EGMONT

We bring stories to life

EGMONT FONDEN

Annual Report 2017

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Management's review

CONSOLIDATED FINANCIAL HIGHLIGHTS	2017	2016	2015	2014	2013
Key figures (EUR million)					
Revenue	1,515.0	1,559.9	1,575.8	1,552.0	1,477.0
Profit before net financials, depreciation, amortisation and impairment losses (EBITDA)	159.1	170.2	190.0	236.7	184.4
Operating profit	78.7	73.7	97.0	131.2	102.1
Profit/(loss) from investments in associates	2.6	(4.5)	6.8	3.3	4.6
Financial income and expenses, net	(3.1)	1.0	(2.3)	(7.1)	(8.1)
Profit before tax (EBT)	78.2	70.2	101.6	127.4	98.7
Profit for the year	60.7	62.1	85.3	107.7	74.6
Total assets	1,693.0	1,621.0	1,608.9	1,542.1	1,484.6
Investments in intangible assets	72.5	52.6	51.3	64.3	64.6
Investments in property, plant and equipment	39.2	27.1	36.2	21.1	25.1
Net interest-bearing debt/ (net interest-bearing deposits)	(40.3)	(46.8)	(57.4)	(33.7)	64.0
Equity	829.6	833.3	755.0	704.3	664.8
Cash generated from operations *	203.2	103.3	156.4	230.2	218.1
Financial ratios (%)					
Operating margin	5.2	4.7	6.2	8.5	6.9
Equity ratio	48.7	51.2	46.7	45.4	44.6
Return on equity	7.3	7.8	11.7	15.7	11.0
Average number of full-time employees	3,787	3,866	4,037	4,050	4,177

** 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 guidelines.

We Bring Stories to Life – is the essence of Egmont. We are committed to stories and journalism significant to our users and society. We apply technology to our strong content to make it easy for the modern consumer to read, watch, listen, play and shop.

Egmont is a commercially operating foundation. Our purpose is to reinvest profits in building great media positions and help children and young people through social programmes – in 2017 we donated EUR 12.9 million in Denmark and Norway.

We have 6,600 employees that work in companies building upon content, curation, and technology within TV, films, cinemas, gaming, magazines, books, e-commerce and marketing services. Many of these companies saw a solid development in 2017.

Egmont grew revenue in TV, e-commerce, gaming and marketing services, whereas revenue in print was declining. Consolidated revenue saw flat development in 2017 (adjusted for currency and mergers & acquisitions), whereas profit before tax grew by 11%.

TV 2 had a good year with strong content driving higher market share in a declining linear TV-market and with continued digital growth in TV 2 Sumo and tv2.no. Revenue reached all time high level and TV 2 moved into new office and studio facilities in Bergen and Oslo at the end of 2017, an important part of the ongoing organisational transformation programme.

Nordisk Film delivered a good result across film, games and cinemas and increased its investments in games development companies. The cinema advertising company Dansk Reklame Film discovered manipulated data in the IT-system leading to some campaigns not run to the extent specified to customers. Accrual for compensation to customers affect revenue and EBT negatively with EUR 12.8 million.

Egmont Publishing delivered a strong result in a challenging market. The result is based on solid performance in key markets combined with strong cost control in general. The expansion of e-commerce and marketing services companies continued, a substantial growth was obtained in both areas, and further investments were made.

In Egmont Books, Cappelen Damm reached all time high revenue and Lindhardt og Ringhof delivered a solid result. Lindhardt og Ringhof has now made 20,000 book titles available as digital editions.

THE GROUP

Revenue

Egmont's total revenue for 2017 amounted to EUR 1,515.0 million, EUR 44.9 million less than last year. Adjusted for currency, acquisitions, and divestments of businesses the revenue was 1.2% down against last year.

Earnings

Profit before net financials, depreciation, and amortisation (EBITDA) amounted to EUR 159.1 million. The EBITDA margin came to 10.5% against 10.9% in 2016.

The pre-tax profit (EBT) in 2017 amounted to EUR 78.2 million compared to EUR 70.2 million the year before.

Tax on profit for the year amounted to an expense of EUR 17.5 million, corresponding to an effective tax rate of 22.4% compared to 11.6% the year before. The effective tax rate in 2016 was significantly affected by non-taxable income and lowering of corporate tax rate in Norway. Adjusting for this, the effective tax rate for 2016 was in the level of 23%.

The net profit for the year was EUR 60.7 million in 2017 against EUR 62.1 million the year before.

Balance sheet

Total assets increased by EUR 72.1 million to EUR 1,693.0 million as a result of increased activity and acquisitions, which more than compensated for the decrease caused by the lower Norwegian kroner exchange rate (EUR/NOK 10.16 in 2017 compared to EUR/NOK 11.01 in 2016).

The Group's net interest-bearing deposits amounted to EUR 40.3 million against EUR 46.8 million in 2016.

Egmont's equity at end-2017 amounted to EUR 829.6 million compared to EUR 833.3 million in 2016. The equity was reduced by foreign exchange adjustments on translation of foreign entities (lower Norwegian exchange rate) and donations.

Return on equity was 7.3% compared to 7.8% the year before.

The equity ratio at end-2017 came to 48.7% compared to 51.2% the year before.

Cash generated from operations amounted to EUR 203.2 million against EUR 103.3 million in 2016. The increase is attributable to the development in non-cash operating items as well as the development in change in working capital.

Cash flows from change in working capital was positively affected by accrual payment regarding the acquisition in Outnorth (see note 29), EUR 21.4 million and accrual payment to customers in Dansk Reklame Film. Cash flows from investing activities amounted to an expense of EUR 145.4 million, an increase of EUR 19.7 million against the year before primarily due to further investments in subsidiaries, associates and other investments.

TV 2, Norway

Revenue in 2017: EUR 456 million (2016: EUR 448 million)
Operating profit in 2017: EUR 35 million (2016: EUR 11 million)
Employees in 2017: 884 (2016: 987)

TV 2 is the largest Norwegian media house and the leading commercial broadcaster, operating nine TV channels including the leading commercial channel TV 2. TV 2 also operates the largest Norwegian paid streaming service, TV 2 Sumo, and the news service tv2.no, among the top three commercial web sites in Norway. TV 2's main focus areas are breaking news, unique Norwegian entertainment and major sports events.

Revenues in 2017 amounted to EUR 456 million against EUR 448 million in 2016. Measured in local currency revenue increased by 2.2%. Operating profits for 2017 were EUR 35 million against EUR 11 million in 2016. During 2017, TV 2 effectuated major parts of its on-going restructuring programme, reducing operational costs with approximately EUR 25 million and putting in place a new organisational structure for the news department.

In 2017, the Norwegian government issued a tender for a new five year public service broadcaster assignment under which the chosen broadcaster is required to deliver a broad public service programming, including daily news, current affairs, children's programmes and Norwegian film and TV series, as well as uphold headquarters outside of the nation's capital, Oslo. TV 2 was the only applicant and awaits the processing by authorities.

TV 2 CHANNELS

The main channel TV 2 had a strong year in 2017 with consistently high ratings on flagship concepts like *Farmen, Skal vi danse?* and *The Voice*. New concepts have also been well received by the market. Although 2016 was a strong year for TV 2, with the Rio Olympics and UEFA Euro Championship, TV 2 still managed to increase its market share in 2017.

TV 2 Nyhetskanalen, the only Norwegian 24/7 news channel, continued to grow (from 2.8 % to 2.9 %) and is now established among the top five commercial channels in the market and the obvious first choice for breaking TV news. The other genre channels (TV 2 Zebra, TV 2 Sportskanalen, TV 2 Livsstil and TV 2 Humor) have stable market shares. The total market share of the genre channels was 9.1% in 2017 in the 20-49 year target group.

TV 2's Premier League channels (TV 2 Sport Premium) continued to deliver strong ratings, often higher than national league matches broadcast on open channels (Discovery). However, subscription uptake for the premium channels shows a slight decrease due to increased competition and piracy.

The total market share for all TV 2 channels was 30.7% in the 20-49 year target group (up 1.2%) and 27.4% in the 12+ viewing group (up 0.2%). In the commercial market (20-49 year target group excluding NRK) TV 2's share was 48.3% up from 46.6% in 2016.

TV 2 SUMO

A new and dedicated organisation unit for TV 2 Sumo is in place and investments have been made to position TV 2 Sumo for further growth. Priority in 2017 has been to increase customer satisfaction and reduce churn rates. Sumo has acquired exclusive OTT rights for the NBC reality service *Hayu*. Content and publishing strategy is in process, combining the strengths of linear and streaming platforms, optimising return on content investments and preparing for future growth.

RIGHTS ACQUISITIONS

Exclusive sports rights are becoming increasingly more valuable. In 2017, TV 2 secured rights to UEFA Champions League for 2018-2021 (shared with MTG) and UEFA Europa League 2018-2022.

DIGITAL SALES

TV 2 has entered into a partnership with Egmont Publishing to strengthen joint digital sales on TV 2 and Egmont sites in Norway. TV 2 has also partnered with Schibsted opening up for programmatic sales on TV 2 sites, based on Schibsted sales platform.

VIMOND MEDIA SOLUTIONS

The streaming and on demand platform provider Vimond Media Solutions continued to grow in 2017. License revenues are up 28%. The company has 94 employees from 20 nations. Vimond has acquired new customers in Australia and the Philippines and successfully renewed all expiring customer contracts.

Nordisk Film

Revenue in 2017: EUR 498 million (2016: EUR 530 million)
Operating profit in 2017: EUR 17 million (2016: EUR 32 million)
Employees in 2017: 1,017 (2016: 978)

Nordisk Film develops, produces and markets films and TV series across the Nordic region. It operates the leading cinema chains in Denmark and Norway and distributes PlayStation in the Nordic and Baltic countries. Nordisk Film is also involved in a number of high growth digital business areas, e.g. gift cards, computer games development, ticketing services, eSports and OTT platforms.

Nordisk Film delivered a good result across film, games and cinemas with revenue amounting to EUR 498 million in 2017 against EUR 530 million in 2016. A weaker film title line-up impacted the cinema business.

Operating profit of EUR 17 million was down from 2016 based on lower revenues and investments in growth areas. Nordisk Film pursues a strategy of developing the core business areas whilst investing in new adjacent businesses. The cinema advertising company Dansk Reklame Film discovered manipulated data in the IT-system leading to some campaigns not run to the extent specified to costumers. Accrual for compensation to costumers affect Nordisk Film's revenue and EBT negatively with EUR 12.8 million.

FILM AND TV

Nordisk Film produces, co-produces and markets feature films and TV series, both as in-house productions and in association with Nordic and international partners.

In 2017, Nordisk Film's fully owned production company, Nordisk Film Production, was behind a number of successful films. The blockbuster *12th Man* sold more than 600,000 cinema tickets in Norway. In Denmark, the animation feature *The Incredible Story of the Giant Pear* sold 220,000 cinema tickets. In Sweden, the re-make comedy *All Inclusive* drew 270,000 to the cinemas.

Nordisk Film was also the co-investor and distributor of several Nordic film successes – among them the top five grossing films in Denmark such as Zentropa's *You Disappear* (190,000 tickets). In Norway, Nordisk Film distributed *Ash Lad* from partly owned Maipo (350,000 tickets). In Sweden, Nordisk Film was distributor and co-investor in *Borg* with great international success. In Finland, Nordisk Film released the third instalment of *Lapland Odyssey* (250,000 tickets). Nordisk Film's biggest international title was *La La Land* (900,000 tickets across the Nordics).

In 2017, Nordisk Film made distribution deals for the Nordics with US major 20th Century Fox, Participant Media and AwesomenessTV adding a number of international titles to the collective line-up. On Nordic content, Nordisk Film has entered into development agreements for film and TV series with several Nordic production companies. Also, a minority ownership share of Danish production company Drive Studios was acquired.

