EGMONT

We bring stories to life

EGMONT FONDEN

Annual Report 2018

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Management's review

CONSOLIDATED FINANCIAL HIGHLIGHTS	2018	2017	2016	2015	2014
Key figures (EUR million)					
Revenue	1,602.8	1,515.0	1,559.9	1,575.8	1,552.0
Profit before net financials, depreciation, amortisation and impairment losses (EBITDA)	190.3	159.1	170.2	190.0	236.7
Operating profit	85.0	78.7	73.7	97.0	131.2
Profit/(loss) from investments in associates	2.2	2.6	(4.5)	6.8	3.3
Financial income and expenses, net	(5.8)	(3.1)	1.0	(2.3)	(7.1)
Profit before tax (EBT)	81.4	78.2	70.2	101.6	127.4
Profit for the year	50.8	60.7	62.1	85.3	107.7
Total assets	1,711.4	1,693.0	1,621.0	1,608.9	1,542.1
Investments in intangible assets	58.2	72.5	52.6	51.3	64.3
Investments in property, plant and equipment	20.4	39.2	27.1	36.2	21.1
Net interest-bearing debt/ (net interest-bearing deposits)	69.1	(40.3)	(46.8)	(57.4)	(33.7)
Equity	869.3	829.6	833.3	755.0	704.3
Cash generated from operations *	131.1	203.2	103.3	156.4	230.2
Financial ratios (%)					
Operating margin	5.3	5.2	4.7	6.2	8.5
Equity ratio	50.5	48.7	51.2	46.7	45.4
Return on equity	6.1	7.3	7.8	11.7	15.7
Average number of full-time employees	3,959	3,787	3,866	4,037	4,050

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

Egmont is a commercially operating foundation. We reinvest all our profits in building great media positions and help children and young people through social programmes – in 2018 we donated EUR 12.8 million in Denmark and Norway.

Our companies are build upon content, curation, communities and commerce within TV, films, cinemas, gaming, magazines, books, education, e-commerce and marketing services. Many of these companies saw solid development in 2018.

2018 was a good year for Egmont with 8.5% growth in revenue and 7.1% growth in profit before tax (adjusted for currency).

TV 2 had another good year with continued digital growth in TV 2 Sumo – more than 400,000 subscribers at the end of 2018 – and tv2.no. Revenue was all time high which in combination with strong content and high market share in linear-tv contributed to earnings higher than last year.

Nordisk Film delivered all time high revenue and strong earnings. The growth strategy of investing further in computer games was pursued with acquisition of the remaining shares of Avalanche Studios and a sizeable minority ownership position in Star Stable. In 2018, Nordisk Film opened the first cinema in Sweden.

Egmont Publishing delivered a strong result in a challenging market for print publishing. The result is based on solid performance in key markets in the traditional publishing business combined with strong cost control. Increase in revenue was caused by e-commerce and marketing services, offsetting the decline in print publishing. The ambition is to grow both e-commerce and marketing services further.

In Egmont Books, Lindhardt og Ringhof had a very strong year with growth in both revenue and earnings. The big investments in digitalisation continued and at the end of 2018 more than 40,000 book titles are available as digital editions. Cappelen Damm had a challenging year and delivered an unsatisfactory result.

THE GROUP

Revenue

Egmont's total revenue for 2018 amounted to EUR 1,602.8 million, the highest to date and an increase of EUR 87.7 million compared to last year. Revenue growth was mainly achieved in games and e-commerce but also the content and cinema business in Nordisk Film as well as the TV business contributed.

Earnings

Profit before net financials, depreciation, and amortisation (EBITDA) amounted to EUR 190.3 million. The EBITDA margin came to 11.9% against 10.5% in 2017.

The pre-tax profit (EBT) in 2018 amounted to EUR 81.4 million compared to EUR 78.2 million the year before.

Tax on profit for the year amounted to an expense of EUR 30.6 million, corresponding to an effective tax rate of 37.6% compared to 22.4% the year before. The effective tax rate in 2018 was significantly affected by adjustments for prior years and development in unrecognised tax assets. Adjusting for this, the effective tax rate for 2018 was in the level of 25%.

The net profit for the year was EUR 50.8 million in 2018 against EUR 60.7 million the year before.

Balance sheet

Total assets amount to EUR 1,711.4 million which is at the same level as in 2017.

The Group's net interest-bearing debt amounted to EUR 69.1 million compared to a net interest-bearing deposit of EUR 40.3 million in 2017. The change from having net interest-bearing deposit to having net interest-bearing debt was a result of acquisitions in 2018.

Egmont's equity at end-2018 amounted to EUR 869.3 million, an increase of EUR 39.7 million. The equity was reduced by foreign exchange adjustments on translation of foreign entities (lower Norwegian and Swedish exchange rates (EUR 8.7 million)) and donations (EUR 12.8 million).

Return on equity was 6.1% compared to 7.3% the year before.

The equity ratio at end-2018 came to 50.5% compared to 48.7% the year before.

Cash generated from operations amounted to EUR 133.1 million against EUR 203.2 million in 2017. The increase in non-cash operating items is due to the impact from increased amortisation of film rights. Cash flows from change in working capital was negatively affected by accruals from 2017, regarding payments to customers in Dansk Reklame Film. Cash flows from investing activities amounted to an expense of EUR 113.5 million, primarily regarding the acquisition in Fatalist Partners AB (Avalanche Studios), and further investments in associates and other investments.

TV 2, Norway

Revenue in 2018: EUR 465 million (2017: EUR 456 million)
Operating profit in 2018: EUR 41 million (2017: EUR 35 million)
Employees in 2018: 882 (2017: 884)

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 site 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 2018 was 465 EUR million against EUR 456 million in 2017. Measured in local currency revenue increased by 5.1%. Operating profit for 2018 was EUR 41 million against EUR 35 million in 2017.

In 2018, the Norwegian government and TV 2 signed a new five-year public service broadcaster assignment effective from 1 January 2019. With headquarters in Bergen, TV 2 was the chosen broadcaster who is required to deliver a broad public service programming, including daily news, current affairs, children's programmes and Norwegian drama and TV series.

TV 2 CHANNELS

The total market share for all TV 2 channels was 29.1% in the 20-49 year target group (down 1.5%) and 27.4% in the 12+ viewing group – on par with 2017. In the commercial market (20-49 year target group) TV 2's share was 46.5%, down from 48.3% in 2017. TV 2 has several months been the only media house to see growth for the linear channels in key demographics.

In 2018, TV 2's main channel managed to slightly increase its market share from 18.9% to 19.1% and had a strong year with consistently high ratings on flagship concepts like *Farmen, Skal vi danse?* and *Åsted Norge*. New concepts, such as *Senkveld med Helene og Stian* and *Hvem drepte Birgitte?* have also been well received by the market.

TV 2 Nyhetskanalen, the only Norwegian 24/7 news channel, continued to grow (from 2.9% to 3.7%) and is now established among the top six commercial channels in the market and the obvious first choice for breaking TV news. The other genre channels (TV 2 Zebra, TV 2 Sport1, TV 2 Sport2, TV 2 Sport Premium 1, TV 2 Sport Premium 2, TV 2 Livsstil and TV 2 Humor) have stable market shares. The total market share of the genre channels was 9.2% in 2018 in the 20-49 year target group.

TV 2 SPORT 1

A record strong portfolio of international football rights held by TV 2 from 2018 onward formed the basis for launching a new sports channel in September 2018. The collective sports rights provided a strategic opportunity to strengthen TV 2's position in the distribution market and cater to a continued demand for attractive live sports content. The launch of TV 2 Sport 1 complements TV 2 Sport 2 as the home of international football leagues like Champions League, Europa League, Nations League as well as football related magazine shows. TV 2 Sport 1 has around 30% distribution as a mid-tier channel.

TV 2 SPORT 2

In September 2018, TV 2 re-launched Sportskanalen as TV 2 Sport 2. The channel carries a variety of sports like Norwegian ice hockey, handball, rally, checkers, poker and various bicycling events. TV 2 Sport 2 delivered a steady market share of 0.2%.

PREMIER LEAGUE CHANNELS
TV 2's Premier League channels (TV 2 Sport Premium 1 & 2) continued to deliver strong ratings, often higher than national league matches broadcast on open channels (Discovery).

TV 2 SUMO
In 2018, TV 2 has further developed the streaming service TV 2 Sumo's position and passed 400,000 subscribers in October. TV 2 Sumo has launched a new product structure and has optimised personalisation resulting in a better experience of relevance and higher retention rate. TV 2 Sumo has also developed a new sports app, launched a news service on Google Home, and developed several launch-ready products preparing the streaming service for future growth.

RIGHTS ACQUISITIONS
Attractive live sports are key drivers for linear TV viewing, distribution revenues and subscription sales. TV 2 has secured a broad portfolio of sports rights, with focus on football.
In 2018, TV 2 prolonged the exclusive rights to the Premier League until the 2021/22 season.

VIMOND MEDIA SOLUTIONS
The streaming and on demand platform provider Vimond Media Solutions continued to grow customers in 2018. License revenues were up 15%. The company has offices in Europe, USA, Africa, the Middle East, and the Asia-Pacifics, and has acquired new customers in all its key markets. FIFA World Cup 2018 was one of the year's big events for Vimond serving viewers in multiple regions of the world.

Nordisk Film

Revenue in 2018: EUR 559 million (2017: EUR 498 million)
Operating profit in 2018: EUR 28 million (2017: EUR 17 million)
Employees in 2018: 1,202 (2017: 1,017)

Nordisk Film develops, produces and markets films and TV series across the Nordic region, operates the leading cinema chains in Denmark and Norway, and has a leading gift card company. Nordisk Film also has a strong position in gaming; it is behind PlayStation in the Nordic and Baltic countries and has a high-growth portfolio of Nordic computer game studios.

Nordisk Film delivered all-time high revenue and a strong result based on solid performance especially within films and games. Revenue was EUR 559 million in 2018 against EUR 498 million in 2017. Operating profit of EUR 28 million was up 11 EUR million from 2017. The growth strategy of investing in computer game studios had a positive impact.

FILM & TV

In 2018, Nordisk Film's fully owned production company, Nordisk Film Production, was behind a number of successful and critically acclaimed films. Gustav Möller's *The Guilty* won the Audience Award at Sundance Film Festival, seven Danish Robert Awards, and has been a local and worldwide success. Bille August's *A Fortunate Man* sold almost 400,000 cinema tickets in Denmark and premiered as a mini TV-series. In Sweden, Pernille Fischer Christensen's *Becoming Astrid* had its world premiere at Berlin International Film Festival. In Norway, Tuva Novotny's *Blindspot* won at San Sebastian International Film Festival and together with Paprika Steen's *That Time of Year* and Michael Noer's *Before the Frost* had their world premiere at Toronto International Film Festival.

