition to this Egmont Publishing Norway acquired the blog-activities from Nettavisen (previously a JV) through the acquisition of 100% of the shares in the company Bloggsoft AS. Lindhardt & Ringhof acquired 100% of the shares in Specialpædagogisk Forlag to further strengthen the strategy of building a position within the niche area of special pedagogics. TV 2 Norway acquired an additional share of 17.96% in Electric Friends AS (and now has a majority share of 51.96%) and an additional share of 42% in Wolftech AS (and now has a majority share of 91%). The transaction costs for advisory related to the other acquisitions are very limited (< EUR 0.1m) as most of the acquisitions was handled by Egmont internally.

**Divestment 2018**

The level of divestments in 2018 was close to 0 and the divestment table has therefore been left out of the report.

## 31 Group entities

Unless otherwise stated, the entities are wholly owned. The entities marked with \* are owned directly by the Egmont Fonden.

Entities marked with \*\* do not prepare official annual reports.

### SUBSIDIARIES

Country	Entity	Registered office	Ownership share	
			2019	2018
Denmark	Egmont International Holding A/S *	Copenhagen		
	Egmont Publishing A/S	Copenhagen		
	Egmont Printing Service A/S	Copenhagen		
	Egmont Creative Solutions A/S	Copenhagen		
	Belong Group A/S <i>Partnergruppen PWG ApS owns</i>	Copenhagen	91.43% 8.57%	69.13% 10%
	Belong A/S <i>Belong Group A/S owns</i>	Copenhagen	100%	100%
	Very ApS <i>Belong Group A/S owns (Merged with Belong A/S)</i>	Copenhagen	-	100%
	GoShopping ApS <i>Bagaren och Kocken AB owns</i>	Herning	100%	100%
	Unique Models of Copenhagen A/S	Copenhagen	60%	60%
	Unique Social A/S <i>Unique Models of Copenhagen A/S owns</i>	Copenhagen	100%	-
	ABCiTY A/S	Copenhagen		
	s360 A/S	Aarhus	57.5%	37.2%
	Cooperante ApS <i>s360 A/S owns</i>	Aarhus	52%	-
	E-commerce Analytics ApS <i>s360 A/S owns</i>	Aarhus	80%	-
	Lindhardt og Ringhof Forlag A/S	Copenhagen		
	Nordisk Film A/S	Copenhagen		
	Nordisk Film Distribution A/S	Copenhagen		
	Nordisk Film Shortcut A/S	Copenhagen		
	Nordisk Film Production A/S	Copenhagen		
	Embassy Down A/S	Copenhagen		
	Nordisk Film Biografer A/S	Copenhagen		
	GoGift.com A/S	Copenhagen		
	Kino.dk A/S	Copenhagen	74%	74%
	Nordisk Film Bridge Finance A/S	Copenhagen		
	Dansk Reklame Film A/S	Copenhagen		
	Egmont Administration A/S	Copenhagen		
	Egmont Svensk Finansiering A/S	Copenhagen		
	Egmont Finansiering A/S	Copenhagen		
	Egmont Investering A/S	Copenhagen		
	Ejendomsselskabet Vognmagergade 11 ApS *	Copenhagen		
	Ejendomsselskabet Gothersgade 55 ApS *	Copenhagen		
	MBG Sleeping Egmont A/S **	Copenhagen		
	Partnergruppen PWG ApS	Copenhagen	73.34%	-
VPH Sleeping Egmont A/S **	Copenhagen			

## 31 Group entities (continued)

## SUBSIDIARIES

Country	Entity	Registered office	Ownership share	
			2019	2018
Norway	Egmont Holding AS	Oslo		
	Egmont Kids Media Nordic AS	Oslo		
	Egmont Publishing AS	Oslo		
	Fagmedia AS	Oslo		
	Nordiske Fagmedier AS	Oslo	75%	-
	Sempro AS	Moss	69.63%	69.63%
	Belong Norge AS	Oslo		
	<i>Belong Group A/S owns</i>		100%	100%
	Fjellsport Group AS	Sandefjord		
	<i>Outnordic Invest AB owns</i>		100%	43.21%
	Fjellsport AS	Sandefjord		
	<i>Fjellsport Group AS owns</i>		100%	100%
	Nordisk Film AS	Oslo		
	Nordisk Film Distribusjon AS	Oslo		
	Nordisk Film Production AS	Oslo		
	Nordisk Film ShortCut AS	Oslo	66%	66%
	Filmweb AS	Oslo	64.3%	64.3%
	Drammen Kino AS	Drammen	66.7%	66.7%
	Nordisk Film Kino AS	Oslo		
	Media Direct Norge AS	Oslo		
	Mortal AS	Oslo		
	Postcard AS	Oslo		
	TV 2 Gruppen AS	Bergen		
	TV 2 AS	Bergen		
	TV 2 Skole AS	Bergen		
	Nydalen Studios AS	Oslo		
	Broom.no AS	Oslo		
	Broommarked AS	Oslo		
	Electric Friends AS	Oslo	72.57%	51.96%
	Eventyrkanalen AS	Bergen		
	Vimond Media Solutions AS	Bergen		
	Wolftech Broadcast Solutions AS	Bergen	91%	91%
	TV 2 Invest AS	Bergen		
Screen Media AS	Oslo	-		
Screen Story AS	Stavanger	90.2%	90.2%	
Screen Story Film og TV AS	Stavanger			
<i>Screen Story AS owns</i>		100%	-	
Aventia Media AS	Nøtterøy	68%	68%	