CINEMAS

Nordisk Film continued to expand and strengthen its operations in the Danish and Norwegian cinema markets. Nordisk Film operates 43 cinema multiplexes; 22 in Denmark and 21 in Norway and is the market leader in both countries. Nordisk Film sold 5.3 million cinema tickets in Denmark and 3.7 million cinema tickets in Norway.

In 2017, construction began on Nordisk Film's first cinema multiplex in Sweden. Nordisk Film also opened two new cinema multiplexes in Denmark. The first 4dx cinema screen was introduced in Norway.

GAMING

In 2017, global sales for PlayStation 4 exceeded 70 million units since the introduction of the console. 2017 was also a great year for content with hits such as *Horizon Zero Dawn, Gran Turismo Sport* and *Uncharted Lost Legacy*. In 2017, Nordisk Film entered into a Nordic distribution deal with US interactive entertainment company Activision Blizzard adding strong titles such as *Call of Duty WW2, Destiny 2* and *Crash Bandicoot* to the content catalogue.

Accelerating new business, Nordisk Film has ventured into games development investing in the Nordic gaming industry and building a portfolio of minority investments. In 2017, investments in four gaming studios were made; Flashbulb Games (DK), Avalanche Studios (SE), Multiverse (DK) and RETO MOTO (DK). The companies have progressed well and especially Avalanche Studios has outperformed expectations.

In 2017, Nordisk Film took the first steps into eSports founding the eSports joint venture North with Danish football club F.C. Copenhagen.

GIFT CARDS

GoGift focuses on gift cards and innovative gifting solutions and has during 2017 built a global division able to serve corporate clients with gifting needs in more than 50 countries worldwide. Investments have been made in implementation of new finance system, new web platform, incorporation of the acquired ShopPartner and tech driven product development. GoGift has during 2017 shown strong growth in all core markets.

Egmont Publishing

Revenue in 2017: EUR 505 million (2016: EUR 529 million)
Operating profit in 2017: EUR 33 million (2016: EUR 40 million)
Employees in 2017: 1,543 (2016: 1,581)

Egmont Publishing is active in three business areas – publishing, e-commerce and marketing services. Magazine and book publishing is the biggest business area and Egmont Publishing holds market-leading positions in several regions. During the last five years Egmont Publishing has invested in a portfolio of Nordic companies within e-commerce and marketing services to increase growth.

Revenue amounted to EUR 505 million against EUR 529 million in 2016. The decrease is caused by a decline in print publishing. Substantial growth in e-commerce and marketing services contributed positively but most revenues are not consolidated because of a minority ownership in the main part of the portfolio companies.

Operating profit of EUR 33 million was down from 2016 based on the development in publishing and considerable investments in new business areas but strong profitability is still seen in most markets, especially Norway and Sweden.

PUBLISHING

Egmont Publishing publishes more than 700 weekly and monthly magazine titles and hundreds of children's books in more than 30 countries.

Publishing showed strong performance in an increasingly challenging market. Circulation and advertising continued to decline but with portfolio management, organisational adaptations and benefits from Egmont Publishing's leading positions the effect is balanced. Strong performance in Norway and Sweden, publishing *Asterix* in Germany and sound development in B2B sales contributed positively to revenues and profits. Denmark and the CEE region delivered according to plan and the English-speaking region was a bit lower than expected but all realised a solid profit.

In the digital space Egmont Publishing in Norway expects a stronger position in the years to come due to in-sourcing of several existing Nettavisen activities and a closer commercial partnership with TV 2. The digital magazine platform *Flipp* shows strong performance in Norway and Denmark and *MIN* – a pure mobile magazine app that enables subscribers to get personalised feeds from Egmont Publishing's magazines – was launched with success in Norway.

PEOPLE was established in 2017. The in-house influencer agency has the ambition of taking a leading role in the Norwegian market and activities will be merged with blogg.no from Nettavisen to reach the ambition.

The Chinese joint venture Childrens Fun Publishing delivered substantial growth and strong performance. Joint ventures in Finland with Sanoma and the Turkish and Australian joint ventures all performed according to plan.

E-COMMERCE

In 2013, Egmont Publishing ventured into e-commerce with the ambition of establishing a sustainable growth business. The ambition for the portfolio is to reach EUR 500 million in revenue in 2020. The portfolio consists of six Nordic e-commerce businesses – Jollyroom, Fjellsport, Outnorth, Bagaren och Kocken, Med24 and Nicehair – in distinct niche areas. The position in Animail was exited during the year.

All entities are showing strong growth and underlying margins in line with expectations. Revenues in the portfolio amounted to approx EUR 235 million in 2017.

During 2017, Egmont Publishing acquired all shares in Bagaren och Kocken. Through Bagaren och Kocken, a majority position in the Danish e-commerce company GoShopping was acquired.

Egmont Publishing increased its ownership in Outnorth substantially and now owns the vast majority of the company's shares.

Jollyroom is the Nordic market leader within the "parenting" category and by far the biggest company in the portfolio with revenues of EUR 103 million and a growth rate of +50%.

MARKETING SERVICES

Egmont Publishing has the ambition of developing a strong Nordic position within marketing services built on acquisitions of digital agencies. Marketing services is a key growth area within modern marketing. As of 2018, the total portfolio consists of six companies; Sempro, KAN, Patchwork Group, s360, Klintberg Nilèhn and Ingager.

During 2017 Egmont Publishing merged activities from Bonzaii into Sempro in Norway. Furthermore, Egmont Publishing acquired a majority position in Patchwork combined with a merger between Patchwork and Very; a successful Danish agency within influencer marketing. In December 2017, Egmont Publishing acquired a minority position in the Swedish company Ingager, specialising in marketing on social media platforms.

The portfolio revenues are growing and especially s360, KAN and Klintberg Nilèhn showed very strong profitability. Acquisition activities will continue. In general, consolidation is expected to take place in the market both at national and Nordic level.

Egmont Books

Revenue in 2017: EUR 48 million (2016: EUR 44 million)
Operating profit in 2017: EUR 5 million (2016: EUR 6 million)
Employees in 2017: 226 (2016: 195)

Egmont Books comprises Norway's leading publishing house, Cappelen Damm, and the Danish publisher Lindhardt og Ringhof. Egmont's non-Scandinavian book publishing activities are part of Egmont Publishing.

LINDHARDT OG RINGHOF

The publishing house includes the publishing units Lindhardt og Ringhof, Alinea, Akademisk Forlag, Alfabeta, Carlsen, Saga Egmont and from 2018 the new imprint Story House. Lindhardt og Ringhof published a total of approx 600 new titles in 2017. By December 2017 20,000 book titles have been made available as digital editions.

Lindhardt og Ringhof's results were affected by investments in digital development and a number of licenses with a strong 2017 concerning revenue but an operating profit on a lower level than 2016.

The Lindhardt og Ringhof fiction list 2017 was comprised of well-reviewed bestsellers such as Danish author Thomas Korsgaard's *Hvis der skulle komme et menneske forbi*. One of the year's bestselling Danish crime novels was *Ligblomsten* by Anne Mette Hancock. Lindhardt og Ringhof also successfully published new books by well-established authors such as Steffen Jacobsen and Sissel-Jo Gazan.

The non-fiction division held the position as leading publisher of history, cookbooks, lifestyle and culture, publishing books by authors such as Jamie Oliver, Claus Meyer and Yotam Ottolenghi. With the book *Sluk – kunsten at overleve i en digital verden* by M.D. Imran Rashid, Lindhardt og Ringhof set the agenda in the on-going discussion about human beings in a digital world.

Carlsen's children's books celebrated its 75th anniversary and received three out of five literary prizes at The Danish Library Association's fiction prize.

In 2017, Alinea published *CampEnglish*, a new in-house developed title of its next generation digital learning materials and during the year finalised both platform and content for its new portals covering all courses, all levels. In total, 28 portals launched early January 2018 setting a new market standard for digital learning materials for the primary and lower secondary school.

Saga Egmont, publisher of e-books and audio books, has now established itself in Sweden, Norway and Germany and will expand into Poland, the Netherlands and Finland during 2018.

CAPPELEN DAMM

Cappelen Damm is Norway's largest book publisher with a range of activities from general literature, education, book clubs and e-commerce to the bookstore chain Tanum and the distribution business Sentraldistribusjon. Cappelen Damm publishes more than 1,500 new titles annually and is co-owned by Egmont and Bonnier 50/50.

Cappelen Damm's market position was further strengthened in 2017. The publishing house presented a very strong fiction list with authors such as Dan Brown, Roy Jacobsen and Lars Saabye Christensen.

The audiobook streaming service Storytel Norge, co-owned by Cappelen Damm and Storytel 50/50, has increasingly strategic importance for publishers and authors.

The digital support tool VAR Healthcare, already market leader in the Norwegian and Danish healthcare sectors, is planning for launch in Germany in 2018. These digital initiatives already contribute significantly to Cappelen Damm's results.

To further strengthen Cappelen Damm's rights position three publishing companies Font, Fontini and Arneberg forlag were acquired during 2017.

The Charitable Activities

Since 1920, Egmont Fonden has donated EUR 386 million in present value to help fund charitable activities. In 2017, the foundation's donations amounted to EUR 12.9 million for activities in Denmark and Norway.

Egmont Fonden adopted a new philanthropic strategy for the period 2017-21. The overall objective is to ensure that by 2030 all young people are able to complete an upper secondary education. This means that all children and young people must be able to master reading, writing and math when they leave lower secondary school. And they must have the social and personal skills necessary to cope in life.

STRENGHTENING LEARNING AND LIFE SKILLS

Children and young people placed in care constitute one of the foundation's most important target groups. About 11,000 children and young people in Denmark are placed outside the home, just under half of them complete the final 9th grade examination, and six years after leaving lower secondary school only one in five has completed an upper secondary education.

The signature program *Learn for Life* is among Egmont Fonden's most important investments in children and young people placed in care and celebrated its fifth anniversary in 2017. Approx 400 children placed in care are enrolled in the program.

CHILD PARTICIPATION

In April 2017, Egmont Fonden hosted its first *Children's Summit*, which will be a recurring annual event. Here, Egmont Fonden provided a platform for 30 children and young people placed in care to share their opinions on initiatives that can help strengthen their learning and life skills. Children can contribute with crucial knowledge not only in relation to their own development but also in relation to society as a whole, thus child participation is a vital part of the foundation's DNA.

The Egmont Report 2017 further highlighted what is needed to ensure that children and young people placed in care become able to complete an upper secondary education. The report is based on child participation, interviews with researchers, case stories and new data.

FOCUS ON READING

Egmont Fonden has invested in a number of initiatives in 2017 to strengthen vulnerable children's reading skills. The following five organisations received support for reading activities: *Read for Life, Homestart, Reading dogs, Letterbox Club* under the Danish Refugee Council and *Reading Friend* under Norwegian Women's Public Health Association. Egmont Fonden has supported these initiatives with a total of EUR 1.3 million.

NEW PARTNERSHIPS

In 2017, Egmont Fonden has entered into two new partnerships that focus on strengthening vulnerable children's reading and life skills:

One ambitious partnership is with Save the Children Youth. The organisation runs 30 learning cafes throughout Denmark. The aim of the partnership is to ensure that the number of cafes is increased to 120 so that 5,000 vulnerable children and young people with academic and social challenges can get help to boost their motivation for schooling. The partnership covers the period 2018-2021 and Egmont Fonden has granted a total of EUR 2.5 million for the initiative.

In 2017, under the initiative *A Helping Hand*, Egmont Fonden also entered into a partnership with Efterskoleforeningen – an association representing so-called "efterskoler", which is residential schools for students aged 14-18. The partnership aims to ensure that more young people from low-income families get help to pay for a stay at an "efterskole". The partnership will run for a period of five years and the foundation has granted a total of EUR 0.7 million for the initiative.