Nordisk Film was also the co-investor and distributor of several Nordic film successes – among them the top-grossing Danish blockbusters *Journal 64* produced by associated company Zentropa (770,000 tickets) and *Ternet Ninja* (more than 800,000 tickets). In Sweden, Nordisk Film was investor and distributor of the 4th movie in the very successful *Sune* franchise (more than 430,000 tickets). In Norway, Nordisk Film released *Skjelvet* from Fante Film (590,000 tickets). In Finland, Nordisk Film released the second instalment of *The Grump* (344,000 tickets). Nordisk Film's biggest international title was Steven Spielberg's *The Post* from Amblin (355,000 tickets across the Nordics) and from 20th Century Fox Nordisk Film had great success with *Bohemian Rhapsody* (more than 815,000 tickets across Denmark and Finland).

In 2018, Nordisk Film renewed its distribution deal for the Nordics with US production company Lions Gate Entertainment securing a number of international titles.

CINEMAS

Nordisk Film continued to expand and strengthen its operations in the Danish, Norwegian and Swedish cinema markets. Nordisk Film now operates 44 cinema multiplexes; 22 in Denmark, 21 in Norway and one in Sweden (Uppsala) and is the market leader in Denmark and Norway. Nordisk Film sold 5.4 million cinema tickets in Denmark and 3.5 million cinema tickets in Norway

In 2018, Nordisk Film introduced two 4dx screens in Denmark and opened the first cinema in Sweden, which also includes a 4dx screen (4dx was introduced in Norway in 2017). Construction of new cinemas in Esbjerg (Denmark), Malmö (Sweden), and Bergen (Norway) began in 2018.

GAMES

Fuelling the growing Nordic gaming industry and driven by highly experienced game creators, innovators and business developers, Nordisk Film Games has built a portfolio of Nordic game studios that are enabled to develop strong global IP's and rich gaming experiences for millions of consumers worldwide. With a strong track-record in films, TV, and digital entertainment, games development is a natural extension of Nordisk Film's business span, and 2018 saw significant activity with acquisitions in this area now totalling more than EUR 130 million and further growth expected.

Full ownership was taken in 2018 of Avalanche Studios, the original creator of games such as the award-winning *Just Cause* franchise, *theHunter: Call of the Wild*, and *Generation Zero*. Also, Star Stable Entertainment AB, which is behind the world's leading online adventure horse game, and the independent game publisher Raw Fury was added to the portfolio in terms of sizeable minority ownership positions. The current gaming portfolio also counts minority ownership stakes in Flashbulb Games, Kogama, and Reto Moto.

In 2018, global shipments for PlayStation 4 exceeded 80 million units since the introduction of the console. 2018 was a great year for Sony and Activision content brought to the market by Nordisk Film Interactive, with critically acclaimed masterpieces such as *God Of War* and Marvel's *Spiderman.* Activision released top hits such as *Call of Duty: Black Ops 4* and *Spyro Reignited Trilogy*.

GIFTS

GoGift is a leading Nordic gift card and gifting company with a global reach. During 2018, GoGift showed strong double-digit growth rate in all Nordic home markets as well as its newly formed global division. 2018 was also a year of continued investment in development of new innovative and scalable global gifting concepts.

Egmont Publishing

Revenue in 2018: EUR 522 million (2017: EUR 505 million)
Operating profit in 2018: EUR 26 million (2017: EUR 33 million)
Employees in 2018: 1,527 (2017: 1,543)

Egmont Publishing is active in three business areas; publishing, e-commerce and marketing services. It has market-leading positions in several regions within publishing and has built portfolios of Nordic companies within e-commerce and marketing services to increase growth and long-term profitability.

Revenue in 2018 was EUR 522 million against EUR 505 million in 2017. The increase was caused by e-commerce and marketing services, offsetting the decline in print publishing.

Operating profit of EUR 26 million was down from 2017 due to negative development in print publishing combined with substantial restructuring costs in publishing. Operating profit was also affected by considerable investments made in the e-commerce portfolio and costs related to mergers.

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 lower profitability but still solid performance in an increasingly challenging market. Circulation and advertising continued to decline but with substantial differences between markets. Profitability was still strong in the Nordic markets, while some international markets were more challenged.

In Denmark, publishing saw high performance following a range of new activities resulting in stable advertising level in an otherwise decreasing market. In Norway, organisational restructuring countered the effects of a challenged advertising market resulting in a strong result. Publishing in Sweden also delivered a solid result in line with expectations.

2018 was a year with big changes and restructurings in several countries. Consolidation of the Swedish and the Polish/Central European businesses improved performance, but the Polish market was challenged based on a vulnerable distribution system.

In the digital space Egmont Publishing saw further growth. Egmont Publishing holds substantial positions online including klikk.no, side2.no, side3.no, blogg.no, alt.dk, euroman.dk, svenskgolf.se and automotorsport.se. Egmont Publishing also holds important positions in digital magazines, including the digital magazine platform *Flipp*.

The Chinese joint venture Children's Fun Publishing delivered substantial growth and strong performance. The joint venture in Finland with Sanoma and the Australian joint venture performed according to plan, while the Turkish joint venture with Dogan performed considerably below expectations due to the unstable political situation and weak currency.

In 2018, Egmont Publishing bought an additional 30% shares in the Danish fashion agency Unique Models and the two companies created the influencer agency Unique Social. In Norway, Egmont Publishing made considerable headway in the influencer market with the influencer agency PEOPLE.

Egmont Publishing sold 50% of the Rasmus Klump rights by entering into a joint venture with the Danish amusement park Tivoli.

E-COMMERCE

Egmont Publishing has a number of leading Nordic companies within online retail enabling consumers to realise their aspirations through curation and convenience.

The e-commerce portfolio currently consists of seven high-growth companies specialising in distinct categories such as “outdoor”, “parenting”, and “kitchen”. The portfolio includes Jollyroom, Fjellsport, Outnorth, Bagaren och Kocken (incl. KitchenOne), Med24, and Nicehair – with Egmont Publishing holding majority ownership positions in Fjellsport (from January 2019), Outnorth, and Bagaren och Kocken. In 2018, Egmont Publishing expanded the portfolio with the acquisition of a minority stake in Garnius, an e-commerce operator selling yarns.

Jollyroom is the Nordic market leader within the “parenting” category and by far the biggest company in the portfolio with 2018 revenues of EUR 143 million and a growth rate of 45%.

From the beginning of 2019 Fjellsport and Outnorth joined together in a group with Egmont Publishing as majority owner and expected yearly revenue of more than EUR 100 million.

The entities are showing strong growth and underlying margins in line with expectations, but also with substantial restructuring costs in Bagaren och Kocken and high costs related to expanding warehouse facilities and automatisation. Revenues in the portfolio amounted to more than EUR 300 million in 2018. The ambition for the portfolio is to reach EUR 500 million in revenue in 2020.

MARKETING SERVICES

Egmont Publishing has the ambition of obtaining a leading Nordic position within performance marketing through targeted M&A activities and accelerated organic growth in the portfolio companies. The portfolio consists of six companies; Sempro, KAN, Belong (formerly Very Patchwork), s360, Klintberg Nilèhn, and Ingager. During 2018, s360 and KAN opened an office together in Malmö.

The portfolio revenues are growing substantially and especially s360, KAN and Klintberg Nilèhn showed 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 2018: EUR 52 million (2017: EUR 48 million)
Operating profit in 2018: EUR 2 million (2017: EUR 5 million)
Employees in 2018: 226 (2017: 226)

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 and imprint Story House. Lindhardt og Ringhof published a total of approx. 600 new titles in 2018. By December 2018 more than 40,000 book titles have been made available as digital editions.

Lindhardt og Ringhof had a very strong year in 2018 with increase in both revenue and operating profit.

The Lindhardt og Ringhof fiction list 2018 was comprised of well-reviewed bestsellers such as Knud Romer's *Kort over Paradis,* Merete Pryds Helle's *Vi kunne alt*, Anne-Cathrine Riebnietszky's *Smaragdsliberen*, Michael Katz Krefeld's *Mørket kalder*, and Mich Vraa's *Faith*. Numerous books were nominated for prizes and five prizes were achieved, among them The Audience Award to Michael Katz Krefeld, Debutant and Author of the Year to Anne Mette Hancock, and The Danish Broadcasting Company's Novel Prize to Maren Uthaug.

In 2018, foreign fiction authors like Jeffrey Archer, Carlos Ruiz Zafón, Guillaume Musso and Karl Ove Knausgård continued strengthening their position in the Danish market. Scandinavian crime was the predominant genre in foreign fiction and Lindhardt og Ringhof published new books by Camilla Grebe, Stefan Ahnhem, and A. J. Finn.

Non-fiction had an exceptionally good year with higher turnover as a result of many strong and bestselling books. Worldwide bestseller *Becoming* by Michelle Obama performed extremely well and coffee table books such as *Hammershøi* and *Formel 1* found a large audience. Besides this a substantial backlist consisting of books by Claus Meyer, Jamie Oliver, Antony Beevor, Daniel Kahneman and Yuval Norah Harari have inhabited the bestseller lists.

The children's publishing house Carlsen continued its growth and took market shares. The new young adult imprint, Carlsen Puls, was launched with *Valget* by Danish author Sarah Engell, who was awarded the prestigious Blixen Prize for Best Childen and Young Adult Book.

SAGA is a leading publisher of e-books and audio books in Denmark and Sweden as well of audiobooks in Germany. SAGA has by the end of 2018 established itself with new editorial teams in Finland and Poland as well as launched its publication service in Norway and Holland. Expansion plans for 2019 comprises more than 15 new markets worldwide among these India, France, Italy and Latin America.

In 2018, Alinea acquired Specialpædagogisk Forlag, a leading publisher within the field of literature for children with special needs and for teachers of the same. The company was successfully integrated in Alinea and the acquisition has significantly accelerated Alinea strategy of moving into this field of publishing. In spring 2018, two Danish municipalities put out to tender the procurement of digital learning materials. Alinea won both of the tenders hence beating the main competitors with its 28 new digital portals launched in January 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 faced several challenges in 2018. Preassure on physical retail, a particularly weakened Norwegian book market and a looming reform on educational materials in Norway affected all of Cappelen Damm's divisions and severely affected the result.

Cappelen Damm presented a very strong publishing list with authors such as Vigdis Hjorth, Lars Saabye Christensen, Kim Leine, Roy Jacobsen, Michelle Obama, Yuval Noah Harari and the Nobel Peace Prize laureates Nadia Murad and Denis Mukwege.

The audio book streaming service Storytel Norge, co-owned by Cappelen Damm and Storytel 50/50, has reached 100,000 subscribers and is expected to grow further the coming years offsetting the decline in general publishing.

The digital support tool VAR Healthcare, already market leader in the Norwegian and Danish healthcare sectors, has in 2018 entered into the first agreements on pilot installations in Germany.

The Charitable Activities

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

Child and youth participation are a vital part of Egmont Fonden's DNA as children and young people can contribute with important knowledge. Egmont Fonden strives to involve the child's perspective in all grants. In 2018, Egmont Fonden established a children's panel to advise on the theme of the year – dyslexia. Furthermore, the foundation held a children's summit where the participants formulated recommendations to decision makers on how to strengthen support for dyslexic children and young people.

Egmont Fonden works through different types of initiatives: *A Helping Hand*, donations, partnerships, incubator grants and "big bets". In 2018, Egmont Fonden donated a total of EUR 12.8 million to support efforts aimed at children and young people's learning and life skills – and to support film talents through Nordisk Film Fonden. Since 1920, Egmont Fonden has donated EUR 399 million in present value to help fund charitable activities.