## 31 Group entities (continued)

## SUBSIDIARIES

Country	Entity	Registered office	Ownership share	
			2019	2018
Sweden	Egmont Holding AB	Malmö		
	Egmont Publishing AB	Malmö		
	Egmont Publishing Subsidiary AB	Stockholm		
	Belong Agency Sweden AB <i>Belong Group A/S owns</i>	Stockholm	100%	100%
	Belong Studio AB <i>Belong Agency Sweden AB owns</i>	Stockholm	60%	60%
	Egmont Publishing Digital AB	Stockholm		
	Ingager AB	Stockholm	59.3%	42.28%
	Bagaren och Kocken AB	Gothenburg	85.75%	85.75%
	Outnordic Invest AB	Växjö	84.75%	94.05%
	Outnorth AB <i>Outnordic Invest AB owns</i>	Växjö	100%	100%
	Tindeberg AB <i>Fjellsport Group AS owns</i>	Sandefjord	100%	100%
	Nordisk Film Sverige AB	Stockholm		
	Nordisk Film Distribution AB	Stockholm		
	Nordisk Film Produktion Sverige AB	Stockholm		
	Avanti Film AB	Stockholm		
	Fatalist Partners AB	Stockholm		
	Fatalist Holdings AB	Stockholm		
	Fatalist Technologies AB	Stockholm		
	Fatalist Development AB	Stockholm		
	Fatalist Production 2 AB	Stockholm		
	Fatalist Production 3 AB	Stockholm		
	Fatalist Production 4 AB	Stockholm		
	Fatalist Production 5 AB	Stockholm		
	Fatalist Publishing AB	Stockholm		
	Expansive Worlds AB	Stockholm		
	Nordisk Film Biografer Sverige AB	Stockholm		
Finland	Egmont Holding Oy/Egmont Holding Ab	Helsinki		
	Oy Nordisk Film Ab	Helsinki		
	Nordic XR Startups Oy <i>Oy Nordisk Film Ab owns</i>	Helsinki	60%	48.98%
	search360 OY <i>s360 A/S owns</i>	Helsinki	75%	-

## 31 Group entities (continued)

## SUBSIDIARIES

Country	Entity	Registered office	Ownership share	
			2019	2018
Germany	Egmont Holding GmbH	Berlin		
	Egmont Ehapa Media GmbH	Berlin		
	Egmont Verlagsgesellschaften mbH	Berlin		
	Mitte-Editionen GmbH	Berlin		
	Egmont Ehapa Rights Management GmbH	Berlin		
	Egmont Ehapa Comic Collection GmbH	Berlin		
	Ingager GmbH <i>Ingager AB owns</i>	Berlin	100%	100%
GoGift GmbH	Frankfurt am Main		-	
United Kingdom	Egmont Holding Ltd.	London		
	Egmont UK Ltd.	London		
Poland	Egmont Polska sp. z o.o.	Warsaw		
Estonia	Egmont Estonia AS	Tallinn		
Latvia	Egmont Latvija SIA	Riga		
Lithuania	UAB Egmont Lietuva	Vilnius		
Ukraine	Egmont Investment UA LLC	Kiev		
	Egmont Ukraine LLC	Kiev	30%	30%
	<i>Egmont Investment UA LLC owns</i>		70%	70%
Bulgaria	Egmont Bulgaria EAD	Sofia		
Croatia	Egmont d.o.o.	Zagreb		
USA	Vimond Media Solutions Inc	New York		
	Avalanche Studios New York Inc.	New York		
China	Egmont Sourcing Hong Kong Ltd.	Hong Kong		
South Africa	Egmont Africa Pty, LTD	Cape Town	-	
Australia	Vimond Media Solutions Apac Pty Ltd	Sydney		