In adition Egmont Fonden has established partnerships with Red Cross, The Mother's Care Association, The Children's Aid Foundation and Norwegian Women's Public Health Association under *A Helping Hand*. A total of EUR 1.3 million was distributed under *A Helping Hand* in 2017.

NORDISK FILM FONDEN

Nordisk Film Fonden is part of Egmont Fonden and donated EUR 0.7 million in 2017 for initiatives that support talents and encourage the great film story. The scholarships *Big Polar Bear* and *Little Polar Bear* helped 59 talents travel the world to develop their artistic and technical skills. The evaluation shows that the international training contributes positively to the talents' further career paths. The prestigious Nordisk Film Award went to director Fenar Ahmad. New in 2017 was the launch of the award show *Isbjørnen* (*The Polar Bear*) presenting all Nordisk Film Fonden's three honorary awards in one show. Also new in 2017 was the well-received one-day conference *Picture this* focusing on the intersection of new technology, storytelling and the film narrative. A spin-off was VFX New Stories that will bring amasing effects in films by emerging talents received EUR 0.1 million the biggest single donation ever.

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.

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 3.0 million (2016: 3.0 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 connection with the Annual Meeting in March 2017, the Chairman Steen Riisgaard resigned from Egmont Fonden's Board of Trustees. Steen Riisgaard joined the Board of Trustees in 2002, and he was elected Vice Chairman in 2009 and Chairman in 2014.

Following the Annual Meeting in 2017, the Board of Trustees convened and elected Lars-Johan Jarnheimer as Chairman and Torben Ballegaard Sørensen as Vice Chairman.

Josh Bottomley and Christian Wegner joined the Board of Trustees in 2017.

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 2017 can be reviewed and downloaded at 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 2017 based on the Recommendations on Corporate Governance in order to provide a more complete and transparent overview of governance at Egmont. The report can be reviewed and downloaded at www.egmont.com/corporategovernance.

In March 2017, the Board of Trustees decided on some changes to the Foundation Charter, chapter 5 regarding the Foundation's management. The changes include a specification of the competences and experience required with respect to the members of the Board of Trustees. The changes have been approved by the Danish Business Authority.

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.

Pursuant to section 99a in the Danish Financial Statements Act, Egmont's Communication on Progress (COP) in its entirety replaces our statutory report on Corporate Social Responsibility (CSR). The full report can be downloaded at: www.egmont.com/COPreport. The COP report also includes Egmont's report on targets and policy with respect to the underrepresented gender in accordance with section 99b of the Danish Financial Statements Act.

The highlights from Egmont's COP 2017 are set out below.

PEOPLE

Egmont continues to support the principles of human and labour rights through a number of policies and initiatives promoting those rights in Egmont and at suppliers. In 2017, Egmont focused on the commitment to respect human rights throughout the supply chain.

Egmont Social Compliance Programme

In 2017, Egmont continued to monitor the social compliance level of manufacturers (suppliers) via social audits and has an on-going dialogue with key suppliers to follow up on audit findings. A new product safety and quality tool box was launched internally to support Egmont's goal of placing safe products on the market.

Employee Engagement

In 2017, Egmont focused on initiatives that future-proofs Egmont in the ever-changing media and entertainment industry. Egmont has launched a new leadership development programme, a new way of doing people engagement surveys and a new approach to performance management. Moreover, Egmont has focused on adjusting the workforce to have an agile workforce that fit market demands.

Gender Composition in Management

The gender split in Egmont's general workforce is nearly equal with 45% men and 55% women. The same applies to the overall management levels where overall 50% are men and 50% are women. In the Danish organisation, male managers account for 56% and female managers for 44%. Pursuant to the law this means that no gender is underrepresented.

Egmont's target with respect to the underrepresented gender on the Board of Trustees is to have one female board member no later than in 2018. Egmont appoints board members on the basis of their competences and uses external help to identify potential professional members to the Board of Trustees. Search companies are asked to present both male and female candidates who have relevant experience and competences for the board. In 2017, two new members were elected to the Board of Trustees. The search company that assisted Egmont presented a number of candidates including women, however, after careful consideration driven by the competences needed in Egmont, two male candidates were elected. The target mentioned above is also valid for the eight Danish Egmont companies that are required under Danish law to set such target. In 2017, five of these eight companies met the target.

PLANET

Environmental Compliance

Manufacturers of Egmont products are obliged to comply with all applicable environmental laws and regulations under the Egmont 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.

Environment and Climate

In 2017, Egmont had a kick-off meeting to implement an environmental policy. The project group decided on action points, which will be executed in 2018. Egmont also started the initial data collection process to comply with the reporting requirements in the Danish Financial Statements Act §99a regarding environment and climate from the fiscal year 2018.

PROFIT

Anti-corruption and Anti-bribery Policy

Egmont has an anti-corruption and anti-bribery policy, which is mandatory for all Egmont companies. The policy was in 2017 communicated to new employees and managers through mandatory e-learning and will be incorporated into a new employee Code of Conduct which will be rolled-out in

2018. The anti-corruption policy has also been integrated in the Egmont Code of Conduct, which is communicated to and integrated into the contracts with major business partners and suppliers.

Whistleblowing Policy

As part of Egmont's ambitions to eliminate corruption and other serious misconduct, a whistleblowing system is available. The system is an encrypted homepage through which employees and other stakeholders can voice their suspicion. In 2017, one report was made to the system regarding alleged conflict of interests with respect to a deal entered into by a business manager many years ago. However, no evidence or information was submitted by the whistleblower and internal investigations did not reveal any breach of Egmont's Code of Conduct and on that basis, the matter was closed.

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 2018

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.

Board of Trustees and Management Board of Egmont Fonden

BOARD OF TRUSTEES

Lars-Johan Jarnheimer (Chairman)[1 3 5]
Director, born 1960, appointed 2011 and 2015, election period expires 2019
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), Qliro Group AB (CM), Sweden, Arvid Nordquist HAB, Sweden, SAS Group, Sweden, SSRS-holding, Sweden, Wonderboo AB, Sweden, INGKA Holding BV (CM), the Netherlands

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

Torben Ballegaard Sørensen (Vice Chairman)[1 3 5]
Director, born 1951, appointed 2006 and 2015, election period expires 2019
Member of the boards of Egmont International Holding A/S (VC), Ejendomsselskabet Vognmagergade 11 ApS (VC), Ejendomsselskabet Gothersgade 55 ApS (VC), AS3-Companies A/S (CM), SofaKompagniet(CM), Tajco Group A/S (CM), Liquid Vanity ApS (CM), Vestas A/S, Fonden Holstebro Musik Teater

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

Ulrik Bülow[1 3 5]
Director, born 1954, appointed 2003 and 2016, election period expires 2018
Member of the Funding and Grant Committee
Member of the boards of Egmont International Holding A/S, Have Kommunikation A/S (CM), Gigtforeningen (CM)

Special competences: international business and management experience, publishing, sales and marketing, commercial foundations

Jeppe Skadhauge[1 3 5]
Attorney and partner, Bruun & Hjejle, born 1954, appointed 2009, election period expires 2018
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), The Danish Arbitration Association (CM), Designmuseum Danmark (VC), the Danish Institute of Arbitration, the Dubai International Arbitration Centre

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

Martin Enderle[1 3 5]
Director, born 1965, appointed 2014, election period expires 2018
Member of the boards of Egmont International Holding A/S, Delivery Hero AG (CM), Germany, CEWE Stiftung & Co. KGaA, Germany

Special competences: international business and management experience, growth markets, digital and telecoms, acquisitions, venture capital, strategy implementation

Josh Bottomley[1 3 5]
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

Christian Wegner[1 3 5]
Director, 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

Marianne Oehlenschlæger[2 4]
HR consultant, Nordisk Film A/S, born 1958, elected 2011 and 2015, election period expires 2019

Tine Staunsager[2 4]
Sales & Event Manager, Egmont Publishing A/S, born 1960, elected 2015, election period expires 2019

Anna von Lowzow[2 4]
Journalist and director, Nordisk Film Production A/S, born 1961, joined 2016, election period expires 2019

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

All information as of 21 March 2018.

CM: Chairman
VC: Vice Chairman

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

[1] Male
[2] Female
[3] Independent board member
[4] Employee representative, commercial activities
[5] 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 2017.

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 2017, 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 2017.

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, 21 March 2018

MANAGEMENT BOARD:

Steffen Kragh
President and CEO

Hans J. Carstensen

BOARD OF TRUSTEES:

Lars-Johan Jarnheimer
Chairman

Torben Ballegaard Sørensen
Vice Chairman

Josh Bottomley

Ulrik Bülow

Martin Enderle

Anna von Lowzow

Jeppe Skadhauge

Tine Staunsager

Christian Wegner

Marianne Oehlenschlæger

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 2017, 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 2017 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2017 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 2017 and of the results of the Foundation's operations for the financial year 1 January – 31 December 2017 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, 21 March 2018

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Jesper Koefoed	**Anders Stig Lauritsen**
State Authorised	State Authorised
Public Accountant	Public Accountant
MNE-no.: mne11689	MNE-no.: mne32800

Income Statement of the Group

(EURk)

Note		2017	2016
2	**Revenue**	**1,515,043**	**1,559,878**
3	Other operating income	6,608	14,806
	Raw materials and consumables	(101,822)	(88,170)
	Other external expenses	(943,410)	(971,195)
4	Personnel expenses	(319,304)	(344,026)
5	Depreciation, amortisation and impairment losses	(80,414)	(96,502)
	Other operating expenses	(2,997)	(6,971)
12	Profit/(loss) after tax from investments in joint ventures	4,985	5,912
	Operating profit	**78,689**	**73,732**
13	Profit/(loss) after tax from investments in associates	2,574	(4,497)
6	Financial income	5,738	10,148
7	Financial expenses	(8,799)	(9,156)
	Profit before tax	**78,202**	**70,227**
8	Tax on profit for the year	(17,509)	(8,119)
	Net profit for the year	**60,693**	**62,108**
	Net profit for the year attributable to:		
	Egmont Fonden	60,497	61,534
	Non-controlling interests	196	574
	Total	**60,693**	**62,108**

Statement of Comprehensive Income of the Group

(EURk)

Note		2017	2016
	Profit for the year	**60,693**	**62,108**
	Items that will not be reclassified to the income statement in subsequent periods:		
19	Actuarial gains/(losses) on defined benefit pension plans	2,482	2,204
	Actuarial gains/(losses) on defined benefit pension plans after tax in joint ventures	0	(428)
	Other equity transactions in joint ventures	163	(57)
	Equity transactions in associates	(11)	1,254
	Tax on items that will not be reclassified to the income statement in subsequent periods	(596)	(551)
		2,038	**2,422**
	Items to be reclassified to the income statement in subsequent periods:		
	Foreign exchange adjustments on translation to presentation currency	(1,175)	2,853
	Foreign exchange adjustments on translation of foreign entities	(50,663)	27,864
	Value adjustment of hedging instruments:		
	Value adjustments for the year	(5,686)	(1,297)
	Value adjustments transferred to revenue	(176)	(252)
	Value adjustments transferred to other external expenses	3,319	(2,601)
	Value adjustments transferred to financial expenses	2,611	3,240
	Value adjustments transferred to intangible assets	(2,242)	(1,990)
	Tax on items to be reclassified to the income statement in subsequent periods	767	3,330
		(53,245)	**31,147**
	Other comprehensive income after tax	**(51,207)**	**33,569**
	Total comprehensive income	**9,486**	**95,677**
	Total comprehensive income attributable to:		
	Egmont Fonden	9,519	95,031
	Non-controlling interests	(33)	646
	Total	**9,486**	**95,677**

Statement of Financial Position of the Group at 31 December

(EURk)