DYSLEXIC CHILDREN AND YOUNG PEOPLE

In 2018, Egmont Fonden's annual theme has been dyslexia. It is estimated that approximately seven per cent of all children and young people in elementary school are dyslexic. The Egmont Report 2018 introduced new data showing dyslexia as a significant barrier to completing an upper secondary education. 31% of dyslexics do not complete an upper secondary education; they get lower grades in all subjects; and young people with a vulnerable social background as well as dyslexia are double challenged.

Egmont Fonden has earmarked EUR 2.8 million for initiatives that focus on dyslexia and seek broad cooperation with other partners in order to achieve three goals:(i) all dyslexic children must be identified as early as possible, (ii) the disparity in grades in elementary school between dyslexic children and other children must be minimised, and (iii) the significance of social background on dyslexic children's likelihood to complete an upper secondary education must be minimised.

One of the first grants in relation to dyslexia has been given to the municipality of Esbjerg. The grant of EUR 0.8 million will accelerate the municipality's activities to help dyslexic children and young people.

A HELPING HAND

Egmont Fonden provides individual support through partnerships in Denmark and Norway with organisations that are directly in contact with children and young people at risk. In 2018, Egmont Fonden distributed a total amount of EUR 1.4 million via *A Helping Hand*.

THE PLEDGE TO SUPPORT YOUNG CHILDREN

15% of the 4½-year-olds currently have a linguistic level equivalent to an average 3-year-old. As a result, Egmont Fonden and the think tank DEA launched *Småbørnsløftet* (*the Pledge to Support Young Children)* in 2018, which has two ambitious goals: (i) all children must have a good life, and they must get the opportunity to develop the necessary skills – personal, social, and academic – to get a good schooling, and (ii) the first 1,000 days of all children's lives must be characterised by a secure upbringing and stimulation, so that they get versatile opportunities from birth to learn and develop.

In 2018, 120 organisations signed the pledge and private as well as public investment in the area of early childhood has increased. Egmont Fonden has earmarked a total sum of EUR 10.1 million for *Småbørnsløftet*. As an example, a grant of EUR 0.9 million has been donated to Save the Children's initiative Early Childhood Clubs, which, in collaboration with volunteers and professionals, aims to provide parents with tools to support their children's well-being and positive development.

NORWAY

The development and challenges of Norwegian children and young people are similar to those of children and young people in Denmark, and, consequently, Egmont Fonden's strategy is the same in Norway and Denmark. In 2018, the foundation distributed a total of EUR 1.1 million to Norwegian Women's Public Health Association, The Crown Prince Haakon and Crown Princess Mette-Marit's Foundation, and the Norwegian Red Cross for activities targeted at children and young people.

NORDISK FILM FONDEN

Nordisk Film Fonden donated EUR 0.7 million in 2018 for initiatives empowering film talents and the use of new technologies in film creation and production. The scholarships *Big Polar Bear* and *Little Polar Bear* helped 59 talents to seek new knowledge abroad, and hereby contributing to the talents' further career paths. Nordisk Film Fonden's four Honorary Awards reward talent and new voices. The prestigious Nordisk Film Award went to director Gustav Möller. Initiatives supporting film talents to a new future based on a fusion of technologies, included: *VIZARTs* creating narrative experiences with real-time MoCap and Avatars*; VFX Residencies* boosting the skills of Visuel Effect Artists and establishing a national VFX Center of Excellence; and *Picture This_18* a tech event on the future of filmmaking.

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 2.4 million (2017: 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 2018, Ulrik Bülow resigned from Egmont Fonden's Board of Trustees and Jeppe Skadhauge and Martin Enderle were reappointed for another four-year period. No new members joined the Board of Trustees in 2018.

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 2018 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 2018 based on the Recommendations on Corporate Governance. The report can be reviewed and downloaded at www.egmont.com/corporategovernance.

CORPORATE SOCIAL RESPONSIBILITY
Since 2013, Egmont has been a signatory to the UN Global Compact, supporting the 10 principles of human and labour rights, protection of the environment and anti-corruption.

Hence, Egmont's statutory report on Corporate Social Responsibility (CSR) includes the UN Global Compact guiding principles for Communication on Progress (COP). The full CSR report can be downloaded at: www.egmont.com/COPreport. The CSR report also includes Egmont's report on targets and policy with respect to sections 99a and 99b of the Danish Financial Statements Act on corporate social responsibility, and on the underrepresented gender, respectively.

The highlights from Egmont's CSR report 2018 are set out below.

PEOPLE
In 2018, Egmont continued its focus on the commitment to respect human and labor rights throughout the supply chain through a number of policies and initiatives promoting the principles in Egmont and at manufacturers.

EGMONT SOCIAL COMPLIANCE PROGRAMME
In 2018, Egmont continued to monitor its manufacturers' social compliance level via social audits, an on-going dialogue to remedy audit findings and product safety and quality inspections.

EMPLOYEE ENGAGEMENT
People are the most important asset in Egmont and it is one of Egmont's strategic priorities to be people-driven. Egmont's leaders are vital to the well-being and development of its people and it is crucial for Egmont's continued success that its leaders understand how to motivate and guide their employees in the rapid changes in business models. In 2018, Egmont has continued to invest in its leadership training,

which aims at unfolding Egmont's strategy in a set of key leadership principles. During 2018, approx. 160 leaders have completed the leadership development programme, with an average satisfaction score of 4.4 (5-point scale). Further, the leadership program will be extended to encompass informal leaders, i.e. functional specialists who are expected to impact a wider population of employees, although they do not have formal responsibility for direct reports. Egmont expects its leaders to take action on the engagement of people in their teams. We therefore conduct engagement surveys twice a year. Egmont's engagement remains at a high level, both in terms of the participation rate in surveys (86%) and the overall engagement level (7.6 on a 10-point scale), according to the latest survey as of November 2018.

GENDER COMPOSITION IN MANAGEMENT

The gender split in Egmont's general workforce is nearly equal with 48% men and 52% women. The same applies to the overall management levels where overall 54% are men and 46% are women.

Egmont's target with respect to the underrepresented gender on the Board of Trustees (the "Board") was to have one female board member no later than in 2018. The target has not been met. However, the Board believes that it is possible to identify the right female candidates for the Board. Thus, the Board has decided to continue to have a target of at least one female member appointed by the annual meeting to the Board no later than 2020. 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. During 2018, the Board of Trustees has not elected any new members. For the other eight Danish Egmont companies that must have a target with respect to the underrepresented gender, the target was also to have one female member on the board no later than in 2018. In 2018, five of these eight companies met the target. Also, for these companies, the target is to have at least one female member on the board no later than in 2020 and following some changes made in two boards in January 2019, seven of the companies now meet the target.

PLANET

Environmental Compliance

Manufacturers of Egmont products shall 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

Egmont's environmental policy focuses on five key areas: energy consumption, packaging, waste handling, chemicals and paper sourcing. However, Egmont recognised that in order to successfully set KPIs that mitigate our negative impacts on the environment within these areas, it is necessary to first perform a thorough risk analysis across the divisions in order to measure and analyse the impacts of our commercial activities. Once a robust baseline has been established, Egmont will set long-term targets for its environment and climate efforts. During 2018, Egmont continued its environmental data collection to comply with the reporting requirements in art. 99a of the Danish Financial Statements Act.

PROFIT

Anti-corruption and Anti-bribery Policy

Egmont has an anti-corruption and anti-bribery policy, which is mandatory for all Egmont companies. These topics have been integrated in the Egmont Code of Conduct, which is communicated to and integrated into the contracts with major business partners and manufacturers. A new Business Ethics Code for Egmont employees, which includes anti-corruption and bribery topics as well, is currently being implemented throughout Egmont. For 2019, Egmont has a goal of training all relevant employees in the new Business Ethics Code.

Whistleblowing Policy

Egmont has a whistleblowing policy, which can be accessed online by employees in the Egmont Group and by external parties. It has an online whistleblowing system, where employees or stakeholders can voice their concerns. In 2018, one report was made into Egmont's whistleblowing system of an HR related matter. The matter has been dealt with through the division's HR department and has subsequently been 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 2019

Egmont is overall expecting a slight increase in activity level for 2019. Operating profit is expected to be impacted by continued investment in developing our business. Egmont will carry on developing media platforms, continuously adapting its media products to changing consumer needs and new technology and run profitability programmes and efficiency-enhancing measures. The greatest uncertainty is associated with advertising revenue, which is sensitive to economic fluctuations and changes in consumer habits, the increasing cost of TV content and development in circulation of magazines.

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), 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

Participated in all nine board meetings.

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, Ejendomsselskabet Gothersgade 55 ApS, SofaKompagniet A/S (CM), Dena Group A/S (CM), Liquid Vanity ApS (CM), PulmoPharma IVS (CM), Nowaco A/S (VC), Vestas A/S, Fonden Holstebro Musik Teater (CM)

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

Participated in all nine board meetings.

Jeppe Skadhauge[1 3 5]
Attorney and partner, Bruun & Hjejle, born 1954, appointed 2009, election period expires 2022
Member of the Funding and Grant Committee
Member of the boards of Egmont International Holding A/S, Blindes Støttefond (CM), Tømmerhandler Johannes Fogs Fond (CM), Designmuseum Danmark (VC), the Danish Institute of Arbitration (CM), the Dubai International Arbitration Centre, The Danish Arbitration Association (CM)

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

Participated in all nine board meetings.

Martin Enderle[1 3 5]
Managing Director allmyhomes GmbH, Germany, born 1965, appointed 2014, election period expires 2022
Member of the boards of Egmont International Holding A/S, Delivery Hero SE (CM), Germany, CEWE Stiftung & Co. KGaA, Germany

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

Participated in eight of nine board meetings.

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

Participated in seven of nine board meetings.

Christian Wegner[1 3 5]
CEO Südwestdeutsche Medienholding (SWMH), Germany, born 1974, appointed 2017, election period expires 2021
Member of the board of Egmont International Holding A/S

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

Participated in eight of nine board meetings.

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

Participated in eight of nine board meetings.

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

Participated in all nine board meetings.

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

Participated in all nine board meetings.

MANAGEMENT BOARD

Steffen Kragh
President and CEO, born 1964
Member of the boards of Nykredit A/S (CM), Nykredit Realkredit A/S (CM), Lundbeckfonden (VC), Lundbeckfond Invest A/S
Chairman, vice chairman or member of boards of Egmont Group companies

Hans J. Carstensen
Executive Vice President and CFO, born 1965
Member of the board of Freja Ejendomme A/S (VC)
Chairman, vice chairman or member of boards of Egmont Group companies

All information as of 14 March 2019.

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 2018.

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 2018, 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 2018.