## 31 Group entities (continued)

## JOINT VENTURES

Country	Entity	Registered office	Ownership share	
			2019	2018
Denmark	Nicehair ApS	Esbjerg	59%	49%
	Valida Care ApS <i>Nicehair ApS owns</i>	Esbjerg	100%	100%
	Med24.dk ApS	Løkken	49%	49%
	RK af 2018 P/S	Copenhagen	50%	50%
	Komplementarselskabet RK af 2018 ApS	Copenhagen	50%	50%
	I/S Ugebladsdistribution **	Albertslund	50%	50%
Norway	Cappelen Damm Holding AS	Oslo	50%	50%
	Cappelen Damm AS <i>Cappelen Damm Holding AS owns</i>	Oslo	100%	100%
	Tanum AS <i>Cappelen Damm AS owns</i>	Oslo	100%	100%
	Sentraldistribusjon AS <i>Cappelen Damm AS owns</i>	Oslo	100%	100%
	Bazar Forlag AS <i>Cappelen Damm AS owns</i>	Eiksmarka	100%	100%
	Ex Libris Forlag AS <i>Cappelen Damm AS owns</i>	Oslo	100%	100%
	Teknologisk Forlag AS <i>Cappelen Damm AS owns</i>	Oslo	100%	100%
	Teknologisk Forlag 2 AS <i>Cappelen Damm AS owns</i>	Oslo	100%	100%
	Unibok AS <i>Cappelen Damm AS owns</i>	Oslo	50%	50%
	Teknologisk Forlag 3 AS <i>Cappelen Damm Holding AS owns (Merged with Cappelen Damm AS)</i>	Oslo	-	66%
	Storytel AS <i>Cappelen Damm AS owns</i>	Oslo	50%	50%
	Maipo Film AS	Oslo	50.1%	50.1%
	Sweden	Kanmalmo AB	Malmö	47.16%
Good Old AB <i>Kanmalmo AB owns</i>		Malmö	100%	100%
Finland	Solar Films Oy	Helsinki	50.1%	50.1%
	Egmont Kustannus Oy Ab	Helsinki	50%	50%
Turkey	Dogan Egmont Yayıncılık ve Yapımcılık A.S.	Istanbul	50%	50%
Australia	Hardie Grant Egmont Pty Ltd	Melbourne	50%	50%
China	Children's Fun Publishing Company Ltd.	Beijing	49%	49%



## 31 Group entities (continued)

## ASSOCIATES

Country	Entity	Registered office	Ownership share	
			2019	2018
Denmark	Zentropa Folket ApS	Hvidovre	50%	50%
	Flashbulb ApS	Copenhagen	42.97%	42.97%
	ES North A/S	Copenhagen	50%	50%
	Drive Studios ApS	Copenhagen	25%	25%
	Multiverse ApS	Copenhagen	45.07%	40%
	Reto-Moto ApS	Copenhagen	35.63%	35.63%
	Fridthjof Film A/S	Copenhagen	-	25%
	Udstyrsfabrikken ApS	Copenhagen	-	25%
	Publizon A/S	Aarhus	46%	46%
	Rejsepriser ApS	Copenhagen	25%	25%
Norway	Faktisk.no AS	Oslo	25%	25%
	Garnius AS	Haugesund	10%	10%
	Jollyroom AS <i>Jollyroom Group AB owns</i>	Sandefjord	100%	100%
	KinoSør AS	Kristiansand	49%	49%
	Markedspartner AS	Sarpsborg	25%	-
	Norges Mobil TV AS	Oslo	33.3%	33.3%
	Norges Televisjon AS	Oslo	50%	33.3%
	The Oslo Company AS	Oslo	20%	20%
	Publish Lab AS	Oslo	50%	50%
	RiksTV AS	Oslo	50%	33.3%
Sweden	Star Stable Entertainment AB	Stockholm	41.59%	39.94%
	Raw Fury AB	Stockholm	33.79%	26.15%
	Stella Nova Film AB	Stockholm	25%	25%
	Klintberg Nihlén Media AB	Stockholm	49%	49%
	Jollyroom Group AB	Mölndal	37.5%	37.5%
	Jollyroom AB <i>Jollyroom Group AB owns</i>	Mölndal	100%	100%
	Fem Förlag AB	Västra Frölunda	50%	50%
	Motorrad Nordic AB	Solna	44%	44%
	Okto AB <i>Kanmalmo AB owns</i>	Stockholm	40%	-
United Kingdom	Wendy Promotion Ltd.	London	50%	50%
	Wendy Animation Promotions Ltd. <i>Wendy promotion Ltd. owns</i>	London	100%	100%