Note	Assets	2017	2016
	Film rights and other acquired rights, etc.	49,036	48,017
	In-house produced film rights	31,460	12,647
	Goodwill	324,353	302,921
	Trademarks	162,213	173,340
	Intangible assets in progress and prepayments for film rights	26,002	14,543
9	**Intangible assets**	**593,064**	**551,468**
	Land and buildings	138,665	144,375
	Plant and machinery	30,421	28,309
	Tools and equipment	21,849	20,606
	Leasehold improvements	11,548	9,101
	Property, plant and equipment under construction	1,526	1,667
10	**Property, plant and equipment**	**204,009**	**204,058**
11	**Investment properties**	**30,894**	**30,937**
12	Investments in joint ventures	52,357	51,173
13	Investments in associates	83,189	59,380
	Other investments	3,803	8,008
26	Receivables from joint ventures and associates	20,054	25,847
20	Deferred tax	5,634	6,939
	Other non-current assets	**165,037**	**151,347**
	Total non-current assets	**993,004**	**937,810**
14	**Inventories**	**123,631**	**114,991**
25	Trade receivables	218,040	198,507
26	Receivables from joint ventures and associates	1,056	5,985
	Other receivables	53,902	59,744
15	Prepayments	112,496	110,437
	Receivables	**385,494**	**374,673**
16	**Securities**	**152,837**	**163,011**
17	**Cash and cash equivalents**	**38,060**	**30,478**
	Total current assets	**700,022**	**683,153**
	TOTAL ASSETS	**1,693,026**	**1,620,963**

Statement of Financial Position of the Group at 31 December

(EURk)

Note	Equity and liabilities	2017	2016
	Capital fund	29,549	29,591
	Retained earnings and other reserves	795,746	800,211
	Egmont Fonden's share of equity	**825,295**	**829,802**
	Non-controlling interests	4,255	3,520
18	**Equity**	**829,550**	**833,322**
19	Pension obligations and similar obligations	5,425	9,342
20	Deferred tax	38,709	35,649
21	Other provisions	7,208	5,147
25	Mortgage debt	112,340	112,609
25	Other credit institutions	54,624	59,155
	Deferred income	9,931	5,115
	Non-current liabilities	**228,237**	**227,017**
25	Other credit institutions	2,887	0
	Prepayments from customers	44,846	51,022
25	Trade payables	231,382	189,642
25, 26	Payables to joint ventures and associates	360	265
	Other financial liabilities	0	1,571
	Corporate income tax	5,086	6,553
	Other payables	228,917	181,237
21	Other provisions	53,018	65,357
	Deferred income	68,743	64,977
	Current liabilities	**635,239**	**560,624**
	Total liabilities	**863,476**	**787,641**
	TOTAL EQUITY AND LIABILITIES	**1,693,026**	**1,620,963**

Cash Flow Statement of the Group

(EURk)

Note		2017	2016
	Operating profit	78,689	73,732
	Adjustment for non-cash operating items, etc.:		
	Other non-cash operating items, net	(2,804)	(35,885)
5	Depreciation, amortisation and impairment losses	80,414	96,502
	Profit/(loss) after tax from investments in joint ventures	(4,985)	(5,912)
	Provisions and deferred income	1,182	(14,609)
	Cash generated from operations before change in working capital	**152,496**	**113,828**
	Change in inventories	318	(2,976)
	Change in receivables	(22,051)	11,136
	Change in trade payables and other payables	72,433	(18,640)
	Change in working capital	**50,700**	**(10,480)**
	Cash generated from operations	**203,196**	**103,348**
	Interest received	6,020	5,612
	Interest paid	(8,557)	(5,735)
	Corporate income tax paid	(13,790)	(15,853)
	Cash flows from operating activities	**186,869**	**87,372**
	Acquisition of intangible assets	(74,264)	(52,629)
	Acquisition of property, plant and equipment	(36,220)	(29,222)
	Disposal of property, plant and equipment	2,725	3,473
	Acquisition of financial assets	(39,742)	(28,640)
	Disposal of financial assets	3,787	11,532
	Acquisition of securities	(90,684)	(55,912)
	Disposal of securities	100,593	17,440
29	Acquisition of subsidiaries	(11,608)	(919)
29	Disposal of subsidiaries	0	9,124
	Cash flows from investing activities	**(145,413)**	**(125,753)**
25	Repayments to credit institutions, etc.	(9,358)	0
	Dividends from joint ventures and associated companies	1,885	2,030
	Dividends to non-controlling shareholders	(523)	(709)
	Donations	(12,911)	(13,056)
	Cash flows from financing activities	**(20,907)**	**(11,735)**
	Net cash flows from operating, investing and financing activities	**20,549**	**(50,116)**
	Cash and cash equivalents at 1 January	26,926	70,620
	Foreign exchange adjustment of cash and cash equivalents	(13,164)	6,422
17	**Cash and cash equivalents at 31 December**	**34,311**	**26,926**

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

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 2017	**29,591**	**(9,310)**	**(104,473)**	**913,994**	**3,520**	**833,322**
Net profit for the year	**0**	**0**	**0**	**60,497**	**196**	**60,693**
Foreign exchange adjustments on translation to presentation currency	(42)	13	147	(1,288)	(5)	(1,175)
Foreign exchange adjustments on translation of foreign entities	0	1,312	(51,751)	0	(224)	(50,663)
Value adjustments of hedging instruments:						
Value adjustments for the year	0	(5,686)	0	0	0	(5,686)
Value adjustments transferred to revenue	0	(176)	0	0	0	(176)
Value adjustments transferred to other external expenses	0	3,319	0	0	0	3,319
Value adjustments transferred to financial expenses	0	2,611	0	0	0	2,611
Value adjustments transferred to intangible assets	0	(2,242)	0	0	0	(2,242)
Actuarial gains/(losses) on defined benefit pension plans	0	0	0	2,482	0	2,482
Equity transactions in joint ventures and associates	0	0	0	152	0	152
Tax on other comprehensive income	0	2	765	(596)	0	171
Other comprehensive income	**(42)**	**(847)**	**(50,839)**	**750**	**(229)**	**(51,207)**
Total comprehensive income in 2017	**(42)**	**(847)**	**(50,839)**	**61,247**	**(33)**	**9,486**
Used for charitable purposes and associated costs	0	0	0	(12,911)	0	(12,911)
Acquisition/disposal, non-controlling interests	0	0	0	(1,115)	1,291	176
Dividends, non-controlling interests	0	0	0	0	(523)	(523)
Equity at 31 December 2017	**29,549**	**(10,157)**	**(155,312)**	**961,215**	**4,255**	**829,550**

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 2016	**29,480**	**(9,391)**	**(132,113)**	**863,175**	**3,885**	**755,036**
Net profit for the year	**0**	**0**	**0**	**61,534**	**574**	**62,108**
Foreign exchange adjustments on translation to presentation currency	111	(24)	(492)	3,243	15	2,853
Foreign exchange adjustments on translation of foreign entities	0	(848)	28,655	0	57	27,864
Value adjustments of hedging instruments:						
Value adjustments for the year	0	(1,297)	0	0	0	(1,297)
Value adjustments transferred to revenue	0	(252)	0	0	0	(252)
Value adjustments transferred to other external expenses	0	(2,601)	0	0	0	(2,601)
Value adjustments transferred to financial expenses	0	3,240	0	0	0	3,240
Value adjustments transferred to intangible assets	0	(1,990)	0	0	0	(1,990)
Actuarial gains/(losses) on defined benefit pension plans	0	0	0	2,204	0	2,204
Actuarial gains/(losses) on defined benefit pension plans after tax in joint ventures	0	0	0	(428)	0	(428)
Equity transactions in joint ventures and associates	0	0	0	1,197	0	1,197
Tax on other comprehensive income	0	3,853	(523)	(551)	0	2,779
Other comprehensive income	**111**	**81**	**27,640**	**5,665**	**72**	**33,569**
Total comprehensive income in 2016	**111**	**81**	**27,640**	**67,199**	**646**	**95,677**
Used for charitable purposes and associated costs	0	0	0	(13,056)	0	(13,056)
Acquisition/disposal, non-controlling interests	0	0	0	0	(302)	(302)
Dividends, non-controlling interests	0	0	0	0	(709)	(709)
Other capital items	0	0	0	(3,324)	0	(3,324)
Equity at 31 December 2016	**29,591**	**(9,310)**	**(104,473)**	**913,994**	**3,520**	**833,322**

List of Notes to the Consolidated Financial Statements

1 Accounting policies

Egmont Fonden is a commercial foundation domiciled in Denmark. The annual report of Egmont Fonden for 2017 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).

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).

The accounting policies set out below have been applied consistently to the financial year and to the comparative figures. The accounting policies remain unchanged compared to 2016.

Use of estimates and judgements

Judgements, estimates and assumptions have to be made about future events when determining the carrying amount of certain assets and liabilities. The estimates and assumptions made are based on historical experience and other factors that the Group deems appropriate in the circumstances, but which are uncertain and unpredictable by nature. Therefore, the actual results may deviate from such estimates. Consequently, previous estimates may have to be changed as a result of changes in the circumstances forming the basis of such estimates, or because of subsequent events or the emergence of new information.

Information about the most significant accounting estimates is included in the following notes: note 9 Intangible assets, note 14 Inventories, note 19 Pension obligations and similar obligations, note 20 Deferred tax, note 21 Other provisions and note 29 Acquisition and divestment of businesses.

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 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.

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,

1 Accounting policies (continued)

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 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

1 Accounting policies (continued)

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.

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

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Magazine subscriptions are accrued and recognised over the period in which the items are dispatched (issued).

If, based on past experience or otherwise, the Group can make a reliable estimate of the amount of goods that will be returned, a provision for the goods estimated to be returned will be recognised. When there is uncertainty about the possibility of return, revenue is not recognised until the abovementioned criteria are all fulfilled and the time period for possible return has elapsed.

Advertising income is recognised on the delivery date, typically when issued or broadcasted.

Revenue from the sale of film broadcasting rights is recognised at the time when the film becomes accessible to the customer (availability date).

Royalties received are accrued and recognised as income in accordance with the concluded agreement.

Rental income is accrued and recognised as income on a straight-line basis over the lease term in accordance with the concluded agreement.

Barter agreements where the services exchanged are dissimilar are recognised at fair value and accrued as the services are performed or over the period specified in the concluded agreement. Fair value is measured at the value of either the delivered or the received services, depending on which services can be measured reliably.

Revenue is measured at the fair value of the agreed consideration exclusive of VAT and taxes charged on behalf of third parties. All discounts granted are recognised as a reduction of revenue.

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, as well as recognition of badwill 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.

Special items

Special items include significant income and costs that are not directly attributable to the ordinary operating activities of the Group, such as restructuring costs relating to fundamental structural and procedural reorganisations. Special items also includes other significant non-recurring items, including gains and losses on the disposal of significant activities, revaluation of the shareholding in an entity acquired by a step acquisition and impairment of goodwill.

These items are shown separately in order to give a more true and fair view of the Group's primary activities.

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 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.

1 Accounting policies (continued)

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 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 *(the useful life depends on the nature of conversion)*	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 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.

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 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.

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 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

Receivables are measured at fair value on initial recognition and are subsequently measured at amortised cost less any impairment. The Group considers evidence of impairment both at an individual level and at a group level where considered relevant.

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 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.

1 Accounting policies (continued)

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.

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 lease commitment under finance leases, 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.

1 Accounting policies (continued)

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.

Cash flows from financing activities comprise the raising of loans and repayment of interest-bearing debt, 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:

Operating profit (loss)	Profit (loss) before tax and net financials.
EBITDA	Operating profit (loss) before net financials, depreciation, amortisation and impairment losses.
EBIT	Operating profit (loss)
EBT	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 guidelines.