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, 14 March 2019

MANAGEMENT BOARD:

Steffen Kragh
President and CEO

Hans J. Carstensen

BOARD OF TRUSTEES:

Lars-Johan Jarnheimer
Chairman

Torben Ballegaard Sørensen
Vice Chairman

Josh Bottomley

Martin Enderle

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 2018, 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 2018 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2018 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 2018 and of the results of the Foundation's operations for the financial year 1 January – 31 December 2018 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, 14 March 2019

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

Jesper Koefoed	**Torben Bender**
State Authorised	State Authorised
Public Accountant	Public Accountant
mne11689	mne21332

Income Statement of the Group

(EURk)

Note		2018	2017
2	**Revenue**	**1,602,786**	**1,515,043**
3	Other operating income	10,797	6,608
	Raw materials and consumables	(97,173)	(101,822)
	Other external expenses	(994,899)	(943,410)
4	Personnel expenses	(332,523)	(319,304)
5	Depreciation, amortisation and impairment losses	(105,292)	(80,414)
	Other operating expenses	(2,693)	(2,997)
12	Profit/(loss) after tax from investments in joint ventures	3,971	4,985
	Operating profit	**84,974**	**78,689**
13	Profit/(loss) after tax from investments in associates	2,218	2,574
6	Financial income	12,826	5,738
7	Financial expenses	(18,657)	(8,799)
	Profit before tax	**81,361**	**78,202**
8	Tax on profit for the year	(30,572)	(17,509)
	Net profit for the year	**50,789**	**60,693**
	Net profit for the year attributable to:		
	Egmont Fonden	51,297	60,497
	Non-controlling interests	(508)	196
	Total	**50,789**	**60,693**

Statement of Comprehensive Income of the Group

(EURk)

Note		2018	2017
	Profit for the year	**50,789**	**60,693**
	Items that will not be reclassified to the income statement in subsequent periods:		
19	Actuarial gains/(losses) on defined benefit pension plans	190	2,482
	Other equity transactions in joint ventures	(455)	163
	Equity transactions in associates	397	(11)
	Tax on items that will not be reclassified to the income statement in subsequent periods	(42)	(596)
		90	**2,038**
	Items to be reclassified to the income statement in subsequent periods:		
	Foreign exchange adjustments on translation to presentation currency	(2,489)	(1,175)
	Foreign exchange adjustments on translation of foreign entities	(8,663)	(50,663)
	Value adjustment of hedging instruments:		
	Value adjustments for the year	10,162	(5,686)
	Value adjustments transferred to revenue	(497)	(176)
	Value adjustments transferred to other external expenses	1,407	3,319
	Value adjustments transferred to financial expenses	2,517	2,611
	Value adjustments transferred to intangible assets	(593)	(2,242)
	Tax on items to be reclassified to the income statement in subsequent periods	(2,909)	767
		(1,065)	**(53,245)**
	Other comprehensive income after tax	**(975)**	**(51,207)**
	Total comprehensive income	**49,814**	**9,486**
	Total comprehensive income attributable to:		
	Egmont Fonden	50,328	9,519
	Non-controlling interests	(514)	(33)
	Total	**49,814**	**9,486**

Statement of Financial Position of the Group at 31 December

(EURk)

Note	Assets	2018	2017
	Film rights and other acquired rights, etc.	56,366	52,445
	In-house produced film rights	26,410	31,460
	Goodwill	391,598	324,353
	Trademarks	178,380	162,213
	Intangible assets in progress and prepayments for film rights	16,202	26,002
9	Intangible assets	668,956	596,473
	Land and buildings	134,450	138,665
	Plant and machinery	21,941	27,012
	Tools and equipment	21,117	21,849
	Leasehold improvements	12,199	11,548
	Property, plant and equipment under construction	2,030	1,526
10	Property, plant and equipment	191,737	200,600
11	Investment properties	30,801	30,894
12	Investments in joint ventures	47,930	52,357
13	Investments in associates	96,420	83,189
	Other investments	6,265	3,803
26	Receivables from joint ventures and associates	16,515	20,054
20	Deferred tax	4,631	5,634
	Other non-current assets	171,761	165,037
	Total non-current assets	1,063,255	993,004
14	Inventories	103,925	123,631
25	Trade receivables	220,157	218,040
26	Receivables from joint ventures and associates	1,127	1,056
	Other receivables	76,389	53,902
15	Prepayments	131,079	112,496
	Receivables	428,752	385,494
16	Securities	66,217	152,837
17	Cash and cash equivalents	49,261	38,060
	Total current assets	648,155	700,022
	TOTAL ASSETS	1,711,410	1,693,026

Statement of Financial Position of the Group at 31 December

(EURk)

Note	Equity and liabilities	2018	2017
	Capital fund	29,460	29,549
	Retained earnings and other reserves	833,952	795,746
	Egmont Fonden's share of equity	**863,412**	**825,295**
	Non-controlling interests	5,881	4,255
18	**Equity**	**869,293**	**829,550**
19	Pension obligations and similar obligations	4,557	5,425
20	Deferred tax	52,104	38,709
21	Other provisions	6,459	7,208
25	Mortgage debt	111,540	112,340
25	Other credit institutions	53,892	54,624
	Deferred income	5,902	9,931
	Non-current liabilities	**234,454**	**228,237**
25	Mortgage debt	219	0
25	Other credit institutions	34,949	2,887
	Prepayments from customers	44,949	44,846
25	Trade payables	210,664	231,382
25, 26	Payables to joint ventures and associates	268	360
	Corporate income tax	7,559	5,086
	Other payables	189,905	228,917
21	Other provisions	55,256	53,018
27	Deferred income	63,894	68,743
	Current liabilities	**607,663**	**635,239**
	Total liabilities	**842,117**	**863,476**
	TOTAL EQUITY AND LIABILITIES	**1,711,410**	**1,693,026**

Cash Flow Statement of the Group

(EURk)

Note		2018	2017
	Operating profit	84,974	78,689
	Adjustment for non-cash operating items, etc.:		
	Other non-cash operating items, net	(5,487)	(2,804)
5	Depreciation, amortisation and impairment losses	105,292	80,414
	Profit/(loss) after tax from investments in joint ventures	(3,971)	(4,985)
	Provisions and deferred income	(6,713)	1,182
	Cash generated from operations before change in working capital	**174,095**	**152,496**
	Change in inventories	17,987	318
	Change in receivables	(33,022)	(22,051)
	Change in trade payables and other payables	(25,923)	72,433
	Change in working capital	**(40,958)**	**50,700**
	Cash generated from operations	**133,137**	**203,196**
	Interest received	6,494	6,020
	Interest paid	(9,879)	(8,557)
	Corporate income tax paid	(20,410)	(13,790)
	Cash flows from operating activities	**109,342**	**186,869**
	Acquisition of intangible assets	(58,328)	(74,264)
	Acquisition of property, plant and equipment	(22,462)	(36,220)
	Disposal of property, plant and equipment	2,865	2,725
	Acquisition of financial assets	(52,138)	(39,742)
	Disposal of financial assets	6,855	3,787
	Acquisition of securities	0	(90,684)
	Disposal of securities	86,205	100,593
30	Acquisition of subsidiaries	(76,514)	(11,608)
	Cash flows from investing activities	**(113,517)**	**(145,413)**
	Borrowing from credit institutions, etc.	29,236	0
25	Repayments to credit institutions, etc.	0	(9,358)
	Dividends from joint ventures and associated companies	2,047	1,885
	Dividends to non-controlling shareholders	(364)	(523)
	Donations	(12,815)	(12,911)
	Cash flows from financing activities	**18,104**	**(20,907)**
	Net cash flows from operating, investing and financing activities	**13,929**	**20,549**
	Cash and cash equivalents at 1 January	34,311	26,926
	Foreign exchange adjustment of cash and cash equivalents	(2,537)	(13,164)
17	**Cash and cash equivalents at 31 December**	**45,703**	**34,311**

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 2018	**29,549**	**(10,157)**	**(155,312)**	**961,215**	**4,255**	**829,550**
Effect of adoption of new accounting standard	0	0	0	3,507	0	3,507
Equity at 1 January 2018 (restated)	**29,549**	**(10,157)**	**(155,312)**	**964,722**	**4,255**	**833,057**
Net profit for the year	**0**	**0**	**0**	**51,297**	**(508)**	**50,789**
Foreign exchange adjustments on translation to presentation currency	(89)	30	466	(2,883)	(13)	(2,489)
Foreign exchange adjustments on translation of foreign entities	0	131	(8,801)	0	7	(8,663)
Value adjustments of hedging instruments:						
Value adjustments for the year	0	10,162	0	0	0	10,162
Value adjustments transferred to revenue	0	(497)	0	0	0	(497)
Value adjustments transferred to other external expenses	0	1,407	0	0	0	1,407
Value adjustments transferred to financial expenses	0	2,517	0	0	0	2,517
Value adjustments transferred to intangible assets	0	(593)	0	0	0	(593)
Actuarial gains/(losses) on defined benefit pension plans	0	0	0	190	0	190
Equity transactions in joint ventures and associates	0	0	0	(58)	0	(58)
Tax on other comprehensive income	0	(3,007)	98	(42)	0	(2,951)
Other comprehensive income	**(89)**	**10,150**	**(8,237)**	**(2,793)**	**(6)**	**(975)**
Total comprehensive income in 2018	**(89)**	**10,150**	**(8,237)**	**48,504**	**(514)**	**49,814**
Used for charitable purposes and associated costs	0	0	0	(12,815)	0	(12,815)
Acquisition/disposal, non-controlling interests	0	0	0	(2,903)	2,504	(399)
Dividends, non-controlling interests	0	0	0	0	(364)	(364)
Equity at 31 December 2018	**29,460**	**(7)**	**(163,549)**	**997,508**	**5,881**	**869,293**

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 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**

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1 Accounting policies

Egmont Fonden is a commercial foundation domiciled in Denmark. The annual report of Egmont Fonden for 2018 comprises both the consolidated financial statements of Egmont Fonden and its subsidiaries (the Group) and the separate financial statements of Egmont Fonden.

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

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

CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Egmont has applied the following standards for the first time for their annual reporting period commencing 1 January 2018:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The nature and effect of the changes as a result of adoption of these new accounting standards are described below. The impact on the consolidated statements for 2018 is insignificant.

Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The initial effects have been recognised in the opening balance for retained earnings at the application date of 1 January 2018. The total initial effect on equity for 2018 amounts to EUR 3.5 million.

Classification and measurement
The classification and measurement requirements of IFRS 9 have not had a significant impact on the Group. The Group continues measuring at fair value all financial assets previously held at fair value under IAS 39.

Egmont Group has investments where the Group does not have significant influence or control i.e. not classified as subsidiary, associate or joint venture – but as other investments. The Group has also call and put equity options related to equity investments. Other investments and equity options have previously in accordance with IAS 39 been measured at cost until exercise if the fair value could not be reliable measured. As a result of the new measurement requirement in IFRS 9 all options and other investments are now measured at fair value through profit or loss (FVPL).

Impairment
The adoption of IFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

The receivables in the Group are mainly derived from sales and services. The group has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. There are no transition adjustments in the Group from recording impairment losses using an expected credit loss (ECL) model for 2017 compared with an incurred loss model under IAS 39. Note 25 provides details about the calculation of the loss allowance.