# Income Statement of Egmont Fonden

(EURk)

Note		2019	2018
	Royalty income, etc.	1,432	1,528
2	Personnel expenses	(139)	(133)
	Other external expenses	(438)	(429)
	<b>Operating profit</b>	<b>855</b>	<b>966</b>
	Dividends from investments in subsidiaries	1,828	16,463
7	Financial income	1,707	1,481
7	Financial expenses	(5)	(30)
	<b>Profit before tax</b>	<b>4,385</b>	<b>18,880</b>
3	Tax on profit for the year	(105)	(117)
	<b>Net profit for the year</b>	<b>4,280</b>	<b>18,763</b>
	Distribution of net profit:		
	Transfer to reserve fund	850	3,744
	Transfer to charitable fund	850	8,308
	Transfer to liquid reserve fund	2,580	6,711
	<b>Total</b>	<b>4,280</b>	<b>18,763</b>

# Statement of Financial Position of Egmont Fonden at 31 December

(EURk)

Note	Assets	2019	2018
4	Investments in subsidiaries	180,844	180,902
5	Loans to group enterprises	87,018	87,046
	<b>Financial assets</b>	<b>267,862</b>	<b>267,948</b>
	<b>Total non-current assets</b>	<b>267,862</b>	<b>267,948</b>
	Receivables from group enterprises	21,231	28,401
	Other receivables	2,169	4,055
	<b>Receivables</b>	<b>23,400</b>	<b>32,456</b>
	Securities	685	645
	Cash and cash equivalents	384	788
	<b>Total current assets</b>	<b>24,469</b>	<b>33,889</b>
	<b>TOTAL ASSETS</b>	<b>292,331</b>	<b>301,837</b>
	<b>Equity and liabilities</b>	<b>2019</b>	<b>2018</b>
	Capital fund	29,451	29,460
	Reserve fund	235,008	234,233
	Charitable fund	3,745	8,308
	Liquid reserve fund	5,526	9,939
	<b>Total equity</b>	<b>273,730</b>	<b>281,940</b>
	Payables to group enterprises	99	128
	Donations committed but not yet paid	14,059	13,026
	Other payables	4,443	6,743
	<b>Current liabilities</b>	<b>18,601</b>	<b>19,897</b>
	<b>Total liabilities</b>	<b>18,601</b>	<b>19,897</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>292,331</b>	<b>301,837</b>

1 Accounting policies

6 Basis of distribution

7 Related parties

# Statement of Changes in Equity of Egmont Fonden

(EURk)

	Capital fund	Reserve fund	Charitable fund	Liquid reserve fund		Total equity
				Use according to articles 6-10	Use according to article 11	
Equity at 1 January 2019	29,460	234,233	8,308	9,101	838	281,940
Addition from merger	0	0	615	0	0	615
Foreign exchange adjustments	(9)	(75)	(4)	(5)	0	(93)
Transfer from distribution of net profit	0	850	850	2,322	258	4,280
Transfer	0	0	(6,024)	6,024	0	0
Used for charitable purposes	0	0	0	(10,829)	(668)	(11,497)
Costs	0	0	0	(1,461)	(54)	(1,515)
<b>Equity at 31 December 2019</b>	<b>29,451</b>	<b>235,008</b>	<b>3,745</b>	<b>5,152</b>	<b>374</b>	<b>273,730</b>
Equity at 1 January 2018	29,549	231,189	12,931	2,346	840	276,855
Foreign exchange adjustments	(89)	(700)	(53)	(17)	(4)	(863)
Transfer from distribution of net profit	0	3,744	8,308	6,040	671	18,763
Transfer	0	0	(12,878)	12,878	0	0
Used for charitable purposes	0	0	0	(10,782)	(615)	(11,397)
Costs	0	0	0	(1,364)	(54)	(1,418)
<b>Equity at 31 December 2018</b>	<b>29,460</b>	<b>234,233</b>	<b>8,308</b>	<b>9,101</b>	<b>838</b>	<b>281,940</b>

## 1 Accounting policies

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The financial statements of Egmont Fonden have been prepared in accordance with the provisions of the Danish Financial Statements Act applying to reporting class C enterprises (large) and the financial reporting requirements of the Foundation's Charter.

The accounting policies applied in the presentation of the financial statement are consistent with those of the previous year.

On 25 April 2019 the J.C Petersen og hustru Fanny Petersens legat was merged with Egmont Fonden with Egmont Fonden as the continuing Foundation. The grant of EURk 615 from J.C. Petersen og hustru Fanny Petersens legat has been added to the charitable fund and will be distributed according to the Foundations charter.