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

Operating margin

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

Equity ratio

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

Return on equity

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

2 Revenue	2017	2016
Sale of goods	1,422,011	1,450,439
Royalty	88,846	105,198
Rental income	4,186	4,241
Total	**1,515,043**	**1,559,878**

3 Other operating income	2017	2016
Sale of OB Team	0	8,833
Sale of Venuepoint	0	1,561
Value adjustment Patchwork Group	734	0
Sale of other non-current assets	1,090	441
Government grants	0	105
Miscellaneous	4,784	3,866
Total	**6,608**	**14,806**

4 Personnel expenses	2017	2016
Wages and salaries	(267,165)	(287,391)
Defined contribution pension plans	(18,562)	(19,761)
Defined benefit pension plans	(136)	(308)
Other social security costs	(33,441)	(36,566)
Total	**(319,304)**	**(344,026)**
Average number of full-time employees	3,787	3,866

Compensation paid to Management Board amounted to 4,870 (2016: 4,648), of which pension contributions amounted to 398 (2016: 390).

Compensation paid to the Board of Trustees amounted to 548 (2016: 454).

Annual compensation to members of the Board of Trustees per task	2017	2016
Egmont Fonden, general:		
Member	10	8
Chairman	18	13
Egmont Fonden, charitable activities:		
Member	6	5
Vice chairman	9	7
Chairman	13	10
Funding and Grant Committee, charitable activities:		
Member	13	13
Chairman	26	25
Egmont International Holding A/S:		
Member	30	28
Vice chairman	45	42
Chairman	60	57

Notes to the Consolidated Financial Statements (EURk) 45

5	Depreciation, amortisation and impairment losses	2017	2016
	Amortisation, intangible assets	(40,452)	(59,558)
	Impairment losses, intangible assets	(4,007)	(6,281)
	Depreciation, property, plant and equipment	(29,819)	(30,658)
	Impairment losses, property, plant and equipment	(6,136)	(5)
	Total	(80,414)	(96,502)

6	Financial income	2017	2016
	Interest income, financial assets, measured at amortised cost	2,335	3,359
	Foreign exchange gains, net	1,073	4,581
	Change in fair value, securities, net	1,219	742
	Other financial income	1,111	1,466
	Total	5,738	10,148

7	Financial expenses	2017	2016
	Interest expenses, financial liabilities, measured at amortised cost	(4,572)	(3,362)
	Interest expenses, derivative financial instruments	(2,284)	(3,222)
	Other financial expenses	(1,943)	(2,572)
	Total	(8,799)	(9,156)

46 Notes to the Consolidated Financial Statements (EURk)

8 Taxes	2017	2016
Current tax	(13,156)	(11,004)
Deferred tax	(4,700)	5,378
Adjustments for prior years, current tax	(428)	(1,688)
Adjustments for prior years, deferred tax	775	(805)
Total	**(17,509)**	**(8,119)**

Tax on the profit for the year results as follows:

Calculated tax, 22.0% on profit before tax	(17,204)	(15,450)
Lowering of corporate tax rate in Norway	775	569
Adjustment of calculated tax in foreign entities relative to 22.0%	(1,028)	(729)
Tax effect of:		
Non-taxable income	1,505	10,491
Non-deductible expenses	(2,265)	(769)
Share of net profit/(loss) in joint ventures	1,097	1,301
Share of net profit/(loss) in associates	566	(989)
Adjustments for prior years	347	(2,493)
Withholding taxes	(1,302)	(50)
Total	**(17,509)**	**(8,119)**
Effective tax rate	22.4%	11.6%

The effective tax rate in 2016 was significantly affected by non-taxable income and lowering of corporate tax rate in Norway from 25% to 24%. Adjusting for this, the effective tax rate for 2016 was in the level of 23%.

Tax recognised in other comprehensive income:

Tax on value adjustment of hedging instruments	2	3,853
Foreign exchange adjustments on translation of foreign entities	765	(523)
Tax on actuarial gains/(losses) on defined benefit pension plans	(596)	(551)
Total	**171**	**2,779**

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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 2017	329,281	130,111	387,606	184,156	14,543
Foreign exchange adjustments	(2,040)	(1,427)	(27,270)	(13,387)	(20)
Additions through business combinations	70	0	42,735	5,522	0
Additions	3,548	30,364	0	24	41,085
Goverment grants	0	(2,549)	0	0	0
Transferred	29,331	0	0	0	(29,331)
Disposals	(1,344)	0	0	0	(275)
Cost at 31 December 2017	**358,846**	**156,499**	**403,071**	**176,315**	**26,002**
Amortisation and impairment losses at 1 January 2017	(281,264)	(117,464)	(84,685)	(10,816)	0
Foreign exchange adjustments	2,019	1,253	5,967	532	0
Disposals	1,248	0	0	0	0
Impairment losses	(1,075)	(377)	0	(2,555)	0
Amortisation	(30,738)	(8,451)	0	(1,263)	0
Amortisation and impairment losses at 31 December 2017	**(309,810)**	**(125,039)**	**(78,718)**	**(14,102)**	**0**
Carrying amount at 31 December 2017	**49,036**	**31,460**	**324,353**	**162,213**	**26,002**
Cost at 1 January 2016	297,767	120,815	378,454	175,100	13,386
Foreign exchange adjustments	1,797	(90)	18,761	8,927	50
Additions through business combinations	0	0	1,038	0	0
Additions	6,022	10,428	0	129	36,695
Goverment grants	0	(645)	0	0	0
Transferred	35,296	0	0	0	(35,296)
Disposals	(11,601)	(397)	(10,647)	0	(292)
Cost at 31 December 2016	**329,281**	**130,111**	**387,606**	**184,156**	**14,543**
Amortisation and impairment losses at 1 January 2016	(250,529)	(95,808)	(82,635)	(5,817)	0
Foreign exchange adjustments	(1,408)	(223)	(4,087)	(193)	0
Disposals	9,876	397	2,037	0	0
Impairment losses	(2,523)	0	0	(3,758)	0
Amortisation	(36,680)	(21,830)	0	(1,048)	0
Amortisation and impairment losses at 31 December 2016	**(281,264)**	**(117,464)**	**(84,685)**	**(10,816)**	**0**
Carrying amount at 31 December 2016	**48,017**	**12,647**	**302,921**	**173,340**	**14,543**

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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.

	2017	2016
TV 2, Norway	180,531	195,505
Nordisk Film, Cinemas	59,381	62,371
Publishing, Norway	28,270	30,615
Publishing, Sweden	43,022	6,924
Other units	13,149	7,506
Carrying amount	**324,353**	**302,921**

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 2018, projections for subsequent years up to and including 2022, and average growth during the terminal period.

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

	Pre-tax discount rates		Growth rate during terminal period	
	2017	2016	2017	2016
TV 2, Norway	10.6%	10.4%	2.0%	2.0%
Nordisk Film, Cinemas	10.0%	9.8%	2.0%	2.0%
Publishing, Norway	14.1%	13.8%	-5.0%	-5.0%
Publishing, Sweden	14.7%	14.3%	-5.0%	0.0%

Expected growth during the terminal period is not estimated to exceed the long-term average growth rate in the business areas.

Impairment tests for goodwill for 2017 regarding the cash-generating units of the Group show that the recoverable amount exceeds the carrying amount.

The TV business is cyclical 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 program cost for Norwegian TV productions, it may result in a challenged 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 forecast period is derived as the net of an expected annual increase in revenue from subscription sales and an expected annual decrease in revenue from advertising sales for traditional flow-TV.

A key parameter for the cinema business is the line-up of both local and international titles which impacts ticket revenue (box office sales).

The Group assesses that probable changes in the assumptions underlying the impairment calculations will result in no need to write down goodwill for impairment in the Group's primary cash-generating units.

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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.

	2017	2016
TV 2, Norway	142,756	154,904
Publishing, Norway	9,395	10,346
Publishing, Sweden	4,009	7,192
Carrying amount	**156,160**	**172,442**

Trademarks for TV 2, Norway and Publishing, Norway and Sweden 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 2016).

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

	Pre-tax discount rates		Growth rate during terminal period	
	2017	2016	2017	2016
TV 2, Norway	10.6%	10.4%	2.0%	2.0%
Publishing, Norway	14.1%	13.8%	-5.0%	-5.0%
Publishing, Sweden	14.7%	14.3%	-5.0%	0.0%

Impairment tests for trademarks for 2017 regarding the cash-generating units of the Group show that the recoverable amount exceeds the carrying amount.

The Group assesses that probable changes in the assumptions underlying the impairment calculations will result in no 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 2017 were at the expected level.

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10 Property, plant and equipment

	Land and buildings	Plant and machinery	Tools and equipment	Leasehold improve-ments	Property, plant and equipment under construction
Cost at 1 January 2017	221,076	52,879	77,403	25,914	1,667
Foreign exchange adjustments	(389)	(3,551)	(1,047)	(952)	(6)
Additions through business combinations	0	109	236	0	0
Additions	1,893	22,048	3,352	3,551	8,371
Transferred	515	924	5,321	1,746	(8,506)
Disposals	(1,204)	(1,150)	(1,092)	0	0
Cost at 31 December 2017	**221,891**	**71,259**	**84,173**	**30,259**	**1,526**
Depreciation and impairment losses at 1 January 2017	(76,701)	(24,570)	(56,797)	(16,813)	0
Foreign exchange adjustments	311	2,014	1,008	593	0
Disposals	625	137	1,049	0	0
Impairment losses	0	(6,136)	0	0	0
Depreciation	(7,461)	(12,283)	(7,584)	(2,491)	0
Depreciation and impairment losses at 31 December 2017	**(83,226)**	**(40,838)**	**(62,324)**	**(18,711)**	**0**
Carrying amount at 31 December 2017	**138,665**	**30,421**	**21,849**	**11,548**	**1,526**
Cost at 1 January 2016	212,944	58,985	66,474	23,031	10,686
Adjustments relating to previous years	1,582	0	0	0	0
Foreign exchange adjustments	795	2,755	509	446	39
Additions	1,668	14,521	2,124	1,998	6,826
Transferred	4,454	(2,388)	12,730	590	(15,386)
Disposals	(367)	(20,994)	(4,434)	(151)	(498)
Cost at 31 December 2016	**221,076**	**52,879**	**77,403**	**25,914**	**1,667**
Depreciation and impairment losses at 1 January 2016	(68,118)	(28,879)	(52,307)	(14,236)	0
Adjustments relating to previous years	(1,582)	0	0	0	0
Foreign exchange adjustments	(252)	(1,270)	(374)	(199)	0
Disposals	0	19,015	3,833	151	0
Transferred	0	430	(430)	0	0
Impairment losses	0	0	(5)	0	0
Depreciation	(6,749)	(13,866)	(7,514)	(2,529)	0
Depreciation and impairment losses at 31 December 2016	**(76,701)**	**(24,570)**	**(56,797)**	**(16,813)**	**0**
Carrying amount at 31 December 2016	**144,375**	**28,309**	**20,606**	**9,101**	**1,667**

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11	Investment properties	2017	2016
	Fair value at 1 January	30,937	30,821
	Foreign exchange adjustments	(43)	116
	Fair value at 31 December	**30,894**	**30,937**

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 2,200 (2016: 2,000) and a required rate of return of 4.00% (2016: 4.00%), 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 2.6 million.

Rental income amounted to 1,988 (2016: 1,762) and operating costs to 469 (2016: 705).

12	Investments in joint ventures	2017	2016
	Cost at 1 January	33,659	28,935
	Foreign exchange adjustments	(1,339)	665
	Additions	3,126	5,111
	Disposals	(2,459)	(1,052)
	Cost at 31 December	**32,987**	**33,659**
	Adjustments at 1 January	17,514	13,013
	Foreign exchange adjustments	(2,739)	(132)
	Share of profit/(loss) for the year	5,980	6,701
	Impairment losses	(995)	(789)
	Equity transactions in joint ventures	163	(485)
	Dividends	(957)	(1,309)
	Disposals	404	515
	Adjustments at 31 December	**19,370**	**17,514**
	Carrying amount at 31 December	**52,357**	**51,173**

Note 30 includes an outline of the Group's investments in joint ventures.