Hedge accounting
The new rules and amendments from IFRS 9 for hedge accounting have no material impact on the hedge accounting

1 Accounting policies (continued)

in Egmont. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces revenue standards IAS 18 Revenue and IAS 11 Construction Contracts including related interpretations in IFRS, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Group has adopted IFRS 15 using the modified retrospective method of adoption with relief from restating comparative figures. There are no notable transition adjustments in connection with the application of IFRS 15 as the revenue recognition and measurement in the consolidated financial statements complies in all material aspects with the new IFRS 15 standard. Note 2 provides details about the Egmont groups disaggregation of the revenue.

BASIS OF PREPARATION

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

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

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

Significant accounting estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment, positively or negatively, to the carrying amount of assets or liabilities affected in future periods.

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

- Impairment testing related to intangible assets, including asset groups with indefinite life such as goodwill and certain trademarks. Outcome of impairment testing are dependent of the critical assumptions applied related to cash flow forecasts but also other factors such as discount rates and growth rates, cf. note 9 for further information.

- Acquisition of businesses where a number of estimates and judgments are carried out related to allocation of the purchase consideration to identifiable net assets including intangible assets/goodwill. Please refer to note 30 for further information.

- For film rights and in-house produced film rights estimates on the useful lives and period over which the rights are amortised are based on estimated sales, which by nature is associated by uncertainty. Please refer to note 9 for further information.

- Write down of inventories to net realisable values relates to books and game consoles. Estimated write-downs are dependent on expected future sales that by nature within consumer products and the business areas of Egmont is subject to some uncertainty. Please refer to note 14 for further information.

- Other provisions include items such as goods sold with a right of return and warranty provisions include estimates and judgements related to how many goods are expected to be returned or exchanged and to what extent warranties compensations are needed. Please refer to note 21 for further information.

- Measurement of pension obligations is by nature subject to a number of estimates and judgment related to the various inputs to the actuarial calculations etc. Please refer to note 19 for further information.

- Deferred taxes are subject to some elements related to whether tax assets may be utilised. Please refer to note 20 for further information.

Consolidated financial statements

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

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

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

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

1 Accounting policies (continued)

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, 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.

1 Accounting policies (continued)

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 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.

1 Accounting policies (continued)

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

Egmont recognises revenue from the following significant revenue streams;

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

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

The Group recognises revenue when or as control passes to the customer. Revenue is measured at its fair value, which comprise net present value when payments exceed 12 months. Revenue is measured excluding VAT and taxes, and including all types of discounts provided to customers.

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

Revenue from sale of goods and services

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

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

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

Revenue from magazine sales

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

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

1 Accounting policies (continued)

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

Revenue from TV and film production

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

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

TV and cable distribution

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

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

Revenue from advertising

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

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

Gaming revenue

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

Work for hire

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

Self published games

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

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

Other operating income and costs

Other operating income and costs comprise items secondary to the principal activities of the entities, including gains and losses on the disposal of businesses, intangible assets and property, plant and equipment, 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.

Government grants

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

Share of results from investments in joint ventures and associates

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

1 Accounting policies (continued)

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 measur ed at cost on initial recognition and amortised on a straight-line basis over the useful life (typically 5 to 10 years).

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

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

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

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

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

Other investments

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

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

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

Equity options

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

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

Impairment of non-current assets

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

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

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

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

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

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

1 Accounting policies (continued)

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

Receivables

Trade receivables are hold with the objective to collect the contractual cash flows. Receivables are therefore measured at fair value on initial recognition and are subsequently measured at amortised cost using the effective interest method less any impairment. Receivables are impaired at initial recognition. The impairment equals lifetime expected credit loss allowance on receivables in accordance with the simplified approach.

Prepayments

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

Securities

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

Pension obligations and similar non-current liabilities

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

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

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

1 Accounting policies (continued)

can be applied to determine the tax value, deferred tax is measured based on Management's planned use of the asset or settlement of the liability.

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

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

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

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

Other provisions

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

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

1 Accounting policies (continued)

year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

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

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

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

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	Geographical markets: Nordic Countries	Geographical markets: Other European Countries	2018
	Sale of goods	682,707	136,348	819,055
	Sale of services	653,130	914	654,044
	Royalty	119,089	1,391	120,480
	Rental income	9,207	0	9,207
	Total	**1,464,133**	**138,653**	**1,602,786**
	At point in time	1,444,561	137,570	1,582,131
	Transferred over time	19,572	1,083	20,655
	Total	**1,464,133**	**138,653**	**1,602,786**

	2017
Sale of goods	816,388
Sale of services	600,977
Royalty	88,846
Rental income	8,832
Total	**1,515,043**

3	Other operating income	2018	2017
	Sale of MyKid/Nettavisen	791	0
	Sale of Rasmus Klump	1,931	0
	Trust Nordisk	817	130
	Value adjustment Patchwork Group	0	734
	Sale of other non-current assets	2,690	1,090
	Miscellaneous	4,568	4,654
	Total	**10,797**	**6,608**

4	Personnel expenses	2018	2017
	Wages and salaries	(280,296)	(267,165)
	Defined contribution pension plans	(19,591)	(18,562)
	Defined benefit pension plans	(104)	(136)
	Other social security costs	(32,532)	(33,441)
	Total	**(332,523)**	**(319,304)**
	Average number of full-time employees	3,959	3,787

Compensation to Management Board amounted to 5,493 (2017: 4,870), of which pension contributions amounted to 408 (2017: 398).

Compensation to the Board of Trustees amounted to 528 (2017: 548).

Notes to the Consolidated Financial Statements (EURk) 47

4 Personnel expenses (continued)

Annual compensation to members of the Board of Trustees per task	2018	2017
Egmont Fonden, general:		
Member	10	10
Vice chairman	15	13
Chairman	20	18
Egmont Fonden, charitable activities:		
Member	7	6
Vice chairman	10	9
Chairman	13	13
Funding and Grant Committee, charitable activities:		
Member	13	13
Chairman	27	26
Egmont International Holding A/S:		
Member	30	30
Vice chairman	45	45
Chairman	60	60

5 Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses	2018	2017
Amortisation, intangible assets	(70,132)	(46,057)
Impairment losses, intangible assets	(5,787)	(4,007)
Depreciation, property, plant and equipment	(25,157)	(24,214)
Impairment losses, property, plant and equipment	(4,216)	(6,136)
Total	**(105,292)**	**(80,414)**

6 Financial income

Financial income	2018	2017
Interest income, financial assets, measured at amortised cost	2,806	2,335
Foreign exchange gains, net	9,320	1,073
Change in fair value, securities, net	0	1,219
Other financial income	700	1,111
Total	**12,826**	**5,738**

7 Financial expenses

Financial expenses	2018	2017
Interest expenses, financial liabilities, measured at amortised cost	(7,023)	(4,572)
Interest expenses, derivative financial instruments	(7,842)	(2,284)
Change in fair value, securities, net	(944)	0
Other financial expenses	(2,848)	(1,943)
Total	**(18,657)**	**(8,799)**

48 Notes to the Consolidated Financial Statements (EURk)

8	Taxes	2018	2017
	Current tax	(16,830)	(13,156)
	Deferred tax	(6,648)	(4,700)
	Adjustments for prior years, current tax	(6,924)	(428)
	Adjustments for prior years, deferred tax	(170)	775
	Total	**(30,572)**	**(17,509)**

Tax on the profit for the year results as follows:

	2018	2017
Calculated tax, 22.0% on profit before tax	(17,899)	(17,204)
Lowering of corporate tax rate in Norway and Sweden	1,153	775
Adjustment of calculated tax in foreign entities relative to 22.0%	(632)	(1,028)
Tax effect of:		
Non-taxable income	621	1,505
Non-deductible expenses	(5,408)	(2,265)
Unrecognised tax assets	(2,556)	0
Share of net profit/(loss) in joint ventures	874	1,097
Share of net profit/(loss) in associates	488	566
Adjustments for prior years	(7,094)	347
Withholding taxes	(119)	(1,302)
Total	**(30,572)**	**(17,509)**
Effective tax rate	37.6%	22.4%

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

Tax recognised in other comprehensive income:

	2018	2017
Tax on value adjustment of hedging instruments	(3,007)	2
Foreign exchange adjustments on translation of foreign entities	98	765
Tax on actuarial gains/(losses) on defined benefit pension plans	(42)	(596)
Total	**(2,951)**	**171**

Notes to the Consolidated Financial Statements (EURk) 49

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 2018	367,860	156,499	403,071	176,315	26,002
Foreign exchange adjustments	(1,319)	(1,697)	(6,620)	(2,820)	(79)
Additions through business combinations	1,196	3,503	72,779	21,675	0
Additions	7,740	21,073	0	366	29,903
Goverment grants	0	(848)	0	0	0
Transferred	39,149	0	0	0	(39,149)
Disposals	(4,037)	0	(2,655)	0	(475)
Cost at 31 December 2018	**410,589**	**178,530**	**466,575**	**195,536**	**16,202**
Amortisation and impairment losses at 1 January 2018	(315,415)	(125,039)	(78,718)	(14,102)	0
Foreign exchange adjustments	1,632	1,512	1,086	380	0
Disposals	3,452	0	2,655	0	0
Impairment losses	(5,787)	0	0	0	0
Amortisation	(38,105)	(28,593)	0	(3,434)	0
Amortisation and impairment losses at 31 December 2018	**(354,223)**	**(152,120)**	**(74,977)**	**(17,156)**	**0**
Carrying amount at 31 December 2018	**56,366**	**26,410**	**391,598**	**178,380**	**16,202**
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	12,562	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	**367,860**	**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	(36,343)	(8,451)	0	(1,263)	0
Amortisation and impairment losses at 31 December 2017	**(315,415)**	**(125,039)**	**(78,718)**	**(14,102)**	**0**
Carrying amount at 31 December 2017	**52,445**	**31,460**	**324,353**	**162,213**	**26,002**

50 Notes to the Consolidated Financial Statements (EURk)

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.

	2018	2017
TV 2, Norway	178,110	180,531
Nordisk Film, Cinemas	58,749	59,381
Nordisk Film, Games	67,909	0
Publishing, Norway	30,212	28,270
Publishing, Sweden	41,209	43,022
Other units	15,409	13,149
Carrying amount	**391,598**	**324,353**

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

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

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

TV2, Norway

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

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

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

Nordisk Film, Cinemas

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

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

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

Nordisk Film, Games

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

Notes to the Consolidated Financial Statements (EURk) 51

9 Intangible assets (continued)

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

Key assumptions
On average revenues are expected to grow between (negative) -2.9% and (positive) 7.6% in the forecast period.

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

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

The market risk premium is calculated as a general market risk premium between 5.5 – 5.8% multiplied by the non-leveraged beta value of each cash-generating unit. Further, a small-cap premium is added.

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

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

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

	Pre-tax discount rates		Growth rate during terminal period	
	2018	2017	2018	2017
TV 2, Norway	10.4%	10.6%	2.0%	2.0%
Nordisk Film, Cinemas	10.4%	10.0%	2.0%	2.0%
Nordisk Film, Games	13.5%	-	2.0%	-
Publishing, Norway	14.1%	14.1%	-5.0%	-5.0%
Publishing, Sweden	12.5%	14.7%	-2.6%	-5.0%

Impairment tests for goodwill for 2018 regarding the cash-generating units of the Group show that the recoverable amount exceeds the carrying amount.

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

52 Notes to the Consolidated Financial Statements (EURk)

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.