No cash flow statement has been included for Egmont Fonden, as reference is made to the consolidated cash flow statement.

Fee to auditors, see note 23 in the consolidated financial statements.

The accounting policies of Egmont Fonden deviate from the Group's accounting policies in the following areas:

### **Investments in subsidiaries**

Investments in subsidiaries are measured at cost. Where the recoverable amount is lower than cost, write-downs are made to this lower value.

### **Dividends**

Dividends from investments in subsidiaries are recognised in the financial year in which the dividend is declared, typically at the time when the general meeting approves the distribution of dividend by the relevant company.

### **Equity**

Profit is distributed according to the Foundation's Charter. The Charitable Activities' donations and associated expenses are charged directly to the liquid reserve fund under equity.

The foundation's equity consists of a capital fund and a reserve fund intended for the Commercial Activities. The capital fund is an undistributable reserve, while the reserve fund can only be distributed if it exceeds the consolidation requirements in the Foundation's Charter. The charitable fund serves to ensure the existence of funds required for Egmont Fonden's Charitable Activities. The liquid reserve fund is the amount which is to be used for charitable purposes under the Foundation's Charter within the scope of the Charitable Activities. The total of the charitable fund and the liquid reserve fund represent the Foundation's basis of distribution.

In the calculation of tax, due allowance is made for the deductibility of charitable donations made according to the Charter of Egmont Fonden. These are charged to equity. Tax provisions for future donations are also taken into account. Provision for deferred tax is made in case Egmont Fonden does not expect to use liquid funds for charitable purposes equal to the tax provisions.

<b>2 Personnel expenses</b>	<b>2019</b>	<b>2018</b>
Wages and salaries	(139)	(133)

Compensation to the Board of Trustees amounted to 196 in 2019 (2018: 204), of which 90 (2018: 96) was included in the costs of the Charitable Activities.

The Management Board of the foundation is also employed by Egmont International Holding A/S, which pays all salaries to the Management Board. The foundation pays an overall fee to Egmont International Holding A/S for this administration.

<b>3 Tax on profit for the year</b>	<b>2019</b>	<b>2018</b>
Royalty tax paid	(105)	(117)

Tax on profit for the year consists of royalty tax.

<b>4 Investments in subsidiaries</b>	<b>2019</b>	<b>2018</b>
Cost at 1 January	180,902	181,446
Foreign exchange adjustments	(58)	(544)
<b>Cost at 31 December</b>	<b>180,844</b>	<b>180,902</b>

For a list of subsidiaries please see note 31 in the consolidated financial statement.

<b>5 Loans to group enterprises</b>	<b>2019</b>	<b>2018</b>
Cost at 1 January	87,046	87,308
Foreign exchange adjustments	(28)	(262)
<b>Cost at 31 December</b>	<b>87,018</b>	<b>87,046</b>

<b>6 Basis of distribution</b>	<b>2019</b>	<b>2018</b>
Balance at 1 January	18,247	16,117
Addition from merger	615	0
Foreign exchange adjustments	(9)	(74)
Used for charitable purposes	(11,497)	(11,397)
Costs	(1,515)	(1,418)
Transfer from distribution of net profit	3,430	15,019
<b>Balance at 31 December</b>	<b>9,271</b>	<b>18,247</b>

## 7 Related parties

Related parties are defined as Egmont Fonden's Board of Trustees and Management Board, close family members of those persons, as well as Egmont Fonden's subsidiaries, associates and joint ventures.

Related parties also comprise companies controlled or jointly controlled by the aforementioned persons.

There is a duality of membership between the Board of Trustees and Management Board of Egmont Fonden and Egmont International Holding A/S.

Egmont Fonden receives royalty income and dividends from subsidiaries. Egmont Fonden pays for rent and administrative services delivered by subsidiaries. Egmont Fonden receives interest on loans to subsidiaries. Related party transactions are made on arm's length terms.

The compensation paid to the Board of Trustees and Management Board is disclosed in note 4 in the consolidated financial statement.

<b>Trading with subsidiaries</b>	<b>2019</b>	<b>2018</b>
Service fee	173	161
Rent	(73)	(55)
Acquisition of services	(99)	(251)
Interest, subsidiaries (net income)	1,562	1,565
<b>Capital transactions and balances with subsidiaries at 31 December</b>	<b>2019</b>	<b>2018</b>
Dividends from group enterprises	1,828	16,463
Loans to group enterprises	87,018	87,046
Receivables from group enterprises	21,231	28,401
Payables to group enterprises	(99)	(128)