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12 Investments in joint ventures (continued)

	Cappelen Damm		Others	
	2017	2016	2017	2016
Comprehensive income				
Revenue	168,968	156,651	130,403	107,608
Net profit for the year	5,787	8,142	6,142	6,454
Other comprehensive income	0	(1,059)	0	(52)
	5,787	**7,083**	**6,142**	**6,402**
Dividend received	0	0	957	1,309
Balance sheet				
Non-current assets	50,231	52,785	26,432	12,471
Current assets	73,648	78,483	60,660	69,357
Non-current liabilities	25,453	33,077	2,925	906
Current liabilities	45,810	46,771	43,545	38,505
Equity	52,616	51,420	40,622	42,417
Egmont Fonden's share of equity	**26,308**	**25,710**	**20,061**	**20,526**
Goodwill	167	168	5,821	4,769
Investments in joint ventures	**26,475**	**25,878**	**25,882**	**25,295**

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

13 Investments in associates

Investments in associates	**2017**	**2016**
Cost at 1 January	50,381	38,128
Foreign exchange adjustments	(2,022)	622
Additions	40,049	13,435
Disposals	(13,909)	(1,804)
Cost at 31 December	**74,499**	**50,381**
Adjustments at 1 January	8,999	10,365
Foreign exchange adjustments	(1,821)	1,226
Share of profit/(loss) for the year	2,835	268
Impairment losses	(261)	(4,765)
Equity transactions in associates	(11)	1,254
Dividends	(595)	(1,071)
Disposals	(456)	1,722
Adjustments at 31 December	**8,690**	**8,999**
Carrying amount at 31 December	**83,189**	**59,380**

Note 30 includes an outline of the Group's investments in associates.

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13 Investments in associates (continued)

	RiksTV		Jollyroom		Others	
	2017	2016	2017	2016	2017	2016
Revenue	140,064	131,669	103,274	69,399	183,620	138,616
Net profit for the year	7,537	4,823	1,882	796	7,668	(1,800)
Dividend received	0	0	0	0	595	1,071
Balance sheet						
Non-current assets	23,088	27,869	3,666	3,429	25,654	12,891
Current assets	20,209	24,622	13,903	19,065	100,338	72,573
Non-current liabilities	6,510	19,166	580	1,917	15,260	6,477
Current liabilities	44,356	50,657	9,763	15,207	61,838	57,054
Equity	(7,569)	(17,331)	7,226	5,370	48,922	21,931
Egmont Fonden's share of equity	**(2,523)**	**(5,776)**	**2,710**	**1,933**	**15,778**	**8,708**
Goodwill	33,352	36,118	6,833	6,374	27,039	12,023
Investments in associates	**30,829**	**30,342**	**9,543**	**8,307**	**42,817**	**20,731**

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

14 Inventories

Inventories	2017	2016
Raw materials and consumables	3,218	2,848
Work in progress	5,915	5,346
Manufactured goods and goods for resale	90,239	67,677
TV programmes	24,259	39,120
Total	**123,631**	**114,991**

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 475,814 (2016: 447,982) and 7,302 (2016: 7,819), respectively. Reversed write-down of inventories in the income statement amounted to 383 (2016: 221). Inventories included capitalised payroll costs in the amount of 3,210 (2016: 2,969).

15 Prepayments

In the amount prepayments sports broadcasting rights are included with 6,587 (2016: 9,819), which are terminated more than 12 months from balance sheet day.

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16 **Securities**

Securities	2017	2016
Listed bonds	152,434	162,524
Other	403	487
Total	**152,837**	**163,011**

The average duration of the bonds is 6 months.

17 **Cash and cash equivalents**

Cash and cash equivalents	2017	2016
Cash and bank account deposits	38,060	30,478

Of which deposited in fixed-term deposit 1,708 (2016: 1,034) and cash and equivalents pledged as collateral 3,749 (2016: 3,552).

18 **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 48.7% (2016: 51.2%).

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19 Pension obligations and similar obligations	2017	2016
Defined benefit pension obligations	157	(2,538)
Other pension obligations	(5,582)	(6,804)
Total	**(5,425)**	**(9,342)**

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 710 member enterprises and its consolidation ratio as of 30 September 2017 was 130% (2016: 120%). Contributions made to collective pension plans in Sweden in 2017 amount to EUR 2.7 million (2016: EUR 3.0 million). For 2018, the contributions are expected to be EUR 3.2 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 to new members.

In 2016, the Group's remaining defined benefit pension plans in Norway were 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.

Defined benefit pension obligations recognised in the balance sheet	2017	2016
Present value of defined benefit pension obligations	(17,379)	(19,226)
Fair value of pension plan assets	17,664	17,002
Payroll tax	(128)	(314)
Net asset/(liability) at 31 December	**157**	**(2,538)**

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19 Pension obligations and similar obligations (continued)

Movement in the present value of defined benefit obligations	2017	2016
Liability at 1 January	(19,226)	(19,585)
Adjustments relating to previous year(s)	(138)	0
Foreign exchange adjustments	1,427	(1,188)
Pension costs for the financial year	(125)	(209)
Calculated interest relating to liability	(454)	(547)
Actuarial gains/(losses) arising from changes in demographic assumptions	792	1,639
Actuarial gains/(losses) arising from changes in financial assumptions	(510)	(282)
Pensions paid, etc.	855	946
Liability at 31 December	**(17,379)**	**(19,226)**

Movement in the fair value of pension assets	2017	2016
Pension assets at 1 January	17,002	15,505
Foreign exchange adjustments	(1,303)	903
Calculated interest on plan assets	443	448
Actual return on plan assets greater/(less) than calculated interest	1,980	639
Group's contribution to plan assets	321	361
Pensions paid, etc.	(779)	(854)
Pension assets at 31 December	**17,664**	**17,002**

Actuarial gains/(losses) recognised in other comprehensive income	2017	2016
Actuarial gains/(losses) excl. payroll tax	2,262	1,996
Payroll tax	220	208
Total	**2,482**	**2,204**

Average composition of pension plan assets	2017	2016
Bonds	46.3%	47.9%
Shares	22.1%	19.7%
Money market and the like	19.5%	20.2%
Property	12.1%	12.2%

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19 Pension obligations and similar obligations (continued)

The Group expects to contribute EUR 370 to defined benefit pension plans in 2018.

Maturity of pension obligations	2017	2016
Within 1 year	1,042	1,112
Between 1 - 5 years	5,438	5,887
After 5 years	10,900	12,227
Total	**17,380**	**19,226**

Average assumptions used for the actuarial calculations at the end of the reporting period in the individual pension plans:	2017	2016
Discount rate	2.4%	2.6%
Inflation rate	1.5%	1.5%
Salary increase	2.5%	2.5%
Pension increase	0.0 - 2.25%	0.0 - 2.25%
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.

Defined benefit pension obligation	2017	2016
Reported defined benefit obligation	(17,379)	(19,226)
Discount rate sensitivity:		
Increase by 0.5%	(16,225)	(17,992)
Decrease by 0.5%	(18,683)	(20,613)
Salary increase sensitivity:		
Increase by 0.5%	(17,491)	(19,345)
Decrease by 0.5%	(17,275)	(19,114)

Other pension obligations:

The Group has recognised an obligation of EUR 5.6 million (2016: EUR 6.8 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.

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20	Deferred tax	2017	2016
	Deferred tax at 1 January	(28,710)	(34,144)
	Adjustments relating to previous years	775	(805)
	Foreign exchange adjustments	(616)	(289)
	Additions through business combinations	5	0
	Disposals	0	(1,629)
	Deferred tax for the year recognised in the income statement	(4,700)	5,378
	Deferred tax for the year recognised in other comprehensive income	171	2,779
	Deferred tax at 31 December	**(33,075)**	**(28,710)**
	Deferred tax has been recognised in the balance sheet as follows:		
	Deferred tax, asset	5,634	6,939
	Deferred tax liability	(38,709)	(35,649)
	Deferred tax, net	**(33,075)**	**(28,710)**

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 5,634 (2016: 6,939), primarily attributable to 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	2017	2016
Intangible assets	(46,774)	(50,510)
Property, plant and equipment	(1,609)	102
Receivables	(80)	(13)
Inventories	3,458	3,069
Other current assets	(265)	94
Provisions	10,520	4,771
Other liabilities	(2,357)	432
Tax losses allowed for carryforward, etc.	4,032	13,345
Total	**(33,075)**	**(28,710)**

Unrecognised deferred tax assets relate to	2017	2016
Tax losses	1,117	909

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21 Other provisions	Goods sold with a right of return	Other
Other provisions at 1 January 2017	42,942	27,562
Foreign exchange adjustments	(1,144)	(1,584)
Provisions made	30,253	3,969
Provisions used	(27,797)	(10,442)
Reversals	(1,353)	(2,180)
Other provisions at 31 December 2017	**42,901**	**17,325**

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.

22 Fees to auditors	2017	2016
Fee to EY:		
Statutory audit	(1,028)	(1,079)
Tax consultancy	(290)	(132)
Other assurance statements	(155)	(187)
Other services	(291)	(299)
Total fees to EY	**(1,764)**	**(1,697)**
Fee to other auditors:		
Statutory audit	(63)	(67)
Tax consultancy	(46)	(100)
Other assurance statements	(15)	(5)
Other services	(265)	(252)
Total fees to other auditors	**(389)**	**(424)**
Total	**(2,153)**	**(2,121)**

23 Operating lease obligations

Operating lease obligations comprise leases for properties of 197,641 (2016: 227.934) and other leases of 14,523 (2016: 18,770).

Non-cancellable operating lease payments fall due	2017	2016
Up to 1 year	34,940	40,765
Between 1 to 5 years	95,458	111,035
More than 5 years	81,766	94,904
Total	**212,164**	**246,704**

The Group's share of operating lease obligations in joint ventures amounts to 38,460 (2016: 38,856).

Operating lease costs of 39,226 were recognised in the income statement for 2017 (2016: 38,485).

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24 Contingent liabilities and collateral

The Group has provided security to mortgage credit institutions of 112,340 (2016: 112,609) over domicile and investment properties, with a carrying amount of 136,847 (2016: 141,258).

The Group has entered into binding contracts concerning purchase of intangible film rights at the value of 26,875 (2016: 21,294).

Entities in the Group have furnished miscellaneous guarantees, etc., for 8,576 (2016: 8,105).

The Group's share of miscellaneous guarantees in joint ventures amounts to 3,894 (2016: 2,257).

The Group's share of miscellaneous guarantees to associates amounts to 2,686 (2016: 2,690).

25 Financial risks and financial instruments

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.

At 31 December 2017, a 5%-drop in the primary exchange rates of NOK/DKK, EUR/NOK and USD/DKK will affect equity negatively with EUR 7.1 million (2016: EUR 7.9 million) in total. The sensitivity analysis is based on financial instruments recognised at 31 December and an effectiveness of 100% of hedge accounting.

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 6.4 million (2016: EUR 9.8 million), which will be recognised in the income statement during 2018-2022.

25 Financial risks and financial instruments (continued)

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 decrease in exchange rate, the equity in 2017 is affected negatively by EUR 51.8 million (2016: positive effect EUR 28.7 million).

A 5% drop in the exchange rates of NOK would have impacted the 2017 profits by about EUR -2.5 million (2016: EUR -1.6 million), and the equity at 31 December 2017 by about EUR -28.5 million (2016: EUR -23.1 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-2017 and end-2016, all other things being equal.

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-interest loans. The principal amount of interest swap contracts concluded by the Group for hedging purposes was EUR 64.8 million at 31 December 2017 and EUR 59.2 million at 31 December 2016. The cumulative fair value adjustments in other comprehensive income amounted to EUR -19.6 million at 31 December 2017 (2016: EUR -22.7 million), which will be recognised in the income statement over the coming 1-11 years (2016: 1-12 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 6 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 deposits of EUR 40.3 million (2016: EUR 46.8 million).

The Group's financing consists primarily of Danish floating-rate mortgage loans expiring in 2028 and floating-rate loans denominated in NOK with the underlying facility having maturity in 2019. In the debt repayment schedule shown below, it is assumed that the loan facility will be continually extended.