	2018	2017
TV 2, Norway	140,622	142,756
Publishing, Norway	9,114	9,395
Carrying amount	**149,736**	**152,151**

Trademarks for TV 2, Norway and Publishing, Norway are tested by using the Relief from Royalty method to assess future cash flows from royalty income for the individual trademarks. The royalty rate, determined on the basis of the cash-generating unit's products and the reputation of such products, ranged from 4.5% to 14.0% (unchanged from 2017).

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

	Pre-tax discount rates		Growth rate during terminal period	
	2018	2017	2018	2017
TV 2, Norway	10.4%	10.6%	2.0%	2.0%
Publishing, Norway	14.1%	14.1%	-5.0%	-5.0%

Impairment tests for trademarks for 2018 regarding the cash-generating units of the Group show that the recoverable amount exceeds the carrying amount.

Sensitivity

The Group assesses that probable changes in the assumptions underlying the impairment calculations will 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 2018 were at the expected level.

Notes to the Consolidated Financial Statements (EURk) 53

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 2018	221,891	62,245	84,173	30,259	1,526
Foreign exchange adjustments	(669)	(929)	(605)	(267)	(8)
Additions through business combinations	0	2	624	224	0
Additions	2,402	7,380	4,438	2,002	4,171
Transferred	308	0	2,235	984	(3,527)
Disposals	0	(4,099)	(210)	0	(132)
Cost at 31 December 2018	**223,932**	**64,599**	**90,655**	**33,202**	**2,030**
Depreciation and impairment losses at 1 January 2018	(83,226)	(35,233)	(62,324)	(18,711)	0
Foreign exchange adjustments	366	805	595	205	0
Disposals	0	4,099	116	0	0
Impairment losses	0	(4,197)	0	(19)	0
Depreciation	(6,622)	(8,132)	(7,925)	(2,478)	0
Depreciation and impairment losses at 31 December 2018	**(89,482)**	**(42,658)**	**(69,538)**	**(21,003)**	**0**
Carrying amount at 31 December 2018	**134,450**	**21,941**	**21,117**	**12,199**	**2,030**
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	13,034	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**	**62,245**	**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)	(6,678)	(7,584)	(2,491)	0
Depreciation and impairment losses at 31 December 2017	**(83,226)**	**(35,233)**	**(62,324)**	**(18,711)**	**0**
Carrying amount at 31 December 2017	**138,665**	**27,012**	**21,849**	**11,548**	**1,526**

54 Notes to the Consolidated Financial Statements (EURk)

11 Investment properties	2018	2017
Fair value at 1 January	30,894	30,937
Foreign exchange adjustments	(93)	(43)
Fair value at 31 December	**30,801**	**30,894**

Investment properties consist of a rental property in Denmark, let under a long-term lease with a 24 month term of notice. The fair value is calculated according to the net rental method, and thus the value of the property has been calculated on the basis of its expected operating income (pre-tax return) of about 2,400 (2017: 2,200) and a required rate of return of 3.75% (2017: 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 2.9 million.

Rental income amounted to 2,003 (2017: 1,988) and operating costs to 463 (2017: 469).

12 Investments in joint ventures	2018	2017
Cost at 1 January	32,987	33,659
Foreign exchange adjustments	(419)	(1,339)
Additions	360	3,126
Disposals	(628)	(2,459)
Cost at 31 December	**32,300**	**32,987**
Adjustments at 1 January	19,370	17,514
Foreign exchange adjustments	(1,358)	(2,739)
Share of profit/(loss) for the year	2,978	5,980
Impairment losses	993	(995)
Equity transactions in joint ventures	(455)	163
Dividends	(593)	(957)
Disposals	(5,305)	404
Adjustments at 31 December	**15,630**	**19,370**
Carrying amount at 31 December	**47,930**	**52,357**

Note 31 includes an outline of the Group's investments in joint ventures.

Notes to the Consolidated Financial Statements (EURk) 55

12 Investments in joint ventures (continued)

	Cappelen Damm 2018	Cappelen Damm 2017	Others 2018	Others 2017
Comprehensive income				
Revenue	158,359	168,968	143,706	130,403
Net profit for the year	(4,369)	5,787	4,838	6,142
Dividend received	0	0	593	957
Balance sheet				
Non-current assets	51,495	50,231	12,974	26,432
Current assets	80,207	73,648	61,317	60,660
Non-current liabilities	25,112	25,453	773	2,925
Current liabilities	58,919	45,810	38,136	43,545
Equity	47,671	52,616	35,382	40,622
Egmont Fonden's share of equity	**23,836**	**26,308**	**17,383**	**20,061**
Goodwill	167	167	6,544	5,821
Investments in joint ventures	**24,003**	**26,475**	**23,927**	**25,882**

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	2018	2017
Cost at 1 January	74,499	50,381
Foreign exchange adjustments	(1,489)	(2,022)
Additions	48,626	40,049
Disposals	(33,663)	(13,909)
Cost at 31 December	**87,973**	**74,499**
Adjustments at 1 January	8,690	8,999
Foreign exchange adjustments	(58)	(1,821)
Share of profit/(loss) for the year	5,881	2,835
Impairment losses	(3,663)	(261)
Equity transactions in associates	397	(11)
Dividends	(1,455)	(595)
Disposals	(1,345)	(456)
Adjustments at 31 December	**8,447**	**8,690**
Carrying amount at 31 December	**96,420**	**83,189**

Note 31 includes an outline of the Group's investments in associates.

56 Notes to the Consolidated Financial Statements (EURk)

13 Investments in associates (continued)

	RiksTV		Jollyroom		Others	
	2018	2017	2018	2017	2018	2017
Comprehensive income						
Revenue	137,139	140,064	142,907	103,274	163,648	183,620
Net profit for the year	760	7,537	913	1,882	325	7,668
Dividend received	0	0	0	0	1,455	595
Balance sheet						
Non-current assets	21,921	23,088	10,896	3,666	12,384	25,654
Current assets	26,627	20,209	47,740	13,903	64,715	100,338
Non-current liabilities	6,422	6,510	7,684	580	4,148	15,260
Current liabilities	51,645	44,356	42,816	9,763	40,821	61,838
Equity	(9,520)	(7,569)	8,137	7,226	32,267	48,922
Egmont Fonden's share of equity	**(3,173)**	**(2,523)**	**3,051**	**2,710**	**13,393**	**15,778**
Goodwill	31,854	33,352	6,419	6,833	44,876	27,039
Investments in associates	**28,681**	**30,829**	**9,470**	**9,543**	**58,269**	**42,817**

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

14 Inventories	2018	2017
Raw materials and consumables	4,826	3,218
Work in progress	3,097	5,915
Manufactured goods and goods for resale	80,085	90,239
TV programmes	15,917	24,259
Total	**103,925**	**123,631**

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 459,352 (2017: 475,814) and 11,416 (2017: 7,302), respectively. Reversed write-down of inventories in the income statement amounted to 127 (2017: 383). Inventories included capitalised payroll costs in the amount of 1,318 (2017: 3,210).

15 Prepayments

In the amount prepayments sports broadcasting rights are included with 5,482 (2017: 6,587), which are terminated more than 12 months from balance sheet day.

16 Securities	2018	2017
Listed bonds	65,781	152,434
Other	436	403
Total	**66,217**	**152,837**

The average duration of the bonds is 2 months.

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17	Cash and cash equivalents	2018	2017
	Cash and bank account deposits	49,261	38,060

Of which deposited in fixed-term deposit 995 (2017: 1,708) and cash and equivalents pledged as collateral 3,558 (2017: 3,749).

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 50.5% (2017: 48.7%).

19	Pension obligations and similar obligations	2018	2017
	Defined benefit pension obligations	848	157
	Other pension obligations	(5,405)	(5,582)
	Total	**(4,557)**	**(5,425)**

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 735 member enterprises and its consolidation ratio as of 30 June 2018 was 127% (2017: 130%). Contributions made to collective pension plans in Sweden in 2018 amount to EUR 2.7 million (2017: EUR 2.7 million). For 2019, the contributions are expected to be EUR 3.3 million.

Defined benefit pension plans:

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

58 Notes to the Consolidated Financial Statements (EURk)

19 Pension obligations and similar obligations (continued)

Defined benefit pension obligations recognised in the balance sheet	2018	2017
Present value of defined benefit pension obligations	(16,860)	(17,379)
Fair value of pension plan assets	17,831	17,664
Payroll tax	(123)	(128)
Net asset/(liability) at 31 December	**848**	**157**

Movement in the present value of defined benefit obligations	2018	2017
Liability at 1 January	(17,379)	(19,226)
Adjustments relating to previous years	0	(138)
Foreign exchange adjustments	143	1,427
Pension costs for the financial year	(113)	(125)
Calculated interest relating to liability	(402)	(454)
Actuarial gains/(losses) arising from changes in demographic assumptions	202	792
Actuarial gains/(losses) arising from changes in financial assumptions	(148)	(510)
Pensions paid, etc.	837	855
Liability at 31 December	**(16,860)**	**(17,379)**

Movement in the fair value of pension assets	2018	2017
Pension assets at 1 January	17,664	17,002
Foreign exchange adjustments	(237)	(1,303)
Calculated interest on plan assets	411	443
Actual return on plan assets greater/(less) than calculated interest	278	1,980
Group's contribution to plan assets	477	321
Pensions paid, etc.	(762)	(779)
Pension assets at 31 December	**17,831**	**17,664**

Actuarial gains/(losses) recognised in other comprehensive income	2018	2017
Actuarial gains/(losses) excl. payroll tax	332	2,262
Payroll tax	(142)	220
Total	**190**	**2,482**

Average composition of pension plan assets	2018	2017
Bonds	47.3%	46.3%
Shares	22.1%	22.1%
Money market and the like	18.5%	19.5%
Property	12.1%	12.1%

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19 Pension obligations and similar obligations (continued)

The Group expects to contribute EUR 567 to defined benefit pension plans in 2019.

Maturity of pension obligations	2018	2017
Within 1 year	993	1,042
Between 1 - 5 years	5,200	5,438
After 5 years	10,667	10,899
Total	**16,860**	**17,379**

Average assumptions used for the actuarial calculations at the end of the reporting period in the individual pension plans:	2018	2017
Discount rate	2.6%	2.4%
Inflation rate	1.5%	1.5%
Salary increase	2.75%	2.5%
Pension increase	0.8 - 2.5%	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	2018	2017
Reported defined benefit obligation	(16,860)	(17,379)
Discount rate sensitivity:		
Increase by 0.5%	(15,751)	(16,225)
Decrease by 0.5%	(18,108)	(18,683)
Salary increase sensitivity:		
Increase by 0.5%	(16,962)	(17,491)
Decrease by 0.5%	(16,763)	(17,275)

Other pension obligations:

The Group has recognised an obligation of EUR 5.4 million (2017: EUR 5.6 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	2018	2017
Deferred tax at 1 January	(33,075)	(28,710)
Adjustments relating to previous years	(170)	775
Foreign exchange adjustments	51	(616)
Additions through business combinations	(4,680)	5
Deferred tax for the year recognised in the income statement	(6,648)	(4,700)
Deferred tax for the year recognised in other comprehensive income	(2,951)	171
Deferred tax at 31 December	**(47,473)**	**(33,075)**
Deferred tax has been recognised in the balance sheet as follows:		
Deferred tax, asset	4,631	5,634
Deferred tax liability	(52,104)	(38,709)
Deferred tax, net	**(47,473)**	**(33,075)**

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 4,631 (2017: 5,634), 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	2018	2017
Intangible assets	(50,600)	(46,774)
Property, plant and equipment	(861)	(1,609)
Receivables	(181)	(80)
Inventories	3,105	3,458
Other current assets	(2,257)	(265)
Provisions	10,579	10,520
Other liabilities	(9,851)	(2,357)
Tax losses allowed for carryforward, etc.	2,593	4,032
Total	**(47,473)**	**(33,075)**

Unrecognised deferred tax assets relate to	2018	2017
Tax losses	5,744	4,035
Temporary differences	2,051	0

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21 Other provisions	Goods sold with a right of return	Other
Other provisions at 1 January 2018	42,901	17,325
Foreign exchange adjustments	(630)	(193)
Provisions made	18,825	11,767
Provisions used	(17,900)	(7,946)
Reversals	(1,379)	(1,055)
Other provisions at 31 December 2018	**41,817**	**19,898**

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	2018	2017
Fee to EY:		
Statutory audit	(1,247)	(1,028)
Tax consultancy	(279)	(290)
Other assurance statements	(263)	(155)
Other services	(428)	(291)
Total fees to EY	**(2,217)**	**(1,764)**
Fee to other auditors:		
Statutory audit	(126)	(63)
Tax consultancy	(29)	(46)
Other assurance statements	(318)	(15)
Other services	(311)	(265)
Total fees to other auditors	**(784)**	**(389)**
Total	**(3,001)**	**(2,153)**

23 Operating lease obligations

Operating lease obligations comprise leases for properties of 192,093 (2017: 197.641) and other leases of 11,105 (2017: 14,523).

Non-cancellable operating lease payments fall due	2018	2017
Up to 1 year	38,448	34,940
Between 1 to 5 years	99,943	95,458
More than 5 years	64,807	81,766
Total	**203,198**	**212,164**

The Group's share of operating lease obligations in joint ventures amounts to 32,021 (2017: 38,460).

Operating lease costs of 37,441 were recognised in the income statement for 2018 (2017: 39,226).

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24 Contingent liabilities and collateral

The Group has provided security to mortgage credit institutions of 111,759 (2017: 112,340) over domicile and investment properties, with a carrying amount of 134,787 (2017: 136,847).

Entities in the Group have furnished floating charge securities of 7,045 (2017: 0).

The Group has entered into binding contracts concerning purchase of intangible film rights at the value of 26,732 (2017: 26,875).

Entities in the Group have furnished miscellaneous guarantees, etc., for 10,446 (2017: 8,576).

The Group's share of miscellaneous guarantees in joint ventures amounts to 2,620 (2017: 3,894).

The Group's share of miscellaneous guarantees to associates amounts to 2,678 (2017: 2,686).

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 2018, a 5%-drop in the primary exchange rates of NOK/DKK, EUR/NOK and USD/DKK will affect equity negatively with EUR 12.1 million (2017: EUR 7.1 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 16.9 million (2017: EUR 6.4 million), which will be recognised in the income statement during 2019-2022.

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 2018 is affected negatively by EUR 8.8 million (2017: EUR 51.8 million).

A 5% drop in the exchange rates of NOK would have impacted the 2018 profits by about EUR -1.7 million (2017: EUR -2.5 million), and the equity at 31 December 2018 by about EUR -30.2 million (2017: EUR -28.5 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-2018 and end-2017, 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 53.9 million at 31 December 2018 and EUR 64.8 million at 31 December 2017. The cumulative fair value adjustments in other comprehensive income amounted to EUR -16.9 million at 31 December 2018 (2017: EUR -19.6 million), which will be recognised in the income statement over the coming 1-10 years (2017: 1-11 years).

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

Liquidity risks

The Group's liquidity reserve comprises cash and cash equivalents, securities and unutilised credit facilities. To ensure optimum utilisation of cash and cash equivalents, the Group operates with cash pools. The Group has net interest-bearing debt of EUR 69.1 million (2017: net interest-bearing deposits EUR 40.3 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 2023. 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	111,759	116,372	457	19,324	96,591
Other credit institutions	88,841	95,615	35,646	3,473	56,496
Trade payables	210,664	210,664	210,664	0	0
Payables to joint ventures and associates	268	268	268	0	0
Non-derivative financial instruments	**411,532**	**422,919**	**247,035**	**22,797**	**153,087**
Derivative financial instruments	25,571	20,781	570	11,549	8,662
31 December 2018	**437,103**	**443,700**	**247,605**	**34,346**	**161,749**
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**

Changes in liabilities arising from financing activities

	Non-current liabilities	Current liabilities	Total liabilities from financing activities
1 January 2018	166,964	2,887	169,851
Cash flow	(4,732)	33,967	29,235
Non-cash change:			
Acquistion and divestment of businesses	3,701	0	3,701
Foreign exchange movement	(501)	(1,686)	(2,187)
31 December 2018	**165,432**	**35,168**	**200,600**
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**

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25 Financial risks and financial instruments (continued)

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:

The Group has from 1 January 2018 applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. In prior years, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible due to financial difficulties, bankruptcy or default/late payments were written off by reducing the carrying amount directly.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The expected loss rates are based on historical credit losses experienced in the last 3 years (2014-2017). The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The group has identified the development in corporate insolvencies to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in this macroeconomic factor.

On that basis, the impairment as at 31 December 2018 after adoption of IFRS 9 can be determined as follows:

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

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 54,167 (2017: 23,242). In addition, some of the Group's entities take out credit insurance against losses on trade receivables to the extent deemed relevant.

Trade receivables are grouped based on geographical areas with common characteristics. The impairment as at 31 December 2018 can be specified on the geographical areas as follows:

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

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25 Financial risks and financial instruments (continued)

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

Impairment	2018	2017
Impairment at 1 January (IAS 39)	3,469	4,238
IFRS 9 effect	0	0
Impairment at 1 January (IFRS 9)	**3,469**	**4,238**
Foreign exchange adjustments	(65)	(109)
Impairment in the year	2,828	1,946
Realised losses	(638)	(625)
Reversed impairment	(1,239)	(1,981)
Impairment at 31 December	**4,355**	**3,469**

Credit risks 2017

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

	2017
Denmark	51,511
Other Nordic countries	92,011
Other European countries	30,554
Total	**174,076**

Aging of trade receivables past due and not impaired:

	2017
Up to 30 days	23,562
Between 30 and 90 days	10,848
Over 90 days	9,554
Total	**43,964**

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.

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25 Financial risks and financial instruments (continued)

Categories of financial instruments

	2018	2017
Financial assets measured at fair value via the income statement	66,718	153,912
Financial assets used as hedging instruments	9,666	984
Receivables	336,767	308,999
Financial liabilities measured at fair value via the income statement	8,509	3,891
Financial liabilities used as hedging instuments	17,063	20,065
Financial liabilities measured at amortised cost	411,532	401,593

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

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

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

26 Related parties

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

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

Related parties with significant influence also comprise joint ventures and associates; see notes 12; 13 and 31.

Transactions with joint ventures and associates:

	2018		2017	
	Joint ventures	Associates	Joint ventures	Associates
Receivables	13,976	3,667	13,648	7,462
Payables	239	29	0	360
Interest income	436	86	566	226

27 Deferred income - Contract liabilities

Contract liabilities comprise deferred income amounting to EUR 69,8 million at 31 December 2018.

Revenue recognised in the reporting period that was included in the contract liability balance at the period amounts to EUR 68,7 million.

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28 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 2018.

IFRS 16, Leases (endorsed by the EU) 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 right-of-use assets with corresponding impact on lease 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 on right of use assets and interest expense on lease liabilities. This will affect operating margin.
More extensive disclosures than under IAS 17 are also required depending on extent and complexity of the leases in the group.

Transition to IFRS 16

Egmont have chosen to adopt IFRS 16 using the modified retrospective method where comparative figures are not restated. This method implies that the right-of-use asset is calculated as if IFRS 16 was implemented on the commencement date of the lease contracts and depreciated over the lease period. The lease liability is measured at the present value of all lease payments discounted using the incremental borrowing rate at the implementation date and reduced concurrently with the instalments. The difference between the right-of-use asset and the lease liability affects equity negatively at the date of transition.

The Group will use the exemptions proposed by the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application, and lease contracts for which the underlying asset is of low value.

Expected impact of IFRS 16

During 2018, the Group has performed a detailed impact assessment of IFRS 16. Based on this assessment Egmont expects to recognise right-of-use assets in the balance amounting to approx. EUR 145-160 million and a reduction of the equity at transition date of approx. EUR 20-25 million. The impact on the consolidated profit and loss for 2019 is expected to be in a range from aprox. EUR (5)-0 million based on the assessment.

29 Subsequent events

On 3 January 2019 Egmont acquired further 23 % share in Fjellsport Group AS and Egmont now holds a majority stake in the company. The purchase price amounted to EUR 7.5 million. It has not been possible to prepare a purchase price allocation (PPA) before the publication of the annual report 2018. Apart from the above mentioned, no events have accurred after the reporting period.

30 Acquisition and divestment of businesses

Acquisitions in 2018

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

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

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

Fatalist Partners AB, Sweden

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

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

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

Other

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

Divestment 2018

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

70 Notes to the Consolidated Financial Statements (EURk)

30 Acquisition and divestment of businesses (continued)

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 acquisition 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.

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30 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 acquisitions 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.