25 **Financial risks and financial instruments (continued)**

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	112,340	115,183	449	13,543	101,191
Other credit institutions	57,511	62,333	3,331	2,244	56,758
Trade payables	231,382	231,382	231,382	0	0
Payables to joint ventures and associates	360	360	360	0	0
Non-derivative financial instruments	**401,593**	**409,258**	**235,522**	**15,787**	**157,949**
Derivative financial instruments	23,957	29,913	4,885	12,696	12,332
31 December 2017	**425,550**	**439,171**	**240,407**	**28,483**	**170,281**
Mortgage debt	112,609	119,086	468	10,206	108,412
Other credit institutions	59,155	67,407	702	3,511	63,194
Other financial liabilities	1,571	1,571	1,571	0	0
Trade payables	189,642	189,642	189,642	0	0
Payables to joint ventures and associates	265	265	265	0	0
Non-derivative financial instruments	**363,242**	**377,971**	**192,648**	**13,717**	**171,606**
Derivative financial instruments	26,962	32,172	4,610	12,638	14,924
31 December 2016	**390,204**	**410,143**	**197,258**	**26,355**	**186,530**

Changes in liabilities arising from financing activities

	Non-current liabilities	Current liabilities	Total liabilities from financing activities
1 January 2017	171,764	1,571	173,335
Cash flow	(4,603)	(4,755)	(9,358)
Non-cash change:			
Acquistion and divestment of businesses	46	6,675	6,721
Foreign exchange movement	(243)	(604)	(847)
31 December 2017	**166,964**	**2,887**	**169,851**

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:

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 23,242 (2016: 35,231). In addition, some of the Group's entities take out credit insurance against losses on trade receivables to the extent deemed relevant.

Notes to the Consolidated Financial Statements (EURk) 63

25 Financial risks and financial instruments (continued)

Trade receivables, that have not yet fallen due and have not been impaired by geographical area:

	2017	2016
Denmark	51,511	45,125
Other Nordic countries	92,011	96,292
Other European countries	30,554	27,674
Total	**174,076**	**169,091**

Aging of trade receivables past due and not impaired:

	2017	2016
Up to 30 days	23,562	17,191
Between 30 and 90 days	10,848	7,361
Over 90 days	9,554	4,864
Total	**43,964**	**29,416**

Impairment:

	2017	2016
Impairment at 1 January	4,238	9,002
Foreign exchange adjustments	(109)	111
Impairment for the year	1,946	2,671
Realised losses	(625)	(1,302)
Reversed impairment	(1,981)	(6,244)
Impairment at 31 December	**3,469**	**4,238**

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.

Categories of financial instruments

	2017	2016
Financial assets measured at fair value via the income statement	153,912	164,501
Financial assets used as hedging instruments	984	762
Receivables	308,999	292,462
Financial liabilities measured at fair value via the income statement	3,891	4,012
Financial liabilities used as hedging instuments	20,065	22,950
Financial liabilities measured at amortised cost	401,593	363,242

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).

64 Notes to the Consolidated Financial Statements (EURk)

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 12; 13 and 30.

Transactions with joint ventures and associates:

	2017		2016	
	Joint ventures	Associates	Joint ventures	Associates
Receivables	13,648	7,462	21,501	10,331
Payables	0	360	0	265
Interest income	566	226	724	299
Interest expense	0	0	51	0

27 Standards and interpretations not yet adopted

The IASB has issued a number of new standards and interpretations that are not yet mandatory for the Group's consolidated financial statements for 2017.

IFRS 9, Financial Instruments (endorsed by the EU) will become effective from 1 January 2018. The standard will be implemented using the prospective approach. The Group has assessed the impact of the standard and determined that it will not have any significant impact on the Consolidated financial statements.

IFRS 15, Revenue (endorsed by the EU) will become effective from 1 January 2018. The Group has assessed the impact of the standard. Current recognition of revenue complies in all material aspects with the new standard which will thus not have any significant impact on revenue recognition or measurement in the consolidated financial statements. However, extended disclosures are expected.

IFRS 16, Leases will become effective from 1 January 2019 and the impact will especially be on the balance sheet where lease contracts will have to be recognised as assets with corresponding impact on liabilities, thus affecting total assets and equity ratio. In the income statement EBITDA will be impacted by the split of operating lease expenses between a depreciation charge included in operating expenses and an interest expense on lease liabilities included in financial expenses. This will affect operating margin. Leases are disclosed in note 23. Egmont will continue to assess the impact of IFRS 16 on its Consolidated financial statements in 2018 and it has not yet been decided which transition approach to use.

All the standards will be adopted on their effective dates, i.e. no early adoption is planned.

28 Subsequent events

Apart from the events recognised or disclosed in the consolidated financial statements, no events have accurred after the reporting period.

Notes to the Consolidated Financial Statements (EURk) 65

29 Acquisition and divestment of businesses

Acquisitions in 2017

In 2017 the Group has acquired 91.9% of the shares in Outnorth AB and 100% of the shares in GoShopping ApS. Please refer to seperate section below for a further elaboration of the acquisitions. Furthermore the Group has acquired other businesses for a total of EUR 3.3 million.

Fair value at acquisition date	Outnorth AB	GoShopping ApS	Others	Total
Intangible assets	3,938	1,654	0	5,592
Property, plant and equipment	111	18	217	346
Other non-current assets	0	0	64	64
Current assets	11,764	5,208	2,203	19,175
Non-current financial liabilities	0	0	(46)	(46)
Other non-current liabilities	(885)	(392)	(134)	(1,411)
Current financial liabilities	(3,491)	(2,260)	(924)	(6,675)
Other current liabilities	(7,413)	(2,284)	(1,428)	(11,125)
Identifiable net assets	**4,024**	**1,944**	**(48)**	**5,920**
Goodwill	32,789	6,342	3,603	42,734
Minority interest	15	0	0	15
Purchase consideration	**36,828**	**8,286**	**3,555**	**48,669**
Cash and cash equivalents, acquired	(546)	0	(233)	(779)
Fair value of assets transferred	(14,875)	0	0	(14,875)
Total cash consideration paid	**21,407**	**8,286**	**3,322**	**33,015**

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

Outnorth AB, Sweden

The group acquired 91.9% of the shares in Outnorth AB, a Nordic E-commerce company focusing on the outdoor segment, from Verdane Capital VII as well as other minority shareholders, on 21 December 2017.

The net cash purchase price is EUR 21.4 million which is paid in January 2018. Goodwill, is mainly related to the synergies that can be achieved when Outnorth AB is integrated in to the existing setup for the E-commerce business area within Egmont Publishing. The purchase price allocation is not final.

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

GoShopping ApS, Denmark

The group acquired all of the shares in GoShopping ApS, a Danish E-commerce company focusing on kitchenware, on 1 December 2017.

The net cash purchase price is EUR 8.3 million. Goodwill, is mainly related to the synergies that can be achieved when the planned integration with Bagaren och Kocken AB is completed and the purchasing and inventory processes are standardised.

The transaction costs for advisory in relation with the acquision is EUR 0 million as the acquisition was handled by Egmont internally.

66 Notes to the Consolidated Financial Statements (EURk)

29 Acquisition and divestment of businesses (continued)

Other
On 1 January 2017, Egmont Publishing, acquired 52.25% of the shares in Patchwork Group A/S and on 31 October 2017 acquired 100% of the shares in Very ApS in order to strengthen the Danish Content Marketing business and further develop this business area. The transaction costs for advisory in relation with the acquisions are EUR 0 million as the acquisitions were handled by Egmont internally.

An earn out of EUR 0.7 million was recognised in relation to the acquisition of Patchwork Group A/S.

Divestments in 2017
The level of divestments in 2017 was close to 0 and the only divestment was Egmont Hungary which was sold for DKK 1 and with a minor loss for the group. The divestments table has therefore been left out of the report.

The transaction costs related to the sale is EUR 0 million.

Acquisitions in 2016
The level of aquisitions in 2016 was close to 0 and the value of any aquisitions were insignificant. The acquisitions table has therefore been left out of the report.

Divestments in 2016
In 2016, the group sold shares in a number of companies. The main sales relates to OB Team AS (gain of EUR 8.8 million) and Venuepoint (gain of EUR 1.5 million). In OB Team AS all shares were sold. The sale of Venuepoint was part of a transaction where Egmont subsequently owns 50% and the company is recognised as an associate. All shares in ZAO Egmont Russia Ltd, Egmont Czech Republic s.r.o. and the TV 2 subsidiary, Nordic World AS, were also sold and are included in the Other category.

The transaction costs related to the sales are EUR 0.6 million which was mainly related to advisory services in relation to the sale of OB Team AS and legal services in relation to the sale of ZAO Egmont Russia Ltd.

Carrying amount at divestment date	OB Team AS	Venuepoint	Other	Total
Intangible assets	1,239	7,155	11	8,405
Property, plant and equipment	1,881	28	91	2,000
Current assets	7,541	8,209	6,848	22,598
Non-current financial liabilities	(919)	0	1,753	834
Other non-current liabilities	0	38	(81)	(43)
Other current liabilities	(2,371)	(8,474)	(6,232)	(17,077)
Net assets divested	**7,371**	**6,956**	**2,390**	**16,717**
Profit/(loss)	8,833	1,561	7	10,401
Selling price on divestment of businesses	**16,204**	**8,517**	**2,397**	**27,118**
Cash and cash equivalents, disposed	(3,496)	(13,162)	(1,336)	(17,994)
Total cash consideration received	**12,708**	**(4,645)**	**1,061**	**9,124**

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30 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

			Ownership share	
Country	Entity	Registered office	2017	2016
Denmark	Egmont International Holding A/S *	Copenhagen		
	Egmont Publishing A/S	Copenhagen		
	Egmont Printing Service A/S	Copenhagen		
	Egmont Creative Solutions A/S	Copenhagen		
	Patchwork Group A/S	Copenhagen	51.8%	38.3%
	Very Patchwork Denmark A/S	Copenhagen	51.8%	38.3%
	Very ApS	Copenhagen	51.8%	-
	GoShopping ApS	Herning		
	Bagaren och Kocken AB owns		100%	-
	ABCiTY A/S	Copenhagen		
	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		
	ShopPartner A/S *(Merged with GoGift.com A/S)*	Vordingborg	-	
	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 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		
	VPH Sleeping Egmont A/S **	Copenhagen		
Norway	Egmont Holding AS	Oslo		
	Egmont AS *(Merged with Egmont Holding AS)*	Oslo	-	
	Egmont Kids Media Nordic AS	Oslo		
	Nordisk Film AS	Oslo		
	Nordisk Film Distribusjon AS	Oslo		
	Nordisk Film Production AS	Oslo		
	Nordisk Film ShortCut AS	Oslo	66%	66%
	Patchwork Norway AS	Oslo	51.8%	38.3%

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30 Group entities (continued)