31 Group entities

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

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

SUBSIDIARIES

			Ownership share	
Country	Entity	Registered office	2018	2017
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	69.13%	51.8%
	Belong A/S	Copenhagen	69.13%	51.8%
	Very ApS	Copenhagen	69.13%	51.8%
	GoShopping ApS	Herning		
	Bagaren och Kocken AB owns		100%	100%
	Unique Models of Copenhagen A/S	Copenhagen	60%	30%
	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		
	Kino.dk A/S	Copenhagen	74%	74%
	Nordisk Film Bridge Finance A/S	Copenhagen		
	Dansk Reklame Film A/S	Copenhagen		
	Egmont Administration A/S	Copenhagen		
	Egmont Svensk Finansiering A/S	Copenhagen		-
	Egmont Finansiering A/S	Copenhagen		
	Egmont Investering A/S	Copenhagen		
	Ejendomsselskabet Vognmagergade 11 ApS *	Copenhagen		
	Ejendomsselskabet Gothersgade 55 ApS *	Copenhagen		
	MBG Sleeping Egmont A/S **	Copenhagen		
	VPH Sleeping Egmont A/S **	Copenhagen		
Norway	Egmont Holding AS	Oslo		
	Egmont Kids Media Nordic AS	Oslo		
	Egmont Publishing AS	Oslo		
	Fagmedia AS	Oslo		
	MyKid AS	Oslo	-	56%
	Sempro AS	Moss	69.63%	69.63%
	Patchwork Norway AS	Oslo	69.13%	51.8%
	Nordisk Film AS	Oslo		
	Nordisk Film Distribusjon AS	Oslo		
	Nordisk Film Production AS	Oslo		

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31 Group entities (continued)

SUBSIDIARIES

Country	Entity	Registered office	Ownership share 2018	Ownership share 2017
Norway	Nordisk Film ShortCut AS	Oslo	66%	66%
	Filmweb AS	Oslo	64.3%	64.3%
	Drammen Kino AS	Drammen	66.7%	66.7%
	Nordisk Film Kino AS	Oslo		
	Media Direct Norge AS	Oslo		
	Mortal AS	Oslo		
	Postcard AS	Oslo		
	TV 2 Gruppen AS	Bergen		
	TV 2 AS	Bergen		
	TV 2 Skole AS	Bergen		
	Nydalen Studios AS	Oslo		
	Broom.no AS	Oslo		
	Broommarked AS	Oslo		
	Electric Friends AS	Oslo	51.96%	34%
	Eventyrkanalen AS	Bergen		
	TV 2 Torget AS	Bergen		
	Vimond Media Solutions AS	Bergen		
	Wolftech Broadcast Solutions AS	Bergen	91%	49.9%
	Tempelkroken AS	Fredrikstad		
	Screen Media AS	Oslo		
	Screen Story AS	Stavanger	90.2%	90.2%
	Aventia Media AS	Nøtterøy	52%	52%
Sweden	Egmont Holding AB	Malmö		
	Egmont Publishing AB	Malmö		
	Egmont Publishing Subsidiary AB	Stockholm		
	Patchwork Sweden AB	Stockholm	69.13%	51.8%
	Patchwork Studio AB	Stockholm		
	Patchwork Sweden AB owns		60%	-
	Egmont Publishing Digital AB	Stockholm		
	Bagaren och Kocken AB	Gothenburg	85.75%	85.75%
	Änglatroll AB *(Merged with Egmont Publishing AB)*	Örebro	-	
	Nordisk Film Sverige AB	Stockholm		
	Nordisk Film Distribution AB	Stockholm		
	Nordisk Film Produktion Sverige AB	Stockholm		
	Avanti Film AB	Stockholm		70%
	Fatalist Partners AB	Stockholm		21.74%
	Fatalist Holdings AB	Stockholm		21.74%
	Fatalist Tecnologies AB	Stockholm		21.74%
	Fatalist Development AB	Stockholm		21.74%

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31 Group entities (continued)

SUBSIDIARIES

Country	Entity	Registered office	Ownership share 2018	2017
Sweden	Fatalist Production 2 AB	Stockholm		21.74%
	Fatalist Production 3 AB	Stockholm		21.74%
	Fatalist Production 4 AB	Stockholm		21.74%
	Fatalist Production 5 AB	Stockholm		21.74%
	Fatalist Publishing AB	Stockholm		21.74%
	Expansive Worlds AB	Stockholm		21.74%
	Nordisk Film Biografer Sverige AB	Stockholm		-
	Outnordic Invest AB	Växjö	94.05%	-
	Outnorth AB	Kalmar		91.9%
Finland	Egmont Holding Oy/Egmont Holding Ab	Helsinki		
	Oy Nordisk Film Ab	Helsinki		
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 *(Merged with Egmont Ehapa Media GmbH)*	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	-	
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		
	Avalanche Studios New York Inc.	New York		-
China	Egmont Sourcing Hong Kong Ltd.	Hong Kong		
	Egmont Sourcing (HK) Ltd. *(Merged with Egmont Sourcing Hong Kong Ltd.)*	Hong Kong	-	
South Africa	Egmont Africa Pty, LTD	Cape Town		
Australia	Vimond Media Solutions Apac Pty Ltd	Sydney		

Notes to the Consolidated Financial Statements (EURk) 75

31 Group entities (continued)

JOINT VENTURES

Country	Entity	Registered office	Ownership share 2018	Ownership share 2017
Denmark	Nicehair ApS	Esbjerg	49%	49%
	Valida Care ApS	Esbjerg	49%	49%
	Med24.dk ApS	Løkken	49%	49%
	RK af 2018 P/S	Copenhagen	50%	-
	Komplementarselskabet RK af 2018 ApS	Copenhagen	50%	-
	I/S Ugebladsdistribution **	Albertslund	50%	50%
Norway	Mediehuset Nettavisen AS	Oslo	-	50%
	Cappelen Damm Holding AS	Oslo	50%	50%
	Cappelen Damm AS	Oslo	50%	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%
	Teknologisk Forlag 2 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	47.16%	44.8%
	Good Old AB	Malmö	47.16%	44.8%
	Ingager AB	Stockholm	42.28%	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%	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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31 Group entities (continued)

ASSOCIATES

Country	Entity	Registered office	Ownership share 2018	2017
Denmark	Zentropa Folket ApS	Hvidovre	50%	50%
	Venuepoint Holding A/S	Copenhagen	-	50%
	Venuepoint Live A/S	Copenhagen	-	50%
	Billetlugen A/S	Copenhagen	-	50%
	Flashbulb ApS	Copenhagen	42.97%	38.4%
	ES North A/S	Copenhagen	50%	50%
	Drive Studios ApS	Copenhagen	25%	25%
	Multiverse ApS	Copenhagen	40%	40%
	Reto-Moto ApS	Copenhagen	35.63%	35.63%
	Fridthjof Film A/S	Copenhagen	25%	25%
	Udstyrsfabrikken ApS	Copenhagen	25%	25%
	Publizon A/S	Aarhus	46%	46%
	s360 A/S	Aarhus	37.2%	37.2%
	Rejsepriser ApS	Copenhagen	25%	25%
Norway	Venuepoint AS	Oslo	-	50%
	KinoSør AS	Kristiansand	49%	49%
	Fjellsport Group AS	Sandefjord	43.21%	40.8%
	Garnius AS	Haugesund	10%	-
	Norges Televisjon AS	Oslo	33.3%	33.3%
	RiksTV AS	Oslo	33.3%	33.3%
	Norges Mobil TV AS	Oslo	33.3%	33.3%
	Publish Lab AS	Oslo	50%	50%
	The Oslo Company AS	Oslo	20%	20%
	Faktisk.no AS	Oslo	25%	25%
Sweden	CTS Eventim Sweden AB	Stockholm	-	50%
	Venuepoint AB	Gothenburg	-	50%
	Star Stable Entertainment AB	Stockholm	39.94%	-
	Raw Fury AB	Stockholm	26.15%	-
	Stella Nova Film AB	Stockholm	25%	25%
	Klintberg Nihlén Media AB	Stockholm	49%	49%
	Jollyroom Group AB	Mölndal	37.5%	37.5%
	Fem Förlag AB	Västra Frölunda	50%	50%
	Motorrad Nordic AB	Solna	44%	44%
Finland	Nordic VR Startups Oy	Helsinki	48.98%	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		2018	2017
	Royalty income, etc.	1,528	2,066
2	Personnel expenses	(133)	(130)
	Other external expenses	(429)	(382)
	Operating profit	**966**	**1,554**
	Dividends from investments in subsidiaries	16,463	8,943
7	Financial income	1,481	1,618
7	Financial expenses	(30)	(162)
	Profit before tax	**18,880**	**11,953**
3	Tax on profit for the year	(117)	(158)
	Net profit for the year	**18,763**	**11,795**
	Distribution of net profit:		
	Transfer to reserve fund	3,744	2,351
	Transfer to charitable fund	8,308	2,648
	Transfer to liquid reserve fund	6,711	6,796
	Total	**18,763**	**11,795**

Statement of Financial Position of Egmont Fonden at 31 December

(EURk)

Note	Assets	2018	2017
4	Investments in subsidiaries	180,902	181,446
5	Loans to group enterprises	87,046	87,308
	Financial assets	**267,948**	**268,754**
	Total non-current assets	**267,948**	**268,754**
	Receivables from group enterprises	28,401	24,178
	Other receivables	4,055	3,652
	Receivables	**32,456**	**27,830**
	Securities	**645**	**639**
	Cash and cash equivalents	**788**	**882**
	Total current assets	**33,889**	**29,351**
	TOTAL ASSETS	**301,837**	**298,105**

Equity and liabilities	2018	2017
Capital fund	29,460	29,549
Reserve fund	234,233	231,189
Charitable fund	8,308	12,931
Liquid reserve fund	9,939	3,186
Total equity	**281,940**	**276,855**
Payables to group enterprises	128	40
Donations committed but not yet paid	13,026	13,381
Other payables	6,743	7,829
Current liabilities	**19,897**	**21,250**
Total liabilities	**19,897**	**21,250**
TOTAL EQUITY AND LIABILITIES	**301,837**	**298,105**

1 Accounting policies
6 Basis of distribution
7 Related parties

Statement of Changes in Equity of Egmont Fonden

(EURk)

	Capital fund	Reserve fund	Charitable fund	Liquid reserve fund: Use according to articles 6-10	Liquid reserve fund: Use according to article 11	Total equity
Equity at 1 January 2018	**29,549**	**231,189**	**12,931**	**2,346**	**840**	**276,855**
Foreign exchange adjustments	(89)	(700)	(53)	(17)	(4)	(863)
Transfer from distribution of net profit	0	3,744	8,308	6,040	671	18,763
Transfer	0	0	(12,878)	12,878	0	0
Used for charitable purposes	0	0	0	(10,782)	(615)	(11,397)
Costs	0	0	0	(1,364)	(54)	(1,418)
Equity at 31 December 2018	**29,460**	**234,233**	**8,308**	**9,101**	**838**	**281,940**
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**

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.

Fee to auditors, see note 22 in the consolidated financial statements.

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

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

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

2	Personnel expenses	2018	2017
	Wages and salaries	(133)	(130)

Compensation to the Board of Trustees amounted to 204 in 2018 (2017: 212), of which 96 (2017: 105) 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	2018	2017
	Royalty tax paid	(117)	(158)

Tax on profit for the year consists of royalty tax.

4	Investments in subsidiaries	2018	2017
	Cost at 1 January	181,446	181,702
	Foreign exchange adjustments	(544)	(256)
	Cost at 31 December	**180,902**	**181,446**

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

5	Loans to group enterprises	2018	2017
	Cost at 1 January	87,308	87,431
	Foreign exchange adjustments	(262)	(123)
	Cost at 31 December	**87,046**	**87,308**

6	Basis of distribution	2018	2017
	Balance at 1 January	16,117	19,609
	Exchange change adjustments	(74)	(25)
	Used for charitable purposes	(11,397)	(11,605)
	Costs	(1,418)	(1,306)
	Transfer from distribution of net profit	15,019	9,444
	Balance at 31 December	**18,247**	**16,117**

82 Notes of Egmont Fonden (EURk)

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	2018	2017
Service fee	161	176
Rent	(55)	(75)
Acquisition of services	(251)	(629)
Interest, subsidiaries (net income)	1,565	1,481

Capital transactions and balances with subsidiaries at 31 December	2018	2017
Dividends from group enterprises	16,463	8,943
Loans to group enterprises	87,046	87,308
Receivables from group enterprises	28,401	24,178
Payables to group enterprises	(128)	(40)

Notes of Egmont Fonden (EURk) 83