SUBSIDIARIES

Country	Entity	Registered office	Ownership share 2017	2016
Norway	Drammen Kino AS	Drammen	66.7%	66.7%
	Nordisk Film Kino AS	Oslo		
	Media Direct Norge AS	Oslo		
	Filmweb AS	Oslo	64.3%	64.3%
	Mortal AS	Oslo		
	Postcard AS	Oslo		
	Egmont Publishing AS	Oslo		
	Fagmedia AS	Oslo		
	MyKid AS	Oslo	56%	56%
	Bonzaii AS *(Merged with Sempro AS)*	Oslo	-	67%
	Sempro AS	Moss	69.63%	70.1%
	TV 2 Gruppen AS	Bergen		
	TV 2 AS	Bergen		
	TV 2 Skole AS	Bergen		
	Nydalen Studios AS	Oslo		
	Broom.no AS	Oslo		
	Eventyrkanalen AS	Bergen		
	TV 2 Torget AS	Bergen		
	Vimond Media Solutions AS	Bergen		
	Kanal 24 Norge AS	Fredrikstad		
	Screen Media AS	Oslo		
	Screen Story AS	Stavanger	90.2%	90.2%
	Colorbar AS	Stavanger		
	Screen Story AS owns		75%	75%
	Aventia Media AS	Nøtterøy	52%	52%
Sweden	Egmont Holding AB	Malmö		
	Egmont Publishing AB	Malmö		
	Egmont Publishing Subsidiary AB	Stockholm		
	Forma Publishing Group AB *(Merged with Egmont Publishing AB)*	Stockholm	-	
	Patchwork Sweden AB	Stockholm	51.8%	38.3%
	Egmont Publishing Digital AB	Stockholm		
	Bagaren och Kocken AB	Gothenburg	85.74%	60%
	Änglatroll AB	Örebro		
	Nordisk Film Sverige AB	Stockholm		
	Nordisk Film Distribution AB	Stockholm		
	Nordisk Film Produktion Sverige AB	Stockholm		
	Avanti Film AB	Stockholm	70%	70%
	Outnorth AB	Kalmar	91.9%	-
	NML Sleeping Egmont AB *(Merged with Egmont Holding AB)*	Malmö	-	

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30 Group entities (continued)

SUBSIDIARIES

			Ownership share	
Country	Entity	Registered office	2017	2016
Finland	Egmont Holding Oy/Egmont Holding Ab	Helsinki		
	Oy Nordisk Film Ab	Helsinki		
	BK Pro Fitness Oy	Vasa	-	
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		
	Delta Verlagsgesellschaft mbH	Berlin		
United Kingdom	Egmont Holding Ltd.	London		
	Egmont UK Ltd.	London		
Poland	Egmont Polska sp. z o.o.	Warsaw		
	MaxiKarty.pl. sp. z o.o	Warsaw		
Hungary	Egmont Hungary Kft.	Budapest	-	
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		
Bulgaria	Egmont Bulgaria EAD	Sofia		
Croatia	Egmont d.o.o.	Zagreb		
USA	Egmont US Inc.	New York		
	Vimond Media Solutions Inc	New York		
China	Egmont Hong Kong Ltd.	Hong Kong		
	Egmont Sourcing (HK) Ltd.	Hong Kong		
South Africa	Egmont Africa Pty, LTD	Cape Town		
Australia	Vimond Media Solutions Apac Pty Ltd	Sydney		

30 Group entities (continued)

JOINT VENTURES

Country	Entity	Registered office	Ownership share 2017	2016
Denmark	Nicehair ApS	Esbjerg	49%	29%
	Med24.dk ApS	Løkken	49%	49%
	Cape Copenhagen ApS	Copenhagen	-	35%
	I/S Ugebladsdistribution **	Albertslund	50%	50%
Norway	Mediehuset Nettavisen AS	Oslo	50%	50%
	Cappelen Damm Holding AS	Oslo	50%	50%
	Cappelen Damm AS	Oslo	50%	50%
	Cappelen Damm Salg AS *(Merged with Cappelen Damm AS)*	Oslo	-	50%
	Tanum AS	Oslo	50%	50%
	Sentraldistribusjon AS	Oslo	50%	50%
	Bazar Forlag AS	Eiksmarka	50%	50%
	Ex Libris Forlag AS	Oslo	50%	50%
	Teknologisk Forlag AS	Oslo	50%	50%
	Unibok AS	Oslo		
	Cappelen Damm AS owns		50%	50%
	Larsforlaget AS	Oslo		
	Cappelen Damm Holding AS owns		66%	66%
	Storytel AS	Oslo		
	Cappelen Damm AS owns		50%	50%
	Maipo Film AS	Oslo	50.1%	50.1%
Sweden	Kanmalmo AB	Malmö	44.8%	44.8%
	Good Old AB	Malmö	44.8%	44.8%
	Ingager AB	Stockholm	42.28%	-
Finland	Solar Films Oy	Helsinki	50.1%	50.1%
	Egmont Kustannus Oy Ab	Helsinki	50%	50%
Germany	Ingager GmBH	Berlin		
	Ingager AB owns		100%	-
Turkey	Dogan Egmont Yayincilik ve Yapimcilik A.S.	Istanbul	50%	50%
Australia	Hardie Grant Egmont Pty Ltd	Melbourne	50%	50%
China	Children’s Fun Publishing Company Ltd.	Beijing	49%	49%

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30 Group entities (continued)

ASSOCIATES

Country	Entity	Registered office	Ownership share 2017	2016
Denmark	Zentropa Folket ApS	Hvidovre	50%	50%
	Venuepoint Holding A/S	Copenhagen	50%	50%
	Venuepoint Live A/S	Copenhagen	50%	50%
	Billetlugen A/S	Copenhagen	50%	50%
	Flashbulb ApS	Copenhagen	38.4%	-
	ES North A/S	Copenhagen	50%	-
	Drive Studios ApS	Copenhagen	25%	-
	Multiverse ApS	Copenhagen	40%	-
	Reto-Moto ApS	Copenhagen	35.63%	-
	Fridthjof Film A/S	Copenhagen	25%	25%
	Udstyrsfabrikken ApS	Copenhagen	25%	25%
	Publizon A/S	Aarhus	46%	36%
	s360 A/S	Aarhus	37.2%	-
	Unique Models of Copenhagen A/S	Copenhagen	30%	30%
	Rejsepriser ApS	Copenhagen	25%	25%
	Valida Care ApS	Kolding	29%	29%
Norway	Venuepoint AS	Oslo	50%	50%
	KinoSør AS	Kristiansand	49%	49%
	Fjellsport Group AS	Sandefjord	40.8%	40.8%
	Wolftech Broadcast Solutions AS	Bergen	49.9%	49.9%
	Norges Televisjon AS	Oslo	33.3%	33.3%
	RiksTV AS	Oslo	33.3%	33.3%
	Norges Mobil TV AS	Oslo	33.3%	33.3%
	Electric Friends AS	Oslo	34%	34%
	Publish Lab AS	Oslo	50%	50%
	The Oslo Company AS	Oslo	20%	-
	Faktisk.no AS	Oslo	25%	-
Sweden	CTS Eventim Sweden AB	Stockholm	50%	50%
	Venuepoint AB	Gothenburg	50%	50%
	Fatalist Partners AB	Stockholm	21.74%	-
	Stella Nova Film AB	Stockholm	25%	-
	Klintberg Nihlén Media AB	Stockholm	49%	49%
	Jollyroom Group AB	Mölndal	37.5%	36%
	Fem Förlag AB	Västra Frölunda	50%	50%
	Animail AB	Skarpnäck	-	18.4%
	ZooZoocom AB	Stockholm	-	18.4%
	Motorrad Nordic AB	Solna	44%	44%
Finland	Nordic VR Startups Oy	Helsinki	40%	-
United Kingdom	Wendy Promotion Ltd.	London	50%	50%
	Wendy Animation Promotions Ltd.	London	50%	50%

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Income Statement of Egmont Fonden

(EURk)

Note		2017	2016
	Royalty income, etc.	2,066	2,500
2	Personnel expenses	(130)	(134)
	Other external expenses	(382)	(405)
	Operating profit	**1,554**	**1,961**
	Dividends from investments in subsidiaries	8,943	5,179
7	Financial income	1,618	1,329
7	Financial expenses	(162)	(70)
	Profit before tax	**11,953**	**8,399**
3	Tax on profit for the year	(158)	(204)
	Net profit for the year	**11,795**	**8,195**
	Distribution of net profit:		
	Transfer to reserve fund	2,351	1,628
	Transfer to charitable fund	2,648	0
	Transfer to liquid reserve fund	6,796	6,567
	Total	**11,795**	**8,195**

Statement of Financial Position of Egmont Fonden at 31 December

(EURk)

Note	Assets	2017	2016
4	Investments in subsidiaries	181,446	181,702
5	Loans to group enterprises	87,308	87,431
	Financial assets	**268,754**	**269,133**
	Total non-current assets	**268,754**	**269,133**
	Receivables from group enterprises	24,178	24,612
	Other receivables	3,652	4,072
	Receivables	**27,830**	**28,684**
	Securities	**639**	**637**
	Cash and cash equivalents	**882**	**473**
	Total current assets	**29,351**	**29,794**
	TOTAL ASSETS	**298,105**	**298,927**

Note	Equity and liabilities	2017	2016
	Capital fund	29,549	29,591
	Reserve fund	231,189	229,160
	Charitable fund	12,931	10,297
	Liquid reserve fund	3,186	9,312
	Total equity	**276,855**	**278,360**
	Payables to group enterprises	40	37
	Donations committed but not yet paid	13,381	14,550
	Other payables	7,829	5,980
	Current liabilities	**21,250**	**20,567**
	Total liabilities	**21,250**	**20,567**
	TOTAL EQUITY AND LIABILITIES	**298,105**	**298,927**

1 Accounting policies
6 Basis of distribution
7 Related parties

Statement of Changes in Equity of Egmont Fonden

(EURk)

				Liquid reserve fund		
	Capital fund	Reserve fund	Charitable fund	Use according to articles 6-10	Use according to article 11	Total equity
Equity at 1 January 2017	**29,591**	**229,160**	**10,297**	**8,480**	**832**	**278,360**
Foreign exchange adjustments	(42)	(322)	(14)	(10)	(1)	(389)
Transfer from distribution of net profit	0	2,351	2,648	6,116	680	11,795
Used for charitable purposes	0	0	0	(10,988)	(617)	(11,605)
Costs	0	0	0	(1,252)	(54)	(1,306)
Equity at 31 December 2017	**29,549**	**231,189**	**12,931**	**2,346**	**840**	**276,855**
Equity at 1 January 2016	**29,480**	**226,672**	**10,258**	**14,889**	**844**	**282,143**
Foreign exchange adjustments	111	860	39	64	4	1,078
Transfer from distribution of net profit	0	1,628	0	5,910	657	8,195
Used for charitable purposes	0	0	0	(11,101)	(619)	(11,720)
Costs	0	0	0	(1,282)	(54)	(1,336)
Equity at 31 December 2016	**29,591**	**229,160**	**10,297**	**8,480**	**832**	**278,360**

1 Accounting policies

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.

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

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

Investments in subsidiaries and joint ventures

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

Dividends

Dividends from investments in subsidiaries and associates 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 Com-mercial 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.

2	Personnel expenses	2017	2016
	Wages and salaries	(130)	(134)

Compensation paid to the Board of Trustees amounted to 212 in 2017 (2016: 155), of which 105 (2016: 75) 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.

3	Tax on profit for the year	2017	2016
	Royalty tax paid	(158)	(204)

Tax on profit for the year consists of royalty tax.

4	Investments in subsidiaries	2017	2016
	Cost at 1 January	181,702	181,018
	Foreign exchange adjustments	(256)	684
	Cost at 31 December	**181,446**	**181,702**

For a list of subsidiaries please see note 30 in the consolidated financial statement.

5	Loans to group enterprises	2017	2016
	Cost at 1 January	87,431	87,102
	Foreign exchange adjustments	(123)	329
	Cost at 31 December	**87,308**	**87,431**

6	Basis of distribution	2017	2016
	Balance at 1 January	19,609	25,991
	Exchange change adjustments	(25)	107
	Used for charitable purposes	(11,605)	(11,720)
	Costs	(1,306)	(1,336)
	Transfer from distribution of net profit	9,444	6,567
	Balance at 31 December	**16,117**	**19,609**

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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.

Trading with subsidiaries	2017	2016
Service fee	176	240
Royalty income	0	486
Rent	(75)	(69)
Acquisition of services	(629)	(482)
Interest, subsidiaries (net income)	1,481	1,490

Capital transactions and balances with subsidiaries at 31 December	2017	2016
Dividends	8,943	5,179
Loans to group enterprises	87,308	87,431
Receivables	24,178	24,612
Payables	(40)	(37)

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